



SEMIANNUAL REPORT TO THE CONGRESS



OFFICE OF INSPECTOR GENERAL

U.S. GENERAL SERVICES ADMINISTRATION

April 1, 2016 – September 30, 2016

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FOREWORD



I am pleased to submit this Semiannual Report to Congress for the period of April 1, 2016, through September 30, 2016.

During this reporting period, GSA published its final rule instituting Transactional Data Reporting (GSAR Case 2013-G504) as part of its effort to move toward category management of federal government purchases. Under the rule, GSA contract holders will be required to report to GSA prices paid by government customers for products and services delivered during the performance of their respective contracts. In exchange for transactional data, GSA will forfeit its two contractual price protections, the requirement for a contractor to disclose its commercial sales practices and the mandatory price protections afforded by the Price Reductions Clause. We will continue to monitor the impact of this rule on the taxpayer as GSA moves forward to implement it on a pilot basis.

During this reporting period, our auditors performed pre-award audits of 37 contracts with an estimated value of almost \$9.5 billion and recommended that more than \$324 million of funds be put to better use. Significant findings included that contractors had supplied commercial sales practices information that was not current, accurate, and complete; had proposed overstated labor rates and used unqualified labor; and that Price Reductions Clause compliance monitoring was ineffective. The office also reported findings of widely varying prices for identical IT products on GSA's Schedule 70 and a breakdown in GSA's personally identifiable information breach response process.

In addition, our investigative work yielded several large recoveries, including a civil settlement in which Deloitte Consulting, LLP agreed to pay more than \$11 million to resolve allegations of false claims resulting in government customers paying more for Deloitte's services than commercial customers. Several Service-Disabled Veteran-Owned Small Business fraud cases ensured that individuals were held accountable for taking advantage of set-aside contracting programs intended to support veterans. In addition, our special agents successfully investigated numerous other cases involving false claims, bribery schemes, and GSA gas credit card misuse.

Looking back over the entire Fiscal Year 2016, the the office's work yielded more than \$565 million in recommended financial savings and investigative recoveries.

I appreciate the continued hard work of OIG employees who help improve the operations of GSA. They perform their duties with skill and dedication and deserve thanks for their exemplary service.

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

Carol F. Ochoa, Inspector General
October 31, 2016



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 missions mandated by Congress.

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

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

OFFICE LOCATIONS

Headquarters:

Washington, D.C.

Field and Regional Offices:

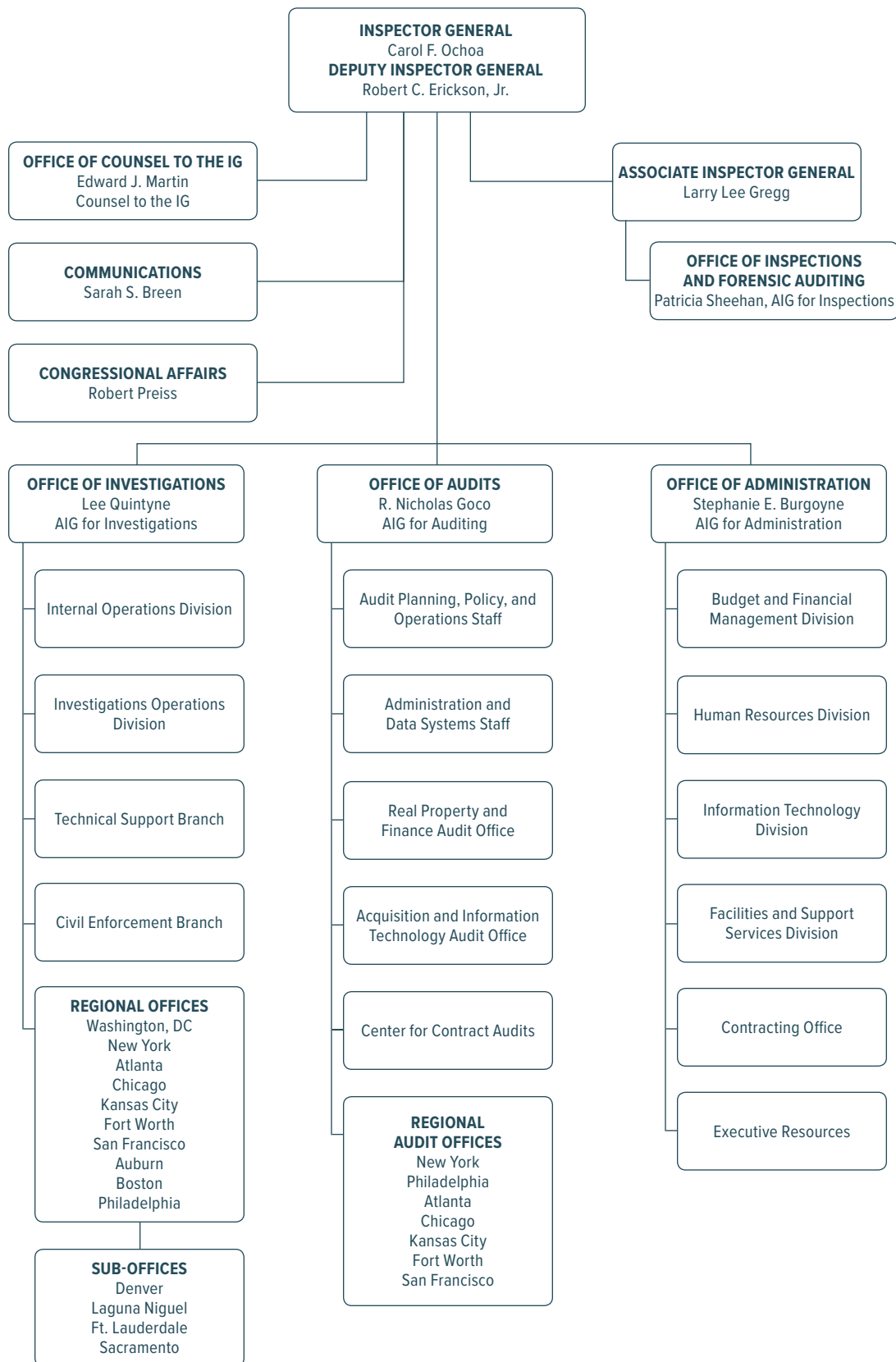
Atlanta, Georgia; Auburn, Washington; Boston, Massachusetts; Chicago, Illinois; Denver, Colorado; Fort Lauderdale, Florida; Fort Worth, Texas; Kansas City, Missouri; Laguna Niguel, California; New York, New York; Philadelphia, Pennsylvania; Sacramento, California; San Francisco, California.

STAFFING AND BUDGET

As of September 30, 2016, our on-board staffing level was 302 employees.

The OIG's Fiscal Year 2016 budget was \$65 million including \$2 million in no-year money and \$600 thousand in reimbursable authority.

OIG ORGANIZATION CHART



FISCAL YEAR 2016 RESULTS

During Fiscal Year 2016, OIG activities resulted in:

- Over \$506* million in recommendations that funds be put to better use and questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- \$72 million in criminal, civil, administrative, and other investigative recoveries.
- 101 reports that assisted management in improving the efficiency and effectiveness of Agency operations.
- 153 new investigations opened and 255 cases closed.
- 109 subjects accepted for criminal prosecution and 14 subjects accepted for civil litigation.
- 55 criminal indictments/informations and 45 successful prosecutions on criminal matters previously referred.
- 7 civil settlements.
- 15 employee actions taken on administrative referrals involving government employees.
- 84 contractor/individual suspensions and 69 contractor/individual debarments.
- 2,497 Hotline contacts received. Of these, 175 were referred to GSA program officials for review and appropriate action, 43 were referred to other federal agencies, 7 were referred to the OIG Office of Audits, 18 were referred to the OIG Office of Inspections and Forensic Auditing, and 118 were referred internally for investigation or further review.

* This figure includes civil settlements totaling \$12.6 million, also captured in the investigative recoveries figure below.



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

SIGNIFICANT AUDITS

SIGNIFICANT AUDITS

The Office of Audits conducts independent and objective audits to improve the effectiveness and efficiency of GSA's management and operations. These audits focus on GSA's programs, internal controls, IT infrastructure, and compliance with federal laws and regulations. Audits are also performed to assist GSA contracting personnel in obtaining the best value for federal customers. Using the knowledge developed by these audits, each year the OIG identifies GSA's most significant management challenges, as summarized in the table below. On the following pages, the summaries for significant audits have been aligned with the related management challenges for fiscal year 2016.

GSA'S MANAGEMENT CHALLENGES

| CHALLENGE | BRIEF DESCRIPTION OF CHALLENGE |
|--|---|
| Acquisition Programs | GSA awards and administers government-wide contracts worth hundreds of billions of dollars. While GSA tries to obtain quality products and services at the best available prices, attention is needed to mitigate challenges with the GSA Schedules Program including pricing, contractor compliance, workload management, workforce enhancement, and proposed changes to the General Services Administration Acquisition Regulation. GSA also faces challenges as it moves to transactional data reporting; develops its acquisition personnel to award, administer, and manage the One Acquisition Solution for Integrated Services contracts; and attempts to meet the government's evolving needs for telecommunication and integrated technology infrastructure solutions. |
| GSA's Real Property Operations | GSA plays a major role in the government's focus on improving the management and use of federal real property including co-location of agency components, consolidation into government-owned space, and disposal of unneeded space. However, GSA must develop a portfolio strategy to meet the Office of Management and Budget's space reduction initiative. Further, GSA faces significant challenges in large-scale exchanges of real property, safeguarding federal infrastructure, and providing a secure work environment for federal employees and government contractors. |
| Financial Operations | GSA's systems of accounting, financial management, and internal controls must ensure management has accurate, reliable, and timely financial and performance information for its day-to-day decision making and accountability; as well as to deter fraud, waste, and abuse. GSA faces risks to its day-to-day financial operations with the transition of its Financial Management Line of Business to the U.S. Department of Agriculture. This complex undertaking involves numerous financial systems and around 300 employees. The Agency continues to face challenges with the effectiveness of its internal control over financial reporting. According to the independent public accountant, internal control deficiencies have escalated to include both a material weakness and significant deficiencies over 6 years from fiscal years 2009-2014. During that timeframe, GSA has had five Chief Financial Officers and faces challenges retaining consistent leadership in the Office of the Chief Financial Officer. |
| Information Technology | Protecting sensitive information is critical to GSA's mission, operations, and reputation. GSA is the first federal government agency to adopt a cloud computing environment to host its agency-wide email system and collaboration services. However, GSA did not implement controls to ensure that all sensitive data was secure. Despite prior recommendations to improve controls and prevent the disclosure of sensitive information in GSA's legacy environment, similar issues have arisen with the implementation of the Agency's cloud computing environment. Improved planning and development is also needed to properly offer GSA's information technology (IT) shared services to other agencies. However, an increase in GSA IT executive turnover could negatively impact strategic planning and management of the Agency's IT infrastructure. |
| GSA's Greening Initiative – Sustainable Environmental Stewardship | With its major role in federal construction, building operations, acquisition, and government-wide policy, GSA faces challenges to achieve sustainability and environmental goals. GSA is required to increase energy efficiency, reduce greenhouse gas emissions, conserve water, reduce waste, determine optimal fleet inventory, and leverage purchasing power to promote environmentally responsible products and technologies. While GSA maintains a strong record in these areas of environmental stewardship, collecting quality data used for sustainability evaluations remains a challenge and GSA is experiencing diminishing sustainability returns on projects within its building portfolio. |
| Implementing GSA's Mobile Workforce Strategy | In reducing its footprint, GSA established an aggressive internal goal of usable square feet per person, which exceeds the Office of Management and Budget's stated goal. To reach this goal, GSA is implementing a mobile workforce strategy that includes a combination of hoteling, telework, and virtual employees. However, the implementation of this mobile workforce strategy faces multiple challenges including minimizing implementation costs associated with managing the backfill of vacant GSA space and a lack of effective and efficient digital documentation for many of GSA's contract and lease files. In addition, with the dependence on IT systems for teleworking, GSA needs to ensure system interaction, continuity, and security of multiple IT devices and platforms. |

ACQUISITION PROGRAMS

PREAWARD AUDITS

GSA provides federal agencies with billions of dollars in products and services through various contract types. As of September 30, 2016, there were over 15,000 Multiple Award Schedule (schedule) contracts under GSA's procurement program that generated more than \$32 billion in sales. We oversee this program by conducting preaward, postaward, and performance audits. Historically, for every dollar invested in our preaward audits, we achieve at least \$10 in savings from lower prices or more favorable contract terms and conditions for the benefit of the government and taxpayer.

The pre-decisional, advisory nature of preaward audits distinguishes them from other audit products. This program provides vital, current information enabling contracting officers to significantly improve the government's negotiating position to realize millions of dollars in savings on negotiated contracts. During this reporting period, we performed preaward audits of 37 contracts with an estimated value of almost \$9.5 billion and recommended over \$324 million of funds be put to better use. Management decisions were also made on 24 preaward audit reports, which recommended over \$92 million of funds be put to better use. Management agreed with all of these recommended savings.

Three of our more significant audits were of schedule contracts with combined projected government sales of over \$4.7 billion. These audits recommended over \$241 million of funds be put to better use. Some of the more significant findings within one or more of these audit reports include: commercial sales practices (CSP) information was not accurate, current, or complete; proposed labor rates were overstated; schedule customers were overbilled for unqualified employees; GSA schedule sales were underreported; the Price Reductions Clause was ineffective; and the contractor did not have adequate controls to properly accumulate and report schedule sales for Industrial Funding Fee (IFF) purposes.

AUDIT OF FAS'S CONTRACTOR ASSESSMENTS PROGRAM

Report Number A150131/Q/T/P16004, dated September 21, 2016

The Federal Acquisition Service's (FAS) Supplier Management Division uses contractor assessments performed by Industrial Operations Analysts (IOAs) to perform risk management functions across FAS acquisition programs. We conducted an audit of the contractor assessments program to determine if: (1) contractor assessments were effective to determine contractors' compliance with schedule contract terms and conditions; (2) IOAs were conducting their assessments in accordance with FAS guidance; (3) IOAs were communicating those results in a timely fashion and in the appropriate format; and (4) IOAs were developing and completing training in accordance with program requirements.

We found that the assessments add value as a method to monitor contractor compliance with terms and conditions of schedule contracts. IOAs are generally conducting assessments in accordance with guidance and are effectively communicating those results in a timely fashion and in the required format. Although the assessments are generally effective, we identified areas where FAS's Supplier Management Division can improve to enhance the consistency, completeness, and value of the assessments and reports.

Specifically, we found that FAS guidance does not provide specific requirements for sampling schedule sales transactions to ensure contractors are properly reporting and remitting Industrial Funding Fees and resumes to ensure contractors are providing qualified labor for services ordered by customer agencies. This creates inconsistencies in the approaches used by IOAs to select sales transactions or resumes for testing. In addition, we found that IOAs are not consistently reporting on labor qualifications. As a result, FAS does not have assurance that labor qualifications were assessed. Finally, we determined that FAS has not established a formalized, national training curriculum for experienced IOAs, which may create knowledge and skills gaps in the IOA workforce.

We recommended that the FAS Commissioner:

- Revise the IOA Training Manual to include details on a risk-based sampling methodology in order to improve the consistency of report results.
- Revise the assessment report template to include a specific section for reviewing labor qualifications to ensure consistent assessments. Determine whether changes to the template require any appropriate revisions to the guidance.
- Establish and implement a formal, national training curriculum for experienced IOAs to cover, at a minimum, the number of required annual continuing education hours and appropriate subject areas for enhancing applicable knowledge and skills.

The FAS Commissioner agreed with our report findings and recommendations.

AUDIT OF PRICE EVALUATIONS AND NEGOTIATIONS FOR SCHEDULE 70 CONTRACTS

Report Number A150022/Q/T/P16005, dated September 28, 2016

GSA's Schedules Program provides customer agencies access to more than 25 million commercial products and services under multiple schedules. Contracts awarded under each schedule contain pre-negotiated prices, delivery terms, warranties, and other terms and conditions intended to streamline the acquisition process. These contracts are indefinite delivery, indefinite quantity and are typically awarded with a 5-year base period and three 5-year option extensions, totaling 20 years. FAS's General Purpose Commercial Information Technology Equipment, Software, and Services schedule (Schedule 70) offers information technology products and services to customer agencies. According to FAS, Schedule 70 is the largest acquisition vehicle in the federal government with over 4,500 contracts. In fiscal year (FY) 2014, Schedule 70 sales totaled over \$14 billion, representing more than 40 percent of total FY 2014 GSA schedule sales.

The intent of the Schedules Program is to leverage the government's buying power in an effort to provide customer agencies with competitive, market-based pricing. Per the Federal Acquisition Regulation (FAR), GSA contracting officers determine prices on schedule contracts to be fair and reasonable using price and/or cost analysis. Our audit objective was to determine if the price evaluation and negotiation of Schedule 70 contracts and options awarded under the Office of IT Schedule Programs comply with federal regulations and policies.

We found that Schedule 70 contracting officers did not consistently conduct negotiations when awarding contracts and extending options. We also found that records of negotiations and other contracting actions were not always fully documented in the contract file. Finally, we noted an instance in which a contracting officer awarded an option for an extension, yet did not reduce the contract's period of performance for the time period that the contract was granted temporary extensions, as required by FAS policy.

We recommended that the FAS Commissioner:

- Clearly define the responsibilities of contracting officers relative to price negotiation at the time of base contract award and when exercising contract options for extensions.
- Develop and issue guidance on holding negotiations at the time of contract award.
- Develop and implement a risk-based approach for negotiating options for contract extensions.
- Develop and implement a methodology to conduct periodic reviews of active schedule contract files to determine whether the files contain all required documentation necessary to effectively administer the contracts and comply with the FAR and FAS policy.

- Ensure that the contract documents that were not present in the official contract file during the audit have been added.
- Ensure that the period of performance error identified during the audit has been remedied.

The FAS Commissioner acknowledged our report findings and recommendations.

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

Report Number A150033/Q/9/P16002, dated July 22, 2016

FAS contract specialists play a critical role in procuring products and services for GSA and its customers at competitive, market-based prices. Specifically, FAS contract specialists evaluate and process new offers, modifications, and options to extend existing contracts in the Schedules Program. In addition, FAS contract specialists issue and award task orders on behalf of customer agencies and administer government-wide acquisition contracts.

As of January 2015, FAS employed 880 contract specialists located in FAS Central Office and throughout GSA's 11 regions. Of these, 264 contract specialists (30 percent) are either eligible or will be eligible to retire within the next 5 years. Since FY 2014, we have identified the hiring and retention of the acquisition workforce (including contract specialists) as one of GSA's major management challenges. Furthermore, reports by GSA, the Office of Management and Budget, and the Government Accountability Office, have stressed the importance of a comprehensive human capital plan that addresses the hiring, retention, and succession planning of the acquisition workforce.

Given the important role of contract specialists to GSA and the federal government, we initiated an audit to determine if FAS developed and implemented a comprehensive human capital plan for its contract specialist workforce. We found that FAS lacks a comprehensive human capital plan to address the specific needs of its contract specialist workforce. Absent such a plan, FAS may be hiring contract specialists without assessing needs and hiring costs; considering turnover rates; and preparing for upcoming retirements. Due to the number of major FAS initiatives underway, including the modernization of the Schedules Program and the implementation of transactional data reporting, FAS will require a robust and well-qualified contract specialist workforce. With a comprehensive human capital plan in place, FAS may be better positioned to effectively implement these initiatives.

We recommended that the FAS Commissioner:

- Develop and implement a comprehensive human capital plan that addresses the hiring, retention, and succession planning of FAS's contract specialist workforce. When developing its comprehensive human capital plan, FAS should collaborate with other GSA offices, including the Office of Government-wide Policy and the Office of Human Resources Management.
- Evaluate and update the comprehensive human capital plan on an annual basis.

The FAS Commissioner agreed with our report finding and recommendations.

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

Report Number A120026/Q/6/P16003, dated July 22, 2016

Under the authority of the Federal Property and Administrative Services Act of 1949, GSA established the Schedules Program in the 1950s to provide a streamlined process for the government to obtain commercial products and services at pricing associated with volume discounts. As of July 2015, GSA maintained 16,301 schedule contracts, and FY 2015 sales under the Schedules Program were \$33.4 billion. FAS's Office of IT Schedule Programs manages the Information Technology (IT) schedule (i.e., Schedule 70), which is the largest schedule. The IT schedule maintained over 4,500 contracts as of July 2015, and FY 2015 sales were \$14.8 billion. FAS awards IT schedule contracts to both manufacturers and resellers of IT equipment, software, and services. The majority of IT schedule contracts are with resellers. Our objective was to evaluate how IT resellers affect schedule pricing, procurement workload, and the enforcement of schedule contract clauses.

We found that many identical items are available under numerous IT schedule contracts at prices that often vary significantly. In addition, many of these IT items are available from commercial sources at prices that are lower than the GSA schedule prices. These results raise questions as to the reasonableness of the GSA pricing for these items.

Further, contracts with IT schedule resellers that do not have significant commercial sales or contracts with a modified Price Reductions Clause present challenges in contract award and administration. GSA management action is needed to ensure the government receives competitive pricing at award as well as throughout the life of the contract.

Finally, although we recommended in 2007 that FAS take action to reduce schedule contracts with low or no sales, thousands of contracts remain that do not cover their costs, including approximately 1,200 IT schedule reseller contracts. Expenses have exceeded revenue for the underused reseller contracts by about \$25 million since our previous recommendation.

We recommended that the FAS Commissioner:

- Establish procedures to ensure that price variances for identical schedule items are supported by price analyses documenting additional concessions or services received on higher priced items. Otherwise, the identical items should not be awarded at the higher price.
- In conjunction with the FAS Office of Acquisition Management, establish performance measures for FAS IT schedule contracting staff that reinforce the objective to obtain resellers' most favored customer prices for schedule contract items during price negotiations.
- Improve price protection for IT schedule reseller contracts by:
 - Establishing controls to ensure that contracting officers obtain accurate, current, and complete manufacturer commercial sales practices information for offered items when the resellers have low or no commercial sales. The controls should ensure that the specific items involved are not awarded until commercial sales practices information is provided; and
 - Establishing controls to ensure that deviations to the Price Reductions Clause do not diminish price protections and are properly approved by the Head of the Contracting Activity.
- Cancel IT schedule reseller contracts that do not meet the \$25,000 minimum sales requirement of the Schedules Program, focusing initially on those with no sales; or document the contract files to support decisions to maintain the contracts.
- Consider increasing the \$25,000 minimum sales threshold for IT schedule reseller contracts to a level that offsets the government's cost to award and administer a schedule contract.
- Consider alternatives to the current \$2,500 minimum payment clause in IT schedule reseller contracts.

The FAS Commissioner agreed with our report findings and recommendations.

MAJOR ISSUES FROM MULTIPLE AWARD SCHEDULE PREAWARD AUDITS

Audit Memorandum Number A120050-6, dated September 19, 2016

Under GSA's Schedules Program, FAS establishes long-term government-wide contracts. Our office conducts preaward audits to assist contracting officers in negotiating these schedule contracts. These audits provide contracting officers with an evaluation of contractor-supplied CSP information and detail whether contractors are in compliance with specific terms and conditions of their contracts.

In FY 2014, we issued 42 preaward audits of contracts with estimated sales of over \$6.5 billion for their pending contract periods. As a result of these audits, we recommended price and discount adjustments that, if realized, would allow for over \$221 million in cost savings for the government and, ultimately, the taxpayer. We also informed contracting officers of numerous instances of contract noncompliance. We issued this memorandum to detail and highlight the issues identified in the FY 2014 audits, including how the Schedules Program may not provide the lowest cost alternative to meet the government's needs and that contractors are not in compliance with their schedule contract terms and conditions.

Specifically, our FY 2014 preaward audits found: (1) contractors' CSP disclosures are not consistently providing GSA sufficient and commercial sales information needed to obtain fair and reasonable pricing, (2) schedule prices are being treated as ceiling prices indicating schedule prices are too high, (3) contracting officers are not maximizing savings identified by preaward audits, and (4) the Price Reductions Clause protections were negated by ineffective basis of award customers. In the memo, we highlighted that 79 percent of the contractors audited in FY 2014 submitted CSP disclosures that were not current, accurate, and complete. If contractors had provided the required information, contracting officers could have used that information to negotiate potential cost savings of over \$405 million. In addition, for the FY 2014 audited contracts that have been awarded, contracting officers only negotiated 43 percent of the recommended cost savings amounts identified in preaward audits, forfeiting approximately \$128 million in potential cost savings.

Our FY 2014 preaward audits also found that contractors: (1) provide the government with unqualified labor, (2) have inadequate systems to accumulate and report schedules sales, (3) improperly compute IFF payments, and (4) overbill customer agencies for contract items. We noted that in FY 2014, 43 percent of audited contractors did not have adequate systems in place to ensure GSA sales are accumulated and reported accurately, and we identified \$2.8 million of unpaid IFF. In addition, 29 percent of audited contractors billed the government at higher prices than established in their contracts, resulting in just under \$1 million of overbillings.

The *GSA Multiple Award Schedules Program Desk Reference* states that cost savings through the Schedules Program are realized, in part, by “competitive, market-based pricing that leverages the buying power of the federal government.” As such, FAS should work to ensure that schedule prices provide the lowest cost alternative to meet the government’s needs and that contractors comply with contract requirements to protect both FAS and its customer agencies.

While we did not make any formal recommendations, we concluded that it is imperative that FAS management take appropriate measures to address the issues identified in this memorandum. Improvements in these areas will strengthen the integrity and cost effectiveness of the Schedules Program and protect the taxpayer.

FINANCIAL OPERATIONS

GSA DID NOT FULLY COMPLY WITH THE IMPROPER PAYMENTS ACTS IN FY 2015

Report Number A160018/B/5/F16002, dated May 11, 2016

GSA's Office of the Chief Financial Officer (OCFO) manages GSA's efforts to eliminate future improper payments and recover past improper payments. The OCFO reviews payments as part of its improper payments program and also employs the services of a payment recapture audit contractor to identify and recover overpayments from commercial contractors. GSA reported in its FY 2015 Agency Financial Report (AFR) an estimated \$8.92 million in improper payments for its programs susceptible to significant improper payments. GSA further reported that, in FY 2015, its payment recapture audit program had identified \$28.28 million in improper payments and recovered \$15.11 million. Our audit objectives were to determine if GSA: (1) complied with the Improper Payments Acts; (2) accurately and completely reported improper payment estimates and figures in its FY 2015 AFR; and (3) took efforts to reduce and recapture improper payments in FY 2015.

We determined that GSA did not comply with the Improper Payments Acts because the OCFO did not test or report improper payment estimates for the Hurricane Sandy Disaster Relief Fund in FY 2015. Also, the OCFO's risk assessment was flawed. The OCFO did not promptly implement payment recapture audit recommendations, employ effective continuous monitoring, or determine root causes of improper payments. In addition, the OCFO did not accurately report improper payment estimates in its FY 2015 AFR. Finally, regional reviewers were not aware of policies related to the claim review and validation process for recapture of improper payments.

We recommended that the Chief Financial Officer:

- Implement a process to ensure all required programs are tested and reported for improper payments and submit a plan for addressing noncompliance within 90 days as required by Office of Management and Budget (OMB) guidance.
- Adopt a quantitative approach or develop an improved qualitative approach to increase reliability and objectivity of future risk assessment results.
- Ensure timely implementation of payment recapture audit recommendations, improve continuous monitoring processes, and identify and correct root causes of improper payments.
- Implement controls to ensure accurate and reliable reporting of improper payments.
- Implement controls and develop and disseminate guidance for the claims review and validation process.

The Chief Financial Officer agreed with our report findings and recommendations.

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

Report Number A160022/O/R/F16004, dated September 30, 2016

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) was enacted to prevent fraud, waste, and abuse in federal charge card programs. Per the Act, Inspectors General are required to use the results from annual risk assessments of charge card programs to determine the necessary scope, frequency, and number of audits to be performed in those areas. We issued our *Fiscal Year 2014 Risk Assessment of GSA's Charge Card Program* on September 30, 2015. The risk assessment found a high level of risk of illegal, improper, or erroneous purchases made through GSA's purchase card program during FY 2014. Because of this high-risk assessment, we determined that an audit of GSA's FY 2015 purchase card program was necessary.

The objectives of our audit were to determine whether: (1) GSA's purchase card program has controls in place to ensure purchase cardholders are in compliance with GSA's purchase card policies; (2) GSA purchase card transactions are properly and fully supported, reported, and approved; and (3) GSA purchase card use above the single transaction limit of \$3,000 complies with acquisition laws.

We found that GSA's purchase card program controls should be improved and enforced. Specifically, we found that purchase card transactions are not properly and fully supported, reported, and approved to ensure the goods and services purchased are business-related. In addition, GSA may not identify illegal, improper, or erroneous purchases because the controls over the resolution of questionable purchase card transactions are not operating effectively. Finally, GSA lacks controls to routinely monitor purchase card transactions for split transactions, which increases the risk that GSA cardholder violations of federal acquisition regulations concerning micro-purchase authority will go undetected.

We recommended that the Chief Administrative Services Officer enforce GSA policy and hold cardholders and approving officials accountable when GSA policy is not followed. In addition, we recommended that the Chief Administrative Services Officer ensure questionable charges are identified, reviewed, and resolved. Finally, the Charge Card Management Division within the Office of Administrative Services should institute regular tests to identify split transactions.

The Chief Administrative Services Officer agreed with our report findings and recommendations.

GSA OFFICE OF INSPECTOR GENERAL'S FISCAL YEAR 2015 RISK ASSESSMENT OF GSA'S CHARGE CARD PROGRAM

Memorandum Number A160054-1, dated September 26, 2016

The Charge Card Act and OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012, require Inspectors General to annually conduct risk assessments of purchase and travel card programs. These assessments analyze the risks of illegal, improper, or erroneous purchases and payments. Inspectors General are required to use these risk assessments to determine the necessary scope, frequency, and number of audits to be performed in these areas. In accordance with the Charge Card Act and OMB Memorandum M-13-21, we conducted a risk assessment of GSA's FY 2015 purchase and travel card programs.

We found that GSA has policies and procedures designed to mitigate purchase and travel card misuse and abuse. The policies are outlined in GSA's Charge Card Management Plan in accordance with the requirements of the Charge Card Act. However, during our testing of key controls over the purchase and travel card programs, we identified instances in which these controls were either lacking support, not operating effectively, or inadequate. Specifically we found:

- Both purchase and travel card transactions were lacking supporting documentation and review by approving officials;
- Controls over questionable purchase and travel card transactions were not operating effectively;
- Controls related to purchase and travel card transactions with flagged merchant category codes were ineffective;
- Controls over prohibited or higher risk purchase card transactions, such as split transactions, were inadequate; and
- The travel card training program was inadequate.

We determined that sufficient evidence exists to assess a high level of risk of illegal, improper, or erroneous purchases made through GSA's purchase card program during FY 2015. We also determined that sufficient evidence exists to assess a moderate level of risk of illegal, improper, or erroneous purchases made through GSA's FY 2015 travel card program. As a result of our risk assessment, we plan to conduct an audit of GSA's FY 2016 purchase and travel card programs.

INFORMATION TECHNOLOGY

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

Report Number A160028/O/T/F16003, dated September 28, 2016

On September 18, 2015, in response to a request for a listing of active Agency travel card holders, a GSA employee transmitted an unencrypted file to the Agency's independent external financial statement auditor. The file contained personally identifiable information (PII) such as the names, home addresses, and personal email addresses for over 8,200 current and former GSA and GSA OIG employees, including special agents and criminal investigators.

We performed this audit after discovering that GSA OIG employees, who are also GSA travel cardholders and were affected by the September 18, 2015, breach, did not receive notification regarding the exposure of their PII. We determined that GSA's initial attempt to notify individuals affected by the PII breach failed. Given the scope of the breach and the potential risk to the individuals whose information was exposed, we initiated an audit on November 18, 2015, of GSA's response to the breach. The objective of our audit was to determine whether GSA identified and notified individuals affected by the September 18, 2015, PII breach pursuant to federal requirements and applicable guidance and policy.

We found that GSA failed to notify individuals affected by the breach within 30 days as required by Agency policy. Although GSA made several attempts to notify the affected individuals, it has not been able to show that those efforts were fully successful. As a result, some affected individuals still may not know that their PII was breached. Without timely and effective notice of a PII breach, individuals cannot take appropriate steps to protect themselves against the possibility of harm resulting from the exposure of their PII.

We determined that a breakdown in GSA's breach response process caused the Agency's failure to timely notify over 8,200 affected individuals of the unauthorized exposure of their PII. While GSA policy requires notification of a breach within 30 days of an incident, 110 days passed between the date of the breach and GSA's final notification attempt. In addition, although GSA considered its notification efforts complete as of January 6, 2016, it could not provide evidence to show that its efforts were fully successful. Accordingly, some affected individuals may remain unaware that their PII was inappropriately released.

GSA's failure to develop a well-defined action plan to respond to this incident, combined with management oversight failures, left affected individuals vulnerable to identity theft, substantial harm, embarrassment, and inconvenience. Additionally, the Agency exposed itself to significant reputational risk and potential litigation. GSA should conduct a comprehensive review of its breach notification policy and breach response process and implement necessary changes to better position the Agency to more effectively respond in the event of future breaches.

We recommended that the Senior Agency Official for Privacy/Chief Information Officer:

- Review and certify GSA's September 18, 2015, breach notification efforts and determine if any additional action is needed to ensure all affected individuals have been notified.
- Develop and implement a training program for Agency Response Team members regarding their specific roles and responsibilities.
- Evaluate the Agency's breach response capability by:
 - Assessing the technical tools that will be used to identify and notify the individuals affected by a potential breach to ensure they are operating as intended;
 - Requiring periodic testing of the Agency Response Teams to ensure members understand their roles and responsibilities, training is effective, and lessons learned are identified and incorporated; and
 - Requiring an after action assessment of Agency Response Teams' response to actual breach incidents to identify and incorporate lessons learned.
- Assess policies to ensure objectives are clear, roles and responsibilities are detailed, and comprehensive procedures are established for Agency Response Teams to communicate and document relevant information necessary for making decisions and taking action in response to a PII breach. Take appropriate actions to address and correct those areas identified as deficient.

The Deputy Chief Information Officer agreed with our report findings and recommendations.

U.S. GENERAL SERVICES ADMINISTRATION OFFICE OF INSPECTOR GENERAL CYBERSECURITY ACT ASSESSMENT

Audit Number A160062, dated August 10, 2016

The Cybersecurity Act of 2015 required Inspectors General to report on the status of specific IT security management practices related to systems significant to national security or containing PII. The Act referred to these systems as “covered systems” and for each, the OIG is required to:

- Describe and list the logical access policies and practices used by the Agency, including whether appropriate standards were followed;
- Describe and list the Agency’s privileged users’ logical access controls and multi-factor authentication. If privileged user logical access controls were not being used, describe the reasons why;
- Describe and list the Agency’s policies and procedures to conduct software inventories and the licenses associated with the software;
- Describe and list the Agency’s capabilities to monitor and detect exfiltration of sensitive data and other threats, including data loss prevention, forensics and visibility, and digital rights management. Describe how the Agency uses these capabilities and if the capabilities were not being used, describe the reasons why; and
- Describe the Agency’s policies and procedures to ensure that entities, including contractors, providing services to the Agency monitor and detect exfiltration of sensitive data and other threats including: data loss prevention, forensics and visibility, and digital rights management.

In accordance with the Act, we performed an assessment of GSA’s 18 covered systems. This assessment provided a broad overview of relevant Agency system security policies and was not a comprehensive audit or evaluation of the Agency’s compliance with those policies. We determined that GSA’s policies and procedures regarding access controls are generally consistent with significant government-wide policies and procedures, including relevant standards established by the National Institute of Standards and Technology (NIST) and OMB guidance. Also, for 11 of the 18 assessed covered systems, the Agency has implemented multi-factor authentication for privileged users consistent with government-wide policies for information systems. For the seven noncompliant covered systems, the Agency relies on compensating controls for privileged user access. The Agency has also implemented appropriate automated or manual software and license inventory management practices in accordance with NIST standards. The Agency has implemented numerous capabilities to protect against sensitive data loss or theft. Finally, we found that the Agency has created policies that require IT service providers to adhere to Agency IT security policies and procedures.

GSA'S GREENING INITIATIVE – SUSTAINABLE ENVIRONMENTAL STEWARDSHIP

PBS'S ENERGY SAVINGS PERFORMANCE CONTRACT AWARDS MAY NOT MEET SAVINGS GOALS

Report Number A150009/P/5/R16003, September 27, 2016

A December 2011 Presidential Memorandum, *Implementation of Energy Savings Projects and Performance-Based Contracting for Energy Savings*, mandated the implementation of \$2 billion of Energy Savings Performance Contracts (ESPC) government-wide within 24 months from the date of the memorandum. GSA initially responded by committing \$175 million to meet this mandate.

Under an ESPC, a federal agency uses a private energy company to finance and install energy efficiency improvements in a federal building and then uses the energy savings to fund the payments to the energy company until the improvements have been paid off. The agency may award its own contract or award task orders against contracts established by the Department of Energy's Federal Energy Management Program. As part of the contracting process for ESPCs, GSA and the energy company must agree on a baseline, which is the cost for energy consumption the government would have incurred without the ESPC project. After the installation of the energy improvements, energy costs are compared to the baseline to determine savings. The federal ESPC authority requires the energy company to undertake measurement and verification activities to demonstrate whether projected savings have been met.

We assessed the economy and efficiency of the Public Building Service's (PBS) 14 ESPCs awarded from September 2013 to April 2014. These ESPCs were comprised of ten National Deep Energy Retrofit projects and four non-National Deep Energy Retrofit projects, with a combined value of approximately \$201 million. The objectives of our audit were to determine whether PBS awarded ESPC task orders in accordance with the applicable regulations and guidance and has an effective process in place to verify that the energy savings calculated by the energy company are accurate.

PBS may not be able to achieve its goals to improve energy efficiency and reduce greenhouse gas emissions in GSA-managed buildings because it did not take the proper steps while awarding the task orders.

We found that PBS: (1) risks paying for unrealized energy savings because it did not comply with guidelines for witnessing energy baseline measurements, (2) did not achieve energy-related savings on one ESPC task order because it overestimated savings and was unable to renegotiate the operations and maintenance contract to achieve the remaining savings, (3) did not comply with requirements for establishing fair and reasonable pricing, (4) awarded a task order for a building that may be disposed of before planned savings can offset its costs, and (5) awarded a stand-alone ESPC that had no approved Measurement and Verification Plan for achieving energy savings.

We recommended that the PBS Commissioner:

- Ensure PBS officials responsible for measurement and verification activities:
 - Witness and independently verify baselines developed by the energy company; and
 - Document their witnessing of the energy company's on-site baseline measurements.
- Ensure all components of the energy-related savings calculations, including Operations and Maintenance (O&M) savings, are accurate and can be reconciled to the task order schedules; renegotiate O&M contracts to achieve the estimated savings on existing ESPCs with O&M savings; and develop and implement policy and procedures to confirm savings from GSA-managed O&M contracts are achievable at time of award for future ESPCs.
- Implement training on price reasonableness determinations for ESPC contracting, including the development and use of independent government estimates, to improve compliance with regulations and guidance.
- Align each ESPC task order term with the PBS Portfolio Strategy holding period for the asset.
- Require written justifications for not using the Department of Energy super ESPC if GSA awards stand-alone ESPCs in the future. The ESPC Program Management Office should review and approve all such justifications; ensure future ESPCs comply with competition requirements for added O&M services or receive management approval for non-competitive procedures; and ensure acquisition plans for future stand-alone ESPCs are reviewed by the Head of Contracting Activity.
- Require solicitations for future stand-alone ESPCs to state that Measurement and Verification Plans must be approved prior to contract award.

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

FAR DISCLOSURE PROGRAM

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

FAR RULE FOR CONTRACTOR DISCLOSURE

Effective December 12, 2008, the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council agreed on a final rule amending the FAR. The final rule implements the Close the Contractor Fraud Loophole Act, 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 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 nine new disclosures. The matters disclosed include unauthorized charges, commercial sales practices disclosure inaccuracies, price reduction monitoring deficiencies, Trade Agreements Act noncompliance, subcontracting plan and report deficiencies, and unallowable costs. We concluded our evaluation of 10 disclosures that resulted in over \$3.9 million in settlements and recoveries to the government. We also assisted on one disclosure referred by another agency because of the potential impact on GSA operations and continued to evaluate 18 pending disclosures.

STATISTICAL SUMMARY OF OIG AUDITS

April 1, 2016 – September 30, 2016

| OFFICE OF AUDITS | |
|--|----------------|
| Total financial recommendations | \$344,201,562* |
| These include: | |
| Recommendations that funds be put to better use | \$324,114,547 |
| Questioned costs | \$20,087,015* |
| Audit reports issued | 56 |
| Audit memoranda provided to GSA | 3 |
| GSA management decisions agreeing with audit recommendations | \$163,382,197* |

*These totals include settlements reached with Canon U.S.A. Incorporated, Deloitte Consulting LLP, and FedEx Office and Print Services, Inc. totaling \$12.6 million, as also reported in the Civil Settlements section on pages 37-38.

Audit Reports Issued

The OIG issued 56 audit reports. The 56 reports contained financial recommendations totaling \$344,201,562, including \$324,114,547 in recommendations that funds be put to better use and \$20,087,015 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 the universe of audits requiring management decisions during this period, as well as the status of those audits as of September 30, 2016. There was one report more than six months old awaiting management decisions as of September 30, 2016.

Table 1. GSA Management Decisions on OIG Audit Reports

| | NUMBER OF REPORTS | REPORTS WITH FINANCIAL RECOMMENDATIONS* | TOTAL FINANCIAL RECOMMENDATIONS |
|--|----------------------|---|---------------------------------------|
| For which no management decision had been made as of 04/01/2016 | | | |
| Less than 6 months old | 11 | 6 | \$32,239,750 |
| 6 or more months old | 3 | 2 | \$53,302,209 |
| Reports issued this period | 54 | 36 | \$344,201,562** |
| TOTAL | 68 | 44 | \$429,743,521** |
| For which a management decision was made during the reporting period | | | |
| Issued prior periods | 13 | 7 | \$85,511,001 |
| Issued current period | 25 | 16 | \$77,871,196** |
| TOTAL | 38 | 23 | \$163,382,197** |
| For which no management decision had been made as of 09/30/2016 | | | |
| Less than 6 months old | 29 | 20 | \$266,330,366 |
| 6 or more months old | 1 | 1 | \$30,958 |
| TOTAL | 30 | 21 | \$266,361,324 |

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

**These totals include settlements reached with Canon U.S.A. Incorporated, Deloitte Consulting LLP, and FedEx Office and Print Services, Inc. totaling \$12.6 million, as also reported in the Civil Settlements section on pages 37-38.

GSA Management Decisions on OIG Audit 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 Audit 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 04/01/2016 | | |
| Less than 6 months old | 5 | \$31,075,111 |
| 6 or more months old | 0 | \$0 |
| Reports issued this period | 23 | \$324,114,547 |
| TOTAL | 28 | \$355,189,658 |
| For which a management decision was made during the reporting period | | |
| Recommendations agreed to by management | 15 | \$92,003,995 |
| Recommendations not agreed to by management | 0 | \$0 |
| TOTAL | 15 | \$92,003,995 |
| For which no management decision had been made as of 09/30/2016 | | |
| Less than 6 months old | 13 | \$263,185,663 |
| 6 or more months old | 0 | \$0 |
| TOTAL | 13 | \$263,185,663 |

GSA Management Decisions on OIG Audit 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 04/01/2016 | | |
| Less than 6 months old | 3 | \$1,164,639 |
| 6 or more months old | 2 | \$53,302,209 |
| Reports issued this period | 26 | \$20,087,015* |
| TOTAL | 31 | \$74,553,863* |
| For which a management decision was made during the reporting period | | |
| Disallowed costs | 16 | \$71,378,202* |
| Cost not disallowed | 0 | \$0 |
| TOTAL | 16 | \$71,378,202* |
| For which no management decision had been made as of 09/30/2016 | | |
| Less than 6 months old | 14 | \$3,144,703 |
| 6 or more months old | 1 | \$30,958 |
| TOTAL | 15 | \$3,175,661 |

*These totals include settlements reached with Canon U.S.A. Incorporated, Deloitte Consulting LLP, and FedEx Office and Print Services, Inc. totaling \$12.6 million, as also reported in the Civil Settlements section on pages 37-38.



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

SIGNIFICANT INSPECTIONS

SIGNIFICANT INSPECTIONS

The Office of Inspections and Forensic Auditing 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*.

During this reporting period, the office issued one management alert report with two recommendations impacting GSA information technology privacy.

MANAGEMENT ALERT REPORT: GSA DATA BREACH

Report Number JE16-004, dated May 12, 2016

In December 2015, the OIG Office of Inspections and Forensic Auditing initiated an evaluation of the GSA Office of 18F, an office of technology experts that partners with federal agencies to build, buy, and share digital services. During the course of this evaluation, we found an issue that warranted immediate attention by GSA management.

GSA employees in 18F are required by internal policy to use Slack, an online messaging and collaboration application, to share information such as files, images, PDFs, documents, and spreadsheets. In order to permit the sharing of files from GSA Google Drive with team members in Slack, 18F uses OAuth 2.0, an IT protocol for authenticating and authorizing user access to digital resources.

Due to authorizations enabled by GSA 18F staff, over 100 GSA Google Drives were reportedly accessible by users both inside and outside of GSA during a five month period, potentially exposing sensitive content such as personally identifiable information and contractor proprietary information to unauthorized users. At the time of the alert report, neither Slack nor OAuth 2.0 were approved for use. The use of Slack and OAuth 2.0 was not in compliance with GSA's Information Technology Standards Profile policy (GSA Order CIO P 2160.1E), which requires formal review and approval of information technologies used in the GSA IT environment.

By delaying the reporting of the data breach by five days, GSA 18F staff also failed to comply with the GSA Information Breach Notification Policy, GSA Order CIO 9297.2B. The notification policy requires all incidents involving a known or suspected breach of personally identifiable information be reported to the GSA Office of the Chief Information Security Officer within one hour of discovering the incident.

To address these findings, we recommended the following actions to the GSA Administrator:

1. GSA should cease using Slack and OAuth 2.0 until and unless they are approved for use in the IT Standards Profile.
2. GSA should ensure that 18F complies with GSA Order CIO P 2160.1E.



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

SIGNIFICANT INVESTIGATIONS



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

SIGNIFICANT INVESTIGATIONS

The Office of Investigations conducts independent and objective investigations relating to GSA programs, operations, and personnel. The office consists of special agents with full statutory law enforcement authority to make arrests, execute search warrants, serve subpoenas, and carry concealed weapons. Special agents conduct investigations that may be criminal, civil, or administrative in nature and often involve complex fraud schemes. Investigations can also involve theft, false statements, extortion, embezzlement, bribery, anti-trust violations, credit card fraud, diversion of excess government property, and digital crimes. During this reporting period, the office opened 71 investigative cases, closed 157 investigative cases, referred 51 subjects for criminal prosecution, and helped obtain 23 convictions. Civil, criminal, and other monetary recoveries totaled over \$27 million.

CIVIL SETTLEMENTS

DELOITTE AGREED TO PAY OVER \$11 MILLION TO RESOLVE FALSE CLAIMS ALLEGATIONS

On May 31, 2016, Deloitte Consulting, LLP (Deloitte), agreed to pay \$11,389,000 to resolve allegations under the False Claims Act that it submitted false claims to the federal government. The settlement resolves allegations that between 2006 and 2012, Deloitte failed to comply with the Price Reductions Clause in its contract, resulting in government customers paying more for Deloitte's services than comparable commercial customers.

INFORMATION TECHNOLOGY CONTRACTORS AGREED TO PAY OVER \$5.8 MILLION TO RESOLVE FALSE CLAIMS ALLEGATIONS AND CONTRACT FEE PAYMENTS

On July 6, 2016, En Pointe Gov. Inc. (EPG), En Pointe Technologies Inc., En Pointe Technologies Sales Inc., Dominguez East Holdings LLC, and Din Global Corp. agreed to pay \$5,801,694 to resolve allegations under the False Claims Act related to sales under EPG's GSA contract. The settlement resolves allegations that between 2011 and 2014, EPG falsely certified as a small business in order to obtain contracts set aside for small businesses, and between 2008 and 2015, EPG underreported its GSA contract sales to avoid the payment of GSA's Industrial Funding Fee. GSA OIG investigated this case with the Defense Criminal Investigative Service (DCIS), Department of Commerce OIG, Department of Education OIG, Department of Health and Human Services OIG, and Small Business Administration OIG.

FEDEX AGREED TO PAY \$695,000 TO RESOLVE FALSE CLAIMS ALLEGATIONS

On May 16, 2016, Fed Ex Office and Print Services, Inc. (FedEx) agreed to pay \$695,000 to resolve allegations under the False Claims Act related to its GSA contract sale. The settlement resolves allegations that between 2003 and 2013, FedEx failed to disclose accurate, current, and complete discount information prior to the award of the GSA contract extension, improperly charged sales tax to the United States on certain items, did not accurately compile and report all contract sales, violated the Price Reduction Clause in its contract, and overcharged the United States.

CANON AGREED TO PAY \$550,000 TO RESOLVE FALSE CLAIMS ALLEGATIONS

On May 17, 2016, Canon Inc. (Canon) agreed to pay \$550,000 to resolve allegations under the False Claims Act related to sales under its GSA contract. The investigation was initiated pursuant to an audit of Canon's GSA contract conducted by GSA OIG's Office of Audits. The settlement resolves allegations that between 2001 and 2008, Canon violated the Price Reduction Clause in its contract, overcharged the United States on certain sales, and failed to provide maintenance quantity discounts.

CRIMINAL INVESTIGATIONS

CONTRACTOR FINED \$350,000 FOR FALSELY CLAIMING TO BE A NATIVE AMERICAN FIRM

On May 25, 2016, MT Waterworks was convicted of wire fraud and making false statements for falsely representing themselves as a Native American firm in GSA's System for Award database. The company was sentenced on September 15, 2016, to a \$350,000 fine and a \$800 special assessment. MT Waterworks devised a scheme to obtain money from the Chippewa Cree Tribe, of the Rocky Boy's Indian Reservation, by falsely representing themselves as a Native American firm. The money originated from federal funds that were intended to support the Tribe's North Central Montana Regional Water System Project. The investigation revealed that MT Waterworks was ineligible to bid on and receive these tribal contracts. GSA OIG investigated this case with Department of the Interior OIG.

CONTRACT EMPLOYEES SENTENCED FOR SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS FRAUD

On May 6, 2016, Brian Gerkens, an owner of Diversified Ventures-SDV (Diversified), pleaded guilty to theft related to a Service-Disabled Veteran-Owned Small Business (SDVOSB) fraud scheme. On August 16, 2016, Gerkens was sentenced to 12 months probation and was required to perform 100 hours of community service. On June 24, 2016, Regina Danko, an owner of Diversified, was sentenced to 24 months probation, ordered to pay \$2,439,546 in criminal forfeiture and a \$50,000 fine. Danko previously pleaded guilty to conspiracy to commit wire fraud and false statements related to the scheme. The investigation found that Danko and Gerkens falsely represented to the GSA that Diversified was a legitimate SDVOSB, and received approximately \$8.7 million dollars for a set-aside federal janitorial services contract that they were not entitled to receive. Diversified, a joint-venture company, was made up of Tri-Ark Industries, Inc. and True Blue Building Maintenance, Inc. GSA OIG investigated this case with Department of Veterans Affairs OIG and the Federal Bureau of Investigation (FBI).

CONTRACTOR GUILTY OF SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS FRAUD

On June 15, 2016, David Gorski, owner of Legion Construction Inc., was found guilty of conspiracy to defraud the United States and wire fraud. On September 27, 2016, Gorski was sentenced to 30 months imprisonment, ordered to pay a \$1 million fine and a special assessment of \$500. Gorski had fraudulently obtained over \$100 million in government contracts, including two GSA contracts that were set aside for SDVOSB concerns. He had falsely represented that Legion Construction Inc. was an SDVOSB in order to qualify and obtain the SDVOSB contracts. GSA OIG investigated this case with Army Criminal Investigative Command (Army CID), Naval Criminal Investigative Service, Small Business Administration OIG, and the Department of Veterans Affairs OIG.

INDIVIDUAL SENTENCED FOR USING HIS FATHER'S DISABLED VETERAN STATUS TO GAIN FEDERAL CONTRACTS

On August 11, 2016, Sean Page was sentenced to 69 months imprisonment followed by three years supervised release and was ordered to pay forfeiture in the amount of \$1,270,304. Page was found guilty of one count of theft and two counts of aggravated identity theft. Our investigation determined that Page used the identity of his father, Dalton Page, to establish I2G as an SDVOSB. Sean Page falsely certified information to GSA that I2G was an SDVOSB owned and operated by Dalton Page. Based on these false certifications, I2G was awarded approximately \$2.7 million of set-aside contracts from the Department of Defense and Department of Veterans Affairs. GSA OIG investigated this case with the Department of Veterans Affairs OIG.

FEDERAL CONTRACTOR SENTENCED FOR FRAUD WHILE ON PROBATION FOR BRIBERY OF GOVERNMENT OFFICIAL

On July 5, 2016, Tarsem “Tony” Singh, vice president of Specialty Construction Management (SCM), was sentenced in U.S. District Court to 15 months imprisonment, followed by 36 months supervised release. In addition, Singh was ordered to pay a fine of \$25,000 and restitution of \$119,165. Singh pleaded guilty to one count of conspiracy to commit major fraud against the United States. Previously, in November 2010, Singh was convicted of bribery of a government official and was placed on probation. While on probation, Singh operated and controlled SCM and Design Build Contractors (DBC), both 8(a) program participants. After SCM graduated from the 8(a) program, Singh used DBC as a front to secure 8(a) set-aside contracts valued at over \$8.5 million from GSA, and then used SCM employees, equipment, vehicles, and information technology resources to perform work. This case was investigated jointly with the Small Business Administration OIG and the FBI.

EMPLOYEES OF TWO SURETY COMPANIES CONVICTED OR SENTENCED FOR FALSE SURETY BONDS

On July 14, 2016, Alexander Xavier, president of Xavier Group, was found guilty by a jury of major fraud against the United States, mail fraud, and false statements. On September 16, 2016, Brian Garrahan, president of Quantum Partners, was sentenced to 30 months imprisonment, two years supervised release, and ordered to pay a \$1,108,734 forfeiture. Garrahan’s fiancée Kelly Spillman, office manager of Quantum Partners, was sentenced to 12 months home detention, two years supervised release, and ordered to pay a \$130,173 forfeiture. Xavier, Garrahan, and Spillman issued fraudulent bonds to insure federal government construction projects. GSA OIG investigated this case jointly with Army CID, DCIS, Environmental Protection Agency OIG and the Department of Veterans Affairs OIG.

FORMER GOVERNMENT CONTRACTOR PLEADS GUILTY TO PAYING BRIBES TO GOVERNMENT OFFICIALS

On May 16, 2016, Moustafa Ibrahim pleaded guilty to paying bribes to public officials to obtain work under a GSA contract. In 2010, a criminal indictment was filed charging Ibrahim with bribery and conspiracy. Prior to the indictment, Ibrahim confessed his involvement in a bribery scheme involving GSA officials. He agreed to cooperate with the investigation, but instead of cooperating, he fled the United States to Egypt. An international wanted notice was issued for him by U.S. Customs and Border Patrol. On December 13, 2015, Ibrahim re-entered the U.S. at Dulles International Airport in Virginia and was arrested upon entering the country.

OWNERS OF CONSTRUCTION COMPANY PLEADED GUILTY TO CONSPIRACY

On June 22, 2016, Thomas Harper, former officer and owner of MCC Construction Company (MCC), pleaded guilty to conspiring to obstruct justice against the Small Business Administration (SBA). On August 23, 2016, Walter Crummy, former officer and owner of MCC, pleaded guilty to conspiring to commit wire fraud. The investigation disclosed that from January 2008 through August 2013, MCC partnered with two companies to gain access to government contracts that were awarded through the SBA's 8(a) and HUBZone programs. The two companies misrepresented that they performed the percentage of work which the contracts and SBA's regulations require of prime contractors. In fact, MCC exercised impermissible control over the companies to make it appear that MCC employees were actually employees of the two companies. MCC controlled the bidding process and the performance of work on the contracts. As a result of this false and misleading conduct, the companies obtained approximately \$70,274,894 in government contracts. GSA OIG investigated this case with Army CID, DCIS, FBI, and the SBA OIG.

GSA SUBCONTRACTOR SENTENCED

On July 27, 2016, Mark Kim, a DoD contract employee, was sentenced to three months probation and 200 hours of community service, and fined \$4,000. Kim pleaded guilty in March 2016 to disclosing protected procurement information. This investigation was initiated based on allegations that Kim was in a position to identify specifications for equipment needed to fulfill task orders under GSA and DoD contracts. Kim steered a DoD contract to Computers Universal, Inc. (CUI), to provide maintenance and replacement of datawalls at Osan Air Force Base in Korea. CUI, in turn, gave Kim a percentage of the contract value and subcontracted the work to Kim's company, Sync Tech, Inc. GSA OIG investigated this case with Air Force Office of Special Investigations (OSI) and the DCIS.

OWNER OF NONPROFIT ORGANIZATION SENTENCED ON FALSE STATEMENTS AND THEFT

On May 17, 2016, Benjamin D. Twiggs, the director of Philadelphia Urban Technology Institute (PUTI), was sentenced to four months imprisonment, followed by four months home detention, and three years probation. In addition, Twiggs was ordered to pay a \$2,000 fine and a \$200 special assessment fee. The investigation found that Twiggs received excess computer equipment from federal agencies through the Computers for Learning Program and sold the equipment for profit. Twiggs provided the government with false Internal Revenue Service (IRS) documents purporting that PUTI was an IRS-recognized 501(c) (3) tax-exempt organization.

INDIVIDUAL PLEADED GUILTY AND SENTENCED IN BENEFITS FRAUD SCHEME

On August 17, 2016, Karen Bevens was sentenced to 90 days home confinement, three years probation, restitution of \$40,000, and ordered to perform 80 hours of community service. In May 2016, Bevens pleaded guilty to making a false certification or writing. In February 2016, Darryl Wright, Bevens brother, pleaded guilty to wire fraud and is awaiting sentencing. Bevens and Wright were charged for their involvement in a scheme to fraudulently obtain federal and state benefits related to Wright's service in the Army National Guard and civilian employment with the Department of Commerce and GSA. GSA OIG investigated this case with the Department of Commerce OIG, Social Security Administration OIG, and the Department of Veterans Affairs OIG.

TWO PLEADED GUILTY IN SCHEME TO CIRCUMVENT FEDERAL EXCLUSION RULES

On August 23, 2016, William D. Brown pleaded guilty to making a false statement, and Matt E. Ruck pleaded guilty to aiding and abetting the making of false statements. The investigation revealed that Brown and Ruck created a company, Strategic Resource Group, LLC (SRG), in order to funnel federal contracts to Ruck, who was listed as an excluded party on the Excluded Parties List System and ineligible to receive federal contracts. In carrying out their scheme, Brown and Ruck made false certifications to GSA and concealed material facts regarding SRG's principals. SRG was subsequently awarded \$228,000 in federal contracts, which were all funneled to Ruck. Brown and Ruck are currently awaiting sentencing. GSA OIG investigated this case with Army CID, Defense Logistics Agency OIG, and the Department of Veterans Affairs OIG.

FORMER ARMY CIVILIAN EMPLOYEE PLEADED GUILTY TO THEFT

On August 1, 2016, Matthew R. Richey, a former civilian employee of the U.S. Army, pleaded guilty to theft of government funds. An investigation revealed that Richey used government funds to purchase items through GSA Advantage for his personal use. The estimated loss was \$67,000. GSA OIG investigated this case jointly with the FBI and Army CID.

FIVE INDIVIDUALS INDICTED FOR FRAUD AGAINST THE U.S. GOVERNMENT ON “MADE IN THE USA” MARKETING SCHEME

On September 13, 2016, five individuals were indicted for wire fraud, conspiracy to commit wire fraud, major fraud against the United States, and smuggling goods into the United States. The individuals were executives and management officials at Wellco Enterprises, Inc. (Wellco), who conspired from December 2008 through August 2012 to defraud the U.S. government and other customers. The individuals imported military-style boots that were made in China into the U.S. and then deceptively marketed and sold those boots to the U.S. Armed Forces, government contractors, and the general public as “Made in the USA.” Additionally, the boots were shown as compliant with certain domestic content preference laws, including the Trade Agreements Act and the Berry Amendment. Sales of the boots were made directly to DoD and through Wellco’s contract with GSA. GSA OIG investigated this case with Air Force OSI, DCIS, and Homeland Security Investigations.

PURCHASE CARD FRAUD

FORMER GOVERNMENT EMPLOYEE CHARGED FOR MAKING FRAUDULENT PURCHASES

On May 3, 2016, a former U.S. Department of Energy employee was indicted for theft and wire fraud. The investigation revealed that he made approximately 287 fraudulent and unauthorized purchases with his GSA Smart Pay purchase card, totaling \$37,542. GSA OIG investigated this case with the Department of Energy OIG.

ADMINISTRATIVE INVESTIGATIONS

GSA EMPLOYEE RESIGNS AFTER MAKING FALSE CLAIMS ON TRAVEL VOUCHER

On August 12, 2016, a probationary GSA Building Management Specialist employee resigned in lieu of termination. The investigation was initiated when GSA OIG was notified about a potential fraudulent claim and travel card misuse. Investigators determined the probationary employee submitted false claims for over \$750 on a travel voucher for taxi rides, per diem, and hotel expenses that were not authorized. Additionally, the investigation revealed the probationary employee misused the government travel card to make several unauthorized personal charges.

GSA EMPLOYEE TERMINATED AFTER ADULT PORNOGRAPHY FOUND ON GSA LAPTOPS

On May 17, 2016, a GSA IT specialist was terminated after an investigation determined that he had adult pornography stored on his GSA laptop. The investigation also determined that the IT specialist had adult pictures and movies on both his previously issued and current GSA laptops.

GSA EMPLOYEE RESIGNS AFTER GSA OIG INVESTIGATION

On September 26, 2016, the GSA OIG was notified that a GSA employee resigned in lieu of termination. An investigation was initiated when GSA OIG received a complaint from a GSA contractor that a GSA Building Manager was stealing government construction materials for personal use. The investigation determined the employee stole GSA construction materials from a federal building and had a GSA contractor perform work on the GSA employee's vacation home. In addition, the investigation determined the employee, while employed by the GSA, attended holiday parties thrown by GSA contractors that included gifts, food, and drinks.

FLEET CARD FRAUD

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

- A staff sergeant with New Jersey Army National Guard used a GSA Fleet credit card to purchase gasoline for his personal vehicle and commercial landscaping equipment used on weekends. The staff sergeant entered into a pretrial program after pleading guilty and was ordered to pay \$9,874 in restitution and a \$200 special assessment fee.

- A U.S. Navy Chief Petty Officer used a GSA Fleet credit card to purchase gasoline for two personal vehicles. He pleaded guilty to larceny and failure to obey an order or regulation and was sentenced to 60 days restriction, reduction in rank, and forfeiture of \$2,515.
- A U.S. Army unit supply specialist assigned to the 704th Military Intelligence Brigade in Fort Meade, Maryland, used GSA Fleet credit cards assigned to two government vehicles to purchase gasoline for his personal vehicle and to sell gasoline. The supply specialist was found guilty of larceny and destruction of government property by a court martial and was sentenced to 20 months of confinement and a reduction in grade to E-1, and discharged from the Army with a bad conduct discharge.
- A U.S. Navy Chief Petty Officer at Naval Station Norfolk purchased beer and cigarettes with GSA Fleet credit cards. The Chief Petty Officer pleaded guilty to theft on July 6, 2016, and was subsequently sentenced to 12 months of probation and 100 hours of community service, and ordered to pay \$2,877 in restitution.
- A supply technician for the District of Columbia Fire and Emergency Medical Services used GSA Fleet credit cards to purchase gasoline, food, beverages, and tobacco. He pleaded guilty and was subsequently sentenced to nine months probation and 50 hours of community service, and ordered to pay restitution.
- Two civilian U.S. Army Corps of Engineer employees at the Humphreys Engineer Center used GSA Fleet credit cards to purchase gasoline for their personally owned vehicles. Both employees were charged with and pleaded guilty to theft.
- A Department of Veteran Affairs employee used a GSA Fleet credit card to purchase gasoline for others in exchange for illegal drugs and used a government owned vehicle for personal use. The employee pleaded guilty to aggravated theft and grand theft auto. He was sentenced to 18 months probation and ordered to pay \$2,569 in restitution.
- A convicted felon on federal parole used a counterfeit Fleet credit card to purchase gasoline. He was convicted of four counts of theft and sentenced to six years imprisonment.
- A Louisiana National Guard specialist used a GSA Fleet credit card to purchase fuel for his personally owned vehicle. The National Guard specialist pleaded guilty and was sentenced to reduction in rank and 14 days of extra duty.
- An Army specialist used the GSA Fleet credit card to buy fuel for personal use. He pleaded guilty to theft and was sentenced to one year probation. He was also ordered to pay \$938 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 21 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 \$57,200. 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 578 WPA pieces have been recovered, with a comparative value of \$6,659,350.¹

Notable cases during this reporting period include:

- GSA OIG special agents recovered a WPA oil painting, “Old Ironsides, USS Constitution” by Vadim Vladimirovich Morosoff, after learning the painting was listed for sale at an auction house in Thomaston, Maine.
- GSA OIG special agents recovered a WPA print titled “Old Mill, Vermont” by Isaac J. Sanger, after learning the painting was listed for sale on eBay.
- GSA OIG special agents recovered a WPA oil painting, “Landscape” by Theodore Polos, after learning the painting was offered at auction on eBay.
- GSA OIG special agents assisted the GSA FAP with reclaiming five WPA New Deal era paintings: “Crystal Springs,” “Flower Study (Rainbow Iris),” “Flower Study (Calochortus Albus),” “Mendocino Farm” and “Street Scene,” which were listed on an archived San Francisco History Center inventory listing. The paintings are now on loan to the San Francisco Art Commission.
- GSA OIG special agents assisted the FAP with recovering 12 WPA New Deal era art pieces by various artists. The items were identified during a review of artwork in the possession of the Portland Public Schools. The art pieces are now on loan to Portland Public Schools, Portland, Oregon.
- GSA OIG special agents recovered the WPA painting “Landscape #23” by Dong Kingman, after learning the painting was listed for sale on eBay.

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

OTHER SIGNIFICANT WORK

SUSPENSION AND DEBARMENT INITIATIVE

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

During this reporting period, the OIG made 39 referrals for consideration of suspension or debarment to the GSA Office of Acquisition Policy. GSA issued 117 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 48 briefings attended by 713 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 FraudNet electronic reporting system also allows internet submission of complaints. During the reporting period, we received 1,089 Hotline contacts. Of these, 89 were referred to GSA program officials for review and appropriate action, 21 were referred to other federal agencies, 4 were referred to the OIG Office of Audits, 9 were referred to the OIG Office of Inspections and Forensic Auditing, and 58 were referred to investigative field offices for investigation or further review.

STATISTICAL SUMMARY OF OIG INVESTIGATIONS

April 1, 2016 – September 30, 2016

| OFFICE OF INVESTIGATIONS | |
|---|---------------|
| Referrals for criminal prosecution, civil litigation, administrative action, suspension & debarment | 202 |
| Indictments and informations on criminal referrals | 35 |
| Subjects accepted for criminal prosecution | 51 |
| Subjects accepted for civil action | 5 |
| Convictions | 23 |
| Civil settlements | 4 |
| Contractors/individuals suspended and debarred | 117 |
| Employee actions taken on administrative referrals involving government employees | 12 |
| Number of subpoenas | 40 |
| Civil settlements and court-ordered and investigative recoveries | \$27,055,051* |

* This total includes the FAR disclosures reported on page 25 and the settlements identified in the Statistical Summary of OIG Audits on pages 26-29.

Investigative Workload

The OIG opened 71 investigative cases and closed 157 cases during this period.

Referrals

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

During this period, the OIG also made 13 referrals to GSA officials for information purposes only.

Actions on OIG Referrals

Based on these and prior referrals, 51 subjects were accepted for criminal prosecution and 5 subjects were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 35 indictments or informations and 23 convictions. OIG civil referrals resulted in 4 subject settlements. Based on OIG administrative referrals, GSA management debarred 56 contractors or individuals, suspended 61 contractors or individuals, and took 12 personnel actions against government employees.

Table 4. Summary of OIG Referrals

| TYPE OF REFERRAL | CASES | SUBJECTS |
|--|-----------|------------|
| Criminal | 40 | 74 |
| Civil | 16 | 47 |
| Administrative Referrals for Action/Response | | 42 |
| Suspension | 4 | 8 |
| Debarment | 17 | 31 |
| TOTAL | 77 | 202 |

Monetary Results

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

Table 5. Criminal and Civil Results

| | CRIMINAL | CIVIL |
|---------------------|--------------------|----------------------|
| Fines and Penalties | \$1,432,000 | |
| Settlements | | \$18,435,694* |
| Recoveries | | \$0 |
| Forfeitures | \$2,511,727 | |
| Seizures | \$0 | |
| Restitutions | \$250,788 | |
| TOTAL | \$4,194,515 | \$18,435,694* |

* This total includes the settlements identified in the Statistical Summary of OIG Audits on pages 26-29.

Table 6. Non-Judicial Recoveries**

| | |
|---------------------------|----------------------|
| Administrative Recoveries | \$4,022,577** |
| Forfeitures/Restitution | \$402,265 |
| TOTAL | \$4,424,842** |

** This total includes the FAR disclosures reported on page 25.

GOVERNMENT-WIDE POLICY ACTIVITIES

GOVERNMENT-WIDE POLICY ACTIVITIES

We regularly provide advice and assistance on government-wide policy matters to the Agency, as well as to other federal agencies and committees of Congress. In addition, as required by the 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 the Agency's programs and operations and on the prevention and detection of fraud and mismanagement. Because of the central management role of the Agency in shaping government-wide policies and programs, most of the legislation and regulations reviewed invariably affect government-wide issues such as procurement, property management, travel, and government management and IT systems.

Legislation and Regulations

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

Interagency and Intra-agency Committees and Working Groups

- **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** The IG is a member of the Investigations Committee. The IG is also the liaison between CIGIE and the Federal Chief Acquisition Officers Council. Through CIGIE, we also participate in the following organizations:
 - **CIGIE Disaster Assistance Working Group.** As a member, the GSA OIG works with the Group to share information, identify best practices, and participate on an ad hoc basis with other governmental entities to prevent, detect, and remediate waste, fraud, and abuse related to Federal disaster response and assistance.
 - **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 (GAO), (3) developing a common review approach and methodology, and (4) coordinating key communications with other stakeholders. The Office of Audits participates to stay abreast of the latest DATA Act developments in order to monitor the Agency's implementation of the DATA Act.
 - **CIGIE Inspections and Evaluations Roundtable.** The Office of Inspections and Forensic Auditing participates in the CIGIE Inspections and Evaluations Roundtable. This roundtable provides a forum to share information and coordinate issues of importance with the OIG inspections and evaluations community.
 - **Data Analytics Options Working Group.** The Office of Investigations participates in the CIGIE Data Analytics Options Working Group. The working group's mission is to identify possible data analytics options for CIGIE to consider in light of the sunset of the Recovery Accountability and Transparency Board and its Recovery Operations Center (ROC). The working group was formed in response to a GAO report issued in September 2015 related to the ROC, which suggested that Congress may wish to consider directing CIGIE to develop a legislative proposal to reconstitute the essential capabilities of the ROC to help ensure federal spending accountability. The group is working to develop scalable analytic options for CIGIE membership to consider.



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

APPENDICES

APPENDIX I

ACRONYMS AND ABBREVIATIONS

| | |
|----------|---|
| AFR | Agency Financial Report |
| AIG | Associate Inspector General |
| Army CID | Army Criminal Investigative Command |
| CIGIE | Council of the Inspectors General on Integrity and Efficiency |
| COR | contracting officer's representative |
| CSP | commercial sales practices |
| CUI | Computers Universal, Inc. |
| DATA Act | Digital Accountability and Transparency Act |
| DBC | Design Build Contractors |
| DCIS | Defense Criminal Investigative Service |
| DoD | Department of Defense |
| EPG | En Pointe Gov. Inc. |
| ESPC | Energy Savings Performance Contracts |
| FAEC | Federal Audit Executive Council |
| FAP | Fine Arts Program |
| FAR | Federal Acquisition Regulation |
| FAS | Federal Acquisition Service |
| FBI | Federal Bureau of Investigation |
| FY | Fiscal Year |
| GAO | Government Accountability Office |
| GSA | General Services Administration |
| IFF | Industrial Funding Fee |
| IG | Inspector General |
| IOA | Industrial Operations Analyst |
| IRS | Internal Revenue Service |
| IT | Information Technology |
| NIST | National Institute of Standards and Technology |
| O&M | Operations and Maintenance |
| OCFO | Office of the Chief Financial Officer |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| OSI | Air Force Office of Special Investigations |
| P.L. | public law |
| PBS | Public Buildings Service |
| PII | personally identifiable information |
| PUTI | Philadelphia Urban Technology Institute |
| ROC | Recovery Operations Center |
| SBA | Small Business Administration |
| SCM | Specialty Construction Management |
| SDVOSB | Service-Disabled Veteran-Owned Small Business |
| SRG | Strategic Resource Group, LLC |
| U.S.C. | United States Code |
| WPA | Works Progress Administration |

APPENDIX II

SIGNIFICANT AUDITS FROM PRIOR REPORTS

GSA's audit management decision process assigns responsibility for tracking the implementation of audit recommendations after a management decision has been reached to its Office of Administrative Services and Office of the Chief Financial Officer. These offices furnished the following status information.

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

LIMITED SCOPE AUDIT - GSA PROVIDED CLOUD COMPUTING SERVICES AT NO COST TO A GOVERNMENT AGENCY

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

Our objective was to determine if GSA's email pilot program with the Peace Corps was appropriately executed in accordance with guidance from the Office of Management and Budget, the Federal Chief Information Officers Council, the Economy Act of 1932, and other applicable guidance and regulations. We made six recommendations; five have not been implemented.

The remaining recommendations involve identifying the IT shared services and IT pilot programs that GSA is offering, or will offer, to other government agencies; establishing policy to require advance senior leadership approval of IT shared services and IT pilot programs with other government agencies; ensuring GSA's IT shared services and IT pilot program agreements receive advance review by GSA's Office of General Counsel; ensuring that all shared services are approved by the Office of Management and Budget prior to providing services to other agencies; and ensuring there is an active agreement governing both GSA's and its customers' responsibilities at all times when shared services are being provided. The recommendations are scheduled for completion by November 30, 2016.

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 the PBS complies 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 have not been implemented.

The recommendations involve the PBS Regional Commissioner, Northeast and Caribbean Region, directing management in PBS's Upstate Service Center to ensure personnel in charge of the Keating 1st Floor District Courtroom and Chambers Project enforce contractor security clearance requirements in accordance with the contract; establish and implement internal controls that mitigate any conflicts of interest between project management and the enforcement of security clearance requirements; and determine and implement the appropriate corrective actions needed for not enforcing the contract's security clearance requirements. The recommendations are scheduled for completion by October 31, 2016.

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

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

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

The remaining recommendations involve providing specialized training for contracting officers who award and administer Multiple Award Schedule contracts that includes course FCN 401, *Awarding and Administering Multiple Award Schedules*; and granting Central Office portfolio training coordinators system access to generate reports in the Federal Acquisition Institute Training Application System that track Federal Acquisition Certification in Contracting and warrant compliance for their assigned staff. The recommendations are scheduled for completion by June 25, 2018.

PBS NCR TRIANGLE SERVICE CENTER VIOLATED FEDERAL REGULATIONS AND GSA POLICY WHEN AWARDING AND ADMINISTERING CONTRACTS

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

Our objective was to determine whether the PBS National Capital Region's Triangle Service Center followed current procurement regulations and policies for ordering and accepting goods and services. We made five recommendations; one has not been implemented.

The remaining recommendation involves developing, implementing, and maintaining the management controls necessary to ensure that the PBS National Capital Region is not procuring or participating in personal services contracts. The recommendation is scheduled for completion by October 31, 2016.

OPPORTUNITIES EXIST TO STRENGTHEN THE FEDERAL ACQUISITION SERVICE'S CONTRACTING OFFICER'S REPRESENTATIVE WORKFORCE

Period First Reported: April 1, 2014, to September 30, 2014

Our objectives were to determine if FAS CORs are certified, designated, and developed in accordance with the Office of Federal Procurement Policy's Federal Acquisition Certification for Contracting Officer's Representatives Program and applicable GSA guidance; and whether the COR Certification Program is effectively managed to ensure consistency and transparency. We made six recommendations, which GSA completed. However, we conducted an implementation review and determined that three recommendations were not fully implemented. These three recommendations were reopened on August 4, 2016.

The reopened recommendations involve implementing a control to ensure that all FAS CORs are accounted for and registered in the Federal Acquisition Institute Training Application System; improving quality, use, and tracking of COR designation letters; and developing a method to quantify and monitor COR workload. The recommendations are scheduled for completion by March 10, 2017.

PROCUREMENT ERRORS, FINANCIAL LOSSES, AND DEFICIENT CONTRACT ADMINISTRATION DEMONSTRATE INEFFECTIVE MANAGEMENT OF THE RONALD REAGAN BUILDING AND INTERNATIONAL TRADE CENTER

Period First Reported: April 1, 2014, to September 30, 2014

Our objectives were to determine whether conditions identified in a prior audit report were corrected under the new contract and whether internal controls for the contract effectively prevent procurement errors. We made nine recommendations; one has not been implemented.

The remaining recommendation involves ensuring objectivity in exercising current contract options or awarding a future contract, including collecting historical data, conducting market research, and limiting an individual's influence in the source selection process. The recommendation is scheduled for completion by October 31, 2016.

Reports with recommendations that had not been fully implemented as of September 30, 2016, but have since been implemented.

**LIMITED SCOPE AUDIT - OPERATIONS AND MAINTENANCE SERVICES
CONTRACT AT ST. ELIZABETHS**

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

Resolved on October 13, 2016.

**FAS HAS NOT EFFECTIVELY DIGITIZED FEDERAL SUPPLY SCHEDULES
CONTRACT FILES**

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

Resolved on October 13, 2016.

**PBS NCR POTOMAC SERVICE CENTER VIOLATED FEDERAL
REGULATIONS WHEN AWARDING AND ADMINISTERING CONTRACTS**

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

Resolved on October 6, 2016.

APPENDIX III

AUDIT AND INSPECTION REPORT REGISTER

| | | | FINANCIAL RECOMMENDATIONS | |
|---|---------------|--|----------------------------|--------------------------------|
| DATE OF REPORT | REPORT NUMBER | TITLE | FUNDS BE PUT TO BETTER USE | QUESTIONED (UNSUPPORTED) COSTS |
| (Note: Because some audits pertain to contract awards or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.) | | | | |
| PBS INTERNAL AUDITS | | | | |
| 09/27/16 | A150009 | PBS's Energy Savings Performance Contract Awards May Not Meet Savings Goals | | |
| PBS CONTRACT AUDITS | | | | |
| 05/11/16 | A160051 | Examination of a Claim: Motir Services, Inc., Contract Number GS-11P-09-YT-C-0497 | | |
| FAS INTERNAL AUDITS | | | | |
| 07/22/16 | A120026 | IT Reseller Contracts Present Significant Challenges for GSA's Schedules Program | | |
| 07/22/16 | A150033 | The Federal Acquisition Service Needs a Comprehensive Human Capital Plan for its Contract Specialist Workforce | | |
| 08/03/16 | A160081 | Implementation Review of Corrective Action Plan: Opportunities Exist to Strengthen the Federal Acquisition Service's Contracting Officer's Representative Workforce | | |
| 09/21/16 | A150131 | Audit of the Federal Acquisition Service's Contractor Assessments Program | | |
| 09/28/16 | A160119 | Implementation Review of Action Plan: Audit of the Administration of Regional Local Telecommunications Services Contracts, Northeast and Caribbean Region Report Number A130010/Q/2/P14003 August 11, 2014 | | |
| 09/28/16 | A150022 | Audit of Price Evaluations and Negotiations for Schedule 70 Contracts | | |
| FAS CONTRACT AUDITS | | | | |
| 04/14/16 | A160020 | Preaward Examination of Multiple Award Schedule Contract Extension: Concurrent Technologies Corporation, Contract Number GS-00F-0072M | | |
| 04/18/16 | A150097 | Preaward Examination of Multiple Award Schedule Contract Extension: Acumen, LLC. Contract Number GS-10F-0133S | | |
| 04/21/16 | A140052 | Preaward Examination of Multiple Award Schedule Contract Extension: LB&B Associates, Inc., Contract Number GS-06F-0025R | | |
| 04/22/16 | A150108 | Preaward Examination of Multiple Award Schedule Contract Extension: National Office Furniture, Inc., Contract Number GS-27F-0034X | | |
| 04/26/16 | A160029 | Preaward Examination of Multiple Award Schedule Contract Extension: Delta Research Associates, Inc., Contract Number GS-00F-0028L | | \$112,884 |
| 04/27/16 | A150095 | Preaward Examination of Multiple Award Schedule Contract Extension: DRS Technical Services, Inc., Contract Number GS-35F-0148S | | |
| 05/12/16 | A160026 | Preaward Examination of Multiple Award Schedule Contract Extension: Skyline Unlimited, Inc., Contract Number GS-00F-0001U | | \$35,373 |
| 05/23/16 | A150073 | Preaward Examination of Multiple Award Schedule Contract Extension: Simmonds Precision Products, Inc., Contract Number GS-07F-6062R | | \$531 |
| 05/26/16 | A150099 | Preaward Examination of Multiple Award Schedule Contract Extension: InfoReliance Corporation, Contract Number GS-35F-0273L | | |
| 06/09/16 | A150110 | Preaward Examination of Multiple Award Schedule Contract Extension: Vecna Technologies, Inc., Contract Number GS-35F-0363L | | |

| DATE OF REPORT | REPORT NUMBER | TITLE | FINANCIAL RECOMMENDATIONS | |
|----------------|---------------|--|----------------------------|--------------------------------|
| | | | FUNDS BE PUT TO BETTER USE | QUESTIONED (UNSUPPORTED) COSTS |
| 06/24/16 | A150085 | Preaward Examination of Multiple Award Schedule Contract Extension: Mathematica Policy Research, Inc., Contract Number GS-10F-0050L | | \$172,827 |
| 06/27/16 | A150090 | Preaward Examination of Multiple Award Schedule Contract Extension: Advantaged Solutions, Inc., Contract Number GS-35F-0926R | | |
| 06/30/16 | A150068 | Preaward Examination of Multiple Award Schedule Contract Extension: COLSA Corporation, Contract Number GS-23F-0003L | | |
| 07/07/16 | A150140 | Postaward Examination of Multiple Award Schedule Contract: Intelligent Decisions, Inc., Contract Number GS-35F-4153D | | |
| 07/08/16 | A110183 | Interim Postaward Examination of Multiple Award Schedule Contract: FedEx Office and Print Services, Inc., Contract Number GS-25F-0006P, For the Period January 16, 2009, through December 31, 2011 | | \$695,000 |
| 07/15/16 | A140048 | Preaward Examination of Multiple Award Schedule Contract Extension: ActioNet, Inc. Contract Number GS-35F-0570J | | \$24,597 |
| 07/20/16 | A150078 | Preaward Examination of Multiple Award Schedule Contract Extension: Thermo Scientific Portable Analytical Instruments, Inc., Contract Number GS-07F-6099R | | \$519,992 |
| 07/21/16 | A150087 | Preaward Examination of Multiple Award Schedule Contract Extension: LC Industries, Contract Number GS-02F-0026S | | \$83,268 |
| 07/22/16 | A150116 | Limited Scope Postaward Examination of Multiple Award Schedule Contract: Environmental Systems Research Institute, Inc. | | \$65,231 |
| 07/27/16 | A160050 | Preaward Examination of Multiple Award Schedule Contract Extension: Akimeka, LLC., Contract Number GS-35F-0597L | | \$45,825 |
| 07/27/16 | A150080 | Preaward Examination of Multiple Award Schedule Contract Extension: Connecticut Container Corporation, Contract Number GS-15F-0003L | | |
| 08/03/16 | A140137 | Preaward Examination of Multiple Award Schedule Contract Extension: CSRA Inc., Contract Number GS-23F-0092K | | |
| 08/04/16 | A150107 | Preaward Examination of Multiple Award Schedule Contract Extension: Radiance Technologies, Inc., Contract Number GS-23F-0147L | | \$529,097 |
| 08/05/16 | A160046 | Preaward Examination of Multiple Award Schedule Contract Extension: Franconia Real Estate Services, Inc., Contract Number GS-23F-0202L | | \$1,387 |
| 08/08/16 | A160039 | Preaward Examination of Multiple Award Schedule Contract Extension: Carahsoft Technology Corporation, Contract Number GS-35F-0119Y | | |
| 08/15/16 | A160034 | Preaward Examination of Multiple Award Schedule Contract Extension: Federal Express Corporation, Contract Number GS-23F-0170L | | |
| 08/16/16 | A120170 | Postaward Examination of Multiple Award Schedule Contract: Ernst & Young LLP, Contract Number GS-23F-8152H | | |
| 08/19/16 | A150050 | Preaward Examination of Multiple Award Schedule Contract Extension: Trane U.S. Inc., Contract Number GS-07F-0248K | | \$2,137 |
| 08/22/16 | A150109 | Preaward Examination of Multiple Award Schedule Contract Extension: Sotera Defense Solutions, Inc., Contract Number GS-35F-0344L | | \$935,520 |
| 08/25/16 | A110045 | Postaward Audit of Multiple Award Schedule Contract: Deloitte Consulting LLP, Contract Number GS-35F-0060L | | \$11,389,000 |
| 08/25/16 | A160056 | Preaward Examination of Multiple Award Schedule Contract Extension: Omniplex World Services Corporation, Contract Number GS-15F-0051L | | |
| 08/29/16 | A160017 | Preaward Examination of Multiple Award Schedule Contract Extension: PotomacWave Consulting, Inc., Contract Number GS-00F-0007X | | \$91,426 |

| DATE OF REPORT | REPORT NUMBER | TITLE | FINANCIAL RECOMMENDATIONS | |
|-----------------------|---------------|--|----------------------------|--------------------------------|
| | | | FUNDS BE PUT TO BETTER USE | QUESTIONED (UNSUPPORTED) COSTS |
| 08/31/16 | A150101 | Preaward Examination of Multiple Award Schedule Contract Extension: immixTechnology, Inc., Contract Number GS-35F-0265X | | \$91,003 |
| 09/02/16 | A160036 | Preaward Examination of Multiple Award Schedule Contract Extension: Varec, Incorporated, Contract Number GS-35F-0549L | | \$335,264 |
| 09/08/16 | A160061 | Preaward Examination of Multiple Award Schedule Contract Extension: SkillSoft Corporation, Contract Number GS-02F-0040L | | \$71,274 |
| 09/08/16 | A160027 | Preaward Examination of Multiple Award Schedule Contract Extension: Agilent Technologies, Incorporated, Contract Number GS-07F-0564X | | \$3,352 |
| 09/09/16 | A160083 | Preaward Examination of Multiple Award Schedule Contract Extension: The Tauri Group, LLC, Contract Number GS-00F-0006V | | |
| 09/13/16 | A160038 | Preaward Examination of Multiple Award Schedule Contract Extension: Affigent, LLC, Contract Number GS-35F-0509S | | |
| 09/14/16 | A160049 | Postaward Examination of Multiple Award Schedule Contract: Parsons Government Services, Inc., Contract Number GS-00F-0005R | | \$49,989 |
| 09/15/16 | A160068 | Preaward Examination of Multiple Award Schedule Contract Extension: Knight Point Systems, LLC, Contract Number GS-35F-0646S | | \$23,009 |
| 09/16/16 | A080116 | Review of Multiple Award Schedule Contract, Canon U.S.A., Incorporated, Contract Number: GS-25F-0023M, for the period October 1, 2001, through December 22, 2008 | | \$550,000 |
| 09/19/16 | A160093 | Limited Scope Postaward Examination of Multiple Award Schedule Contract: United Liquid Gas Company, Contract Number GS-07F-0532M | | \$3,321,947 |
| 09/28/16 | A160021 | Limited Scope Postaward Examination of Multiple Award Schedule Contract: Foresee Results, Inc. Contract Number: GS-10F-0044W | | \$874,127 |
| 09/29/16 | A160072 | Preaward Examination of Multiple Award Schedule Contract Extension: Overwatch Systems, Ltd., Contract Number GS-35F-0616X | | \$62,955 |
| 09/29/16 | A140053 | Preaward Examination of Multiple Award Schedule Contract Extension: EMCOR Government Services, Inc., Contract Number GS-06F-0035R | | |
| OTHER INTERNAL AUDITS | | | | |
| 05/11/16 | A160018 | GSA Did Not Fully Comply with the Improper Payments Acts in FY 2015 | | |
| 09/28/16 | A160028 | Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015 | | |
| 09/30/16 | A160022 | GSA's Purchase Card Program is Vulnerable to Illegal, Improper, or Erroneous Purchases | | |

INSPECTION REPORTS

| OFFICE OF THE ADMINISTRATOR | | |
|-----------------------------|----------|--|
| 05/12/16 | JE16-004 | Management Alert Report: GSA Data Breach |

APPENDIX IV

OIG REPORTS OVER 12 MONTHS OLD, FINAL AGENCY ACTION PENDING

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

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

| DATE OF REPORT | REPORT NUMBER | TITLE |
|-----------------|---------------|--|
| CONTRACT AUDITS | | |
| 05/16/11 | A110063 | Postaward Examination of Multiple Award Schedule, Contract Number GS-35F-0554K, For the Period January 1, 2008 to December 31, 2010: IntelliDyne, LLC |
| 07/28/11 | A110088 | Postaward Examination of Multiple Award Schedule, Contract Number GS-07F-6028P for the Period January 1, 2009, to December 31, 2010: Global Protection USA, Inc. |
| 08/03/11 | A100119 | Preaward Review of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS-06F-0032K |
| 01/23/12 | A110186 | Preaward Examination of Multiple Award Schedule Contract Extension: BRSI, L.P., Contract Number GS-23F-0186L |
| 07/17/12 | A120136 | Examination of a Claim: Lenex Steel Company, Subcontractor to Caddell Construction Co., Inc., Contract Number GS-05P-02-GB-C-0089 |
| 08/15/12 | A110209 | Preaward Audit of Multiple Award Schedule Contract Extension: Proper International Sales, Inc., Contract Number GS-07F-0228M |
| 08/21/12 | A120083 | Examination of a Change Order Proposal: M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010 |
| 10/16/12 | A120071 | Preaward Examination of Multiple Award Schedule Contract Extension: ICF Z-Tech, Inc., Contract Number GS-35F-0102M |
| 01/24/13 | A120150 | Preaward Examination of Multiple Award Schedule Contract Extension: Grant Thornton LLP, Contract Number GS-23F-8196H |
| 01/30/13 | A120165 | Examination of Conversion Proposal: Skanska USA Building, Inc., Contract Number GS-04P-09-EX-C-0078 |
| 03/28/13 | A130034 | Examination of Claim: Caddell Construction Co., Inc., Contract Number GS-05P-02-GBC-0089 |
| 03/29/13 | A120127 | Preaward Examination of Multiple Award Schedule Contract Extension: General Dynamics Information Technology, Inc., Contract Number GS-23F-8049H |

| DATE OF REPORT | REPORT NUMBER | TITLE |
|----------------|---------------|---|
| 04/17/13 | A120162 | Preaward Examination of Multiple Award Schedule Contract Extension: Kforce Government Solutions, Inc., Contract Number GS-23F-9837H |
| 05/22/13 | A120175 | Preaward Examination of Multiple Award Schedule Contract Extension: STG Inc., Contract Number GS-35F-4951H |
| 07/18/13 | A100054 | Limited Scope Review of Contractor-Disclosed Overbillings: Northrop Grumman Information Technology, Inc., Contract Number GS-35F-4506G |
| 01/31/14 | A130071 | Preaward Examination of Multiple Award Schedule Contract Extension: Industries for the Blind, Inc., Contract Number GS-02F-0208N |
| 03/24/14 | A130099 | Examination of a Claim: HCBeck, Ltd., Contract Number GS-07P-09-UY-C-0007 |
| 03/31/14 | A130049 | Preaward Examination of Multiple Award Schedule Contract Extension: SimplexGrinnell LP, Contract Number GS-06F-00054N |
| 04/14/14 | A130136 | Preaward Examination of Multiple Award Schedule Contract: Fisher Scientific Company L.L.C., Solicitation Number 7FCB-C4-070066-B |
| 04/24/14 | A110139 | Postaward Examination of Multiple Award Schedule Contract: Alaska Structures, Incorporated, Contract Number GS-07F-0084K |
| 06/19/14 | A140057 | Preaward Examination of Multiple Award Schedule Contract Extension: ATD-American Co., Contract Number GS-28F-0030P |
| 06/26/14 | A140126 | Examination of a Final Settlement Proposal: Hoar-Christman, LLC, Contract Number GS-04P-09-EX-C-0077 |
| 07/16/14 | A130043 | Limited Scope Postaward Examination of Multiple Award Schedule Contract: ICF Z-Tech, Inc., Contract Number GS-35F-0102M |
| 07/29/14 | A130116 | Preaward Examination of Multiple Award Schedule Contract Extension: Management Concepts, Inc., Contract Number GS-02F-0010J |
| 08/29/14 | A130125 | Preaward Examination of Multiple Award Schedule Contract Extension: Sigmatech, Incorporated, Contract Number GS-23F-0090P |
| 09/16/14 | A140132 | Preaward Examination of Multiple Award Schedule Contract Extension: A-T Solutions, Inc., Contract Number GS-02F-0193P |
| 09/25/14 | A140044 | Preaward Examination of Multiple Award Schedule Contract Extension: American Institutes for Research in the Behavioral Sciences, Contract Number GS-10F-0112J |
| 09/29/14 | A140122 | Examination of Administrative Labor Rates, Employee Qualifications, and Change Order Markups: Swinerton Builders, Contract Number GS-09P-09-KTC-0103 |
| 11/10/14 | A140110 | Examination of Claims: Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010 |
| 11/14/14 | A140123 | Preaward Examination of Multiple Award Schedule Contract Extension: The Columbia Group, Inc., Contract Number GS-23F-0114J |
| 12/03/14 | A110194 | Limited Scope Postaward Examination: Global Mail, Incorporated, Contract Number GS-10F-0208L |
| 12/24/14 | A140124 | Examination of a Credit Change Order Proposal: Tocci/Driscoll, A Joint Venture, Contract Number GS-02P-09-DTC-0018 |
| 01/30/15 | A140116 | Examination of a Claim: City Lights Electrical Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010 |

| DATE OF REPORT | REPORT NUMBER | TITLE |
|----------------|---------------|---|
| 03/05/15 | A110188 | Preaward Examination of Multiple Award Schedule Contract Extension: Mythics, Inc., Contract Number GS-35F-0153M |
| 03/20/15 | A140127 | Preaward Examination of Multiple Award Schedule Contract Extension: Booz Allen Hamilton Inc., Contract Number GS-23F-0025K |
| 03/27/15 | A140149 | Examination of a Request for Equitable Adjustment: Donaldson Interiors, Inc. Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021 |
| 03/31/15 | A140039 | Preaward Examination of Multiple Award Schedule Contract Extension: High Performance Technologies Innovations, LLC, Contract Number GS-35F-0333P |
| 04/13/15 | A140083 | Preaward Examination of Multiple Award Schedule Contract Extension: Arcadis U.S., Inc., Contract Number GS-10F-0266K |
| 04/15/15 | A140036 | Preaward Examination of Multiple Award Schedule Contract Extension: VSE Corporation, Contract Number GS-10F-0096V |
| 04/30/15 | A140144 | Limited Scope Postaward Examination: Integrity Management Consulting, Inc., GSA Contract Number GS-10F-0186U, BPA Number GS-23F-ST001, Task Order Number GS-P-00-11-CY-0012 |
| 06/03/15 | A140059 | Preaward Examination of Multiple Award Schedule Contract Extension: BAE Systems Information Solutions Inc., Contract Number GS-35F-0045K |
| 06/10/15 | A140074 | Preaward Examination of Multiple Award Schedule Contract Extension: TASC, Inc., Contract Number GS-23F-0008K |
| 06/19/15 | A140154 | Preaward Examination of Multiple Award Schedule Contract Extension: Partnet, Inc., Contract Number GS-35F-0195W |
| 07/08/15 | A150071 | Preaward Examination of Multiple Award Schedule Contract Extension: CAS, Inc., Contract Number GS-23F-0002L |
| 07/14/15 | A150003 | Preaward Examination of Multiple Award Schedule Contract Extension: Raydon Corporation, Contract Number GS-02F-0154R |
| 08/13/15 | A100218 | Limited Scope Postaward Examination of Multiple Award Schedule Contract: Geneva Worldwide, Inc., Contract Number GS-10F-0109P |
| 08/19/15 | A150067 | Examination of a Request for Equitable Adjustment: Limbach Company, LLC, Subcontractor to Columbia Construction Company, Contract Number GS-01P-09-BZ-C-0014 |
| 08/21/15 | A140131 | Preaward Examination of Multiple Award Schedule Contract Extension: Executive Information Systems, LLC, Contract Number GS-35F-0170K |
| 09/01/15 | A150121 | Examination of a Request for Equitable Adjustment: H. Carr & Sons, Inc., Subcontractor to Columbia Construction Company, Contract Number GS-01P-09-BZ-C-0014 |
| 09/03/15 | A150006 | Preaward Examination of Multiple Award Schedule Contract Extension: Stratus Consulting, Inc., Contract Number GS-10F-0299K |
| 09/14/15 | A150124 | Examination of a Final Settlement Proposal: Swinerton Builders, Contract Number GS-09P-09-KT-C-0103 |
| 09/23/15 | A140079 | Preaward Examination of Multiple Award Schedule Contract Extension: CACI, Inc. - FEDERAL, Contract Number GS-10F-0226K |
| 09/30/15 | A150002 | Preaward Examination of Multiple Award Schedule Contract Extension: Government Contract Solutions, Inc., Contract Number GS-10F-0362R |

| DATE OF REPORT | REPORT NUMBER | TITLE | PROJECTED FINAL ACTION DATE |
|-----------------|---------------|---|-----------------------------|
| INTERNAL AUDITS | | | |
| 06/17/14 | A110217 | Procurement Errors, Financial Losses, and Deficient Contract Administration Demonstrate Ineffective Management of the Ronald Reagan Building and International Trade Center | 10/31/16 |
| 09/29/14 | A120164 | Improving the Telecommunications Order and Invoice Processing Could Benefit Customers of the Federal Acquisition Service's Network Services Division, Pacific Rim Region | 05/31/17 |
| 09/29/14 | A130007 | Opportunities Exist to Strengthen the Federal Acquisition Service's Contracting Officer's Representative Workforce | 03/10/17 |
| 06/26/15 | A140008 | FAS Needs to Strengthen its Training and Warranting Program for Contracting Officers | 06/25/18 |
| 06/30/15 | A130129 | PBS NCR Triangle Service Center Violated Federal Regulations and GSA Policy When Awarding and Administering Contracts | 10/31/16 |

APPENDIX V

OIG REPORTS WITHOUT MANAGEMENT DECISION

Section 5(a)(10) 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. GSA has a system in place to track reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by the OIG and agreed to by management are addressed as efficiently and expeditiously as possible. There is one OIG report that meets this requirement this reporting period.

LIMITED SCOPE POSTAWARD EXAMINATION OF A CONSULTING CONTRACTOR

We performed this examination to determine whether the contractor complied with the Price Reductions Clause; accurately billed GSA customers according to the terms and conditions under the GSA schedule task order; accurately reported the IFF; and ensured contractor employees met the contract qualification requirements of the labor disciplines offered and billed under the GSA schedule task order. We concluded that the contractor potentially overbilled GSA for work not performed during the government shutdown period from October 1 through October 16, 2013. During the shutdown period, the contractor did not perform any work on the GSA schedule task order but did not adjust its billings. While it appears that the contractor accurately billed GSA based on the terms and conditions of the fixed price task order, this matter is currently in litigation. At dispute is whether the requirement of a 40-hour work week means that the contractor is only entitled to bill for actual hours worked. The contractor complied with the Price Reductions Clause of its contract, submitted the correct IFF based on the amounts billed, and provided employees who met the contract qualification requirements of the labor disciplines offered and billed under the GSA schedule task order.

We are working with Agency officials to resolve these issues.

APPENDIX VI

PEER REVIEW RESULTS

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

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

The Office of Investigations received a full compliance rating from its last peer review, which was conducted by the Small Business Administration in 2013.

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

APPENDIX VII

GOVERNMENT CONTRACTOR SIGNIFICANT REPORT FINDINGS

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

In October 2010, GSA requested that we initiate a postaward audit of a Deloitte Consulting LLP (Deloitte) contract. The postaward audit revealed that Deloitte's disclosures contained defective data. We calculated \$143.8 million in defective pricing damages and \$4.4 million in overbillings for subcontract labor. In addition, Deloitte did not monitor for price reductions for the life of the schedule contract, which resulted in unreported price reductions of \$127.4 million.

The Department of Justice initiated a False Claims Act investigation against Deloitte, based on our postaward examination findings. On June 1, 2016, Deloitte made a payment of \$11,402,417 (including interest) to the Department of the Treasury to settle all matters related to this investigation.

APPENDIX VIII

REPORTING REQUIREMENTS

The table below cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information requested by the Congress in Senate Report No. 96-829 relative to the 1980 Supplemental Appropriations and Rescission Bill, the National Defense Authorization Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act are also cross-referenced to the appropriate page of the report.

| REQUIREMENT | PAGE |
|---|------|
| INSPECTOR GENERAL ACT OF 1978, AS AMENDED | |
| Section 4(a)(2) – Review of Legislation and Regulations | 52 |
| Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies | 8 |
| Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies | 8 |
| Section 5(a)(3) – Prior Recommendations Not Yet Implemented | 57 |
| Section 5(a)(4) – Matters Referred to Prosecutive Authorities | 48 |
| Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused | none |
| Section 5(a)(6) – List of OIG Reports | 61 |
| Section 5(a)(7) – Summary of Each Particularly Significant Report | 8 |
| Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs | 29 |
| Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use | 28 |
| Section 5(a)(10) – Summary of OIG Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made | 68 |
| Section 5(a)(11) – Description and Explanation for Any Significant Revised Management Decision | none |
| Section 5(a)(12) – Information on Any Significant Management Decisions with Which the Inspector General Disagrees | none |
| SENATE REPORT NO. 96-829 | |
| Resolution of Audits | 26 |
| NATIONAL DEFENSE AUTHORIZATION ACTS | |
| Public Law 104-106, 5 U.S.C. app. 3, § 5 note | 64 |
| Public Law 110-181 | 70 |
| DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT | |
| Peer Review Results | 69 |



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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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