



SEMIANNUAL REPORT TO THE CONGRESS



OFFICE OF INSPECTOR GENERAL

U.S. GENERAL SERVICES ADMINISTRATION

October 1, 2016 – March 31, 2017

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MESSAGE FROM THE IG



I am pleased to submit this Semiannual Report to the Congress for the period of October 1, 2016, through March 31, 2017.

During this reporting period, our audit and investigative efforts yielded more than \$310 million in recommended financial savings and investigative recoveries. This work included pre-award audits that examined 29 contracts with an estimated value of almost \$2.2 billion and recommended that more than \$204 million of funds be put to better use.

Our internal audits and reviews of GSA programs provided additional benefits to GSA and the taxpayers. For example, our inspectors found that GSA's digital services organization, 18F, struggled financially between 2014 and 2016 with a net loss of almost \$32 million. In a separate report, our inspectors found that 18F routinely disregarded and circumvented fundamental GSA information technology security policies and guidance. An audit of GSA's use of real property exchanges found that inadequate financial analyses caused GSA to abandon several such projects and left GSA at risk for funding shortages in others. We made recommendations in these reports to help GSA significantly improve its operations.

Our investigative work resulted in several large recoveries, including a civil settlement in which Computer Associates Inc. agreed to pay \$45 million to resolve allegations that it did not fully and accurately disclose to GSA its discounting practices. In other notable investigations, our special agents used proactive data analysis to uncover a scheme in which contractors obtained federal contracts in violation of federal exclusion rules; exposed a senior GSA contracting officer's conspiracy with others to fraudulently obtain federal employment for her husband and other family members; and revealed a construction firm's fraudulent overbilling scheme, leading to the recovery of \$9.2 million.

As these examples reflect, OIG employees perform their duties with skill and dedication. I am grateful for their work, and for the continued support GSA and Congress provide to this office.



Carol F. Ochoa, Inspector General
April 28, 2017



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

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 mission mandated by Congress.

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

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

OFFICE LOCATIONS

Headquarters:

Washington, D.C.

Field and Regional Offices:

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

STAFFING AND BUDGET

As of March 31, 2017, our on-board staffing level was 319 employees. In lieu of a full year appropriation, the OIG is currently operating under a continuing resolution based on the fiscal year 2016 appropriation.

OIG ORGANIZATION CHART

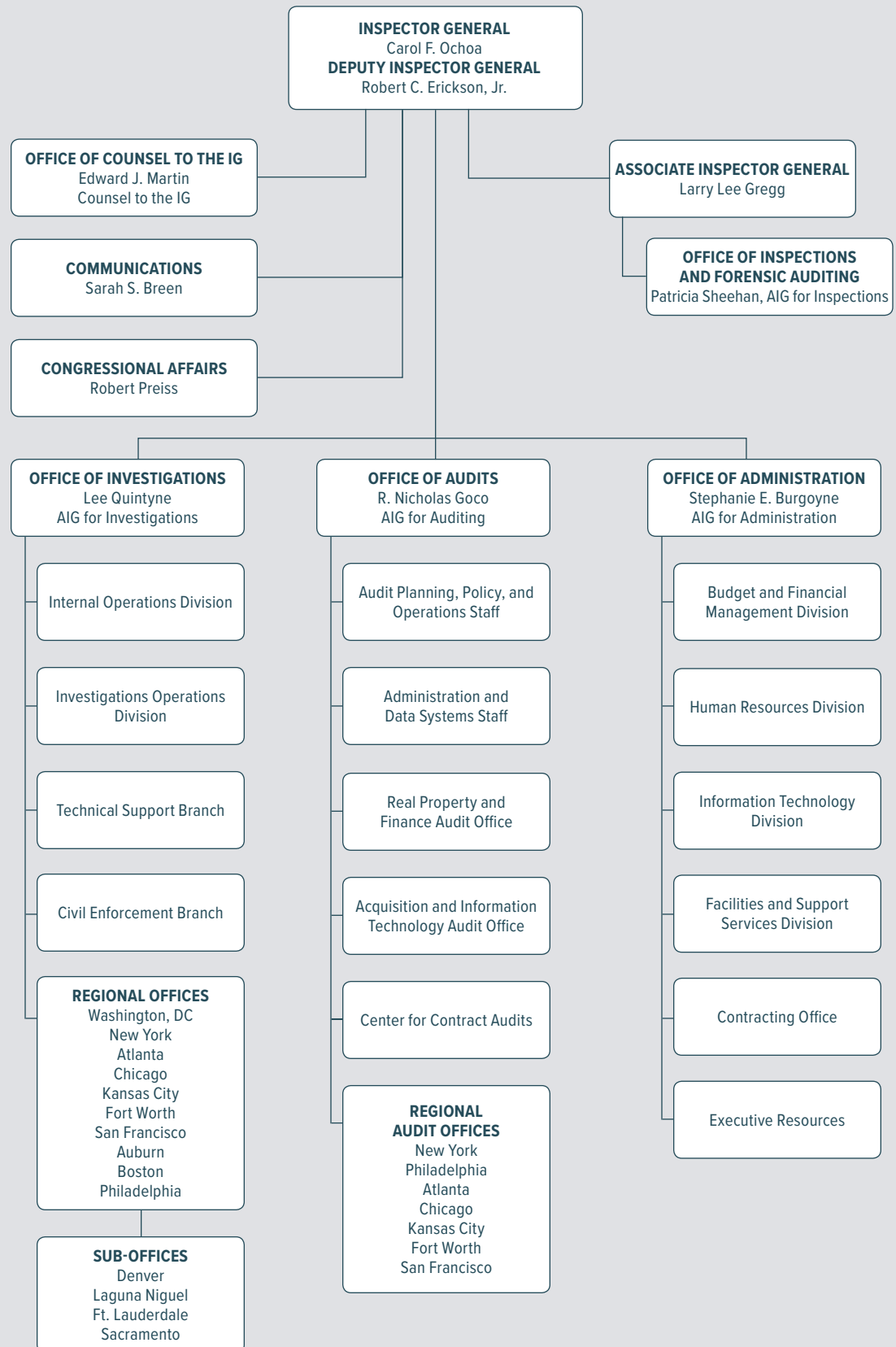




Photo: U.S. Custom House in New Orleans, Louisiana

GSA'S MANAGEMENT CHALLENGES

As required by the Reports Consolidation Act of 2000, Public Law (P.L.) 106-531, Congress requires the Inspectors General of major federal agencies to report on the most significant management challenges facing their respective agencies. The following table briefly describes the challenges we have identified for GSA.

| CHALLENGE | BRIEF DESCRIPTION OF CHALLENGE |
|--|--|
| Acquisition Programs | GSA's Federal Acquisition Service strives to create efficiency for the federal government's acquisition of goods and services by consolidating the buying power of the federal government to obtain quality products and services at the best available price. Attention is needed to mitigate challenges with the GSA Schedules Program including implementing new pricing initiatives; ensuring contractor compliance; managing workload; and hiring, retaining, and developing qualified acquisition personnel. GSA also faces challenges in implementing its Transactional Data Reporting rule and in meeting the government's evolving needs for telecommunication and integrated technology infrastructure solutions. |
| GSA's Real Property Operations | GSA's Public Buildings Service is the landlord for the federal civilian government, providing federal agencies with the real property, including offices, courthouses, and labs, needed to accomplish their missions. GSA's new construction program is complex, and GSA faces significant challenges in large-scale exchanges of real property and safeguarding federal infrastructure. |
| Technology Transformation | GSA's Technology Transformation Service (TTS) assists agencies in the delivery of information and services to the public and brings innovation to the federal government. However, GSA faces numerous challenges including lack of dedicated funding for TTS operations, possible limited oversight and accountability for the use of TTS funding, inability of TTS to recover the full costs of its operations, and human capital management. TTS has also experienced a series of information security incidents including a breach that potentially exposed sensitive information. |
| Financial Operations | GSA's accounting, financial management, and internal controls systems must ensure management has accurate, reliable, and timely financial and performance information for its day-to-day decision making and accountability. However, GSA continues to face risks to its day-to-day financial operations with the transition of its Financial Management Line of Business to the U.S. Department of Agriculture. GSA also faces challenges with the effectiveness of its internal controls over financial reporting including controls over leases and occupancy agreements, controls over budgetary accounts and transactions, general controls over financial management systems, and entity-level controls. |
| Information Technology | GSA's efforts to protect sensitive information are critical to GSA's mission, operations, and reputation. Without continuous monitoring of controls, sensitive information belonging to the Agency, its employees, contractors, and customers remains at risk. Several of our previous audits and evaluations reported on weaknesses in GSA's efforts to protect sensitive information in physical and electronic forms. However, a newer challenge exists in the areas of building management and control systems. These systems are designed to monitor and control a building's operations through automation and include access devices, elevators, HVAC systems, and utilities. With the modernization of GSA federal facilities comes more reliance on building management and control systems and an increase in cybersecurity risk to these systems. |
| Implementing GSA's Enterprise Risk Management Framework | GSA will be challenged to successfully provide reasonable assurance that: strategic goals and objectives align with the Agency's mission, operations are efficient and effective, reporting is reliable, and GSA is compliant with federal laws and regulations. |
| GSA's Greening Initiative – Sustainable Environmental Stewardship | With its major role in federal construction, building operations, acquisition, and government-wide policy, GSA faces challenges to achieve sustainability and environmental goals. GSA is required to increase energy efficiency, reduce greenhouse gas emissions, conserve water, reduce waste, determine optimal fleet inventory, and leverage purchasing power to promote environmentally responsible products. While GSA has demonstrated a commitment to sustainability, initiatives such as accurately computing cost savings of energy savings performance contracts, collecting reliable data to support goals and evaluate results, and obtaining diminishing sustainability returns on projects remain challenges. |
| Implementing GSA's Mobile Workforce Strategy | In support of OMB's Reduce the Footprint policy, GSA has stated an aggressive goal for usable square feet per person to serve as a model for the federal government by reducing its own footprint and implementing a mobile workforce strategy. To accomplish this goal, GSA is implementing a mobile workforce strategy that includes a combination of desk sharing, teleworking, and virtual employees. However, GSA continues to face challenges with its mobile workforce strategy including the timeliness of its implementation, accuracy of records for the number and locations of virtual employees, limited reliability and availability of digital documentation, and capable and compatible IT systems, continuity, and security. |

SIGNIFICANT AUDITS

SIGNIFICANT AUDITS

The Office of Audits conducts independent and objective audits to improve the effectiveness and efficiency of GSA's management and operations. These audits focus on GSA's programs, internal controls, IT infrastructure, and compliance with federal laws and regulations. Audits are also performed to assist GSA contracting personnel in obtaining the best value for federal customers. During this reporting period, we issued 41 audit reports which identified over \$224 million in potential cost savings and recoveries for the federal government.

PREAWARD AUDITS

GSA provides federal agencies with billions of dollars in products and services through various contract types. As of March 31, 2017, there were almost 15,000 Multiple Award Schedule (schedule) contracts under GSA's procurement program that generated nearly \$17 billion in sales. We oversee this program by conducting preaward, postaward, and performance audits. Historically, for every dollar invested in our preaward audits, we achieve at least \$10 in savings from lower prices or more favorable contract terms and conditions for the benefit of the government and taxpayer.

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 reporting period, we performed preaward audits of 29 contracts with an estimated value of over \$2.2 billion and recommended over \$204 million of funds be put to better use. Management decisions were also made on 34 preaward audit reports, which recommended nearly \$194 million of funds be put to better use. Management agreed with all of these recommended savings.

Three of our more significant audits were of schedule contracts with combined projected government sales of over \$1.2 billion. These audits found that nearly \$134 million of funds could be put to better use. Some of the more significant findings within one or more of these audit reports include: commercial sales practices information was not accurate, current, or complete; proposed labor rates were overstated; schedule customers were overbilled; the Price Reductions Clause compliance monitoring was ineffective; the contractor did not cite prompt payment discounts; and the contractor did not have adequate controls to properly accumulate and report schedule sales.

GSA'S DECISIONS TO VACATE AND RENOVATE THE LEASED FEDERAL COURTHOUSE IN PENSACOLA ARE BASED ON FAULTY PREMISES

Report Number A150132/P/4/R17001, dated October 25, 2016

In response to complaints received through the OIG fraud hotline, we performed an audit of GSA's decisions to vacate the 1 North Palafox Street leased federal courthouse in Pensacola, Florida; relocate tenants into temporary leased space; and take ownership of and renovate the courthouse.

We found that the Public Buildings Service (PBS) Commissioner's decision to vacate the courthouse and the GSA Administrator's decision to place tenants into temporary leased space were based on a finding of "widespread" mold in the building. However, 19 environmental surveys performed in the building since October 2014 found no evidence that mold was "widespread" and that tenants should be relocated. Due to the decision to vacate, PBS incurred over \$7.3 million in related costs, on top of the \$4.7 million in rent payments for the remainder of the lease for the now vacant courthouse. In addition, GSA's choice of temporary leased administrative space is problematic and the vacant courthouse is at risk for further deterioration.

PBS plans to spend over \$30 million initially and \$17 million at a later date to partially renovate the courthouse. PBS's choice of this option over the lower cost option of building a new courthouse is based on a flawed financial analysis and does not provide a solution that is in the best interest of the tenants or the taxpayer. PBS's financial analysis does not compare equivalent options because PBS based the scope of the renovation on the amount of the funds available rather than the work needed to bring the courthouse up to current building standards. In addition, PBS's analysis understates the cost of the renovation and overstates the cost of a new courthouse. PBS's plan will result in a renovated courthouse that is larger, more expensive, and less structurally safe than a new courthouse built to current courthouse design standards.

Based on our audit findings, we made four recommendations including requiring that the GSA Administrator direct PBS to reanalyze options for housing the tenants and suspend all contracts and procurements for the renovation project.

GSA disagreed with most of our report findings and recommendations and reaffirmed its decision to proceed with a partial renovation of the courthouse.

AUDIT OF PBS'S PLANNING AND FUNDING FOR EXCHANGE PROJECTS

Report Number A160024/P/R/R17004, dated March 30, 2017

Due to funding constraints, GSA has increased its use of real property exchanges in recent years to assist in meeting its capital improvement needs. We performed this audit to determine if PBS is conducting exchanges in accordance with GSA guidance and federal exchange authorities.

We found that PBS project teams did not fully factor risk into their financial analyses, causing them to overvalue GSA's properties and cancel or not pursue four of the projects. Additionally, PBS did not always identify, plan for, or report the additional funding that exchanges might require, leaving itself at risk for funding shortages or using operational funds to meet capital project needs. Lastly, we found that PBS's guidance was outdated and did not encompass many aspects of the exchange process. Specifically, the guidance did not address how PBS will fund change orders or shortages, nor does it address how cash equalization payments will be handled.

Based on our audit findings, we made two recommendations to the PBS Commissioner. These included updating the exchange guidance and revising the quarterly exchange reports to congressional appropriations committees to include projects through completion and to identify support costs.

The PBS Commissioner agreed with our report findings and recommendations.

AUDIT OF PRICE EVALUATIONS AND NEGOTIATIONS FOR THE PROFESSIONAL SERVICES SCHEDULE CONTRACTS

Report Number A160037/Q/3/P17001, dated March 21, 2017

In 2015, the Federal Acquisition Service (FAS) consolidated several pre-existing professional services schedules into the Professional Services Schedule (PSS). According to FAS management, the consolidation has enabled customer agencies to procure a wide variety of services using one contract vehicle and management estimates that it will save GSA \$3.95 million in administrative costs over the first 5 years and \$1.29 million annually thereafter. We performed this audit to determine if the price evaluation and negotiation of transitioned and migrated contracts and options awarded under FAS PSS comply with federal regulations and policies.

We found that FAS is not consistently evaluating and negotiating contracts and options awarded under the PSS in accordance with federal regulations and internal policies. In particular, FAS consolidated certain pre-existing contracts into the PSS that resulted in the award of new contracts without establishing price reasonableness, as required by the Federal Acquisition Regulation (FAR). Additionally, FAS contracting officers used a combined "Pre and Price Negotiation Memorandum" template that does not include all information required by the FAR and does not conform to FAS policy. Finally, contract files lack key information necessary to support contracting officers' fair and reasonable pricing determinations.

We made three recommendations to the FAS Commissioner, which included directing the Office of Professional Services and Human Capital Categories to perform a formal price analysis on PSS migrated contracts, discontinue the use of the “Pre and Price Negotiation Memorandum” template, and use the separate Pre-Negotiation Memorandum and Price Negotiation Memorandum mandated by FAS Instructional Letter 2011-02. In addition, we recommended that FAS develop and issue guidance to contracting staff on documenting detailed price analyses.

The FAS Commissioner generally agreed with our report findings and recommendations.

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

Report Number A160019/P/4/R17003, dated January 27, 2017

In response to a complaint received from the OIG’s fraud hotline, we performed a limited scope audit of the PBS management of the environmental, health and safety, and maintenance issues at the Kress Building in Tampa, Florida. The complaints alleged that the Kress Building has had a number of issues including water intrusion, termite infestations, poor ventilation, exterior deterioration, and mold. Some tenants also expressed concerns that the building has been making them sick. In addition, there were numerous complaints about maintenance issues not addressed by the lessor or PBS.

We found that GSA did not enforce the terms of the full service lease and failed to hold the lessor accountable for maintaining the building in an acceptable condition. GSA also did not notify the tenants about the presence of black mold in a timely manner and may have exposed them to health risks.

Based on our audit findings, we made two recommendations to the PBS Regional Commissioner for GSA’s Southeast Sunbelt Region. These included enforcing the terms of the lease and taking immediate action to ensure that all necessary maintenance and repairs are addressed and developing and distributing guidance that ensures the immediate communication of environmental concerns and test results to affected building tenants.

The PBS Regional Commissioner agreed with our report findings and recommendations.

REVIEW OF THE PROPOSED CHANGE ORDER FOR SITE EXCAVATION AT THE DHS HEADQUARTERS CONSOLIDATION AT ST. ELIZABETHS

Audit Memorandum Number A150048-3, dated December 2, 2016

While monitoring GSA's PBS National Capital Region (NCR) management of the multi-phased consolidation of the Department of Homeland Security's (DHS) Headquarters in the Washington, D.C., area, we discovered that PBS NCR staff were preparing to award a change order for excavation services for the West Addition, which would violate the Competition in Contracting Act of 1984 (CICA) and the FAR. We issued an audit memorandum to the PBS NCR Regional Commissioner outlining our concerns.

Although PBS avoided violating CICA and FAR requirements by abandoning the planned change order, we were concerned by the similarity of the planned action to the finding in our report *Limited Scope Audit – Operations and Maintenance Services Contract at St. Elizabeths* (Report Number A150048/P/R/R16001, March 2, 2016). In this report, we found that PBS failed to comply with federal competition requirements in its procurement of operations and maintenance services for the St. Elizabeths West Campus; denying opportunities to other contractors and eliminating price competition. Despite these prior findings and recommendations, PBS NCR was preparing to award a change order for excavation services for the DHS Headquarters consolidation in violation of CICA and the FAR.

These recurring deficiencies indicate that PBS NCR's current policies and procedures are not working effectively to ensure compliance with laws and regulations. We advised PBS NCR management to strengthen controls surrounding contract award and administration to ensure compliance with applicable laws and regulations.

PBS NCR management's response to our memorandum recognized that additional controls are needed and proposed new controls and guidance to ensure compliance with CICA and the FAR. Their response also stated NCR believed the findings in this review and the March 2016 audit are not related. The response noted that the "scopes of change orders for construction contracts have different rules than those under service contracts." We are aware of the different rules but disagree that the two findings are unrelated. In both cases, PBS NCR's contracting actions violated, or almost violated, the competition requirements under CICA and the FAR by adding additional work to construction contracts.

THE OFFICE OF INSPECTOR GENERAL'S READINESS REVIEW OF GSA'S IMPLEMENTATION OF THE DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT

Audit Memorandum Number A150150-2, dated November 30, 2016

In response to requirements of the Digital Accountability and Transparency Act (DATA Act), we issued a memorandum to GSA on our assessment of GSA's efforts and formal implementation plans to report financial and payment data in accordance with the requirements of the DATA Act established by the United States Department of the Treasury (Treasury) and the Office of Management and Budget (OMB).

We found that, as of October 21, 2016, GSA has been making progress in implementing the DATA Act. Specifically, GSA has been developing a DATA Act implementation plan and using it to manage its implementation efforts. Additionally, GSA has been making progress in implementing the eight key steps for DATA Act implementation. As of the memorandum's issuance, GSA completed the first four steps and was in the process of completing the remaining steps. GSA's efforts included working to implement changes for updating its systems, while planning to process refinements needed for the final data submission to the information system, DATA Act Broker. Although it has made progress in its implementation efforts, GSA still faces challenges and risks that could affect its ability to meet the May 2017 data submission deadline. For instance, GSA must implement a solution to ensure that a required data element (Parent Award ID) will be reported in its data submission to Treasury. In addition, GSA must mitigate risks, such as ensuring the reliability and validity of data submissions.

We cannot definitively state that GSA will successfully implement the DATA Act requirements by the May 2017 statutory deadline because testing of the DATA Act Broker and necessary updates to certain GSA systems are still underway. However, we will assess GSA's success in submitting data in accordance with the DATA Act during our first required audit, the results of which will be reported in November 2017. In the interim, GSA should continue its risk mitigation efforts, including the development of an appropriate system of internal controls to ensure compliance with the DATA Act. Additionally, GSA should continue its proactive engagement and participation in routine meetings sponsored by Treasury and OMB to maintain awareness of DATA Act implementation guidance and other key related information. GSA did not have any comments regarding the results of our readiness review.

REVIEW OF REIMBURSABLE WORK AUTHORIZATIONS MANAGED BY THE PBS PACIFIC RIM REGION SERVICE CENTERS

Audit Memorandum Number A150036, dated January 26, 2017

Reimbursable Work Authorizations (RWAs) are written agreements between PBS and a client agency for above-standard services that are not covered in an agency's rent. Under these agreements, PBS agrees to provide these services to the client agency, which agrees to reimburse PBS for the costs of the services, including administrative expenses and fees. As part of the OIG's Fiscal Year 2015 Annual Audit Plan we reviewed RWAs managed by PBS's Service Centers in the Pacific Rim Region. We assessed whether: (1) RWA funding was expended per GSA policy and contract requirements, and (2) RWAs were completed and timely closed out within PBS's Pacific Rim Region Service Centers.

We found that the Pacific Rim Region Service Center personnel are not awarding RWA contracts within the established timeframes and the contract files lack a written justification for not issuing the contracts according to those timeframes. Without adequate documentation, Service Center personnel are not in compliance with PBS policy or the FAR. We also found that the Service Center personnel are not ensuring that contractors adhere to scheduled contract completion dates. Furthermore, when a scheduled completion date is missed, the deadline is often extended without documentation or repercussion. As a result, PBS is not meeting the needs of its client agencies. Accordingly, we advised PBS to strengthen the internal controls surrounding RWAs and associated procurements to ensure compliance with PBS policy and effective contract administration.

IMPLEMENTATION REVIEW OF ACTION PLAN: PERSONALLY IDENTIFIABLE INFORMATION UNPROTECTED IN GSA'S CLOUD COMPUTING ENVIRONMENT; REPORT NUMBER A140157/O/R/F15002; JANUARY 29, 2015

Report Number A160045, dated January 26, 2017

On January 29, 2015, we issued our audit report, *Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment*, to the Office of GSA IT. Our 2015 audit found personally identifiable information (PII) was accessible to employees and contractors who had no need to know the information, and breach notifications to affected individuals were inadequate. Based on our audit findings, we made eight recommendations to the Chief Information Officer/Senior Agency Official for Privacy and Chief Privacy Officer.

We performed an implementation review of the management actions taken in response to our original audit recommendations to determine whether GSA IT had taken the corrective actions outlined in its action plan. Our implementation review found that GSA IT did not fully implement all of the steps in its action plan, dated April 2015. Specifically, GSA IT could not provide signed Memorandums of Understanding to support that Google Sites owners accepted responsibility for operating and managing their sites in accordance with federal and GSA regulations and standards. Additionally, as part of its action plan, GSA IT assigned a risk rating to the remaining individuals affected by the PII breach and said it will continue its efforts to notify individuals where the risk of harm is moderate or higher. GSA IT identified 14 remaining individuals that met these risk ratings. However, it did not provide evidence that it performed the actions outlined in its plan for notifying the outstanding individuals.

After the completion of our implementation review, GSA partially addressed the open action steps that were not fully implemented. However, GSA still must decide whether it will continue to pursue the remaining eight moderate or high risk individuals. As a result of our report findings, GSA IT must submit a revised action plan addressing the open action steps within 30 days to the OIG and GSA's GAO/IG Audit Management Division.

**IMPLEMENTATION REVIEW OF ACTION PLAN: SENSITIVE BUT UNCLASSIFIED BUILDING INFORMATION UNPROTECTED IN GSA'S CLOUD COMPUTING ENVIRONMENT;
REPORT NUMBER A140157/P/R/W14001; AUGUST 19, 2014**

Report Number A160096, dated January 26, 2017

In July 2014, the OIG Office of Forensic Auditing, Evaluation, and Analysis discovered unprotected sensitive information residing in GSA's Google cloud computing environment. In response, we conducted an audit to determine if GSA had identified and remedied all instances of sensitive data access control vulnerabilities within its cloud computing environment, as well as to determine how to prevent additional instances in the future. Due to the serious nature of the conditions identified, we issued an alert report, *Sensitive But Unclassified Building Information Unprotected in GSA's Cloud Computing Environment*, to PBS management on August 19, 2014. The alert report found sensitive information concerning child care centers, courthouses, water sources, building automation systems, and security and fire alarm systems was accessible by GSA employees and contractors who had no need to know such information. Based on our audit findings, we made six recommendations to the PBS Commissioner.

Given the serious nature of our findings and recommendations, we conducted an implementation review to determine if GSA had implemented corrective actions in response to our original audit recommendations. Although the risks have been sufficiently mitigated, we determined that the PBS did not fully implement all of the steps in its action plan, dated January 2015. We noted that PBS did not provide sufficient evidence that it notified those parties potentially affected by the improper disclosure of sensitive but unclassified building information. We also noted that PBS is not ensuring sensitive but unclassified building documents are properly marked per GSA Order PBS P 3490.2.

As a result of our report findings, PBS must submit a revised action plan addressing the open action steps within 30 days to the OIG and the GSA GAO/IG Audit Management Division.

OVERSIGHT OF THE INDEPENDENT AUDITOR'S REPORT ON GSA'S FISCAL YEAR 2016 FINANCIAL STATEMENTS

As required by the Chief Financial Officers Act of 1990 (P.L. 101-576) as amended, the OIG monitored an independent public accounting firm's (IPA) audit of GSA's fiscal year 2016 financial statements. The IPA performed the audit in accordance with generally accepted government auditing standards and the OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Our review disclosed no instances where the IPA did not comply, in all material respects, with generally accepted government auditing standards.

The IPA audit identified deficiencies in internal controls, including several significant deficiencies in the areas of Classification of Capital and Operating Leases, Controls over Budgetary Accounts and Transactions, General Controls over Financial Management Systems, and Entity-Level Controls. During the FY 2017 audit, the IPA will review GSA's supporting evidence to determine if corrective actions for these significant deficiencies have been fully implemented.

OVERSIGHT OF THE FISCAL YEAR 2016 INDEPENDENT EVALUATION OF THE U.S. GENERAL SERVICES ADMINISTRATION'S COMPLIANCE WITH THE FEDERAL INFORMATION SECURITY MODERNIZATION ACT OF 2014

The Federal Information Security Modernization Act of 2014 (FISMA) requires an annual evaluation of each agency's information security program and practices. For the FY 2016 evaluation, GSA contracted with an IPA to conduct the independent evaluation of its compliance with the provisions of FISMA. We monitored the IPA's evaluation for compliance with quality standards and reporting guidance. The IPA's evaluation concluded that GSA has established an information security program and practices for its information systems, and GSA is maintaining a security program for the eight FISMA metric domains.

However, the IPA identified that five of the eight FISMA program areas — risk management, contractor systems, configuration management, identity and access management and contingency planning — had deficiencies that should be addressed to strengthen GSA’s information security program. In addition, the IPA rated four Cybersecurity Framework Functions as not effective: Identify, Protect, Detect, and Recover. The IPA rated the Respond function as effective. The GSA Chief Information Officer agreed with the IPA’s findings and recommendations.

During FY 2017, the IPA performing the FISMA evaluation will review and follow up on the identified findings and recommendations under previous IPA FISMA evaluations that GSA has not addressed.

SUMMARY OF CONTRACT AUDIT REPORTS

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

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

During the period October 1, 2016, to March 31, 2017, we issued 33 contract audit reports. In these reports, we found:

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

We also recommended over \$224 million in cost savings in these reports. This includes recommendations that funds be put to better use, which is the amount the government could save if our audit findings are implemented. It also includes questioned costs, which is money that should not have been spent such as overbillings and unreported price reductions.

October 1, 2016 – March 31, 2017

| CONTRACT AUDIT REPORTS | |
|----------------------------------|---------------|
| Funds Be Put to Better Use | \$204,506,149 |
| Questioned Costs and Settlements | \$19,764,373 |

FAR DISCLOSURE PROGRAM

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

FAR RULE FOR CONTRACTOR DISCLOSURE

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

DISCLOSURES FOR THIS REPORTING PERIOD

As disclosures are made, the Offices of Audits, Investigations, and Counsel jointly examine each acknowledgment and make a determination as to what actions, if any, are warranted. During this reporting period, we received seven new disclosures. The matters disclosed include inflated sales reports, defective pricing, pricelist inaccuracies, inflated time reporting, Trade Agreements Act non-compliance, and unreported price reductions. We concluded our evaluation of six disclosures that resulted in over \$3.8 million in settlements and recoveries. We also assisted on one disclosure referred by another agency because of the potential impact on GSA operations and continued to evaluate 20 pending disclosures.

STATISTICAL SUMMARY OF OIG AUDITS

October 1, 2016 – March 31, 2017

| OFFICE OF AUDITS | |
|--|---------------|
| Total financial recommendations | \$224,270,522 |
| These include: | |
| Recommendations that funds be put to better use | \$204,506,149 |
| Questioned costs | \$19,764,373 |
| Audit reports issued | 41 |
| Audit memoranda provided to GSA | 3 |
| GSA Management decisions agreeing with audit recommendations | \$212,625,332 |

Audit Reports Issued

The OIG issued 41 audit reports. These reports contained financial recommendations totaling more than \$224.2 million, including more than \$204.5 million in recommendations that funds be put to better use and more than \$19.7 million in questioned costs. Due to GSA's mission of negotiating contracts for government-wide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other federal agencies.

Management Decisions on OIG Audit Reports

Table 1 summarizes the status of audits requiring management decisions during this period, as well as the status of those audits as of March 31, 2017. There were three reports more than 6-months old awaiting management decisions as of March 31, 2017. Table 1 does not include one report issued to another agency and three implementation reviews that were issued during this period because they are excluded from the management decision process.

Table 1. GSA Management Decisions on OIG Reports

| | NUMBER OF REPORTS | REPORTS WITH FINANCIAL RECOMMENDATIONS* | TOTAL FINANCIAL RECOMMENDATIONS |
|--|----------------------|---|---------------------------------------|
| For which no management decision had been made as of 10/01/2016 | | | |
| Less than 6 months old | 29 | 20 | \$266,330,366 |
| Six or more months old | 1 | 1 | \$30,958 |
| Reports issued this period | 37 | 28 | \$222,038,308 |
| TOTAL | 67 | 49 | \$488,399,632 |
| For which a management decision was made during the reporting period | | | |
| Issued prior periods | 27 | 19 | \$77,939,558 |
| Issued current period | 19 | 16 | \$134,685,774 |
| TOTAL | 46 | 35 | \$212,625,332 |
| For which no management decision had been made as of 03/31/2017 | | | |
| Less than 6 months old | 18 | 12 | \$87,352,534 |
| Six or more months | 3 | 2 | \$188,421,766 |
| TOTAL | 21 | 14 | \$275,774,300 |

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

GSA Management Decisions on OIG Reports with Financial Recommendations

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

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

| | NUMBER OF REPORTS | FUNDS BE PUT TO BETTER USE |
|--|----------------------|-------------------------------|
| For which no management decision had been made as of 10/01/2016 | | |
| Less than 6 months old | 13 | \$263,185,663 |
| Six or more months | 0 | \$0 |
| Reports issued this period | 23 | \$202,273,935 |
| TOTAL | 36 | \$465,459,598 |
| For which a management decision was made during the reporting period | | |
| Recommendations agreed to by management | 23 | \$193,924,595 |
| Recommendations not agreed to by management | 0 | \$0 |
| TOTAL | 23 | \$193,924,595 |
| For which no management decision had been made as of 03/31/2017 | | |
| Less than 6 months old | 12 | \$83,987,364 |
| Six or more months old | 1 | \$187,547,639 |
| TOTAL | 13 | \$271,535,003 |

GSA Management Decisions on OIG Reports with Questioned Costs

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

| | NUMBER OF REPORTS | QUESTIONED COSTS |
|--|----------------------|---------------------|
| For which no management decision had been made as of 10/01/2016 | | |
| Less than 6 months old | 14 | \$3,144,703 |
| Six or more months old | 1 | \$30,958 |
| Reports issued this period | 16 | \$19,764,373 |
| TOTAL | 31 | \$22,940,034 |
| For which a management decision was made during the reporting period | | |
| Disallowed costs | 18 | \$18,491,443 |
| Costs not disallowed | 3 | \$209,294 |
| TOTAL | 21 | \$18,700,737 |
| For which no management decision had been made as of 03/31/2017 | | |
| Less than 6 months old | 9 | \$3,365,170 |
| Six or more months old | 1 | \$874,127 |
| TOTAL | 10 | \$4,239,297 |



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

SIGNIFICANT INSPECTIONS

SIGNIFICANT INSPECTIONS

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

During this reporting period, the office issued two inspection reports with 13 recommendations affecting GSA program management and information technology security.

EVALUATION OF 18F

Report Number JE17-001, dated October 24, 2016

In March 2014, GSA's Administrator announced the launch of 18F, which was described as "a team of experts and innovators that will work to simplify the government's digital services, making them more efficient and effective." In 2016, 18F became part of the new Technology Transformation Service (TTS), which was established to "transform the way government builds, buys, and shares technology." Under a Memorandum of Agreement (MOA), GSA funds 18F's operational costs using the Acquisition Services Fund (ASF), a revolving fund comprised of revenue generated from FAS business lines. Under the MOA, 18F must recover all costs from work performed in order to reimburse the ASF for its operating funds, including both direct and indirect costs. In order to obtain cost reimbursement, 18F enters into formal agreements with its federal clients and charges a set rate per hour for work performed.

In December 2015, the Office of Inspections and Forensic Auditing initiated an evaluation to review 18F's business operations after several senior GSA officials expressed concerns to the OIG about the management of 18F. Our evaluation found that 18F has struggled financially since 2014 with a cumulative net loss of \$31.66 million through the third quarter of fiscal year 2016. We also found that 18F has not developed a viable plan to achieve full cost recovery, as required by its MOA with FAS to use the ASF to fund 18F operations. Factors that contributed to 18F's inability to achieve full cost recovery include 18F management's pattern of overestimating revenue projections, increased staffing levels, and staff time spent on non-billable activities. We also found that 18F staff performed work before inter-agency agreements were properly executed and outside of specified periods of performance. Finally, 18F's manual billing process and untimely timekeeping and expense recording resulted in a series of inaccurate charges to their clients.

To address these findings, we made seven recommendations to the Acting Commissioner of the GSA TTS, who agreed with the recommendations and stated his intention to take corrective action.

EVALUATION OF 18F'S INFORMATION TECHNOLOGY SECURITY COMPLIANCE

Report Number JE17-002, dated February 21, 2017

The GSA Office of 18F, an office within GSA's TTS, employs technology specialists who work with federal agencies to build, buy, and share digital services. In December 2015, the OIG Office of Inspections and Forensic Auditing initiated an evaluation of 18F, based on concerns expressed to us by several senior GSA officials about the management of 18F (see JE17-001). During the course of that review, we also identified violations by 18F personnel of GSA information technology policies. On May 12, 2016, we issued Management Alert Report: GSA Data Breach (Report Number JE16-004).

In April 2016, we initiated a supplementary evaluation to take a broader look at whether 18F has complied with GSA's information technology security policies. Our evaluation found that 18F routinely disregarded and circumvented fundamental security requirements related to both the acquisition of information technology and the operation of information systems. We found that 18F used information technology that was not approved by GSA IT, failed to obtain proper authorizations to operate information systems, circumvented the GSA IT assessment and authorization process, acquired information technology without the required Chief Information Officer review and approval, and used unofficial email accounts to conduct GSA business.

We also sought to determine the cause of 18F's widespread violations of fundamental GSA information technology security requirements. We concluded that management failures in GSA IT and 18F caused the breakdown in compliance. Leadership failed to provide sufficient guidance and oversight to ensure the proper level of awareness and compliance. As a result, 18F routinely disregarded and circumvented fundamental GSA information security policies and guidelines.

To address these findings, we made six recommendations to the Commissioner of the GSA TTS, who agreed with the recommendations and stated his intention to take corrective action.



Photo: Detail of recovered WPA painting "Fourteenth Street at Sixth Avenue" by John Sloan

SIGNIFICANT INVESTIGATIONS



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

SIGNIFICANT INVESTIGATIONS

The Office of Investigations conducts independent and objective investigations relating to GSA programs, operations, and personnel. The office consists of special agents with full statutory law enforcement authority to make arrests, execute search warrants, serve subpoenas, and carry concealed weapons. Special agents conduct investigations that may be criminal, civil, or administrative in nature and often involve complex fraud schemes. Investigations can also involve theft, false statements, extortion, embezzlement, bribery, anti-trust violations, credit card fraud, diversion of excess government property, and digital crimes. During this reporting period, the office opened 70 investigative cases, closed 105 investigative cases, referred 73 subjects for criminal prosecution, and helped obtain 18 convictions. Civil, criminal, and other monetary recoveries totaled over \$86 million.

CIVIL SETTLEMENTS

COMPUTER ASSOCIATES INC. AGREED TO PAY \$45 MILLION TO RESOLVE FALSE CLAIMS ALLEGATIONS

On March 10, 2017, Computer Associates, Inc. (CA) agreed to pay \$45 million to resolve allegations under the False Claims Act that it did not fully and accurately disclose its discounting practices for software licenses and maintenance to GSA contracting officers. Additionally, the settlement resolves claims that CA violated the Price Reductions Clause in its GSA contract by not providing government customers with additional discounts when commercial discounts improved.

MONACO ENTERPRISES, INC. AGREED TO PAY \$5 MILLION TO RESOLVE FALSE CLAIMS ALLEGATIONS

On November 15, 2016, Monaco Enterprises, Inc. (Monaco) agreed to pay \$5 million to resolve allegations under the False Claims Act related to its GSA contract sales. The settlement resolves allegations that between 2008 and 2016, Monaco overcharged federal agencies for custom fire security and alarm systems under GSA contracts when Monaco billed for services not performed, charged the government for unnecessary parts and services, and inflated the costs of certain standard commercial products sold to the government by falsely claiming that it had manufactured the products.

SALUS CORPORATION (D.B.A. ICP MEDICAL SUPPLY, INC.) AGREED TO PAY \$4 MILLION TO RESOLVE FALSE CLAIMS ACT AND TRADE AGREEMENTS ACT ALLEGATIONS

On January 6, 2017, Salus Corporation agreed to pay \$4 million to resolve allegations of false statements made by the company pursuant to the False Claims Act and Trade Agreements Act. The settlement resolves allegations that between 2010 and 2015, Salus failed to extend proper discounts for 34 medical supply products that were sold to the Department of Veterans Affairs (VA) and the Department of Defense (DoD). This settlement also resolves allegations that Salus made false statements to the GSA and VA regarding the Trade Agreements Act by obtaining items from China and then repackaging them to make it appear as though the products came from an approved source. GSA OIG investigated this case with VA OIG and Defense Criminal Investigative Service (DCIS).

THUNDERCAT TECHNOLOGY, LLC AGREED TO PAY \$1 MILLION FOR BID RIGGING AND KICKBACK SCHEMES

On December 12, 2016, ThunderCat Technology, LLC agreed to pay \$1 million to settle civil False Claims Act, Anti-Kickback Act, and Procurement Integrity Act claims relating to bid rigging and kickback schemes. The settlement resolves civil claims against ThunderCat relating to the criminal pleas entered by ThunderCat principal, co-owner, and general manager, Edwin Keith McMeans, and ThunderCat sales representative Anthony Bilby. From September 2008 to February 2012, ThunderCat solicited or submitted inflated third party bids or “loser bids” during competitions for five government contracts and/or purchase orders awarded by the DHS on behalf of the U.S. Customs and Border Protection (CBP) and U.S. Citizenship and Immigration Services and one government contract awarded by the GSA. In connection with one CBP contract, ThunderCat agreed to pay CBP employees 10 percent of ThunderCat’s profits on the contract in exchange for procurement sensitive independent government cost estimates prior to ThunderCat’s submission of its proposal. GSA OIG investigated this case with DHS OIG, VA OIG, and Small Business Administration (SBA) OIG.

URS FEDERAL TECHNICAL SERVICES AGREED TO PAY \$500,000 TO RESOLVE FALSE CLAIMS ALLEGATIONS

On October 18, 2016, URS Federal Technical Services, Inc. (URS) agreed to pay \$500,000 to resolve allegations of violations under the False Claims Act related to its GSA logistics worldwide contract. The settlement resolves allegations that URS had not maintained a secure warehouse or conducted inventories as required by the contract after the theft of United States Air Force property from a URS warehouse by a URS employee.

CRIMINAL INVESTIGATIONS

CIVILIAN ARMY CONTRACTING OFFICER'S REPRESENTATIVE SENTENCED FOR MILLION DOLLAR FRAUD SCHEME

A GSA OIG investigation found that Roy Friend, civilian chief of the U.S. Army's Aviation and Missile Command Fleet Management Office, misused Army funds and the GSA Advantage! program to purchase approximately \$905,035 in tools and other related items which were shipped to personal addresses for sale and personal gain. Friend pleaded guilty in March 2016 to one count of mail fraud. On December 20, 2016, Friend was sentenced to 33 months of imprisonment and three years of supervised release. He was also ordered to pay restitution in the amount of \$715,829, after having previously forfeited property valued at \$189,206 to the government. GSA OIG investigated this case with the Federal Bureau of Investigation (FBI) and U.S. Army Criminal Investigation Command (Army CID).

FORMER SENIOR GSA EMPLOYEE AND SPOUSE PLEADED GUILTY IN NEPOTISM SCHEME

A GSA OIG investigation found that Helen Renee Ballard (Renee Ballard), former Director of the GSA Central Office Contracting Division, and her spouse Robert Stevenson Ballard (Steve Ballard), engaged in a nepotism scheme in which they conspired to fraudulently obtain employment from the U.S. government and private federal contractors. As part of a \$200,000 scheme, the Ballards fraudulently induced a federal contractor (CACI) to hire Steve Ballard, who was then placed on a federal contract awarded by GSA and supervised by Renee Ballard. Later, she attempted to hire Steve Ballard for a federal position within GSA under her supervision. Renee and Steve Ballard caused over 139 employment applications to be submitted to federal agencies that falsely represented Steve Ballard's education, qualifications, and experience. In order to corroborate these false representations, the Ballards obtained and submitted fake certification documents. Furthermore, Renee Ballard directed or influenced the hiring of other family and friends as CACI employees through false and misleading statements and representations, and by concealing material conflicts of interest. On June 8, 2016, Renee Ballard was terminated from her employment with GSA. On March 23, 2017, both Renee Ballard and Steve Ballard pleaded guilty in federal district court to conspiracy to make false statements. Sentencing is scheduled for July 28, 2017.

FORMER GOVERNMENT EMPLOYEE PLEADED GUILTY TO MAKING FRAUDULENT PURCHASES

A GSA OIG investigation revealed that George Molina, a former Department of Energy (DOE) employee, used his government purchase card to purchase over \$200,000 of items for personal gain, including upgrades to his personal vehicles, ammunition, rifle scopes and accessories, an all-terrain recreational vehicle, and a John Deere Lawn Tractor. On January 18, 2017, Molina pleaded guilty to theft of government property. GSA OIG investigated this case with the DOE OIG.

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

As a result of a GSA OIG investigation, GSA contractor Brian Brundage was indicted on December 14, 2016, for mail fraud, wire fraud, and income tax evasion; and was arrested on December 19, 2016. The indictment alleges that he operated a multi-million dollar fraud scheme involving the illegal landfilling or re-selling of potentially hazardous waste. He fraudulently misrepresented that materials were being disassembled and recycled to both government and commercial customers. GSA OIG is investigating this case with the Homeland Security Investigations, Internal Revenue Service Criminal Investigation (IRS CI), and Environmental Protection Agency Criminal Investigation Division.

TWO SENTENCED FOR PARTICIPATION IN SCHEME TO CIRCUMVENT FEDERAL EXCLUSION RULES

Proactive data analysis led to GSA OIG investigation that found that William Brown and Matt Ruck created a company, Strategic Resource Group (SRG), in order to funnel federal contracts to Ruck, who was listed as an excluded party on the Excluded Parties List System and ineligible to receive federal contracts. Brown and Ruck made false certifications to GSA and concealed material facts regarding SRG's principals. SRG was subsequently awarded \$228,000 in federal contracts, which were all funneled to Ruck. Brown and Ruck pleaded guilty in August 2016 to making false statements. On November 1, 2016, Brown was sentenced to two years' probation. Ruck was sentenced to 60 months' imprisonment and three years' probation, and ordered to pay \$206,000 in restitution. GSA OIG investigated this case with the Army CID, Defense Logistics Agency (DLA) OIG, and VA OIG.

GSA CONTRACTOR ASSESSED \$6.7 MILLION ASSET FORFEITURE MONETARY JUDGMENT

A GSA OIG investigation found that David Gorski, a GSA contractor, fraudulently represented himself and his company, Legion Construction Incorporated, as a Service Disabled Veteran Owned Small Business and obtained government contracts from the GSA, VA, U.S. Army, and U.S. Navy. In September 2016, Gorski was sentenced to 30 months in prison and one year of supervised release after being convicted of one count of conspiring to defraud the government and four counts of wire fraud. On November 23, 2016, Gorski was assessed an asset forfeiture monetary judgment of over \$6.7 million. GSA OIG investigated this case with the VA OIG, SBA OIG, Army CID, and Naval Criminal Investigative Service (NCIS).

CONSTRUCTION COMPANY AGREED TO PAY OVER \$9.2 MILLION TO RESOLVE FALSE CLAIMS ALLEGATIONS

A GSA OIG investigation revealed that Plaza Construction, LLC (Plaza), one of the largest construction firms in New York City, engaged in a 13-year-long fraudulent overbilling scheme that affected virtually all of its projects. As a result, Plaza was charged with mail and wire fraud conspiracy for improperly billing its clients more than \$2.2 million for hours not worked and for inserting a hidden surcharge into its bills for the purpose of obtaining payments to offset administrative costs. On October 13, 2016, Plaza entered into a deferred prosecution agreement with the United States in which Plaza agreed to pay over \$9.2 million in restitution to victims, and forfeiture and penalties to the federal government. Additionally, pursuant to the deferred prosecution agreement, Plaza instituted far-reaching corporate reforms designed to eliminate future problems and enforce best industry practices.

FORMER GSA CONTRACTOR PLEADED GUILTY TO CONSPIRACY

A GSA OIG investigation determined that Michelle Cho, former officer of Far East Company (Far East), conspired with MCC Construction Company (MCC), and others between January 2008 and August 2013 to defraud GSA and other government agencies by operating Far East and another company as entities with titled owners; concealing that MCC exercised impermissible control over Far East and the other company; causing misrepresentations to the government that Far East and the other company's contracts were in compliance with SBA regulations, including that the two companies performed the required percentage of work on contracts with the government; making false statements during an SBA size determination protest about the extent and nature of the relationship between MCC, Far East, and the other company; engaging in deceptive practices to make it appear that MCC employees were actually employees of Far East and the other company; and obtaining approximately \$70 million in government contracts as a result of false and misleading conduct. On November 15, 2016, Cho pleaded guilty to one count of conspiring to commit wire fraud. GSA OIG is investigating this case with the FBI and SBA OIG.

FORMER GSA CONTRACTOR SENTENCED FOR BRIBING GSA OFFICIALS

A GSA OIG investigation found that Moustafa Ibrahim was involved in a bribery scheme involving GSA officials. Although he initially agreed to cooperate with the investigation, Ibrahim then fled to Egypt. On December 13, 2015, Ibrahim was arrested while attempting to re-enter the United States. In May 2016, Ibrahim pleaded guilty to paying bribes to public officials to obtain construction and maintenance work his company, Union Inc., performed for the GSA. On October 26, 2016, Ibrahim was sentenced to six months' confinement followed by six months' home confinement with location monitoring, and a \$15,000 forfeiture.

THREE INDIVIDUALS ORDERED TO PAY OVER \$4.1 MILLION IN RESTITUTION FOR THEIR PARTICIPATION IN A CONSPIRACY TO DEFRAUD FEDERAL AGENCIES AND FEDERAL CONTRACTORS

A GSA OIG investigation found that Alexander Xavier defrauded federal agencies by issuing fraudulent payment and performance bonds to insure government construction projects. During the process of issuing these bonds, Xavier signed numerous federally required forms falsely representing that sufficient assets supported the performance and payment bonds that he had issued to federal government agencies. Xavier represented that cash or cash equivalents secured the bonds in accounts held at various banks when in fact no such assets existed. In July 2016, Xavier was found guilty by a jury in the Southern District of Florida for mail fraud, major fraud, and false statements. He was sentenced on December 1, 2016, to 150 months' incarceration and three years' supervised release. He was also ordered to pay over \$4.1 million in restitution jointly with his co-conspirators Brian Garrahan and Kelly Spillman. GSA OIG investigated this case with the DCIS, Army CID, Department of State OIG, DOE OIG, HUD OIG, and VA OIG.

GSA CONTRACTORS PLEADED GUILTY TO FRAUDULENT SALES TO DOD

A GSA OIG investigation uncovered a scheme involving false claims and product substitution by GSA and DoD contractors. Veteran Logistics Inc. (VLI), Boston Laser Technology Inc. (BLT), and Industrial Xchange Inc. (IXI) regularly sold supplies to GSA, DoD, and other federal agencies. The contractors made false representations and false claims to the DoD for payment on items they knew had not been sold to the Navy, but which had been substituted for other, unauthorized products. For example, the defendants agreed to supply the Maritime Expeditionary Security Group Two at Norfolk Naval Shipyard with over 10,000 “Post-It” writing paper pads, but then replaced these approved items with 50 electronic transceivers they were not authorized to sell. On February 28, 2017, the owners of VLI, BLT, and IXI pleaded guilty to wire fraud, false claims, and false statements on their federal income tax returns. The three companies, two owners, and two affiliated employees (relatives of the owners) pleaded guilty to conspiracy. Sentencings are scheduled for May 19, 2017. GSA OIG investigated this case with DCIS, DLA OIG, FBI, IRS CI, and NCIS.

GSA SUBCONTRACTOR SENTENCED FOR PROVIDING GRATUITIES TO FEDERAL OFFICIALS

A GSA OIG investigation determined that the owners of Modern Data Products, Inc. (MDP) and Modern Imaging Solutions, Inc. (MIS) provided gratuities including laptop computers, digital cameras, iPads, iPods, and gift certificates worth hundreds of dollars to federal officials who purchased products from the companies. In December 2015, Ivan Greenhut, co-owner of MDP and MIS, was convicted at trial of conspiracy and payment of a gratuity to a public official. He was sentenced on January 23, 2017, to 24 months’ incarceration, 12 months’ home confinement, and a \$7,500 fine. GSA OIG investigated this case with the DCIS and NASA OIG.

FORMER ARMY CIVILIAN EMPLOYEE SENTENCED FOR THEFT

A GSA OIG investigation determined that Matthew R. Richey, a former civilian employee of the U.S. Army, used government funds to purchase at least \$67,000 worth of items, such as building materials and a range hood, through GSA Advantage! for his personal use. Richey pleaded guilty in August of 2016 to theft of public money. On November 8, 2016, he was sentenced to 30 days’ imprisonment, 90 days of home confinement, two years’ supervised release, and 40 hours of community service. Richey also paid \$57,600 in restitution and forfeited \$9,800 in property to the government. GSA OIG investigated this case with the FBI and Army CID.

ADMINISTRATIVE MISCONDUCT

SENIOR GSA EMPLOYEE ISSUED COUNSELING MEMORANDUM FOR CREDIT CARD SCAM

A GSA OIG investigation determined that a GSA attorney and another government employee devised a scheme to earn credit card reward points through sham transactions. The GSA attorney created an online marketplace through which invoices for goods or services were issued to the other government employee. These goods and services were never actually rendered. Instead, the invoice was used to deceive the credit card company into believing that a legitimate transaction had occurred in order to obtain reward points. This case was declined for criminal prosecution by Department of Justice (DOJ) on March 11, 2015. On February 2, 2017, the GSA attorney was issued a counseling memorandum for his role in the scheme.

FLEET CARD FRAUD

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

Notable cases include:

- An Amtrak employee used a Fleet credit card to purchase gasoline totaling approximately \$1,300 in exchange for drugs. On February 3, 2017, the Amtrak employee resigned in lieu of termination. GSA OIG investigated this case with Amtrak OIG and Amtrak Police Department.
- Kevin Mabone, Director of Social Development for Job Corps Center in Charleston, West Virginia, used GSA Fleet credit cards to purchase fuel for his personal vehicle and vehicles owned by his acquaintances. Mabone pleaded guilty in the Southern District of West Virginia to theft of government property. He was sentenced to six months' imprisonment and three years of supervised release, and ordered to pay \$6,684 in restitution.
- A U.S. Army sergeant used GSA Fleet credit cards to purchase fuel for his personal vehicles. He was charged by the Pennsylvania Montgomery County District Attorney's Office for access device fraud and theft. He was sentenced to two years in an Alternative Rehabilitative Program, ordered to pay \$1,291 in restitution, received a written reprimand, and was removed from a position of public trust by the U.S. Army.
- Carl Laswell, a former U.S. Army Corps of Engineers employee, used a GSA Fleet credit card to purchase personal items and gasoline for his personal vehicle. On November 8, 2016, Laswell pleaded guilty to theft and was sentenced to 90 days' imprisonment and one year of supervised release, and ordered to pay \$4,124 in restitution.
- Daniel Lester Hankins, a former Sierra Army Depot employee, used GSA Fleet credit cards to fuel his personally owned vehicle, as well as those of his family members. On November 14, 2016, Hankins was sentenced in the Eastern District of California to three years' probation and ordered to pay \$17,605 in restitution to GSA after pleading guilty to 49 misdemeanor counts of conspiracy and theft of government property.
- A VA Medical Center employee in Menlo Park used a GSA Fleet credit card to purchase fuel for his personal vehicle. The employee pleaded no contest to violating CA Penal Code Section 530.5(a) and was sentenced to the work alternative program in lieu of 10 days' confinement in the San Mateo County jail, and 2 years' probation.
- Jackson James, a former employee of the Yakama Nations Fisheries, used GSA Fleet credit cards to purchase gasoline for personally owned vehicles. Jackson pleaded guilty to theft and was sentenced to two years' probation and 40 hours' community service, and ordered to pay \$1,970 in restitution.

- Mamiod Davis, Jr., an electric traction lineman employed by Amtrak, made at least 17 fraudulent purchases of gasoline during a two-month period. On November 10, 2016, Davis pled guilty to Maryland state theft violations and was sentenced to 10 days' incarceration and 200 hours of community service, and ordered to pay \$2,600 in restitution. GSA OIG investigated this case with Amtrak OIG.
- Ali Salcedo, a U.S. Navy Senior Chief at the Patuxent Air Station, used the GSA Fleet card several times per week over a three-month period for personal use at a loss to the government of approximately \$1,469. On December 6, 2016, Salcedo was charged with larceny and wrongful appropriations violations under the United States Code of Military Justice (UCMJ). Salcedo subsequently repaid the loss and pleaded guilty to the UCMJ violations on February 27, 2017. He was sentenced to a reduction in rank from E-8 to E-7 and voluntarily retired from the Navy with an other than honorable discharge. GSA OIG investigated the case with NCIS.
- Derrick Green and Angelo Mayo, Jr., both employed as animal caretakers for the Navy at the Naval Medical Center in Portsmouth, Virginia, improperly used a GSA Fleet credit card to purchase food and drink, along with fuel for their personal vehicles. Green and Mayo were charged with federal theft violations, and on January 26, 2017, both pleaded guilty to theft. Green and Mayo were sentenced to 12 months' probation and 200 hours' community service, and ordered to pay \$3,167 in restitution.
- DeAngelo Washington, a staff sergeant at Fort Lee, used a GSA Fleet credit card to fuel his personal vehicle. The loss to the government was determined to be \$1,839. On February 22, 2017, he was found guilty of violating UCMJ Article 121, related to larceny and wrongful appropriation. Washington was subsequently reduced in rank from E-6 to E-5, ordered to forfeit \$1,606 in pay, and ordered to 45 days of extra duty.
- A U.S. Army Private First Class used two Fleet credit cards to purchase gasoline for his personal vehicle. He was charged with D.C. theft violations and was subsequently arrested. He signed a deferred prosecution agreement that requires him to complete 32 hours' community service within a four-month period and pay \$118 in restitution payment. This investigation was conducted in conjunction with the D.C. Metropolitan Police Department.
- Frederick Babb, an employee of the U.S. Army Corps of Engineers in Alexandria, Virginia, used a GSA Fleet credit card to fuel his personal vehicles. In August 2016, Babb was charged with a federal theft violation and pleaded guilty. Babb was sentenced to two years' supervised probation and ordered to pay \$1,963 in restitution.

WPA ART INVESTIGATIONS

As a direct result of the cooperative efforts between the OIG and the GSA Office of the Chief Architect's Fine Arts Program (FAP), a total of 26 lost pieces of Works Progress Administration (WPA) artwork were recovered during this reporting period. These pieces of American history are not subject to public sale, but their comparative value totals \$937,500. The FAP will be conserving the pieces before placing them on loan to institutions across the country for display. Since cooperative efforts between the OIG and FAP began in 2001, a total of 604 WPA pieces have been recovered, with a comparative value of \$7,596,850.¹

Notable cases during this reporting period include:

- GSA OIG special agents recovered a WPA oil painting, “Curt,” by Dorothy Loeb, after learning it was being offered for auction at Circa Auction Gallery in Pawtucket, Rhode Island.
- GSA OIG special agents recovered a WPA painting, “Abstraction #6,” by Adolph Frederick Reinhardt, from Sotheby’s in New York after learning that a former art chairman at a high school had taken the painting home approximately 50 years ago when the school building was being renovated.
- GSA OIG special agents recovered a WPA lithograph, “Railroad Watchman,” by Anne Michalov, after learning the painting was listed for sale on the online auction website for Goodwill Industries in Madison, Wisconsin.
- GSA OIG special agents recovered a WPA print titled “Old Iron for Japan,” by artist Glen Wessels, after receiving a tip regarding a published newspaper article about its appraised value.
- GSA OIG special agents assisted the GSA Fine Arts Division in reclaiming 19 WPA paintings. GSA executed a loan agreement with the Fresno California Housing Authority concerning the high-value WPA collection.
- GSA OIG special agents recovered a WPA painting titled “Children Playing,” by Margot Helser, after learning the painting was in the possession of an educational institution located in Portland, Oregon.
- GSA OIG special agents recovered a WPA painting titled “The Pipe of Peace,” by Emery Horsky, after learning the painting was in the possession of a Goodwill store in Tacoma, Washington.

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

OTHER SIGNIFICANT WORK

SUSPENSION AND DEBARMENT INITIATIVE

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

During this reporting period, the OIG made 46 referrals for consideration of suspension or debarment to the GSA Office of Acquisition Policy. GSA issued 115 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 45 briefings attended by 672 GSA employees, other government employees, and government contractors. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of 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. Our hotline also allows internet submission of complaints. During the reporting period, we received 4,132 hotline contacts. Of these, 58 were referred to GSA program officials for review and appropriate action, 23 were referred to other federal agencies, 5 were referred to the OIG Office of Audits, 4 were referred to the OIG Office of Inspections and Forensic Auditing, and 86 were referred to investigative field offices for investigation or further review.

STATISTICAL SUMMARY OF OIG INVESTIGATIONS

October 1, 2016 – March 31, 2017

| OFFICE OF INVESTIGATIONS | |
|---|--------------|
| Referrals for criminal prosecution, civil litigation, administrative action, suspension & debarment | 168 |
| Indictments and informations on criminal referrals* | 42 |
| Subjects accepted for criminal prosecution | 49 |
| Subjects accepted for civil action | 1 |
| Convictions | 18 |
| Civil settlements | 8 |
| Contractors/individuals suspended and debarred | 115 |
| Employee actions taken on administrative referrals involving government employees | 9 |
| Investigative Reports** | 13 |
| Number of subpoenas | 36 |
| Civil settlements and court-ordered and investigative recoveries | \$86,091,963 |

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

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

Investigative Workload

The OIG opened 70 investigative cases and closed 105 cases during this period.

Referrals

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

Actions on OIG Referrals

Based on these and prior referrals, 49 subjects were accepted for criminal prosecution and 1 subject was accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 42 indictments or informations and 18 convictions. OIG civil referrals resulted in 8 subject settlements. Based on OIG administrative referrals, GSA management debarred 38 contractors or individuals, suspended 77 contractors or individuals, and took 9 personnel actions against government employees.

Table 4. Summary of OIG Referrals

| TYPE OF REFERRAL | CASES | SUBJECTS |
|--|-----------|------------|
| Civil | 5 | 9 |
| Criminal (DOJ)* | 50 | 67 |
| Criminal (State/Local)** | 6 | 6 |
| Administrative Referrals for Action/Response | | 40 |
| Suspension | 5 | 14 |
| Debarment | 15 | 32 |
| TOTAL | 81 | 168 |

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

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

Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, recoveries, forfeitures, judgments, and restitutions payable to the U.S. government as a result of criminal and civil actions arising from OIG referrals. Table 6 presents the amount of administrative recoveries and forfeitures as a result of investigative activities.

Table 5. Criminal and Civil Results

| | CRIMINAL | CIVIL |
|------------------------|---------------------|---------------------|
| Fines and Penalties | \$5,707,270 | |
| Settlements | | \$58,128,713 |
| Recoveries/Forfeitures | \$8,261,075 | \$0 |
| Restitutions | \$8,891,366 | |
| TOTAL | \$22,859,711 | \$58,128,713 |

Table 6. Non-Judicial Recoveries*

| | |
|---------------------------|---------------------|
| Administrative Recoveries | \$5,103,539* |
| Forfeitures/Restitution | \$0 |
| TOTAL | \$5,103,539* |

* This total includes the FAR disclosures reported on page 19.



Photo: Detail of recovered WPA painting "Landscape" by Theodore Polos

GOVERNMENT-WIDE POLICY ACTIVITIES

GOVERNMENT-WIDE POLICY ACTIVITIES

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

Legislation and Regulations

During this reporting period, the OIG reviewed numerous legislative matters and proposed regulations. We also responded to requests from members of Congress as well as Congressional committees.

Interagency and Intra-agency Committees and Working Groups

- **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** The IG is a member of the Investigations Committee. Through CIGIE, we also participate in the following organizations:
 - **Federal Audit Executive Council Information Technology Committee.** The Office of Audits participates in the Federal Audit Executive Council (FAEC) Information Technology Committee. This Committee provides a forum to share information and coordinate audits of significant IT issues with the OIG community and the federal government. The committee also develops and recommends best practices to be used by OIGs in addressing IT issues.
 - **Federal Audit Executive Council Digital Accountability and Transparency Act Working Group.** The Office of Audits participates in the FAEC Digital Accountability and Transparency Act (DATA Act) working group. The working group’s mission is to assist the IG Community in understanding and meeting its DATA Act oversight requirements by: (1) serving as a working level liaison with the Department of the Treasury, (2) consulting with the Government Accountability Office, (3) developing a common review approach and methodology, and (4) coordinating key communications with other stakeholders. The Office of Audits participates to stay abreast of the latest DATA Act developments in order to monitor the Agency’s implementation of the DATA Act.
 - **CIGIE Inspections and Evaluations Roundtable.** The Office of Inspections and Forensic Auditing participates in the CIGIE Inspections and Evaluations Roundtable. This roundtable provides a forum to share information and coordinate issues of importance with the OIG inspections and evaluations community.
 - **Data Analytics Working Group.** The Office of Investigations participates in the CIGIE Data Analytics Working Group. The working group’s projects include developing training forums in data analytics, updating a repository of databases and other sources of information used by the IG community, and identifying cross-cutting initiatives utilizing data analytics to detect fraud.



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

APPENDIXES

APPENDIX I

ACRONYMS AND ABBREVIATIONS

| | |
|----------|---|
| AIG | Associate Inspector General |
| Army CID | U.S. Army Criminal Investigation Command |
| ASF | Acquisition Services Fund |
| BLT | Boston Lazer Technology Inc. |
| BPA | Blanket Purchase Agreement |
| CA | Computer Associates, Inc. |
| CBP | U.S. Customs and Border Protection |
| CICA | Competition in Contracting Act of 1984 |
| CIGIE | Council of the Inspectors General on Integrity and Efficiency |
| D.C. | District of Columbia |
| DATA Act | Digital Accountability and Transparency Act |
| DCIS | Defense Criminal Investigative Service |
| DHS | Department of Homeland Security |
| DLA | Defense Logistics Agency |
| DoD | Department of Defense |
| DOE | U.S. Department of Energy |
| DOJ | U.S. Department of Justice |
| EPA | U.S. Environmental Protection Agency |
| ESPC | Energy Savings Performance Contract |
| FAEC | Federal Audit Executive Council |
| FAP | Fine Arts Program |
| FAR | Federal Acquisition Regulation |
| Far East | Far East Company |
| FAS | Federal Acquisition Service |
| FBI | Federal Bureau of Investigation |
| FISMA | Federal Information Security Modernization Act of 2014 |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| GSA | General Services Administration |
| HUD | U.S. Department of Housing and Urban Development |
| IG | Inspector General |
| IPA | Independent Public Accounting |
| IRS | Internal Revenue Service |
| IRS CI | Internal Revenue Service Criminal Investigation |
| IT | Information Technology |
| IXI | Industrial Xchange Inc. |
| MCC | MCC Construction Company |
| MDP | Modern Data Products Inc. |
| MIS | Modern Imaging Solutions Inc. |
| MOA | Memorandum of Agreement |
| NASA | National Aeronautics and Space Administration |
| NCIS | Naval Criminal Investigative Service |
| NCR | National Capital Region |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| P.L. | Public Law |
| PBS | Public Buildings Service |
| PII | Personally Identifiable Information |
| PIV | Personal Identification Verification |
| Plaza | Plaza Construction, LLC |
| PSS | Professional Services Schedule |
| RWA | Reimbursable Work Authorizations |
| SBA | Small Business Administration |
| Schedule | Multiple Award Schedule |
| SRG | Strategic Resource Group |
| TTS | Technology Transformation Service |
| U.S.C. | United States Code |
| UCMJ | Uniform Code of Military Justice |
| URS | URS Federal Technical Services, Inc. |
| VA | Department of Veterans Affairs |
| VLI | Veteran Logistics Inc. |
| WPA | Works Progress Administration |

APPENDIX II

SIGNIFICANT RECOMMENDATIONS FROM PRIOR REPORTS

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

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

IT RESELLER CONTRACTS PRESENT SIGNIFICANT CHALLENGES FOR GSA'S SCHEDULES PROGRAM

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

Our objective was to evaluate how IT schedule resellers affect schedule pricing, procurement workload, and the enforcement of contract clauses. We made six recommendations; five have not been implemented.

The remaining five recommendations involve establishing performance measures for FAS's IT schedule contracting staff that reinforce the objective to obtain the resellers' most favored customer prices for schedule contract items during price negotiations; improving price protection for IT schedule reseller contracts by establishing controls to ensure that contracting officers obtain accurate, current, and complete manufacturer commercial sales practices information for offered items when the resellers have low or no commercial sales; canceling IT schedule reseller contracts that do not meet the \$25,000 minimum sales requirement of the Schedules Program; considering increasing the \$25,000 minimum sales threshold for IT schedule reseller contracts to a level that offsets the government's cost to award and administer a schedule contract; and considering alternatives to the current \$2,500 minimum payment clause in IT schedule reseller contracts. The five recommendations are scheduled for completion by April 28, 2017.

AUDIT OF PRICE EVALUATIONS AND NEGOTIATIONS FOR SCHEDULE 70 CONTRACTS

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

Our objective was to determine if the price evaluation and negotiation of FAS's Schedule 70 contracts and options awarded under the Office of IT Schedule Programs comply with federal regulations and policies. We made six recommendations; five have not been implemented.

The five remaining recommendations involve clearly defining the responsibilities of contracting officers relative to price negotiation at the time of base contract award and when exercising contract options for extensions; developing and issuing guidance on holding negotiations at the time of contract award; developing and implementing a risk-based approach for negotiating options for contract extensions; developing and implementing a methodology to conduct periodic reviews of active schedule contract files to determine whether the files contain all required documentation necessary to effectively administer the contracts and comply with the Federal Acquisition Regulation and FAS policy; and ensuring that the contract documents that were not present in the official contract file during the audit have been added. The five recommendations are scheduled for completion by September 27, 2017.

THE FEDERAL ACQUISITION SERVICE NEEDS A COMPREHENSIVE HUMAN CAPITAL PLAN FOR ITS CONTRACT SPECIALIST WORKFORCE

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

The objective of our audit was to determine if FAS developed and implemented a comprehensive human capital plan for its contract specialist workforce. We made two recommendations; one has not been implemented.

The remaining recommendation involves evaluating and updating the comprehensive human capital plan on an annual basis. The recommendation is scheduled for completion by October 31, 2017.

AUDIT OF FAS’S CONTRACTOR ASSESSMENTS PROGRAM

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

Our objectives were to determine if FAS’s Supplier Management Division’s: (1) Contractor Assessments are effective to determine contractors’ compliance with Multiple Award Schedule contract terms and conditions; (2) Industrial Operations Analysts are conducting their assessments in accordance with FAS guidance; (3) Industrial Operations Analysts are communicating those results timely and in the appropriate format; and (4) Industrial Operations Analysts are completing training in accordance with program requirements. We made three recommendations; two have not been implemented.

The remaining two recommendations involve revising the Industrial Operations Analyst Training Manual to include details on a risk-based sampling methodology in order to improve the consistency of report results; and establishing and implementing a formal, national training curriculum for experienced Industrial Operations Analysts to cover, at a minimum, the number of required annual continuing education hours and appropriate subject areas for enhancing applicable knowledge and skills. The two recommendations are scheduled for completion by June 30, 2017.

GSA’S PURCHASE CARD PROGRAM IS VULNERABLE TO ILLEGAL, IMPROPER, OR ERRONEOUS PURCHASES

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

Our objectives were to determine whether: (1) GSA’s purchase card program has controls in place to ensure purchase cardholders are in compliance with GSA’s purchase card policies; (2) GSA purchase card transactions are properly and fully supported, reported, and approved; and (3) GSA purchase card use above the single transaction limit of \$3,000 complies with acquisition laws. We made three recommendations; two have not been implemented.

The remaining two recommendations involve enforcing GSA policy by implementing a review process to ensure purchase cardholders upload supporting documentation to GSA’s financial system and that approving officials resolve instances of missing documentation; and incorporating specific guidance, in both policy and training, on the procedures approving officials should follow in responding to questionable charge transactions. The two recommendations are scheduled for completion by June 30, 2017.

AUDIT OF GSA'S RESPONSE TO THE PERSONALLY IDENTIFIABLE INFORMATION BREACH OF SEPTEMBER 18, 2015

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

Our objective was to determine whether GSA identified and notified individuals affected by the September 18, 2015, personally identifiable information breach pursuant to federal requirements and applicable guidance and policy. We made four recommendations; three have not been implemented.

The remaining three recommendations involve developing and implementing a training program for Agency Response Team members regarding their specific roles and responsibilities; evaluating the Agency's breach response capability by assessing the technical tools that will be used to identify and notify the individuals affected by a potential breach to ensure they are operating as intended; and assessing policies to ensure objectives are clear, roles and responsibilities are detailed, and comprehensive procedures are established for Agency Response Teams to communicate and document relevant information necessary for making decisions and taking action in response to a personally identifiable information breach. The three recommendations are scheduled for completion by July 31, 2017.

GSA FACILITIES AT RISK: SECURITY VULNERABILITIES FOUND IN GSA'S USE OF FACILITY SPECIFIC BUILDING BADGES

Period First Reported: October 1, 2015, to March 31, 2016

Our objective was to review GSA's use of building badges and determine if these building badges increase the risk of unauthorized access to GSA-managed facilities. We made four recommendations to the GSA Office of Mission Assurance; two have not been implemented.

The remaining two recommendations state that GSA should develop a secure solution for allowing physical access to GSA-managed facilities to those who are not required to receive personal identification verification (PIV) cards and GSA should not issue local building badges on behalf of tenant agencies where GSA is not the sole or primary tenant. The recommendations are scheduled for completion by May 26, 2017.

FAS NEEDS TO STRENGTHEN ITS TRAINING AND WARRANTING PROGRAMS FOR CONTRACTING OFFICERS

Period First Reported: April 1, 2015, to September 30, 2015

Our objective was to determine if FAS's method and oversight of training and warranting contracting officers is relevant and effective in developing the acquisition workforce, in accordance with GSA's policies and mission. We made six recommendations; one has not been implemented.

The remaining recommendation involves granting Central Office portfolio training coordinators system access to generate reports in the Federal Acquisition Institute Training Application System that track Federal Acquisition Certification in Contracting and warrant compliance for their assigned staff. The recommendation is scheduled for completion by June 25, 2018.

Reports that have been reopened as a result of our implementation reviews.

SENSITIVE BUT UNCLASSIFIED BUILDING INFORMATION UNPROTECTED IN GSA'S CLOUD COMPUTING ENVIRONMENT

Period First Reported: October 1, 2014, to March 31, 2015

Our objectives were to determine if GSA has identified and remedied all instances of sensitive data access control vulnerabilities within GSA's cloud computing environment, as well as determining how to prevent additional instances in the future. We made six recommendations, which were implemented.

We issued an implementation review on January 26, 2017. We found that parties affected by the disclosure of sensitive documents may not have been contacted, documents that contained sensitive but unclassified building information were accessible to employees and contractors without a need to know the information, and documents that contained sensitive but unclassified building information were not properly labeled as required by GSA policy. As a result, GSA submitted a revised corrective action plan to remedy these deficiencies. The new action steps are scheduled for completion on July 31, 2017.

Reports with recommendations that had not been fully implemented as of March 31, 2017, but have since been implemented.

PERSONALLY IDENTIFIABLE INFORMATION UNPROTECTED IN GSA'S CLOUD COMPUTING ENVIRONMENT

Period First Reported: October 1, 2014, to March 31, 2015

Resolved on April 10, 2017.

APPENDIX III

AUDIT AND INSPECTION REPORT REGISTER

| | | | FINANCIAL RECOMMENDATIONS | |
|---|---------------|---|----------------------------|--------------------------------|
| DATE OF REPORT | REPORT NUMBER | TITLE | 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.) | | | | |
| PBS INTERNAL AUDITS | | | | |
| 10/25/16 | A150132 | GSA's Decisions to Vacate and Renovate the Leased Federal Courthouse in Pensacola Are Based on Faulty Premises | | |
| 01/20/17 | A130003 | Procurement and Internal Control Issues Exist within PBS's Brooklyn/Queens/Long Island Service Center | | |
| 01/27/17 | A160019 | PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks | | |
| 03/06/17 | A170008 | Implementation Review of Action Plan - PBS's Identification and Management of Environmental Risks Need Improvement, Report Number A130131/P/R/R15003 – Dated March 20, 2015 | | |
| 03/30/17 | A160024 | Audit of PBS's Planning and Funding for Exchange Projects | | |
| PBS CONTRACT AUDITS | | | | |
| 11/16/16 | A160085 | Examination of a Claim: Richter Developments, Ltd., Contract Number GS-04P-LFL62198 | | |
| 11/29/16 | A150059 | Examination of a Claim: PDS MICCO JV2, LLC., Subcontractor to dck north america, LLC., Contract Number GS-05P-09-GBC-0035 | | |
| 12/21/16 | A140162 | Limited Scope Postaward Examination: Satellite Services, Inc., Contract Number GS-06P-11-GX-D-0045: Building Operations and Maintenance Services at the Bannister Federal Complex | | \$93,173 |
| 01/12/17 | A160120 | Examination of a Claim: Rosendin Electric Inc., Subcontractor to Hathaway Dinwiddie Construction Company, Contract Number GS-09P-09-KTC-0065 | | |
| 01/24/17 | A160109 | Examination of a Claim: Grunley Construction Company, Inc., Contract Number GS-03P-11-DX-D-0149 | | |
| 01/26/17 | A160074 | Examination of Requests for Equitable Adjustment: ARriba Corporation, Contract Number GS-11P-12-YT-C-0201 | | |
| 02/22/17 | A160104 | Examination of a Claim: M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010 | | |
| 03/21/17 | A170036 | Examination of Cost Accounting Standards Board Disclosure Statement: INTECH Construction LLC, Contract Number GS-03P-16-AZ-C-7004 | | |
| FAS INTERNAL AUDITS | | | | |
| 03/21/17 | A160037 | Audit of Price Evaluations and Negotiations for the Professional Services Schedule Contracts | | |

| | | | FINANCIAL RECOMMENDATIONS | |
|---------------------|---------------|---|----------------------------|--------------------------------|
| DATE OF REPORT | REPORT NUMBER | TITLE | FUNDS BE PUT TO BETTER USE | QUESTIONED (UNSUPPORTED) COSTS |
| FAS CONTRACT AUDITS | | | | |
| 10/05/16 | A150089 | Preaward Examination of Multiple Award Schedule Contract Extension: Deloitte Consulting LLP., Contract Number GS-00F-0028Y | | |
| 10/05/16 | A160048 | Preaward Examination of Multiple Award Schedule Contract Extension: Navigator Development Group, Inc., Contract Number GS-00F-0044N | | |
| 10/07/16 | A160033 | Preaward Examination of MAS Contract Extension: Bentley Systems, Inc., Contract Number GS-35F-0453L | | \$99,279 |
| 10/11/16 | A150084 | Preaward Examination of Multiple Award Schedule Contract Extension: Visionary Integration Professionals, LLC., Contract Number GS-35F-0050L | | \$105,132 |
| 10/13/16 | A150083 | Limited Scope Postaward Examination of Multiple Award Schedule Contract: LCG Systems LLC, Contract Number GS-35F-0047L | | \$982,360 |
| 10/17/16 | A150094 | Preaward Examination of Multiple Award Schedule Contract Extension: KeyPoint Government Solutions, Inc., Contract Number GS-02F-0054S | | \$370,955 |
| 10/27/16 | A140133 | Postaward Examination of Multiple Award Schedule Contract: ARES Corporation, Contract Number GS-23F-0113L | | \$2,526,383 |
| 11/09/16 | A160055 | Preaward Examination of Multiple Award Schedule Contract Extension: CliniComp International, Inc. Contract Number GS-35F-0475L | | |
| 11/22/16 | A160076 | Preaward Examination of Multiple Award Schedule Contract Extension: Novetta, Inc., Contract Number GS-35F-0068M | | |
| 11/22/16 | A160080 | Preaward Examination of Multiple Award Schedule Contract Extension: Client Solution Architects LLC, Contract Number GS-10F-0051T | | |
| 11/30/16 | A160078 | Preaward Examination of Multiple Award Schedule Contract Extension: International Resources Group, Contract Number GS-10F-0076M | | |
| 12/27/16 | A150111 | Preaward Examination of Multiple Award Schedule Contract Extension: EAN Holdings, LLC, Contract Number GS-33F-0015S | | \$1,915,085 |
| 12/29/16 | A120149 | Postaward Examination of Multiple Award Schedule Contract: Lockheed Martin Integrated Systems, Incorporated, Contract Number GS-10F-0150N | | \$12,221,921 |
| 01/04/17 | A160075 | Preaward Examination of Multiple Award Schedule Contract Extension: Ecolab, Inc., Contract Number GS-07F-0057M | | |
| 01/20/17 | A140112 | Preaward Examination of Multiple Award Schedule Contract Extension: Leidos, Inc., Contract Number GS-10F-0076J | | |
| 01/24/17 | A160095 | Preaward Examination of Multiple Award Schedule Contract Extension: Ogilvy Public Relations Worldwide, Contract Number GS-23F-0060M | | \$29,766 |
| 01/25/17 | A150102 | Preaward Examination of Multiple Award Schedule Contract Extension: Riverside Research Institute, Contract Number GS-23F-0134L | | \$4,217 |
| 01/30/17 | A160059 | Preaward Examination of Multiple Award Schedule Contract Extension: National Opinion Research Center, Contract Number GS-10F-0033M | | \$203,224 |
| 02/15/17 | A160127 | Preaward Examination of Multiple Award Schedule Contract Extension: ACG Systems, Inc., Contract Number GS-35F-0314M | | \$9,158 |
| 02/17/17 | A140140 | Preaward Examination of Multiple Award Schedule Contract Extension: Intergraph Government Solutions Corporation, Contract Number GS-35F-0011K | | \$303,829 |
| 03/03/17 | A160111 | Preaward Examination of Multiple Award Schedule Contract Extension: Ambit Group, LLC, Contract Number GS-35F-0242T | | \$1,075 |
| 03/17/17 | A160135 | Preaward Examination of Multiple Award Schedule Contract Extension: SecTek, Incorporated, Contract Number GS-07F-0279M | | \$612,910 |
| 03/24/17 | A160090 | Preaward Audit of Multiple Award Schedule Contract Extension: Inficon Inc., Contract Number GS-07F-0067T | | |

| DATE OF REPORT | REPORT NUMBER | TITLE | FINANCIAL RECOMMENDATIONS | |
|-------------------------|---------------|---|----------------------------|--------------------------------|
| | | | FUNDS BE PUT TO BETTER USE | QUESTIONED (UNSUPPORTED) COSTS |
| 03/30/17 | A150001 | Preaward Examination of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS-06F-0032K | | \$285,906 |
| OTHER INTERNAL AUDITS | | | | |
| 01/26/17 | A160045 | Implementation Review of Action Plan Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment Report Number A140157/O/R/F15002 January 29, 2015 | | |
| 01/26/17 | A160096 | Implementation Review of Action Plan Sensitive But Unclassified Building Information Unprotected in GSA's Cloud Computing Environment Report Number A140157/P/R/W14001 August 19, 2014 | | |
| NON-GSA CONTRACT AUDITS | | | | |
| 11/18/16 | A160066 | Examination of a Termination Settlement Proposal: AMX Veterans Specialty Services, LLC., Contract Number VA257-C-0780 | | |

INSPECTION REPORTS

| TECHNOLOGY TRANSFORMATION SERVICE | | |
|-----------------------------------|----------|--|
| 10/24/2016 | JE17-001 | Evaluation of 18F |
| 02/21/2017 | JE17-002 | Evaluation of 18F's Information Technology Security Compliance |

APPENDIX IV

OIG REPORTS OVER 12 MONTHS OLD, FINAL AGENCY ACTION PENDING

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

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

| DATE OF REPORT | REPORT NUMBER | TITLE |
|-----------------|---------------|--|
| CONTRACT AUDITS | | |
| 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 |
| 08/15/2012 | A110209 | Preaward Audit of Multiple Award Schedule Contract Extension: Proper International Sales, Inc., Contract Number GS-07F-0228M |
| 08/21/2012 | A120083 | Examination of a Change Order Proposal: M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010 |
| 10/16/2012 | A120071 | Preaward Examination of Multiple Award Schedule Contract Extension: ICF Z-Tech, Inc., Contract Number GS-35F-0102M |
| 01/24/2013 | A120150 | Preaward Examination of Multiple Award Schedule Contract Extension: Grant Thornton LLP, Contract Number GS-23F-8196H |
| 04/17/2013 | A120162 | Preaward Examination of Multiple Award Schedule Contract Extension: Kforce Government Solutions, Inc., Contract Number GS-23F-9837H |
| 07/18/2013 | A100054 | Limited Scope Review of Contractor-Disclosed Overbillings: Northrop Grumman Information Technology, Inc., Contract Number GS-35F-4506G |
| 01/31/2014 | A130071 | Preaward Examination of Multiple Award Schedule Contract Extension: Industries for the Blind, Inc., Contract Number GS-02F-0208N |
| 03/24/2014 | A130099 | Examination of a Claim: HCB Beck, Ltd., Contract Number GS-07P-09-UY-C-0007 |
| 03/31/2014 | A130049 | Preaward Examination of Multiple Award Schedule Contract Extension: SimplexGrinnell LP, Contract Number GS-06F-00054N |
| 04/14/2014 | A130136 | Preaward Examination of Multiple Award Schedule Contract: Fisher Scientific Company L.L.C., Solicitation Number 7FCB-C4-070066-B |

| DATE OF REPORT | REPORT NUMBER | TITLE |
|----------------|---------------|---|
| 04/24/2014 | A110139 | Postaward Examination of Multiple Award Schedule Contract: Alaska Structures, Incorporated, Contract Number GS-07F-0084K |
| 06/19/2014 | A140057 | Preaward Examination of Multiple Award Schedule Contract Extension: ATD-American Co. Contract Number GS-28F-0030P |
| 06/26/2014 | A140126 | Examination of a Final Settlement Proposal: Hoar-Christman, LLC, Contract Number GS-04P-09-EX-C-0077 |
| 07/16/2014 | A130043 | Limited Scope Postaward Examination of Multiple Award Schedule Contract: ICF Z-Tech, Inc., Contract Number GS-35F-0102M |
| 07/29/2014 | A130116 | Preaward Examination of Multiple Award Schedule Contract Extension: Management Concepts, Inc., Contract Number GS-02F-0010J |
| 08/29/2014 | A130125 | Preaward Examination of Multiple Award Schedule Contract Extension: Sigmatech, Incorporated, Contract Number GS-23F-0090P |
| 09/16/2014 | A140132 | Preaward Examination of Multiple Award Schedule Contract Extension: A-T Solutions, Inc., Contract Number GS-02F-0193P |
| 09/29/2014 | A140122 | Examination of Administrative Labor Rates, Employee Qualifications, and Change Order Markups: Swinerton Builders, Contract Number GS-09P-09-KTC-0103 |
| 11/10/2014 | A140110 | Examination of Claims: Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010 |
| 12/03/2014 | A110194 | Limited Scope Postaward Examination: Global Mail, Incorporated, Contract Number GS-10F-0208L |
| 12/24/2014 | A140124 | Examination of a Credit Change Order Proposal: Tocci/Driscoll, A Joint Venture, Contract Number GS-02P-09-DTC-0018 |
| 01/30/2015 | A140116 | Examination of a Claim: City Lights Electrical Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010 |
| 03/05/2015 | A110188 | Preaward Examination of Multiple Award Schedule Contract Extension: Mythics, Inc., Contract Number GS-35F-0153M |
| 03/20/2015 | A140127 | Preaward Examination of Multiple Award Schedule Contract Extension: Booz Allen Hamilton Inc., Contract Number GS-23F-0025K |
| 03/27/2015 | A140149 | Examination of a Request for Equitable Adjustment: Donaldson Interiors, Inc., Subcontractor to Cauldwell Wingate Company, LLC., Contract Number GS-02P-05-DTC-0021 |
| 03/31/2015 | A140039 | Preaward Examination of Multiple Award Schedule Contract Extension: High Performance Technologies Innovations, LLC, Contract Number GS-35F-0333P |
| 04/30/2015 | A140144 | Limited Scope Postaward Examination: Integrity Management Consulting, Inc., GSA Contract Number GS-10F-0186U, BPA Number GS-23F-ST001, Task Order Number GS-P-00-11-CY-0012 |
| 06/10/2015 | A140074 | Preaward Examination of Multiple Award Schedule Contract Extension: TASC, Inc., Contract Number GS-23F-0008K |
| 07/08/2015 | A150071 | Preaward Examination of Multiple Award Schedule Contract Extension: CAS, Inc., Contract Number GS-23F-0002L |
| 08/13/2015 | A100218 | Limited Scope Postaward Examination of Multiple Award Schedule Contract: Geneva Worldwide, Inc., Contract Number GS-10F-0109P |

| DATE OF REPORT | REPORT NUMBER | TITLE |
|----------------|---------------|---|
| 09/14/2015 | A150124 | Examination of a Final Settlement Proposal: Swinerton Builders, Contract Number GS-09P-09-KT-C-0103 |
| 09/23/2015 | A140079 | Preaward Examination of Multiple Award Schedule Contract Extension: CACI, Inc. - FEDERAL, Contract Number GS-10F-0226K |
| 09/30/2015 | A150002 | Preaward Examination of Multiple Award Schedule Contract Extension: Government Contract Solutions, Inc., Contract Number GS-10F-0362R |
| 11/10/2015 | A150083 | Preaward Examination of Multiple Award Schedule Contract Extension: LCG Systems LLC, Contract Number GS-35F-0047L |
| 11/12/2015 | A150077 | Preaward Examination of Multiple Award Schedule Contract Extension: Office Depot, Inc., Contract Number GS-14F-0040K |
| 11/13/2015 | A140118 | Examination of a Claim: N.B. Kenney Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010 |
| 11/18/2015 | A140064 | Preaward Examination of Multiple Award Schedule Contract Extension: AllWorld Language Consultants, Inc., Contract Number GS-10F-0227K |
| 11/20/2015 | A150113 | Examination of a Claim: Matsuo Engineering Centerre Construction, A Joint Venture; Contract Number GS-08P-10-JB-C-0007 |
| 12/03/2015 | A090175 | Limited Scope Postaward Examination: Square One Armoring Services Company, Contract Number GS-07F-0303J |
| 12/03/2015 | A150069 | Preaward Examination of Multiple Award Schedule Contract Extension: Research Triangle Institute, Contract Number GS-10F-0097L |
| 12/07/2015 | A140055 | Preaward Examination of Multiple Award Schedule Contract Extension: SRC, Inc., Contract Number GS-00F-0019L |
| 12/14/2015 | A150142 | Preaward Examination of Multiple Award Schedule Contract Extension: IDSC Holdings, LLC, Contract Number GS-06F-0006L |
| 12/15/2015 | A140103 | Preaward Examination of Multiple Award Schedule Contract Extension: General Dynamics Information Technology, Inc., Contract Number GS-23F-0076K |
| 12/21/2015 | A140146 | Examination of a Claim: Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021 |
| 12/28/2015 | A140145 | Examination of a Claim: Pace Plumbing Corporation, Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021 |
| 01/15/2016 | A140158 | Examination of Change Order Proposals: Fusco Corporation, Contract Number GS-02P-09-DTC-0022 |
| 01/29/2016 | A140148 | Examination of a Claim: Five Star Electric Corporation, Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021 |
| 02/23/2016 | A150104 | Preaward Examination of Multiple Award Schedule Contract Extension: Kipper Tool Company, Contract Number GS-06F-0018L |
| 03/02/2016 | A150093 | Preaward Examination of Multiple Award Schedule Contract Extension: Innovative Management & Technology Approaches, Inc., Contract Number GS-35F-0096L |
| 03/24/2016 | A150103 | Preaward Examination of Multiple Award Schedule Contract Extension: CliftonLarsonAllen LLP, Contract Number GS-23F-0135L |

| DATE OF REPORT | REPORT NUMBER | TITLE |
|----------------|---------------|---|
| 03/30/2016 | A140147 | Examination of a Request for Equitable Adjustment: ASM Mechanical Systems, Inc., Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021(N) |

| DATE OF REPORT | REPORT NUMBER | TITLE | PROJECTED FINAL ACTION DATE |
|-----------------|---------------|--|-----------------------------|
| INTERNAL AUDITS | | | |
| 08/19/2014 | A140157 | Sensitive But Unclassified Building Information Unprotected in GSA's Cloud Computing Environment | 07/31/17 |
| 01/29/2015 | A140157 | Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment | 04/10/17 |
| 06/26/2015 | A140008 | FAS Needs to Strengthen its Training and Warranting Program for Contracting Officers | 06/25/18 |

APPENDIX V

OIG REPORTS WITHOUT MANAGEMENT DECISION

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

INTERNAL AUDIT OF AN ENERGY SAVINGS PERFORMANCE CONTRACT

We performed this audit to determine whether PBS awarded Energy Savings Performance Contract (ESPC) task orders in accordance with the applicable regulations and guidance and has an effective process in place to verify that the energy savings calculated by the energy service company are accurate. PBS awarded 14 ESPC task orders to improve energy efficiency and reduce greenhouse gas emissions. However, PBS may not be able to achieve these goals because it did not take the proper steps while procuring the task orders. We concluded that PBS: risks paying for unrealized energy savings because it did not comply with guidelines for witnessing energy baseline measurements; did not comply with or could not provide evidence that it complied with witnessing requirements; did not achieve energy-related savings on one ESPC task order because it overestimated savings and was unable to renegotiate the operations and maintenance contract to achieve the remaining savings; did not comply with requirements for establishing fair and reasonable pricing; awarded a task order for a building that may be sold, transferred, or otherwise disposed of before planned savings can offset its costs; and awarded a stand-alone ESPC that had no approved Measurement and Verification Plan for achieving energy savings.

We are working with GSA officials to resolve the audit.

LIMITED SCOPE POSTAWARD EXAMINATION OF A CONSULTING CONTRACTOR

We performed this examination to determine whether the contractor properly provided volume discounts to its GSA customers under its Blanket Purchase Agreement (BPA). We concluded that the contractor did not provide volume discounts on schedule orders placed under the Department of Interior's Federal Consulting Group's BPA, for the period January 1, 2012, through September 30, 2015, as required by the terms and conditions of its GSA schedule contract. As a result, the contractor overcharged the customer and should reimburse the government. The contractor indicated that volume discounts were not applicable because GSA customers already received discounts using the BPA, resulting in more favorable pricing than the GSA schedule pricing. Although GSA customers were receiving better pricing under the BPA, the GSA contract stipulates that volume discounts must be applied to applicable threshold levels.

We are working with GSA officials to resolve the examination.

PREAWARD EXAMINATION OF AN INFORMATION TECHNOLOGY CONTRACTOR

We performed this examination in order to determine whether the contractor disclosed and submitted accurate, current, and complete information in the Commercial Sales Practices; maintained sales monitoring and billing systems that ensure proper administration of the price reduction and billing provisions of the GSA contract; and adequately accumulated sales for Industrial Funding Fee purposes.

We concluded that the contractor's Commercial Sales Practices disclosure is not accurate, current, or complete because it: is based on outdated information; did not accurately disclose the frequency of nonstandard discounts granted to its customers; and did not disclose that resellers receive compensation that the contractor obtains from the manufacturer. In addition, the contractor was unable to support how it calculated the value added by resellers, which is used to support the better pricing granted to resellers. Finally, the price reduction provisions of the contract are ineffective because the contractor lacked sales to the basis of award customer and the contractor does not have adequate controls to properly accumulate and report schedule sales for Industrial Funding Fee purposes.

We are working with GSA officials to resolve the examination.

APPENDIX VI

PEER REVIEW RESULTS

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

In FY 2016, the GSA OIG Office of Investigations underwent a peer review by the NASA OIG. The peer review team found that the system of internal safeguards and management procedures for the Office of Investigations complied with the standards established for investigations by the Attorney General Guidelines and the CIGIE.

In FY 2015, the GSA OIG Office of Audits underwent a peer review by the Department of Veterans Affairs. On October 29, 2015, the Office of Audits received a peer review rating of “pass.” The peer review team found that the Office of Audit’s system of quality control is suitably designed and complied with to provide it with reasonable assurance of performing and reporting in conformity with the quality standards established by CIGIE in all material aspects. No outstanding recommendations exist from any previous peer review conducted by another OIG.

The Offices of Audits and Investigations 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.

The Office of Inspections and Forensic Auditing was formed in 2014 to conduct inspections and evaluations in accordance with the CIGIE *Quality Standards for Inspection and Evaluation*, and has not yet been peer reviewed.

APPENDIX VII

GOVERNMENT CONTRACTOR SIGNIFICANT REPORT FINDINGS

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

In June 2014, we initiated a postaward audit of a value chain management services contractor after a preaward audit disclosed that some of the contractor's employees did not meet the labor qualification requirements for the positions billed under the GSA contract. In order to quantify the total overcharges due to unqualified labor, we performed this postaward audit of the contractor's GSA sales for the period March 1, 2008, through June 13, 2013. All of the contractor's GSA sales for this period were under a Blanket Purchase Agreement with the Marine Corps.

Our postaward audit found that the contractor overcharged the Marine Corps for unqualified employees on time-and-material task orders and for unqualified employees in firm-fixed price proposals.

APPENDIX VIII

UNIMPLEMENTED RECOMMENDATIONS

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

The GSA OIG currently has 30 unimplemented recommendations that were issued prior to the commencement of this semiannual reporting period. These unimplemented recommendations do not include any financial recommendations. The below table identifies the audits and inspections that contain unimplemented recommendations, as well as the potential cost savings of those recommendations and the fiscal year in which each audit or inspection was issued.

| FISCAL YEAR | TITLE | NUMBER OF UNIMPLEMENTED RECOMMENDATIONS | POTENTIAL COST SAVINGS |
|-------------|--|---|------------------------|
| 2014 | Sensitive But Unclassified Building Information Unprotected in GSA's Cloud Computing Environment | 2 | \$0 |
| 2015 | Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment | 1 | \$0 |
| 2015 | FAS Needs to Strengthen Its Training and Warranting Program for Contracting Officers | 1 | \$0 |
| 2016 | IT Reseller Contracts Present Significant Challenges for GSA's Schedules Program | 5 | \$0 |
| 2016 | The Federal Acquisition Service Needs a Comprehensive Human Capital Plan for Its Contract Specialist Workforce | 1 | \$0 |
| 2016 | Audit of FAS's Contractor Assessments Program | 2 | \$0 |
| 2016 | PBS Energy Savings Performance Contract Awards May Not Meet Savings Goals | 6 | \$0 |
| 2016 | Audit of Price Evaluations and Negotiations for Schedule 70 Contracts | 5 | \$0 |
| 2016 | Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015 | 3 | \$0 |
| 2016 | GSA's Purchase Card Program Is Vulnerable to Illegal, Improper, or Erroneous Purchases | 2 | \$0 |
| 2016 | GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Use of Facility Specific Building Badges | 2 | \$0 |
| Totals: | 11 | 30 | \$0 |

APPENDIX IX

REPORTING REQUIREMENTS

The table below cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information required by the National Defense Authorization Act for Fiscal Year 2008 and the Federal Acquisition Streamlining Act of 1994, as amended, are also cross-referenced to the appropriate pages of the report.

| REQUIREMENTS INSPECTOR GENERAL ACT OF 1978, AS AMENDED | | PAGE |
|---|---|-------|
| SECTION | | |
| 4(a)(2) | Review of Legislation and Regulations | 48 |
| 5(a)(1) | Significant Problems, Abuses, and Deficiencies | 6 |
| 5(a)(2) | Recommendations with Respect to Significant Problems, Abuses, and Deficiencies | 8-27 |
| 5(a)(3) | Prior Recommendations Not Yet Implemented | 53 |
| 5(a)(4) | Matters Referred to Prosecutive Authorities | 43 |
| 5(a)(5) and 6(b)(2) | Summary of Instances Where Information Was Refused | none |
| 5(a)(6) | List of OIG Reports | 58-60 |
| 5(a)(7) | Summary of Each Particularly Significant Report | 8-27 |
| 5(a)(8) | Statistical Tables on Management Decisions on Questioned Costs | 23 |
| 5(a)(9) | Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use | 22 |
| 5(a)(10) (A) | Summary of OIG Reports Issued Before the Commencement of the Reporting Period Which No Management Decision Has Been Made | 65 |
| 5(a)(10) (B) | Summary of OIG Reports Issued Before the Commencement of the Reporting Period Which No Agency Comment was Returned within 60 Days | none |
| 5(a)(10) (C) | Summary of OIG Reports Issues Before the Commencement of the Reporting Period for Which there are Unimplemented Recommendations | 69 |
| 5(a)(11) | Description and Explanation for Any Significant Revised Management Decision | none |
| 5(a)(12) | Information on Any Significant Management Decisions with Which the Inspector General Disagrees | none |
| 5(a)(13) | Compliance with Federal Financial Management Improvement Act | none |
| 5(a)(14)-(16) | Peer Review Results 69 | 67 |
| 5(a)(17) | Statistical Tables of Investigation Metrics | 43-45 |
| 5(a)(18) | Description of Investigation Metrics | 43-44 |
| 5(a)(19) | Investigations of Senior Employees where Misconduct was Substantiated | 33 |
| 5(a)(20) | Description of any Instance of Whistleblower Retaliation | none |
| 5(a)(21) | Description of any Attempt by the Agency to Interfere with OIG Independence | none |
| 5(a)(22)(A) | Description of each Inspection, Evaluation and Audit Not Publicly Disclosed | none |
| 5(a)(22)(B) | Description of each Investigation of a Senior Employee Not Disclosed to the Public | 38 |
| OTHERS | | |
| PL 103-355, Sec 6009 | Management Decisions and Implementation of Audit Recommendations | 61 |
| PL 110-181, Sec. 845 | Contract Audits with Significant Findings | 68 |



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



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