



# SEMIANNUAL REPORT TO THE CONGRESS



**OFFICE OF INSPECTOR GENERAL**

U.S. GENERAL SERVICES ADMINISTRATION

April 1, 2017 – September 30, 2017

# CONTENTS

<b>1</b>	<b>OIG PROFILE</b>
2	OIG Profile
4	OIG Organization Chart
5	Fiscal Year 2017 Results
6	GSA's Management Challenges
<b>7</b>	<b>SIGNIFICANT AUDITS</b>
8	Significant Audits
14	Summary of Contract Audit Reports
15	FAR Disclosure Program
16	Statistical Summary of OIG Audits
<b>21</b>	<b>SIGNIFICANT INSPECTIONS</b>
22	Significant Inspections
<b>23</b>	<b>SIGNIFICANT INVESTIGATIONS</b>
25	Significant Investigations
25	Civil Settlements
26	Criminal Investigations
31	Administrative Misconduct
32	Fleet Card Fraud
33	WPA Art Investigations
34	Other Significant Work
35	Statistical Summary of OIG Investigations
<b>39</b>	<b>GOVERNMENT-WIDE POLICY ACTIVITIES</b>
40	Government-wide Policy Activities
<b>43</b>	<b>APPENDIXES</b>
44	APPENDIX I Acronyms and Abbreviations
45	APPENDIX II Significant Recommendations From Prior Reports
48	APPENDIX III Audit and Inspection Report Register
50	APPENDIX IV OIG Reports over 12 Months Old, Final Agency Action Pending
54	APPENDIX V OIG Reports Without Management Decision
57	APPENDIX VI Peer Review Results
58	APPENDIX VII Government Contractor Significant Audit Findings
59	APPENDIX VIII Unimplemented Recommendations
60	APPENDIX IX Reporting Requirements

# MESSAGE FROM THE IG



I am pleased to submit this Semiannual Report to Congress for the period of April 1, 2017, through September 30, 2017. This report marks the end of another successful fiscal year for the office, in which our audit and investigative work yielded more than \$287 million in recommended financial savings and more than \$121 million in investigative recoveries.

During this reporting period our auditors performed pre-award audits of 23 contracts with an estimated value of almost \$1.7 billion, and recommended that more than \$60 million of funds be put to better use. In notable internal audits, we found that GSA violated statutory and regulatory contract competition requirements in a \$1.2 billion energy savings performance contract, and lacked adequate controls over its Computers for Learning website to prevent ineligible organizations from receiving equipment intended for schools and educational nonprofit organizations.

Our investigators continued to produce significant recoveries for the American taxpayer, including a \$16 million settlement of allegations under the False Claims Act that a military tactical equipment supplier cheated in obtaining and performing federal contracts through small business fraud and bid rigging schemes. Our investigative work also uncovered instances of theft, government charge card fraud, personnel benefits fraud, and a procurement fraud scheme in which a Washington, D.C. business owner improperly billed the government for nearly \$1.2 million.

In a significant whistleblower investigation, our investigators and inspectors substantiated a claim by the former Federal Acquisition Service Commissioner that the former GSA Administrator retaliated against him for making protected disclosures about mismanagement in GSA's Technology Transformation Service. We referred the matter to the Office of Special Counsel, which concurred with our findings and obtained relief for the former Commissioner.

I appreciate the great skill and dedication of OIG employees, and the continued support GSA and Congress provide to this office.

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

Carol F. Ochoa  
Inspector General  
October 31, 2017



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

# OIG PROFILE

# OIG PROFILE

## ORGANIZATION

The GSA OIG was established on October 1, 1978, as one of the original 12 OIGs created by the Inspector General Act of 1978. The OIG's five components work together to perform the mission mandated by Congress.

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

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

## OFFICE LOCATIONS

### Headquarters:

Washington, D.C.

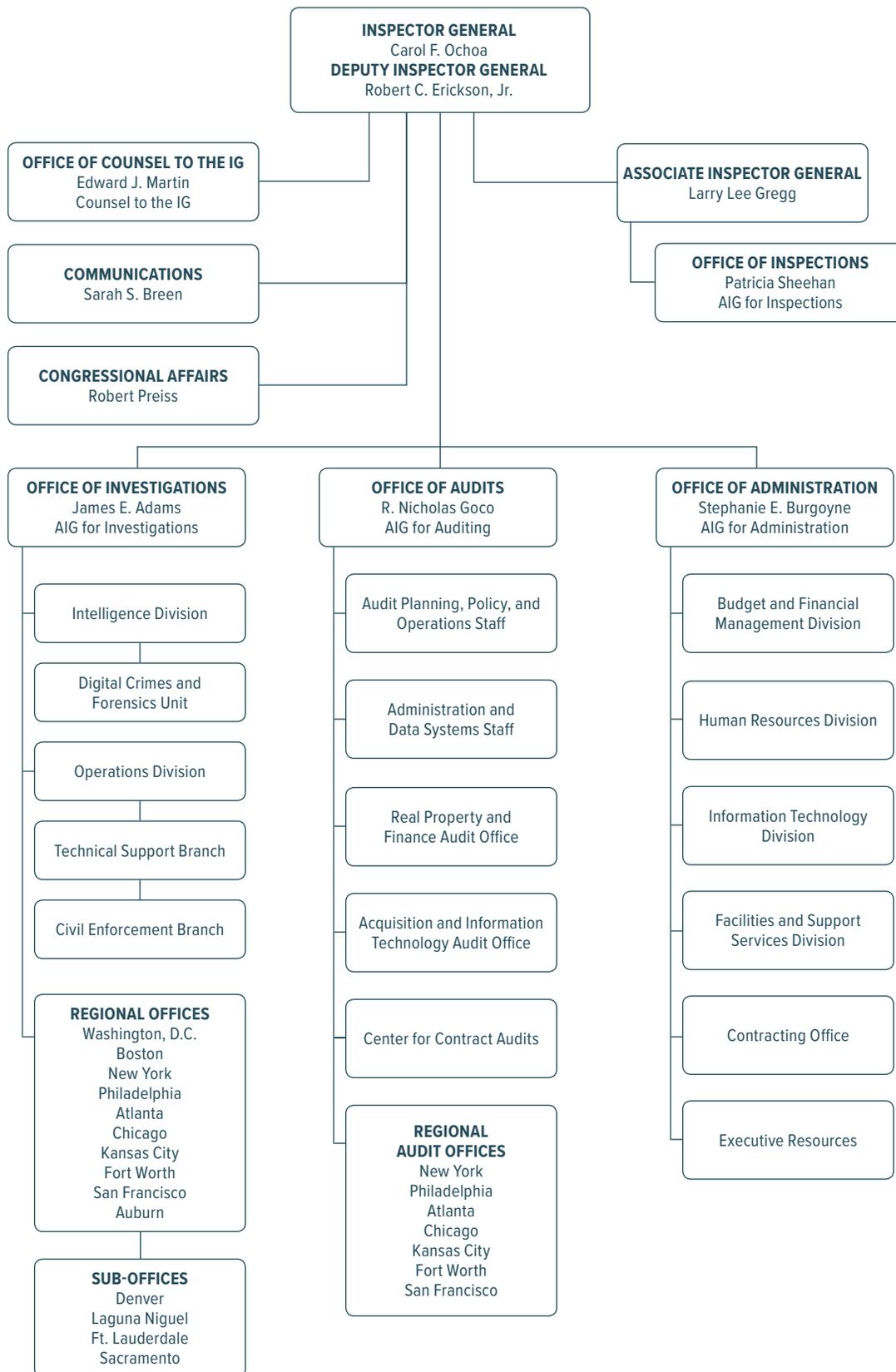
### Field and Regional Offices:

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

## STAFFING AND BUDGET

As of September 30, 2017, our on-board staffing level was 311 employees. The OIG's Fiscal Year 2017 budget was \$65 million in annual appropriations and \$600 thousand in reimbursable authority.

# OIG ORGANIZATION CHART



# FISCAL YEAR 2017 RESULTS

During Fiscal Year 2017, OIG activities resulted in:

- Over \$287 million in recommendations that funds be put to better use and questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- \$121 million in criminal, civil, administrative, and other investigative recoveries.
- 87 reports that assisted management in improving the efficiency and effectiveness of Agency operations.
- 134 new investigations opened and 205 cases closed.
- 129 subjects accepted for criminal prosecution and 18 subjects accepted for civil litigation.
- 62 criminal indictments/informations and 35 successful prosecutions on criminal matters previously referred.
- 10 civil settlements.
- 26 employee actions taken on administrative referrals involving government employees.
- 107 contractor/individual suspensions and 95 contractor/individual debarments.
- 116 lost pieces of Works Progress Administration artwork recovered.
- 4,909 Hotline contacts received. Of these, 177 were referred to GSA program officials for review and appropriate action, 48 were referred to other federal agencies, 25 were referred to the OIG Office of Audits, 4 were referred to the OIG Office of Inspections, and 164 were referred internally for investigation or further review.

# GSA’S MANAGEMENT CHALLENGES

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

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

# SIGNIFICANT AUDITS

# SIGNIFICANT AUDITS

The Office of Audits conducts independent and objective audits to improve the effectiveness and efficiency of GSA's management and operations. These audits focus on GSA's programs, internal controls, information technology (IT) infrastructure, and compliance with federal laws and regulations. Audits are also performed to assist GSA contracting personnel in obtaining the best value for federal customers. During this reporting period, we issued 37 audit reports which identified over \$63.4 million in potential cost savings and recoveries for the federal government.

## PREAWARD AUDITS

GSA provides federal agencies with billions of dollars in products and services through various contract types. As of September 30, 2017, there were over 14,000 Multiple Award Schedule (Schedule) contracts under GSA's procurement program that generated nearly \$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 taxpayer.

The pre-decisional, advisory nature of preaward audits distinguishes them from other audit products. Preaward audits provide vital, current information enabling contracting officers to significantly improve the government's negotiating position to realize millions of dollars in savings on negotiated contracts. During this reporting period, we performed preaward audits of 21 contracts with an estimated value of nearly \$1.7 billion and recommended over \$60.5 million of funds be put to better use. Management decisions were also made on 23 preaward audit reports, which recommended over \$109 million of funds be put to better use. Management agreed with over 99 percent of the recommended savings.

Three of our more significant preaward audits were of Schedule contracts with combined projected government sales of over \$219 million. These audits found that over \$35 million of funds could be put to better use. Some of the more significant findings within one or more of these audit reports included: proposed labor rates were overstated; the price reductions provisions were ineffective; background investigation case prices were overstated; and travel costs were not adequately segregated and accumulated.

## **PBS NATIONAL CAPITAL REGION'S \$1.2 BILLION ENERGY SAVINGS PERFORMANCE CONTRACT FOR WHITE OAK WAS NOT AWARDED OR MODIFIED IN ACCORDANCE WITH REGULATIONS AND POLICY**

**Report Number A150009/P/5/R17006, dated August 24, 2017**

We performed this audit to determine whether the PBS NCR awarded the White Oak Energy Savings Performance Contract and subsequent modifications in compliance with applicable regulations and guidance.

We found that PBS NCR did not comply with the Competition in Contracting Act of 1984 and the competition requirements set forth in the Federal Acquisition Regulation (FAR) by making a cardinal change to the contract that substantially increased the contract's scope of work for operations and maintenance. As a result, price competition was eliminated, and other contractors were not offered the opportunity to bid. Also, PBS NCR did not award and administer the task order in compliance with contract requirements, acquisition regulations, and internal policy.

Based on our findings, we recommend several improvements to PBS NCR's internal controls of the award and administration of this and future Energy Savings Performance Contract task orders. Our recommendations include expediting the procurement of a new operations and maintenance contract, instituting management controls to ensure that procurements for White Oak comply with the Competition in Contracting Act of 1984 and the FAR, determining and implementing the appropriate corrective action needed for PBS NCR personnel's non-compliance with competition requirements, instituting management controls, and implementing training for PBS NCR personnel to ensure that contract files contain adequate documentation of contract actions.

The PBS Regional Commissioner agreed with most of our recommendations but denied the need to procure a new contract. We are concerned that PBS's failure to take responsibility for its noncompliance with federal laws and regulations will foster continued noncompliance.

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

**Report Number A160118/Q/3/P17003, dated July 13, 2017**

Over the past few years, two separate GSA Office of Inspector General investigations culminated in the arrest and conviction of individuals who fraudulently acquired computers and other information technology (IT) equipment donations through the Computers for Learning (CFL) program using GSA's CFL website. We performed this audit to determine whether GSA has adequate controls in place to prevent ineligible organizations from accessing its CFL website and receiving IT equipment intended for schools and educational nonprofit organizations.

The CFL program was established by executive order in 1996 to streamline the transfer of excess and surplus federal computer equipment to schools and educational nonprofit organizations. GSA's CFL website identifies eligible organizations and facilitates the donation of available excess federal IT equipment to them based on need.

We found that GSA does not have adequate controls over its CFL website to prevent ineligible organizations from registering and receiving donations of IT equipment. GSA does not perform any eligibility verifications before or after an entity registers on the website as an educational nonprofit organization. It is solely reliant on donating agencies to ensure eligibility; however, some agencies are not aware of this responsibility. As a result, the CFL program is susceptible to fraud and misuse. From July 1, 2015, to June 30, 2016, ineligible entities registered as educational nonprofit organizations received approximately \$2.5 million in federally owned computer equipment intended to educate children. This represented over 22 percent of the total IT equipment donated to recipients registered as educational nonprofit organizations.

Based on our audit findings, we made two recommendations to the FAS Commissioner. These included designing and implementing controls that prevent ineligible organizations from being granted access to GSA's CFL website and receiving donated IT equipment, and establishing a requirement that federal agencies be informed of their responsibility to validate an organization's eligibility prior to making donations using GSA's CFL website.

The FAS Commissioner agreed with our report finding and recommendations.

## **GSA DID NOT COMPLY WITH THE IMPROPER PAYMENTS ACTS IN FY 2016**

### **Report Number A160141/B/5/F17001, dated May 4, 2017**

As required by the Improper Payments Acts, we examined GSA's efforts to eliminate and recover improper payments made by the Agency. Our audit objectives were to determine if, in FY 2016, GSA complied with the Improper Payments Acts, accurately and completely reported improper payment estimates and figures in its Agency Financial Report (AFR), and took efforts to reduce and recapture improper payments.

We determined that GSA did not comply with the Improper Payments Acts because it did not meet its improper payment reduction target for the Rental of Space Program. Also, GSA's Office of the Chief Financial Officer (OCFO) published the AFR with numerous errors related to improper payments. In addition, OCFO's continuous monitoring did not correct internal control deficiencies contributing to improper payments. Finally, OCFO did not sufficiently implement corrective action related to its FY 2015 improper payments risk assessment.

Based on our audit findings, we made four recommendations to GSA’s Chief Financial Officer. These included submitting corrected improper payments information and, in accordance with Office of Management and Budget guidance, a plan addressing the Agency’s noncompliance; providing detailed training; and implementing additional controls to ensure accurate testing and reporting of improper payments.

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

## **LIMITED SCOPE AUDIT OF GSA’S CENTRALIZED HOUSEHOLD GOODS TRAFFIC MANAGEMENT PROGRAM TARIFF AND TENDER OF SERVICE**

**Report Number A170025/Q/T/P17004, dated September 28, 2017**

We performed this audit as a result of a congressional referral on behalf of a Centralized Household Goods Traffic Management Program (CHAMP) stakeholder who was concerned that customer federal agencies were paying for services that did not actually occur. CHAMP assists civilian federal agency employees by moving the employee’s household goods when they relocate to a new duty station. Our objective was to determine if the CHAMP tariff and tender of service conform to industry standards for shuttle services and to protect the government from overcharges.

We found that under GSA’s CHAMP tariff and tender of service, the government is charged an additional fee for shuttle services. Although the tariff uses the industry standard definition of shuttle services as a truck-to-truck transfer, it also leaves the government susceptible to overcharges by including an exception. Under the exception, a smaller truck may be used for the entire move and the government may be charged both the linehaul and the additional shuttle service fee, regardless of whether additional services are provided. This creates an incentive for carriers to use a smaller truck on a move, although it may not be needed, in order to charge the government the additional shuttle service fee.

Based on our audit finding, we made two recommendations that the FAS Commissioner delete the shuttle service exception and determine if the tariff needs a new provision to address the use of a smaller truck.

The FAS Commissioner agreed with our report finding and recommendations.

## **PBS DID NOT ADMINISTER A TULSA, OKLAHOMA LEASE IN ACCORDANCE WITH POLICY, RESULTING IN UNFIT CONDITIONS**

### **Audit Memorandum A170091, dated September 8, 2017**

In a May 17, 2017, letter to the GSA Inspector General, U.S. Senator James Lankford requested that the GSA OIG review complaints made by Internal Revenue Service (IRS) employees in Tulsa, Oklahoma, regarding workplace conditions in GSA leased space at Eton Square. Two of the complaints concerned roof leaks and mold.

We issued this interim audit memorandum prior to the completion of the full audit to inform regional management of audit concerns that warranted immediate attention based on IRS employees' complaints. A full audit into the lease award and administration is ongoing.

On September 8, 2017, we informed the PBS Commissioner of our concern that PBS officials in the Greater Southwest Region have not held the lessor of the Eton Square building accountable for roof maintenance and repair issues affecting the government tenant agency.

We found that PBS management failed to take appropriate actions to ensure the lessor fixed roof problems. The Eton Square building has had roof leaks on multiple occasions since IRS occupancy. The building also contains mold, which has been encapsulated, but cannot be removed until roof leaks are permanently stopped. Although GSA personnel issued the lessor numerous notices about roof leaks, GSA failed to enforce compliance with the lease maintenance and repair requirements. PBS's notices to the lessor included deadlines and financial consequences if the roof was not fixed. The lessor made multiple repairs, but the repairs failed to stop the roof leaks.

In our memorandum, we urged the Greater Southwest Region PBS Regional Commissioner to enforce the terms of the lease and take immediate action to provide appropriate work space for the tenant.

GSA management is working with the tenant and lessor to achieve corrective action.

**IMPLEMENTATION REVIEW OF ACTION PLAN: PBS IS NOT ENFORCING CONTRACT SECURITY CLEARANCE REQUIREMENTS ON A PROJECT AT THE KEATING FEDERAL BUILDING; REPORT NUMBER A150120/P/2/R16002, MARCH 17, 2016**

**Assignment Number A170083, dated August 23, 2017**

On March 17, 2016, we issued an audit report, *PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building*, to the Northeast and Caribbean Region PBS Regional Commissioner. Our audit found that the Contracting Officer's Representative was not enforcing contract requirements for contractor security clearances, which could have resulted in greater security risks to the federal government. Based on our audit findings, we made three recommendations to the PBS Regional Commissioner.

We performed an implementation review of the management actions taken in response to the recommendations contained in our audit report. Our implementation review found that PBS did not fully implement the corrective actions for two of our three audit recommendations. Specifically, the Office of Mission Assurance did not review a sampling of contracts in which the Contracting Officer's Representative and the project manager are the same person to ensure there is no conflict of interest. Additionally, PBS did not direct Northeast and Caribbean Regional management to revoke all contracting officer's representative appointments for employees who are not enforcing the contract's security clearance requirements. As a result, PBS must submit a revised action plan addressing these open recommendations.

# SUMMARY OF CONTRACT AUDIT REPORTS

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

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

During the period April 1, 2017, to September 30, 2017, we issued 23 contract audit reports. In these reports, we found:

- 13 contractors did not submit accurate, current, and/or complete information.
- 12 contractors did not comply with price reduction provisions.
- 11 contractors did not adequately accumulate and report schedule sales for Industrial Funding Fee payment purposes and/or did not correctly calculate and submit their Industrial Funding Fee payments.
- 8 contractors overcharged GSA customers.
- 3 contractors did not assign employees to work on GSA schedule task orders who were qualified for their billable positions.
- 1 contractor did not adequately segregate and accumulate labor hours, material costs, and other direct costs on time-and-material task orders.

We also recommended over \$63.4 million in cost savings in these reports. This includes funds be put to better use, which is the amount the government could save if our audit findings are implemented. It also includes questioned costs, which is money that should not have been spent such as overbillings and unreported price reductions.

## April 1, 2017 – September 30, 2017

CONTRACT AUDIT REPORTS	
Funds Be Put to Better Use	\$60,506,342
Questioned Costs	\$2,897,017

# FAR DISCLOSURE PROGRAM

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

## FAR RULE FOR CONTRACTOR DISCLOSURE

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

## DISCLOSURES FOR THIS REPORTING PERIOD

As disclosures are made, the Offices of Audits, Investigations, and Counsel jointly examine each acknowledgment and make a determination as to what actions, if any, are warranted. During this reporting period, we received five new disclosures. The matters disclosed include sales under expired contracts, unreported price reductions, unqualified labor, labor and other overcharges, and various pricing issues. We concluded our evaluation of 12 disclosures that resulted in over \$14.6 million in settlements and recoveries. We also assisted on three disclosures referred by another agency because of the potential impact on GSA operations and continued to evaluate 16 pending disclosures.

# STATISTICAL SUMMARY OF OIG AUDITS

April 1, 2017 – September 30, 2017

OFFICE OF AUDITS	
Total financial recommendations	\$63,403,359
These include:	
Recommendations that funds be put to better use	\$60,506,342
Questioned costs	\$2,897,017
Audit reports issued	37
Audit memoranda provided to GSA	3
GSA Management decisions agreeing with audit recommendations	\$109,611,627

## Audit Reports Issued

The OIG issued 37 audit reports. These reports contained financial recommendations totaling more than \$63.4 million, including more than \$60.5 million in recommendations that funds be put to better use and more than \$2.8 million in questioned costs. Due to GSA's mission of negotiating contracts for government-wide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other federal agencies.

## Management Decisions on OIG Audit Reports

Table 1 summarizes the status of audits requiring management decisions during this period, as well as the status of those audits as of September 30, 2017. There were six reports more than 6-months old awaiting management decisions as of September 30, 2017. Table 1 does not include five implementation reviews that were issued during this period because they are excluded from the management decision process. Table 1 also does not include three reports excluded from the management decision process because they pertain to ongoing investigations.

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

	NUMBER OF REPORTS	REPORTS WITH FINANCIAL RECOMMENDATIONS*	TOTAL FINANCIAL RECOMMENDATIONS
For which no management decision had been made as of 04/01/2017			
Less than 6 months old	18	12	\$87,352,534
Six or more months old	3	2	\$188,421,766
Reports issued this period	32	19	\$63,403,359
<b>TOTAL</b>	<b>53</b>	<b>33</b>	<b>\$339,177,659</b>
For which a management decision was made during the reporting period			
Issued prior periods	15	10	\$63,304,448
Issued current period	17	11	\$47,389,623
<b>TOTAL</b>	<b>32</b>	<b>21</b>	<b>\$110,694,071</b>
For which no management decision had been made as of 09/30/2017			
Less than 6 months old	15	8	\$16,013,736
Six or more months	6	4	\$212,469,852
<b>TOTAL</b>	<b>21</b>	<b>12</b>	<b>\$228,483,588</b>

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

## GSA Management Decisions on OIG Reports with Financial Recommendations

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

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

	NUMBER OF REPORTS	FUNDS BE PUT TO BETTER USE
For which no management decision had been made as of 04/01/2017		
Less than 6 months old	12	\$83,987,364
Six or more months	1	\$187,547,639
Reports issued this period	13	\$60,506,342
<b>TOTAL</b>	<b>26</b>	<b>\$332,041,345</b>
For which a management decision was made during the reporting period		
Recommendations agreed to by management	17	\$108,031,741
Recommendations not agreed to by management	2	\$1,082,444
<b>TOTAL</b>	<b>19</b>	<b>\$109,114,185</b>
For which no management decision had been made as of 09/30/2017		
Less than 6 months old	4	\$13,246,520
Six or more months old	3	\$209,680,640
<b>TOTAL</b>	<b>7</b>	<b>\$222,927,160</b>

## GSA Management Decisions on OIG Reports with Questioned Costs

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

	NUMBER OF REPORTS	QUESTIONED COSTS
For which no management decision had been made as of 04/01/2017		
Less than 6 months old	9	\$3,365,170
Six or more months old	1	\$874,127
Reports issued this period	15	\$2,897,017
<b>TOTAL</b>	<b>25</b>	<b>\$7,136,314</b>
For which a management decision was made during the reporting period		
Disallowed costs	16	\$1,579,886
Costs not disallowed	0	\$0
<b>TOTAL</b>	<b>16</b>	<b>\$1,579,886</b>
For which no management decision had been made as of 09/30/2017		
Less than 6 months old	7	\$2,767,216
Six or more months old	2	\$2,789,212
<b>TOTAL</b>	<b>9</b>	<b>\$5,556,428</b>



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

# SIGNIFICANT INSPECTIONS

# SIGNIFICANT INSPECTIONS

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

## **INVESTIGATION OF WHISTLEBLOWER REPRISAL COMPLAINT**

During this reporting period, the Office of Inspections, in coordination with the GSA OIG Office of Counsel and Office of Investigations, verified claims that former GSA Administrator Denise Turner Roth retaliated against the former Federal Acquisition Service Commissioner for making protected disclosures. The investigation found that Administrator Roth abused her authority and made threats of adverse administrative action against him. On June 21, 2017, we published our findings of alleged whistleblower retaliation in a report, and referred the matter to the Office of Special Counsel. The Office of Special Counsel concurred with our results and obtained relief for the former Commissioner. On July 6, 2017, the Office of Special Counsel sent the report to the White House and Congress.

# 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 64 investigative cases, closed 100 investigative cases, referred 116 subjects for criminal prosecution, and helped obtain 17 convictions. Civil, criminal, and other monetary recoveries totaled over \$35 million.

## CIVIL SETTLEMENTS

### **ADS INC. AGREED TO PAY \$16 MILLION TO RESOLVE FALSE CLAIMS ALLEGATIONS**

On August 4, 2017, ADS Inc. agreed to pay \$16 million to resolve allegations under the False Claims Act that ADS Inc. violated laws related to bidding for and performing under federal contracts. The settlement resolves allegations that between 2006 and 2016, ADS Inc. and its affiliated companies falsely represented that they qualified as small businesses, improperly bid for and secured set-aside federal contracts for which they were not eligible, and participated in illegal bid rigging schemes that inflated or distorted prices. GSA OIG investigated this case with SBA OIG.

# CRIMINAL INVESTIGATIONS

## **GSA CONTRACTOR PLEADED GUILTY TO MAJOR FRAUD AGAINST THE GOVERNMENT**

A GSA OIG investigation determined that in 2013, Nikita Davis, the president of Federal Acquisition Consultants, Inc. (FACI), made material false statements to GSA in order to obtain a Mission Oriented Business Integrated Services (MOBIS) contract. The company was awarded seven Department of Commerce (DOC) contracts under the MOBIS contract totaling more than \$3.1 million. FACI improperly billed the United States under these contracts, which resulted in an illicit gain of nearly \$1.2 million to Davis. In March 2017, Davis was charged with major fraud against the government. On June 8, 2017, Davis pleaded guilty to the charge. GSA OIG investigated this case with DOC OIG.

## **FORMER CIVILIAN AVIATION AND MISSILE COMMAND EMPLOYEES PLEAD GUILTY**

A GSA OIG investigation found that Roy Friend, former civilian chief of the U.S. Army's Aviation and Missile Command Fleet Management Office, provided fraudulently altered documents to a United States Probation Officer in connection with a pre-sentence investigation. The pre-sentence investigation was being conducted as a result of Friend's conviction on charges that he used his position at Fort Eustis to acquire and divert \$905,035 of government purchased equipment for personal gain. On May 8, 2017, Friend pleaded guilty to obstruction of justice. On July 14, 2017, Friend was sentenced to seven months' incarceration and eight months' home confinement. This sentence will run concurrently with the sentence Friend received for his initial conviction. Additionally, on May 19, 2017, John Berry, a former civilian employee who worked as a subordinate to Friend, was charged with one count of conspiracy to commit wire and mail fraud after it was determined Berry conspired with Friend to divert approximately \$90,000 of government purchased equipment for Berry's personal gain. On July 6, 2017, Berry pleaded guilty to fraud charges. His sentencing is set for October 2017. GSA OIG investigated this case with the FBI, DCIS, and Army CID.

## **FORMER GSA EMPLOYEE SENTENCED FOR PARTICIPATION IN BENEFITS FRAUD SCHEME**

A GSA OIG investigation found that Darryl Wright, a former employee of the Department of Commerce (Commerce) and GSA, participated in a benefits fraud scheme that involved fraudulent claims submitted in connection with Wright's service in the U.S. Army National Guard (ARNG) and his civilian employment with Commerce and GSA. In seeking benefits and accommodations from multiple government agencies, Wright made fraudulent representations about injuries he allegedly suffered and falsely claimed compensation for ARNG time while not actually on duty. The criminal conduct started in 2005, and Wright was found to have fraudulently received more than \$650,000 in benefits. In February 2016, Wright pleaded guilty to wire fraud charges. On June 1, 2017, he was sentenced to three years' imprisonment, three years' supervised release, and ordered to pay \$646,300 in restitution. GSA OIG investigated this case with SSA OIG, VA OIG, and Commerce OIG.

## **TWO GOVERNMENT CONTRACTORS CONVICTED FOR MAKING FALSE STATEMENTS TO ENABLE A SMALL BUSINESS PASS-THROUGH SCHEME**

A GSA OIG investigation found that Tony Daniels, president of Danison Incorporated, and Scott Gamache, Director of Demolition for Goel Services, improperly allowed Goel Services to use Danison Incorporated's small business status to secure a sole source set-aside contract for a demolition project at Joint Base Andrews, Maryland. On May 17, 2017, Daniels pleaded guilty to federal false statement violations. On May 18, 2017, Gamache pleaded guilty to related charges. On September 13, 2017, Daniels was sentenced to five months' confinement, five months' home confinement, and ordered to pay \$367,378 in restitution. Gamache is scheduled to be sentenced in November 2017. GSA OIG investigated this case with the AFOSI, SBA OIG, and DCIS.

### **FORMER GSA CONTRACTOR PLEADED GUILTY TO STEALING GOVERNMENT PROPERTY**

A GSA OIG investigation found that Robert C. Olszak, a former GSA contractor, stole approximately \$160,387 of GSA property, including cell phones and computers, and sold it on eBay for approximately \$44,517. On September 1, 2017, Olszak pleaded guilty in Superior Court for New Jersey to theft by unlawful taking. GSA OIG investigated this case with the New Jersey Division of Criminal Justice, Financial & Computer Crimes Bureau.

### **FLORIDA MAN SENTENCED TO PRISON FOR FRAUD SCHEME**

A GSA OIG investigation found that Michael Pirolo, president of Government Contract Registry (GCR), defrauded companies associated with GSA Schedule contracts and FEMA registrations by hiring telemarketers to contact victim-companies and falsely claim that, for a fee, GCR would “register” the companies to enable them to receive preference in obtaining federal contracts. GCR usually charged companies a fee of \$500 for their service, and approximately 1,200 victim-companies were misled by GCR’s scheme. Pirolo pleaded guilty in April 2017 to wire fraud. On August 10, 2017, Pirolo was sentenced to 50 months’ incarceration and ordered to pay \$594,000 in restitution and the identical amount as a forfeiture money judgment. GSA OIG investigated this case with DHS OIG.

### **FORMER GSA CONTRACTOR AND CO-CONSPIRATORS SENTENCED TO PRISON**

A GSA OIG investigation determined that Michelle Cho, former officer of Far East Company (Far East), conspired with MCC Construction Company (MCC) and others between January 2008 and August 2013 to defraud GSA and other government agencies, by operating Far East and another company as entities with titled owners; concealing that MCC exercised impermissible control over Far East and the other company; causing misrepresentations to the government that Far East and the other company’s contracts were in compliance with SBA regulations, including that the two companies performed the required percentage of work on contracts with the government; making false statements during an SBA size determination protest about the extent and nature of the relationship between MCC, Far East, and the other company; engaging in deceptive practices to make it appear that MCC employees were actually employees of Far East and the other company; and obtaining approximately \$70 million in government contracts as a result of false and misleading conduct. On April 11, 2017, Walter Crummy, former officer and owner of MCC, was sentenced to 12 months’ probation with two months to be served in home confinement, a \$105,618 forfeiture, and 200 hours’ community service. On April 25, 2017, Cho was sentenced to six months’ incarceration, two years’ supervised release, a \$169,166 forfeiture, and a \$35,000 fine. On May 15, 2017, Thomas Harper, former officer and owner of MCC, was sentenced to seven months’ incarceration, two years’ supervised release, and \$165,711 in restitution. GSA OIG investigated this case with the FBI and SBA OIG.

### **GOVERNMENT CONTRACTOR CHARGED WITH FORGERY**

A GSA OIG investigation revealed that a debarred DoD contractor had circumvented federal debarment provisions by utilizing his son's identity to conduct business with the U.S. Army. The debarred contractor created a new business using his son's identity and registered the company in GSA's System for Award Management in order to continue doing business with the government. On May 24, 2017, the contractor was charged with forgery of contracts, deeds, and powers of attorney. GSA OIG investigated this case with the Army CID Major Procurement Fraud Unit.

### **FORMER GOVERNMENT EMPLOYEES SENTENCED FOR MAKING FRAUDULENT PURCHASES**

A GSA OIG investigation revealed that George Molina and Jason Hardy, both former Department of Energy (DOE) employees, used their government purchase cards to make unauthorized purchases. Molina purchased over \$200,000 of items for personal gain, including upgrades to his personal vehicles, ammunition, rifle scopes and accessories, an all-terrain vehicle, and a John Deere lawn tractor. Hardy purchased approximately \$37,500 of items for personal gain, including a bike and clothes. Molina pleaded guilty to theft of government property and was sentenced on April 4, 2017, to five years' probation and ordered to pay \$168,417 in restitution. Hardy pleaded guilty to theft and was sentenced on June 28, 2017, to 36 months' probation, 100 hours' community service, and ordered to pay \$27,237 in restitution. GSA OIG investigated the case with DOE OIG.

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

A GSA OIG investigation determined that a former U.S. Army civilian contract employee stole over \$40,000 in government property such as printer cartridges, engine parts, jaws of life, and gas masks, which he sold on eBay. On August 2, 2017, the subject was charged with theft and money laundering, and was arrested on August 18, 2017. GSA OIG investigated this case with the Army CID Major Procurement Fraud Unit.

### **UTAH MAN CHARGED FOR THEFT AND IMPERSONATING A FEDERAL OFFICER**

A GSA OIG investigation determined that a Utah man stole GSA license plates from vehicles leased to the VA. The subject put one of the GSA license plates on a stolen vehicle to make it resemble a federal vehicle. After a high-speed chase with the Utah Highway Patrol, the subject attempted to avoid arrest by claiming to be a federal agent. On May 31, 2017, the subject was indicted for theft and impersonating a federal officer. GSA OIG investigated this case with the DHS Federal Protective Service.

### **COMPANY PRESIDENT CHARGED FOR PAYPHONE CALLING SCAM**

A GSA OIG investigation found a payphone company president created a dial-around compensation scheme utilizing hundreds of payphones his company owned and operated. The company president programmed the payphones to automatically call 1-800 toll-free numbers in order to acquire the compensation fee for each phone call placed. He received \$1.8 million in compensation. In August 2017, the company president was charged in a six-count indictment for the scheme. GSA OIG investigated this case with the FBI, IRS CI, and the U.S. Postal Inspection Service.

### **FORMER SENIOR GSA OFFICIAL AND SPOUSE SENTENCED IN NEPOTISM SCHEME**

A GSA OIG investigation found that Helen Renee Ballard (Renee Ballard), former Director of the GSA Central Office Contracting Division, and her spouse Robert Stevenson Ballard (Steve Ballard), engaged in a nepotism scheme in which they conspired to fraudulently obtain employment from the U.S. government and private federal contractors. As part of the \$200,000 scheme, the Ballards fraudulently induced a federal contractor (CACI) to hire Steve Ballard, who was then placed on a federal contract awarded by GSA and supervised by Renee Ballard. Later, she attempted to hire Steve Ballard for a federal position within GSA under her supervision. Renee and Steve Ballard caused over 139 employment applications to be submitted to federal agencies that falsely represented Steve Ballard's education, qualifications, and experience. In order to corroborate these false representations, the Ballards obtained and submitted fake certification documents. Furthermore, Renee Ballard directed or influenced the hiring of other family and friends as CACI employees through false and misleading statements and representations, and by concealing material conflicts of interest. In March 2017, both Renee Ballard and Steve Ballard pleaded guilty in federal district court to conspiracy to make false statements. On July 28, 2017, Renee Ballard and Steve Ballard were sentenced to 18 months and one year in prison, respectively, and ordered to pay \$215,190 in restitution.

### **SON OF JOB CORPS EMPLOYEE SENTENCED FOR UNAUTHORIZED USE OF A MOTOR VEHICLE**

A GSA OIG investigation found that the son of a Job Corps Center employee stole a GSA vehicle, which was leased to the Job Corps Center in Reading, Pennsylvania. On February 3, 2017, the Commonwealth of Pennsylvania charged the individual with one count of unauthorized use of a motor vehicle. On June 15, 2017, the individual was ordered to complete one year in an Alternative Rehabilitative Program and 24 hours of community service, and required to pay \$1,276 in fines and court fees.

## **ADMINISTRATIVE MISCONDUCT**

### **GSA CONTRACTOR REMOVED FROM CONTRACT FOR DOUBLE BILLING**

A GSA OIG investigation determined that a GSA contractor was double billing the government by charging time to a GSA contract supporting voice-over-internet protocol services while performing similar work and charging the same hours worked to a VA contract. On June 27, 2017, the contractor was removed from the GSA contract.

## FLEET CARD FRAUD

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

- Lionel Gonzalez Rives and Michele Sanchez Rives used GSA Fleet credit card information to make counterfeit cards that were then used to purchase fuel. Both pleaded guilty to producing or trafficking in counterfeit devices. Gonzalez Rives was sentenced to six months' imprisonment, two years' supervised release, and ordered to pay \$17,653 in restitution. Sanchez Rives will be sentenced in October 2017.
- David Daniels, a U.S. Army Sergeant, and two other individuals, Jul Sutherland and Mary Cummings, used a GSA Fleet credit card to purchase gasoline for their personal gain. In June 2017, Daniels pleaded guilty and was sentenced to three years' supervised release and ordered to pay \$10,764 in restitution. In August 2017, Sutherland and Cummings pleaded guilty and are scheduled to be sentenced in October 2017.
- Eric Mitchell, a U.S. Air Force Senior Airman assigned to Joint Base Andrews, used a GSA Fleet card to purchase gasoline for his personal vehicles. Mitchell was convicted for theft violations and sentenced to 12 months' probation, and he was ordered to pay \$1,877 in restitution.
- Leon Wink, a maintenance supervisor, and Joaquin Vega Guerra, a maintenance technician, both assigned to the Woodland Job Corps Center in Laurel, Maryland, used GSA Fleet credit cards to purchase fuel for non-government vehicles. Wink and Vega Guerra pleaded guilty in the District of Maryland to theft of government property. Wink was sentenced to one year of probation and ordered to pay \$2,502 in restitution. Vega Guerra was sentenced to six months' probation and ordered to pay \$138 in restitution.
- Terry Tippit, a public works employee at Fort Hood, used a GSA Fleet credit card to purchase fuel for his personal vehicle. Tippit was sentenced to four months' imprisonment and three years' supervised release, and ordered to pay \$4,845 in restitution.
- A Sergeant with the U.S. Army Reserve used GSA Fleet credit cards to fuel his personal vehicles. On August 6, 2017, the Sergeant pleaded guilty to larceny under Uniform Code of Military Justice (UCMJ) proceedings and was subsequently reduced in rank, ordered to forfeit \$1,616 in pay, ordered to pay \$2,721 in restitution, and sentenced to 30 days' restriction.
- A United States Marine Corps Sergeant used a GSA Fleet credit card to purchase gasoline for his personal vehicle. He entered into a pretrial agreement under UCMJ proceedings and was subsequently demoted to Corporal, given a general discharge, and ordered to pay \$2,630 in restitution.

- Richard Hamilton, a former employee of the Muckleshoot Indian Tribe, used GSA Fleet credit cards to make \$2,600 in personal purchases. Hamilton pleaded guilty to a theft charge in the Western District of Washington and was sentenced to 139 days' confinement and one year of probation, and ordered to pay \$2,600 in restitution.

## WPA ART INVESTIGATIONS

As a direct result of the cooperative efforts between the OIG and the GSA Office of the Chief Architect's Fine Arts Program (FAP), a total of 90 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 \$509,700. 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 694 WPA pieces have been recovered, with a comparative value of \$8,106,550.\*

Notable cases during this reporting period include:

- The United States District Court for the District of New Jersey granted the government's Motion for Summary Judgement and petition for a writ of replevin, which ordered the possessor of a WPA oil painting "Pennsylvania Farmer," by John Daniel Slavin, to return the painting to the government.
- GSA OIG special agents recovered six WPA mixed metal plaques created by Carl Mahoney after learning the pieces were being auctioned on a website.
- GSA OIG special agents facilitated a loan agreement between the GSA Fine Arts Program and the San Diego County Administration Center for nine WPA paintings.
- GSA OIG special agents recovered a WPA oil painting "Oil Rig Workers," by John Warren, after it was discovered for sale online.
- GSA OIG special agents facilitated a loan agreement between the GSA Fine Arts Program and Julian Union High School in California for 10 New Deal era paintings by artist Norman Yeckley.

\* 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 38 referrals for consideration of suspension or debarment to the GSA Office of Acquisition Policy. GSA issued 87 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 44 briefings attended by 780 GSA employees, other government employees, and government contractors. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of successful investigative information.

## HOTLINE

The OIG hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings encourage employees to use the hotline. Our hotline also allows internet submission of complaints. During the reporting period, we received 777 hotline contacts. Of these, 119 were referred to GSA program officials for review and appropriate action, 25 were referred to other federal agencies, 20 were referred to the OIG Office of Audits, 0 were referred to the OIG Office of Inspections, and 78 were referred to investigative field offices for investigation or further review.

# STATISTICAL SUMMARY OF OIG INVESTIGATIONS

April 1, 2017 – September 30, 2017

OFFICE OF INVESTIGATIONS	
Referrals for criminal prosecution, civil litigation, administrative action, suspension & debarment	241
Indictments and informations on criminal referrals*	20
Subjects accepted for criminal prosecution	80
Subjects accepted for civil action	17
Convictions	17
Civil settlements	2
Contractors/individuals suspended and debarred	87
Employee actions taken on administrative referrals involving government employees	17
Investigative Reports**	12
Number of subpoenas	40
<b>Civil settlements and court-ordered and investigative recoveries</b>	<b>\$35,378,876</b>

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

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

## Investigative Workload

The OIG opened 64 investigative cases and closed 100 cases during this period.

## Referrals

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

## Actions on OIG Referrals

Based on these and prior referrals, 80 subjects were accepted for criminal prosecution and 17 subjects were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 20 indictments or informations and 17 convictions. OIG civil referrals resulted in 2 subject settlements. Based on OIG administrative referrals, GSA management debarred 57 contractors or individuals, suspended 30 contractors or individuals, and took 17 personnel actions against government employees.

**Table 4. Summary of OIG Referrals**

TYPE OF REFERRAL	CASES	SUBJECTS
Civil	18	34
Criminal (DOJ)*	45	101
Criminal (State/Local)**	14	15
Administrative Referrals for Action/Response		53
Suspension	6	12
Debarment	13	26
<b>TOTAL</b>	<b>96</b>	<b>241</b>

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

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

## Monetary Results

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

**Table 5. Criminal and Civil Results**

	CRIMINAL	CIVIL
Fines and Penalties	\$36,616	
Settlements		\$16,285,000
Recoveries/Forfeitures	\$868,785	\$12,000
Restitutions	\$2,540,264	
<b>TOTAL</b>	<b>\$3,445,665</b>	<b>\$16,297,000</b>

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

Administrative Recoveries	\$15,636,211*
Forfeitures/Restitution	\$0
<b>TOTAL</b>	<b>\$15,636,211*</b>

\* This total includes the FAR disclosures reported on page 15.



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

# GOVERNMENT-WIDE POLICY ACTIVITIES

# GOVERNMENT-WIDE POLICY ACTIVITIES

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

## Legislation and Regulations

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

## Interagency and Intra-agency Committees and Working Groups

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



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

# APPENDIXES

# APPENDIX I

## ACRONYMS AND ABBREVIATIONS

AFOSI	Air Force Office of Special Investigations
AFR	Agency Financial Report
AIG	Associate Inspector General
Army CID	U.S. Army Criminal Investigation Command
ARNG	U.S. Army National Guard
BPA	Blanket Purchase Agreement
CFL	Computers For Learning
CHAMP	Centralized Household Goods Traffic Management Program
CIGIE	Council of the Inspectors Federal on Integrity and Efficiency
Commerce	U.S. Department of Commerce
DATA Act	Digital Accountability and Transparency Act
D.C.	District of Columbia
DCIS	Defense Criminal Investigative Service
DHS	U.S. Department of Homeland Security
DOE	U.S. Department of Energy
DOJ	U.S. Department of Justice
ESPC	Energy Savings Performance Contract
FACI	Federal Acquisition Consultants, Inc.
FAEC	Federal Audit Executive Council
FAP	Fine Arts Program
FAR	Federal Acquisition Regulation
Far East	Far East Company
FAS	Federal Acquisition Service
FBI	Federal Bureau of Investigation
FEMA	Federal Emergency Management Agency
FY	Fiscal Year
GCR	Government Contract Registry
GSA	U.S. General Services Administration
HVAC	Heating, Ventilation, and Air Conditioning
IG	Inspector General
IRC CI	Internal Revenue Service Criminal Investigation
IRS	Internal Revenue Service
IT	Information Technology
MCC	MCC Construction Company
MOBIS	Mission Oriented Business Integrated Services
NASA	National Aeronautics and Space Administration
NCR	National Capital Region
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
P.L.	Public Law
PBS	Public Buildings Service
SBA	Small Business Administration
Schedule	Multiple Award Schedule
SSA	Social Security Administration
TTS	Technology Transformation Service
U.S.C.	United States Code
UCMJ	Uniform Code of Military Justice
VA	U.S. Department of Veterans Affairs
WPA	Works Progress Administration

# APPENDIX II

## SIGNIFICANT RECOMMENDATIONS FROM PRIOR REPORTS

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

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

### AUDIT OF PBS'S PLANNING AND FUNDING FOR EXCHANGE PROJECTS

**Period First Reported: October 1, 2016, to March 31, 2017**

Our objective was to determine if PBS was conducting real property exchanges in accordance with GSA guidance and federal exchange authorities. We made two recommendations; one has not been implemented.

The remaining recommendation involves updating the exchange guidance to: require financial and business case analyses that fully quantify risk for all potential exchanges when making the decision to exchange, dispose of, or retain a property; address funding for change orders, support costs, and funding shortages, as well as the use of cash equalization; and require PBS to estimate support costs and identify funding sources when planning an exchange. The recommendation is scheduled for completion by December 31, 2017.

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

**Period First Reported: October 1, 2016, to March 31, 2017**

Our objective was to determine if the price evaluation and negotiation of contracts and options awarded under FAS's Professional Services Schedule complied with federal regulations and policies. We made three recommendations; one has not been implemented.

The remaining recommendation involves developing and issuing guidance to contracting staff on documenting detailed price analyses, including reviews of comparable labor categories and rates, in order to support contracting actions in the contract file. The recommendation is scheduled for completion by December 29, 2017.

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

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

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

The remaining four recommendations involve: improving price protection for IT schedule reseller contracts by establishing controls to ensure that contracting officers obtain accurate, current, and complete manufacturer commercial sales practices information for offered items when the resellers have low or no commercial sales; canceling IT schedule reseller contracts that do not meet the \$25,000 minimum sales requirement of the Schedules Program; considering increasing the \$25,000 minimum sales threshold for IT schedule reseller contracts to a level that offsets the government's cost to award and administer a schedule contract; and considering alternatives to the current \$2,500 minimum payment clause in IT schedule reseller contracts. The four recommendations are scheduled for completion by December 4, 2017.

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

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

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

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

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

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

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

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

## **EVALUATION OF 18F**

**Period first reported: October 1, 2016 – March 31, 2017**

Our objective was to review the Office of 18F's business operations based on concerns expressed to us by several senior GSA officials. We made seven recommendations to GSA management; two have not been implemented.

The outstanding recommendations state that GSA leadership should establish reliable internal controls to ensure that 18F's future billings are accurate and should ensure that 18F's billing records are retained in accordance with GSA records management standards. The recommendations are scheduled for completion by September 30 and October 15, 2017, respectively.

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

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

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

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

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

The reopened recommendations involve establishing and implementing internal controls that mitigate any conflicts of interest between project management and the enforcement of security clearance requirements; and determining and implementing the appropriate corrective actions needed for not enforcing the contract's security clearance requirements.

# APPENDIX III

## AUDIT AND INSPECTION REPORT REGISTER

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
(Note: Because some audits pertain to contract awards or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)				
<b>PBS INTERNAL AUDITS 04/01/17-09/30/17</b>				
04/18/17	A170037	Implementation Review of Action Plan: Oversight and Safety Issues at the PBS Michigan Service Center, Report Number A140024/P/5/R15009, September 30, 2015		
05/10/17	A170016	Audit of Security Controls at a Federal Building		
08/23/17	A170083	Implementation Review of Action Plan: PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building, Report Number A150120/P/2/R16002, March 17, 2016		
08/24/17	A150009	PBS National Capital Region's \$1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy		
<b>PBS CONTRACT AUDITS 04/01/17-09/30/17</b>				
09/13/17	A160106	Examination of a Claim: RK Mechanical, Inc., Subcontractor to M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010		\$2,368,120
<b>FAS INTERNAL AUDITS 04/01/17-09/30/17</b>				
04/20/17	A160025	Audit of FAS's Use of the One Acquisition Solution for Integrated Services Contract Vehicle		
07/13/17	A160118	GSA Lacks Controls to Effectively Administer the Computers for Learning Website		
09/27/17	A170101	Implementation Review of Action Plan: FAS has not Effectively Digitized Federal Supply Schedules Contract Files, Report Number A150029/Q/T/P16001 March 28, 2016		
09/28/17	A170025	Limited Scope Audit of GSA's Centralized Household Goods Traffic Management Program Tariff and Tender of Service		
09/28/17	A170095	Implementation Review of Action Plan: Audit of Contractor Team Arrangement Use, A130009/Q/A/P140004, September 8, 2014		
<b>FAS CONTRACT AUDITS 04/01/17-09/30/17</b>				
04/05/17	A160069	Preaward Examination of Multiple Award Schedule Contract Extension: Security Engineered Machinery Company, Inc., Contract Number GS-02F-0111P		\$9,940
04/07/17	A170028	Preaward Examination of Multiple Award Schedule Contract Extension: Gleason Research Associates, Incorporated, Contract Number GS-23F-0253M		
04/11/17	A160057	Preaward Examination of Multiple Award Schedule Contract Extension: Lexmark International, Inc., Contract Number GS-25F-0059M		\$904
04/12/17	A160128	Preaward Examination of Multiple Award Schedule Contract Extension: The Gunlocke Company, LLC, Contract Number GS-28F-0021Y		\$691
04/28/17	A160082	Preaward Examination of Multiple Award Schedule Contract Extension: Advanced Language Systems International, Inc., Contract Number GS-10F-0097T		
05/17/17	A160088	Preaward Examination of Multiple Award Schedule Contract Extension: CSRA, Inc., Contract Number GS-15F-0018M		

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
05/19/17	A160092	Preaward Examination of Multiple Award Schedule Contract Extension: Armag Corporation, Contract Number GS-07F-0076M		\$254
05/31/17	A160103	Preaward Examination of Multiple Award Schedule Contract Extension: Unistar-Sparco Computers, Inc., Contract Number GS-35F-0218M		\$63,159
06/08/17	A170015	Limited Scope Postaward Examination of Multiple Award Schedule Contract: NCS Technologies, Inc., Contract Number GS-35F-4677G		\$19,277
06/20/17	A160117	Preaward Examination of Multiple Award Schedule Contract Extension: StrategicHealthSolutions, LLC, Contract Number GS-10F-0231T		\$169,269
07/13/17	A170048	Preaward Examination of Multiple Award Schedule Contract Extension: Valador, Inc., Contract Number GS-10F-0182N		\$13,159
07/14/17	A160138	Preaward Examination of Multiple Award Schedule Contract Extension: Trade Products Corp., Contract Number GS-28F-0024M		
07/25/17	A160077	Preaward Examination of Multiple Award Schedule Contract Extension: Securityhunter, Inc., Contract Number GS-07F-0029M		\$22,417
08/02/17	A170034	Preaward Examination of Multiple Award Schedule Contract Extension: Polaris Sales Inc., Contract Number GS-07F-0398M		\$3,974
08/02/17	A170039	Preaward Examination of Multiple Award Schedule Contract Extension: Phase One Consulting Group, Inc., Contract Number GS-35F-0130U		
08/18/17	A170052	Preaward Examination of Multiple Award Schedule Contract Extension: General Dynamics Mission Systems, Inc., Contract Number GS-35F-0060N		\$41,550
08/18/17	A170064	Preaward Examination of Multiple Award Schedule Contract Extension, Palantir Technologies, Incorporated, Contract Number GS-35F-0086U		
09/07/17	A170067	Preaward Examination of Multiple Award Schedule Contract Extension: Catapult Technology LTD., Contract Number GS-35F-0401N		\$45,680
09/28/17	A170078	Limited Scope Postaward Examination of Multiple Award Schedule Contract: ADTRAV Corporation, Contract Number GS-33F-0003P		\$20,723
09/28/17	A170065	Preaward Examination of Multiple Award Schedule Contract Extension: National Government Services, Inc., Contract Number GS-35F-0674T		
09/28/17	A160129	Preaward Examination of Multiple Award Schedule Contract Extension: Galls, LLC, Contract Number GS-07F-0157M		\$117,900
09/28/17	A160056	Preaward Examination of Multiple Award Schedule Contract Extension: Omniplex World Services Corporation, Contract Number GS-15F-0051L		
<b>OTHER INTERNAL AUDITS 04/01/17-09/30/17</b>				
05/04/17	A160141	GSA Did Not Comply With the Improper Payments Acts in FY 2016		
08/09/17	A160112	Limited Scope Audit of the Security Controls for an Information System		
08/11/17	A170077	Implementation Review of Action Plan: GSA's Purchase Card Program is Vulnerable to Illegal, Improper, or Erroneous Purchases Report Number A160022/O/R/F16004 September 30, 2016		
09/20/17	A170019	Audit of GSA's Fiscal Year 2016 Travel Card Program		
09/22/17	A160047	Audit of GSA's Space Reduction Projects in the Pacific Rim Region		

# APPENDIX IV

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

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

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

DATE OF REPORT	REPORT NUMBER	TITLE
<b>CONTRACT AUDITS</b>		
07/28/2011	A110088	Postaward Examination of Multiple Award Schedule Contract Number GS-07F-6028P for the Period January 1, 2009 to December 31, 2010: Global Protection USA, Inc.
08/03/2011	A100119	Preaward Review of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS-06F-0032K
08/15/2012	A110209	Preaward Audit of Multiple Award Schedule Contract Extension: Proper International Sales, Inc., Contract Number GS-07F-0228M
10/16/2012	A120071	Preaward Examination of Multiple Award Schedule Contract Extension: ICF Z-Tech, Inc., Contract Number GS-35F-0102M
01/31/2014	A130071	Preaward Examination of Multiple Award Schedule Contract Extension: Industries for the Blind, Inc., Contract Number GS-02F-0208N
03/24/2014	A130099	Examination of a Claim: HCBeck, Ltd., Contract Number GS-07P-09-UY-C-0007
03/31/2014	A130049	Preaward Examination of Multiple Award Schedule Contract Extension: SimplexGrinnell LP, Contract Number GS-06F-0054N
04/14/2014	A130136	Preaward Examination of Multiple Award Schedule Contract: Fisher Scientific Company L.L.C., Solicitation Number 7FCB-C4-070066-B
04/24/2014	A110139	Postaward Examination of Multiple Award Schedule Contract: Alaska Structures, Incorporated, Contract Number GS-07F-0084K
06/19/2014	A140057	Preaward Examination of Multiple Award Schedule Contract Extension: ATD-American Co., Contract Number GS-28F-0030P
07/16/2014	A130043	Limited Scope Postaward Examination of Multiple Award Schedule Contract: ICF Z-Tech, Inc., Contract Number GS-35F-0102M
07/29/2014	A130116	Preaward Examination of Multiple Award Schedule Contract Extension: Management Concepts, Inc., Contract Number GS-02F-0010J

DATE OF REPORT	REPORT NUMBER	TITLE
09/16/2014	A140132	Preaward Examination of Multiple Award Schedule Contract Extension: A-T Solutions, Inc., Contract Number GS-02F-0193P
11/10/2014	A140110	Examination of Claims: Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
01/30/2015	A140116	Examination of Claim: City Lights Electrical Co., Inc., Subcontractor to Suffolk Construction Company Inc., Contract Number GS-01P-05-BZ-C-3010
03/27/2015	A140149	Examination of a Request for Equitable Adjustment: Donaldson Interiors, Inc. Subcontractor to Cauldwell Wingate Company, LLC. Contract Number GS-02P-05-DTC-0021
03/31/2015	A140039	Preaward Examination of Multiple Award Schedule Contract Extension: High Performance Technologies Innovations LLC., GS-35F-0333P
06/10/2015	A140074	Preaward Examination of Multiple Award Schedule Contract Extension: TASC, Inc., Contract Number GS-23F-0008K
07/08/2015	A150071	Preaward Examination of Multiple Award Schedule Contract Extension: CAS, Inc., Contract Number GS-23F-0002L
09/23/2015	A140079	Preaward Examination of Multiple Award Schedule Contract Extension: CACI, INC.- FEDERAL, Contract Number GS-10F-0226K
09/30/2015	A150002	Preaward Examination of Multiple Award Schedule Contract Extension: Government Contract Solutions, Inc., Contract Number GS-10F-0362R
11/10/2015	A150083	Preaward Examination of Multiple Award Schedule Contract Extension: LCG Systems LLC, Contract Number GS-35F-0047L
11/12/2015	A150077	Preaward Examination of Multiple Award Schedule Contract Extension: Office Depot, Inc., Contract Number GS-14F-0040K
11/13/2015	A140118	Examination of a Claim: N.B. Kenney Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
11/18/2015	A140064	Preaward Examination of Multiple Award Schedule Contract Extension: AllWorld Language Consultants, Inc., Contract Number GS-10F-0227K
11/20/2015	A150113	Examination of a Claim: Matsuo Engineering Centerre Construction A Joint Venture, Contract Number GS-08P-10-JB-C-0007
12/03/2015	A090175	Limited Scope Postaward Examination: Square One Armoring Services Company, Contract Number GS-07F-0303J
12/03/2015	A150069	Preaward Examination of Multiple Award Schedule Contract Extension: Research Triangle Institute, Contract Number GS-10F-0097L
12/07/2015	A140055	Preaward Examination of Multiple Award Schedule Contract Extension: SRC, Inc., Contract Number GS-00F-0019L
12/14/2015	A150142	Preaward Examination of Multiple Award Schedule Contract Extension: IDSC Holdings, LLC, Contract Number GS-06F-0006L
12/21/2015	A140146	Examination of a Claim: Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021
12/28/2015	A140145	Examination of a Claim: Pace Plumbing Corporation, Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021
01/29/2016	A140148	Examination of a Claim: Five Star Electric Corporation, Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021

DATE OF REPORT	REPORT NUMBER	TITLE
02/23/2016	A150104	Preaward Examination of Multiple Award Schedule Contract Extension: Kipper Tool Company, Contract Number GS-06F-0018L
03/02/2016	A150093	Preaward Examination of Multiple Award Schedule Contract Extension: Innovative Management & Technology Approaches, Inc., Contract Number GS-35F-0096L
03/30/2016	A140147	Examination of a Request for Equitable Adjustment: ASM Mechanical Systems, Inc., Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021(N)
04/18/2016	A150097	Preaward Examination of Multiple Award Schedule Contract Extension: Acumen, LLC Contract Number GS-10F-0133S
04/26/2016	A160029	Preaward Examination of Multiple Award Schedule Contract Extension: Delta Research Associates, Inc., Contract Number GS-00F-0028L
04/27/2016	A150095	Preaward Examination of Multiple Award Schedule Contract Extension: DRS Technical Services, Inc., Contract Number GS-35F-0148S
05/12/2016	A160026	Preaward Examination of Multiple Award Schedule Contract Extension: Skyline Unlimited, Inc., Contract Number GS-00F-0001U
05/23/2016	A150073	Preaward Examination of Multiple Award Schedule Contract Extension: Simmonds Precision Products, Inc., Contract Number GS-07F-6062R
06/24/2016	A150085	Preaward Examination of Multiple Award Schedule Contract Extension: Mathematica Policy Research, Inc, Contract Number GS-10F-0050L
06/30/2016	A150068	Preaward Examination of Multiple Award Contract Extension: COLSA Corporation, Contract Number GS-23F-0003L
07/20/2016	A150078	Preaward Examination of Multiple Award Schedule Contract Extension: Thermo Scientific Portable Analytical Instruments, Inc., Contract Number GS-07F-6099R
07/21/2016	A150087	Preaward Examination of Multiple Award Schedule Contract Extension: LC Industries, Contract Number GS-02F-0026S
07/27/2016	A150080	Preaward Examination of Multiple Award Schedule Contract Extension: Connecticut Container Corporation, Contract Number GS-15F-0003L
08/04/2016	A150107	Preaward Examination of Multiple Award Schedule Contract Extension: Radiance Technologies, Inc., Contract Number GS-23F-0147L
08/05/2016	A160046	Preaward Examination of Multiple Award Schedule Contract Extension: Franconia Real Estate Services, Inc., Contract Number GS-23F-0202L
08/08/2016	A160039	Preaward Examination of Multiple Award Schedule Contract Extension: Carahsoft Technology Corporation, Contract Number GS-35F-0119Y
08/19/2016	A150050	Preaward Examination of Multiple Award Schedule Contract Extension: Trane U.S. Inc., Contract Number GS-07F-0248K
08/22/2016	A150109	Preaward Examination of Multiple Award Schedule Contract Extension: Sotera Defense Solutions, Inc., Contract Number GS-35F-0344L
08/29/2016	A160017	Preaward Examination of Multiple Award Schedule Contract Extension: PotomacWave Consulting, Inc., Contract Number GS-00F-0007X
09/02/2016	A160036	Preaward Examination of Multiple Award Schedule Contract Extension: Varec, Incorporated, Contract Number GS-35F-0549L
09/08/2016	A160061	Preaward Examination of Multiple Award Schedule Contract Extension: SkillSoft Corporation, Contract Number GS-02F-0040L

DATE OF REPORT	REPORT NUMBER	TITLE
09/08/2016	A160027	Preaward Examination of Multiple Award Schedule Contract Extension: Agilent Technologies, Incorporated, Contract Number GS-07F-0564X
09/09/2016	A160083	Preaward Examination of Multiple Award Schedule Contract Extension: The Tauri Group, LLC, Contract Number GS-00F-0006V
09/14/2016	A160049	Postaward Examination of Multiple Award Schedule Contract: Parsons Government Services, Inc., Contract Number GS-00F-0005R
09/19/2016	A160093	Limited Scope Postaward Examination of Multiple Award Schedule Contract: United Liquid Gas Company, Contract Number GS-07F-0532M

DATE OF REPORT	REPORT NUMBER	TITLE	PROJECTED FINAL ACTION DATE
<b>INTERNAL AUDITS</b>			
06/26/2015	A140008	FAS Needs to Strengthen its Training and Warranting Programs for Contracting Officers	06/25/2018
03/17/2016	A150120	PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building	TBD*
07/22/2016	A150033	The Federal Acquisition Service Needs a Comprehensive Human Capital Plan for its Contract Specialist Workforce	10/31/2017
07/22/2016	A120026	IT Reseller Contracts Present Significant Challenges for GSA's Schedules Program	12/04/2017
09/27/2016	A150009	PBS Energy Savings Performance Contract Awards May Not Meet Savings Goals	03/25/2017

\*This audit was reopened as a result of an implementation review. We are working with GSA officials to resolve the audit.

# APPENDIX V

## OIG REPORTS WITHOUT MANAGEMENT DECISION

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

### **REPORTS THAT WERE 6 MONTHS OLD AS OF SEPTEMBER 30, 2017, AND REMAIN UNRESOLVED:**

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

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

We are working with GSA officials to resolve the audit.

## **LIMITED SCOPE POSTAWARD EXAMINATION OF A CONSULTING CONTRACTOR**

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

We are working with GSA officials to resolve the examination.

## **PREAWARD EXAMINATION OF AN INFORMATION TECHNOLOGY CONTRACTOR**

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

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

We are working with GSA officials to resolve the examination.

### **EXAMINATION OF A CLAIM OF A CONSTRUCTION AND REAL ESTATE DEVELOPMENT CONTRACTOR**

We performed this examination to determine whether the contractor's cost or pricing data submitted in support of the claim are allowable, allocable, and reasonable; supported by accurate and complete information; and prepared in accordance with the cost principles set forth in FAR Part 31 and GSA contract provisions. We concluded that the contractor did not adequately support some of its claimed costs and included unallowable costs in its claim. The contractor did not demonstrate that GSA directed acceleration of the work or that GSA was solely responsible for the project delays outlined in the claim.

We are working with GSA officials to resolve the examination.

### **PREAWARD EXAMINATION OF A VEHICLE RENTAL CONTRACTOR**

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

We concluded that the contractor's Commercial Sales Practices disclosure is not accurate or complete because it does not disclose its most favorable non-GSA rates and concessions. Additionally, the contractor violated the Price Reductions clause because it failed to report price reductions and the current basis of award customer for purposes of the Price Reductions clause is not appropriate. Lastly, the contractor overbilled some GSA customers.

We are working with GSA officials to resolve the examination.

### **REPORTS THAT WERE 6 MONTHS OLD AS OF SEPTEMBER 30, 2017, BUT HAVE SINCE BEEN RESOLVED:**

#### **INTERNAL AUDIT OF A LEASED FEDERAL COURTHOUSE IN PENSACOLA, FLORIDA**

Resolved on October 12, 2017.

# APPENDIX VI

## PEER REVIEW RESULTS

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

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

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

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

The Office of Inspections 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 AUDIT FINDINGS

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

# APPENDIX VIII

## UNIMPLEMENTED RECOMMENDATIONS

### UNIMPLEMENTED RECOMMENDATIONS FROM AUDIT AND INSPECTION REPORTS ISSUED BEFORE THE COMMENCEMENT OF THIS SEMI-ANNUAL REPORTING PERIOD

The GSA OIG currently has 21 unimplemented recommendations that were issued prior to the commencement of this semi-annual reporting period. These unimplemented recommendations do not include any financial recommendations.

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

FISCAL YEAR	TITLE	NUMBER OF UNIMPLEMENTED RECOMMENDATIONS	POTENTIAL COST SAVINGS
2015	FAS Needs to Strengthen its Training and Warranting Program for Contracting Officers	1	\$0
2016	PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building	2	\$0
2016	The Federal Acquisition Service Needs a Comprehensive Human Capital Plan for its Contract Specialist Workforce	1	\$0
2016	IT Reseller Contracts Present Significant Challenges for GSA's Schedules Program	4	\$0
2016	PBS Energy Savings Performance Contract Awards May Not Meet Savings Goals	6	\$0
2017	GSA's Decisions to Vacate and Renovate the Leased Federal Courthouse in Pensacola Are Based on Faulty Premises	2	\$0
2017	Procurement and Internal Control Issues Exist within PBS's Brooklyn/Queens/Long Island Service Center	1	\$0
2017	Audit of Price Evaluations and Negotiations for the Professional Services Schedule Contracts	1	\$0
2017	Audit of PBS's Planning and Funding for Exchange Projects	1	\$0
2017	Evaluation of 18F	2	\$0
<b>Totals:</b>	<b>10</b>	<b>21</b>	<b>\$0</b>

# APPENDIX IX

## REPORTING REQUIREMENTS

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

REQUIREMENTS INSPECTOR GENERAL ACT OF 1978, AS AMENDED		PAGE
SECTION		
4(a)(2)	Review of Legislation and Regulations	40
5(a)(1)	Significant Problems, Abuses, and Deficiencies	6
5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	8-22
5(a)(3)	Prior Recommendations Not Yet Implemented	45
5(a)(4)	Matters Referred to Prosecutive Authorities	35
5(a)(5) and 6(b)(2)	Summary of Instances Where Information Was Refused	none
5(a)(6)	List of OIG Reports	48-49
5(a)(7)	Summary of Each Particularly Significant Report	8-22
5(a)(8)	Statistical Tables on Management Decisions on Questioned Costs	19
5(a)(9)	Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	18
5(a)(10) (A)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period Which No Management Decision Has Been Made	54
5(a)(10) (B)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period Which No Agency Comment was Returned within 60 Days	none
5(a)(10) (C)	Summary of OIG Reports Issued Before the Commencement of the Reporting Period for Which there are Unimplemented Recommendations	59
5(a)(11)	Description and Explanation for Any Significant Revised Management Decision	none
5(a)(12)	Information on Any Significant Management Decisions with Which the Inspector General Disagrees	9
5(a)(13)	Compliance with Federal Financial Management Improvement Act	none
5(a)(14)-(16)	Peer Review Results	57
5(a)(17)	Statistical Tables of Investigation Metrics	35-37
5(a)(18)	Description of Investigation Metrics	35-36
5(a)(19)	Investigations of Senior Employees where Misconduct was Substantiated	22
5(a)(20)	Description of any Instance of Whistleblower Retaliation	22
5(a)(21)	Description of any Attempt by the Agency to Interfere with OIG Independence	none
5(a)(22)(A)	Description of each Inspection, Evaluation and Audit Not Publicly Disclosed	48-49
5(a)(22)(B)	Description of each Investigation of a Senior Employee Not Disclosed to the Public	22
OTHERS		
PL 103-355, Sec 6009	Management Decisions and Implementation of Audit Recommendations	50
PL 110-181, Sec. 845	Government Contractor Significant Findings	58



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or write: GSA, IG, Hotline Officer  
Washington, DC 20405

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



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