



# SEMIANNUAL REPORT TO THE CONGRESS



**OFFICE OF INSPECTOR GENERAL**

U.S. GENERAL SERVICES ADMINISTRATION

October 1, 2017 – March 31, 2018

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# MESSAGE FROM THE IG



I am pleased to submit the Semiannual Report to Congress for the period of October 1, 2017 through March 31, 2018. During this reporting period, the Office of Inspector General continued to deliver exceptional value to the taxpayer: our contract audits identified nearly \$329 million in cost savings and our investigative work yielded \$97 million in monetary recoveries. Highlights of our work include our partnership with the Department of Justice to secure a \$66 million dollar settlement of a qui tam investigation of a company that sold defective material for bullet proof vests used by law enforcement officers, multiple convictions of criminals masquerading as Service-Disabled Veteran-Owned Small Businesses to obtain government contracts, and an evaluation that prompted the agency to include whistleblower protection language in its congressional communication policy.

We have also focused office resources on matters arising from GSA's efforts in technology transformation. As stated in our Assessment of GSA's Management and Performance Challenges for Fiscal Year 2018 and highlighted in my recent testimony before the House Committee on Oversight and Government Reform's Subcommittee on Government Operations, technology transformation and cybersecurity are top challenges for the agency. In March, our office alerted the Administrator to a vulnerability within the System for Award Management and recommended notification of the affected parties. Our work in recent previous reporting periods also exposed weaknesses in the agency's information security program, noncompliance with applicable laws and policies, and breakdowns in the protection of sensitive information. The agency has been working to implement our recommendations in these matters.

Looking ahead, I would like to strengthen the OIG's information technology audit and data analytics capabilities with additional resources. Enhancing these capabilities will enable the OIG to keep pace with and provide oversight of GSA's increased focus on information technology.

I remain grateful for the opportunity to lead this office's dedicated team of results-driven professionals and to have the continued support of Congress.

A handwritten signature in black ink that reads "Carol F. Ochoa". The signature is fluid and cursive.

Carol F. Ochoa  
Inspector General  
April 30, 2018



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**, a multi-disciplinary organization that analyzes and evaluates GSA's programs and operations through management and programmatic inspections and evaluations that are intended to provide insight into issues of concern to GSA, Congress, and the American public. The office also coordinates quality assurance for the OIG, administers the OIG's records management program, and analyzes potentially fraudulent or otherwise criminal activities in coordination with other OIG components.
- **THE OFFICE OF INVESTIGATIONS**, a statutory federal law enforcement organization that conducts nationwide criminal, civil, and administrative investigations of illegal or improper activities involving GSA programs, operations, and personnel.

## OFFICE LOCATIONS

### Headquarters:

Washington, D.C.

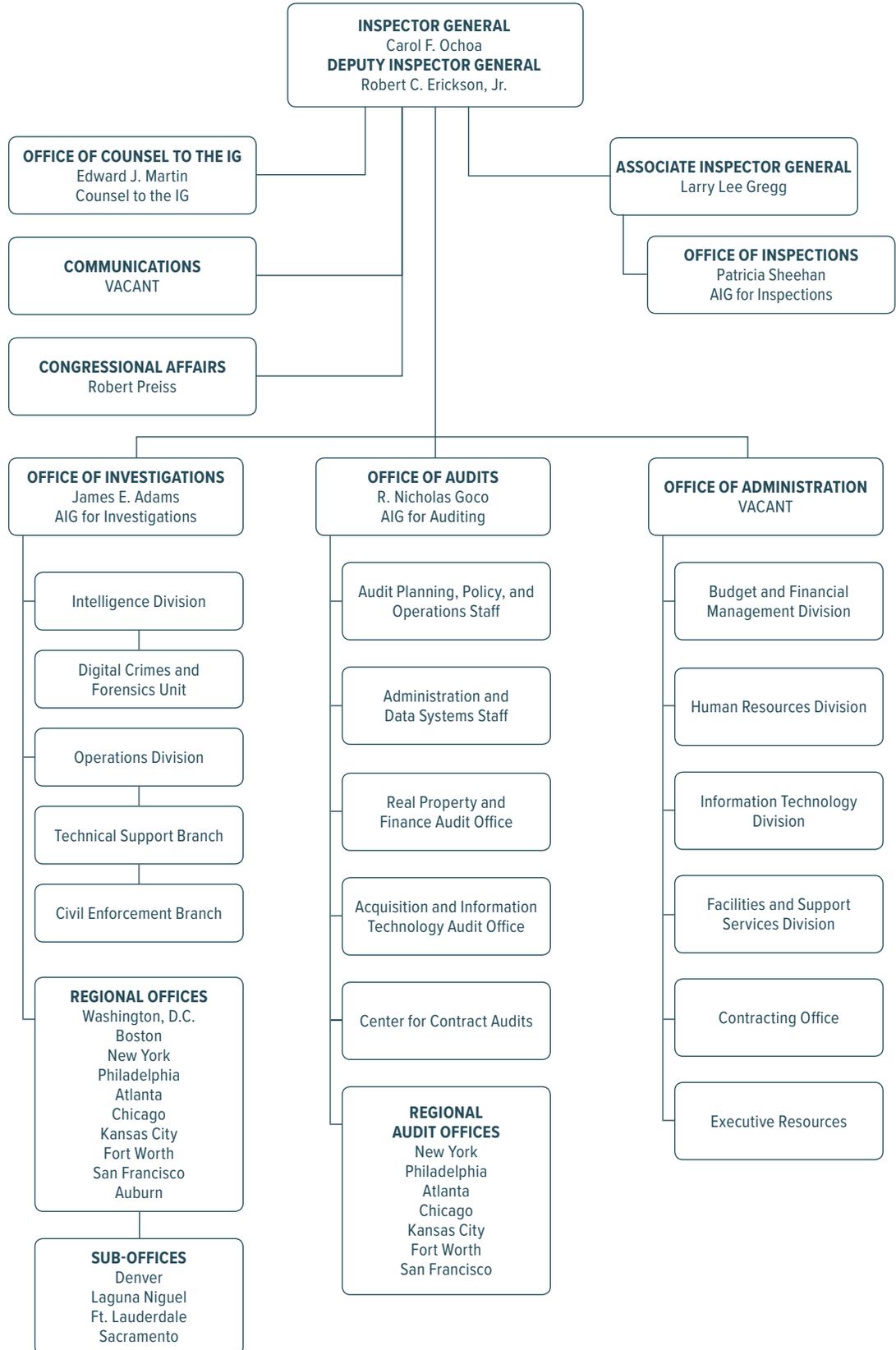
### Field and Regional Offices:

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

## STAFFING AND BUDGET

As of March 31, 2018, our on-board staffing level was 318 employees. The OIG's Fiscal Year 2018 budget is \$65 million in annual appropriated funds plus \$600 thousand in reimbursable authority.

# OIG ORGANIZATION CHART



# GSA’S MANAGEMENT CHALLENGES

The Reports Consolidation Act of 2000, Public Law 106-531, requires the Inspectors General of major federal agencies to report on the most significant management challenges facing their respective agencies. The following table briefly describes the challenges we have identified for GSA for Fiscal Year 2018.

CHALLENGE	BRIEF DESCRIPTION OF CHALLENGE
<b>Enhancing Government Procurement</b>	GSA’s Federal Acquisition Service (FAS) operates to create efficiency in the federal government’s acquisition of goods and services. FAS seeks to accomplish this by leveraging the buying power of the federal government to obtain necessary products and services at the best value possible. However, FAS faces challenges in fulfilling its mission to meet its customers’ needs effectively, efficiently, and economically. Specifically, attention is needed to mitigate challenges with the GSA Schedules Program, including the support and adoption of category management, emphasizing the reduction of government price variability, and delivering the System for Award Management.
<b>Maximizing the Performance of GSA’s Real Property Inventory</b>	GSA must maximize the performance of its real property inventory in order to provide its tenant agencies with space that meets their needs at a reasonable cost to American taxpayers. To achieve this goal, GSA should plan the best approach to: reduce and consolidate space; dispose of and exchange federal property; reduce leasing costs; meet the operations and maintenance needs of aging buildings; and ensure effective management of energy and utility contracts.
<b>Sustaining Technology Transformation Services, FAS</b>	Since its inception, GSA has faced challenges in operating the new Technology Transformation Service (TTS). Specifically, Government Accountability Office (GAO) and GSA OIG audits have found that TTS has not fully established outcome-oriented goals, measured performance, and prioritized projects; did not properly execute inter- and intra-agency agreements; lacked reliable internal controls over billings; and has routinely disregarded fundamental security requirements related to the acquisition of information technology and the operation of information systems. TTS faces additional challenges surrounding its merger into FAS including: ensuring its operations are not adversely affected; sustaining its mission; implementing an effective oversight and control structure for the organization; and addressing the challenge of frequent leadership changes and high staff turnover.
<b>Making Agency Cybersecurity a Priority</b>	GSA is responsible for providing stable and secure technical solutions and services to meet the business needs of its internal and external customers, while ensuring compliance with information technology security-related laws, regulations, and guidance. GSA is challenged with an environment of competing priorities and increasingly sophisticated cyber-attacks. GSA will be challenged with protecting GSA building control systems against cyber threats, controlling access to sensitive information in GSA systems, and strengthening information technology security controls in high-risk areas.
<b>Efficiently Managing Human Capital to Accomplish GSA’s Mission</b>	GSA must focus on hiring and retaining staff with the necessary skills to perform critical functions, especially given the number of GSA employees in mission-critical roles who will be retirement-eligible in the near future. GSA identified seven mission-critical occupational categories – Acquisition, Financial Management, Information Technology, Program Management, Property Management, Realty, and Human Resources – that make up 43 percent of GSA’s workforce. GSA faces the loss of veteran expertise through retirements as 15 percent of employees in these mission-critical occupational categories are eligible to retire now.
<b>Safeguarding Federal Facilities and Providing a Secure Work Environment</b>	Under Presidential Policy Directive 21 on Critical Infrastructure Security and Resilience, GSA is responsible for continuity of operations, providing government-wide contracts for critical infrastructure systems, and coordination with the Federal Protective Service to ensure building occupant security. However, we have found: GSA’s security clearance process for contractors needs improvement; GSA-managed facilities are at an increased risk of unauthorized access; facility-specific building badges at GSA-managed facilities are unsecured and unregulated; and GSA’s tracking and maintenance of contractor employee background investigation data is inadequate.



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

# 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, information technology (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 26 audit reports which identified nearly \$329 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. Approximately, 14,600 Multiple Award Schedule (Schedule) contracts under GSA's procurement program generate \$15 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 taxpayer.

The pre-decisional, advisory nature of preaward audits distinguishes them from other audit products. Preaward audits provide vital, current information enabling contracting officers to significantly improve the government's negotiating position to realize millions of dollars in savings on negotiated contracts. During this reporting period, we performed preaward audits of 20 contracts with an estimated value of over \$7.5 billion and recommended over \$319.8 million of funds be put to better use. Management decisions were also made on 20 preaward audit reports, which recommended over \$292 million of funds be put to better use. GSA management agreed with all of the recommended savings.

Three of our more significant preaward audits were of Schedule contracts with combined projected government sales of over \$6.4 billion. These audits found that nearly \$258 million of funds could be put to better use. Some of the more significant findings within one or more of these audit reports included: commercial sales practices information was not accurate, current, and/or complete; proposed labor rates were overstated; the government was overcharged; and price reduction provisions were ineffective.

## INTERNAL AUDITS

### AUDIT OF THE COMPLETENESS, TIMELINESS, QUALITY, AND ACCURACY OF GSA'S 2017 DATA ACT SUBMISSION

**Report Number A150150/B/R/F18001, dated November 8, 2017**

As required by Section 6(a) of the Digital Accountability and Transparency Act of 2014 (DATA Act) we assessed: (1) the completeness, timeliness, quality, and accuracy of GSA's financial and award data submitted for publication on the USASpending.gov website for the second quarter of Fiscal Year 2017; and (2) GSA's implementation and use of the government-wide financial data standards established by the Office of Management and Budget (OMB) and the Department of Treasury (Treasury).

We found that GSA's financial and award data submitted for publication on the USASpending.gov website for the second quarter of Fiscal Year 2017 was not complete, timely, or accurate, and lacked quality. Of the 382 transactions we selected for testing, 12 could not be evaluated because GSA did not provide supporting documentation as of the issuance of this report. Of the 370 transactions tested, we concluded that 202 (55 percent) were not accurately reported. Of these, 16 contained data errors that may have been caused by Treasury's information system that translates spending information produced by existing agency systems into standards that conform to the DATA Act.

Based on our audit finding, we made three recommendations to the Acting GSA Administrator requiring that the Office of the Chief Financial Officer coordinate with the appropriate senior officials in PBS, FAS, and other GSA services and staff offices, as necessary; consistently apply the DATA Act elements and definitions applicable to GSA throughout Agency procurements; and incorporate DATA Act elements into routine reviews similar to GSA's annual verification and validation efforts of data from the Federal Procurement Data System – Next Generation. Lastly, we recommended that the Acting GSA Administrator direct GSA officials to work with DATA Act stakeholders to correct government-wide issues that affect GSA's data submission.

The Acting GSA Administrator agreed with our report finding and recommendations.

## **FAS IS PROVIDING SUPPORT SERVICES TO AGENCIES TRANSITIONING TO ENTERPRISE INFRASTRUCTURE SOLUTIONS WITHOUT EXECUTED INTERAGENCY AGREEMENTS**

**Memorandum Number A170103-3, dated January 12, 2018**

In October 2017, we began an audit of FAS’s award and administration of the Transition Ordering Assistance (TOA) task order in response to a hotline complaint. FAS awarded the TOA task order to support federal agencies transitioning mission-critical telecommunications and IT infrastructure services from the expiring Networkx contracts to the new Enterprise Infrastructure Solutions (EIS) contracts. Because of delays experienced during the Networkx transition, TOA was established to provide consulting services to customer agencies that lack telecommunications and acquisition expertise. Our objective was to determine whether FAS’s TOA task order was awarded and is administered in accordance with the Federal Acquisition Regulation (FAR) and other applicable regulations and policies. Additionally, we were to determine if adequate oversight and safeguards are in place to ensure the TOA task order fulfills its intended purpose to support customer agency transitions to EIS.

During our audit survey, we were made aware that FAS had provided customer agencies with almost \$9 million in support services without interagency agreements in place. Without these agreements in place, FAS is vulnerable to significant risks including potential disputes over contract administration responsibilities, inefficient use of resources, and a prolonged transition to EIS. Executing interagency agreements also ensures compliance with the FAR and relevant guidance issued by OMB and the U.S. Government Accountability Office. Due to the risk FAS assumed, we elevated this concern to FAS management’s attention.

In our memorandum, we urged the FAS Commissioner to execute interagency agreements with transitioning agencies receiving support under the TOA task order.

The FAS Commissioner agreed with our memorandum’s conclusion and stated FAS would execute interagency agreements.

## **GSA SHOULD MONITOR AND TRACK FACILITY SECURITY ASSESSMENTS**

**Report Number A160101/O/7/F18002, dated December 4, 2017**

Based on the GSA Office of Mission Assurance’s (OMA) concerns about the lack of facility security assessments conducted on GSA buildings, we performed an audit of GSA’s receipt and use of facility security assessment reports developed by the Department of Homeland Security’s Federal Protective Service (FPS).

Our objectives were to determine whether GSA received facility security assessment reports from FPS; how GSA monitored and used reports received; and the effect if GSA did not receive the facility security assessment reports.

GSA should be using facility security assessment reports to ensure the protection of its buildings and tenants. We found that PBS property managers did not have the facility security assessment reports for 34 of the 45 buildings in our sample (76 percent). Because PBS property managers did not receive facility security assessment reports, they were not aware of the building security vulnerabilities and the recommended countermeasures. In addition, OMA and PBS management officials acknowledged that GSA does not have policies or procedures to ensure receipt of facility security assessment reports and require follow-up action with FPS when reports are not received. Furthermore, OMA management officials acknowledged that GSA needs a system to track facility security assessments.

Based on our audit finding, we made two recommendations to the Acting GSA Administrator. These included implementing policies and procedures to monitor and track facility security assessment reports, including whether PBS received the facility security assessment reports, and to follow up with FPS when reports are not received; and requiring training for PBS property managers related to facility security assessments reports.

The OMA Associate Administrator agreed with our report finding and recommendations.

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

**Report Number A170024/O/T/F18003, dated January 19, 2018**

We performed a limited scope audit of the technical security controls for an information system. Our audit found that GSA is not updating the software for this system in a timely manner, leaving the system vulnerable to cyber attacks; and misconfigured settings in the system environment increased the risk of sensitive information breaches and system outages. Our report recommended that the GSA Chief Information Officer ensure that missing software updates are applied to the system environment in accordance with the National Institute of Standards and Technology (NIST), GSA's Information Technology Security Policy, and GSA IT procedural guides; future software patches are applied to the system environment in a timely manner in accordance with NIST, GSA's Information Technology Security Policy, and GSA IT procedural guides; and technical security control configuration weaknesses identified in this audit report are mitigated in accordance with recommendations established by NIST, CIS, and GSA IT.

The GSA's Chief Information Officer agreed with our report findings and recommendations. Due to the sensitivity of our audit work, this report is restricted from public release.

## **AUDIT OF THE GSA FEDERAL ACQUISITION SERVICE'S USE OF OUTSIDE CONSULTANTS**

**Report Number A140006/Q/6/P18001, dated March 26, 2018**

We performed this audit based on concerns of a former GSA Deputy Administrator. The Deputy Administrator was familiar with our findings from prior audits of consultant contracts awarded by PBS and requested an audit on the use of consulting contracts by FAS to verify that similar problems did not exist.

Our objectives were to determine whether FAS officials awarded and administered consulting contracts in accordance with the FAR to ensure that the contracts were necessary, pricing was reasonable, and deliverables were obtained; used the results of consulting contracts to enhance FAS operations; and complied with policies and procedures pertaining to consulting projects.

We found that FAS received deliverables for the 17 contracts we sampled and used the deliverables to enhance FAS operations. However, we found that several consulting contracts did not meet FAR requirements for acquisition planning and fair and reasonable pricing. We also found that FAS could improve controls to ensure that FAS officials follow policies and procedures for approving consulting projects and controlling cost.

Based on our audit findings, we recommended that the FAS Commissioner implement controls to ensure that all FAS contracting actions for consulting services comply with the FAR and FAS policies and procedures.

The FAS Commissioner agreed with our report findings and recommendation.

## **IMPLEMENTATION REVIEW OF ACTION PLAN: GSA'S PROGRAM FOR MANAGING VIRTUAL EMPLOYEES AND TELEWORKERS NEEDS IMPROVEMENT REPORT NUMBER A130019/C/6/F15001, JANUARY 16, 2015**

**Assignment Number A170090, dated October 18, 2017**

On January 16, 2015, we issued an audit report, *GSA's Program for Managing Virtual Employees and Teleworkers Needs Improvement* to the Office of Human Resources Management (OHRM). Our audit found GSA did not know the number of virtual employees it had, some virtual employee work arrangements were not fully approved, travel costs related to virtual work arrangements were not assessed annually, and official duty stations were incorrect for some virtual employees. Based on our audit findings, we made six recommendations.

We performed this implementation review of the corrective actions taken in response to the recommendations contained in our 2015 audit report. Our implementation review found that OHRM did not fully implement the corrective actions for several audit recommendations.

Specifically, OHRM did not verify duty stations of virtual employees, enhance controls over timekeeping, incorporate GSA requirements into telework training, and implement a new automated human resources system. By not implementing the corrective actions, GSA has had to manually review virtual employees' duty stations and collect or remit amounts owed for erroneous locality pay adjustments. This manual process did not identify all errors on a timely basis. For example, one ex-employee faces a debt of over \$50,000, while another had to repay GSA almost \$20,000.

As a result of our findings, OHRM submitted a revised action plan addressing the open recommendations.

### **OVERSIGHT OF THE INDEPENDENT AUDITOR'S REPORT ON GSA'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2017**

As required by the Chief Financial Officers Act of 1990, Public Law 101-576, as amended, the GSA's Fiscal Year 2017 financial statements audit was performed by an independent public accounting (IPA) firm. We monitored the audit for compliance with generally accepted government auditing standards and OMB Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*.

The IPA's audit identified deficiencies in internal controls, including several significant deficiencies. The significant deficiencies were in the areas of budgetary controls over apportionments, controls over access to financial management systems, and monitoring controls over financial reporting.

During the Fiscal Year 2018 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 2017 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 Fiscal Year 2017 evaluation, GSA contracted with an IPA firm to conduct the evaluation of its compliance with the provisions of FISMA. We monitored the 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 seven FISMA metric domains.

However, the IPA identified that four of the seven FISMA program areas had deficiencies that should be addressed to strengthen GSA's information security program: risk management, configuration management, identity and access management, and contingency planning. In addition, based on the OMB and Department of Homeland Security scoring methodology for the Fiscal Year 2017 FISMA evaluation period, four Cybersecurity Framework Functions: Identify, Protect, Detect, and Recover were rated not effective and Respond was rated as effective. The GSA Chief Information Officer agreed with the IPA's findings and recommendations.

During Fiscal Year 2018, 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, 2017, to March 31, 2018, we issued 21 contract audit reports. In these reports, we found:

- 16 contractors did not submit accurate, current, and complete information.
- 13 contractors overcharged GSA customers.
- 4 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.
- 4 contractors assigned employees who were unqualified for their billable positions to work on GSA schedule task orders.
- 2 contractors did not comply with price reduction provisions.
- 2 contractors failed to comply with other contract terms and conditions.
- 1 contractor did not adequately segregate and accumulate labor hours, material costs, and other direct costs on time-and-material task orders.

We also recommended nearly \$329 million in cost savings in these reports. This includes funds that could be put to better use, which is the amount the government could save if our audit findings are implemented. It also includes questioned costs, which is money that should not have been spent such as overbillings and unreported price reductions.

## October 1, 2017 – March 31, 2018

CONTRACT AUDIT REPORTS	
Recommendations that funds be put to better use	\$319,820,785
Questioned Costs	\$9,129,457

# 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

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

## DISCLOSURES FOR THIS REPORTING PERIOD

As disclosures are made, the Offices of Audits, Investigations, and Counsel jointly examine each acknowledgment and make a determination as to what actions, if any, are warranted. During this reporting period, we received five new disclosures. The matters disclosed include price reductions noncompliance, billing for work not performed, counterfeit components, and inflated timesheets. We concluded our evaluation of eight disclosures that resulted in over \$1.4 million in settlements and recoveries to the government. We also assisted on six disclosures referred by another agency because of the potential impact on GSA operations and continued to evaluate 14 pending disclosures.

# STATISTICAL SUMMARY OF OIG AUDITS

October 1, 2017 – March 31, 2018

OFFICE OF AUDITS	
Total financial recommendations	\$328,950,242
These include:	
Recommendations that funds be put to better use	\$319,820,785
Questioned costs	\$9,129,457
Audit reports issued	26
Audit memoranda provided to GSA	3
GSA Management decisions agreeing with audit recommendations	\$302,762,715

## Audit Reports Issued

The OIG issued 26 audit reports. These reports contained financial recommendations totaling nearly \$329 million, including more than \$319.8 million in recommendations that funds be put to better use and over \$9.1 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, 2018. There were four reports more than six-months old awaiting management decision as of March 31, 2018. Table 1 does not include one implementation review that was issued during this period because it was excluded from the management decision process. Table 1 also does not include three reports excluded from the management decision process.

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

	NUMBER OF REPORTS	REPORTS WITH FINANCIAL RECOMMENDATIONS*	TOTAL FINANCIAL RECOMMENDATIONS
For which no management decision had been made as of 10/01/2017			
Less than 6 months old	15	8	\$16,013,736
Six or more months old	6	4	\$212,469,852
Reports issued this period	25	19	\$328,950,242
<b>TOTAL</b>	<b>46</b>	<b>31</b>	<b>\$557,433,830</b>
For which a management decision was made during the reporting period			
Issued prior periods	17	10	\$38,567,829
Issued current period	13	10	\$264,194,886
<b>TOTAL</b>	<b>30</b>	<b>20</b>	<b>\$302,762,715</b>
For which no management decision had been made as of 03/31/2018			
Less than 6 months old	12	9	\$64,755,356
Six or more months	4	2	\$189,915,759
<b>TOTAL</b>	<b>16</b>	<b>11</b>	<b>\$254,671,115</b>

\* 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 10/01/2017		
Less than 6 months old	5	\$15,614,640
Six or more months	3	\$209,680,640
Reports issued this period	14	\$319,820,785
<b>TOTAL</b>	<b>22</b>	<b>\$545,116,065</b>
For which a management decision was made during the reporting period		
Recommendations agreed to by management	14	\$292,651,662
Recommendations not agreed to by management	0	\$0
<b>TOTAL</b>	<b>14</b>	<b>\$292,651,662</b>
For which no management decision had been made as of 03/31/2018		
Less than 6 months old	6	\$62,548,644
Six or more months old	2	\$189,915,759
<b>TOTAL</b>	<b>8</b>	<b>\$252,464,403</b>

## 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 10/01/2017		
Less than 6 months old	6	\$399,096
Six or more months old	2	\$2,789,212
Reports issued this period	10	\$9,129,457
<b>TOTAL</b>	<b>18</b>	<b>\$12,317,765</b>
For which a management decision was made during the reporting period		
Disallowed costs	15	\$10,111,053
Costs not disallowed	0	\$0
<b>TOTAL</b>	<b>15</b>	<b>\$10,111,053</b>
For which no management decision had been made as of 03/31/2018		
Less than 6 months old	3	\$2,206,712
Six or more months old	0	\$0
<b>TOTAL</b>	<b>3</b>	<b>\$2,206,712</b>

# SIGNIFICANT INSPECTIONS

# SIGNIFICANT INSPECTIONS

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

## EVALUATION OF GSA NONDISCLOSURE POLICY

### Report Number JE18-002, dated March 8, 2018

Congress enacted the Whistleblower Protection Enhancement Act (WPEA) in 2012 to strengthen federal government whistleblower rights and protections. The WPEA requires all federal government “nondisclosure policies, forms, and agreements” implemented on or after the WPEA’s effective date to include specific language clarifying that the policy, form, or agreement in question does not impact statutory whistleblower protections.

In May 2017, the Office of Inspections initiated an evaluation to review allegations concerning the existence of a GSA nondisclosure policy regarding employee communications with Congress. The review sought to determine whether GSA implemented such a policy and, if so, whether the policy violated the WPEA or other laws, regulations, or GSA policy. Our evaluation found that during the period of February 2015 through July 2017, GSA implemented a series of published and unpublished policies governing responses to congressional inquiries. We found that each of these policies operated as a nondisclosure policy, and none contained the whistleblower protection language that the WPEA requires be included in federal government nondisclosure policies.

Additionally, we found that GSA’s implementation of the unpublished policies between February and July 2017 did not comply with GSA’s internal directive for creating and implementing new policy, leading to opportunities for confusion, misinterpretation, and inconsistent application.

To address these findings, we made two recommendations to the OCIA Associate Administrator:

1. GSA's leadership should include the anti-gag provision required by the Whistleblower Protection Enhancement Act of 2012 in GSA's order on congressional and intergovernmental inquiries and relations.
2. GSA's leadership should clarify GSA's policy on communications with Members of Congress in GSA's order on congressional and intergovernmental inquiries and relations.

As a result of this review, GSA revised its policy to include the language required by the WPEA and initiated the formal clearance process for the amended policy.



# 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 54 investigative cases, closed 83 investigative cases, referred 97 subjects for criminal prosecution, and helped obtain 35 convictions. Civil, criminal, and other monetary recoveries resulting from our investigations totaled over \$97 million.

## CIVIL SETTLEMENTS

### **TOYOBO CO. LTD. AGREED TO PAY \$66 MILLION TO RESOLVE FALSE CLAIMS RELATED TO DEFECTIVE BULLETPROOF VESTS**

On March 15, 2018, Toyobo Co., Ltd. (Toyobo) agreed to pay \$66 million to resolve allegations under the False Claims Act that Toyobo sold defective Zylon fiber used in bulletproof vests that the United States purchased for federal, state, local, and tribal law enforcement agencies. The settlement resolves allegations that between at least 2001 and 2005, Toyobo knew that Zylon degraded quickly in normal conditions, and that the degradation of the material made the ballistic vests unfit for use, placing the lives of law enforcement officers at risk. A 2005 study of Zylon-containing vests found that more than 50 percent of used vests could not stop bullets that they had been certified to stop. GSA OIG investigated this case with the Department of Commerce (Commerce) OIG, Defense Criminal Investigative Service (DCIS), U.S. Air Force Office of Special Investigations (AFOSI), U.S. Treasury Inspector General for Tax Administration (TIGTA), U.S. Army Criminal Investigation Command (CID), Department of Energy (DOE) OIG, and Defense Contract Audit Agency (DCAA).

### **W.W. GRAINGER, INC. AGREED TO PAY \$14 MILLION TO RESOLVE OVERCHARGES**

On March 19, 2018, W.W. Grainger, Inc. (Grainger) agreed to pay \$14 million to resolve allegations that Grainger overcharged GSA customers for tax charges, freight costs, and billing errors. The settlement resolves allegations that between 2004 through 2017, Grainger overcharged government customers for purchases of tools, equipment, and maintenance and janitorial supplies made under Grainger's GSA Multiple Award Schedule contract.

### **AGS GROUP AGREED TO PAY \$3 MILLION TO RESOLVE FALSE CLAIM ALLEGATIONS**

On March 16, 2018, AGS Enterprises, Inc. and its subsidiaries KLN Steel Products Co., LLC, Furniture by Thurston, Inc., and Dehler Manufacturing, Inc., (AGS Group) agreed to pay \$3 million to resolve allegations under the False Claims Act that the companies violated laws related to bidding for and performing under federal contracts. The settlement resolves allegations that between 2009 and 2016, AGS Group made false certifications regarding its status as a Woman-Owned Small Business; sold goods that were not compliant with the Trade Agreements Act and the Buy American Act; and submitted false invoices for freight charges. GSA OIG investigated this case with the Army CID Major Procurement Fraud Unit.

### **KARDA SYSTEMS AND SEK SOLUTIONS AGREED TO PAY A COMBINED AMOUNT OF \$220,000 TO RESOLVE FALSE CLAIMS ALLEGATIONS**

On October 5, 2017, Karda Systems, LLC and owner Sam Caragan agreed to pay the government \$80,000 plus interest to resolve government claims that Karda and Caragan violated laws related to bidding for and performing under federal contracts. Following that settlement, on December 20, 2017, SEK Solutions, its Owner Edna Denis Naim, and Executive Vice President Kahlil Naim agreed to pay the government \$140,000 plus interest to resolve government claims that SEK Solutions also violated laws related to bidding for and performing under federal contracts. In both cases, the contracts were primarily for tactical goods but in some instances for IT products and services. These settlements are related to an investigation of ADS, Inc. and its affiliated companies, which falsely represented they qualified as small businesses, improperly bid for and secured set-aside federal contracts for which they were not eligible, and participated in illegal bid rigging schemes that inflated or distorted prices. GSA OIG investigated this matter with Small Business Administration (SBA) OIG.

### **FORMER EMPLOYEE OF GSA CONTRACTOR SECOND CHANCE BODY ARMOR, INC. AGREED TO PAY \$50,000 TO RESOLVE FALSE CLAIMS RELATED TO DEFECTIVE BULLETPROOF VESTS**

On February 20, 2018, Thomas Bachner, Jr., a former vice president of Second Chance Body Armor, Inc. (Second Chance), agreed to pay \$50,000 to resolve allegations under the False Claims Act that Second Chance sold defective bulletproof vests to federal, state, local, and tribal law enforcement agencies. The settlement resolves allegations that from at least 1998 to 2004, Second Chance manufactured and sold bulletproof vests that contained Zylon fibers manufactured by Toyobo Co., Ltd. GSA OIG investigated this case with DOC OIG, DCIS, AFOSI, TIGTA, Army CID, DOE OIG, and DCAA.

# CRIMINAL INVESTIGATIONS

## **COMPANY OWNER INDICTED AND ARRESTED FOR SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS FRAUD**

The GSA OIG investigation found that a contractor fraudulently used the name and status of a Service-Disabled Veteran-Owned Small Business (SDVOSB) to obtain a \$45.7 million Army Corps of Engineers SDVOSB set-aside construction contract that he was not eligible to receive. On November 29, 2017, the owner of the company, who allowed the use of his company's SDVOSB status, was indicted on charges of major program fraud and wire fraud; he was arrested on December 1, 2017. GSA OIG investigated this case with the DCIS, Army CID, and SBA OIG.

## **GOVERNMENT CONTRACTORS PLEADED GUILTY TO SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS FRAUD AND CONSPIRACY**

A GSA OIG investigation found that Paul Salavitch and Jeff Wilson, owners of Patriot Company, Inc. (Patriot), falsely represented to federal agencies that Patriot was a SDVOSB, which resulted in Wilson fraudulently receiving \$13.8 million in set-aside federal construction contracts that Wilson and Salavitch were not eligible to receive. On January 30, 2018, Salavitch pleaded guilty to making a false writing, and on January 31, 2018, Wilson pleaded guilty to major program fraud. On March 6, 2018, Patriot pleaded guilty to conspiracy to commit wire fraud. GSA OIG investigated this case with the Department of Veterans Affairs (VA) OIG.

## **GOVERNMENT CONTRACTOR PLEADED GUILTY TO WIRE FRAUD AND MONEY LAUNDERING IN SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS SCHEME**

A GSA OIG investigation determined that Stanley Raass, owner of Raass Brothers, Inc. (RBI), devised a scheme to fraudulently obtain set-aside construction contracts for SDVOSBs. Raass falsely certified in GSA's System for Award Management that RWT, LLC (RWT) was a legitimate SDVOSB, knowing that RWT was controlled and operated by RBI. RWT was subsequently awarded over \$10 million in SDVOSB set-aside contracts it was not eligible to receive. On January 17, 2018, Raass was charged with wire fraud and money laundering in the District of Utah. On February 13, 2018, Raass pleaded guilty to the charges. GSA OIG investigated this case with the Federal Bureau of Investigation (FBI), DCIS, Naval Criminal Investigative Service (NCIS), Army CID, VA OIG, SBA OIG, and Internal Revenue Service Criminal Investigation (IRS CI).

### **SIX INDIVIDUALS PLEADED GUILTY TO COMMITTING FRAUD AGAINST THE U.S. GOVERNMENT FOR INVOLVEMENT IN A “MADE IN THE USA” MARKETING SCHEME**

A GSA OIG investigation determined that from December 2008 to August 2012, six executives from Wellco Enterprises, Inc. (Wellco) conspired to import military-style boots that were made in China into the United States and then deceptively market and sell those boots to federal agencies and the general public as “Made in the USA” and as compliant with the Berry Amendment and the Trade Agreements Act. In February 2018, all six Wellco executives pleaded guilty in the Eastern District of Tennessee to fraud charges stemming from their involvement in the conspiracy. Vincent Lee Ferguson, former President and Chief Executive Officer, Matthew Lee Ferguson, former Senior Vice President of Sales, and Kerry Joseph Ferguson, former Director of Marketing and Communications, pleaded guilty to conspiracy to commit wire fraud. Neil Streeter, former Vice President of Government Contracting, and Stephanie Lynn Kaemmerer, former Operations Manager, pleaded guilty to smuggling goods into the United States. Matthew Harrison Martland, former Director of Distribution and Logistics, pleaded guilty to intentional defacing, removing, altering, and obscuring of the country of origin markings. In total, Wellco sold at least \$8.1 million of fraudulent boots. GSA OIG investigated this case with AFOSI, DCIS, and Homeland Security Investigations (HSI).

### **TWO CONTRACTORS AND LOBBYIST CHARGED FOR A \$7 MILLION 8(A) FRAUD SCHEME**

A GSA OIG investigation revealed two government contractors and a lobbyist submitted false statements through GSA’s Central Contractor Registration and Online Representations and Certifications Application and were subsequently awarded \$7 million in 8(a) contracts that they were not eligible to receive. Additionally, these individuals conspired to charge lobbying and other unauthorized costs to U.S. Army contracts through falsified invoices. The contracts supported the Big Crow Program Office of the U.S. Army Space and Missile Defense Command, which operated Electronic Warfare testing aircraft. On November 28, 2017, the three individuals were indicted for conspiracy, wire fraud, major fraud against the United States, and false statements. GSA OIG investigated this case with the Army CID, DCIS, SBA OIG, and DCAA.

### **FORMER GSA EMPLOYEE PLEADED GUILTY TO POSSESSION OF CHILD PORNOGRAPHY**

A GSA OIG investigation determined that Oscar Galvez, a former GSA project manager, had a large amount of child pornography on his home computers and that he used external storage devices to view anime child pornography on his GSA computer while at his GSA workspace. On October 18, 2017, the former employee was indicted, and on October 20, 2017, he was arrested. On February 8, 2018, Galvez pleaded guilty to possession of child pornography. GSA OIG investigated this case with HSI, USMS, and the Bismarck (ND) Police Department.

### **SECURITY GUARDS CHARGED IN EXTORTION SCHEME**

A GSA OIG investigation determined that several former contract security guards were involved in an extortion scheme, which involved payments in exchange for passing firearms qualification scores. The individuals involved formerly worked for North American Security, Inc., a company that provides security guard services under a GSA contract. On October 31, 2017, Chidinma lleka and another former guard were indicted in the Circuit Court for Prince George's County, Maryland on extortion related offenses. On March 23, 2018, lleka pleaded guilty to one count of conspiracy – verbal extortion and was sentenced to 18 months' incarceration (suspended) and 18 months' probation. The other guard's trial is scheduled for April 12, 2018. GSA OIG investigated this case with the DOC OIG and Department of Health and Human Services OIG.

### **PUBLIC BUILDINGS SERVICE BUILDING MANAGER PLEADED GUILTY**

A GSA OIG investigation determined that Michelle Daniels, a GSA building manager, illegally created building ID cards for her dependent daughter in order to provide the daughter access to a federal building. Without an official purpose, Daniels instructed GSA contractors to create building access cards for her daughter in 2014 and 2015. On January 26, 2018, Daniels pleaded guilty in the Northern District of California to aiding and abetting entry by false pretense to real property of the United States.

### **FORMER GOVERNMENT EMPLOYEE PLEADED GUILTY AND WAS SENTENCED FOR MAKING FRAUDULENT PURCHASES**

A GSA OIG investigation revealed that Salvatore Zagra, former DOE employee, used his government purchase card to make personal purchases. Zagra purchased more than \$23,000 of Snap-On tools for personal use. On October 12, 2017, Zagra pleaded guilty to theft of government property and was sentenced to five years' probation and a \$2,000 fine, and ordered to pay \$24,152 in restitution. GSA OIG investigated the case with DOE OIG.

### **THIRD CONSPIRATOR CHARGED IN MAJOR FRAUD SCHEME**

A GSA OIG investigation found that Roy Friend, former civilian chief of the U.S. Army’s Aviation and Missile Command Fleet Management Office, had conspired with John Berry and another conspirator to acquire and divert \$905,035 of government purchased equipment for personal gain. On November 13, 2017, the third conspirator was indicted on mail and wire fraud charges for his involvement in the scheme. Additionally, on November 30, 2017, Berry was sentenced to six months’ imprisonment for his participation in the scheme. GSA OIG investigated this case with the FBI and DCIS.

### **GOVERNMENT CONTRACTOR PLEADED GUILTY TO MAJOR FRAUD AGAINST THE UNITED STATES**

A GSA OIG investigation determined that Milton “Cleve” Collins, former Chief Operating Officer for Don Brady Construction dba Apex 3, filed false subcontractor payment certifications in connection with a \$1.5 million GSA construction contract for the Ed Jones Federal Courthouse and Post Office in Jackson, Tennessee. Collins falsely certified to GSA that he had paid the subcontractor \$580,000 for their work on the contract, and then he diverted the GSA monies for his personal gain. On November 29, 2017, two days after his criminal trial began, Collins pleaded guilty in the Western District of Tennessee to one count of major fraud against the United States. GSA OIG investigated this case with the FBI.

### **GOVERNMENT CONTRACTORS SENTENCED FOR PRODUCT SUBSTITUTION SCHEME**

A GSA OIG investigation uncovered a scheme involving false claims and product substitution by GSA and Department of Defense (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 more than 10,000 “Post-it” writing paper pads, but then replaced these approved items with 50 electronic transceivers they were not authorized to sell.

VLI employees Jeffrey Harrington, Michael Mayer, Kimberlee Hewitt and Natalee Hewitt, as well as VLI, BLT, and IXI, pleaded guilty in the Southern District of California to charges stemming from their participation in the scheme.

On October 16, 2017, Natalee Hewitt and Kimberlee Hewitt were each sentenced to three years' probation and a \$3,000 fine. On December 14, 2017, the other defendants were sentenced. Jeffrey Harrington was sentenced to 15 months' incarceration, three years' supervised release, a \$10,000 fine, and payment of \$141,113 in restitution. Michael Mayer was sentenced to 15 months' incarceration, three years' supervised release, a \$10,000 fine, and payment of \$299,511 in restitution. VLI, IXI, and BLT were each sentenced to three years' probation and a \$1 million fine. In addition, the defendants collectively agreed to forfeit \$1.6 million in illegal proceeds. GSA OIG investigated this case with the DCIS, Defense Logistics Agency (DLA) OIG, FBI, IRS CI, and NCIS.

### **DEBARRED CONTRACTOR INDICTED AFTER CREATING COMPANIES TO CONTINUE DOING BUSINESS WITH THE GOVERNMENT**

A GSA OIG investigation revealed that a contractor created new companies to continue doing business with the U.S. Government after having been debarred and placed on GSA's Excluded Parties List System. On February 15, 2018, a criminal complaint was filed in the Eastern District of Virginia that charged the contractor with wire fraud. The contractor was arrested on February 27, 2018. GSA OIG is investigating this case with the Department of State OIG.

### **GOVERNMENT CONTRACTOR ORDERED TO PAY RESTITUTION**

A GSA OIG investigation revealed that Scott Gamache, Director of Demolition for Goel Services, fraudulently used a small business status to secure a sole source set-aside contract for a demolition project at Joint Base Andrews, Maryland. Gamache pleaded guilty to false statement violations in May 2017, and in September 2017, Gamache was sentenced to 18 months' confinement and three years' supervised release. On November 15, 2017, the U.S. District Court for the District of Maryland held a post-sentencing hearing and ordered Gamache to pay \$231,404 in restitution. GSA OIG investigated this case with AFOSI, SBA OIG, and DCIS.

### **FORMER GSA CONTRACTOR SENTENCED FOR STEALING GOVERNMENT PROPERTY**

A GSA OIG investigation found that Robert C. Olszak, a former GSA contractor, stole GSA property, including cell phones and computers, and sold it on eBay. In September 2017, Olszak pleaded guilty in Superior Court of New Jersey, and on October 13, 2017, Olszak was sentenced to one year probation and ordered to pay \$7,500 in restitution.

### **U.S. ARMY CONTRACTOR SENTENCED FOR SELLING STOLEN GOVERNMENT PROPERTY ON E-BAY**

A GSA OIG investigation determined that a former U.S. Army civilian contract employee stole government property such as printer cartridges, engine parts, Jaws of Life, and gas masks, which he sold on eBay. On August 2, 2017, the subject was charged with theft and money laundering, and was arrested on August 18, 2017. On October 23, 2017, the subject pleaded guilty to the related charges. On that same date the judge ordered a deferred judgement and sentencing for a period of four years, which included four years of unsupervised probation, 100 hours of community service, \$2,695 in restitution, and \$361 in court costs. GSA OIG investigated this case with the Army CID.

## **ADMINISTRATIVE MISCONDUCT**

### **MISCONDUCT BY A SENIOR GOVERNMENT EMPLOYEE**

An investigation conducted by our office substantiated allegations of misconduct by a Schedule C member of the Senior Executive Service. An anonymous complaint alleged that the official had consumed alcohol and engaged in sexual activity in the GSA headquarters building. The official acknowledged such actions to our investigators. On March 8, 2018, we presented a report of the investigation to the Administrator. The official resigned on March 12, 2018.

### **GSA PROJECT MANAGER TERMINATED FOR MISCONDUCT**

A GSA OIG investigation determined that a GSA project manager who was required to provide Independent Government Estimates (IGE) for GSA contracts knowingly ignored the requirement and failed to create proper IGEs on multiple occasions. The project manager instead made it a practice to inappropriately negotiate pricing with contractors and use the contractors' price proposals for the IGEs. This practice ultimately allowed contractors to set their own pricing for the contracts they were awarded, which resulted in overcharges to the government. On March 23, 2018, the project manager was terminated for his misconduct related to this matter.

# FLEET CARD FRAUD

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

- Roger Marcelo Garcia-Rodriguez used GSA Fleet credit card information to re-encode counterfeit credit cards, which were used to purchase large amounts of diesel fuel. The fuel was then sold at illegal fuel farms. Garcia-Rodriguez pleaded guilty to fraudulent use of identifying information and was sentenced to 257 days imprisonment.
- A U.S. Navy civilian employee used a GSA Fleet card to purchase fuel for his personal use. On October 16, 2017, he paid \$2,004 in restitution in lieu of criminal prosecution and was terminated from his employment with the U.S. Navy on December 13, 2017.
- Dewayne Jeter, a U.S. Navy sailor stationed at Joint Base Anacostia-Bolling, used GSA Fleet credit cards to fuel his personal vehicle. Jeter pleaded guilty to credit card fraud charges in the Superior Court for the District of Columbia and was sentenced to nine months' probation and ordered to pay \$1,757 in restitution.
- A U.S. Army Sergeant assigned to Fort Sam Houston used a GSA Fleet credit card to purchase gasoline for his personal vehicle. The Sergeant was found guilty of larceny and wrongful appropriation under the Uniform Code of Military Justice (UCMJ) proceedings and was subsequently reduced in rank and sentenced to 30 days' extra duty and 30 days' restriction.
- Benjamin Crandell, a Defense Logistics Agency employee, used a GSA Fleet credit card to purchase fuel for his personal vehicle. On January 19, 2018, Crandell pleaded guilty to theft of government money in the District of Utah.
- Chad Golonka stole a GSA Fleet credit card and used the card to purchase fuel and general merchandise. On January 22, 2018, Golonka pleaded guilty in King County (WA) District Court to attempted identity theft and was sentenced to five days of confinement, 24 months of probation, and payment of \$390 in restitution.
- Daniel Nodine, a Department of Agriculture employee, used GSA Fleet credit cards to purchase fuel and general merchandise items for his personal use. On March 7, 2018, Nodine pleaded guilty to a theft charge in the District of Oregon.
- Brandon Haughton, a former U.S. Army soldier, used a GSA Fleet credit card to purchase fuel for his personal use. On March 28, 2018, Haughton pleaded guilty to a theft charge in the District of Western Washington and was sentenced to two years' probation and ordered to pay \$1,712 in restitution and a \$150 fine.
- DeMarkeo M. Hurdle, a former contract employee for the U.S. Navy, used a GSA Fleet credit card to purchase gasoline for his personal vehicle. Hurdle pleaded guilty to a theft charge in the Eastern District of Virginia and was sentenced to six months' probation and ordered to pay \$882 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 30 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 \$196,000. The FAP will be conserving the pieces before placing them on loan to institutions across the country for display. Since cooperative efforts between the OIG and FAP began in 2001, a total of 724 WPA pieces have been recovered, with a comparative value of \$8,302,550.\*

- GSA OIG special agents facilitated a loan agreement between the GSA Fine Arts Program and the Mattatuck Museum in Connecticut for 27 New Deal era paintings. These paintings were initially discovered by agents in the Southbury Training School in Connecticut, while investigating the sale at auction of another New Deal era painting.
- GSA OIG special agents recovered the WPA painting “Dingleton Mountain,” by David Hill, after learning the piece was being auctioned on a website.
- GSA OIG special agents recovered the WPA oil painting “Southern Landscape,” by Aaron Bohrod, after it was discovered for sale online.

\* 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 54 referrals for consideration of suspension or debarment to the GSA Office of Acquisition Policy. GSA issued 120 actions based on current and previous OIG referrals.

## INTEGRITY AWARENESS

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse. This period, we presented 27 briefings attended by 628 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 751 hotline contacts. Of these, 59 were referred to GSA program officials for review and appropriate action, 18 were referred to other federal agencies, 17 were referred to the OIG Office of Audits, 4 were referred to the OIG Office of Inspections, and 59 were referred to investigative field offices for investigation or further review.

# STATISTICAL SUMMARY OF OIG INVESTIGATIONS

October 1, 2017 – March 31, 2018

OFFICE OF INVESTIGATIONS	
Referrals for criminal prosecution, civil litigation, administrative action, suspension & debarment	235
Indictments and informations on criminal referrals*	32
Subjects accepted for criminal prosecution	83
Subjects accepted for civil action	6
Convictions	35
Civil settlements	8
Contractors/individuals suspended and debarred	120
Employee actions taken on administrative referrals involving government employees	14
Investigative Reports**	11
Number of subpoenas	34
Civil settlements and court-ordered and investigative recoveries	\$97,074,824

\* 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 54 investigative cases and closed 83 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, 83 subjects were accepted for criminal prosecution and 6 subjects were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 32 indictments or informations and 35 convictions. OIG civil referrals resulted in 8 subject settlements. Based on OIG administrative referrals, GSA management debarred 61 contractors or individuals, suspended 59 contractors or individuals, and took 14 personnel actions against government employees.

**Table 4. Summary of OIG Referrals**

TYPE OF REFERRAL	CASES	SUBJECTS
Civil	11	18
Criminal (DOJ)*	48	79
Criminal (State/Local)**	13	18
Administrative Referrals for Action/Response		66
Suspension	6	15
Debarment	23	39
<b>TOTAL</b>	<b>101</b>	<b>235</b>

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

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

## Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, recoveries, forfeitures, judgments, and restitutions payable to the U.S. government as a result of criminal and civil actions arising from OIG referrals. Table 6 presents the amount of administrative recoveries and forfeitures as a result of investigative activities. Criminal, civil, and other monetary recoveries arising from our work totaled more than \$97 million.

**Table 5. Criminal and Civil Results**

	CRIMINAL	CIVIL
Fines and Penalties	\$1,528,603	
Settlements		\$69,670,000
Recoveries/Forfeitures	\$8,109,087	\$0
Restitutions	\$2,032,562	
<b>TOTAL</b>	<b>\$11,670,252</b>	<b>\$69,670,000</b>

**Table 6. Non-Judicial Recoveries\***

Administrative Recoveries	\$15,734,572*
Forfeitures/Restitution	\$0
<b>TOTAL</b>	<b>\$15,734,572*</b>

\* This total includes the FAR disclosures reported on page 16.

# 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 the chair of the Budget Committee and is a member of the Executive Council and Investigations and Legislation Committees. Through CIGIE, we also participate in the following:
  - **Federal Audit Executive Council Information Technology Committee.**  
The Office of Audits participates in the Federal Audit Executive Council (FAEC) 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 GSA’s implementation of the DATA Act.
  - **Enterprise Risk Management Working Group.** The Office of Audits also participates in CIGIE’s Enterprise Risk Management (ERM) working group. The working group’s charge is to contribute to the promotion and implementation of ERM principles in accordance with Office of Management and Budget Circular A-123 within OIGs and their respective agencies. The Office of Audits participates in the working group as a part of a collaborative effort with other OIGs to oversee the sharing of processes and best practices used to analyze, prioritize, and address risks identified and relevant to implementing ERM in the federal government.
  - **Disaster Assistance Working Group.** In response to the damage caused by Hurricanes Harvey, Irma and Maria, CIGIE reactivated the Disaster Assistance Working Group to coordinate the IG community’s oversight of the federal response and recovery efforts as well as the resources appropriated by Congress for disaster recovery programs. The Office of Audits participates in the Disaster Assistance Working Group to identify any overlapping issues and coordinate any related work.
  - **Data Analytics Working Group.** The Office of Investigations participates in the CIGIE Data Analytics Working Group. The working group’s projects include developing training forums in data analytics, updating a repository of databases and other sources of information used by the 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

AFOSI	U.S. Air Force Office of Special Investigations
AIG	Assistant Inspector General
Army CID	U.S. Army Criminal Investigation Command
CIGIE	Council of the Inspector Generals on Integrity and Efficiency
Commerce	U.S. Department of Commerce
CSP	Commercial Sales Practices
D.C.	District of Columbia
DATA Act	Digital Accountability and Transparency Act of 2014
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DLA	Defense Logistics Agency
DoD	U.S. Department of Defense
DOE	U.S. Department of Energy
DOJ	U.S. Department of Justice
EIS	Enterprise Infrastructure Solutions
ERM	Enterprise Risk Management
FAEC	Federal Audit Executive Council
FAP	Fine Arts Program
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FBI	Federal Bureau of Investigation
FISMA	The Federal Information Security Modernization Act of 2014
FPS	Federal Protective Service
FY	Fiscal Year
GAO	Government Accountability Office
GSA	General Services Administration
HHS	U.S. Department of Health and Human Services
HSI	Homeland Security Investigations
IFF	Industrial Funding Fee
IG	Inspector General
IGE	Independent Government Estimate
IPA	Independent Public Accounting firm
IRS CI	Internal Revenue Service Criminal Investigation
IT	Information Technology
MPFU	U.S. Army Major Procurement Fraud Unit
NASA	National Aeronautics and Space Administration
NCIS	Naval Criminal Investigative Service
NCR	National Capital Region
O&M	Operations and Maintenance services
OCIA	GSA's Office of Congressional and Intergovernmental Affairs
OHRM	Office of Human Resources Management
OIG	Office of Inspector General
OMA	GSA's Office of Mission Assurance
OMB	Office of Management and Budget
PBS	Public Buildings Service
PL	Public Law
RBI	Raass Brothers, Inc.
SBA	Small Business Administration
Schedule	Multiple Awards Schedule
SDVOSB	Service-Disabled Veteran-Owned Small Business
TIGTA	U.S. Treasury Inspector General for Tax Administration
TOA	Transition Ordering Assistance
Treasury	U.S. Department of the Treasury
TTS	Technology Transformation Service
U.S.C.	United States Code
UCMJ	Uniform Code of Military Justice
USMS	United States Marshals Service
VA	U.S. Department of Veterans Affairs
WPA	Works Progress Administration
WPEA	Whistleblower Protection Enhancement Act of 2012

# APPENDIX II

## SIGNIFICANT RECOMMENDATIONS FROM PRIOR REPORTS

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

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

### **GSA LACKS CONTROLS TO EFFECTIVELY ADMINISTER THE COMPUTERS FOR LEARNING WEBSITE**

**Period First Reported: April 1, 2017, to September 30, 2017**

Our objective was to determine whether GSA has adequate controls in place to prevent ineligible organizations from accessing its Computers for Learning website and receiving IT equipment intended for eligible schools and educational nonprofit organizations. We made two recommendations; one has not been implemented.

The remaining recommendation involves designing and implementing controls that prevent ineligible organizations from being granted access to GSA's Computers for Learning website and receiving donated IT equipment intended for eligible schools and educational nonprofit organizations. Implementation of this recommendation is scheduled for completion by August 1, 2018.

### **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 was 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. Implementation of this recommendation is scheduled for completion by June 25, 2018.

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

### **PBS IS NOT ENFORCING CONTRACT SECURITY CLEARANCE REQUIREMENTS ON A PROJECT AT THE KEATING FEDERAL BUILDING**

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

Our objective was to determine whether PBS complied with policies and requirements for contractor security clearances on the Keating 1st Floor District Courtroom and Chambers Project at the Kenneth B. Keating Federal Building located in Rochester, New York. We made three recommendations, which were closed.

We completed an implementation review to determine whether GSA fully completed the corrective action steps to resolve the original audit report recommendations. We found that PBS did not fully implement corrective actions for two report recommendations. As a result, GSA reopened the recommendations and submitted a revised corrective action plan to remedy these deficiencies.

GSA fully implemented corrective actions for one of these two reopened recommendations. The remaining reopened recommendation involves determining and implementing the appropriate corrective actions needed for not enforcing the contract's security clearance requirements. Implementation of this recommendation is scheduled for completion by April 30, 2018.

### **GSA'S PROGRAM FOR MANAGING VIRTUAL EMPLOYEES AND TELEWORKERS NEEDS IMPROVEMENT**

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

Our objective was to determine whether GSA has sufficient controls over its program for virtual employees and teleworkers to ensure compliance with laws, regulations, policies, and procedures. We made six recommendations, which were closed.

We completed an implementation review to determine whether GSA fully completed the corrective action steps to resolve the original audit report recommendations. We found that the Office of Human Resources Management did not fully implement corrective actions for four report recommendations. As a result, GSA reopened the recommendations and submitted a revised corrective action plan to remedy these deficiencies.

GSA fully implemented corrective actions for two of these four reopened recommendations. The remaining reopened recommendations involve verifying official duty stations for all virtual employees and correcting any errors, including collection of amounts owed or payment of amounts due; and ensuring that GSA employees complete required telework training in accordance with GSA policy prior to beginning or continuing to telework. Implementation of these recommendations is scheduled for completion by August 31, 2018.

# APPENDIX III

## AUDIT AND INSPECTION REPORT REGISTER

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
(Note: Because some audits pertain to contract awards or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)				
<b>PBS CONTRACT AUDITS</b>				
10/17/2017	A170066	Examination of a Claim: Piedmont-Independence Square, LLC, Contract Number GS-11B-02279		
12/20/2017	A170102	Examination of an Accounting System: D.E.W. Construction Corp., Contract Number GS-01-P-16-BW-C-7011		
12/21/2017	A170108	Examination of a Claim: RK Mechanical Inc., Subcontractor to Matsuo Engineering Centerre Construction, A Joint Venture, Contract Number GS-08P-10-JB-C-0007		
02/15/2018	A170109	Examination of a Claim: Credit Union of Vermont, Contract Number LVT04607		
02/20/2018	A180024	Examination of a Termination Settlement Proposal: D&D Construction, Inc., Contract Number GS09P15NPC7015		
02/22/2018	A160105	Examination of a Claim: NCES-Nuprecon JV, Subcontractor to M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010		
03/08/2018	A160052	Examination of a Claim: Concentric Security, LLC, Contract Number GS-07F-0100M		
<b>FAS INTERNAL AUDITS</b>				
03/26/2018	A140006	Audit of the GSA Federal Acquisition Service's Use of Outside Consultants		
<b>FAS CONTRACT AUDITS</b>				
10/17/2017	A150115	Preaward Examination of Multiple Award Schedule Contract Extension: Schafer Government Services, LLC, Contract Number GS-23F-0176L		\$2,142,395
10/18/2017	A160035	Preaward Examination of Multiple Award Schedule Contract Extension: Waters Technologies Corporation, Contract Number GS-07F-0559X		\$3,047
11/16/2017	A160041	Preaward Examination of Multiple Award Schedule Contract Extension: XTec, Incorporated, Contract Number GS-35F-0615S		
11/16/2017	A160136	Preaward Examination of Multiple Award Schedule Contract Extension: Insight Public Sector, Inc., Contract Number GS-35F-0009U		\$4,743,334
12/14/2017	A170058	Preaward Examination of Multiple Award Schedule Contract Extension: August Schell Enterprises, Inc., Contract Number GS-35F-0794M		\$2,466
12/21/2017	A170062	Preaward Examination of Multiple Award Schedule Contract Extension: Accenture Federal Services, LLC, Contract Number GS-35F-0371N		
12/21/2017	A160100	Preaward Examination of Multiple Award Schedule Contract Extension: Culpepper & Associates Security Services, Inc., Contract Number GS-07F-0168T		\$23,874
12/28/2017	A170073	Preaward Examination of Multiple Award Schedule Contract Extension: Knowledge Consulting Group, Inc., Contract Number GS-35F-0448N		\$699
01/04/2018	A170093	Preaward Examination of Multiple Award Schedule Contract Extension: IMPAQ International, LLC., Contract Number GS-10F-0240U		\$6,930
02/16/2018	A160114	Preaward Examination of Multiple Award Schedule Contract Extension: Northrop Grumman Systems Corporation, Contract Number GS-35F-0165Y		
02/28/2018	A170061	Limited Scope Postaward Examination of Multiple Award Schedule Contract: ViON Corporation, Contract Number GS-35F-0739M		\$578,735

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
03/21/2018	A170059	Preaward Examination of Multiple Award Schedule Contract Extension: Technical Communities, Inc. dba Testmart, Contract Number GS-24F-0066M		\$224,992
03/23/2018	A170099	Preaward Examination of Multiple Award Schedule Contract Extension: DHA Group, Inc., Contract Number GS-00F-0003W		\$1,402,985
03/29/2018	A170087	Preaward Examination of Multiple Award Schedule Contract Extension: International Business Machines Corporation, Contract Number GS-02F-0036U		
<b>OTHER INTERNAL AUDITS</b>				
10/18/2017	A170090	Implementation Review of Action Plan: GSA's Program for Managing Virtual Employees and Teleworkers Needs Improvement, Report Number A130019/C/6/F15001, January 16, 2015		
11/08/2017	A150150	Audit of the Completeness, Timeliness, Quality, and Accuracy of GSA's 2017 DATA Act Submission		
12/04/2017	A160101	GSA Should Monitor and Track Facility Security Assessments		
01/19/2018	A170024	Limited Scope Audit of the Technical Security Controls for an Information System		
<b>INSPECTION REPORTS</b>				
10/19/2017	JE18-001	Old Post Office Building Ground Lease: GSA Should Terminate Notification Obligation to Former Contractor		
03/08/2018	JE18-002	Evaluation of GSA Nondisclosure Policy		

# APPENDIX IV

## OIG REPORTS OVER 12 MONTHS OLD, FINAL AGENCY ACTION PENDING

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

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

DATE OF REPORT	REPORT NUMBER	TITLE
<b>CONTRACT AUDITS</b>		
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
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: HCBeck, 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, LLC, Solicitation Number 7FCB-C4-070066-B
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
07/29/2014	A130116	Preaward Examination of MAS Contract Extension: Management Concepts, Inc., Contract Number GS-02F-0010J
11/10/2014	A140110	Examination of Claims: Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
01/30/2015	A140116	Examination of a Claim: City Lights Electrical Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
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

DATE OF REPORT	REPORT NUMBER	TITLE
03/31/2015	A140039	Preaward Examination of Multiple Award Schedule Contract Extension: High Performance Technologies Innovations, LLC, Contract Number GS-35F-0333P
06/10/2015	A140074	Preaward Examination of Multiple Award Schedule Contract Extension: TASC, Inc., Contract Number GS-23F-0008K
09/23/2015	A140079	Preaward Examination of Multiple Award Schedule Contract Extension: CACI, Inc. - FEDERAL, Contract Number GS-10F-0226K
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, 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 Contract Extension: SRC, Inc., Contract Number GS-00F-0019L
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
01/29/2016	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 Contract Extension: Innovative Management & Technology Approaches, Inc., Contract Number GS-35F-0096L
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)
05/12/2016	A160026	Preaward Examination of Multiple Award Schedule Contract Extension: Skyline Unlimited, Inc., Contract Number GS-00F-0001U
05/23/2016	A150073	Preaward Examination of Multiple Award Schedule Contract Extension: Simmonds Precision Products, Inc., Contract Number GS-07F-6062R
06/24/2016	A150085	Preaward Examination of Multiple Award Schedule Contract Extension: Mathematica Policy Research, Inc., Contract Number GS-10F-0050L

DATE OF REPORT	REPORT NUMBER	TITLE
07/21/2016	A150087	Preaward Examination of Multiple Award Schedule Contract Extension: LC Industries, Contract Number GS-02F-0026S
07/27/2016	A150080	Preaward Examination of Multiple Award Contract Extension: Connecticut Container Corporation, Contract Number GS-15F-0003L
08/04/2016	A150107	Preaward Examination of Multiple Award Schedule Contract Extension: Radiance Technologies, Inc., Contract Number GS-23F-0147L
08/05/2016	A160046	Preaward Examination of Multiple Award Schedule Contract Extension: Franconia Real Estate Services, Inc., Contract Number GS-23F-0202L
08/08/2016	A160039	Preaward Examination of Multiple Award Schedule Contract Extension: Carahsoft Technology Corporation, Contract Number GS-35F-0119Y
08/19/2016	A150050	Preaward Examination of Multiple Award Schedule Contract Extension: Trane U.S., Inc., Contract Number GS-07F-0248K
08/29/2016	A160017	Preaward Examination of Multiple Award Schedule Contract Extension: PotomacWave Consulting, Inc., Contract Number 00F-0007X
09/08/2016	A160061	Preaward Examination of Multiple Award Schedule Contract Extension: SkillsSoft Corporation, Contract Number GS-02F-0040L
09/08/2016	A160027	Preaward Examination of Multiple Award Schedule Contract Extension: Agilent Technologies, Inc., Contract Number GS-07F-0564X
09/14/2016	A160049	Postaward Examination of Multiple Award Schedule Contract: Parsons Government Services, Inc., Contract Number GS-00F-0005R
09/15/2016	A160068	Preaward Examination of Multiple Award Schedule Contract Extension: Knight Point Systems, LLC, Contract Number GS-35F-0646S
09/19/2016	A160093	Postaward Examination of Multiple Award Contract: United Liquid Gas Company, Contract Number GS-07F-0523M
09/28/2016	A160021	Limited Scope Postaward Examination of Multiple Award Schedule Contract: ForeSee Results, Inc., Contract Number GS-10F-0044W
09/29/2016	A140053	Preaward Examination of Multiple Award Contract: EMCOR Government Services, Inc., Contract Number GS-06F-0035R
10/07/2016	A160033	Preaward Examination of Multiple Award Schedule Contract Extension: Bentley Systems, Inc., Contract Number GS-35F-0453L
10/13/2016	A150083	Limited Scope Postaward Examination of Multiple Award Schedule Contract: LCG Systems, LLC, Contract Number GS-35F-0047L
10/17/2016	A150094	Preaward Examination of Multiple Award Schedule Contract Extension: KeyPoint Government Solutions, Inc., Contract Number GS-02F-0054S
10/27/2016	A140133	Postaward Examination of a Multiple Award Schedule Contract: ARES Corporation, Contract Number GS-23F-0113L
11/22/2016	A160080	Preaward Examination of Multiple Award Schedule Contract Extension: Client Solutions Architects, LLC, Contract Number GS-10F-0051T
11/29/2016	A150059	Examination of a Claim: PDS MICCO JV2, LLC, Subcontractor to DCK North America, LLC, Contract Number GS-05P-09-GBC-0035
11/30/2016	A160078	Preaward Examination of Multiple Award Schedule Contract Extension: International Resources Group, Contract Number GS-10F-0076M

DATE OF REPORT	REPORT NUMBER	TITLE
12/21/2016	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
12/27/2016	A150111	Preaward Examination of Multiple Award Schedule Contract Extension: EAN Holdings, LLC, Contract Number GS-33F-0015S
12/29/2016	A120149	Postaward Examination of Multiple Award Schedule Contract: Lockheed Martin Integrated Systems, Incorporated, Contract Number GS-10F-0150N
01/04/2017	A160075	Preaward Examination of Multiple Award Schedule Contract Extension: Ecolab, Inc., Contract Number GS-07F-0057M
01/20/2017	A140112	Preaward Examination of Multiple Award Schedule Contract Extension: Leidos, Inc., Contract Number GS-10F-0076J
01/24/2017	A160095	Preaward Examination of Multiple Award Schedule Contract Extension: Ogilvy Public Relations Worldwide, Contract Number GS-23F-0060M
01/25/2017	A150102	Preaward Examination of Multiple Award Schedule Contract Extension: Riverside Research Institute, Contract Number GS-23F-0134L
01/26/2017	A160074	Examination of Requests for Equitable Adjustment: ARRIBA Corporation, Contract Number GS-11P-12-YT-C-0201
01/30/2017	A160059	Preaward Examination of Multiple Award Schedule Contract Extension: National Opinion Research Center, Contract Number GS-10F-0033M.
02/22/2017	A160104	Examination of a Claim: M. A. Mortenson Company, Contract Number GS-08P-09-JFC-0010
03/03/2017	A160111	Preaward Examination of Multiple Award Schedule Contract Extension: Ambit Group, LLC, Contract Number GS-35F-0242T
03/17/2017	A160135	Preaward Examination of Multiple Award Schedule Contract Extension: SecTek Incorporated, Contract Number GS-07F-0279M
03/30/2017	A150001	Preaward Examination of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS-06F-0032K

DATE OF REPORT	REPORT NUMBER	TITLE	PROJECTED FINAL ACTION DATE
<b>INTERNAL AUDITS</b>			
01/16/2015	A130019	GSA's Program for Managing Virtual Employees and Teleworkers Needs Improvement	08/31/2018*
06/26/2015	A140008	FAS Needs to Strengthen its Training and Warranting Programs for Contracting Officers	06/25/2018
03/17/2016	A150120	PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building	4/30/2018*
01/20/2017	A130003	Procurement and Internal Control Issues Exist within PBS's Brooklyn/Queens/Long Island Service Center	04/28/2018

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

# APPENDIX V

## OIG REPORTS WITHOUT MANAGEMENT DECISION

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

### **REPORTS THAT WERE 6 MONTHS OLD AS OF MARCH 31, 2018, AND REMAIN UNRESOLVED:**

#### **INTERNAL AUDIT OF AN ENERGY SAVINGS PERFORMANCE CONTRACT**

We performed this audit to determine whether PBS National Capital Region (NCR) awarded the White Oak Energy Savings Performance Contract and subsequent modifications in compliance with applicable regulations and guidance. We found that PBS NCR did not comply with applicable laws, regulations, and guidance when awarding and administering the Energy Savings Performance Contract task order. Specifically, PBS NCR violated the Competition in Contracting Act of 1984 and the competition requirements set forth in the FAR by making a cardinal change to the contract that substantially increased the contract's scope of work for operations and maintenance. This action eliminated price competition and denied opportunities for other contractors. In addition, PBS NCR did not award and administer the task order in compliance with contract requirements, acquisition regulations, and internal policy.

Our report included six recommendations to GSA management, including expediting the procurement of a new operations and maintenance contract. GSA management agreed with most of our recommendations but denied the need to procure a new contract. We are continuing to work with GSA management to achieve audit resolution; however, we are concerned that GSA's failure to take responsibility for its noncompliance with federal laws and regulations will foster continued noncompliance.

#### **PREAWARD EXAMINATION OF A TECHNOLOGY CONTRACTOR**

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

The contracting officer established a negotiating position based on our audit findings. However, after five days of substantive negotiations, the contractor accepted the Transactional Data Reporting (TDR) modification and the contracting officer ended all negotiation discussions and accepted the contractor's proposed pricing without any improvements previously targeted. As a result, the contracting officer forfeited at least \$55 million in government savings, effectively ignoring the purpose of the Multiple Awards Schedule program, which is to leverage the buying power of the federal government.

We reported these circumstances to the Commissioner, Federal Acquisition Service. We suggested GSA reopen negotiations and seek the pricing improvements it had effectively negotiated prior to the award, as well as establish clear policy and guidance that if an audit is completed before a contractor accepts the TDR modification, the commercial pricing information will be used to establish pricing. We received a response from the Commissioner; however, the response did not address the specific situation or our suggestions.

We are working with GSA officials to resolve the examination.

### **PREAWARD EXAMINATION OF A HEALTH CARE CONTRACTOR**

In a preaward audit of a health care contract, we concluded that the contracting officer cannot rely on the contractor's CSP information because the contractor does not have commercial sales or comparable non-GSA sales. Our finding recommended that the contracting officer obtain cost buildup information for the audit team to analyze for the contracting officer's use in negotiating contract pricing for the option period. Even though contractor representatives were prepared to provide cost buildup information, the contracting officer disagreed with our finding and decided to conduct initial market research using GSA's CALC tool, which pulls GSA Advantage pricing for competitors who offer the same or similar services.

We disagree with the contracting officer's decision to establish option pricing using the results of the CALC tool, particularly since the contractor is willing to provide cost information to support its pricing. The audit analysis of the cost buildup information would provide the contracting officer a valid basis for determining price reasonableness based on the same information that the contractor used to price the offered items.

We are working with GSA officials to resolve the examination.

### **REPORTS THAT WERE 6 MONTHS OLD AS OF MARCH 31, 2018, BUT HAVE SINCE BEEN RESOLVED:**

#### **EXAMINATION OF A CLAIM FOR A CONSTRUCTION CONTRACTOR**

Resolved on April 10, 2018.

# 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 2016, the GSA OIG Office of Investigations underwent a peer review by National Aeronautics and Space Administration (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 Department of Agriculture OIG is scheduled to perform a peer review of the Office of Audits starting in April 2018.

The Office of Inspections was formed in 2014 to conduct inspections and evaluations in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Inspection and Evaluation*, and has not yet been peer reviewed.

# APPENDIX VII

## GOVERNMENT CONTRACTOR SIGNIFICANT AUDIT FINDINGS

The National Defense Authorization Act for FY 2008, Public Law 110-181, section 845, requires each IG appointed under the Inspector General Act of 1978, as amended, to submit an annex on final, completed contract audit reports issued to the contracting activity as part of its Semiannual Report to the Congress. The annex addresses significant audit findings — unsupported, questioned, or disallowed costs in excess of \$10 million — or other significant contracting issues. During this reporting period, there were no reports that met these requirements.

# 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 15 unimplemented recommendations that were issued prior to the commencement of this semiannual reporting period. These unimplemented recommendations do not include any financial recommendations.

The table below identifies the audits that contain unimplemented recommendations, as well as the potential cost savings of those recommendations and the fiscal year in which each audit was issued.

FISCAL YEAR	TITLE	NUMBER OF UNIMPLEMENTED RECOMMENDATIONS	POTENTIAL COST SAVINGS
2015	GSA's Program for Managing Virtual Employees and Teleworkers Needs Improvement	2	\$0
2015	Needs to Strengthen its Training and Warranting Programs for Contracting Officer	1	\$0
2016	PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building	1	\$0
2017	Procurement and Internal Control Issues Exist within PBS' Brooklyn/Queens/Long Island Service Center	1	\$0
2017	Audit of Security Controls at a Federal Building	1	\$0
2017	GSA Lacks Controls to Effectively Administer the Computers for Learning Website	1	\$0
2017	Limited Scope Audit of the Security Controls for an Information System	2	\$0
2017	PBS National Capital Region's \$1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy	6	\$0
<b>Totals:</b>	<b>8</b>	<b>15</b>	<b>\$0</b>

# 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	42
5(a)(1)	Significant Problems, Abuses, and Deficiencies	5
5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	8-23
5(a)(3)	Prior Recommendations Not Yet Implemented	47
5(a)(4)	Matters Referred to Prosecutive Authorities	38-39
5(a)(5) and 6(b)(2)	Summary of Instances Where Information Was Refused	none
5(a)(6)	List of OIG Reports	49-50
5(a)(7)	Summary of Each Particularly Significant Report	8-23
5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	20
5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	19
5(a)(10) (A)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period Which No Management Decision Has Been Made	55-56
5(a)(10) (B)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period Which No Agency Comment was Returned within 60 Days	none
5(a)(10) (C)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period for Which there are Unimplemented Recommendations	59
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	57
5(a)(17)	Statistical Tables of Investigation Metrics	38-40
5(a)(18)	Description of Investigation Metrics	38-39
5(a)(19)	Investigations of Senior Employees where Misconduct was Substantiated	34
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	49-50
5(a)(22)(B)	Description of each Investigation of a Senior Employee Not Disclosed to the Public	34
OTHERS		
PL 103-355, Sec 6009	Management Decisions and Implementation of Audit Recommendations	51
PL 110-181, Sec. 845	Government Contractor Significant Findings	58



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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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