

GSA

Office of Inspector General  
U.S. General Services Administration



# Semiannual Report to the Congress

October 1, 2014 – March 31, 2015



# Abbreviations

ARRA/Recovery Act	American Recovery and Reinvestment Act
ASAC	Assistant Special Agent in Charge
BPA	Blanket Purchase Agreement
CFL	Computers for Learning
CFO	Chief Financial Officer
C.F.R.	Code of Federal Regulation
CID	Criminal Investigation Command
CIO	Chief Information Officer
CIGIE	Council of Inspectors General on Integrity and Efficiency
CO	contracting officer
COR	Contracting Officer's Representative
CSP	Commercial Sales Practices
DCIS	Defense Criminal Investigative Service
DHS	Department of Homeland Security
DISA	Defense Information Systems Agency
DOD	Department of Defense
DOL	Department of Labor
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FISMA	Federal Information Security Management Act of 2002
FMFIA	Federal Managers' Financial Integrity Act
FMR	Federal Management Regulation
FSS	Federal Supply Schedule
FY	fiscal year
GSA	General Services Administration
GSAR	General Services Acquisition Requisition
IFF	Industrial Funding Fee
IPA	independent public accounting firm
IRS	Internal Revenue Service
IT	Information Technology
LEED	Leadership in Energy & Environmental Design
MAS	Multiple Award Schedule
NCIS	Naval Criminal Investigative Service
NCR	National Capital Region
OAS	Office of Administrative Services
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
PBS	Public Buildings Service
PII	Personally Identifiable Information
P.L.	public law
PRC	Price Reduction Clause
R&A	repairs & alterations
RWA	Reimbursable Work Authorization
SASP	State Agency for Surplus Property
SBA	Small Business Administration
SES	Senior Executive Service
TAA	Trade Agreements Act
UCMJ	Uniform Code of Military Justice
USAO	U.S. Attorney's Office
USC	United States Code
VA	Veterans Affairs
WPA	Works Progress Administration

## Foreword

This marks the end of another successful semiannual reporting period for the Office of Inspector General (OIG). The OIG continued its important work detecting fraud and mismanagement within the General Services Administration's (GSA) programs and operations. In this reporting period,

- > We issued 42 audit reports and made 220 referrals for criminal prosecution, civil litigation, administrative action, and suspension and debarment (page 10).
- > We recommended over \$1.15 billion in funds to be put to better use and in questioned costs (page 10).
- > Civil settlements and court-ordered and investigative recoveries totaled over \$78 million (page 10).

Our Office of Audits issued its fourth memorandum outlining major recurring issues in the Schedules program as identified by our preaward audits (page 19). As GSA reduces its workspace and implements a mobile workforce strategy, our office issued a report that found that GSA has not followed some of its own telework procedures and does not know its number of virtual employees (page 27). On the Public Building Services (PBS) front, we issued a report this period that found that PBS lacks procedures to sufficiently identify, quantify, and manage environmental contamination (page 21). We also noted challenges facing the transition of GSA's Financial Management Line of Business to the U.S. Department of Agriculture (page 26).

Our Office of Investigations' work on a False Claims Act case resulted in Iron Mountain, Inc., agreeing to pay \$44.5 million to the United States to resolve allegations that the company overcharged federal agencies (page 37). Two former GSA contractors agreed to pay a total of \$4.8 million to settle civil claims relating to their creation of a "front" company to obtain contracts through the Small Business Administration's 8(a) disadvantaged business program (page 38). As a result of our investigation, an individual was sentenced to 10 years' imprisonment and ordered to pay \$7.2 million in restitution for his role to defraud GSA's Computers for Learning education donation program (page 39). Our special agents also uncovered bribery and bid-rigging schemes (page 40) and several instances of purchase and fleet card fraud (page 42).

Our Office of Inspections and Forensic Auditing issued two inspection reports this period. In the same vein as our Office of Audits' review of GSA's reduction of workspace, our Office of Inspections and Forensic Auditing examined the security vulnerabilities in GSA's new open space design and found sensitive Privacy Act and Trade Secrets Act information and pilferable government property left unsecured (page 50). Additionally, we found that purchasing guidance for federal child care centers is inconsistent and ambiguous, resulting in improper purchases (page 51).

Furthermore, our Offices of Audits, Investigations, and Counsel continued their cross-collaborative Federal Acquisition Regulation (FAR) disclosure work, resulting in over \$17 million in recoveries for the United States (page 33).

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



Robert C. Erickson, Jr.  
Acting Inspector General  
April 30, 2015

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# Reporting Requirements

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

REQUIREMENT	PAGE
<b>INSPECTOR GENERAL ACT</b>	
Section 4(a)(2) – Review of Legislation and Regulations	55
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies	18–33
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	18–33
Section 5(a)(3) – Prior Recommendations Not Yet Implemented	59
Section 5(a)(4) – Matters Referred to Prosecutive Authorities	14
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused	none
Section 5(a)(6) – List of OIG Reports	62
Section 5(a)(7) – Summary of Each Particularly Significant Report	18–33
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs	13
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	13
Section 5(a)(10) – Summary of OIG Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	70
Section 5(a)(11) – Description and Explanation for Any Significant Revised Management Decision	none
Section 5(a)(12) – Information on Any Significant Management Decisions with Which the Inspector General Disagrees	none
<b>SENATE REPORT NO. 96-829</b>	
Resolution of Audits	12
<b>NATIONAL DEFENSE AUTHORIZATION ACTS</b>	
Public Law 104-106, 5 U.S.C. app. 3, § 5 note	65
Public Law 110-181	33
<b>DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT</b>	
Peer Review Results	72



# OIG Profile

# OIG Profile

## Organization

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

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

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



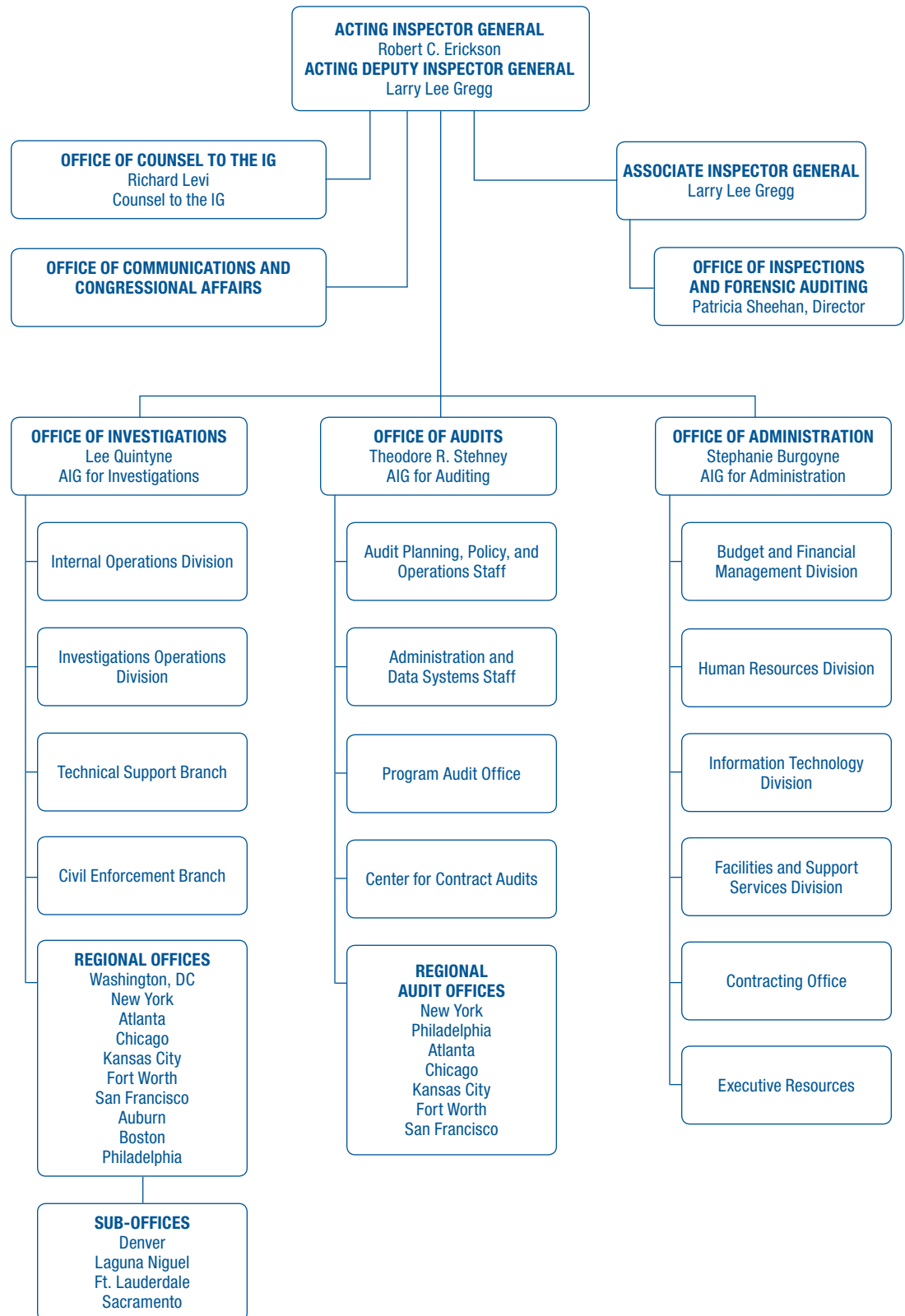
## Office Locations

The OIG is headquartered in Washington, DC, at GSA's Central Office Building. Field and regional offices are maintained in Atlanta, GA; Auburn, WA; Boston, MA; Chicago, IL; Denver, CO; Fort Lauderdale, FL; Fort Worth, TX; Kansas City, MO; Laguna Niguel, CA; New York, NY; Philadelphia, PA; Sacramento, CA; San Francisco, CA; and the Washington, DC, area.

## Staffing and Budget

As of March 31, 2015, our on-board staffing level was 296 employees. The OIG's fiscal year (FY) 2015 budget was \$65.6 million including \$2 million in no-year money and \$600 thousand in reimbursable authority.

# OIG Organization Chart



# OIG Offices and Key Officials

OFFICE OF THE INSPECTOR GENERAL		
Acting Inspector General	Robert C. Erickson (JD)	(202) 501-0450
Acting Deputy Inspector General	Larry Lee Gregg	(202) 219-1041
Special Assistant for Communications	Sarah Breen	(202) 219-1351
Congressional Affairs Liaison	Jennifer Riedinger	(202) 501-4634
OFFICE OF COUNSEL TO THE INSPECTOR GENERAL		
Counsel to the IG	Richard Levi (JC)	(202) 501-1932
OFFICE OF ASSOCIATE INSPECTOR GENERAL		
Associate Inspector General	Larry Lee Gregg (JX)	(202) 219-1041
OFFICE OF INSPECTIONS AND FORENSIC AUDITING		
Director	Patricia D. Sheehan (JE)	(202) 273-4989
OFFICE OF ADMINISTRATION		
Assistant IG for Administration	Stephanie Burgoyne (JP)	(202) 273-5006
Deputy Assistant IG for Administration	Erica Kavanagh (JP)	(202) 501-4675
Director, Budget and Financial Management Division	Suzanne Melnick (JPB)	(202) 501-2352
Acting Director, Human Resources Division	Jennifer Ledbetter (JPH)	(202) 273-7362
Director, Information Technology Division	William English (JPM)	(202) 273-7340
Director, Facilities and Services Division	Carol Mulvaney (JPF)	(202) 501-3119
Contracting Officer	Brenda Reynolds (JPC)	(202) 501-2332
OFFICE OF AUDITS		
Assistant IG for Auditing	Theodore R. Stehney (JA)	(202) 501-0374
Principal Deputy Assistant IG for Auditing/ Deputy Assistant IG for Real Property Audits	Rolando N. Goco (JA)	(202) 501-2322
Deputy Assistant IG for Acquisition Programs Audits	James P. Hayes (JA)	(202) 273-7321
Deputy Assistant IG for Audit Policy and Oversight	Carolyn Presley-Doss (JA)	(202) 273-7323
Chief of Staff	Peter J. Coniglio (JA)	(202) 501-0468
Program Manager, FAR Disclosure and False Claims Act Resolution Program	Paul J. Malatino (JA)	(202) 208-0021
Director, Audit Planning, Policy, and Operations Staff	Lisa L. Blanchard (JAO)	(202) 273-7271
Director, Administration and Data Systems Staff	Thomas P. Short (JAS)	(202) 501-1366
ASSOCIATE DEPUTY ASSISTANT INSPECTORS GENERAL FOR AUDITING/REGIONAL INSPECTORS GENERAL FOR AUDITING		
Northeast and Caribbean Region Audit Office	Steven D. Jurysta (JA-2)	(212) 264-8620
Mid-Atlantic Region Audit Office	Thomas P. Tripple (JA-3)	(215) 446-4840
Southeast Sunbelt Region Audit Office	Nicholas V. Painter (JA-4)	(404) 331-5125
Great Lakes Region Audit Office	Adam R. Gooch (JA-5)	(312) 353-7781
Heartland Region Audit Office	John F. Walsh (JA-6)	(816) 926-7052
Greater Southwest Region Audit Office	Paula N. Denman (JA-7)	(817) 978-2571
Pacific Rim Region Audit Office	Hilda M. Garcia (JA-9)	(415) 522-2744
Center for Contract Audits	Barbara Bouldin (JA-A)	(202) 273-7370
Program Audit Office	Marisa A. Roinestad (JA-R)	(202) 219-0088

OFFICE OF INVESTIGATIONS		
Assistant IG for Investigations	Lee Quintyne (JI)	(202) 501-1397
Deputy Assistant IG for Investigations	Vacant (JID)	(202) 501-1397
Director, Investigations Operations Division	Vacant	(202) 501-1397
Director, Internal Operations Division	Deborah Vanover (JII)	(202) 273-7272
OFFICE OF INVESTIGATIONS FIELD OFFICES		
National Capital Regional Office		(202) 252-0008
Boston Regional Office		(617) 565-6820
Northeast Regional Office		(212) 264-7300
Mid-Atlantic Regional Office		(215) 861-3550
Southeast and Caribbean Regional Office		(404) 331-5126
Ft. Lauderdale Resident Office		(954) 356-6993
Great Lakes Regional Office		(312) 353-7779
Mid-West Regional Office		(816) 926-7214
Southwest Regional Office		(817) 978-2589
Denver Resident Office		(303) 236-5072
Western Regional Office		(415) 522-2755
Laguna Niguel Resident Office		(949) 360-2214
Sacramento Resident Office		(916) 484-4901
Northwest Regional Office		(253) 931-7654

# Statistics on OIG Accomplishments



# Summary of OIG Performance

**October 1, 2014 – March 31, 2015**

<b>OFFICE OF AUDITS</b>	
Total financial recommendations	\$1,152,296,372
These include:	
Recommendations that funds be put to better use	\$1,144,759,099
Questioned costs	\$7,537,273
Audit reports issued	42
Audit memoranda provided to GSA	4
<b>Management decisions agreeing with audit recommendations</b>	<b>\$387,764,604</b>
<b>OFFICE OF INVESTIGATIONS</b>	
Referrals for criminal prosecution, civil litigation, administrative action, suspension & debarment	220
Indictments and informations on criminal referrals	26
Subjects accepted for criminal prosecution	43
Subjects accepted for civil action	13
Successful criminal prosecutions	25
Civil settlements	10
Contractors/individuals suspended and debarred	45
Employee actions taken on administrative referrals involving government employees	9
<b>Civil settlements and court-ordered and investigative recoveries</b>	<b>\$78,039,960</b>

# Statistical Summary of OIG Accomplishments

## Reports Issued

The OIG issued 42 audit reports. The 42 reports contained financial recommendations totaling \$1,152,296,372 including \$1,144,759,099 in recommendations that funds be put to better use and \$7,537,273 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 Reports

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of March 31, 2015. There were six reports more than six months old awaiting management decisions as of March 31, 2015. Table 1 does not include two implementation reviews that were issued during this period because they are excluded from the management decision process. Table 1 also does not include four reports excluded from the management decision process because they pertain to ongoing investigations.

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

	NUMBER OF REPORTS	REPORTS WITH FINANCIAL RECOMMENDATIONS*	TOTAL FINANCIAL RECOMMENDATIONS
<b>For which no management decision had been made as of 10/01/2014</b>			
Less than six months old	26	19	\$149,520,941
Six or more months old	4	3	\$19,232,219
Reports issued this period	40	27	\$1,152,296,372
<b>TOTAL</b>	<b>70</b>	<b>49</b>	<b>\$1,321,049,532</b>
<b>For which a management decision was made during the reporting period</b>			
Issued prior periods	24	18	\$149,283,314
Issued current period	15	13	\$238,481,290
<b>TOTAL</b>	<b>39</b>	<b>31</b>	<b>\$387,764,604</b>
<b>For which no management decision had been made as of 03/31/2015</b>			
Less than six months old	25	14	\$913,815,082
Six or more months old	6	4	\$19,469,846
<b>TOTAL</b>	<b>31</b>	<b>18</b>	<b>\$933,284,928</b>

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



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

	NUMBER OF REPORTS	FINANCIAL RECOMMENDATIONS
For which no management decision had been made as of 10/01/2014		
Less than six months old	16	\$138,584,561
Six or more months old	1	\$18,851,520
Reports issued this period	21	\$1,144,759,099
<b>TOTAL</b>	<b>38</b>	<b>\$1,302,195,180</b>
For which a management decision was made during the reporting period		
Recommendations agreed to by management	22	\$368,411,539
Recommendations not agreed to by management	2	\$1,267,871
<b>TOTAL</b>	<b>24</b>	<b>\$369,679,410</b>
For which no management decision had been made as of 03/31/2015		
Less than six months old	13	\$913,664,250
Six or more months old	1	\$18,851,520
<b>TOTAL</b>	<b>14</b>	<b>\$932,515,770</b>

## Management Decisions on OIG Reports with Questioned Costs

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

	NUMBER OF REPORTS	QUESTIONED COSTS
For which no management decision had been made as of 10/01/2014		
Less than six months old	6	\$10,936,380
Six or more months old	2	\$380,699
Reports issued this period	10	\$7,537,273
<b>TOTAL</b>	<b>18</b>	<b>\$18,854,352</b>
For which a management decision was made during the reporting period		
Disallowed costs	9	\$18,001,611
Cost not disallowed	1	\$83,583
<b>TOTAL</b>	<b>10</b>	<b>\$18,085,194</b>
For which no management decision had been made as of 03/31/2015		
Less than six months old	5	\$150,832
Six or more months old	3	\$618,326
<b>TOTAL</b>	<b>8</b>	<b>\$769,158</b>

## Investigative Workload

The OIG opened 80 investigative cases and closed 102 cases during this period.

## Referrals

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

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

## Actions on OIG Referrals

Based on these and prior referrals, 43 subjects were accepted for criminal prosecution and 13 subjects were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 26 indictments/informations and 25 successful prosecutions. OIG civil referrals resulted in 10 subject settlements. Based on OIG administrative referrals, GSA management debarred 23 contractors/individuals, suspended 22 contractors/individuals, and took nine personnel actions against government employees.

**Table 4. Summary of OIG Referrals**

TYPE OF REFERRAL	CASES	SUBJECTS
Criminal	41	71
Civil	12	36
Administrative Referrals for Action/Response		62
Suspension	6	10
Debarment	20	41
<b>TOTAL</b>	<b>79</b>	<b>220</b>

## Monetary Results

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

**Table 5. Criminal and Civil Results\***

	CRIMINAL	CIVIL
Fines and Penalties	\$2,605,090	
Settlements		\$55,374,238
Recoveries		\$15,000
Forfeitures	\$215,233	
Seizures	\$0	
Restitutions	\$9,216,150	
<b>TOTAL</b>	<b>\$12,036,473</b>	<b>\$55,389,238</b>

**Table 6. Non-Judicial Recoveries**

Administrative Recoveries*	\$10,146,137
Forfeitures/Restitution	\$468,111
<b>TOTAL</b>	<b>\$10,614,248</b>

\* Administrative Recoveries includes the FAR disclosures reported on page 33, less \$6,871,401 in recoveries that was reported in the last SAR period.



# Management Challenges

# GSA's Significant Management Challenges

The Congress requested the Inspectors General of major federal agencies to report on the most significant management challenges facing their respective agencies. Our strategic planning process commits us to addressing these critical issues. The following table briefly describes the challenges we have identified for GSA and references related work products issued by the GSA OIG and discussed in this semiannual report.

CHALLENGE	BRIEF DESCRIPTION OF CHALLENGE
<b>Acquisition Programs</b>	GSA's procurement organization awards and administers government-wide contracts worth hundreds of billions of dollars. While GSA tries to obtain quality products and services at the best available prices, attention is needed to mitigate challenges with the GSA Schedules Program that include pricing, contractor compliance, workload management, workforce enhancement, program modernization, and proposed changes to the GSAR.
<b>GSA's Real Property Operations</b>	While the federal government is focusing on improving the management and utilization of federal real property, GSA and its customers also face reduced budgets. PBS needs to align its programs and operations to provide solutions that address both short- and long-term needs. Although immediate customer need often drives workload, local real property portfolios must be examined to assess whether they can meet long-term goals, especially where vacant owned space could replace expiring leases. Fallout from the Recovery Act will also continue to pose obstacles for PBS.
<b>GSA's Organizational Structure</b>	In FY 2012, GSA began consolidating its budget and financial management operations, as well as other support services and administrative functions. As GSA continues to restructure, it needs to reassess many aspects of its controls and systems. The regional structure of the organization has also undergone significant changes that may present communication and leadership issues.
<b>Managing a Mobile Workforce</b>	While reducing workspace for its central and regional offices, GSA is implementing a mobile workforce strategy. With physical contact being limited by increased telework, challenges will involve collaboration, management and supervision, document security, and IT capabilities. GSA's effort to transition to digital contract files may also prove challenging as this mobile workforce learns new methods for performing its duties.
<b>Information Technology</b>	Improvements are needed to protect sensitive GSA information and address emerging risks. Coordination, collaboration, and accountability across the agency are necessary to protect sensitive information. GSA IT systems do not always use effective data models, business rule validation checks, or data exchange specifications to ensure data quality. Improved planning, development, and implementation of IT systems are needed to ensure the availability of quality data to support business and investment decisions.
<b>Financial Reporting</b>	GSA's systems of accounting, financial management, and internal controls need to ensure management has accurate, reliable, and timely financial and performance information for its day-to-day decision making and accountability, as well as to deter fraud, waste, and abuse. The Agency continues to have internal control and financial process weaknesses, including the absence of an integrated procurement and acquisition system, ineffective information and communication processes, and the lack of effective supervision over regional and operational personnel. Further, GSA must identify the existence of environmental contamination in its properties and needs an effective process to determine remediation costs of these environmental liabilities for its financial statement reporting.
<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, support sustainable communities, and leverage purchasing power to promote environmentally responsible products and technologies. GSA has to develop a management framework, collect data to support goals and evaluate results, and fund specific programs.

# Management Challenges

## Acquisition Programs

GSA provides federal agencies with billions of dollars in products and services through various contract types. As of March 31, 2015, there were over 16,500 Multiple Award Schedule (MAS) contracts under GSA's procurement program that generated over \$17 billion in sales. We oversee this program by conducting preaward, postaward, and performance audits. Historically, for every dollar invested in our preaward audits, we achieve at least \$10 in savings from lower prices or more favorable contract terms and conditions for the benefit of the government and taxpayer.

## Significant Preaward Audits

The pre-decisional, advisory nature of preaward audits distinguishes them from other audit products. This program provides vital, current information enabling contracting officers to significantly improve the government's negotiating position to realize millions of dollars in savings on negotiated contracts. During this reporting period, we performed preaward audits of 27 contracts with an estimated value of almost \$4.3 billion and recommended over \$1.1 billion of funds be put to better use. Management decisions were also made on 24 preaward audit reports, which recommended almost \$370 million of funds be put to better use. Management agreed with 99 percent of our recommended savings.

Three of our more significant audits were MAS contracts with combined projected government sales of nearly \$2.6 billion. These audits recommended over \$1 billion of funds to be put to better use. Some of the more significant findings within one or more of these audit reports include: commercial sales practices (CSP) information was not current, accurate, or complete; proposed labor rates were overstated; Price Reduction clause compliance monitoring was ineffective; and the IFF was not correctly reported.

## Major Issues from Multiple Award Schedule Preaward Audits

### Audit Memorandum Number A120050-5, dated March 13, 2015

For the past three years, we have issued memorandums outlining recurring issues within the Federal Supply Schedule program (Schedules Program). This year's memorandum details four issues identified during our FY 2013 preaward audits that need management attention. These preaward audits identified: (1) over three-quarters of the contractors audited provided CSP disclosures that were not current, accurate, and/or complete to support their proposed prices; (2) half of the audited contractors supplied labor that did not meet the minimum educational and/or experience qualifications required by their GSA contracts; (3) over one-third of the audited contractors did not have adequate systems to accumulate and report schedule sales and many contractors improperly calculated their IFF; and (4) FAS contracting officers are not fully achieving cost avoidances identified by preaward audits. We have previously reported each of these issues in prior years.

Of the 51 FY 2013 preaward audits, we evaluated proposed prices for 30 using the submitted CSP disclosures. The CSPs contained non-current, inaccurate, and/or incomplete information in 23 instances (77 percent). We calculated that FAS contracting officers could obtain a potential cost savings of over \$895 million if they negotiated contract pricing using current, accurate, and complete CSP information.

Half of our preaward audits of service contracts found that customer agencies were overcharged for professional services. The employees providing these services did not meet the minimum education and/or experience qualification required by their respective GSA contract.

We also identified inadequate systems used to accumulate and report schedule sales in 19 of our 51 preaward audits (37 percent). Of those, 17 were found to have improperly computed the IFF resulting in recommended monetary recoveries of \$176,000.

FAS contracting officers achieved savings for 67 percent of the recommended cost avoidances identified in the FY 2013 preaward audits when the contract options were awarded. This savings is despite agreeing with 100 percent of our recommended cost avoidances.

While no formal recommendations were made, we provided the information so FAS can decide how to best address these issues to strengthen the integrity and cost effectiveness of the Schedules Program. The prolonged presence of these four issues illustrates the need for additional management attention.

## **Response to Congressional Inquiry Regarding AbilityOne Products**

### **Audit Memorandum Number A150064, dated March 10, 2015**

On December 8, 2014, Senators Charles E. Schumer and Kirsten Gillibrand sent a letter to the GSA OIG regarding the sale of AbilityOne products through the GSA Global Supply program. The Senators asked for an independent assessment of why AbilityOne products, sold through GSA's Global Supply program, are marked up at their current rate; whether all vendor contracts are in line with the Javits-Wagner-O'Day Act; and where additional revenue from the markups is allocated.

The AbilityOne program is a federal initiative to help people who are blind or have other significant disabilities find employment by working for nonprofit agencies that sell products and services to the U.S. government. The AbilityOne Commission establishes a Procurement List of supplies and services that are suitable for purchase by the government. The AbilityOne Commission also maintains a list of products that are "Essentially the Same" as Procurement List items. Federal purchasers may not purchase a product that is "Essentially the Same" if an AbilityOne Procurement List item is available.

We found that markups are based on a cost recovery methodology and that commercial and AbilityOne products are, in general, treated consistently. We found that markup revenue is used to support the operations of the Global Supply program. Although the program is designed to recover its costs, it has recently operated at a loss despite significant markups.



GSA has recently changed the method by which commercial and AbilityOne products are provided to purchasers from the stock program to the strategic partner delivery program. This transition has resulted in decreased markups and reduced prices on most AbilityOne products. We evaluated the controls related to the sale of AbilityOne products through various GSA contracts (including Global Supply, Multiple Award Schedule contracts, and Federal Strategic Sourcing Initiative for Office Supplies Third Generation contract). We found that GSA has taken some steps to ensure compliance with the statute by having contractors carry AbilityOne products and by preventing the sale of products deemed as “Essentially the Same” as AbilityOne products.

## **GSA’s Real Property Operations**

While the federal government is focusing on improving the management and utilization of federal real property, GSA and its customers are also facing the reality of reduced budgets. Given this environment, PBS needs to align its programs and operations to solutions that address both short- and long-term needs. Although immediate customer need often drives workload, local real property portfolios must be examined to assess whether they are suitable to meet long term goals, especially where vacant owned space could replace expiring leases.

## **PBS’s Identification and Management of Environmental Risks Need Improvement**

Report Number A130131/P/R/R15003, dated March 20, 2015

The Environmental Management Program within PBS’s Office of Facilities Management and Services Programs supports GSA in maintaining compliance with environmental laws and regulations, minimizing environmental risk and liability, and promoting cost-effective environmental policies to meet PBS’s performance goals. PBS owns over 1,500 properties across 11 regions nationwide, and its goal is to minimize damage from its operations to the environment.

The objective of our audit was to determine whether PBS has appropriate procedures in place to identify, quantify, and manage environmental contamination in accordance with government orders, laws, and PBS guidance. If not, we were to determine whether PBS facilities, tenants, and/or the surrounding environment are at risk.

We found that PBS lacks procedures to sufficiently identify, quantify, and manage environmental contamination in accordance with government orders, laws, and PBS guidance. As a result, PBS facilities, tenants, and the surrounding environment are potentially at risk. Specifically, PBS lacks a system to effectively monitor environmental management risks nationwide. In addition, PBS has not conducted environmental compliance audits on its entire building inventory and lacks policy and guidance to ensure audit consistency and effectiveness. Environmental management practices are also inconsistent across regions due to a lack of centralized policy. Finally, environmental management responsibility in tenant space is unclear, which can lead to undetected risks.

The Environmental Management Program does not have a centralized database to capture data, leaving PBS unaware of environmental risks associated with buildings in its inventory. PBS regions maintain environmental information, but it is not easily accessible to the Environmental Management Program in Central Office. In addition, methods for storing and reporting environmental data differ across regions. Compliance audits are an effective tool used by PBS for identifying environmental risks; however, compliance audits have not been completed on the entire owned-building inventory, and there is no requirement to conduct the audits or take corrective action on findings. Lastly, PBS's tenant occupancy agreements do not address tenant responsibilities for the management of environmental hazards. The lack of such an agreement has led to disputes between GSA and tenant agencies on responsibilities for environmental clean-up in GSA buildings. Furthermore, some tenant space, particularly space occupied by law enforcement personnel, is not readily accessible to PBS, hampering its ability to manage all of the environmental risks in its facilities.

To improve the Environmental Management Program, PBS needs to:

- > Develop a framework to manage and report on environmental risks.
- > Ensure consistent identification and routine maintenance of risk factors at each PBS building.
- > Establish agency-wide policy for the risk factors selected.
- > Incorporate environmental management responsibilities into occupancy agreements.

The PBS Commissioner agreed with our report recommendations.

### **Existing Practices Hinder PBS's Management of Transition Assets**

Report Number A130121/P/R/R15002, dated March 19, 2015

PBS evaluates its owned building inventory through core asset analysis, a series of five quantitative tests related to building performance. The analysis results in a holding period for each asset. If an asset passes all tests, it is considered a core asset with a holding period of greater than 15 years. Otherwise, the asset will be classified as either a transition asset with a six to 15 year holding period, or a disposal asset with a holding period of less than five years. PBS uses Asset Business Plans to capture individual asset information, including the results of the core analysis, the holding period assigned, and the strategy addressing asset issues with action plan steps. The focus of our audit was transition assets, which represented eight percent of PBS owned inventory in fiscal year 2013.

Our objectives were to determine if PBS developed strategies and action plans in a timely manner for transition assets; if the strategies and plans were implemented effectively; and evaluate the reasons why any assets remained in the transition status for extended periods of time.

We found that, although PBS has developed individual strategies for each transition asset, management of those assets may be hindered by existing practices. In particular, the strategies for some of these assets are not supported by specific action plans. Without specific action plans targeted at customer profile, market dynamics, and asset conditions, long-term asset strategies may not be met.

Secondly, we noted that progress on asset strategies cannot be assessed because the status of action plan steps is neither updated nor tracked. PBS's asset managers were either unaware of, or failed to update, the required Asset Business Plan fields within the action plans.

Lastly, PBS does not track the actual duration that an asset is classified as in transition. As a result, the timeframe for achieving strategies is obscured.

We recommended that the PBS Commissioner:

- > Ensure each action plan addresses the asset's long-term strategy, specific to customer profile, market dynamics, and asset condition.
- > Ensure that action plan completion dates and status descriptions are updated between annual Asset Business Plan submissions to assist management in tracking progress.
- > Require retention of the historical action plans in the Asset Business Plan tool to track past efforts and strengthen the accountability for achieving long-term goals.
- > Implement an original classification date as part of the core asset analysis holding period to assist management in monitoring the amount of time needed to achieve transition strategies.

The PBS Commissioner agreed with our report recommendations.

### **PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts**

Report Number A130112/P/R/RI5004, dated March 27, 2015

A PBS Service Center is responsible for ensuring that tenant needs are met efficiently and economically in GSA-owned and leased buildings. This responsibility includes the operation, maintenance, repair, alteration, and improvement of GSA-controlled space. Potomac is the largest of five NCR Service Centers, with 240 buildings in its inventory totaling 28.7 million square feet.

The objective of our audit was to determine whether PBS's NCR Potomac Service Center followed current procurement regulations and policies for ordering and accepting goods and services.

We found that the Potomac Service Center violated prohibitions against personal services contracts, limited competition, raised the risk of unsuitable individuals having access to government buildings, and possibly contributed to poor contractor performance. Specifically, the Potomac Service Center awarded two professional services contracts with several elements of personal services, including continuous direct supervision of contractor employees. Unless authorized by Congress, obtaining personal services by contract, rather than direct hire, circumvents civil service laws. PBS NCR also violated FAR competition requirements by extending a 4-month contract for 26-months through sole source contract modifications. This denied other qualified contractors the opportunity to compete for work and PBS NCR the opportunity to obtain a competitive price. Additionally, PBS NCR's process for coordinating security clearance information resulted in contracting and property management staff not having current security status information on contractor employees. We could not confirm the security clearance status for 27 contractor employees, as the GSA Chief Security Office had no security clearance records for these individuals. Finally, PBS NCR awarded a performance-based commercial facilities management contract without finalized prices. This may have reduced the contractor's incentive to perform efficiently and economically, and resulted in the poor contractor performance cited in the contract file.

We recommended that the Regional Commissioner, Public Buildings Service, National Capital Region, develop, implement, and maintain the management controls necessary to ensure that:

- > PBS NCR is not procuring or participating in personal services contracts.
- > Contract extensions and contract modifications are handled in accordance with the FAR.
- > All contractor employees accessing GSA facilities have proper security clearances prior to site access and background check information is shared with, and retained by, contract and project management staff.
- > Contract prices are finalized timely to reduce the risk of contractor performance issues.

The Regional Commissioner, Public Buildings Service, National Capital Region, acknowledged our audit findings.

### **Procurement and Contract Administration Issues at the PBS Heartland Region Iowa Field Office and Contract Services Branch**

Report Number A130005/P/6/R15006, dated March 31, 2015

The majority of all regional and field office acquisition is conducted by PBS Heartland Region Iowa Field Office and Contract Services Branch (Branch) personnel. Contracting officials procure goods and services through various methods, including the use of delivery orders issued under established contracts, competitive procurements, and purchase cards.

We performed this audit to determine whether Branch personnel followed appropriate procurement laws, policies, and regulations for ordering and accepting goods and services.

We determined that the Branch did not always follow appropriate procurement laws, policies, and regulations for ordering and accepting goods and services. We found multiple procurement and contract administration issues, specifically with purchase card transactions, service and construction orders, and custodial and operations and maintenance (O&M) contracts. Branch personnel also conducted all procurements under the simplified acquisition threshold of \$150,000 during the period under review.

To prevent these issues in the future, PBS must establish and implement management controls to improve awareness of, and adherence to, procurement regulations and policy. Although we did not uncover any improper purchases, the lack of these controls creates an environment where fraudulent or improper purchases could occur.

We recommended that the Director, Acquisition Management Division, and Director, Service Centers Division, Heartland Region:

- > Develop and implement policies and procedures to ensure adherence to established procurement laws and regulations, specifically: funding authorization and approval is obtained before work is performed; prices are fair and reasonable and price determinations are properly documented; controls are implemented to ensure that field office procurements are distributed among qualified vendors; appropriate wage compliance procedures are properly documented; and controls are implemented to ensure the separation of duties between ordering and receiving goods and services is enforced.
- > Review and document the price reasonableness of all above-standard line item pricing for a regional custodial services contract.
- > Renegotiate pricing for the remaining option years of the Des Moines O&M contract to reflect actual staffing and productivity levels.
- > Establish controls for the Des Moines O&M contract to ensure that GSA is not reimbursing the contractor for performing the same work under both the basic and additional services provisions of the contract.
- > Revise the terms and conditions of O&M contracts to simplify repair and replacement cost responsibilities, and reduce the O&M contract fee related to materials and subcontract administration (for the Des Moines contract).

The PBS Heartland Region Director, Acquisition Management Division, and Director, Service Centers Division, agreed with our report recommendations and relayed that they had taken some steps to improve controls, and that other actions were underway or planned.

## GSA's Organizational Structure

In FY 2012, GSA began consolidating its budget and financial management operations, as well as other support services and administrative functions. As GSA continues to restructure it needs to reassess many aspects of its controls and systems. The regional structure of the organization has also undergone significant changes that may present communication and leadership issues.

## Challenges Facing GSA's Financial Management Line of Business Transition to the U.S. Department of Agriculture

Audit Memorandum Number A150049-2, dated February 27, 2015

Transition of GSA's Financial Management Line of Business (FMLoB) to the U.S. Department of Agriculture (USDA) is a complex undertaking involving the transfer of approximately 300 employees, the accounting functions performed by GSA's Greater Southwest and Heartland Finance Centers, and numerous financial systems, including GSA's accounting system of record, Pegasys. As part of our on-going monitoring efforts of this transition, we issued a memorandum highlighting three challenges: planning, documentation, and the completion of the Memorandum of Understanding (MOU) and supporting agreements with USDA.

First, GSA must ensure that it thoroughly plans for the FMLoB transition. While GSA has developed initial plans, the Agency's planning process should include the development of contingency plans to establish ready-to-employ alternatives in the event that any aspect of the transition does not occur as anticipated. In particular, GSA should assess the resources necessary to transition from its current Momentum-based accounting system to USDA's SAP-based system, if required. Further, GSA needs to develop plans for how its financial operations and management will function in the future.

Second, GSA should take steps to document all major project actions and maintain complete records of decision points to ensure accountability and historical reference for future decisions and/or new decision makers. Sound documentation of key decisions made throughout the transition will better position GSA to address any questions or disputes that may arise.

Third, GSA must have an MOU, signed by both GSA and USDA, in place before any aspect of the FMLoB transition occurs, including, but not limited to: the transfer of personnel, systems, or Agency functions and operations. Completion of the MOU and other supporting agreements requiring the approval of GSA and USDA, such as those surrounding the annual financial statements audits, are integral to ensuring that GSA and USDA have a clear understanding of the underlying requirements and responsibilities of each party.

The Chief Financial Officer took no exception to the memorandum.

## Managing a Mobile Workforce

While reducing workspace for its central and regional offices, GSA is implementing a mobile workforce strategy. With increased telework and physical contact being limited, challenges will involve collaboration, management and supervision, document security, and IT capabilities.

### GSA's Program for Managing Virtual Employees and Teleworkers Needs Improvement

Report Number A130019/C/6/F15001, dated January 16, 2015

Telework was authorized in 2000 by Public Law 106–346, which states, “Each executive agency shall establish a policy under which eligible employees of the agency may participate in telecommuting to the maximum extent possible without diminished employee performance.” Public Law 111-292, the Telework Enhancement Act of 2010, further encourages telework and defines the structure surrounding it by requiring executive agencies to have a written agreement with each teleworking employee, a Telework Managing Officer, and an annual report on telework.

Telework is an arrangement whereby employees perform their duties from an approved worksite that differs from the Agency worksite where they would otherwise work. Full-time teleworkers are referred to as virtual employees, and their alternate worksite becomes their official duty station for purposes of locality pay and travel reimbursement.

We performed this audit to determine whether GSA has sufficient controls over its program for virtual employees and teleworkers to ensure compliance with laws, regulations, policies, and procedures.

We determined that GSA has developed telework policies and controls as required by public law. However, GSA has not followed some of its telework procedures and does not know the number of virtual employees it has. We identified improvement opportunities over controls for virtual employees in the areas of the approval of telework, duty station accuracy, and timekeeping. We also identified opportunities for improving controls over transit subsidies and training for all GSA teleworkers.

We recommended that the Chief Human Capital Officer:

- > Implement controls to ensure compliance with GSA CPO IL-12-04, specifically: ensure all virtual employees have properly approved arrangements; ensure all virtual arrangements are reviewed annually by appropriate levels of management; and establish controls to maintain an accurate list of virtual employees.
- > Verify official duty stations for all virtual employees and correct any errors, including collection of amounts owed or payment of amounts due.
- > Enhance controls over timekeeping, specifically: ensure that GSA employees and timekeepers correctly record telework time; and consider establishing a separate time and attendance code for virtual employees.

- > Enhance controls over transit subsidies, specifically: review approved transit subsidy recipients to ensure that virtual employees are not receiving transit benefits and collect any overpayments from the employees; and remind GSA employees that regularly scheduled telework days are to be deducted when computing requested subsidy amounts and that they are to notify their regional telework coordinator if their telework status changes.
- > Ensure that GSA employees complete required telework training in accordance with GSA policy prior to beginning or continuing to telework. Employees failing to complete all required telework training within a reasonable time period should be removed from telework.
- > Incorporate the requirements of CPO IL-12-04 into required telework training courses.

The Chief Human Capital Officer agreed with our report recommendations and advised us that steps have been taken to improve controls, and other actions are underway or planned.

## Information Technology

Improved planning, development, and implementation of IT systems and services are needed to ensure quality data, support business decisions, and improve investments. GSA management faces challenges in meeting two strategic business goals of providing effective and reliable IT systems and solutions, and providing balanced stewardship of information and technology. Challenges exist because GSA systems often do not integrate with each other, resulting in duplication of business processes, cost inefficiencies, and customer dissatisfaction.

### Summary of Overall Audit Efforts on GSA's Cloud Computing Environment

Report Number A140157/P/R/W14001, dated August 19, 2014

Alert Memorandum Number A140157, dated December 10, 2014

Report Number A140157/O/R/F15002, dated January 29, 2015

We initiated an audit in response to our discovery of unprotected sensitive information residing in GSA's cloud computing environment. The objectives of our audit included determining if GSA has identified and remedied all instances of sensitive data access control vulnerabilities within GSA's cloud computing environment, as well as determining how to prevent additional instances in the future.

During our audit, we found sensitive but unclassified building information residing within GSA's cloud computing environment. This information was available to individuals without a valid need to know. Additionally, the sensitive but unclassified information was not properly labeled. We issued an alert audit report to GSA management communicating our findings on August 19, 2014.



On December 10, 2014, we issued an alert memorandum to the GSA Administrator regarding additional, sensitive data located in another application within GSA's cloud computing environment. The unsecure data included procurement and building security information. This data was also available to individuals without a valid need to know.

Lastly, we found personally identifiable information within GSA's cloud computing environment available to individuals without a valid need to know. Additionally, we found that breach notifications to affected individuals were inadequate. We disclosed our findings to GSA management in a restricted audit report, issued January 29, 2015.

Due to the vulnerabilities identified in GSA's cloud computing environment, the contents of our reports and communications were restricted to those with an official need to know. We issued related recommendations in our reports. While GSA has begun to take corrective actions, our audit efforts are ongoing.

### **Oversight of the Federal Information Security Management Act – FY 2014**

The Federal Information Security Management Act of 2002 (FISMA) requires an annual evaluation of each Agency's security program and practices. For the FY 2014 evaluation, GSA contracted with an independent public accounting firm (IPA) to conduct the independent evaluation of its compliance with the provisions of FISMA and the OIG monitored the evaluation for compliance with quality standards and reporting guidance. The IPA's evaluation concluded that GSA has made positive strides over the last year in addressing information security weaknesses and continues to make progress in becoming fully FISMA compliant. However, GSA still faces challenges to fully implement information security requirements as stipulated in federal guidelines and mandates. During the FY 2015 evaluation, the IPA will review and follow-up on the issues identified by the prior IPA.

## Financial Reporting

Controls over budgetary and financial reporting are affected by the absence of an integrated procurement and acquisition system, ineffective information and communication processes, and the lack of effective supervision over regional and operational personnel. In addition, GSA does not have an effective due care process to investigate and identify properties that may contain hazardous substances. Without an effective process in place, GSA is challenged with meeting financial reporting requirements for reporting liabilities related to environmental contamination in its properties.

### Oversight of the Certified Public Accounting Contract – FY 2013 to FY 2014

The GSA's FY 2014 financial statements audit was performed by an independent public accounting firm (IPA) and monitored by the Office of Inspector General for compliance with quality standards and reporting requirements. The IPA's audit identified deficiencies in internal controls, including a material weakness and several significant deficiencies. The material weakness was in the area of Financial Management and Reporting. The significant deficiencies were in the areas of: Entity-level Controls, Budgetary Accounts and Transactions, Accounting and Reporting of Property and Equipment, Accounting and Reporting of Leases and Occupancy Agreements, and General Controls over Financial Management Systems. During the FY 2015 audit, the IPA will review GSA's supporting evidence to determine if corrective actions have been fully implemented.

### GSA's Greening Initiative – Sustainable Environmental Stewardship

With its major role in federal construction, building operations, acquisition, and government-wide policy, GSA faces challenges to achieve sustainability and environmental goals. GSA is required to increase energy efficiency, reduce greenhouse gas emissions, conserve water, reduce waste, support sustainable communities, and leverage purchasing power to promote environmentally responsible products and technologies. GSA has to develop a management framework, collect data to support goals and evaluate results, and fund specific programs.

### Incomplete, Outdated, and Unverified Recovery Act Sustainability Data May Affect PBS Reporting and Decision-Making

Report Number A130128/P/R/R15005, dated March 31, 2015

In April 2013, PBS created the Green Building Upgrade Information Lifecycle Database (gBUILD). PBS uses gBUILD to track progress toward achieving 39 Minimum Performance Criteria (MPC) based on the Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings. The objective of our audit was to determine whether PBS has an appropriate and effective process in place to evaluate whether Recovery Act projects are meeting sustainability goals.

We found that PBS used incomplete, outdated, and unverified data to track the sustainability progress of Recovery Act projects, which could lead to inaccurate reporting and ineffective management decisions. Examples of insufficient data in gBUILD included outdated statuses for MPC, incomplete baseline information, and missing anticipated Leadership in Energy and Environmental Design (LEED) certification levels.

Additionally, we identified limitations within gBUILD that further hinder PBS's tracking. PBS does not have the option in gBUILD to show a project is having difficulty meeting the MPC. In addition, PBS eliminated the system's historical log, removing all prior MPC updates.

Lastly, PBS exercised insufficient oversight of sustainability exemptions. As a result, projects may not have improved the sustainability of federal buildings to the fullest extent. In some instances, PBS did not obtain required waivers to exempt projects from specific MPC. One project team did not follow GSA's internal process for obtaining a LEED exemption.

We recommended that the PBS Commissioner:

- > Ensure sustainability data is tracked completely, timely, and accurately by: requiring that gBUILD MPC statuses and comments are updated within an established amount of time after each project milestone; reporting baseline data and anticipated LEED certification levels in gBUILD; ensuring advanced meter transmission issues are resolved timely; and establishing a process in which sustainability project details are validated for accuracy at the end of each milestone.
- > Improve the compliance tracking in gBUILD by: providing additional status choices to indicate if there is difficulty in meeting MPC; and restoring gBUILD capability to capture all historical comments and updates made to the MPC throughout the life of the project.
- > Implement a process to oversee the use of sustainability exemptions, including waivers in gBUILD.

The PBS Commissioner agreed with our report recommendations.

### **GSA's Process for Allocating Vehicles Needs to be Improved**

**Report Number A140009/O/R/F15003, dated February 20, 2015**

On May 24, 2011, the White House released Presidential Memorandum-Federal Fleet Performance. This memorandum requires all federal agencies to determine their optimal fleet inventory using a vehicle allocation methodology developed by GSA. The purpose of the vehicle allocation methodology is to assist federal fleet managers in eliminating unnecessary or non-essential vehicles from inventories, as well as assist agencies with vehicle purchase and lease selections. Agencies are required to achieve optimal inventories by December 31, 2015. In response to the presidential memorandum, GSA's Office of Governmentwide Policy issued GSA Bulletin Federal Management Regulation (FMR) B-30 – Motor Vehicle Management, on August 22, 2011. It outlines the steps required for agencies to develop their individual, annual vehicle allocation methodologies.

Our objectives were to determine if: the Office of Administrative Services (OAS) completed GSA's vehicle allocation methodology in accordance with GSA Bulletin FMR B-30; and controls are in place to ensure that OAS enters accurate vehicle allocation methodology data for GSA vehicles into the Federal Automotive Statistical Tool.

We determined that OAS completed GSA's vehicle allocation methodology in accordance with GSA Bulletin FMR B-30. In fact, GSA achieved its initial vehicle reduction goal of 4 percent, with an approximately 17 percent reduction of its internal fleet from a baseline level. In addition, controls are in place to help ensure that OAS enters accurate vehicle allocation methodology data into the Federal Automotive Statistical Tool. However, we identified that the current vehicle allocation methodology processes may hinder GSA's internal fleet removal and replacement decisions. We also noted that the current vehicle allocation methodology duties and responsibilities within OAS could lead to inaccurate proposals for vehicle removal and replacement and fleet reports.

We recommended that the Chief Administrative Services Officer:

- > Develop, implement, and document processes to increase Vehicle Utilization Survey response rates and ensure adequate follow-up with non-respondents, while documenting any follow-up activities in the GSA Fleet Drive Thru system.
- > Conduct an assessment to determine the program impact of having numerous vehicle allocation methodology duties and responsibilities performed by one individual. If resource constraints limit the ability to effectively segregate these duties, develop, implement, document, and monitor compensating controls.

The Chief Administrative Services Officer agreed with our report recommendations.

## Other Initiatives

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

### FAR Rule for Contractor Disclosure

Effective December 12, 2008, the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council agreed on a final rule amending the FAR. The final rule implements the Close the Contractor Fraud Loophole Act, Public Law 110–252, Title VI, and Chapter 1. Under the rule, a contractor must disclose, to the relevant agency's OIG, credible evidence of a violation of federal criminal law (within 18 U.S.C.) involving fraud, conflicts of interest, bribery, or the offering or acceptance of gratuities connected to the award, performance, or credible evidence of a violation of the civil False Claims Act, connected to the award, performance, or closeout of a government contract performed by the contractor or subcontractor. The rule provides for suspension or debarment when a principal knowingly fails to disclose, in writing, such violations in a timely manner.

### Disclosures for this Reporting Period

As disclosures are made, the Offices of Audits, Investigations, and Counsel jointly examine each acknowledgment and make a determination as to what actions, if any, are warranted. During this reporting period, we received five new disclosures. The matters disclosed included: billing errors; excess labor charges; failure to comply with contract requirements related to commercial sales practices disclosures and price reduction monitoring; and Trade Agreements Act violations. We concluded our evaluation of seven disclosures that resulted in \$17,366,339 in recoveries to the government, as well as two disclosures that resulted in settlements. We also assisted on two disclosures referred by another agency because of their potential impact on GSA operations. Finally, we continued to evaluate 31 existing disclosures during this reporting period.

### Government Contractor Significant Report Findings

The National Defense Authorization Act for FY 2008, P.L. 110-181, requires each IG appointed under the IG Act of 1978 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 audit reports that met these requirements.



# Significant Investigations





# Significant Investigations

GSA is responsible for providing working space for one million federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property and operates a government-wide services and supply system. To meet the needs of the customer agencies, GSA contracts for billions of dollars' worth of equipment, supplies, materials, and services each year. We conduct reviews and investigations in all these areas to ensure the integrity of the Agency's financial statements, programs, and operations, and that taxpayers' interests are protected. In addition to detecting problems in these GSA programs and operations, the OIG is responsible for initiating actions and inspections to prevent fraud, waste, and abuse and to promote economy and efficiency. When systemic issues are identified during investigations, they are shared with GSA management for appropriate corrective action. During this period, civil, criminal, and other monetary recoveries totaled over \$78 million (see Tables 5 and 6).

## Civil Settlements

### **Iron Mountain, Inc. and Iron Mountain Information Management, LLC, Agreed to Pay \$44.5 Million to Resolve False Claims Act Allegations (I1493314)**

On December 19, 2014, Iron Mountain, Inc. and Iron Mountain Information Management, LLC (collectively Iron Mountain), agreed to pay \$44,500,000 to resolve allegations under the False Claims Act that Iron Mountain overcharged federal agencies for record storage services under GSA contracts. The investigation was initiated based upon a qui tam, filed December 8, 2011, alleging that Iron Mountain provided false, incomplete, and inaccurate information to the government regarding its commercial pricing practices as part of the proposal for its GSA Multiple Award Schedule (MAS) contract originally awarded in 2001, and for the extension of that contract in 2006. According to the complaint, Iron Mountain also failed to comply with the price reduction clause of its GSA contract, and provided storage that did not meet National Archives and Records Administration requirements.

### **Two Former GSA Contractors Agreed to Pay Total of \$4.8 Million to Settle False Claims Act Allegations (I1132891)**

On December 14, 2014, Keith Hedman, former owner of Protection Strategies, Inc. (PSI), agreed to pay \$4.5 million, and on February 23, 2015, Dawn Hamilton, former owner of Security Assistance Corporation (SAC), agreed to pay \$300,000, both to settle civil claims relating to their creation of SAC as a “front” company to obtain contracts through the Small Business Administration’s 8(a) disadvantaged business program. In furtherance of the scheme, officials at PSI and SAC submitted falsified documents to the SBA to gain 8(a) status and set-aside contracts with NASA, DOD, GSA, and other agencies. The group also conspired to bribe an FPS official. Hedman and Hamilton previously received criminal sentences and were ordered to pay restitution/forfeiture for this scheme. GSA OIG, NASA OIG, SBA OIG, DHS OIG, and DCIS investigated this case jointly.

### **Tangible Software, Inc., Agreed to Pay \$500,000 to \$1.05 Million to Resolve False Claims Act Allegations (I1435071)**

On February 25, 2015, Tangible Software, Inc. (Tangible), owned and operated by Energy Management and Security Solutions, LLC, agreed to pay the United States between \$500,000 and \$1.05 million to resolve allegations that, while under prior ownership, it submitted false claims to the Department of Defense. The False Claims Act suit alleged that under contracts with the GSA and Defense Information Systems Agency (DISA), Tangible submitted claims for reimbursement in excess of what it actually paid. GSA OIG investigated this case jointly with DCIS and DISA.

### **DHS Technologies, LLC, Agreed to Pay \$1.9 Million to Resolve False Claims Act Allegations (I1132498)**

On December 4, 2014, DHS Technologies agreed to pay \$1.9 million to settle allegations under the False Claims Act that during negotiations with GSA, it submitted inaccurate disclosures by omitting discounts offered to a commercial customer. The complaint alleged that, had GSA known about these discounts, it would have negotiated a better price for schedule customers.

### **Construction Company Agreed to Pay \$400,000 to Resolve False Claims Act Violations (I15W00042)**

On March 11, 2015, Lend Lease Construction, Inc., a global company based in Rockville, MD, and Cindell Construction Company, based in Frederick, MD, agreed to pay a total of \$400,000 to settle False Claims Act allegations related to construction work at “Patriots’ Park” in Reston, VA. The qui tam complaint alleged that lower-tier subcontractors hired by Cindell underpaid workers, but Lend Lease and Cindell nevertheless certified compliance in weekly payrolls submitted to the government.

### **Software Developer Agreed to Pay \$9 Million to Resolve Government Claims (I13W3886)**

On March 11, 2015, Global Computer Enterprises, Inc. (GCE), and Raed Muslimani, the company's president and sole owner, agreed to pay the government \$9 million to resolve claims that GCE used foreign employees expressly prohibited from working on government contracts to perform work on the contract. The investigation began in 2012 with an anonymous complaint that GCE was using an Indian subsidiary, ReThink IT Services Private Limited, to develop software for GSA's System for Award Management, in violation of contract's place of performance clause. Our investigation revealed GCE similarly violated its place of performance clauses in contracts with GSA, EEOC, the U.S. Coast Guard, and the U.S. Secret Service. GCE filed for Chapter 11 bankruptcy protection in September 2014. The settlement agreement is contingent upon approval by the presiding bankruptcy judge.

## **Criminal Investigations**

### **Jeffrey Neely, Former Region 9 Executive, Pleaded Guilty (I1292909)**

On March 31, 2015, former PBS Commissioner Jeffrey Neely pleaded guilty to making false claims. Neely was the top GSA official responsible for the wasteful and improper spending during GSA's 2010 Western Regions Conference in Las Vegas, NV. Congressional committees conducted hearings regarding the conference in April of 2012. On September 25, 2014, a federal grand jury in San Francisco indicted Neely on five counts of fraud related to false statements and fraudulent travel claims he submitted while working for GSA.

### **California Man Sentenced to 10 Years' Imprisonment and \$7.2 Million in Restitution for Involvement in Scheme to Defraud GSA's Computers for Learning Program (I1203046)**

On February 5, 2015, Steven A. Bolden was sentenced to 10 years' imprisonment and three years' supervised release, and ordered to pay \$7,280,253 in restitution. In October 2011, DOT OIG notified GSA OIG of a scheduled \$13,900 delivery of computers through GSA's Computers for Learning (CFL) Program, to what was determined to be a residential address. Bolden created multiple fictitious charitable organizations, and falsely certified to GSA that he was acquiring computers through the CFL Program for donation to schools and educational programs. Bolden fraudulently acquired thousands of pieces of computer equipment that originally cost the U.S. government over \$30 million, and then sold the equipment for his personal gain. Bolden's sentence followed his plea of guilty to wire fraud, aggravated identity theft, and filing a false tax return. GSA OIG investigated this case jointly with IRS CI, DOT OIG, DOJ OIG, and DOE OIG.

### **Business Owner Sentenced for SDVOSB Fraud (I1162844)**

On March 12, 2015, Ran Hingorani, the owner of Midwest Contracting, Inc. (MCI), in Omaha, NE, was sentenced to six months in a halfway house and two years' probation, and ordered to forfeit a total of \$3,352,510.55, which agents had previously seized. Hingorani had fraudulently certified that his business was a service-disabled veteran-owned small business in order to obtain 45 government contracts set aside for such businesses. Hingorani represented Ronald Waugh as the owner and operator of the business when, in fact, Hingorani controlled and managed MCI. Hingorani received the majority of the profits from MCI's business, which also violated the program regulations. Hingorani's sentence follows his plea of guilty to major fraud and wire fraud in relation to the scheme, which involved approximately \$23 million in set-aside contracts. The GSA OIG investigated this case jointly with the VA OIG, SBA OIG, DCIS, and the FDIC OIG.

### **Bid Rigging Scheme Unraveled in Series of Court Actions (I11W2295)**

Miguel Rivera, formerly a Contracting Officer's Technical Representative with U.S. Customs and Border Patrol, improperly steered over \$20 million dollars in government contracts to particular bidders in return for gratuities. Rivera disclosed source selection information to bidders, and allowed bidders to draft internal procurement documents so as to limit competition. Rivera pleaded guilty and was sentenced to two months' imprisonment, one year of supervised release, \$5,299 in forfeiture, and a \$100 special assessment. Chancellor Ellis, President of Excedo Solutions, LLC, and former CBP contractor; Anthony Bilby, former Outside Sales Representative for Thundercat Technology LLC; and Thomas Flynn, former Vice President of Sales for Four Points Technology, LLC, were previously convicted in the fraudulent scheme. The GSA OIG investigated this case jointly with the DHS OIG.

### **Washington Gas Energy Systems Agreed to Deferred Prosecution Agreement After Colluding With 8(a) Company to Win GSA American Recovery and Reinvestment Act (ARRA) Contracts (I10W0941)**

Washington Gas Energy Systems (WGES) conspired with a "small disadvantaged business" (SDB) to obtain federal set-aside contracts and subcontract all of the work on the projects to WGES. Through this scheme, the SDB obtained approximately \$17.7 million in GSA contracts, of which it kept 5.8% as a fee. WGES exercised impermissible control over the SDB's bid and performance on the GSA contracts, and WGES and the SDB falsely represented that the company's employees had performed the required percentage of work on these contracts. On November 19, 2014, a deferred prosecution agreement was filed against WGES, citing conspiracy and major fraud. WGES agreed to pay a fine of \$1,560,000 and a monetary penalty of \$1,027,261.

### **Individual Sentenced for State Charges of Grand Theft and Forgery and Federal Charge of Tax Fraud (I12M3939)**

Our investigation revealed that Danilo Santos defrauded multiple victims of approximately \$670,000.00 by posing as an agent of GSA and arranging for the sale of vessels and vehicles prior to the GSA auction of the property. Santos provided altered U.S. government forms and bogus invoices, but pocketed the victims' money without purchasing or providing the promised items. Santos pleaded guilty to state charges including Grand Theft and Forgery. Agents also determined that Santos reported no income during those years. On March 18, 2015, Santos was sentenced to 27 months' imprisonment and ordered to pay \$196,645.00 in restitution for tax fraud. GSA OIG investigated this case jointly with IRS CI.

### **Owner of Engineering Firm Sentenced for Bribery of GSA Employee (I11W2708)**

On November 7, 2014, Francisco Bituin, owner of the mechanical engineering firm FLBE, Inc. (FLBE), was sentenced to six months of home confinement, two years of probation, and a fine of \$6,000. The sentence follows Bituin's guilty plea to bribery on July 21, 2014. FLBE had been awarded over \$30 million in 8(a) sole-source contracts; Bituin bought a golf membership for a GSA mechanical engineer (who cooperated with the investigation) and paid him a \$2,000 cash bribe to garner additional business. Bituin also made other offers to the GSA employee, including \$20,000 cash, a house in Las Vegas, a five percent share of FLBE, and a salaried position in the company upon the employee's retirement from government service.

### **Contractor Sentenced after Stealing \$1 Million in Excess Government Property (I11W2486)**

On January 15, 2015, George E. Wilson was sentenced to nine months' confinement and three years' supervised release, and ordered to forfeit \$164,690 and pay \$235,320 in restitution. The sentence follows Wilson's December 16, 2013, guilty plea to theft following a joint GSA OIG, DHS OIG and Coast Guard Investigative Service investigation that revealed Wilson was selling stolen government property to various businesses. Wilson used his role as a contracted excess property handler for the United States Coast Guard Surface Forces Logistics Center to divert and sell excess government computers for his personal gain. Wilson also used his contractor credentials to access GSA buildings to take additional property that was never intended for him to transport. Wilson pocketed approximately \$1 million through his theft.

### **Supervisory Contract Specialist Resigned after Being Implicated in Bribery Scheme (I14W4664)**

On October 1, 2014, a supervisory contract specialist at the Triangle Service Center voluntarily retired from government service after being implicated in the investigation of bribery by Francisco Bituin and FLBE, Inc.. Prior to his retirement, agents attempted to interview the employee concerning his acceptance of improper gifts and gratuities. The employee refused to cooperate and resigned from government service. GSA Region 11 Public Buildings Service leadership did not allow the employee to return to work until his resignation could be made effective and instead placed the employee on administrative leave until his/her separation.

## **Purchase Card Fraud**

### **Individual Sentenced for Purchase Card Fraud (I1213913)**

Our investigation revealed that Phuc Doan, of Naples, FL, placed multiple orders for Canon cameras on GSA Advantage using U.S. government purchase cards assigned to DOD personnel. In addition, Doan made hundreds of fraudulent purchases utilizing stolen civilian credit cards. Doan ultimately obtained \$457,339 in items obtained unlawfully and attempted to make \$450,000 in additional unauthorized purchases. A parallel investigation conducted by the U.S. Postal Inspection Service (USPIS) discovered an additional \$371,000 in unlawfully obtained items and \$1,500,000 in intended purchases. On August 28, 2014, Doan pleaded guilty to the use of an unauthorized access device (following a previous guilty plea resulting from the USPIS investigation). On January 29, 2015, Doan was sentenced to 87 months' imprisonment and 36 months' supervised release, and was ordered to pay \$486,020 in restitution. The GSA OIG investigated this case jointly with the FBI.

## **Fleet Credit Card Fraud Investigations**

### **Military Veteran Sentenced for Fleet Card Fraud (I1314466)**

On March 10, 2015, a military veteran, George C. Ryan, of Lowell, MA, pleaded guilty to state charges and was sentenced to ten months of probation, to run concurrently with his pre-existing federal probation. The investigation began when the GSA Loss Prevention Team reported suspicious transactions on a GSA fleet card assigned to the Department of Veterans Affairs (VA) Medical Center in Bedford, MA. Our investigation revealed that Ryan, who was a resident at the VA Lowell Crescent House, volunteered as a shuttle driver for the VA. He admitted to using the shuttle's assigned fleet card to purchase \$2,217 in fuel for privately owned vehicles in exchange for cash and drugs. The GSA OIG investigated this case jointly with the VA OIG.

### **Former Amtrak Employee Sentenced for GSA Government Fleet Credit Card Fraud (I1313964)**

On October 23, 2014, Julius Chisholm, a former Amtrak employee, pleaded guilty in state court to larceny, credit card fraud, and conspiracy. On the same day, Chisholm was sentenced to two years' incarceration, a suspended sentence of six years, and six years of probation, and ordered to pay \$9,927 in restitution. The investigation began when the GSA Loss Prevention Team reported suspicious transactions on a GSA fleet card assigned to Amtrak's Engineering Department in South Boston, Massachusetts. Between 2009 and 2012, Chisholm fraudulently used GSA fleet cards to purchase \$9,927 in fuel for himself and friends, and at times in exchange for cash. The GSA OIG investigated this case jointly with the Amtrak OIG.

### **U.S. Department of Labor Employee and Co-conspirator Sentenced for Fleet Card Fraud (I1334831)**

After the GSA Loss Prevention Team identified suspicious transactions associated with fleet credit cards assigned to several GSA vehicles leased to the DOL in Philadelphia, a joint investigation by the GSA OIG and the DOL OIG disclosed that Rhonda Winston, a 29-year employee who oversaw and managed fleet cards for a pool of GSA vehicles leased to DOL, conspired with Maleek Adams to fraudulently use three fleet cards to obtain approximately \$4,100 in fuel for personal vehicles. Winston was terminated from DOL. On February 6, 2015, Adams was sentenced to up to 18 months of incarceration followed by 18 months of supervised release, and was ordered to pay \$4,100.87 in restitution and prohibited from opening any credit card, financial, or bank accounts without permission from Philadelphia Adult Probation and Parole Department. On March 6, 2015, Winston was sentenced in state court to 24 months of probation, and was ordered to pay \$746 in court fees and \$4,100.87 in restitution (to be paid jointly with Adams).

### **Army Employee Pleaded Guilty to Fraudulent Use of GSA Fleet Credit Card (I1234105)**

On January 21, 2015, Private Willtronious Gates pleaded guilty in state court to credit card theft and was sentenced to 15 years in prison (all but four months of which were suspended), as well as 3 years of supervised release, \$4,431.48 in restitution, and a \$500 fine. In June 2012, the GSA Fleet Loss Prevention Team reported possible fraudulent transactions associated with the fleet credit card assigned to the U.S. Army in Aberdeen Proving Ground, MD. Gates and another U.S. Army Private used the fleet credit card to purchase gasoline, food, drinks, and cigarettes. Both admitted to using the card for personal purchases. The other subject is believed to be residing in Oregon; a warrant has been issued for his arrest. The GSA OIG investigated this case jointly with the Investigative Services Division of the Aberdeen Proving Ground Department of Emergency Services.



### **Misuse of GSA Government Fleet Credit Card Assigned to U.S. Navy (I1425028)**

In August of 2013, the GSA Fleet Loss Prevention Team reported irregular fuel transactions associated with fleet cards assigned to the U.S. Navy in Norfolk, VA. The questionable charges consisted of multiple fuel transactions in a short time period, fuel transactions over the vehicle's tank capacity, and transactions occurring exclusively in Amityville, NY, rather than Norfolk, VA, where the vehicles were assigned. Our investigation revealed that former U.S. Marine Anthony L. Powell fraudulently used the cards for his own personal gain while stationed at the U.S. Armed Forces Reserve Center in Long Island, NY. On November 7, 2014, Powell pleaded guilty to theft under New York state law and was sentenced to three years of supervised release and ordered to pay restitution in the amount of \$19,498. The GSA OIG investigated this case jointly with DCIS and NCIS.

### **Guilty Plea for Misuse of GSA Government Fleet Credit Card Assigned to U.S. Army (I1425311)**

In March of 2014, the GSA Fleet Loss Prevention Team reported suspicious transactions using several fleet cards assigned to the U.S. Army in Fort Drum, NY. Our investigation revealed that Francis J. Robert, a former electronics technician at Fort Drum, fraudulently used several fleet cards to purchase approximately \$6,500 in diesel and gasoline for his personal use. On February 25, 2015, Robert pleaded guilty to state charges and is scheduled to be sentenced in April 2015. This case was worked jointly with the New York State Police.

### **Navy Recruiter Sentenced for Misuse of GSA Government Fleet Credit Card (I1155493)**

On April 1, 2015, Petty Officer Joshua Stout, a recruiter for the U.S. Navy, received a Non-Judicial Punishment of Forfeiture of one month's pay, a reduction to the next inferior pay grade, and a general discharge from the Navy. The investigation began when the GSA Loss Prevention Team reported possible fraudulent transactions associated with a GSA Fleet Credit Card assigned to a Michigan Navy Recruiting Office. Investigation determined that between April 2014 and November 2014, Stout used the card to purchase \$976 in fuel for his personally owned vehicle.

### **Stolen Fleet Vehicle Recovered in Fleet Card Fraud Investigation (I15W00028)**

On February 20, 2015, GSA OIG and Defense Logistics Agency (DLA) Office of Inspector General special agents arrested a man found driving a GSA leased vehicle that had been stolen from DLA. He denied knowing the car had been stolen, claiming that he had rented the car from a DLA employee. The man was charged with Unauthorized Use of a Motor Vehicle in violation of Virginia state law. This investigation was initiated after the GSA Loss Prevention Team identified suspicious transactions being made on a fleet credit card. Investigation revealed that the associated vehicle had been missing from the DLA vehicle pool for several days.



### **D.C. Fire and Emergency Services Inspector Pleaded Guilty to \$24,000 in Fleet Card Fraud (I15W00008)**

GSA OIG agents determined that Kimberly Pinkney, a former inspector with District of Columbia Fire and Emergency Services, used a fleet credit card to fill her personal vehicle. The loss to the government is estimated to be over \$24,000. On January 14, 2015, Pinkney was arrested and charged with first-degree felony fraud under D.C. law. On March 9, 2015, she pleaded guilty to one count of second degree felony fraud. Her sentencing is set for May 5, 2015.

### **Naval Exchange Service Command Employee Pleaded Guilty to Credit Card Fraud (I14W5291)**

On January 16, 2015, Kenneth Alston, a former mail carrier for the Naval Exchange Service Command, pleaded guilty to theft and accepted responsibility for \$16,609 in unauthorized government fleet credit card purchases. Alston purchased fuel for another person approximately twice per week, receiving \$20-40 each time.

### **Fleet Manager Arrested for Credit Card Fraud Scheme (I14W5345)**

On October 15, 2014, Bernard Ford, a fleet manager for the U.S. Army at Fort Myer, was arrested for theft stemming from his use of a government fleet card to fuel his personal vehicle. The GSA Fleet Loss Prevention Team reported anomalies in the use of credit cards assigned to vehicles leased to Fort Myer. Agents interviewed Ford, who was responsible for those transactions, and he admitted to using the credit cards to fuel his personal vehicle about once per week from 2008 through August of 2014. The estimated loss is \$5,244.72.

### **Army Corps of Engineers Employee Sentenced for Fleet Card Fraud (I14W5401)**

On March 11, 2015, Marvin Brown, a warehouse employee for the Army Corps of Engineers (ACE), was sentenced to 18 months of probation and 150 hours of community service and ordered to pay \$1,519.00 in restitution. Brown previously pleaded guilty to theft using a fleet card for personal purchases. Records of irregular transactions led agents to another ACE employee, who implicated Brown in the scheme. The estimated loss was \$1,519.00.

### **Misuse of a GSA Fleet Card Assigned to the U.S. Army (I1475122)**

On January 14, 2015, Ricardo Gomez, a contractor at Fort Bliss, pleaded guilty and was sentenced to five years of probation, restitution of \$23,337, and two \$100 special assessments for theft of government property and conspiracy to commit theft. The investigation began when the GSA loss Prevention Team reported suspicious odometer readings, multiple same-day purchases, and back-to-back over-tank fuel purchases made from a single fleet credit card assigned to the U.S. Army at Fort Bliss. Our investigation revealed that two contractors at Fort Bliss conspired to purchase gasoline and re-sell it for personal profit. Both were indicted on October 8, 2014 for theft of government property and conspiracy to commit theft. The second contractor has not yet entered a plea.

## **Administrative Investigations**

### **A GSA Fleet Vehicle Bought at GSA Auction with a Stolen Credit Card was Recovered and Returned to GSA Fleet (I11500030)**

On February 9, 2015, GSA recovered a 2008 Hummer H3 which had been purchased with a stolen credit card and was about to be shipped to Lagos, Nigeria. On February 3, 2015, a GSA Acquisition Remarketing Manager had reported that the vehicle was purchased via the GSA Online Auction with a stolen credit card, and was being transported to a location outside of the United States. Investigators located the vehicle at a pre-staging facility in Bayonne, NJ, and the New Jersey Port Authority and the Department of Homeland Security assisted GSA in recovering the vehicle. Investigators identified a Nigerian national as a subject of interest. It appears the same scheme was attempted with the Canadian government in 2014.

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

As a direct result of the cooperative efforts between the OIG and GSA's Office of the Chief Architect, Fine Arts Program Office (FAP), a total of twenty-four lost pieces of Works Progress Administration (WPA) artwork were recovered during this reporting period. These items of American history are not subject to public sale, but their comparative value totals approximately \$382,400. The FAP will be conserving the pieces before placing them on loan to institutions across the country for public display. Since cooperative efforts between the OIG and FAP began in 2001, a total of 282 works have been recovered with a comparative value of \$4,133,150.

### **WPA Painting Recovered after Attempt to Sell Through Auction House (I1374792)**

On January 16, 2015, we recovered a painting titled "Neuces River" by Jessie Davis. We were alerted that a woman had submitted a painting to an auction house for sale. Investigators confirmed that the painting was part of the New Deal program and contacted the seller. The U.S. Attorney's Office for the Northern District of Texas assisted in securing the painting's return.

### **WPA Artwork Recovered from the San Diego Unified School District (I14L5405)**

In August 2014, a San Diego Union-Tribune newspaper article identified artwork as possibly part of the WPA program. During the same time period, we also received a tip about a WPA painting that had been offered during an estate sale, but was later returned to the San Diego Unified School District. Ultimately, investigators discovered a total of 9 WPA paintings under the care of the San Diego History Center. A comparative analysis valued the pieces at \$334,000.

### **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 51 referrals for consideration of suspension or debarment to the GSA Office of Acquisition Policy. GSA issued 45 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 23 briefings attended by 123 GSA employees, other government employees, and government contractors. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of successful investigative information.

## Hotline

The OIG Hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings encourage employees to use the Hotline. Our FraudNet electronic reporting system also allows internet submission of complaints. During the reporting period, we received 1,075 Hotline contacts. Of these, 101 were referred to GSA program officials for review and appropriate action, 34 were referred to other federal agencies, none were referred to the OIG Office of Audits, three were referred to the OIG Office of Inspections and Forensic Auditing, and 57 were referred internally for investigation or further review.

# Office of Inspections and Forensic Auditing

# Significant Inspections

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

During this reporting period, the office issued two inspection reports impacting GSA security and purchasing.

## **Security Vulnerabilities in Information and Property in the GSA Central Office Open Space**

**Report Number JE15-001, dated October 16, 2014**

The GSA Central Office renovation Phase I, completed for employee reoccupation in 2013, created an open space work environment that eliminated traditional office doors and cubicles in favor of a desk and conference room reservation system with few permanent desk assignments. GSA's traditional office space was previously secured by office suites with locked doors.

The OIG Office of Inspections and Forensic Auditing conducted an after-hours limited inspection of the open office space at the GSA Central Office. The inspection identified physical control weaknesses in securing sensitive information covered by the Privacy Act and the Trade Secrets Act, as well as physical control weaknesses in securing highly pilferable government-furnished personal property. The inspection of the GSA Central Office open space found numerous incidences of unsecured Personally Identifiable Information (PII) and other sensitive information.

We recommended the following actions to address these insecurities:

- > GSA supervisors and managers should enforce GSA policies and procedures for the safeguarding of PII, other sensitive information, and highly pilferable government-furnished personal property.
- > GSA supervisors and managers should routinely monitor for security compliance by both employees and contractors.
- > GSA supervisors and managers should assess the adequacy of secure storage space available to meet employee and contractor needs.

## Inconsistent GSA Guidance and Purchasing for Federal Child Care Centers

Report Number JE15-002, dated October 23, 2014

The GSA Public Buildings Service (PBS), Office of Child Care, manages the Child Care Program by providing guidance, assistance, and oversight to federal agencies for the development of child care centers. At the time of this review, there were 106 child care centers operating in GSA-managed space in 31 states and the District of Columbia, with a national enrollment of over 8,000 children. The centers are independently operated, and the services GSA is authorized to provide, free of charge to the child care centers, include: lighting, heating, cooling, electricity, office furniture, office machines and equipment, classroom furnishings and equipment, kitchen appliances, playground equipment, telephone service, and security systems.

The OIG reviewed the Office of Child Care government purchase card transactions, and supporting documentation, for the period October 2012 through September 2013, covering all 11 GSA regions. We identified improper purchases, totaling \$120,608, during this 12-month period including “toys” and “curriculum materials,” such as puzzles, books, tricycles, stuffed animals, and blocks. Additionally, our office found the GSA guidance on purchasing authority for federal child care centers to be inconsistent and ambiguous. GSA’s lack of definitive guidance leads to conflicting interpretations of what is authorized, resulting in improper purchases.

To address the findings identified, we recommended the PBS Commissioner:

- > Establish a well-defined description of authorized “services” and “classroom furnishings” that may be procured by GSA for the development of child care centers.
- > Ensure the well-defined description of authorized “services” and “classroom furnishings” is included in the Special Conditions to the Licensing Agreement for all child care providers in GSA-managed space; as well as in any other GSA operating, design, development, and website content guidance.
- > Provide updated training to Child Care Division purchase card holders on the procurement of authorized services and classroom furnishings.
- > Require the Child Care Division to enforce its inventory policies, and also conduct regular and comprehensive physical inventory inspections of all child care centers to ensure inventories of GSA furnished items are accurate.





# Government-Wide Policy Activities



# Government-Wide Policy Activities

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

## Legislation, Regulations, and Subpoenas

During this reporting period, the OIG reviewed numerous legislative matters and proposed regulations. We also responded to requests from Members of Congress on behalf of their constituents as well as Congressional committees. The OIG also made substantive comments on several proposed laws and regulations. Additionally, we issued 26 subpoenas in support of our audit, inspection, evaluative, and investigative work.

## Interagency and Intra-agency Committees and Working Groups

- > **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** The Acting IG is a member of the Investigations Committee. The Acting IG is also the liaison between CIGIE and the Federal Chief Acquisition Officers Council. Through CIGIE, we also participate in the following organizations:
  - **CIGIE Disaster Assistance Working Group.** On January 29, 2013 the President signed into law the Disaster Relief Appropriations Act of 2013 (P.L. 113-2), which provides fiscal year 2013 supplemental appropriations to respond to and recover from the damage caused by Hurricane Sandy. It provides funds to 18 federal agencies (GSA received \$7M) and directs their OIGs to oversee the use of these funds. As a member, the GSA OIG works with the Group to develop and use information technology resources and oversight mechanisms to detect and remediate waste, fraud, and abuse as these appropriated funds are obligated and expended.
  - **Federal Audit Executive Council Information Technology Committee.** The Office of Audits participates in the Federal Audit Executive Council Information Technology Committee. This Committee provides a forum to share information and coordinate audits of significant IT issues 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.

- **CIGIE IT Committee.** The Office of Audits participates in the CIGIE Information Technology Committee. This committee facilitates effective IT audits, evaluations, and investigations and provides a vehicle to express the IG community’s perspective on government-wide IT operations. The Office of Audits was one of 19 offices that participated in a recent initiative to review agency cloud computing efforts across the federal government.
- **CIGIE Inspections and Evaluations Roundtable.** The Office of Inspections and Forensic Auditing participates in the CIGIE Inspections and Evaluations Roundtable. This roundtable provides a forum to share information and coordinate issues of importance with the OIG inspections and evaluations community.
- > **TeamMate Technical Support Group.** As part of our mission to address some of the complex integration and security issues surrounding E-Gov and the use of information technology, the TeamMate Technical Support Group participates in the TeamMate Federal Users Group and the Commerce Clearing House TeamMate Users Group to discuss concerns and challenges facing TeamMate users. TeamMate is an automated audit workpaper management system that strengthens the audit process, increases the efficiency and effectiveness of our auditors and audits, and ultimately leads to more robust, quality audit products.
- > **Information Assurance Committee.** The Office of Audits participates in the Office of the Chief Information Officer’s Information Assurance Committee. This committee oversees the development and implementation of enterprise security policy and makes recommendations on GSA’s IT security policies. The committee is comprised of representatives with information security responsibilities from the PBS, FAS, and staff offices. The OIG participates to monitor the progress of the Agency in meeting its information security performance metrics and goals.

# Appendices



## Appendix I – Significant Audits from Prior Reports

Under the Agency’s audit management decision process, its Office of Administrative Services and its Office of the Chief Financial Officer are responsible for tracking the implementation of audit recommendations after a management decision has been reached. These offices furnished the following status information.

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

### **Opportunities Exist to Strengthen the Federal Acquisition Service’s Contracting Officer’s Representative Workforce**

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

The objectives were to determine if FAS Contracting Officer’s Representatives (CORs) are certified, designated, and developed in accordance with the Office of Federal Procurement Policy’s Federal Acquisition Certification for Contracting Officer’s Representatives program and applicable GSA guidance; and whether the COR certification program is effectively managed to ensure consistency and transparency. We made six recommendations, which have not been implemented.

The recommendations involve implementing a control to ensure that all FAS CORs are accounted for and registered in the Federal Acquisition Institute Tracking Application System; developing guidance to ensure the consistent implementation of the Federal Acquisition Certification for Contracting Officer’s Representatives program as it relates to certifications; improving quality, use, and tracking of COR designation letters; developing a method to quantify and monitor COR workload; establishing guidelines for evaluating training courses for credit towards continuous learning points achievement requests and controls to ensure CORs complete FAS-required training courses; and determining if restructuring the Central Office bureau would improve transparency and management of the FAS COR workforce. The recommendations are scheduled for completion by October 15, 2015.

### **Audit of Contractor Team Arrangement Use**

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

The objectives were to determine the extent to which contracting officers follow existing guidance and regulations in the administration of contractor team arrangements, and assess contracting officer awareness of risk in improperly administering team arrangements. We made two recommendations; one has not been implemented.

The remaining recommendation involves strengthening guidance by developing FAS policies specific to contractor team arrangements, and providing instruction and training to contracting officers and schedule contractors on the use of contractor team arrangements. The recommendation is scheduled for completion by April 15, 2015.

### **Audit of the Administration of Regional Local Telecommunications Services Contracts, Northeast and Caribbean Region**

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

The objectives were to determine whether the Network Services Division is effectively managing its workload to ensure that Regional Local Telephony Contracts in the Northeast and Caribbean Region are administered efficiently and timely; and that customers are billed at agreed-upon rates. We made five recommendations; three have not been implemented.

The remaining recommendations involve developing and implementing an on-the-job training plan to assist less experienced IT Managers in acquiring the skills necessary to administer contracts regardless of complexity; requiring Network Services Division to establish formal agreements with customer agencies that set terms and conditions, and outlining all pricing components; and implementing a policy that requires full disclosure of all administrative surcharges by clearly itemizing customer invoices. The recommendations are scheduled for completion by October 30, 2015.

### **Procurement Errors, Financial Losses, and Deficient Contract Administration Demonstrate Ineffective Management of the Ronald Reagan Building and International Trade Center**

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

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

The remaining recommendations involve ensuring objectivity in exercising current contract options or awarding a future contract; determining if International Trade Center operations can be made self-sustaining; addressing payment of duplicative costs by recovering \$186,894 in duplicative monies paid to Trade Center Management Associate for activation activities and construction management services; and improving processes for evaluating contractor performance. The recommendations are scheduled for completion by September 30, 2015.



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

**Period First Reported: April 1, 2013, to September 30, 2013**

The objective was to determine if GSA's controls over Reimbursable Work Authorizations, as implemented by the National Capital Region, ensure compliance with applicable polices and laws. We made two recommendations; one has not been implemented.

The remaining recommendation involves developing and implementing a plan to ensure controls are consistently applied at all National Capital Region service centers and identifying internal control system weaknesses to improve Reimbursable Work Authorization management. The recommendation is scheduled for completion by October 30, 2015.

### **Audit of the General Services Administration's Fiscal Year 2013 Financial Statements**

**Period First Reported: October 1, 2013, to March 31, 2014**

The objective was to conduct an audit of the individual balance sheets of the Federal Buildings Fund and the Acquisition Services Fund as of September 30, 2013 and 2012, and the related individual statements of net cost and changes in net position, and combining statements of budgetary resources. The report contained 82 recommendations; 11 have not been implemented.

The remaining recommendations involve realignment of financial accounting and reporting personnel to devote more resources to technical accounting issue resolution; continuing the assessment of the agency's financial information technology infrastructure with the objective of improving the effectiveness of information technology controls; enforcing existing policies and procedures related to fund's availability certification to make sure that the certification is obtained before a contracting officer signs a contract; training the contracting officers to understand the need and the requirement to obtain the proper certifications of funds availability from the certifying official before signing any obligation; updating the policy over certification of funds availability to establish consistency for certifying funds and communicating and enforcing the updated policy to the regions; issuing formal policies and procedures that establish effective internal controls over the monitoring of reimbursable agreements; enforcing existing policies and procedures related to the certification of funds availability; performing procedures to ensure all obligations are captured and accurately recorded in the financial management system; developing strategies to help mitigate issues that may cause late activation of Occupancy Agreements; ensuring journal entries are prepared and recorded based on OCFO approved policies and procedures; and implementing agency-wide policies and procedures to manage all contractors, including maintaining information on contractors. The recommendations are scheduled for completion by December 31, 2015.

# Appendix II – 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</b>				
03/02/15	A140138	Audit of GSA's Contract Use for the One World Trade Center Lease		
03/19/15	A130121	Existing Practices Hinder PBS's Management of Transition Assets		
03/20/15	A130131	PBS's Identification and Management of Environmental Risks Need Improvement		
03/27/15	A130112	PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts		
03/30/15	A140004	Audit of the Heartland Region's Procedures for Reporting Vacant Space		
03/31/15	A130005	Procurement and Contract Administration Issues at the PBS Heartland Region Iowa Field Office and Contract Services Branch		
03/31/15	A130128	Incomplete, Outdated, and Unverified Recovery Act Sustainability Data May Affect PBS Reporting and Decision-Making		
<b>PBS CONTRACT AUDITS</b>				
11/10/14	A140110	Examination of Claims: Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010		
11/24/14	A140117	Examination of a Conversion Proposal: Gilbane Building Company, Contract Number GS-07P-09-UY-C-0008		
12/24/14	A140124	Examination of a Credit Change Order Proposal: Tocci/Driscoll, A Joint Venture, Contract Number GS-02P-09-DTC-0018		\$3,230,074
01/30/15	A140116	Examination of a Claim: City Lights Electrical Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010		
03/27/15	A140149	Examination of a Request for Equitable Adjustment: Donaldson Interiors, Inc. Subcontractor to Cauldwell Wingate Company, LLC. Contract Number GS-02P-05-DTC-0021		
<b>FAS INTERNAL AUDITS</b>				
02/27/15	A130011	Great Lakes Region Network Services Division Invoicing Process Lacks Transparency		
03/20/15	A150043	Implementation Review of Action Plan: Audit of FAS's Greater Southwest Acquisition Center - Schedule 84 Pricing and Negotiation, Report Number A120124/Q/A/P14001 October 31, 2013		

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
<b>FAS CONTRACT AUDITS</b>				
10/15/14	A140047	Preaward Examination of Multiple Award Schedule Contract Extension: Hewlett-Packard Enterprise Services, LLC, Contract Number GS-35F-0323J		
10/24/14	A140065	Preaward Examination of Multiple Award Schedule Contract Extension: Metropolitan Security Services, Inc., d.b.a, Walden Security, Contract Number GS-07F-5806P		\$12,713
11/13/14	A140088	Preaward Examination of Multiple Award Schedule Contract Extension: US Investigations Services, Professional Services Division, Inc., Contract Number GS-07F-0071R		
11/14/14	A140123	Preaward Examination of Multiple Award Schedule Contract Extension: The Columbia Group, Inc., Contract Number GS-23F-0114J		\$111,710
12/03/14	A110194	Limited Scope Postaward Examination Global Mail, Incorporated Contract Number GS-10F-0208L		\$3,864,433
12/04/14	A140049	Preaward Examination of Multiple Award Schedule Contract Extension: McKing Consulting Corporation, Contract Number GS-00F-0042P		
12/08/14	A130101	Preaward Examination of Multiple Award Schedule Contract Extension: Blackstone Technology Group, Contract Number GS-35F-0844N		
12/11/14	A140087	Preaward Examination of Multiple Award Schedule Contract Extension: Apptis, Inc., Contract Number GS-35F-0586V		
12/23/14	A140040	Preaward Examination of Multiple Award Schedule Contract Extension: Harris Corporation, Contract Number GS-35F-0283J		
01/20/15	A100187	Postaward Examination of Multiple Award Schedule Contract: Paragon Technology Group, Inc., Number GS-35F-484N,		\$129,636
01/20/15	A140136	Preaward Examination of Multiple Award Schedule Contract Extension: Kearney and Company, PC, Contract Number GS-23F-0092J		
01/29/15	A140061	Preaward Examination of Multiple Award Schedule Contract Extension: WW Contractors, Inc., Contract Number GS-06F-0028R		\$50,588
01/29/15	A140067	Preaward Examination of Multiple Award Schedule Contract Extension: Source One Distributors, Inc., Contract Number GS-07F-5490R		
02/02/15	A140060	Preaward Examination of Multiple Award Schedule Contract Extension: Morgan Franklin Corporation, Contract Number GS-00F-0033L		
02/04/15	A140063	Preaward Examination of Multiple Award Schedule Contract Extension: Automated Business Power, Inc., Contract Number GS-07F-0200K		
02/11/15	A140076	Preaward Examination of Multiple Award Schedule Contract Extension: Solers, Inc., GS-35F-0149K		
02/19/15	A140081	Preaward Examination of Multiple Award Schedule Contract Extension: Arrow Enterprise Computing Solutions, Inc., Contract Number GS-35F-0296R		\$60,911
02/20/15	A140062	Preaward Examination of Multiple Award Schedule Contract Extension: Professional and Scientific Associates, Inc., Contract Number GS-07F-0460K		\$27,544
03/05/15	A140082	Preaward Examination of Multiple Award Schedule Contract Extension: Boeing Service Company, Contract Number GS-23F-0183K		
03/05/15	A110188	Preaward Examination of Multiple Award Schedule Contract Extension: Mythics, Inc., Contract Number GS-35F-0153M		\$37,667

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
03/12/15	A140075	Preaward Examination of Multiple Award Schedule Contract Extension: Synnex Corporation, Contract Number GS-35F-0143R		
03/20/15	A140127	Preaward Examination of Multiple Award Schedule Contract Extension: Booz Allen Hamilton Inc., Contract Number GS-23F-0025K		\$11,997
03/26/15	A140102	Preaward Examination of Multiple Award Schedule Contract: Spacesaver Storage Systems, Inc., Contract Number GS-28F-006BA		
03/31/15	A140039	Preaward Examination of Multiple Award Schedule Contract Extension: High Performance Technologies Innovations LLC., GS-35F-0333P		
<b>OTHER INTERNAL AUDITS</b>				
01/13/15	A150044	Implementation Review of Action Plan: Audit of GSA's Mobile Computing Initiatives A130016/O/F/F13003, September 10, 2013		
01/16/15	A130019	GSA's Program for Managing Virtual Employees and Teleworkers Needs Improvement		
01/29/15	A140157	Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment		
02/20/15	A140009	GSA's Process for Allocating Vehicles Needs to be Improved		

## Inspection Reports

<b>OFFICE OF ADMINISTRATIVE SERVICES</b>				
10/16/14	JE15-001	Security Vulnerabilities-Protecting Information and Property in the GSA Central Office Open Space		
<b>PUBLIC BUILDING SERVICE</b>				
10/23/14	JE15-002	Evaluation of GSA Guidance and Purchasing For Federal Child Care Centers		

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

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

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

DATE OF REPORT	REPORT NUMBER	TITLE
<b>CONTRACT AUDITS</b>		
8/19/2009	A090106	Preaward Review of Multiple Award Schedule Contract Extension: Perot Systems Government Services, Inc., Contract Number GS-00F-0049M
9/9/2009	A090232	Report on Audit of Parts of a Firm Fixed Price Proposal for Architectural and Engineering Services on the new St. Elizabeth's West Campus of the United States Department of Homeland Security Headquarters and Consolidated National Operations Center in Washington, DC: Haley & Aldrich, Inc., Solicitation Number GS11-P08-MK-C0079
9/10/2009	A090234	Report on Audit of Direct Labor Rates, Indirect Rates, and Other Direct Costs: HDR Architecture, Inc., Subcontract Proposal under Solicitation Number GS11-P08-MK-C0079
11/9/2009	A090202	Preaward Review of Multiple Award Schedule Contract Extension: Computech, Inc., Contract Number GS-35F- 0108K
12/10/2009	A090159	Preaward Review of Multiple Award Schedule Contract Extension: RCF Information Systems, Inc., Contract Number GS-35F-0613J
8/24/2010	A090140	Postaward Review of Multiple Award Schedule Contract: Systems Research and Applications Corporation, Contract Number GS-35F-0735J
9/16/2010	A100148	Examination of a Change Order Proposal: Alutiiq International Solutions, LLC, Contract Number GS-08P- 08-JF-C-0005
10/27/2010	A090133	Limited Scope Postaward Review of Multiple Award Schedule for the Period July 29, 2002 to September 9, 2008: SeaArk Marine, Inc., Contract Number GS-07F-0000120012J 0012J
11/24/2010	A100193	Postaward Audit of Multiple Award Schedule Contract Extension: The Stratix Corporation, Contract Number GS-35F-0805R
1/27/2011	A100213	Examination of a Claim: Cobb Mechanical Contractors, Subcontractor to Caddell Construction Company, Incorporated, Contract Number GS-07P-05-UEC-3003
1/27/2011	A100075	Preaward Review of Multiple Award Schedule Contract Extension: Cort Business Services Corporation, Contract Number GS-28F-7018G
2/2/2011	A100171	Examination of a Claim: Layton Construction Company, Inc., Contract Number GS-08P-07-JFC-0016
3/29/2011	A100114	Preaward Review of Multiple Award Schedule Contract Extension: Ahura Scientific, Inc., Contract Number GS- 07F-6099R

DATE OF REPORT	REPORT NUMBER	TITLE
5/16/2011	A110063	Postaward Examination of Multiple Award Schedule for the period January Period January 1, 2008 to December 31, 2010: IntelliDyne, LLC., Contract Number GS-35F-0554K
6/1/2011	A110070	Examination of a Claim: Bergelectric Corporation Subcontractor to Caddell Construction Co., Inc., Contract Number GS-07P-05-UEC-3003
6/7/2011	A090112	Postaward Review of Multiple Award Schedule Contract: ITS Services, Inc., Contract Number GS-35F- 5518H, For the Period March 20, 1998 Through April 30, 2008
6/13/2011	A110108	Preaward Examination of Multiple Award Schedule Contract Extension: Protective Products Enterprises, Contract Number GS-07F-9029D
7/7/2011	A100140	Preaward Review of Multiple Award Schedule Contract Extension: Veterans Imaging Products, Inc., Contract Number GS-14F-0005L
7/8/2011	A110132	Preaward Examination of Architect-Engineer Proposal: R.A. Heintges & Associates, Subcontractor to Smith- Miller & Hawkinson Architects, LLP, Solicitation Number GS11-P10-MK-C0050
7/8/2011	A110132	Preaward Examination of Architect-Engineer Proposal: Smith-Miller & Hawkinson Architects, LLP, Solicitation Number GS11-P10-MK-C0050
7/14/2011	A110140	Preaward Examination of Architect/Engineering Proposal: Lehman Smith McLeish, PLLC, Subcontractor to Smith-Miller & Hawkinson Architects LLP, Solicitation Number GS11-P10-MK-C0050
7/27/2011	A100170	Examination of a Claim: Caddell Construction Company, Incorporated, Contract Number GS-07P-05- UEC-3003
7/28/2011	A110088	Postaward Examination of Multiple Award Schedule for the Period January 1, 2009, to December 31, 2010: Global Protection USA, Inc., Contract Number GS-07F-6028P
8/3/2011	A100119	Preaward Review of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS- 06F-0032K
8/4/2011	A110133	Preaward Examination of Architect Engineer Proposal: Arup USA, Inc., Subcontractor to Smith-Miller & Hawkinson Architects LLP, Solicitation Number GS11-P10-MK-C0050
8/15/2011	A110180	Examination of Architect and Engineering Services Contract: RTKL Associates, Inc., Contract Number GS- 11P-11-MK-C-0045
8/25/2011	A110136	Preaward Examination of Multiple Award Schedule Contract Extension: Konica Minolta Business Solutions U.S.A., Inc., Contract Number GS-25F-0030M
9/8/2011	A110021	Examination of a Claim: Myrex Industries, Subcontractor to Caddell Construction Company, Incorporated, Contract Number GS-07P-05-UEC-3003
9/9/2011	A110067	Preaward Examination of Multiple Award Schedule Contract Extension: Clifton Gunderson, LLP, Contract Number GS-23F-0135L
9/12/2011	A110146	Examination of Conversion Proposal: White Construction Company, Contract Number GS-07P-06-UEC-0059
9/15/2011	A110174	Postaward Examination of Multiple Award Schedule for the Period March 5, 2010 to July 31, 2011: Protective Products Enterprises, Contract Number GS-07F-0929D
10/13/2011	A100210	Preaward Examination of Multiple Award Schedule Contract Extension: Labat-Anderson, Inc., Contract Number GS-25F-0028L

DATE OF REPORT	REPORT NUMBER	TITLE
12/7/2011	A110176	Preaward Examination of Multiple Award Schedule Contract Extension: Fontaine Trailer Company, Incorporated, Contract Number GS-30F-0018T
12/22/2011	A110178	Preaward Examination of Multiple Award Schedule Contract Extension: Sharp Electronics Corporation, Contract Number GS-25F-0037M
12/27/2011	A110191	Preaward Examination of Multiple Award Schedule Contract Extension: Paradigm Technologies, Inc., Contract Number GS-23F-0023T
1/23/2012	A110186	Preaward Examination of Multiple Award Schedule Contract Extension: BRSI, L.P., Contract Number GS-23F-0186L
2/3/2012	A120065	Examination of a Claim: Bergelectric Corporation, Subcontractor to Caddell Construction Company, Inc., Contract Number GS-07P-05-UEC-3003
2/8/2012	A120075	Examination of a Claim: Enola Contracting Services, Inc., Contract Number GS-04P-07-EX-C-0167
2/22/2012	A110089	Preaward Examination of Multiple Award Schedule Contract Extension: Quality Software Services, Inc., Contract Number GS-35F-0308L
3/2/2012	A120021	Preaward Examination of Multiple Award Schedule Contract Extension: Presidio Networked Solutions, Inc., Contract Number GS-35F-4554G
3/27/2012	A120074	Preaward Examination of Multiple Award Schedule Contract: Kimball International, Inc., Contract Number GS-29F-0177G
3/28/2012	A120070	Examination of a Claim: Cobb Mechanical Contractors, Subcontractor to Caddell Construction Co., Inc., Contract Number GS-07P-05-UEC-3003
4/10/2012	A120090	Preaward Examination of Multiple Award Schedule Contract Extension: Mine Safety Appliances Company, Contract Number GS-07F-9628G
4/12/2012	A110143	Preaward Examination of Multiple Award Schedule Contract Extension: The J. Diamond Group, Inc., Contract Number GS-07F-0305L
5/9/2012	A120069	Examination of a Claim: Cleveland Construction, Inc., Subcontractor to Caddell Construction Co., Inc., Contract Number GS-07P-05-UEC-3003
6/29/2012	A110169	Postaward Examination of Multiple Award Schedule Contract: Oce North America, Inc., Contract Number GS- GS-25F-0060M For the Period October 1, 2006, through March 31, 2011
7/6/2012	A120126	Preaward Examination of Multiple Award Schedule Contract: Hamilton Products Group, Inc., Solicitation Number 3QSA-JB-100001-B
7/17/2012	A120136	Examination of a Claim: Lenex Steel Company, Contract Number GS-05P-02-GB-C-0089
8/9/2012	A120063	Examination of a Claim: Caddell Construction Co., Inc., Contract Number GS-07P-05-UEC-3003
8/15/2012	A110209	Preaward Audit of Multiple Award Schedule Contract Extension: Proper International Sales, Inc., Contract Number GS-07F-0228M
8/21/2012	A120083	Examination of a Change Order Proposal: M.A. Mortenson Company, Contract Number GS-08P-09-JFC- 0010
8/23/2012	A120061	Preaward Examination of Multiple Award Schedule Contract Extension: Schneider Electric USA, Inc., Contract Number GS-07F-9462G
9/18/2012	A120121	Examination of a Termination Settlement Proposal: Alutiiq International Solutions, LLC, Contract Number GS-08P-08-JF-C-0005

DATE OF REPORT	REPORT NUMBER	TITLE
9/20/2012	A120141	Examination of a Claim: Turner Construction Company, Contract Number GS-07P-11-HH-C-0003
10/16/2012	A120071	Preaward Examination of Multiple Award Schedule Contract Extension: ICF Z-Tech, Inc., Contract Number GS-35F-0102M
10/17/2012	A120148	Examination of Change Order Proposal: Siemens Industries, Inc., Subcontractor to Whiting-Turner/Walsh JV, Contract Number GS-11P-10-MKC- 0025
11/2/2012	A120066	Preaward Examination of Multiple Award Schedule Contract Extension: Life Fitness, Inc., Contract Number GS-07F-9380G
11/21/2012	A120155	Preaward Examination of Multiple Award Schedule Contract Extension: Avion Solutions, Inc., Contract Number GS-00F-0082N
12/6/2012	A110147	Preaward Audit of Multiple Award Schedule Contract Extension: Xerox Corporation, Contract Number GS-25F-0062L
1/30/2013	A120165	Examination of Conversion Proposal: Skanska USA Building, Inc., Contract Number GS-04P-09-EX-C-0078
2/28/2013	A120095	Preaward Examination of Multiple Award Schedule Contract Extension: Military Personnel Services Corporation, Contract Number GS-10F-0234M
3/1/2013	A120098	Preaward Examination of Multiple Award Schedule Contract Extension: Dynamics Research Corporation, Contract Number GS-35F-4775G
3/5/2013	A120178	Preaward Examination of Multiple Award Schedule Contract Extension: VT Aepco, Inc., Contract Number GS-23F-0191N
3/20/2013	A120147	Preaward Examination of Multiple Award Schedule Contract Extension: Harris Corporation, RF Communications Division, Contract Number GS-35F- 0163N
3/21/2013	A120109	Preaward Examination of Multiple Award Schedule Contract Extension: ICF Macro, Inc., Contract Number GS-23F-9777H
3/28/2013	A120142	Preaward Examination of Multiple Award Schedule Contract Extension: Science Applications International Corporation, Contract Number, GS-23F-8006H
3/28/2013	A130034	Examination of Claim: Caddell Construction Co., Inc., Contract Number GS-05P-02-GBC-0089
3/29/2013	A120127	Preaward Examination of Multiple Award Schedule Contract Extension: General Dynamics Information Technology, Inc., Contract Number GS-23F-8049H
4/5/2013	A100210	Preaward Examination of a Multiple Award Schedule Contract Extension: Labat-Anderson, Inc., Contract Number GS-25F-0028L
5/13/2013	A130047	Examination of a Request for Equitable Adjustment: Skanska USA Building, Inc., Contract Number GS-04P- 09-EX-C-0076
5/22/2013	A120175	Preaward Examination of Multiple Award Schedule Contract Extension: STG Inc., Contract Number GS-35F-4951H
5/29/2013	A130044	Preaward Audit of Multiple Award Schedule Contract: Tektronix, Inc., Contract Number GS-24F-0819A
5/29/2013	A110160	Limited Scope Postaward Examination of Multiple Award Schedule: i2, Incorporated, Contract Number GS-35F-0241J, for the Period July 1, 2004, through December 31, 2009



DATE OF REPORT	REPORT NUMBER	TITLE
6/3/2013	A120113	Preaward Examination of Multiple Award Schedule Contract Extension: MSC Industrial Direct Co., Inc., Contract Number GS-06F-0010N
6/28/2013	A130069	Preaward Examination of Multiple Award Schedule Contract Extension: L-3 Communications Vertex Aerospace, LLC, Contract Number GS-10F-0328N
7/11/2013	A120152	Preaward Audit of Multiple Award Schedule Contract Extension: Herman Miller, Inc., Contract Number GS-28F-8049H
7/31/2013	A120134	Preaward Audit of Multiple Award Schedule Contract Extension: International Business Machines Corporation, Contract Number GS-35F-4984H
9/6/2013	A130085	Preaward Examination of Multiple Award Schedule Contract Extension: Bart & Associates, Inc., Contract Number GS-35F-5924H
9/9/2013	A120156	Preaward Examination of Multiple Award Schedule Contract Extension: General Dynamics Information Technology, Inc., Contract Number GS-35F-4357D
9/30/2013	A120087	Preaward Examination of Multiple Award Schedule Contract Extension: Eaton Corporation, Contract Number GS-07F-9460G
10/24/2013	A130086	Preaward Examination of Multiple Award Schedule Contract Extension: Sea Box, Inc., Contract Number GS- 02F-0024P
10/24/2013	A130087	Preaward Examination of Multiple Award Schedule Contract Extension: Accenture Federal Services, LLC, Contract Number GS-10F-0608N
10/29/2013	A130077	Preaward Examination of Multiple Award Schedule Contract Extension: Intuitive Research and Technology Corporation, Contract Number GS-23F-0343N
12/12/2013	A130079	Preaward Examination of Multiple Award Schedule Contract Extension: Allsteel Inc., Contract Number GS- 28F-0001V
12/20/2013	A130088	Preaward Examination of Multiple Award Schedule Contract Extension: Provengo, LLC, Contract Number GS-07F-0049V
12/20/2013	A130073	Preaward Examination of Multiple Award Schedule Contract Extension: Torch Technologies, Inc., Contract Number GS-23F-0321N
1/24/2014	A130080	Preaward Examination of Multiple Award Schedule Contract Extension: Intelsat General Corporation, Contract Number GS-35F-0478U
1/27/2014	A120143	Preaward Examination of Multiple Award Schedule Contract: Centra Technology, Inc., Contract Number GS-00F-0020Y

DATE OF REPORT	REPORT NUMBER	TITLE	PROJECTED FINAL ACTION DATE
<b>INTERNAL AUDITS</b>			
8/19/2011	A090172	Recovery Act Report - GT "Mickey" Leland Federal Building Renovation Project: Construction Contract Audit of PBS's Major Construction and Modernization Projects Funded by the American Recovery and Reinvestment Act of 2009	5/29/2015
5/30/2012	A110100	Audit of Management Controls within the Network Services Division Pacific Rim Region, Federal Acquisition Service	5/29/2015
9/11/2013	A120001	Audit of GSA's Controls over the National Capital Region's Reimbursable Work Authorizations	10/30/2015
12/9/2013	A130013	Audit of the General Services Administration's Fiscal Year 2013 Financial Statements	12/31/2015

## Appendix IV – OIG Reports Without Management Decision

Section 5(a)(10) of the IG Act, as amended, requires a summary of each report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period. GSA has a system in place to track reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by the OIG and agreed to by management are addressed as efficiently and expeditiously as possible. There are four OIG reports that met this requirement this reporting period.

Reports that were six months old as of March 31, 2015 and remain unresolved

### **Preaward Review of Multiple Award Schedule Contract Extension for a Construction Company**

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

### **Preaward Examination of Multiple Award Schedule Contract Extension for a Technical and Science Equipment Reseller**

We performed this audit to determine whether a technical and science equipment reseller disclosed and submitted current, accurate, and complete CSP information; maintained sales monitoring and billing systems that ensure proper administration of the price reduction provisions and billing terms of the contract; and adequately accumulated and reported schedule sales for IFF payment purposes. We concluded that the CSP information was not current, accurate, or complete; procedures and current contract terms did not provide effective price reduction protection; some customers were overbilled; and the contract was not properly administered. We recommended the contract not be extended until the contractor has resolved these issues. We are working with agency management to resolve the issues.

### **Preaward Examination of Multiple Award Schedule Contract Extension for a Technology and Consulting Company**

We performed this audit to determine whether a technology and consulting company disclosed and submitted current, accurate, and complete CSP information; maintained sales monitoring and billing systems that ensure proper administration of the price reduction provisions and billing terms of the contract; adequately accumulated and reported schedule sales for IFF payment purposes; assigned qualified employees to work on task orders; and adequately segregated and accumulated labor hours, material costs, and other direct costs on time-and-material task orders.

We concluded that the CSP information was neither accurate nor complete, proposed labor rates were overstated, and the Price Reductions clause was ineffective. After multiple meetings to resolve the contracting officer's (CO) disagreement with our findings, we are escalating the issues to agency management.

### **Preaward Audit of Multiple Award Schedule Contract Extension for a Telecommunications Company**

We performed this audit to determine whether a telecommunications company disclosed and submitted current, accurate, and complete CSP information; maintained sales monitoring and billing systems that ensure proper administration of the price reduction provisions and billing terms of the contract; and adequately accumulated and reported schedule sales for IFF payment purposes. We could not accomplish the audit objectives because the company did not provide the information necessary to perform the audit. Based on the lack of data, we recommended the contract not be extended. We are working with agency management to resolve the issues.

Reports that were six months old as of March 31, 2015, but have since been resolved

### **Examination of Administrative Labor Rates, Employee Qualifications, and Change Order Markups for a Construction Company**

Resolved on April 1, 2015.

### **Reimbursable Work Authorizations for the Peachtree Summit Building Violated Appropriations Law and GSA Policy**

Resolved on April 2, 2015.

## Appendix V – Peer Review Results

The *Dodd-Frank Wall Street Reform Act* requires each Inspector General to submit an appendix containing: the results of any peer review conducted by another 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.

On March 31, 2015, the Department of Veterans Affairs OIG started its peer review of the GSA OIG Office of Audits. In the last peer review dated December 20, 2012, the GSA OIG received a peer review rating of “pass.” No outstanding recommendations exist from any previous peer review conducted by another Office of Inspector General. In addition, the GSA Office of Audits has begun an external peer review of the Social Security Administration (SSA). The SSA OIG has no outstanding recommendations issued by any previous peer review that have not been fully implemented.

The Office of Investigations received a full compliance rating from its last peer review, which was conducted by the Small Business Administration OIG in 2013. In the last reporting period, the Office of Investigations conducted a peer review of the Department of Treasury OIG. The report included no recommendations for improvement.

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

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Washington, DC 20405

or access the Web:  
<https://www.gsaig.gov/index.cfm/hotline/>

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