

GSA

Office of Inspector General  
U.S. General Services Administration



# Semiannual Report to the Congress

April 1, 2013 – September 30, 2013



# Abbreviations

ARRA/ Recovery Act	American Recovery and Reinvestment Act
ASAC	Assistant Special Agent in Charge
CFO	Chief Financial Officer
CIO	Chief Information Officer
CIGIE	Council of Inspectors General for Integrity and Efficiency
CSP	Commercial Sales Practices
DCIS	Defense Criminal Investigative Service
DHS	Department of Homeland Security
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FBI	Federal Bureau of Investigation
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
GSA	General Services Administration
IFF	Industrial Funding Fee
IPERA	Improper Payments Elimination and Recovery Act of 2010
IT	Information Technology
MAS	Multiple Award Schedule
NCR	National Capital Region
OAS	Office of Administrative Services
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG/IG	Office of Inspector General/ Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PBS	Public Buildings Service
RWA	Reimbursable Work Authorization
SAC	Special Agent in Charge
SBA	Small Business Administration
TAA	Trade Agreements Act
VA	Veterans Affairs
WPA	Works Progress Administration

## Foreword

During this semiannual reporting period, the Office of Inspector General (OIG) continued its important work in detecting fraud and mismanagement within the General Services Administration's (GSA's) programs and operations.

- > We issued 47 audit reports and made 354 referrals for criminal prosecution, civil litigation, and administrative action during this period (page 8).
- > We recommended over \$885 million in funds to be put to better use and in questioned costs this period (page 8), bringing the total amount of financial recommendations to over \$1.7 billion for Fiscal Year (FY) 2013 (page 9).
- > Civil settlements and court-ordered and investigative recoveries totaled over \$143 million for this semiannual period (page 8) and \$253 million for FY 2013 (page 9).

Our Office of Audits continued to identify deficiencies in GSA's acquisition, information technology, and greening programs, and American Recovery and Reinvestment Act (Recovery Act) projects. In the course of performing contract audits, our auditors identified instances where Federal Acquisition Service (FAS) management, based on complaints from contractors, overrode contracting officer determinations, thereby undermining the integrity of the procurement process.

The OIG Office of Investigations continued to focus on major procurement fraud schemes. One investigation resulted in a \$60 million settlement by RPM International, Inc., and its subsidiary, Tremco, Inc., to resolve false claims allegations (page 31). Another investigation led to a \$10.5 million settlement by Gallup to resolve allegations that it inflated contract prices and engaged in prohibited employment negotiations (page 31).

Additionally, our Office of Forensic Auditing, Evaluation, and Analysis reviewed GSA's practices for performance recognition and awards for members of the Senior Executive Service (SES) and found that GSA's performance evaluation practices violated legal and record retention requirements. Furthermore, disclosures to the Office of Personnel Management (OPM) and Congress about the award program were inaccurate (page 40).

The OIG also participated in a number of interagency committees, reviewed numerous pieces of legislation and proposed regulations, and continued our public and private sector outreach as part of an effort to detect and deter procurement fraud (page 43).

I appreciate the hard work, dedication, and professionalism of our OIG employees. I thank the Members of Congress, the Office of Management and Budget (OMB), and employees throughout GSA for their continued support in working towards our common goals.



Brian D. Miller  
Inspector General  
November 15, 2013

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# OIG Profile

# OIG Profile

## 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 American taxpayers. The office also provides other services to assist management in evaluating and improving its programs.
- > The Office of Administration, a professional support staff that provides: budget and financial management, contracting, facilities and support services, human resources, and information technology services.
- > 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 organization that conducts analyses and evaluations of GSA programs and operations through management and programmatic reviews intended to provide insights into issues of concern to GSA, Congress, and the American public. In addition, the office formulates, directs, and coordinates the quality assurance function of the OIG and undertakes special projects and analyses as required by the Inspector General.
- > 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.

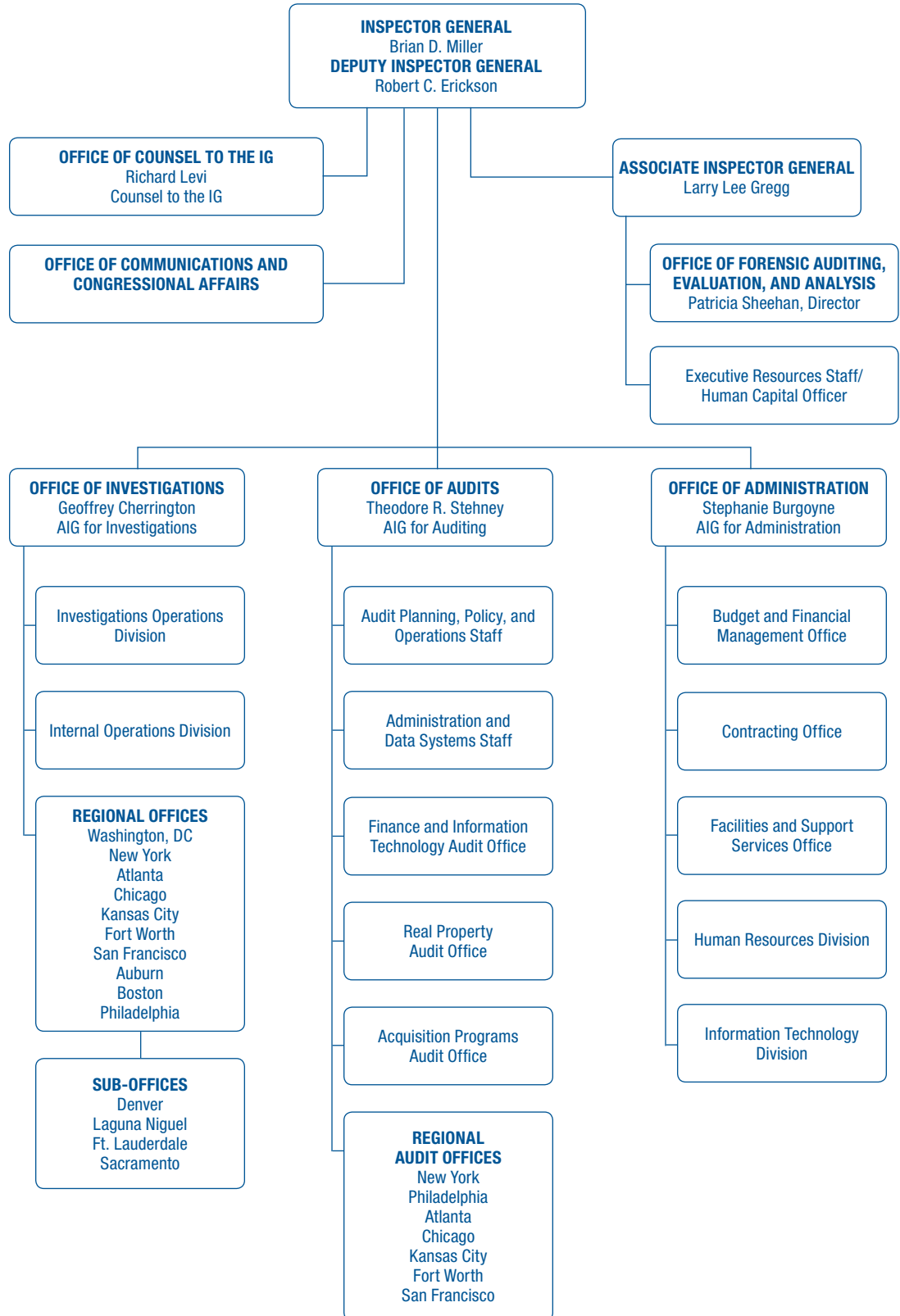
## Office Locations

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, D.C., area.

## Staffing and Budget

As of September 30, 2013, our on-board staffing level was 269 employees. The OIG operated under a full-year continuing resolution based on our FY 2012 budget of \$58M with a 0.2% rescission and an additional \$471K in funds appropriated under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The budget was also subjected to a 5.0% sequestration reduction.

# OIG Organization Chart





# OIG Offices and Key Officials

OFFICE OF THE INSPECTOR GENERAL		
Inspector General	Brian D. Miller (J)	(202) 501-0450
Deputy Inspector General	Robert C. Erickson (JD)	(202) 501-0450
Special Assistant for Communications	Sarah Breen	(202) 219-1351
Congressional Affairs Liaison	Jennifer Riedinger	(202) 501-4634
OFFICE OF COUNSEL TO THE INSPECTOR GENERAL		
Counsel to the IG	Richard Levi (JC)	(202) 501-1932
OFFICE OF ASSOCIATE INSPECTOR GENERAL		
Associate Inspector General	Larry Lee Gregg (JX)	(202) 219-1041
OFFICE OF FORENSIC AUDITING, EVALUATION, AND ANALYSIS		
Director	Patricia D. Sheehan (JE)	(202) 273-4989
OFFICE OF ADMINISTRATION		
Assistant IG for Administration	Stephanie Burgoyne (JP)	(202) 273-5006
Deputy Assistant IG for Administration	Erica Kavanagh (JP)	(202) 501-4675
Director, Budget and Financial Management Office	Stephanie Burgoyne (JPB)	(202) 273-5006
Director, Human Resources Division	Denise McGann (JPH)	(202) 501-1734
Acting Director, Information Technology Division	Erica Kavanagh (JPM)	(202) 501-4675
Supervisor, Facilities and Services Office	Carol Mulvaney (JPF)	(202) 501-3119
Contracting Officer	Brenda Reynolds (JPC)	(202) 501-2887
OFFICE OF AUDITS		
Assistant IG for Auditing	Theodore R. Stehney (JA)	(202) 501-0374
Deputy Assistant IG for Acquisition Programs Audits	James P. Hayes (JA)	(202) 273-7321
Deputy Assistant IG for Real Property Audits	Rolando N. Goco (JA)	(202) 501-2322
Chief of Staff	Peter J. Coniglio (JA)	(202) 501-0468
Program Manager, FAR Disclosure and False Claims Act Resolution Program	Paul J. Malatino (JA)	(202) 208-0021
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
DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDITING/REGIONAL INSPECTORS GENERAL FOR AUDITING/PROGRAM DIRECTORS		
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	Hilda M. Garcia (JA-9)	(415) 522-2744
Acquisition Programs Audit Office	Barbara Bouldin (JA-A)	(202) 273-7371
Finance and Information Technology Audit Office	Carolyn Presley-Doss (JA-F)	(202) 273-7323
Real Property Audit Office	Marisa A. Roinestad (JA-R)	(202) 273-7241

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	ASAC Floyd Martinez (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 Sean Gomez (JI-8)	(303) 236-5072
Southwest Regional Office	SAC Paul W. Walton (JI-7)	(817) 978-2589
Western Regional Office	SAC David House (JI-9)	(415) 522-2755
Laguna Niguel Resident Office	ASAC Theresa Quellhorst (JI-9L)	(949) 360-2214
Northwest Regional Office	SAC Terry J. Pfeifer (JI-10)	(253) 931-7654

# Statistics on OIG Accomplishments

# Summary of OIG Performance

**April 1, 2013 – September 30, 2013**

<b>OFFICE OF AUDITS</b>	
Total financial recommendations	\$885,212,160
These include:	
Recommendations that funds be put to better use	\$826,868,219
Questioned costs	\$58,343,941
Audit reports issued	47
Audit memoranda provided to GSA	9
<b>Management decisions agreeing with audit recommendations</b>	<b>\$695,904,264</b>
<b>OFFICE OF INVESTIGATIONS</b>	
Referrals for criminal prosecution, civil litigation, & administrative action	354
Indictments and informations on criminal referrals	47
Cases accepted for criminal prosecution	34
Cases accepted for civil action	10
Successful criminal prosecutions	29
Civil settlements	8
Contractors/individuals suspended and debarred	172
Employee actions taken on administrative referrals involving GSA employees	20
<b>Civil settlements and court-ordered and investigative recoveries</b>	<b>\$143,723,750</b>

# Fiscal Year 2013 Results

During Fiscal Year 2013, OIG activities resulted in:

- > Over \$1.7 billion in recommendations that funds be put to better use and in questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- > 88 audit reports and 19 audit memoranda that assisted management in improving the efficiency and effectiveness of Agency operations.
- > Over \$1.1 billion in management decisions agreeing with audit recommendations; \$253 million in criminal, civil, administrative, and other recoveries.
- > 201 new investigations opened and 290 cases closed.
- > 68 case referrals (105 subjects) accepted for criminal prosecution and 19 case referrals (27 subjects) accepted for civil litigation.
- > 80 criminal indictments/informations and 56 successful prosecutions on criminal matters previously referred.
- > 17 civil settlements.
- > 33 employee actions taken on administrative referrals involving GSA employees.
- > 172 contractor/individual suspensions and 194 contractor/individual debarments.
- > 2,378 Hotline calls and letters received of which 34 were referred for criminal or civil investigations, 34 were referred to other agencies for follow up, and 111 were submitted to GSA for review and appropriate administrative actions.

# Statistical Summary of OIG Accomplishments

## Reports Issued

The OIG issued 47 audit reports. The 47 reports contained financial recommendations totaling \$885,212,160 including \$826,868,219 in recommendations that funds be put to better use and \$58,343,941 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, 2013. Table 1 does not include: 1 report issued to another agency this period, 5 implementation reviews that are excluded from the management decision process, and 7 reports excluded 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
<b>For which no management decision had been made as of 04/01/2013</b>			
Less than six months old	24	17	\$568,911,376
Six or more months old	1	1	\$697,121
Reports issued this period	41	29	\$885,212,160
<b>TOTAL</b>	<b>66</b>	<b>47</b>	<b>\$1,454,820,657</b>
<b>For which a management decision was made during the reporting period</b>			
Issued prior periods	20	13	\$504,795,556
Issued current period	22	14	\$191,108,708
<b>TOTAL</b>	<b>42</b>	<b>27</b>	<b>\$695,904,264</b>
<b>For which no management decision had been made as of 09/30/2013</b>			
Less than six months old	19	15	\$694,103,452
Six or more months old	5	5	\$64,812,941
<b>TOTAL</b>	<b>24</b>	<b>20</b>	<b>\$758,916,393</b>

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

## 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
For which no management decision had been made as of 04/01/2013		
Less than six months old	13	\$566,229,789
Six or more months old	1	\$658,281
Reports issued this period	22	\$826,868,219
<b>TOTAL</b>	<b>36</b>	<b>\$1,393,756,289</b>
For which a management decision was made during the reporting period		
Recommendations agreed to by management	22	\$691,706,447
Recommendations not agreed to by management	0	\$0
<b>TOTAL</b>	<b>22</b>	<b>\$691,706,447</b>
For which no management decision had been made as of 09/30/2013		
Less than six months old	10	\$637,748,547
Six or more months old	4	\$64,301,295
<b>TOTAL</b>	<b>14</b>	<b>\$702,049,842</b>

## Management Decisions on OIG Reports with Questioned Costs

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

	NUMBER OF REPORTS	QUESTIONED COSTS
For which no management decision had been made as of 04/01/2013		
Less than six months old	12	\$2,681,587
Six or more months old	1	\$38,840
Reports issued this period	18	\$58,343,941
<b>TOTAL</b>	<b>31</b>	<b>\$61,064,368</b>
For which a management decision was made during the reporting period		
Disallowed costs	17	\$4,197,817
Cost not disallowed	0	\$0
<b>TOTAL</b>	<b>17</b>	<b>\$4,197,817</b>
For which no management decision had been made as of 09/30/2013		
Less than six months old	9	\$56,354,905
Six or more months old	5	\$511,646
<b>TOTAL</b>	<b>14</b>	<b>\$56,866,551</b>

## Investigative Workload

The OIG opened 79 investigative cases and closed 140 cases during this period. In addition, the OIG received and evaluated 31 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 51 referrals to GSA officials for information purposes only.

## Actions on OIG Referrals

Based on these and prior referrals, 34 cases (59 subjects) were accepted for criminal prosecution and 10 cases (11 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 47 indictments/informations and 29 successful prosecutions. OIG civil referrals resulted in 8 case settlements. Based on OIG administrative referrals, GSA management debarred 99 contractors/individuals, suspended 73 contractors/individuals, and took 20 personnel actions against employees.

**Table 4. Summary of OIG Referrals**

TYPE OF REFERRAL	CASES	SUBJECTS
Criminal	54	92
Civil	9	44
Administrative	34	51
Suspension	26	77
Debarment	31	90
<b>TOTAL</b>	<b>154</b>	<b>354</b>



## 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 Results\***

	CRIMINAL	CIVIL
Fines and Penalties	\$1,199,873	
Settlements		\$87,093,647
Recoveries		\$4,453,354
Forfeitures	\$16,888,265	
Seizures	\$1,000	
Restitutions	\$32,284,624	
<b>TOTAL</b>	<b>\$50,373,762</b>	<b>\$91,547,001</b>

**Table 6. Other Monetary Results**

Administrative Recoveries	\$1,812,970
Forfeitures	\$3,017
<b>TOTAL</b>	<b>\$1,815,987</b>

\* An additional \$8 million in investigative recoveries were not reported in the previous semiannual report for the period of October 1, 2013 – March 31, 2013. Network Appliance paid \$2 million to resolve alleged false claims in connection with Network Appliance's conduct when they migrated from their own Multiple Award Schedule contract to Immix Technology Inc.'s, Multiple Award Schedule contract. Additionally, the previous semiannual report reported that W. W. Grainger paid \$70 million to resolve false claims related to its MAS contract when it in fact paid \$76,180,274. Including these recoveries modifies our previously reported civil settlements and court-ordered and investigative recoveries figure from \$101,940,034 to \$110,120,308.



# Management Challenges

# 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.

CHALLENGE	BRIEF DESCRIPTION OF CHALLENGE
<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.
<b>GSA's Organizational Structure</b>	After centralizing both FAS and PBS regional budget and financial management, GSA's Acting Administrator's initiative for a Top to Bottom review of the agency's structure and operations requires an assessment of GSA's current controls and systems.
<b>Consolidation of Central Office Personnel to 1800 F Street, NW</b>	As GSA physically consolidates the majority of its functions in Washington, D.C., there is a lack of space to concurrently accommodate all employees. The shift to an alternative workspace (hoteling, teleworking) poses new challenges to the operations and supervision for the agency's mobile workforce.
<b>Information Technology</b>	Improved planning, development, and implementation of Information Technology systems and services is needed to ensure quality data and support business decisions. GSA also needs to improve the protection of sensitive information and address emerging risks associated with cloud computing.
<b>Financial Reporting</b>	GSA 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.
<b>Protection of Federal Facilities and Personnel</b>	GSA is responsible for protecting the life and safety of employees and public visitors at federal buildings. The increased risks from terrorism have greatly expanded the range of vulnerabilities. A broadly integrated security program is required.
<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.
<b>American Recovery and Reinvestment Act Impact</b>	Mandated to obligate \$5.5 billion for 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.

# Management Challenges

## Acquisition Programs

GSA provides federal agencies with billions of dollars in products and services through various contract types. As of September 30, 2013, there were over 18,500 Multiple Award Schedule (MAS) contracts under GSA's procurement program that generated over \$35.8 billion in annual sales. We oversee this program by conducting preaward, postaward, and performance audits. Historically, for every dollar invested in our preaward audits, we achieve at least \$10 in lower prices or more favorable contract terms and conditions for the benefit of the government and 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 to realize millions of dollars in savings on negotiated contracts. During this period we performed preaward audits of 32 contracts with an estimated value of almost \$6.5 billion. We recommended more than \$826 million of funds be put to better use. Management decisions were made on 22 preaward audit reports, which recommended over \$691 million of funds be put to better use. Management agreed with 100% percent of our recommended savings.

Three of our more significant audits were MAS contracts with combined projected government sales of more than \$1.01 billion. These audits resulted in recommendations of nearly \$587 million be put to better use. We identified the following significant findings within one or more of our audit reports: current and proposed price reduction clauses were ineffective; sales monitoring systems did not ensure proper administration of the price reduction provisions of the contract; commercial customers received greater discounts than those offered to GSA; commercial sales practice information was noncurrent, inaccurate, and/or incomplete; controls over GSA sales reporting were inadequate, resulting in incorrect reporting of sales and/or payment of the Industrial Funding Fee (IFF); and vendors overbilled GSA for unallowable costs and unqualified labor.

## **Improper Management Intervention in Multiple Award Schedule Contracts, Federal Supply Schedule 70 – Information Technology Contracts, Federal Acquisition Service**

Report Number A120161/Q/6/P13003, dated June 4, 2013

In the course of performing MAS contract audits, we identified numerous instances where FAS management, based on complaints from contractors, overrode contracting officer determinations without proper justification, pressured contracting officers to extend or award contracts, and reassigned contracts to different contracting officers. This audit disclosed that Federal Acquisition Service (FAS) management's improper intervention in the award and extension of MAS contracts resulted in contracts with inflated pricing and/or unfavorable contract terms and extensions where contracting staff had determined such a decision was not in the best interests of the United States. By allowing contractors to circumvent contracting officers and supporting the contractors' positions, including reassigning contracts to different contracting officers, FAS management undermined the integrity of the procurement process. FAS management actions also compromised the authority of contracting officers and adversely affected morale.

We recommended that the FAS Commissioner:

- > Ensure that the contracting process is independent and free from FAS management interference due to contractor pressure. These steps should include:
  - Requiring FAS management not to intervene in contracting actions in response to requests from contractors except for instances of misconduct or other serious administrative issues;
  - Requiring FAS management to fully document all conversations and correspondence with contractor officials regarding specific contracts and offers, to include such information as date, time, participants, and specific details of information exchanged; and
  - Issuing a memorandum expressing support for contracting staff making independent determinations, including decisions to not award contracts or contract extensions.
- > Take appropriate action to either renegotiate or cancel the affected contracts.
- > Take appropriate administrative action to address the FAS management and contracting staff conduct identified in this report.

The FAS Commissioner agreed with our report recommendations.

## Applicability of Price Reductions over the Maximum Order Threshold

Report Number A130068/Q/3/P13002, dated April 26, 2013

This audit disclosed that during the course of preaward audit work, two contractors claimed that the plain language of contract clause I-FSS-125 does not require them to provide price reduction discounts to GSA orders over the maximum order threshold (maximum order). The failure of these contractors to pass on price reductions has resulted in over \$100 million in lost savings for GSA orders.

GSA disagrees with the vendors' interpretation. We also found no evidence that GSA intended for government orders above the maximum order to not receive price reduction discounts. In fact, GSA's intent was to put schedule vendors on notice that they could accept orders over the maximum order and provide additional discounts without penalty. However, vendors have asserted that the language used in the clause does not clearly convey this.

Our audit also disclosed that the clause language is still present in some contracts. While we concur with GSA's position, the Agency needs to publish its interpretation of this clause and remove the obsolete language from existing contracts. As long as either the clause or its surviving language remains in schedule contracts, agencies may not be receiving the intended benefit of price reduction discounts for orders over the maximum order threshold.

We recommended that the FAS Commissioner:

- > Immediately review all schedule contracts to determine if I-FSS-125 clause language is still incorporated, and if so take steps to remove it; and
- > Publish GSA's interpretation of I-FSS-125 clause language that government orders above the maximum order are entitled to price reduction discounts.

The FAS Commissioner agreed with our report recommendations.

## Audit of GSA's Controls over the National Capital Region's Reimbursable Work Authorizations

Report Number A120001/P/F/R13007, dated September 11, 2013

This audit disclosed that the National Capital Region (NCR) has not consistently implemented Public Building Service's (PBS) policies and procedures for managing Reimbursable Work Authorizations (RWA). Therefore, NCR does not have assurance that RWA operations are effective and efficient, compliant with applicable policies and laws, or that RWA financial reporting is reliable. Specifically, NCR service centers did not ensure: signatory authority or required training for accepting customers' RWAs; proper documentation supporting RWA funding and completion; timely contracting for and close out of RWAs; effective communication with customer agencies; and clearly defined and consistently implemented RWA policies and procedures.

RWAs are agreements between PBS and a customer agency. RWAs are established to capture and bill customer agencies for the cost of altering, renovating, repairing, or providing services over and above basic operations financed through rent, in space managed by PBS. Under these agreements, PBS provides the material(s) and/or service(s) needed to accomplish the work and the customer agency reimburses GSA for associated costs. The objective of our audit was to determine if GSA's controls over RWAs, as implemented by the NCR, ensure compliance with applicable policies and laws.

We determined that RWAs were being accepted by personnel without proper authority, RWA documentation did not always support the RWA funding amount or completion date, and the contractual obligation and close-out of RWAs was not timely, in some cases. Additionally, communication with customers was not always taking place as required, especially with regard to the de-obligation of excess customer funds. Lastly, certain policies and procedures over the RWA process have been interpreted differently within the region leading to inconsistent practices.

NCR service centers have not adhered to internal control policies and guidance as dictated in the RWA National Policy Document and the PBS Internal Controls Desk Guide. In addition, certain policies and procedures over the RWA process from submission and acceptance to completion and financial closeout need clarification and consistent enforcement throughout the region.

We recommended that the NCR Regional Administrator:

- > Develop and implement a plan to ensure existing controls are consistently applied at all NCR service centers and identify internal control system weaknesses to improve RWA management.
- > Clarify and actively manage the policy regarding RWAs to ensure the service centers apply the policy consistently, and that RWAs are authorized at the appropriate levels.

The NCR Regional Administrator agreed with our report recommendations.

### **Audit of the Heartland Region Public Buildings Service's Award and Administration of Blanket Purchase Agreements GS-06P-07-GX-A-0009 and GS-06P-08-GX-A-0076**

Report Number A120140/P/6/R13005, dated April 4, 2013

This audit disclosed that for both Blanket Purchase Agreements (BPA), prior PBS regional management provided insufficient information and oversight of the orders to ensure useful deliverables were obtained and that costs did not exceed benefits. The audit was performed to examine concerns within GSA of potential waste regarding BPAs established under the Adams-Gabbert & Associates, LLC (Adams-Gabbert) MAS contract. Specifically, the concerns related to whether orders placed under the BPAs had measurable deliverables and whether the total contract value was commensurate with those deliverables received.



From January 2007 through August 2010, multiple orders were issued against the Adams-Gabbert BPAs to provide a variety of services requested by regional PBS management. However, management did not provide sufficient information to develop defined scopes of work and measurable deliverables, or the oversight needed to ensure costs did not exceed benefits. As a result, PBS did not fully comply with the FAR, the Competition in Contracting Act, or internal PBS guidance. The government received limited benefit from the \$2.6 million spent.

This report does not include recommendations because PBS regional management responsible for the orders has been replaced. In addition, current PBS regional management acknowledged the deficiencies with the BPAs and has already implemented additional controls over contracting practices. We believe these controls will ensure errors do not recur.

Current PBS regional management advised that business benefits were received from the products Adams-Gabbert delivered but concurred that deficiencies were present. The Heartland Regional Administrator did not take exception with our report.

### **Audit of GSA's Award and Administration of Center of Excellence Task Orders, Pacific Rim Region, Federal Acquisition Service**

Report Number A120106/Q/9/P120106, dated July 16, 2013

This audit disclosed that one Center of Excellence task order did not include clearly defined deliverables. Without clear and measurable deliverables, it is questionable whether FAS could adequately assess the work performed. The objective of our audit was to determine whether GSA adequately awarded and administered the two Center of Excellence task orders in accordance with FAR and internal policies and procedures.

Overall administration of the two task orders reviewed required strengthening. We found no evidence demonstrating that FAS reviewed supporting documentation before approving invoices for payment. Consequently, there are concerns whether deliverables were completed prior to payment.

Finally, we identified two funding issues: untimely return of unused funds and the application of an incorrect funding source.

We recommended that the FAS Regional Administrator, Pacific Rim Region:

- > Obtain supporting documentation to validate that all task order subtasks were addressed by the contractor and attempt to recoup funds for subtasks not performed.
- > Develop an action plan to ensure that contracting staff adhere to FAS policies when developing contract requirements.
- > Obtain missing monthly status reports and travel receipts to validate invoiced items and attempt to recoup unsupported items.
- > Develop and implement procedures for project managers to review contractor reports and establish the report types required to validate work performed.

- > Require that all internal and contract administration documents needed to validate contractor payments are incorporated into IT Solutions Shop.
- > Re-evaluate treating each period of performance as a separate task order for the purpose of promptly returning unused funds.
- > Identify any additional unused funds from the option periods that have not been returned, in addition to the \$109,000 in unused funds from the base period, and determine when the funds will be returned.
- > Provide further training and guidance to regional staff on adhering to the written policy on using proper funding.
- > Correct invoices with the wrong funding source for both the base and option periods and issue credits or rebills, as necessary.

The FAS Regional Administrator agreed with our report recommendations.

### **Review of GSA Conferences and Meetings, 2011 Federal Acquisition Service Leadership Conferences – Orlando, Florida and Atlanta, Georgia**

Memorandum Numbers A120130-04 and A120130-05, dated May 15, 2013

The memorandum for the FAS Leadership Conference in Orlando, Florida, disclosed that conference acquisition and planning procedures did not comply with FAR regulations, resulting in a flawed source selection methodology. The available evidence indicates GSA preselected vendors, directing a procurement using a GSA Schedule to give the appearance of satisfying FAR competition and price reasonableness requirements.

During our review of the Orlando conference, we identified a similar, but smaller, conference held in Atlanta, Georgia, several months before. Our inquiry into the Atlanta conference disclosed that the procurement process was flawed and led to a directed procurement. Contract files from the Atlanta conference were used as the basis for developing the acquisition strategy and requirements for the Orlando conference. The act of forwarding contracting officer file information to another GSA office to be used as a guide would normally be a prudent, efficient, and effective practice. However, if the original procurement is flawed, the result is a second flawed procurement.

Our objective for the two reviews was to determine if conference acquisition procedures were compliant with the FAR and whether additional audit or investigative inquiries were warranted.

## 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 of (1) providing effective and reliable IT systems and solutions, and (2) providing balanced stewardship of information and technology. Challenges exist because GSA systems often do not integrate with each other, resulting in duplication of business processes, cost inefficiencies, and customer dissatisfaction.

### Audit of GSA's Mobile Computing Initiatives

Report Number A130016/O/F/F13003, dated September 10, 2013

This audit disclosed that GSA lacks comprehensive standards for mobile application security, privacy, and development, increasing risk to deployed mobile applications; Office of the Chief Information Officer (OCIO) guidance on mobile device acquisition does not sufficiently address risks associated with brand name specifications and could result in excessive expenditures and contractor protests to awards; and GSA's mobile device assessment process was not documented, which could result in knowledge loss due to personnel disruptions.

GSA's IT strategic goal is to provide access to Agency systems and data from Any Location, Anytime, and Any Device (A3). Two of the initiatives supporting this goal include securing access to GSA's IT resources and systems for the GSA workforce regardless of how, where, or when they are working and modernizing systems to enable A3. The objective of this audit was to determine whether the implementation of initiatives for mobile devices and mobile applications was consistent with this IT strategic goal, A3, and the White House's Digital Government Strategy.

GSA is making progress in its IT strategic goal to provide enhanced mobile access to GSA systems and data. First, GSA fulfilled milestone actions related to mobile devices and mobile applications under the White House's Digital Government Strategy by prioritizing two existing, major, customer-facing services for modernization. Second, our evaluation of the mobile device management platform identified that it enforces security controls for mobile devices in accordance with GSA requirements. Third, user training on mobile devices informs users of mobile-specific security concerns. Fourth, GSA reviews terms of service for mobile applications before approval for agency use.

However, GSA can strengthen the implementation of its mobile computing initiatives by: developing comprehensive standards for mobile application security, privacy, and development; ensuring that mobile applications undergo required security assessment and authorizations and meet updated standards; providing guidance on mobile device

acquisition that sufficiently addresses risks associated with brand name specifications to prevent excessive expenditures and contractor protests; and documenting processes to ensure continuity of GSA's mobile device assessments to prevent knowledge loss in case of personnel disruptions.

We recommended that the Chief Information Officer:

- > Develop comprehensive standards for mobile applications including:
  - Security standards to address the following risks:
    - Exploitation of vulnerabilities due to poor programming practices
    - Compromise of sensitive application data
    - Incomplete security assessment and authorization requirements
  - Privacy standards to include directions on creating and distributing privacy notices.
  - Development standards to identify mobile platforms to target for publicly available applications.
- > Ensure that currently deployed mobile applications meet the updated standards.
- > Issue guidance and/or training related to tablet device acquisition to remind acquisition personnel about requirements for brand name specifications.
- > Formally document the process for reviewing mobile devices.

The CIO agreed with our report recommendations.

## Greening Initiative – Sustainable Environmental Stewardship

With its major role in federal building construction, operations, acquisitions, and policy, GSA faces challenges to lead change in achieving its goals for sustainability and a Zero Environmental Footprint.

### Assumptions Used in Payback Calculation for Photovoltaic Systems at the Bean Federal Center May Distort Cost-Effectiveness Results

Memorandum Number A130115, dated September 24, 2013

Our review disclosed that the assumptions used in the payback calculation of the Green Proving Ground's study on the photovoltaic systems at the Major General Emmett J. Bean Federal Center (Bean Federal Center) could result in misleading cost-effectiveness decisions for photovoltaic systems. Green Proving Ground evaluates innovative, sustainable building technologies and practices for GSA's real estate portfolio. The Agency then uses these findings to support the development of performance specifications to enhance decision-making within GSA, other federal agencies, and the real estate industry.

Green Proving Ground assessed the technology's lifespan using a simple payback calculation. The payback calculation took into account a Renewable Energy Production (REP) contract that provides a monetary incentive to produce on-site solar energy. The payback calculation included the assumption that the contract incentive would continue beyond its 10-year term. At the time, Green Proving Ground considered this to be the most reasonable and likely scenario. However, we found that the REP incentive program has been discontinued, resulting in a high risk that the initial investment may not be recovered.

Furthermore, Green Proving Ground subsequently issued guidance on the implementation of photovoltaic systems at the Bean Federal Center. Its guidance stated that the REP incentive provided by the power company is essential to making the photovoltaic system cost-effective.

The PBS Commissioner agreed with our results.

## American Recovery and Reinvestment Act Impact

The Recovery Act provided GSA with a \$5.55 billion appropriation for its Federal Buildings Fund 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 that \$5 billion of the funds be obligated by September 30, 2010, and the remaining funds 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 before the beginning of actual construction for these projects. The OIG is conducting oversight activities including internal audits, attestation engagements, and audit memorandums of construction and modernization projects funded by the Recovery Act.

### American Recovery and Reinvestment Act of 2009 Recovery Act Report – Termination of Original Group 7 Award Review of PBS's Limited Scope and Small Construction Projects Funded by the American Recovery and Reinvestment Act of 2009

Report Number A090184/P/R/R13006, dated April 15, 2013

This audit of PBS's termination of the original Group 7 (Lyndon B. Johnson Building and 601 4<sup>th</sup> Street, NW, Washington Field Office) contract disclosed three procurement and policy violations: PBS insufficiently documented the contract termination; inappropriately waived the bid guarantee; and made an insufficient price reasonableness determination. We initiated this audit as part of our ongoing review of the NCR's limited scope and small construction projects.

We recommended that the Regional Administrator, National Capital Region:

- > Strengthen the document control process for terminating contracts to ensure compliance with the FAR;
- > Implement policies, processes, and procedures to ensure that bid guarantee waivers are used only when necessary, proper approvals are obtained, and waivers are fully documented; and
- > Establish a document control process to ensure contract files fully support the price reasonableness determination.

PBS management agreed with our report recommendations.

## **PBS Violated Price Competition Requirements on the Construction Services Contract for the Recovery Act Project at the Joseph P. Kinneary United States Courthouse in Columbus, Ohio**

Audit Memorandum Number A090184-64, dated July 9, 2013

Our review disclosed that PBS provided pricing information, based wholly or partially on government cost estimates, in the request for proposals. This violated the competition requirements of the Competition in Contracting Act, the FAR, and the General Services Acquisition Manual.

As part of our Recovery Act oversight, the objective was to determine if PBS awarded and administered contracts for limited scope and small construction projects in accordance with prescribed criteria and mandates.

On December 15, 2009, PBS awarded a pair of task order options to the Berglund Construction Company for lighting and building systems replacement and façade restoration services, including design stage services, for a total contract value of \$17,598,248.

PBS officials concurred with our findings. They stated that regional contracting staff awarded the Construction Manager as Constructor contracts using guidance provided to them at the time; however, subsequent Construction Manager as Constructor contracts are following new guidance and management controls.

### **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' OIGs. To facilitate implementation of this requirement, we developed internal procedures to process, evaluate, and act on these disclosures and created a website for contractor self-reporting.

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

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, and Chapter 1. Under the rule, a contractor must disclose, to the relevant agency's OIG, credible evidence of a violation of federal criminal law (within 18 U.S.C.) involving fraud, conflicts of interest, bribery, or the offering or acceptance of gratuities connected to the award, performance, or credible evidence of a violation of the Civil False Claims Act, connected to the award, performance, or closeout of a government contract performed by the contractor or subcontractor. The rule provides for suspension or debarment when a principal knowingly fails to disclose, in writing, such violations in a timely manner.

### Disclosures for this Reporting Period

As disclosures are made, the Offices of Audits, Investigations, and Counsel jointly examine each acknowledgment and make a determination as to what actions, if any, are warranted. During this reporting period, we received nine new disclosures. The matters disclosed included: improper taxes, surcharges, and excise fees; product import irregularities; false business status representation; failures to comply with contract requirements related to CSP disclosures, billings, price reduction monitoring, and the Trade Agreements Act (TAA). We concluded our evaluation of 10 existing disclosures that resulted in \$6,521,222 in settlements and recoveries to the government and assisted on four disclosures referred by another agency because of their potential impact on GSA operations. Finally, we continued to evaluate 41 existing disclosures during this reporting period.

### Government Contractor Significant Report Findings

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, this office issued one contract audit report that met these requirements.

We initiated a review of a multiple award schedule contract with Northrop Grumman Information Technology, Inc. (NGIT) as a result of contractor-disclosed overbillings. On March 25, 2009, NGIT notified the GSA contracting officer it had overcharged some GSA customers. NGIT stated that the overcharges occurred because it did not grant a 20 percent discount on work performed at government facilities, as required under the contract's Agency CONUS Facility Discount clause. In January 2012, NGIT disclosed additional overbillings for non-compliant labor performed by subcontractors. The objective of the postaward audit was to determine if NGIT computed overbillings in accordance with contract requirements and applicable laws and regulations.

During our review, we found that NGIT's refund calculation is understated and it overbilled schedule contract customers for subcontract labor. As a result, NGIT owes a total refund of \$53,271,251 comprised of \$22,088,998 for its non-compliance with the Agency CONUS Facility Discount clause of its schedule contract and \$31,182,253 for non-compliance with Federal Acquisition Regulation 52.232-7 Payments under Time-and-Materials and Labor-Hour Contracts. Pursuant to a separate overbilling error, NGIT owes \$53,907.



# Significant Investigations



# Significant Investigations

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 \$143 million (see Tables 5 and 6).

## Civil Settlements

### Qui Tam Complaint Leads to \$60.9 Million Recovery

On August 19, 2013, Ohio-based RPM International, Inc., and its subsidiary, Tremco Incorporated, paid \$60.9 million to resolve allegations that Tremco filed false claims in connection with two GSA multiple award schedule contracts for roofing supplies and services. The settlement was reached following coordinated efforts by the DOJ Commercial Litigation Branch, the GSA OIG and the Office of the U.S. Attorney for the District of Columbia. The settlement follows an investigation that revealed that Tremco failed to provide current, accurate and complete pricing information to GSA and failed to comply with the price reduction clauses of its GSA contracts. It was also alleged that Tremco sold certain roofing materials to government purchasers through the GSA contracts without disclosing the availability of lower-cost identical materials.

### Gallup Agrees to Pay \$10.5 Million to Settle Improper Contract Award Claims

On July 12, 2013, the Gallup Organization agreed to pay the United States \$10,500,000 to settle allegations that it improperly inflated contract prices and engaged in prohibited employment negotiations with a FEMA Official. GSA OIG and DOJ investigated after a former Gallup employee filed a qui tam complaint alleging that Gallup knowingly overstated its estimated labor hours in proposals for contracts and task orders by the U.S. Mint and the State Department, and attempted to hire former FEMA director Timothy Cannon after he influenced the contract award in favor of Gallup.

On April 9, 2013, Timothy Cannon had pled guilty to conflict of interest, and was sentenced to 24 months of supervised release and 250 hours of community service, and ordered to pay a \$40,000 fine and a \$100 court assessment fee.

### **SAIC Agrees to Pay \$5.75 Million to Settle Qui Tam**

On June 6, 2013, Science Applications International Corporation (SAIC) agreed to pay the United States \$5.75 million to resolve a qui tam complaint alleging that it had violated the False Claims Act. In 2006, SAIC was awarded a contract for the provision of professional engineering and consulting services related to the evaluation of new products and emerging technologies. A joint investigation by the GSA OIG, Army CID MFPU, DCIS, AFOSI, the USAO in the Middle District of Florida, and the Commercial Litigation Branch of DOJ's Civil Division revealed that SAIC knew that it had received orders in violation of federal contracting competition requirements.

## **Criminal Investigations**

### **Government Contractor Sentenced After Accessing Competitor's Computer System to Rig Bids**

On July 19, 2013, Robert Steele was sentenced to 48 months of incarceration and a fine of \$50,000, and ordered to pay restitution of \$335,977.68 and a special assessment of \$1,250. On May 3, 2013, he was convicted of unauthorized access to protected computers. Steele had illegally accessed a former employer's computer network to access email and voicemail systems over 79,000 times during a two-year period to obtain proprietary and sensitive information. He leveraged this information on behalf of his current employer to undercut a government contract bid (submitted by his former employer) by approximately \$100,000. Though his employer did not win the contract, Steele continued to sift through thousands of documents to obtain sensitive information to use for his advantage.

### **Seven Sentenced and One Convicted in Ongoing Major Fraud/Bribery Investigation in Northern Virginia**

Between June 21, 2013, and July 26, 2013, Keith Hedman, the former owner of Protection Strategies, Inc. (PSI); and David Sanborn, the former president; David Lux, the former controller; Joseph Richards, a former employee; and Dawn Hamilton, the owner and president of Security Assistance Corporation (SAC), were sentenced to prison terms ranging from 15 to 72 months. In addition, Derrick Matthews, a former Regional Director for FPS, was sentenced to a prison term of 15 months, and John Hertogs, the director of operations for Security Assistance Corporation, was sentenced to 24 months of probation. These sentences follow a joint investigation conducted by the GSA OIG, NASA OIG, SBA OIG, DHS OIG and DCIS that revealed that PSI employees specifically created SAC as a fraudulent 8(a) disadvantaged business which was in fact controlled by PSI. In furtherance of the scheme, officials at PSI and SAC submitted falsified documents to the SBA to gain 8(a) status and set-aside contracts with NASA, DOD, GSA and other agencies. The group also conspired to bribe the FPS official. The defendants have also been ordered to pay restitution, forfeiture and fines totaling over \$11.8 million.

### **Five Arrested for Bribing GSA Officials**

In September 2013, GSA OIG special agents arrested five subjects for bribery in connection with a lengthy investigation that revealed that a company's owners had bribed a GSA building manager to obtain contracts for painting and other maintenance services at federal facilities in Maryland. Through the cooperation of other GSA building managers, GSA OIG special agents identified four additional contractors who had paid bribes in exchange for service and maintenance contracts.

### **Company Owner Sentenced for Bribing GSA Building Manager**

On April 2, 2013, Andre Lipford, owner of Sun Development, was sentenced to ten months of incarceration and one year of supervised release, and ordered pay a \$100 court assessment fee. Lipford paid bribes to a GSA building manager in exchange for winning a contract for work to be completed at GSA facilities in Maryland. The building manager reported the bribes to GSA OIG special agents and cooperated with the government. Lipford pled guilty in January 2013.

### **Company Owners Sentenced for Bribing Navy Officials**

On May 20, 2013, Robert Ehnou, the owner and president of L&N Industrial Tool & Supply, Inc., was sentenced to 36 months in prison, 36 months of supervised release, a \$200 mandatory assessment and \$759,937 in restitution, and Joanne Loehr, the owner and operator of Centerline Industrial, Inc., was sentenced to 36 months of imprisonment followed by 36 months of supervised release, a \$500 mandatory assessment, and \$300,000 in restitution. Centerline, Inc., was sentenced to five years probation, a \$500 mandatory assessment and \$1,809,257 in restitution/forfeiture. Previously, in August 2012, Ehnou, Loehr, and Centerline were indicted for conspiring with U.S. Navy officials at the Naval Air Station North Island to commit bribery, wire fraud, and money laundering. Eight additional defendants also pled guilty to participating in the wide-ranging fraud and corruption scheme.

The defense contractors had provided Navy officials with over \$1 million in personal benefits, including cash, checks, retail gift cards, flat screen television sets, luxury massage chairs, home appliances, bicycles, model airplanes, and home remodeling services. In return, the Navy officials placed millions of dollars in fraudulent orders with the defense contractors.

### **Business Owners Found Guilty of Creating Pass-through Company to Bilk Air Force of Millions**

On April 25, 2013, Don Brewer, Sherri Brewer and James McKinney were found guilty of conspiracy, wire fraud, and major fraud. In January of 2011, retired Air Force Colonel Sidney Brandler of the U.S. Air Force Medical Support Agency had pled guilty to misprision of a felony in connection with the same scheme. Investigation conducted by GSA OIG and AFOSI special agents revealed a complex fraud scheme orchestrated by Donald Brewer, who was employed by KARTA Technologies, Inc., as a program manager, and McKinney, who served as the Vice President of Government Systems for Ark Systems, Inc. These companies contracted with the Air Force for various technical services for government medical facilities worldwide.

The defendants created a sham subcontracting business, Enterprise and Deployment, LLC, which would serve as an extra subcontractor between prime contractors and Ark, and bill for work that was not performed. Enterprise and Deployment secured approximately \$33.5 million in subcontracts from the Air Force and caused prime contractors to overcharge the Air Force, enriching the defendants by nearly \$6.5 million.

### **GSA Employee Pleads Guilty to False Statements and Witness Tampering**

On June 13, 2013, former GSA Employee Steven Underhill pled guilty to making false statements and witness tampering. Underhill had attempted to conceal an improper relationship with a government contractor by lying to special agents and threatening a witness. Underhill was arrested on August 16, 2012, at his home in Las Vegas; sentencing is scheduled for October of 2013.

### **Company President Sentenced for Wire Fraud; Employee Pleads Guilty to Obstruction of Justice**

On June 27, 2013, the president of B&J Multi Service Corporation was sentenced to six months of home detention, two years of probation, \$38,000 in asset forfeiture, 200 hours of community service, and a special assessment of \$100. The company's vice president was sentenced to one year and one day of imprisonment, two years' supervised release, \$399,000 in asset forfeiture, and a special assessment of \$100. These sentences follow their previous guilty pleas for conspiracy to commit wire fraud. A GSA OIG investigation based on a GAO referral revealed that B&J Multi Service Corporation had submitted statements to the GSA, SBA, and other government agencies that falsely represented the company as a minority and service-disabled veteran owned business to obtain government contracts set aside for such companies.

On June 11, 2013, another former employee of B&J Multi Service Corporation pled guilty to obstruction of justice: he had been served with a grand jury subpoena for records relating to his business dealings and subsequently deleted responsive documents from his computer. On June 21, 2013, he was suspended from doing business with the government.

### **Company Owner Indicted for Fictitious Surety Bond Scheme**

On July 11, 2013, Abel Carreon, CEO and senior escrow manager for Tripartite Escrow Corporation (TEC), was indicted on 23 charges of mail fraud, wire fraud, aggravated identity theft, money laundering and major fraud. Carreon was arrested by U.S. Customs and Border Protection inspectors on July 17, 2013, when he crossed the border from Mexico into the United States. A joint investigation conducted by special agents from the GSA OIG, DOI OIG, DOT OIG, DCIS, AFOSI, Army CID, USDA OIG, and DHS OIG revealed that Carreon and TEC provided bonds to numerous government contractors that were required to submit payment bonds and performance bonds as a condition of their contracts. However, TEC's bonds were apparently backed by fraudulent securities, and Carreon forged notary signatures and stamps on documents that were submitted to GSA and other government agencies.

### **Company President Sentenced for Destruction and Falsification of Documents**

On June 21, 2013, Andy Persaud, the owner of Persaud Companies, Inc. (PCI), was sentenced to 24 months of incarceration and three years of supervised release, and ordered to pay restitution in the amount of \$720,000 and a \$100 special assessment. On March 14, 2013, Persaud pled guilty to destruction, alteration, or falsification of records in a federal investigation and bank fraud. A confidential source informed GSA OIG special agents that Persaud had instructed his employees to destroy documents and fabricate fictitious documents in response to an inspector general subpoena. Persaud had fraudulently secured a \$1.6 million line of credit from the Bank of Georgetown by posting collateral in the form of forged government contract invoices.

### **Roofing Company sentenced for False Certified Payrolls on Roof Replacement Project**

On April 15, 2013, Quality Roofing, Inc., of Ann Arbor, Michigan, was sentenced to pay a fine of \$75,000, along with restitution in the amount of \$19,197 and a \$3,600 special assessment. Previously, Keisia Connelly, owner and president of Quality Roofing, had pled guilty to making false statements. The company had submitted fraudulent certified payrolls for its work as a sub-contractor on the roof replacement project at the Kenneth B. Keating Courthouse and federal office building in Rochester, New York. The case was jointly investigated with DOL OIG.

### **West Virginia City Official Sentenced in FEMA Trailer Scheme**

On August 19, 2013, John Shingler, foreman for the City of Piedmont, West Virginia, was sentenced to three months of incarceration and one year of probation, and ordered to pay \$3,000 in restitution. This sentence follows Shingler's guilty plea to theft. A joint investigation by the GSA OIG and the West Virginia State Police revealed that Shingler and two other City of Piedmont officials conspired to purchase six FEMA trailers, valued at \$18,500 each, through the West Virginia State Agency for Surplus Property for \$1,000 per unit. However, the trailers were converted to the personal use of two city officials and three other individuals, and not used by the City of Piedmont.

### **Two City Officials Indicted for Selling Federal Excess Property**

On May 29, 2013, two Tanana, AK officials were indicted for wire fraud and theft from a local government that was receiving federal funds. An investigation conducted in cooperation with the FBI revealed that the two personally profited from the sale of approximately \$1 million in federal property they acquired through GSA's Federal Excess Personal Property Utilization Program on behalf of the city.

### **California Man Indicted for Defrauding GSA's CFL Program**

On June 26, 2013, a California resident was indicted for wire fraud, mail fraud and aggravated identity theft stemming from his scheme to defraud GSA's Computers for Learning (CFL) program. The CFL program allows government agencies to transfer excess computer equipment to schools and educational nonprofit organizations. The subject created multiple fictitious charitable entities, and then falsely certified to GSA that these entities were eligible recipients under the CFL program. Ultimately, he fraudulently acquired computer equipment with a total acquisition value of approximately \$30 million. This GSA OIG-led investigation was worked jointly with IRS Criminal Investigation, DOT OIG, VA OIG, DOE OIG, DOJ OIG, and the FBI.

### **Army Corporal and His Wife Plead Guilty to Theft**

On April 8, 2013, Corporal Bo Dukes and his wife, Emily Dukes, pled guilty to conspiracy to steal over \$150,000 worth of property billed to the Army. This joint GSA OIG and Army CID Major Procurement Fraud Unit investigation was initiated after a GSA employee reported the suspicious delivery of items ordered through the GSA Advantage program. The ensuing investigation determined that Dukes ordered televisions, cameras, power tools, copper wires, and other property, which he fraudulently billed to the Army through GSA Advantage. After receiving the items, Dukes and his wife would then pawn or sell them. Agents were able to recover a portion of the items after they determined Dukes was storing them at a private storage unit as well as at his residence in Savannah, Georgia.



### **Former Chief Warrant Officer Sentenced for Exploiting Army's GSA Advantage System**

On May 28, 2013, former Chief Warrant Officer Sebastian Oyegun II was sentenced to 30 months in federal prison for the theft of government property. In addition, Oyegun was ordered to pay restitution in the amount of \$10,205,304.05, and ordered to forfeit three vehicles, \$70,000 in cash, and more than \$250,000 held in various bank accounts. A joint investigation by the GSA OIG, the FBI, the National Joint Terrorism Task Force, and the Army CID Major Procurement Fraud Unit was undertaken after an Army audit revealed unauthorized purchases from the GSA Advantage system. Subsequent review of delivery receipts and GSA Advantage disclosed that items valued at over \$10 million were shipped to various addresses across the country controlled by Oyegun. Between 2009 and 2011, he fraudulently purchased high-end engineering equipment, power tools, and computer equipment through the GSA Advantage program. Oyegun sold the items at local swap meets, on Craigslist, and elsewhere.

### **CPSC Investigator Pleads Guilty to Unlawfully Using Government Fleet Card**

On August 16, 2013, Nidia Y. Holmes was charged with misdemeanor theft. A GSA OIG investigation revealed that Holmes, who was employed as a product safety investigator for the Consumer Product Safety Commission, improperly used the government fleet credit card assigned to her to fuel her personal vehicle and vehicles belonging to her family members. When confronted with video footage, Holmes admitted to the unlawful purchases. The total loss was estimated at \$5,366.71.

### **Subject Charged with Theft After Purchasing Gasoline for Himself and Others with Government Fleet Card**

On August 9, 2013, Mario Flores was charged with theft. GSA OIG special agents had learned that Flores fraudulently used a government fleet credit card assigned to the Pascua Yaqui Tribe in Arizona to buy gas for his own personal use and to fuel the vehicles of other gas station customers in exchange for cash. The total loss was \$27,620.86.

### **Former NAS PAX Contractor Pleads Guilty to Paying for Gasoline with Government Fleet Card**

On June 12, 2013, Richard McClain and Kalle Wyatt pled guilty to theft. GSA's Loss Prevention Team initially reported that a government fleet credit card assigned to the Patuxent Naval Air Station had been used for suspicious purchases. Subsequent investigation revealed that McClain, who was employed as a contractor at the Patuxent Naval Air Station, unlawfully used the credit card on 128 occasions to fuel his personal vehicle at gas stations. McClain also gave the credit card to his brother-in-law, Kalle Wyatt, who sold gas he purchased with the card.

### **Pentagon Employee Sentenced for Personal Use of Government Fleet Card**

On September 9, 2013, Kwame Hammonds was sentenced to two years of supervised release and ordered to pay \$9,656.81 in restitution as the result of his May 13, 2013, guilty plea to theft. A review of GSA's fleet database disclosed anomalies associated with a fleet credit card assigned to the Pentagon. Investigation led to the identification of Hammonds and the discovery that he used the credit card assigned to his work unit to fuel his personal vehicle throughout the Baltimore, Maryland, and Washington, D.C., metropolitan areas, resulting in a total loss of \$9,656.81.

### **Veterans Affairs Employee Sentenced to Prison**

On August 9, 2013, Geoffrey Parker, a mail clerk for the VA, was sentenced to 50 days of incarceration, three years of supervised probation, and 100 hours of community service, and ordered to pay restitution in the amount of \$6,937. Parker previously pled guilty to New Jersey state theft violations after a joint investigation with the VA OIG and the Special Investigations Unit of the New Jersey Somerset County Prosecutor's Office revealed he used two government fleet cards for personal purchases. The GSA Loss Prevention Team had initially identified suspicious transactions associated with the two credit cards, and reported them to investigators.

### **WPA Era Art Recovery Efforts**

As a direct result of the cooperative efforts between the OIG and GSA's Office of the Chief Architect, Fine Arts Division (FAD), a total of 73 lost Works Progress Administration (WPA) pieces of artwork were recovered during this reporting period. These pieces of American history are not subject to public sale, but their comparative value totals approximately \$81,400; while the historic value of these pieces of American artwork is immeasurable. The FAD will be conserving the pieces before placing them on loan to institutions across the country for public display. Since the inception of the cooperative recovery efforts between the OIG and the FAD, a total of 187 pieces of lost artwork have been recovered with a comparative value of \$2,677,350.

### **New Deal Artwork Recovered by GSA OIG Agents**

On June 21, 2013, GSA OIG special agents took possession of New Deal-era artwork valued at \$71,000 from the son of a former teacher at Clinton High School in New York, New York, where the artwork was once located. The teacher had previously taken the artwork for safekeeping.

### **Internal Operations**

In 2011, the Office of Investigations created an Internal Operations Division as a central source of agency data and law enforcement intelligence in support of field operations. The new office also established a Senior Official Misconduct Investigations Program to investigate allegations of misconduct and criminal activity involving executives, senior managers, and program officials.

Internal Operations concluded its investigation into employee misconduct allegations stemming from the 2010 FAS awards celebration. The investigation revealed that GSA personnel had engaged in long-standing practices that violated numerous GSA orders. The OIG referred the completed investigation to GSA for administrative action. In the past year, GSA has undertaken significant management reorganization to centralize conference planning and travel to ensure accountability and internal controls.

## 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 FAR authorizes an agency to suspend or debar individuals or companies for the commission of any offense indicating a lack of business integrity or business honesty that directly affects the present responsibility of a government contractor or subcontractor. The OIG has made it a priority to process and forward referrals to GSA, so GSA can ensure that the government does not award contracts to individuals or companies that lack business integrity or honesty.

During this reporting period, the OIG made 167 referrals for consideration of suspension/ debarment to the GSA Office of Acquisition Policy. GSA issued 172 actions based on current and previous OIG referrals.

## Integrity Awareness

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse. This period, we presented 27 briefings attended by 368 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 1076 Hotline contacts. From these contacts, 93 Hotline cases were initiated. In 53 of these cases, referrals were made to GSA program officials for review and action as appropriate, 31 were referred to other federal agencies for follow-up, 17 were referred for OIG criminal/civil investigations or audits, and 23 did not warrant further review.

# Forensic Auditing, Evaluation, and Analysis

The Office of Forensic Auditing, Evaluation, and Analysis conducts evaluations of potentially fraudulent, improper, wasteful and/or abusive activities related to GSA programs and operations. Proactive efforts are conducted through the use of innovative auditing and investigative techniques in order to enhance the early detection and subsequent assessment of potentially fraudulent and criminal activities. The office develops evidence that meets the admissibility standards for prosecution in federal courts. In addition, the office plans, directs, and coordinates the quality assurance function for the OIG.

It also carries out the OIG's Federal Managers' Financial Integrity Act (FMFIA) program, to include both the Annual Assurance Statement and Internal Control Reviews. The office completed the FMFIA Annual Assurance Statement and supported seven Office of Investigations cases, one resulting in a \$5.75 million settlement based on false claims allegations of a GSA contractor.

The office continued prior period proactive work, supporting the Office of Investigations on data analysis and analytical provision, and initiated four proactive evaluations utilizing data-mining examinations focusing on data analysis of potentially fraudulent activity. Finally, the office houses the OIG Records Officer, providing guidance and assistance OIG-wide on records management issues.

## Review of GSA Practices for Executive Performance Recognition and Awards

Report Number JEF12-017-000, dated May 16, 2013

We reviewed GSA's practices for performance recognition and awards for members of the Senior Executive Service (SES). The review covered the period FY2009 through FY2011, representing three performance appraisal cycles. We identified deficiencies in the GSA SES program that illustrate a willingness by GSA to violate legal requirements that resulted in an opaque evaluation and award system, with a manufactured process that failed to protect the rights of SES members, made review of the validity of individual awards impossible, and impeded review of the overall program.

We identified the following significant findings:

- > Executive performance evaluation practices, which have a direct effect on performance awards, violated legal requirements.
- > SES award practices violated legal requirements.
- > The SES award policy is inadequate.
- > GSA violated record retention requirements.
- > GSA did not make accurate disclosures to OPM.
- > The SES award program was not accurately reported to Congress.

The Chief People Officer agreed with all but one finding, and accepted the recommendations set forth in the report.

# Government-Wide Policy Activities



# Government-Wide Policy Activities

We regularly provide advice and assistance on government-wide policy matters to the Agency, as well as to other federal agencies and committees of Congress. In addition, as required by the IG Act of 1978, we review existing and proposed legislation and regulations to determine their effect on the economy and efficiency of 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 such as procurement, property management, travel, and government management and IT systems. To ensure the auditors' independence when performing subsequent audit work, we participate in Agency task forces, committees, and working groups in an observer or advisor capacity.

## Legislation, Regulations, and Subpoenas

During this reporting period, the OIG reviewed numerous legislative matters and proposed regulations. We also responded to requests from Members of Congress on behalf of their constituents as well as Congressional committees. The OIG also made substantive comments on several proposed laws and regulations. Additionally, we issued 43 subpoenas in support of our audit, inspection, evaluative, and investigative work.

## Interagency and Intra-agency Committees and Working Groups

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

- > **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** The IG is a member of the Investigations Committee and Homeland Security Roundtable. The IG is also the liaison between CIGIE and the federal Chief Acquisition Officers Council.
- **CIGIE Disaster Assistance Working Group.** On January 29, 2013 the President signed into law the Disaster Relief Appropriations Act of 2013 (P.L. 113-2), which provides fiscal year 2013 supplemental appropriations to respond to and recover from the damage caused by Hurricane Sandy. It provides funds to eighteen federal agencies (GSA received \$7M) and directs their OIGs to oversee the use of these funds. As a member, the GSA OIG will work with the Group to develop and use IT resources and oversight mechanisms to detect and remediate waste, fraud, and abuse as these appropriated funds are obligated and expended.
- **Federal Audit Executive Council Information Technology Committee.** The Finance and Information Technology Audit Office participates in the Federal Audit Executive Council Information Technology Committee. This Committee provides a forum to share information and coordinate audits of significant IT issues to the OIG community and the federal government. The committee also develops and recommends best practices to be used by OIGs in addressing IT issues.

- > **Public and Private Sector Outreach.** 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 Association of Government Accountants, CIGIE, the Department of Defense Office of Inspector General, and the American Institute of CPAs.

During this reporting period, the IG also trained Canadian government auditors on fraud indicators in auditing at the Canadian Council of Legislative Auditors' annual Performance Audit Symposium in Toronto, Canada. He also met with several Canadian auditors from Ottawa to discuss acquisition audits, real property audits, and fraud detection. Earlier this year, the Assistant Inspector General for Auditing, on behalf of CIGIE, met with and presented to Brazilian government officials about highlighting the significance of audit findings, particularly for performance audit findings.

- > **National Intergovernmental Audit Forum (NIAF) Strategic Planning Task Force.** During this reporting period, the IG assisted with the development of NIAF's upcoming 5-year strategic plan. The NIAF is an association of audit executives from federal, state, and local governments that discusses issues of common interest and shares best practices. It is managed by the U.S. Government Accountability Office.
- > **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.
- > **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. Attorneys' 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 bi-annual group meetings held in Kansas City, Missouri. 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 Investigations, and the region's OIGs. Meetings are attended by attorneys, agents, and auditors from various federal government agencies.
- > **Federal Audit Executive Council Information Technology Committee.** The Finance and Information Technology Audit Office participates in the Federal Audit Executive Council Information Technology Committee. This committee provides a forum to share information and coordinate audits of significant IT issues to the OIG community and the federal government. The committee also develops and recommends best practices to be used by OIGs in addressing IT issues.



- > **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.
- > **The Multiple Award Schedule Working Group.** The MAS Working Group discusses consistency in the application of FAS policy with contracting officers and acquisition staff. It serves as an effective communication channel for both broad policy 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 FAS and the OIG, along with ad hoc members from other branches of the Agency.



# Appendices



## Appendix I – Significant Audits from Prior Reports

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.

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

### **Follow-up Audit of GSA's Acquisition of Services for the International Trade Center at the Ronald Reagan Building: PBS's Oversight of Contract Requirements**

**Period First Reported: October 1, 2012, to March 31, 2013**

The objective was to determine if the PBS performed effective oversight of the requirements related to minimum revenue guarantees and deliverables in the contract for management and operation of the International Trade Center at the Ronald Reagan Building. The report contained four recommendations; three have not been implemented.

The remaining recommendations involve improving the processes for reviewing deliverables; developing revenue verification processes to ensure that revenue amounts remitted by TCMA are complete, accurate, and attributed to the correct minimum revenue guarantee category; and acting in accordance with PBS's plan to address preaward competition concerns. The recommendations are scheduled for completion between December 15, 2013, and August 15, 2014.

### **Audit of the Prepayment Audit Process, Transportation Audits Division, Federal Acquisition Service**

**Period First Reported: October 1, 2012, to March 31, 2013**

The objective of this audit was to determine whether the Audit Policy and Review Branch of the Federal Acquisition Service's Transportation Audits Division ensures federal agencies audit all transportation bills prior to payment, as required by Public Law 105-264. If not, determine the reasons for, and the impact of, the Audit Policy and Review Branch's lack of oversight. The report contained five recommendations; four have not been implemented.

The remaining recommendations involve improving compliance measurement by ensuring that complete and comparable data are used to assess agency compliance with Public Law 105-264; contacting agencies with low compliance rates to identify and address the reasons for lack of compliance; improving monitoring of agency compliance with Public Law 105-264 by using and analyzing transportation data more thoroughly; and obtaining, reviewing, and approving all prepayment audit programs, as required. The recommendations are scheduled for completion between November 15, 2013, and March 15, 2014.

## Audit of the General Services Administration's FY 2012 Financial Statements

Period First Reported: October 1, 2012, to March 31, 2013

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 2012. The report contained 98 recommendations; 16 have not been implemented.

The 16 remaining recommendations involve implementing a review process to ensure that the system Funding and Spending controls are turned off for a valid reason and turned back on after processing; continuing to monitor newly implemented and existing controls over contracting and procurement actions; continuing the assessment of the agency's financial information technology infrastructure with the objective of improving the effectiveness of information technology controls, both general and application and of timely and accurate financial reporting; instituting policies and procedures to ensure that the delivery date or period of performance is stated on all obligation documents; training the contracting officers to understand the need and the requirement to obtain the proper certifications of funds availability from the certifying official before signing any obligation; implementing the Accounting for Environmental Guidelines in fiscal year 2013; developing and delivering training to all applicable regional personnel on accounting and reporting procedures for environmental liabilities; developing effective information and communication processes to ensure that technical accounting issues related to environmental liabilities are identified in a timely manner; providing additional training to reinforce existing policies and procedures, which require proper authorization and approval of contracts prior to recording the obligations in the financial management system; performing regular verification of the assets listing in the Fixed Asset subsidiary ledger; developing effective information and communication processes to ensure that policies and procedures over environmental liabilities are consistently communicated and applied throughout the agency; developing and delivering training to regional personnel on accounting and reporting procedures for environmental liabilities; developing and delivering training on an ongoing basis to ensure appropriate asset classification codes are used for each building entered into REXUS; performing regular verifications of the assets listed in the Fixed Assets subsidiary ledger; enforcing policies with the regions to ensure that all RWAs are recorded in RETA timely and accurately; and recommending OCFO GSS System Owner develop and document procedures to require that operating system logs are periodically reviewed for inappropriate activity. The recommendations are scheduled for completion between November 30, 2013, and September 30, 2014.

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

**Period First Reported: October 1, 2012, to March 31, 2013**

The objective was to determine if GSA is in compliance with the Improper Payments Information Act of 2002 and the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for FY 2012. The report contained three recommendations; two have not been implemented.

The remaining recommendations involve strengthening internal controls surrounding the preparation and review of the Other Accompanying Information section of the Agency Financial Report to ensure accurate report; and modifying the contract language to satisfy OMB requirements for using an external contractor for payment recapture audit services. The recommendations are scheduled for completion between October 15, 2013, and November 15, 2013.

### **Audit of PBS's Major Construction and Modernization Projects, Modifications at 50 UN Plaza Renovation Project**

**Period First Reported: October 1, 2012, to March 31, 2013**

The objective of the Office of Inspector General's Recovery Act oversight is to determine if PBS is planning, awarding, and administering contracts for major construction and modernization projects in accordance with prescribed criteria and Recovery Act mandates. The report contained four recommendations; three have not been implemented.

The remaining recommendations involve notifying Congress and OMB of inaccurate Recovery Act financial reporting on the 50 UN Plaza project caused by invalid obligation; notifying Congress and OMB of the use of Minor R&A funds to supplement the 50 UN Plaza Recovery Act project; and obtaining funding from other GSA components for the cost of tenant-requested improvements. The recommendations are scheduled for completion on December 15, 2013.

### **Limited Scope Audit of Invalid Obligations and Contingency Funding for Recovery Act Projects**

**Period First Reported: October 1, 2012, to March 31, 2013**

The objective of this audit was to alert GSA management that Recovery Act funds were being invalidly obligated on multiple projects through contract modifications being used for contingency and, as a result, Recovery Act reporting has been inaccurate and the invalidly obligated funds have expired and will be rescinded. The report contained three recommendations; two have not been implemented.

The remaining recommendations involve notifying the OMB that Recovery Act funds have been invalidly obligated and that past reporting of obligations has been inaccurate; and notifying Congressional Committees with jurisdiction as appropriate. The recommendations are scheduled for completion on December 15, 2013.

### **Audit of PBS Compliance with Fee Limitations for Architect/Engineering Contracts**

**Period First Reported: October 1, 2012, to March 31, 2013**

The objective was to determine if PBS has adequate controls in place to ensure Architect/Engineering contracts comply with the 6 percent fee limitation imposed by FAR Part 15.404-4(c)(4)(i)(B). The report contained three recommendations; one has not been implemented.

The remaining recommendation involves revising Forms 2630 and 2631 to require the Architect/Engineering's estimator and the independent government estimator to identify and separate services included in and excluded from the fee limitation. The recommendation is scheduled for completion on March 15, 2014.

### **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 if donated properties only go to eligible recipients, and if these properties are accounted for and used by the New Jersey State Agency for Surplus Property (NJ SASP). The report contained three recommendations; two have not been implemented.

The remaining two recommendations involve enforcing proper recordkeeping standards on the NJ SASP; 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. The recommendations are scheduled for completion between November 15, 2013, and 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 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 2011. The report contained 146 recommendations; two have not been implemented.

The two remaining recommendations involve reviewing the existing database and operating system vulnerabilities; and reviewing management's acceptance of risk for database vulnerabilities to assess the risks posed to the organization on an individual and cumulative basis. The recommendations are scheduled for completion by December 31, 2013.



# Appendix II – Audit Report Register

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE 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>				
04/04/13	A120140	Audit of the Heartland Region Public Buildings Service's Award and Administration of Blanket Purchase Agreements GS-06P-07-GX-A-0009 and GS-06P-08-GX-A-0076		
04/15/13	A090184	Recovery Act Report - Termination of Original Group 7 Award Review of PBS's Limited Scope and Small Construction Projects Funded by the American Recovery and Reinvestment Act of 2009		
07/31/13	A130102	Implementation Review of Corrective Action Plan, Robert A. Young Federal Building Recovery Act Construction Project, Report Number A090172/P/R/R12003 Dated March 8, 2012		
09/11/13	A120001	Audit of GSA's Controls over the National Capital Region's Reimbursable Work Authorizations		
<b>PBS CONTRACT AUDITS</b>				
04/24/13	A120179	Examination of a Claim: Braithwaite Construction Company, LLC, Contract Number GS-07P-99-HHD-0100		
05/13/13	A130047	Examination of a Request for Equitable Adjustment: Skanska USA Building, Inc., Contract Number GS-04P-09-EX-C-0076		
05/29/13	A130064	Audit of Proposed Rental Rate Increase for the Internal Revenue Service Center in Kansas City, Missouri, Lease Number GS-06P-40004		\$305,638
08/22/13	A130109	Examination of a Change Order Proposal: Patton Contractors Inc., Contract Number GS-07P-99-HHD-0079, Task Order Number GS-P-07-12-UR-5028		
<b>FAS INTERNAL AUDITS</b>				
04/26/13	A130068	Applicability of Price Reductions Over the Maximum Order Threshold		
06/04/13	A120161	Improper Management Intervention in Multiple Award Schedule Contracts, Federal Supply Schedule 70 - Information Technology Contracts, Federal Acquisition Service		
07/02/13	A130078	Implementation Review of Corrective Action Plan, Opportunities to Improve the Federal Acquisition Service's City Pair Program through Data Analysis, Report Number A110065/Q/9/P12002 Dated January 20, 2012		
07/16/13	A120106	Audit of GSA's Award and Administration of Center of Excellence Task Orders Pacific Rim Region Federal Acquisition Service		\$109,000
08/20/13	A130063	Implementation Review of Corrective Action Plan, Review of Multiple Award Schedule Vendors' Invoicing Practices Relative to Prompt Payment Discounts, Report Number A090026/Q/7/P10001 Dated March 15, 2010		

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
<b>FAS CONTRACT AUDITS</b>				
04/05/13	A120123	Preaward Examination of Multiple Award Schedule Contract Extension: QinetiQ North America, Inc., Contract Number GS-35F-4674H		
04/10/13	A130035	Preaward Examination of Multiple Award Schedule Contract Extension: Robbins-Gioia, LLC, Contract Number GS-35F-5070H		
04/17/13	A120162	Preaward Examination of Multiple Award Schedule Contract Extension: Kforce Government Solutions, Inc. Contract Number GS-23F-9837H		\$147,666
04/19/13	A130051	Preaward Examination of Multiple Award Schedule Contract Extension: ANSYS, Inc., Contract Number GS-35F-0639N		
04/23/13	A130050	Preaward Examination of Multiple Award Schedule Contract Extension: Toffler Associates, Inc., Contract Number GS-10F-0414N		
05/08/13	A120170	Preaward Examination of Multiple Award Schedule Contract Extension: Ernst & Young, LLP, Contract Number GS-23F-8152H		
05/22/13	A120175	Preaward Examination of Multiple Award Schedule Contract Extension: STG, Inc., Contract Number GS-35F-4951H		
05/28/13	A100160	Limited Scope Postaward Examination of Multiple Award Schedule Contract: i2, Incorporated, Contract Number GS-35F-0241J for the Period July 1, 2004 through December 31, 2009		\$2,064,798
05/29/13	A130044	Preaward Audit of Multiple Award Schedule Contract: Tektronix, Inc., Contract Number GS-24F-0819A		
05/31/13	A130057	Preaward Examination of Multiple Award Schedule Contract Extension: Danya International, Incorporated, Contract Number GS-10F-0484N		
06/03/13	A120113	Preaward Examination of Multiple Award Schedule Contract Extension: MSC Industrial Direct Co., Inc., Contract Number GS-06F-0010N		\$2,278
06/06/13	A130052	Preaward Examination of Multiple Award Schedule Contract Extension: Defense Group Inc., Contract Number GS-00F-0013R		\$10,701
06/12/13	A130056	Preaward Examination of Multiple Award Schedule Contract Extension: DHA Group, Inc., Contract Number GS-00F-0003W		\$237,045
06/19/13	A130055	Limited Scope Postaward Examination of Multiple Award Schedule Contract: Raytheon Company, Contract Number GS-35F-4097G for the Period January 1, 2007 through September 30, 2012		\$387,870
06/28/13	A130069	Preaward Examination of Multiple Award Schedule Contract Extension: L-3 Communications Vertex Aerospace, LLC., Contract Number GS-10F-0328N		\$248,423
07/10/13	A130037	Preaward Audit of Multiple Award Schedule Contract Extension: Safe Boats International, LLC, Contract Number GS-07F-0038H		
07/11/13	A120152	Preaward Audit of Multiple Award Schedule Contract Extension: Herman Miller, Inc., Contract Number GS-28F-8049H		\$175,056
07/11/13	A130042	Preaward Examination of Multiple Award Schedule Contract Extension: Navarro Research and Engineering, Inc., Contract Number: GS-00F-0092N		
07/16/13	A120166	Preaward Audit of Multiple Award Schedule Contract Extension: Technical Communities, Inc. dba Testmart, Contract Number GS-24F-0066M		\$13,876
07/18/13	A100054	Limited Scope Review of Contractor-Disclosed Overbillings: Northrop Grumman Information Technology, Inc., Contract Number GS-35F-4506G		\$53,271,251

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
07/22/13	A120104	Preaward Examination of Multiple Award Schedule Contract Extension: International Paper Company dba Xpedx, Contract Number GS-15F-0042M		\$52,616
07/31/13	A120134	Preaward Audit of Multiple Award Schedule Contract Extension: International Business Machines Corporation, Contract Number GS-35F-4984H		
07/31/13	A130053	Preaward Examination of Multiple Award Schedule Contract: Agilent Technologies, Inc., Solicitation Number 7FCB-C4-070066-B		\$40,621
08/12/13	A130045	Preaward Examination of Multiple Award Schedule Contract Extension: IIF Data Solutions, Inc. Contract Number GS-10F-0171N		
08/29/13	A120149	Preaward Examination of Multiple Award Schedule Contract Extension: Lockheed Martin Integrated Systems, Inc., Contract Number GS-10F-0150N		\$569,409
09/04/13	A100210	Preaward Examination of Multiple Award Schedule Contract Extension: Labat-Anderson, Inc., Contract Number GS-25F-0028L		\$517,335
09/06/13	A130085	Preaward Examination of Multiple Award Schedule Contract Extension: Bart & Associates, Inc., Contract Number GS-35F-5924H		\$130,030
09/09/13	A120156	Preaward Examination of Multiple Award Schedule Contract Extension: General Dynamics Information Technology, Inc., Contract Number GS-35F-4357D		\$60,328
09/11/13	A130082	Preaward Examination of Multiple Award Schedule Contract Extension: AECOM Government Services, Inc., Contract Number GS-10F-0497N		
09/30/13	A120087	Preaward Examination of Multiple Award Schedule Contract Extension: Eaton Corporation, Contract Number GS-07F-9460G		
<b>OTHER INTERNAL AUDITS</b>				
09/10/13	A130016	Audit of GSA's Mobile Computing Initiatives		
09/30/13	A130117	Implementation Review of Corrective Action Plan, Audit of GSA's Hiring Practices, Report Number A110082/O/F/F11009, September 30, 2011		
09/30/13	A130118	Implementation Review of Corrective Action Plan, Audit of GSA's Transition from FTS2001 to Networx, Report Number A110086/O/F/F11007, September 22, 2011		
<b>NON-GSA CONTRACT AUDITS</b>				
06/27/13	A130070	Examination of a Termination Settlement Proposal: H.J. Lyness Construction, Inc., Contract Number GS-05P-06-SL-C-3014		

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

Public Law 104-106 requires the head of a Federal agency to complete final action on each management decision required with regard to a recommendation in an Inspector General's report within 12 months after the date of the report. If the head of the Agency fails to complete final action within the 12-month period, the Inspector General shall identify the matter in the semiannual report until final action is complete.

The Offices of Administrative Services and the Chief Financial Officer provided the following list of reports with action items open beyond 12 months:

ISSUE DATE OF REPORT	AUDIT REPORT NUMBER	TITLE
<b>ATTESTATION ENGAGEMENTS</b>		
12/12/2008	A080177	Preaward Review of Multiple Award Schedule Contract Extension: Tecolote Research, Incorporated, Contract Number GS-35F-5115H
12/29/2008	A090042	Postaward Audit Report on Direct Costs Incurred on Trilogy Project: Computer Sciences Corporation, Contract Number GS00-T99-ALD204
01/20/2009	A080136	Preaward Review of Multiple Award Schedule Contract Extension: Dynamic Decisions, Inc., Contract Number GS-35F-5879H
04/27/2009	A080210	Preaward Review of Multiple Award Schedule Contract Extension: ImmixTechnology, Inc., Contract Number GS-35F-0330J
08/06/2009	A090145	Preaward Review of Multiple Award Schedule Contract Extension: BTAS, Inc., Contract Number GS-35F-0546J
08/19/2009	A090106	Preaward Review of Multiple Award Schedule Contract Extension: Perot Systems Government Services, Inc., Contract Number GS-00F-0049M
08/21/2009	A080030	Preaward Review of Multiple Award Schedule: Hewlett-Packard Company, Solicitation Number FCIS-JB-980001-B
08/21/2009	A090090	Preaward Review of Multiple Award Schedule Contract Extension: Ezenia, Inc., Contract Number GS-35F-0475P
09/04/2009	A090074	Preaward Review of Multiple Award Schedule Contract Extension: Tech Flow, Inc., Contract Number GS-35F-0210J
09/04/2009	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) Greenhome & O'Mara, Inc., Solicitation Number GS11-P08-MKCO080
09/09/2009	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 GS11-P08-MKC0079

ISSUE DATE OF REPORT	AUDIT REPORT NUMBER	TITLE
<b>CONTRACT AUDITS</b>		
09/10/2009	A090234	Report on Audit of Direct Labor Rates, Indirect Rates, and Other Direct Costs Portion of HDR Architecture, Inc's Subcontract Proposal under Solicitation Number GS11-P08-MKC0079
11/09/2009	A090202	Preaward Review of Multiple Award Schedule Contract Extension: Computech, Inc., Contract Number GS-35F-0108K
11/17/2009	A080144	Preaward Review of Multiple Award Schedule Contract Proposal: BMC Software, Inc., Solicitation Number FCIS-JB-980001-B
12/10/2009	A090159	Preaward Review of Multiple Award Schedule Contract Extension: RCF Information Systems, Inc., Contract Number GS-35F-0613J
06/23/2010	A090222	Preaward Review of Multiple Award Schedule Contract Extension: Force 3, Inc., Contract Number GS-35F-0785J
06/24/2010	A090108	Preaward Review of Multiple Award Schedule Contract Extension: Integrated Data Services Inc., Contract Number GS-35F-0372J
07/06/2010	A080070	Preaward Review of Multiple Award Schedule Contract Extension: Accenture, LLP, Contract Number GS-35F-4692G
08/16/2010	A090130	Limited Review of Multiple Award Schedule, Contract Number GS-28F-7018G for the Period January 8, 2002, to November 7, 2005, Cort Business Furniture
08/24/2010	A090140	Postaward Review of Multiple Award Schedule Contract: Systems Research and Applications Corporation, Contract Number GS-35F-0735J
09/15/2010	A080124	Limited Scope Postaward Review of Contract Number GS-35F-4027D for the Period July 1, 2003 To December 29, 2008: ASAP Software Express, Inc.
09/16/2010	A100148	Examination of a Change Order Proposal, Alutiiq International Solutions, LLC, Contract Number GS-08P-08-JF-C-0005
10/07/2010	A100117	Preaward Examination of Multiple Award Contract Extension: Dun & Bradstreet, Inc. Contract Number GS-22F-9614D
10/12/2010	A100156	Examination of a Claim: Acousti Engineering Company of Florida Subcontractor to Dick Corporation, Contract Number GS-04P-01-EXC-0044
10/27/2010	A090133	Limited Scope Postaward Review of Multiple Award Schedule Contract Number GS-07F-0012J for the Period July 29, 2002, to September 9, 2008, SeaArk Marine, Inc.
11/24/2010	A090192	Preaward Review of Multiple Award Schedule Contract Extension: SHI International Corporation Contract Number GS-35F-0111K
11/22/2010	A100195	Preaward Examination of Multiple Award Schedule Contract Extension: Knight Protective Service, Inc. Contract Number GS-07F-0266K
11/24/2010	A100193	Postaward Audit of Multiple Award Schedule Contract Extension: The Stratix Corporation, Contract Number GS-35F-0805R
12/14/2010	A100201	Preaward Examination of Multiple Award Schedule Contract Extension: Government-Buys, Incorporated, Contract Number GS-35F-0122S
12/27/2010	A100172	Preaward Examination of Multiple Award Schedule Contract Extension: New England Woodcraft, Inc., Contract Number: GS-27F-0005L
01/27/2011	A100075	Preaward Review of Multiple Award Schedule Contract Extension: Cort Business Services Corporation, Contract Number GS-28F-7018G

ISSUE DATE OF REPORT	AUDIT REPORT NUMBER	TITLE
01/27/2011	A100213	Examination of a Claim: Cobb Mechanical Contractors, Subcontractor to Caddell Construction Company Incorporated; Contract Number GS-07P-05-UEC-3003
02/02/2011	A100171	Examination of a Claim: Layton Construction Company, Inc., Contract Number: GS-08P-07-JFC-0016
03/10/2011	A100062	Preaward Review of Multiple Award Schedule Contract Extension: Carahsoft Technology Corporation, Contract Number GS-35F-0131R
03/16/2011	A100168	Preaward Review of Multiple Award Schedule Contract Extension: Johnson Controls, Inc. Contract Number GS-07F-7823C
03/29/2011	A100114	Preaward Review of Multiple Award Schedule Contract Extension: Ahura Scientific, Inc. Contract Number GS-07F-6099R
05/10/2011	A110073	Preaward Examination of Multiple Award Schedule Contract Extension: PPS Infotech, LLC, Contract Number GS-35F-0372L
05/12/2011	A100221	Preaward Examination of Multiple Award Schedule Contract Extension: Mainline Information Systems, Inc., Contract Number GS-35F-0216L
05/12/2011	A110044	Preaward Examination of Multiple Award Schedule Contract Extension: Vaisala, Inc. Contract Number GS-25F-6029D
05/16/2011	A110063	Postaward Examination of Multiple Award Schedule Contract Number GS-35F-0554K, For the period January 1, 2008, to December 31, 2010, IntelliDyne, LLC
05/17/2011	A100183	Examination of a Claim: Moshe Safdie and Associates, Inc., Contract Number GS-01P-99-BWC-0016
06/01/2011	A110070	Examination of a Claim: Bergelectric Corporation Subcontractor to Caddell Construction Co., Inc., Contract Number GS-07P-05-UEC-3003
06/01/2011	A110087	Preaward Examination of Multiple Award Schedule Contract Extension: National Interest Security Company, LLC, Contract Number GS-25F-0032L
06/07/2011	A090112	Postaward Review of Multiple Award Schedule Contract: ITS Services, Inc., Contract Number GS-35F-5518H, For the Period March 20, 1998, Through April 30, 2008
06/10/2011	A110115	Preaward Examination of Multiple Award Schedule Contract Extension: Pacific Star Communications, Inc., Contract Number GS-35F-0031L
06/13/2011	A110108	Preaward Examination of Multiple Award Schedule Contract Extension: Protective Products Enterprises, Contract Number GS-07F-9029D
06/30/2011	A090045	Limited Scope Postaward Review of Multiple Award Schedule Contract Number GS-07F-0496T for the Period January 1, 2005, to July 31, 2007, C-Tech Industries, Inc.
07/06/2011	A110098	Examination of a Claim: KenMor Electric Company, LP, Subcontractor to W.G. Yates & Sons Construction Company, Contract Number GS-07P-05-URC-5007
07/07/2011	A100140	Preaward Review of Multiple Award Schedule Contract Extension: Veterans Imaging Products, Inc., Contract Number GS-14F-0005L
07/08/2011	A110132	Preaward Examination of Architect-Engineer Proposal R.A. Heintges & Associates Subcontractor to Smith-Miller & Hawkinson Architects, LLP, Solicitation Number GS11-P10-MKC0050
07/08/2011	A110132	Preaward Examination of Architect-Engineer Proposal Smith-Miller & Hawkinson Architects, LLP Solicitation Number GS11P10MKC0050

ISSUE DATE OF REPORT	AUDIT REPORT NUMBER	TITLE
07/14/2011	A110140	Preaward Examination of Architect/Engineering Proposal Lehman Smith McLeish, PLLC, Subcontractor to Smith-Miller & Hawkinson Architects LLP, Solicitation Number GS11-P10-MKC0050
07/22/2011	A080188	Review of a Claim: Dynalectric Company, Subcontractor to Dick Corporation, Contract Number GS-04P-01-EXC-0044
07/25/2011	A100174	Examination of a Claim Leon D. Dematteis Construction Corporation; Contract Number GS-02P-04-DTC-0032(N)
07/27/2011	A100170	Examination of a Claim: Caddell Construction Company, Incorporated Contract Number GS-07P-05-UEC-3003
07/27/2011	A110109	Preaward Examination of Multiple Award Contract Extension: Security Consultants Group Incorporated, Contract Number GS-07F-0267L
07/28/2011	A110088	Postaward Examination of Multiple Award Schedule Contract Number GS-07F-6028P for the Period January 1, 2009, to December 31, 2010, Global Protection USA, Inc.
08/03/2011	A100119	Preaward Review of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS-06F-0032K
08/03/2011	A100182	Preaward Examination of O&M Services Contract: Security Construction Services, Inc.; Solicitation Number GS-01P-10-BW-C-0026 (NEG)
08/04/2011	A110133	Preaward Examination of Architect Engineer Proposal Arup USA, Inc., Subcontractor to Smith-Miller & Hawkinson Architects LLP, Solicitation Number GS11-P10-MKC0050
08/10/2011	A110102	Examination of a Claim W.G. Yates & Sons Construction Company Contract Number GS-07P-05-URC-5007
08/15/2011	A110180	Examination of Architect and Engineering Services Contract: RTKL Associates, Inc. Contract Number GS-11P-11-MK-C-0045
08/19/2011	A110111	Preaward Examination of Multiple Award Schedule Contract Extension: Thermo Electron North America , LLC, Contract Number GS-24F-0026L
08/22/2011	A090196	Review of Construction Management Services Contract Bovis Lend Lease LMB, Inc. Contract Number GS-02P-04-DTC-0028(N) Options Number 3, 5, and 6
08/25/2011	A110136	Preaward Examination of Multiple Award Schedule Contract Extension: Konica Minolta Business Solutions U.S.A., Inc. Contract Number GS-25F-0030M
09/01/2011	A110182	Examination of a Termination Settlement Proposal: Hensel Phelps Construction Company, Contract Number GS-04P-10-BV-C-0065
09/08/2011	A110021	Examination of a Claim: Myrex Industries, Subcontractor to Caddell Construction Company, Incorporated, Contract Number GS-07P-05-UEC-3003
09/09/2011	A110067	Preaward Examination of Multiple Award Schedule Contract Extension: Clifton Gunderson, LLP Contract Number GS-23F-0135L
09/12/2011	A110146	Examination of Conversion Proposal: White Construction Company Contract Number GS-07P-06-UEC-0059
09/14/2011	A110122	Preaward Examination of Multiple Award Schedule Contract: Agilent Technologies, Incorporated - Contract Number GS-26F-5944A
09/15/2011	A110174	Postaward Examination of Multiple Award Schedule Contract Number GS-07F-9029D, For the Period March 5, 2010, to July 31, 2011, Protective Products Enterprises
10/13/2011	A100210	Preaward Examination of Multiple Award Schedule Contract Extension: Labat-Anderson, Inc, Contract Number GS-25F-0028L



ISSUE DATE OF REPORT	AUDIT REPORT NUMBER	TITLE
11/15/2011	A110197	Preaward Examination of Multiple Award Schedule Contract Extension: KDH Defense Systems, Inc. Contract Number GS-07F-0249T
12/07/2011	A110176	Preaward Examination of Multiple Award Schedule Contract Extension: Fontaine Trailer Company, Incorporated Contract Number GS-30F-0018T
12/19/2011	A110153	Examination of a Claim Letsos Company, Subcontractor to W.G. Yates & Sons Construction Company Contract Number GS-07P-05-URC-5007
12/22/2011	A110178	Preaward Examination of Multiple Award Schedule Contract Extension: Sharp Electronics Corporation Contract Number GS-25F-0037M
12/27/2011	A110191	Preaward Examination of Multiple Award Schedule Contract Extension: Paradigm Technologies, Inc. Contract Number GS-23F-0023T
12/27/2011	A110198	Preaward Examination of Multiple Award Schedule Contract Extension: Scott Technologies Incorporated Contract Number GS-07F-9563G
01/19/2012	A110152	Preaward Examination of Multiple Award Schedule Contract Extension: Technology Associates International Corporation, Contract Number GS-35F-0474L
01/23/2012	A110186	Preaward Examination of Multiple Award Schedule Contract Extension: BRSL, L.P. Contract Number GS-23F-0186L
01/31/2012	A110177	Examination of a Claim: Way Engineering Ltd. Subcontractor to W.G. Yates & Sons Construction Company Contract Number GS-07P-05-URC-5007
02/03/2012	A120065	Examination of a Claim: Bergelectric Corporation, Subcontractor to Caddell Construction Company, Inc., Contract Number GS-07P-05-UEC-3003
02/08/2012	A120075	Examination of a Claim: Enola Contracting Services, Inc., Contract Number GS-04P-07-EXC-0167
02/22/2012	A110089	Preaward Examination of Multiple Award Schedule Contract Extension: Quality Software Services, Inc Contract Number GS-35F-0308L
03/01/2012	A110097	Preaward Examination of Multiple Award Schedule Contract Extension: Dell Marketing, L.P. Contract Number GS-35F-4076D
03/02/2012	A120021	Preaward Examination of Multiple Award Schedule Contract Extension: Presidio Networked Solutions, Inc.; Contract Number GS-35F-4554G
03/07/2012	A110200	Preaward Examination of MAS Contract Extension: Deco, Inc., Contract Number GS-07F-0103M
03/16/2012	A100191	Postaward Examination of Multiple Award Schedule, Contract Number GS-29F-0119C, For the Period January 1, 2004, to June 30, 2010 ErgoGenesis, LLC
03/27/2012	A120074	Preaward Examination of Multiple Award Schedule Contract: Kimball International, Inc. Contract Number GS-29F-0177G
03/28/2012	A120070	Examination of a Claim Cobb Mechanical Contractors Subcontractor to Caddell Construction Co., Inc. Contract Number GS-07P-05-UEC-3003
04/10/2012	A120090	Preaward Examination of Multiple Award Schedule Contract Extension: Mine Safety Appliances Company Contract Number GS-07F-9628G
04/12/2012	A110143	Preaward Examination of Multiple Award Schedule Contract Extension: The J. Diamond Group, Inc., Contract Number GS-07F-0305L
04/23/2012	A120086	Preaward Examination of Multiple Award Schedule Contract Extension: The Analysis Corporation Contract Number GS-35F-0344L
05/01/2012	A110213	Preaward Examination of Multiple Award Schedule Contract Extension: Miami Air International, Incorporated Contract Number GS-33F-0016T



ISSUE DATE OF REPORT	AUDIT REPORT NUMBER	TITLE
05/02/2012	A110216	Preaward Audit of Multiple Award Schedule Contract Extension: Learning Tree International USA, Inc.; Contract Number GS-35F-4414G
05/09/2012	A120069	Examination of a Claim: Cleveland Construction, Inc., Subcontractor to Caddell Construction Co., Inc. Contract Number GS-07P-05-UEC-3003
05/17/2012	A110207	Preaward Examination of Multiple Award Schedule Contract Extension: Analytical Graphics, Inc. Contract Number GS-35F-4022D
05/18/2012	A120056	Preaward Examination of Multiple Award Schedule Contract Extension: Systems Research and Applications Corporation Contract Number GS-35F-4594G
05/30/2012	A120112	Limited Scope Attestation Engagement - Examination of Labor Rates at the JFK Federal Building, Contract Number GS-01P-09-BW-D-0009
05/31/2012	A120059	Preaward Examination of Multiple Award Schedule Contract Extension: The MIL Corporation Contract Number GS-35F-4670G
06/29/2012	A110169	Postaward Examination of Multiple Award Schedule Contract: Oce North America, Inc. Contract Number GS-25F-0060M For the Period October 1, 2006, through March 31, 2011
07/05/2012	A110166	Preaward Examination of Multiple Award Schedule Contract Extension: Pitney Bowes, Inc. Contract Number GS-25F-0010M
07/06/2012	A120126	Preaward Examination of Multiple Award Schedule Contract: Hamilton Products Group, Inc. Solicitation Number 3QSA-JB-100001-B
07/17/2012	A120136	Examination of a Claim Lenex Steel Company Contract Number GS-05P-02-GB-C-0089
08/09/2012	A120063	Examination of a Claim Caddell Construction Co., Inc. Contract Number GS-07P-05-UEC-3003
08/09/2012	A120084	Preaward Examination of Multiple Award Schedule Contract Extension: Raytheon Company, Contract Number GS-35F-4097G
08/15/2012	A110209	Preaward Audit of Multiple Award Schedule Contract Extension: Proper International Sales, Inc. Contract Number GS-07F-0228M
08/17/2012	A120119	Preaward Examination of Multiple Award Schedule Contract Extension: Spectrum Systems, Inc., Contract Number GS-35F-5192G
08/21/2012	A120083	Examination of a Change Order Proposal, M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010
08/23/2012	A120061	Preaward Examination of Multiple Award Schedule Contract Extension: Schneider Electric USA, Inc. Contract Number GS-07F-9462G
09/12/2012	A120103	Preaward Examination of Multiple Award Schedule Contract Extension: ManTech Advanced Systems International, Inc.; Contract Number GS-35F-4660G
09/18/2012	A120121	Examination of a Termination Settlement Proposal: Alutiq International Solutions, LLC, Contract Number GS-08P-08-JF-C-0005
09/20/2012	A120141	Examination of a Claim: Turner Construction Company Contract Number GS-07P-11-HH-C-0003 Construction Company

ISSUE DATE OF REPORT	AUDIT REPORT NUMBER	TITLE	PROJECTED FINAL ACTION DATE
<b>INTERNAL AUDITS</b>			
03/31/11	A110072	Review of the Federal Acquisition Service's National Customer Service Center	01/15/14
08/19/11	A090172	Recovery Act Report - GT "Mickey" Leland Federal Building Renovation Project: Construction Contract Audit of PBS's Major Construction and Modernization Projects Funded by The American Recovery and Reinvestment Act of 2009	01/15/14
09/30/11	A110096	FY 2011 Office of Inspector General Information Technology Security Audit of the AT&T Operational Support System	07/15/14
09/30/11	A110095	FY 2011 Office of Inspector General Information Technology Security Audit of the SmartPay – Citibank System	02/15/14
11/10/11	A110103	Audit of the General Services Administration's Fiscal Year 2011 Financial Statements	10/31/13
03/30/12	A110117	Audit of Personal Property Donation Program: New Jersey State Agency for Surplus Property, Federal Acquisition Service, Northeast and Caribbean Region	04/15/14
03/29/12	A120054	FY 2012 Office of Inspector General Information Technology Security Audit of the Data.gov Terremark System	11/15/13
05/30/12	A110100	Audit of Management Controls Within the Network Services Division Pacific Rim Region, Federal Acquisition Service	02/15/14

## Appendix IV – OIG Reports Without Management Decision

Section 5(a)(10) of the IG 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. This period there are four OIG reports that meet this requirement.

### **Preaward Examination of MAS Contract Extension: Spectrum Systems, Inc., Contract Number GS-35F-5192G, dated August 17, 2012**

This audit was performed to determine whether Spectrum Systems submitted current, accurate, and complete CSP information; maintained sales monitoring and billing systems that ensure proper administration of the price reduction provisions and billing terms of the contract; and adequately accumulated and reported schedule sales for IFF payment purposes. The report concluded that Spectrum Systems' CSP is current, but not accurate and complete; current and proposed Price Reductions clauses do not provide adequate protection for the Government; GSA Schedule customers were improperly billed, resulting in overcharges; and Spectrum does not have an adequate system for classifying sales for IFF purposes.

After multiple meetings to resolve the contracting officer's disagreement with our report findings, FAS has agreed to address the issues.

### **Preaward Review of MAS Contract Extension: BlueScope Construction, Inc., Contract Number GS-07F-9665G, dated November 14, 2012**

This audit was performed to determine whether BlueScope Construction, Inc. submitted current, accurate, and complete CSP information; maintained sales monitoring and billing systems that ensure proper administration of the price reduction provisions and billing terms of the contract; and adequately accumulated and reported schedule sales for IFF payment purposes. The report concluded that BlueScope's GSA and non-GSA pricing methodologies differ, and each BlueScope sale is so unique that they cannot be priced using MAS processes. Ordering procedures under the contract are inconsistent with the Federal Acquisition Regulation, and GSA sales are inconsistent with the General Services Administration Acquisition Manual's direction for procuring construction as a commercial item. The contract does not afford effective price reduction protection due to inadequate Maximum Order Threshold levels, insufficient BlueScope monitoring, and an invalid price/discount relationship with the basis of award customer.

After multiple meetings to resolve the contracting officer's disagreement with our report findings, we are going to escalate the issues to GSA management.

### **Preaward Examination of MAS Contract Extension: Grant Thornton, LLP, Contract Number GS-23F-8196H, dated January 24, 2013**

This audit was performed to determine whether Grant Thornton, LLP submitted current, accurate, and complete CSP information; maintained sales monitoring and billing systems that ensure proper administration of the price reduction provisions and billing terms of the contract; adequately accumulated and reported schedule sales for IFF payment purposes; assigned employees to work on GSA task orders who are qualified for the billable positions; and maintained an accounting system that adequately segregates and accumulates labor hours, material costs, and other direct costs (ODCs) on time and material (T&M) task orders. The report concluded that Grant Thornton's (GT) proposed cost build-up rates are overstated and require adjustment. The direct labor cost component of GT's cost build-up rate is unacceptable for certain labor categories and GT has no employees available for its proposed "Administrator" labor category. GT improperly administers the Price Reductions clause by failing to report price reductions as they occur and failing to notify the contracting officer of inactive basis of award customers. However, GT adequately accumulates and reports schedule sales for IFF payment purposes and assigns employees to work on GSA task orders who are qualified for the billable positions. The company also maintains an accounting system that adequately segregates and accumulates labor hours, material costs, and ODCs for T&M task orders.

After multiple meetings to resolve the contracting officer's disagreement with our report findings, we are going to escalate the issues to GSA management.

### **Preaward Examination of MAS Contract Extension: The Centech Group, Contract Number GS-35F-5440H, dated March 14, 2013**

This audit was performed to determine whether The Centech Group (Centech) submitted current, accurate, and complete CSP information; maintained sales monitoring and billing systems that ensure proper administration of the price reduction provisions and billing terms of the contract; adequately accumulated and reported schedule sales for IFF payment purposes; assigned employees to work on GSA task orders who are qualified for the billable positions; and maintained an accounting system that adequately segregates and accumulates labor hours, material costs, and ODCs on T&M task orders. The report concluded that Centech's CSP is current, accurate and complete. However, the company's proposed labor rates are overstated and require adjustment; the Price Reductions clause is ineffective; the billing terms of the contract are improperly administered, resulting in overcharges; controls for accumulating and reporting schedule sales for IFF purposes need to be strengthened; and GSA sales for the 1-year period ending September 30, 2012, are under-reported. However, Centech does maintain an accounting system that adequately segregates and accumulates labor hours and ODCs on T&M task orders.

After multiple meetings to resolve the contracting officer's disagreement with our report findings, we are going to escalate the issues to GSA management.

## Appendix V – Peer Review Results

The *Dodd-Frank Wall Street Reform 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 Office of Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review that have not been fully implemented.

In FY 2012, the Office of Audits underwent a peer review by the Department of Justice. On December 20, 2012, the GSA OIG received a peer review rating of “pass.” The peer review team found that the GSA OIG’s system of quality control is suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable standards in all material respects. No outstanding recommendations exist from any previous peer review conducted by another OIG.

The Office of Audits did not conduct any peer reviews of another OIG during this reporting period. As such, no outstanding recommendations exist from previous peer reviews that have not been fully implemented.

On July 26, 2013, the Small Business Administration OIG stated that the system of internal safeguards and management procedures for the GSA OIG Office of Investigations was in full compliance with the standards promulgated for investigations by the Attorney General Guidelines and the CIGIE.

## Appendix VI – Reporting Requirements

The table below cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information requested by the Congress in Senate Report No. 96-829 relative to the 1980 Supplemental Appropriations and Rescission Bill, 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	43
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies	16–28
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	16–28
Section 5(a)(3) – Prior Recommendations Not Yet Implemented	49
Section 5(a)(4) – Matters Referred to Prosecutive Authorities	12
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused	none
Section 5(a)(6) – List of OIG Reports	51
Section 5(a)(7) – Summary of Each Particularly Significant Report	16–28
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs	11
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	11
Section 5(a)(10) – Summary of OIG Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	55
Section 5(a)(11) – Description and Explanation for Any Significant Revised Management Decision	none
Section 5(a)(12) – Information on Any Significant Management Decisions with Which the Inspector General Disagrees	none
<b>SENATE REPORT NO. 96-829</b>	
Resolution of Audits	10
<b>NATIONAL DEFENSE AUTHORIZATION ACTS</b>	
Public Law 104-106, 5 U.S.C. app. 3, § 5 note	54
Public Law 110-181	28
<b>DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT</b>	
Peer Review Results	57

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