



# SEMIANNUAL REPORT TO THE CONGRESS



**OFFICE OF INSPECTOR GENERAL**

U.S. GENERAL SERVICES ADMINISTRATION

October 1, 2015 – March 31, 2016

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## FOREWORD



I am pleased to submit this Semiannual Report to Congress for the period of October 1, 2015, through March 31, 2016.

During the past six months the OIG has continued to closely monitor GSA's proposed Transactional Data Reporting rule, General Services Administration Acquisition Regulation; Transactional Data Reporting (GSAR Case 2013–G504). The rule would eliminate price protections, including those provided by the Price Reductions Clause, for Multiple Award Schedule (Schedules Program) contracts in exchange for obtaining contractors' transactional data.

In our public comments on the proposal, we have expressed our concern with GSA's intention to eliminate a key price protection of the Schedules Program without replacing it with any equivalent protection. We are concerned that if the proposed rule is accepted, the Schedules Program's link to the commercial marketplace will be severed and the program will no longer provide its intended benefit—to "provide competitive, market-based pricing that leverages the buying power of the federal government." In short, real savings for the government and American taxpayers will no longer be guaranteed. We will continue to monitor this proposal closely as it moves through the final rulemaking process.

Our Office of Audits performed pre-award audits of 30 contracts with an estimated value of over \$2.4 billion and recommended over \$157 million of funds be put to better use. Significant findings included that contractors had supplied commercial sales practices information that was not current, accurate, or complete; had proposed overstated labor rates and used unqualified labor; and that Price Reductions Clause compliance monitoring was ineffective. In this regard, we note that our ability to identify contractors who seek to overcharge the government will be compromised if price protections are eliminated by the implementation of the proposed transactional data rule.

Other OIG reports issued during this reporting period covered significant management challenges for GSA, including two reports issued by our Office of Inspections and Forensic Auditing highlighting vulnerabilities in GSA's use and management of facility-specific building access badges and HSPD-12 Personal Identity Verification cards. In addition, the work of our Office of Investigations yielded several large recoveries, including a construction fraud case in which Tishman Construction Corporation agreed to pay over \$20 million in restitution and penalties for defrauding clients in a 10-year overbilling scheme.

I would like to thank GSA and Congress for their support of our work. Most important, I would like to express my gratitude for the hard work of OIG employees who help improve the operations of GSA. They perform their duties with skill and dedication and deserve thanks for their exemplary service.

A handwritten signature in black ink that reads "Carol F. Ochoa". The signature is written in a cursive, flowing style.

Carol F. Ochoa, Inspector General  
April 29, 2016





# 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

### Headquarters:

Washington, D.C.

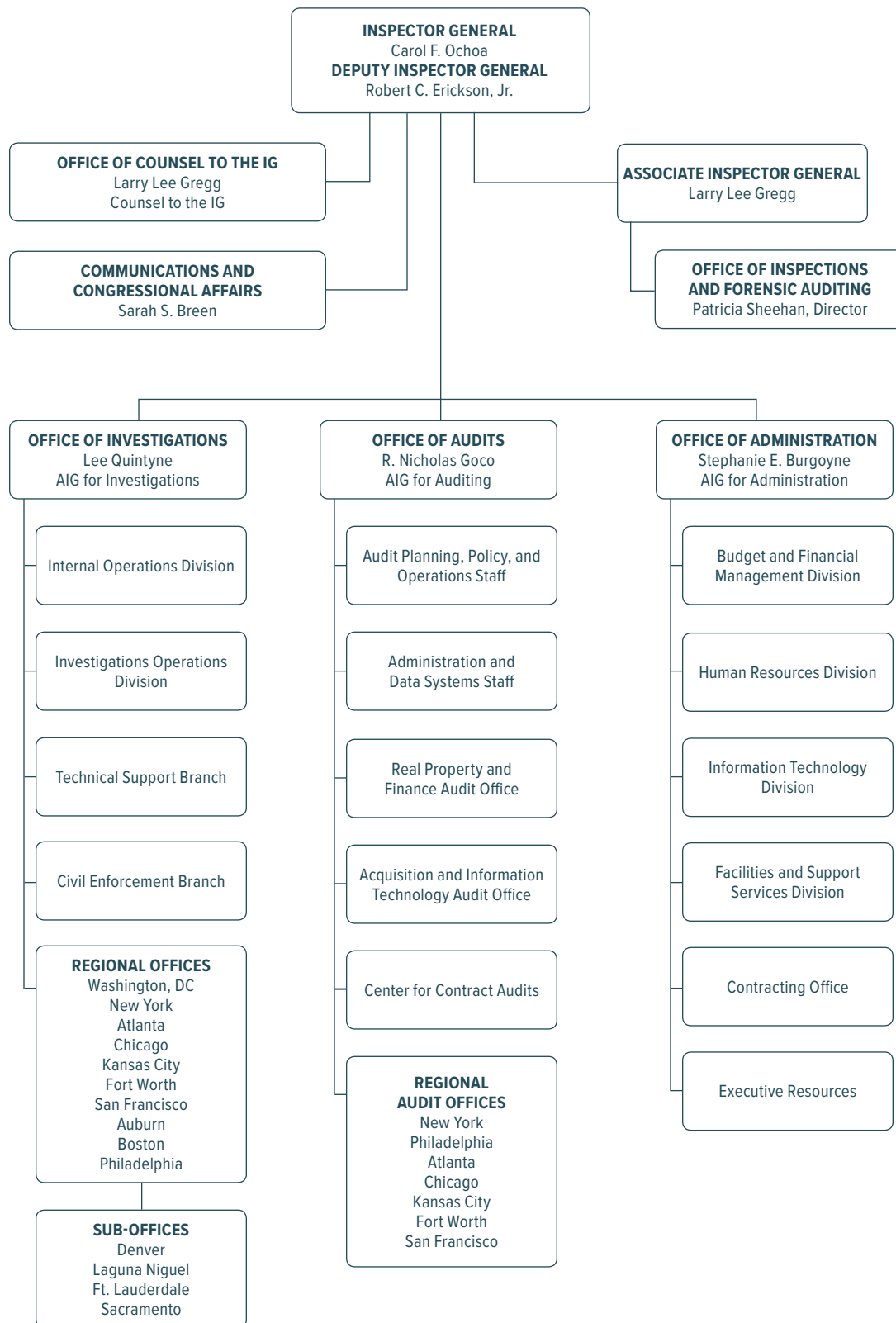
### Field and Regional Offices:

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

## STAFFING AND BUDGET

As of March 31, 2016, our on-board staffing level was 299 employees. The OIG's fiscal year 2016 budget is \$65 million including \$2 million in no-year money and \$600 thousand in reimbursable authority.

# OIG ORGANIZATION CHART





# SIGNIFICANT AUDITS

# GSA’S MANAGEMENT CHALLENGES

Congress requests 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 pertains to related work products discussed in this semiannual report.

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

# ACQUISITION PROGRAMS

## PREAWARD AUDITS

GSA provides federal agencies with billions of dollars in products and services through various contract types. As of March 31, 2016, there were over 15,500 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.

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 30 contracts with an estimated value of over \$2.4 billion and recommended over \$157 million of funds be put to better use. Management decisions were also made on 33 preaward audit reports, which recommended over \$221 million of funds be put to better use. Management agreed with almost 91 percent of these recommended savings.

Three of our more significant audits were of MAS contracts with combined projected government sales of over \$422 million. These audits recommended over \$76 million of funds be put to better use. Some of the more significant findings within one or more of these audit reports include: commercial sales practices information was not accurate, current, or complete; proposed labor rates were overstated; Price Reductions Clause compliance monitoring was ineffective; schedule customers were overbilled; and the contractor did not have sufficient controls over the administration of its schedule task orders.

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

Report Number A150122/A/R/F16001, dated March 22, 2016

In September 2014, GSA began an email pilot program with the Peace Corps to provide cloud services and basic cloud computing applications. We initiated our audit in January 2015, after the Peace Corps Office of Inspector General informed us of this pilot program. The objective of our audit was to determine whether the pilot program was appropriately executed in accordance with guidance from the Office of Management and Budget (OMB), the Federal Chief Information Officers (CIO) Council, the Economy Act of 1932, and other applicable guidance and regulations.

We found that GSA's email pilot program with the Peace Corps did not comply with laws, regulations, and guidance applicable to shared services. Despite being presented as a shared service, the pilot program did not have the required OMB approval. In addition, by providing the services at no cost to the Peace Corps, GSA improperly cited the Economy Act of 1932 as the authority for the agreement. In so doing, GSA also augmented the Peace Corps' budget.

Further, we identified issues surrounding the pilot program's implementation. For instance, GSA provided cloud email services to the Peace Corps for approximately 6 months without a finalized agreement identifying, among other things, the pilot program's scope of work, deliverables, schedule, or participant responsibilities. This placed GSA at risk of being unable to hold the Peace Corps to its requirements under the pilot program, such as governing, overseeing, directing, and monitoring the pilot program. Lastly, GSA provided up to 500 licenses, designed specifically for GSA's use, to the Peace Corps without obtaining express authorization from the cloud services provider to do so.

After we informed GSA of our concerns regarding the Peace Corps' budget augmentation, GSA took appropriate action to recover its costs from the Peace Corps. However, as GSA continues to provide IT shared services and pilot programs across the government, it needs to clearly define its offerings and align them with applicable laws, regulations, and guidance.

We recommended that the GSA Deputy Administrator:

- Ensure the appropriate agreement is used for providing IT services to other government agencies.
- Align IT shared services and IT pilot programs with guidance from the OMB shared services strategy and the Federal CIO Council's implementation guidance.
- Establish policy to require advance senior leadership approval of IT shared services and IT pilot programs.
- Ensure GSA's IT shared services and IT pilot program agreements receive advanced review by GSA's Office of General Counsel.

- Ensure that all shared services are approved by OMB prior to providing services.
- Ensure there is an active agreement governing both GSA's and its customers' responsibilities at all times when shared services are being provided.

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

# GSA'S REAL PROPERTY OPERATIONS

## LIMITED SCOPE AUDIT – OPERATIONS AND MAINTENANCE SERVICES CONTRACT AT ST. ELIZABETHS

**Report Number A150048/P/R/R16001, dated March 2, 2016**

The Department of Homeland Security (DHS) Headquarters consolidation on the St. Elizabeths West Campus is an effort to reduce DHS's real estate costs, as DHS currently leases more than 50 facilities across the Washington, DC, area. The consolidation is expected to provide a more unified, secure campus that brings together DHS executive leadership and operational management. The project was designed to be completed in three phases. The first phase involved the construction of the United States Coast Guard (Coast Guard) Building, which was completed in May 2013. However, funding uncertainty has created serious challenges to completing the remaining phases, resulting in revisions to project plans and an extension of the schedule. Currently, the consolidation is scheduled to be completed by fiscal year 2021, provided Congress authorizes funding.

The objective of our audit was to determine whether the Public Buildings Service (PBS) award of a separate operations and maintenance (O&M) services contract for the St. Elizabeths West Campus complied with competition requirements specified under the Competition in Contracting Act of 1984 and the Federal Acquisition Regulation (FAR).

We found that PBS did not comply with the Competition in Contracting Act of 1984 or the FAR competition requirements when it did not seek full and open competition for O&M services for the entire St. Elizabeths West Campus. The original design-build contract for the construction of the Coast Guard Building included an option for 3 years of O&M services. These services were to begin after substantial completion of the building. PBS awarded a separate sole source contract, without justification, to the current design-build contractor, which eliminated other contractors from consideration. The award of this separate O&M contract significantly increased the cost and scope of work from the Coast Guard Building to the entire St. Elizabeths West Campus.



We recommended that the PBS Regional Commissioner, National Capital Region:

- Take immediate action to expedite the procurement of a new O&M contract that adheres to competition requirements specified in the Competition in Contracting Act of 1984 and the FAR.
- Determine and implement the appropriate corrective action needed for PBS personnel's noncompliance with competition requirements.
- Institute the necessary management controls to ensure that procurements for the DHS Headquarters consolidation comply with the Competition in Contracting Act of 1984 and the FAR.

The PBS Regional Commissioner agreed with our report recommendations.

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

**Report Number A150120/P/2/R16002, dated March 17, 2016**

PBS's Upstate Service Center awarded a contract on August 15, 2014, for renovations requested by the United States District Court at the Kenneth B. Keating Federal Building in Rochester, New York. The renovation project included construction of a new courtroom, judge's chamber, and jury suite on the first floor and modifications to connected rooms in the basement. The security requirements for contractor employees on this project were prescribed by Homeland Security Presidential Directive 12: *Personal Identity Verification and Credentialing* (HSPD-12 policy) and the contract terms. Our objective was to determine whether PBS complied with policies and requirements for contractor security clearances on the Keating 1st Floor District Courtroom and Chambers Project at the Kenneth B. Keating Federal Building.

HSPD-12 policy distinguishes security requirements based on the length of time a contractor will be on site. It states that if a temporary contractor will be on site for less than 6 months, then that contractor may be escorted by a Personal Identity Verification card holder. However, long-term contractor employees who need routine access to GSA facilities are required to have a personnel security investigation. The contract requirements specified in the solicitation explicitly state that, because the project would last longer than 6 months, it was a long-term project. As a result, all contractors who required routine access were considered to be long-term and needed to obtain a favorable security clearance before starting work.

Additionally, the contract outlined security clearance requirements for all contractor employees who would be working on the construction project. It also specified that it was the responsibility of the PBS contracting officer's representative (COR), as delegated by the contracting officer, to ensure that contractors were cleared before starting work on the project. According to the contract requirements, any instance of a contractor working on the project site who had not been cleared would have been considered a serious breach of contract.

We found that the COR was not enforcing contract requirements for contractor security clearances. Instead, the COR was allowing contractor employees who had not received security clearances to work on the construction project. Contractors allowed to enter the building and project site without the proper security clearance could have posed a security risk to building tenants and visitors.

Finally, the contracting officer delegated COR duties, including the enforcement of the security clearance requirements, to the project manager. The project manager was also responsible for ensuring the project progressed and was completed on time. Removing uncleared contractors from the project site would have likely delayed progress and project completion. Consequently, since the COR was also the project manager, this represented a conflict of interest and an internal control weakness regarding compliance with requirements due to the lack of segregation of duties.

We recommended that the PBS Commissioner, Northeast and Caribbean Region, direct management in PBS's Upstate Service Center to:

- Ensure personnel in charge of the Keating 1st Floor District Courtroom and Chambers Project enforce contractor security clearance requirements in accordance with the contract.
- Establish and implement internal controls that mitigate any conflicts of interest between project management and the enforcement of security clearance requirements.
- Determine and implement the appropriate corrective actions needed for not enforcing the contract's security clearance requirements.

The PBS Regional Commissioner agreed with our audit finding and recommendations.

# FINANCIAL OPERATIONS

## **OVERSIGHT OF THE INDEPENDENT AUDITOR’S REPORT ON GSA’S FISCAL YEAR 2015 FINANCIAL STATEMENTS**

The GSA’s fiscal year 2015 financial statements audit was performed by an independent public accounting firm (IPA) and monitored by the Office of Inspector General’s Office of Audits for compliance with quality standards and reporting requirements. The IPA’s audit identified deficiencies in internal controls, including several significant deficiencies. The significant deficiencies were in the areas of: Financial Management and Reporting, Controls over Budgetary Accounts and Transactions, General Controls over Financial Management Systems, and Entity-Level Controls. During the fiscal year 2016 audit, the IPA will review GSA’s supporting evidence to determine if corrective actions for these significant deficiencies have been fully implemented.

# INFORMATION TECHNOLOGY

## **IMPLEMENTATION REVIEW OF ACTION PLAN: AUDIT OF GSA’S TRANSITION FROM LOTUS NOTES TO THE CLOUD; REPORT NUMBER A120131/O/F/F12004, DATED SEPTEMBER 28, 2012**

### **Assignment Number A150134, dated December 23, 2015**

While responsibility for implementing appropriate corrective action as the result of audit report recommendations resides with the Agency, the OIG performs some reviews to determine whether appropriate corrective action, as stated in the proposed action plan, has been taken by GSA. The scope of the review is limited to an examination of GSA’s actions in response to our report recommendations, but includes appropriate testing to ensure that reported conditions have been corrected by the actions taken. We performed an implementation review of GSA’s corrective actions taken in response to the recommendations outlined in the audit report, *Audit of GSA’s Transition from Lotus Notes to the Cloud*, issued September 28, 2012. We determined that the Office of GSA IT (GSA IT) did not fully implement all of the steps in its action plan dated November 5, 2012.

The objective of our original audit was to determine whether the transition of email and collaboration tools to cloud services incorporated adequate performance measures and sufficient cost justifications to realize the stated goals; and whether the transition of existing Lotus Notes applications to other platforms, including cloud platforms, incorporated project management controls necessary for retiring Lotus Notes in a timely manner. We found some aspects of the projected cost savings for the transition could not be verified; performance measures for the transition project were unclear, lacked targets, or were not updated; and the Office of the Chief Information Officer (now the Office of GSA IT) did not perform an enterprise-wide assessment of the applications migrating to the cloud for redundancies.

We recommended that the GSA Chief Information Officer:

- Prepare an updated analysis/justification regarding the email and collaboration tools' project savings using actual figures and implement procedures for updating documentation related to the project savings analysis on a regular basis, as well as when significant changes occur.
- Develop and implement a comprehensive performance measurement program to effectively monitor the progress of the email and collaboration tools' transition project in accomplishing the project objectives and goals.
- Conduct an assessment of the current cloud environment to identify duplicate applications and take necessary actions to consolidate or eliminate any redundancies.

The GSA Chief Information Officer agreed with our findings and recommendations.

Based on our review of GSA's actions in response to our recommendations, we determined that GSA IT has not fully taken appropriate corrective actions for two of our recommendations.

As part of its action plan for the first recommendation, GSA IT was to provide updates of the analysis of projected cost savings resulting from the transition from Lotus Notes to the cloud. GSA IT was also to provide the procedures for preparing the updates. GSA IT did not prepare the required procedures. Without the procedures for updating the cost analysis, we could not determine the basis for the multiple discrepancies we identified during our review. Our basic reconciliation resulted in a \$3.7 million increase in GSA IT's projected cost savings. Implementing the appropriate procedures could assist GSA IT in preparing an accurate cost analysis, especially in the event of employee turnover, to ensure the staff can complete the cost analysis updates accurately and consistently.

As part of its corrective action for the second recommendation, GSA IT stated it would revise the performance measurement program related to the email modernization, including measures and metrics associated with each goal, and examine and update the figures annually, if necessary. Our review found GSA IT had not updated the performance measurement program. Nor had it performed the yearly survey cited in its performance measurement program that assessed end users' adoption of cloud-based collaboration products, such as Google Talk and Google Docs. Without conducting additional surveys since 2012, GSA IT does not know if the GSA end users' adoption of cloud-based collaboration products has increased, decreased, or remained the same.

### **OVERSIGHT OF THE FISCAL YEAR 2015 INDEPENDENT EVALUATION OF THE U.S. GENERAL SERVICES ADMINISTRATION'S COMPLIANCE WITH THE FEDERAL INFORMATION SECURITY MODERNIZATION ACT OF 2014**

The Federal Information Security Modernization Act of 2014 (FISMA) requires an annual evaluation of each agency's information security program and practices. For the fiscal year 2015 evaluation, GSA contracted with an IPA to conduct the independent evaluation of its compliance with the provisions of FISMA. The Office of Audits monitored the evaluation for compliance with quality standards and reporting guidance. The IPA's evaluation concluded that GSA has established information security programs and practices for its information systems, and GSA is maintaining security programs for the ten FISMA program areas.

However, the IPA identified that five of the ten FISMA program areas had control deficiencies that should be addressed to strengthen GSA's information security program: configuration management, contingency planning, risk management, security training, and plan of actions and milestones. The GSA Chief Information Officer agreed with the IPA's findings and recommendations.

During fiscal year 2016, the IPA performing the FISMA evaluation will review and follow up on the identified findings and recommendations under previous IPA FISMA evaluations that GSA has not addressed.



# IMPLEMENTING GSA'S MOBILE WORKFORCE STRATEGY

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

Report Number A150029/Q/T/P16001, dated March 28, 2016

In March 2012, GSA's Federal Acquisition Service (FAS) implemented a full-scale effort to convert Federal Supply Schedules (schedules) paper contract files to an electronic format. As part of this effort, acquisition personnel were responsible for creating and maintaining electronic contract files that were sufficient to support the effective administration of their schedules contracts. As such, the objectives of our audit were to determine whether FAS completed all stages of the schedules contract digitization process and whether FAS's official schedules contract files contain all contract documentation in a usable format and structure as required by federal regulations and FAS policy.

We found that FAS's ability to effectively administer its schedules contracts and comply with FAR documentation requirements, within a completely electronic contracting environment, is limited by incomplete electronic contract files. The contract files are incomplete because FAS's digitization plan lacked sufficient controls to ensure key contracting documents were either in the electronic file or documented as missing.

The current organization of electronic schedules contract files impairs the contracting staff's ability to identify contract documents, establish clear historic records, and effectively administer contracts. This also creates inefficiencies in the event that contracts are transferred to new contracting officers. In addition, FAS does not have a consistent naming convention for electronic contract file documentation. Missing documents and lack of consistent organization undermine the inherent advantages of using an electronic contract file system and ultimately make it more difficult to locate documents when compared to a paper contract file.

We recommended that the FAS Commissioner:

- Remediate the deficiencies in the electronic schedules contract files identified during our audit.
- Develop and implement policy identifying the minimum documents necessary for electronic schedules contract files to comply with contract file requirements established in the FAR and FAS policy.
- Develop and implement a methodology to conduct periodic reviews of active electronic schedules contract files to determine whether the files are complete, organized, and maintained.
- Establish a follow-up process to ensure corrective action is taken for all contract file deficiencies identified as part of the periodic reviews of electronic schedules contract files.

The FAS Commissioner agreed with our report findings.

# FAR DISCLOSURE PROGRAM

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

## FAR RULE FOR CONTRACTOR DISCLOSURE

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

## DISCLOSURES FOR THIS REPORTING PERIOD

As disclosures are made, the Offices of Audits, Investigations, and Counsel jointly examine each acknowledgment and make a determination as to what actions, if any, are warranted. During this reporting period, we received nine new disclosures. The matters disclosed include billing errors, bribery, fraud, misclassified business type, failure to comply with contract requirements related to commercial sales practices disclosures and price reduction monitoring, and services not performed. We concluded our evaluation of 19 disclosures that resulted in over \$3.3 million in settlements and recoveries to the government. We also assisted on one disclosure referred by another agency because of the potential impact on GSA operations, and we continued to evaluate 20 pending disclosures.

# STATISTICAL SUMMARY OF OIG AUDITS

October 1, 2015 – March 31, 2016

OFFICE OF AUDITS	
Total financial recommendations	\$161,870,189
These include:	
Recommendations that funds be put to better use	\$157,661,781
Questioned costs	\$4,208,408
Audit reports issued	37
Audit memoranda provided to GSA	1
GSA management decisions agreeing with audit recommendations	\$204,057,865

## Audit Reports Issued

The OIG issued 37 audit reports. The 37 reports contained financial recommendations totaling \$161,870,189 including \$157,661,781 in recommendations that funds be put to better use and \$4,208,408 in questioned costs. Due to GSA's mission of negotiating contracts for government-wide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other federal agencies.

## Management Decisions on OIG Audit Reports

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of March 31, 2016. There was one report more than 6-months old awaiting management decisions as of March 31, 2016.

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

	NUMBER OF REPORTS	REPORTS WITH FINANCIAL RECOMMENDATIONS*	TOTAL FINANCIAL RECOMMENDATIONS
For which no management decision had been made as of 10/01/2015			
Less than 6 months old	17	14	\$66,194,533
6 or more months old	7	5	\$31,084,319
Reports issued this period	35	28	\$161,870,189
<b>TOTAL</b>	<b>59</b>	<b>47</b>	<b>\$259,149,041</b>
For which a management decision was made during the reporting period			
Issued prior periods	23	18	\$97,247,894
Issued current period	24	22	\$129,630,439
<b>TOTAL</b>	<b>47</b>	<b>40</b>	<b>\$226,878,333</b>
For which no management decision had been made as of 03/31/2016			
Less than 6 months old	11	6	\$32,239,750
6 or more months old	1	1	\$30,958
<b>TOTAL</b>	<b>12</b>	<b>7</b>	<b>\$32,270,708</b>

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

## GSA Management Decisions on OIG Audit Reports with Financial Recommendations

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

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

	NUMBER OF REPORTS	FUNDS BE PUT TO BETTER USE
For which no management decision had been made as of 10/01/2015		
Less than 6 months old	10	\$63,898,598
6 or more months old	3	\$30,703,620
Reports issued this period	25	\$157,661,781
<b>TOTAL</b>	<b>38</b>	<b>\$252,263,999</b>
For which a management decision was made during the reporting period		
Recommendations agreed to by management	29	\$200,587,904
Recommendations not agreed to by management	4	\$20,600,984
<b>TOTAL</b>	<b>33</b>	<b>\$221,188,888</b>
For which no management decision had been made as of 03/31/2016		
Less than 6 months old	5	\$31,075,111
6 or more months old	0	\$0
<b>TOTAL</b>	<b>5</b>	<b>\$31,075,111</b>



## GSA Management Decisions on OIG Audit Reports with Questioned Costs

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

	NUMBER OF REPORTS	QUESTIONED COSTS
For which no management decision had been made as of 10/01/2015		
Less than 6 months old	5	\$2,295,935
6 or more months old	2	\$380,699
Reports issued this period	13	\$4,208,408
<b>TOTAL</b>	<b>20</b>	<b>\$6,885,042</b>
For which a management decision was made during the reporting period		
Disallowed costs	12	\$3,469,961
Cost not disallowed	4	\$2,219,484
<b>TOTAL</b>	<b>16</b>	<b>\$5,689,445</b>
For which no management decision had been made as of 03/31/2016		
Less than 6 months old	3	\$1,164,639
6 or more months old	1	\$30,958
<b>TOTAL</b>	<b>4</b>	<b>\$1,195,597</b>

# SIGNIFICANT INSPECTIONS

# SIGNIFICANT INSPECTIONS

The Office of Inspections and Forensic Auditing conducts systematic and independent assessments of the Agency’s operations, programs, and policies, and makes recommendations for improvement. Reviews involve on-site inspections, analyses, 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 three inspection reports with 13 recommendations affecting GSA program management and facility security.

## **STATUS UPDATE: GSA’S ADMINISTRATION OF THE ARMY CHILDCARE SUBSIDY PROGRAM**

### **Report Number JE16-001, dated January 4, 2016**

On April 3, 2014, GSA’s Office of the Chief Financial Officer expanded its administration of the U.S. Army childcare subsidy program from 200 Army families to approximately 9,000 Army families with children in both federal and private childcare centers. Following our report, *Evaluation of GSA’s Administration of the Army Childcare Subsidy Program*, issued September 8, 2015, and a hearing before the House of Representatives Committee on Oversight and Government Reform on September 10, 2015, the Office of Inspector General continued to monitor GSA’s administration of the Army childcare subsidy program.

The Office of Inspections and Forensic Auditing’s objectives were to monitor GSA’s response to issues raised in the September 10, 2015 hearing; GSA’s backlog of Army family actions, provider invoices, emails, and phone calls; OIG referrals of Hotline complaints to GSA management about the Army childcare subsidy program; and GSA’s migration of the Army childcare subsidy program to the Army’s new contractor. The OIG found that GSA had made significant progress in reducing the backlog of family actions, phone calls, emails, and unpaid invoices. In addition, we noted a significant drop in complaints received by the OIG related to the program. As a result, we did not make any additional recommendations to the Chief Financial Officer beyond those made in the September 8, 2015 report.

## **GSA FACILITIES AT RISK: SECURITY VULNERABILITIES FOUND IN GSA'S MANAGEMENT OF CONTRACTOR HSPD-12 PIV CARDS**

**Report Number JE16-002, dated March 30, 2016**

HSPD-12, issued in August 2004, recognized a need to eliminate the wide variations in the quality and security of identification used to gain access to federal facilities where there is potential for terrorist attacks. HSPD-12 established a mandatory, government-wide standard for secure and reliable forms of identification issued by the federal government to its employees and contractor employees in order to enhance security, increase government efficiency, reduce identity fraud, and protect personal privacy. The Office of Management and Budget issued instructions regarding this directive, requiring all federal executive departments and agencies to conduct minimum background investigations and issue PIV cards to all employees and contractors requiring long-term access to federal facilities or information technology systems. It is GSA's policy to issue PIV cards to all employees and long-term contractor employees—those needing access to GSA-managed facilities for more than 6 months.

Our evaluation sought to determine whether key controls over GSA's process for issuing, managing, and terminating HSPD-12 PIV contractor employee cards are sufficient and effective.

The OIG found significant deficiencies in GSA's processes for managing GSA-issued contractor PIV cards and for ensuring the completion of contractor employee background investigations. In addition, the OIG found deficiencies in GSA's tracking and maintenance of contractor employee background investigation data stored within its credentialing system.

The OIG found that GSA does not consistently collect and destroy PIV cards from GSA contractor employees who have left, are terminated, or are no longer needed for contract performance. When a contractor employee's PIV card is not collected and destroyed at the end of a contract, the security risks of unauthorized access to a federal facility significantly increase. The OIG also found that some contractor employees use expired PIV cards to access GSA-managed facilities. GSA cannot determine the extent of these problems because it does not track the collection or destruction of expired contractor PIV cards in its credentialing system.

In addition, the OIG found that some GSA regions have not been fully successful in issuing PIV cards to all long-term contractor employees. Three of GSA's 11 regions permit exceptions to GSA's PIV policy and do not issue PIV cards to certain types of long-term contractors, such as those who do not require access to GSA IT systems. In such cases, GSA circumvents the policy that requires issuance of PIV cards to all long-term contractor employees by issuing non-PIV building badges.

We also found that the credentialing system used to manage information about GSA contractor employees has significant data reliability deficiencies. For example:

- For 638 contractor employees found to be unfit after background investigations, the credentialing system records did not reflect the negative adjudication results. Of the 638 contractor employees found to be unfit, 169 have an active status in the credentialing system. Nine of these contractor employees had been issued PIV cards. GSA is unable to determine whether those PIV cards were collected and destroyed, as it does not track such information.
- Sixty active contractor employees whose credentialing record indicated that GSA had issued them a PIV card had no background investigation information recorded in the system.
- 2,099 active contractor employees with initial investigations more than one year old did not have a final determination on file.

Although GSA officials reported that they periodically validate the credentialing system data, they are unable to determine if these examples are the result of poor record keeping practices or if there are in fact active GSA contractor employees with non-existent, incomplete, or unfavorable background investigations. Data accuracy is critical to ensure contractor employees have an appropriate active or inactive status, a completed and favorable background investigation, and use an unexpired PIV card for facility access.

To address these findings, we recommended the following actions to the GSA Associate Administrator for Mission Assurance:

1. GSA must enforce its policy for Requesting Officials to 1) notify the Office of Mission Assurance (OMA) when a contractor employee they have requested a PIV card for has finished work on a contract, 2) collect PIV cards from inactive contractor employees, and 3) send the PIV card to the regional OMA point of contact for destruction.
2. GSA must enforce FAR Clause 52.204-9, *Personal Identity Verification of Contractor Personnel*, which requires contractors to account for and return all forms of Government-provided identification at the earliest of any of the following: 1) when no longer needed for contract performance, 2) upon completion of the contractor employee's employment, or 3) upon contract completion or termination.
3. GSA should develop ongoing monitoring controls to detect when the PIV cards of inactive contractor employees and expired PIV cards have not been collected and destroyed.
4. GSA should develop a control to ensure that if contractor employees do not receive a favorable final background investigation, their PIV cards are revoked, collected, and destroyed.



5. GSA should ensure the 169 unfit contractors with active status in GSA's Credential and Identity Management System (GCIMS) do not work for GSA and do not have access to GSA-managed facilities.
6. GSA should conduct a full review of GCIMS data to verify that it is current, accurate, and complete.
7. GSA should develop formal processes to ensure that, going forward, contractor employee information in GCIMS is current, accurate, and reliable.
8. GSA should document the collection and destruction of PIV cards in GCIMS.
9. GSA must comply with HSPD-12 and PIV card issuance requirements without exception.

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

#### **Report Number JE16-003, dated March 30, 2016**

Despite issuance of HSPD-12 over 10 years ago, GSA has continued to issue facility-specific building badges with unique designs, data elements, and security features. Unlike PIV cards, which employ strict controls established by the National Institute of Standards and Technology (NIST), building badges are more susceptible to identity fraud, tampering, counterfeiting, and exploitation, and they cannot be rapidly authenticated electronically. According to NIST, most bar code, magnetic stripe, and proximity cards (including building badges) can be easily copied and the technology used in their creation offers little or no authentication assurance. This is a serious security risk because some building badges provide unescorted and unscreened access to federal facilities. GSA's credentialing policy outlines specific and limited circumstances in which GSA may issue non-HSPD-12 compliant facility specific building badges, such as for temporary contractor employees, some non-U.S. citizens, childcare workers, and visitors.

During its evaluation, the OIG sought to review GSA's use of building badges and determine whether the use of building badges increased the risk of unauthorized access to GSA-managed facilities.

The OIG found widespread use of facility-specific building badges at GSA-managed facilities. These building badges are often issued by GSA to employees and contractor employees instead of, or in addition to, the required HSPD-12 PIV cards. These building badges are more susceptible to identity fraud, tampering, counterfeiting, and exploitation, and they cannot be rapidly authenticated electronically.

As noted above, some GSA regions circumvent GSA’s credentialing policy by issuing non-HSPD-12 compliant building badges to certain long-term contractors. In addition, GSA sometimes issues non-HSPD-12 compliant building badges in multiple-tenant federal facilities where the tenants have voted to allow the use of such badges to access the facility because of the costs associated with issuing PIV cards and the existence of legacy physical access control systems that are not compatible with PIV cards.

The OIG found serious security risks with the use of building badges in GSA-managed facilities, including:

- Contractor employees with active building badges who had been determined to be “unfit” due to unfavorable background investigations;
- Inactive contractor employees who had active building badges;
- Building badges without expiration dates issued by GSA to contractor employees;
- Instances where non-GSA tenant agencies had issued building badges to GSA contractor employees;
- Staff who were inadequately trained on the issuance of building badges; and
- Building badge information technology systems that were unsecure.

The OIG also found that GSA cannot determine the extent of these problems because it does not centrally monitor the management of building badges issued by staff.

To address these findings, we recommended the following actions to the GSA Associate Administrator for Mission Assurance:

1. For facilities where GSA is the sole or primary tenant, GSA should develop a policy to discontinue the issuance of local building badges to employees and contractor employees who are required to receive PIV cards.
2. GSA policy developed in response to recommendation #1 should include an implementation and transition plan to retrieve and destroy GSA-issued local building badges.
3. GSA should develop a secure solution for allowing physical access to GSA-managed facilities to those who are not required to receive PIV cards.
4. If the Facility Security Committees of facilities where GSA is not the sole or primary tenant decide to allow the use of building badges, GSA should not issue local building badges on behalf of tenant agencies.

# 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 \$45 million (see Tables 5 and 6).

## CIVIL SETTLEMENTS

### **AUSTIN TELE-SERVICES, LLC, AGREED TO PAY \$68,176, AND A REPLACEMENT-IN-KIND IN THE AMOUNT OF \$206,150, TO RESOLVE FALSE CLAIMS ACT ALLEGATIONS**

On December 15, 2015, Austin Tele-Services, LLC (ATS), agreed to pay \$68,176 to resolve allegations under the False Claims Act that ATS knowingly sold used technology products while representing to government officials that the equipment was new. ATS was also required to pay a replacement-in-kind settlement of \$206,150 for 62 Cisco Ruggedized Switches it sold through GSA Advantage. This investigation was initiated pursuant to notification from the Naval Criminal Investigative Service (NCIS) in Quantico, VA, that government officials were in possession of networking equipment that was unusable due to ATS's noncompliance with contractual requirements. Subsequent to the receipt of the switches, government officials contacted Cisco to obtain required internetwork operating system updates and information assurance patches as required by the program. Cisco notified the U.S. Marine Corps that the serial numbers on the switches were identified as being resold assets from overseas sources, primarily China. Cisco's product protection branch informed the government that ATS was not an authorized reseller of Cisco products and did not possess a Cisco letter of supply. GSA OIG investigated this case with NCIS and the Defense Criminal Investigative Service (DCIS).



### **TELECOMMUNICATIONS COMPANIES SETTLE FALSE CLAIMS ALLEGATIONS**

On November 2, 2015, NetCracker Technology (NetCracker), a telecom software and services company, agreed to pay \$11.4 million, and Computer Sciences Corporation (CSC), an information technology services company, agreed to pay \$1.35 million to resolve allegations under the False Claims Act that the companies used foreign nationals without security clearances on a Defense Information Systems Agency (DISA) contract. The investigation leading to this settlement revealed that NetCracker subcontracted with CSC to provide software support and configuration services to DISA. The contract required NetCracker to perform configuration and development activities in the United States with persons possessing a Secret Security Clearance; however, the work was performed outside the United States by personnel who did not have security clearances. GSA OIG investigated this case with DCIS, FBI, and Homeland Security Investigations.

## **CRIMINAL INVESTIGATIONS**

### **NOVUM STRUCTURES, LLC, PLEADED GUILTY AND AGREED TO PAY \$3 MILLION TO RESOLVE CRIMINAL AND CIVIL CLAIMS**

On January 5, 2016, Novum Structures, LLC (Novum), agreed to pay \$2.5 million to resolve allegations under the False Claims Act that Novum used foreign material on numerous federally funded construction projects in violation of the Buy America and Buy American Acts. In addition to the civil settlement, Novum pleaded guilty in March 2016 to one count of concealing a material fact and was ordered to pay a \$500,000 criminal fine. This investigation was initiated based on a qui tam. The investigation revealed that Novum used noncompliant foreign materials on several federally funded construction projects from January 1, 2004, through July 11, 2013.

## **FEDERAL CONTRACT EMPLOYEES GET SENTENCED FOR COMMITTING SERVICE-DISABLED VETERAN OWNED SMALL BUSINESS FRAUD**

From October 2015 through January 2016, two Silver Star Construction (SSC) owners and a Phoenix Building Group (PBG) owner were sentenced for their roles in a Service-Disabled Veteran Owned Small Business (SDVOSB) fraud scheme. An investigation revealed that Mary and Michael Parker of Blue Springs, MO, falsely represented to the U.S. Department of Veterans Affairs (VA) and the U.S. Department of Defense (DoD) that SSC was a legitimate SDVOSB and received approximately \$7 million in set-aside federal construction contracts that it was not entitled to receive. They also conspired with Thomas Whitehead, a business partner and owner of PBG, in the scheme, and passed through the majority of the work that SSC received from the government, which is against federal regulations. Michael Parker was sentenced to 51 months in prison and 36 months of probation, and ordered to forfeit \$30,000. Mary Parker was sentenced to 20 months in prison and ordered to forfeit \$30,000. Thomas Whitehead was sentenced to 9 months of home confinement, 12 months of probation, and 50 hours of community service, and ordered to forfeit almost \$30,000. GSA OIG investigated this case with VA OIG, Small Business Administration (SBA) OIG, and DCIS.

## **CONSTRUCTION COMPANY AGREED TO PAY OVER \$20 MILLION TO RESOLVE FALSE CLAIMS**

On December 10, 2015, Tishman Construction Corporation (Tishman), one of the largest construction companies in New York City, entered into a deferred prosecution agreement in which Tishman agreed to pay \$14,580,000 in penalties and \$5,650,917.97 in restitution to victims to resolve a criminal investigation into the company's past fraudulent billing practices. The agreement also requires Tishman to institute far-reaching corporate reforms. An investigation disclosed that from at least 1999 to 2009, Tishman billed clients, including federal agencies, for hours that were not worked by labor foremen from Local 79 Mason Tender's District Council of Greater New York. Tishman added one or two hours of unworked or unnecessary "guaranteed" overtime per day to the time sheets for the labor foremen; provided five hours of guaranteed overtime per day, whether worked or not, for a particular senior labor foreman; and submitted time sheets to its clients for foremen's hours when they were in fact absent from work for sick days, major holidays, or vacation. Additionally, from approximately 2005 through 2009, without seeking advance approval from its clients, Tishman paid a particularly senior labor foreman, and billed its clients, at wage rates that exceeded those specified in Tishman's contract with its clients.



### **OWNER OF NONPROFIT ORGANIZATION PLEADED IN COMPUTERS FOR LEARNING CASE**

On February 4, 2016, Benjamin Twiggs, the Director of the Philadelphia Urban Technology Institute (PUTI), pleaded guilty in U.S. District Court to one count of making a false statement and one count of transporting stolen goods. The investigation disclosed that Twiggs received excess computer equipment from federal agencies through the Computers for Learning Program and sold the equipment for profit. Twiggs provided the government with false Internal Revenue Service (IRS) documents purporting that PUTI was an IRS-recognized 501(c)(3) tax-exempt organization. Twiggs is currently awaiting sentencing.

### **BUSINESS MANAGER SENTENCED IN “WEIGHT BUMPING” SCHEME**

On October 19, 2015, Ronald Niemi, former manager of the Covan World-Wide Moving Service (Covan), Augusta, GA, facility, was found guilty of one count of mail fraud. On March 16, 2016, Niemi was sentenced to 5 months’ imprisonment, followed by 5 months’ home detention and 3 years’ supervised release. In addition, Niemi was ordered to forfeit \$22,627.78 and to pay a \$100 special assessment. The investigation began with the filing of a qui tam lawsuit under the False Claims Act. Relators were Covan employees who witnessed the falsification of weight tickets used to bill the government. GSA OIG investigated this case with auditors from the GSA Transportation Audit Division, as well as Army Criminal Investigation Command (CID) and DCIS.

### **MCC CONSTRUCTION CORPORATION SUBMITTED FALSE BID INFORMATION**

On February 2, 2016, MCC Construction Corporation (MCC) pleaded guilty to conspiracy to commit major fraud and wire fraud. On March 15, 2016, MCC was ordered to pay a \$500,000 fine and to forfeit \$1,269,294. Our investigation disclosed that from January 2008 through August 2013, MCC partnered with two companies to gain access to government contracts that were awarded through the Small Business Administration’s 8(a) and HUBZone programs. The two companies misrepresented that they performed the percentage of work which the contracts and SBA’s regulations require of prime contractors; in fact, MCC exercised impermissible control over the companies to make it appear that MCC employees were actually employees of the two companies. MCC controlled the bidding process and the performance of work on the contracts. As a result of this false and misleading conduct, the companies obtained approximately \$70,274,894 in government contracts. GSA OIG investigated this case with SBA OIG, DCIS, and Army CID.

### **GENERAL MANAGER SENTENCED TO IMPRISONMENT, ORDERED TO PAY A \$10,000 FINE, AND TO FORFEIT OVER \$322,000**

On December 18, 2015, Edwin “Keith” McMeans, the General Manager of Thundercat Technology, was sentenced to 8 months’ imprisonment and one year of supervised release. In addition, McMeans was ordered to pay a \$10,000 fine and to forfeit \$322,800. Between September 2007 and November 2012, McMeans conspired with others, including other small business employees, to obtain federal contracts through misrepresentation. On November 7, 2012, federal search warrants were executed on Thundercat Technology and Four Points Technology. The scheme consisted of a sales employee at one company identifying a government contract for another company to bid on. The employee would submit its company’s quote for that contract to the government. The same employee would then prepare a bid, at a higher price quote, on behalf of another company using the other company’s pricing template, and email the bid to the other company’s representative for submission to the government. The higher bid was purely to provide the appearance of competition to the government. GSA OIG investigated this case with DHS OIG, SBA OIG, and VA OIG

### **INDIVIDUAL CONVICTED OF USING HIS FATHER’S DISABLED VETERAN STATUS TO GAIN FEDERAL CONTRACTS**

On February 12, 2016, Sean Page was found guilty of one count of theft and two counts of aggravated identity theft. Our investigation determined that Page used the identity of his father, Dalton Page, to establish I2G as an SDVOSB. Sean Page falsely certified in the GSA Online Representations and Certifications Application, the Central Contractor Registry, and the Systems for Award Management that I2G was a SDVOSB, owned and operated by Dalton Page. Based on these false certifications, I2G was awarded approximately \$2.7 million of set-aside contracts, from DoD and VA, that it was not eligible to receive. GSA OIG investigated this case with VA OIG.

### **COUNTY OFFICIAL SENTENCED FOR THEFT OF U.S. GOVERNMENT PROPERTY**

On December 15, 2015, Doug Wortham, the coroner for Sharp County, AK, pleaded guilty to theft of government property valued at less than \$1,000. Wortham was sentenced to one year of probation, restitution of \$4,008, and a special assessment of \$25. In October 2013, the Arkansas State Agency for Surplus Property provided information that Wortham purchased federal surplus property with personal funds for his own use. This included three bat-winged brush hog mowers, an outboard motor, snow blowers, commercial mixers, backpacks, bunk beds, and numerous large generators. This case was investigated with the Sharp County Sheriff’s Office.

### **DLA EMPLOYEE SENTENCED FOR THEFT OF U.S. GOVERNMENT PROPERTY**

On January 12, 2016, Eric Shaffer was sentenced to 366 days in prison, 36 months of supervised release, and ordered to pay restitution of \$316,000. He pleaded guilty on June 30, 2015, to three felony counts of theft of government property exceeding \$1,000. This investigation was initiated after receiving information from a GSA Global Supply vendor alleging that an eBay seller listed a suspected stolen item for sale on eBay. The vendor recognized the item as an item that his company had shipped to the Defense Logistics Agency (DLA) San Joaquin Distribution Center in Tracy, California. OIG Special Agents identified the eBay seller as Shaffer, a warehouse employee at the DLA Distribution Center. The investigation revealed that from February 2011 to January 2015, Shaffer offered more than 620 items of stolen government property for sale in approximately 325 eBay auctions. Shaffer also completed more than 40 private sales of stolen government property to customers who paid Shaffer via PayPal, an online payment system. The items, all new, were shipped by vendors in the GSA Advantage and GSA Global Supply programs to the DLA Depot to be sent to DoD customers in the Pacific, including Hawaii, Japan, and Korea. Shaffer confessed to stealing and selling the items, and a search of his home found several items stolen from the DLA Depot. The total value of the stolen property was estimated at over \$316,000.

### **FORMER SAN DIEGO PBS BUILDING MANAGER SENTENCED**

On October 23, 2015, Timothy Cashman, a former GSA building manager, was sentenced to 16 months in prison, 36 months of probation, and restitution of \$50,057. He pleaded guilty in April 2015 to one count of conspiracy to commit bribery and theft of U.S. government property, and one count of filing a false tax return. He had been engaged in a variety of schemes, including accepting \$42,000 in bribes from a GSA subcontractor and stealing various items from the San Ysidro Land Port of Entry, where he worked.

### **GSA CONTRACTOR CONVICTED BY JURY**

On December 17, 2015, Ivan Greenhut, co-owner of GSA contractors Modern Data Products (MDP) and Modern Imaging Solutions (MIS), was convicted of conspiracy and payment of a gratuity to a public official, following a three-day trial. This investigation was initiated based on allegations that Greenhut, his wife Carol Greenhut, and their companies MDP and MIS provided illegal gratuities to government purchase card holders in exchange for business.

**DEPARTMENT OF DEFENSE CONTRACTOR PLEADED GUILTY**

On March 9, 2016, Mark Kim, a DoD contractor, pleaded guilty to disclosing protected procurement information. This investigation was initiated based on allegations that Kim was in a position to identify specifications for equipment needed to fulfill task orders under GSA and DoD contracts. Kim steered a DoD contract to Computers Universal, Inc. (CUI), to provide maintenance and replacement of datawalls at Osan Air Force Base in Korea. CUI in turn gave Kim a percentage of the contract value and subcontracted the work to Kim's company, Sync Tech, Inc. Sentencing is scheduled for June 1, 2016. GSA OIG investigated this case with Air Force Office of Special Investigations and DCIS.

**INDIVIDUAL PLEADED GUILTY IN SCHEME TO DEFRAUD A WIDOW OF INHERITANCE**

On October 16, 2015, Vernon Officer pleaded guilty to filing a false tax return. He was sentenced on January 29, 2016, to one year and one day in prison, and one year of supervised release. The investigation disclosed that Officer used the purchase of a decommissioned U.S. Coast Guard ship through GSA Auctions to defraud an elderly widow in Virginia. After winning the auction, Officer convinced her to pay approximately \$600,000 for the vessel, under the theory that they would enter into a business relationship to operate it. Officer then repeatedly demanded additional money to maintain and repair the vessel. The widow ultimately provided him with over \$400,000 in additional funds, which he spent for personal use and failed to report on his federal tax return.

**ARMY CIVILIAN CHARGED AFTER SELLING PROPERTY PURCHASED WITH GOVERNMENT FUNDS**

On March 9, 2016, a civilian employee of the U.S. Army was charged with one count of conspiracy to commit mail and wire fraud. An investigation revealed that the individual conspired with others to use government funds to purchase tools and equipment from GSA Advantage, and then sell the tools and equipment through eBay and Craigslist. The loss was estimated to be \$800,000. GSA OIG investigated this case with FBI and Army CID.

### **CONTRACTOR PLEADED GUILTY TO MAJOR FRAUD WHILE SERVING PROBATION SENTENCE**

On December 17, 2015, Tarsem “Tony” Singh pleaded guilty to one count of conspiracy to commit major fraud against the United States. Previously, in November 2010, Singh was convicted of bribery of a government official and was placed on probation for that violation. While on probation, Singh operated and controlled Specialty Construction Management (SCM) and Design Build Contractors (DBC), both 8(a) program participants. After SCM graduated from the 8(a) program, Singh used DBC as a front to secure 8(a) set-aside contracts valued at over \$8.5 million from GSA, and then used SCM employees, equipment, vehicles, and information technology resources to perform work. Singh is awaiting sentencing.

## **PURCHASE CARD FRAUD**

### **PRETRIAL DIVERSION AGREEMENT TO DEFER PROSECUTION AND RESTITUTION TOTALING \$7,356 FOR FORMER GSA EMPLOYEE**

On March 14, 2016, a former GSA program specialist who was also a GSA regional charge card coordinator (RCCC) agreed to a Pretrial Diversion Agreement, accepting responsibility for making fraudulent charges on four GSA-issued credit cards. Our investigation revealed that between March 21, 2013, and June 18, 2013, the GSA program specialist fraudulently took cash advances and made direct charges on GSA travel credit cards. As the RCCC, the GSA program specialist had access to and supervisory authority over travel cards assigned to GSA Region 5 employees. As part of the Agreement, the former GSA program specialist is required to pay restitution totaling \$7,356.

# FLEET CARD FRAUD

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

Notable cases include:

- David Johnson, a unit supply specialist assigned to the 704th Military Intelligence Brigade in Fort Meade, MD, used GSA Fleet credit cards assigned to two vehicles to fuel his personal vehicle, and he purchased fuel for others in exchange for cash. He was found guilty by a summary court-martial and was ordered to pay \$6,128 in restitution.
- Scott Robinson, a former U.S. Army contractor at the U.S. Army Garrison at Carlisle Barracks in Carlisle, PA, admitted to making unauthorized purchases to fuel his personal vehicle. He was sentenced to 12 months of supervised probation and ordered to pay \$3,602 in restitution.
- Michael Buchanan, a National Park Service (NPS) employee, used a Fleet credit card to purchase gasoline for his personally owned vehicles. He was sentenced to 12 months of supervised probation, 40 hours of community service, and ordered to pay \$193 in restitution.
- Harley Ricketts, an NPS facility supervisor, used a Fleet credit card to purchase gasoline for personal use. He was sentenced to 12 months of supervised probation and ordered to pay \$6,679 in restitution.
- Deion McClenton, a former Army soldier, used a Fleet credit card for personal gain. He was sentenced to 4 years' probation and ordered to pay \$12,808 in restitution.
- Isaac Santos, a Confederated Tribal member in Warm Springs, OR, took Fleet credit cards from GSA vehicles to purchase fuel for personal use. He was sentenced to 24 months of probation and ordered to pay \$2,341 in restitution.
- Daniel Conway, a Defense Logistics Agency (DLA) employee, stole a government vehicle and a Fleet credit card assigned to the DLA and "rented" it to others to obtain cash. He pleaded guilty to credit card fraud and auto theft in Richmond City's Circuit Court and was ordered to pay \$1,000 in restitution.
- Stephen Karavolos, a Sergeant in the U.S. Marine Corps Reserve in Johnstown, PA, made unauthorized purchases with Fleet credit cards. He was sentenced to 9 months' confinement, received a reduction in rank from E-5 to E-1, and was ordered to pay \$5,000 in restitution.
- Anthony Krause, a former U.S. Government contractor at Ft. Carson, CO, made over \$10,500 of fraudulent purchases using a Fleet credit card. He was sentenced to 4 years of probation and 48 hours of community service and ordered to pay \$11,415 in restitution.

## WPA INVESTIGATIONS

As a direct result of the cooperative efforts between the OIG and the GSA Office of the Chief Architect's Fine Arts Program (FAP), a total of 53 lost pieces of Works Progress Administration (WPA) artwork were recovered during this reporting period. These pieces of American history are not subject to public sale, but their comparative value totals \$1,163,500. The FAP will be conserving the pieces before placing them on loan to institutions across the country for display. Since cooperative efforts between the OIG and FAP began in 2001, a total of 516 WPA pieces have been recovered, with a comparative value of \$5,463,650.<sup>1</sup>

Notable cases during this reporting period include:

- GSA OIG special agents discovered that the Chrysler Museum of Art in Norfolk, VA, had 17 New Deal era prints by various artists. In February 2016, GSA and the museum finalized a loan agreement for the prints.
- GSA OIG special agents recovered a WPA painting, "Landscape," by William E. Gebhardt, after learning the painting was being put up for auction.
- GSA OIG special agents recovered a WPA painting by Vincent Canade, "Landscape with Houses," after the painting was sold at auction. Special agents discovered that the possessor also had three New Deal era oil paintings, which were voluntarily returned. The three pieces included: "Torrey Pines," by Charles Safford; "Gloucester Cove," by Ralph Nelson; and "#2 Hill and Snow," by Robert E. Harlow, Jr.
- GSA OIG special agents recovered a WPA painting, "Manhattan from Brooklyn," by Mortimer Borne, after learning the painting was listed for sale on eBay.
- GSA OIG special agents recovered an oil painting titled "Chrysanthemums," by Samuel E. Brown after finding that the painting was listed for sale at an auction house in Berlin, CT.
- GSA OIG special agents reclaimed a WPA oil painting entitled "Lake Michigan," by Elias Ben Delman, after learning the painting was for sale on eBay.
- GSA OIG special agents assisted the FAP with reclaiming ten New Deal era paintings, collectively valued at \$492,000, which have been lent to the California State Parks.

<sup>1</sup> This number includes all pieces of artwork recovered through the joint publicity/recovery efforts of the OIG and FAP. Not all recoveries require direct intervention by the OIG; some are "turn ins" as a result of publicity or Internet searches which reveal the government's ownership.



## **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 33 referrals for consideration of suspension or debarment to the GSA Office of Acquisition Policy. GSA issued 36 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 46 briefings attended by 1,007 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 1,408 Hotline contacts. Of these, 86 were referred to GSA program officials for review and appropriate action, 22 were referred to other federal agencies, 3 were referred to the OIG Office of Audits, 9 were referred to the OIG Office of Inspections and Forensic Auditing, and 60 were referred to investigate field offices for investigation or further review.

# STATISTICAL SUMMARY OF OIG INVESTIGATIONS

October 1, 2015 – March 31, 2016

OFFICE OF INVESTIGATIONS	
Referrals for criminal prosecution, civil litigation, administrative action, suspension & debarment	243
Indictments and informations on criminal referrals	20
Subjects accepted for criminal prosecution	58
Subjects accepted for civil action	9
Convictions	22
Civil settlements	3
Contractors/individuals suspended and debarred	36
Employee actions taken on administrative referrals involving government employees	3
Number of subpoenas	19
<b>Civil settlements and court-ordered and investigative recoveries</b>	<b>\$45,015,757*</b>

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

## Investigative Workload

The OIG opened 82 investigative cases and closed 98 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 20 referrals to GSA officials for information purposes only.

## Actions on OIG Referrals

Based on these and prior referrals, 58 subjects were accepted for criminal prosecution and 9 subjects were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 20 indictments/informations and 22 convictions. OIG civil referrals resulted in 3 subject settlements. Based on OIG administrative referrals, GSA management debarred 13 contractors/individuals, suspended 23 contractors/individuals, and took 3 personnel actions against government employees.

**Table 4. Summary of OIG Referrals**

TYPE OF REFERRAL	CASES	SUBJECTS
Criminal	43	104
Civil	15	48
Administrative Referrals for Action/Response		58
Suspension	1	3
Debarment	18	30
<b>TOTAL</b>	<b>77</b>	<b>243</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	\$15,590,248	
Settlements		\$15,524,326
Recoveries		\$14,208
Forfeitures	\$1,704,583	
Seizures	\$0	
Restitutions	\$6,121,654	
<b>TOTAL</b>	<b>\$23,416,485</b>	<b>\$15,538,534</b>

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

Administrative Recoveries	\$6,060,737
Forfeitures/Restitution	\$0
<b>TOTAL</b>	<b>\$6,060,737</b>

\* Non-Judicial Recoveries includes the FAR disclosures reported on page 16.

# GOVERNMENT-WIDE POLICY ACTIVITIES

# GOVERNMENT-WIDE POLICY ACTIVITIES

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

## Legislation and Regulations

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

### **GENERAL SERVICES ADMINISTRATION ACQUISITION REGULATION CASE 2013-G504 – TRANSACTIONAL DATA REPORTING**

On March 4, 2015, GSA issued a proposed rule, *General Services Administration Acquisition Regulation; Transactional Data Reporting* (GSAR Case 2013–G504), that would eliminate the price protections, including those provided by the Price Reductions Clause for Multiple Award Schedule (Schedule) contracts in exchange for obtaining contractors’ transactional data.

The GSA OIG has followed this proposed rulemaking closely. We commented on the proposed rule at a public meeting and in formal written comments, which are posted on our website at [www.gsaig.gov/TDR-comments-2015](http://www.gsaig.gov/TDR-comments-2015). Although we support GSA’s desire to collect and maintain transactional data as an additional tool to obtain best value for Schedules contract customers, we have significant concerns with the proposed rule.

Our chief concern is that GSA’s proposal will eliminate key price protections for government agencies and taxpayers. The Schedules Program was established to leverage government volume buying to achieve best value for customer agencies and taxpayers based on commercial terms, conditions, and pricing—*i.e.*, the commercial marketplace. The Price Reductions Clause ensures fair and reasonable pricing throughout multiyear Schedule contracts and is the government’s only guarantee that government prices are reduced when prices drop in the relevant commercial market. GSA’s proposal undermines the basis of the Schedules Program—the link to the commercial marketplace—by eliminating this key price protection.

The collection of GSA transactional data will not provide the same price protections as those currently in place. The proposed alternate contract clauses contain no contractual requirement for contractors to renegotiate schedule prices based on the transactional data collected. By contrast, the Price Reductions Clause as it currently exists requires that schedule customers receive the benefit of a relevant commercial price reduction immediately. Under the proposed rule, the government forfeits contractual price protection without any immediate, equivalent, or certain gain.

Moreover, we are concerned that contracting officers will place too great an emphasis on transactional data without similar data for the commercial market when establishing schedule pricing. GSA will be obtaining transactional data solely for GSA contract sales, which account for only 10 percent of federal spending. This model will focus price evaluation on prior sales to government agencies, without regard to the commercial market. With a focus limited to government transactional sales data, GSA customer agencies could pay significantly higher prices than those available in the commercial marketplace. In short, we are concerned that if the proposed rule is accepted, the Schedules Program will no longer provide its intended benefit—to “provide competitive, market-based pricing that leverages the buying power of the federal government.”

Finally, we are concerned that GSA has underestimated the costs associated with the IT infrastructure and human capital necessary to perform the data analysis and is not prepared to ensure that it receives standardized data sets from vendors. Without the necessary planning of resources, the usefulness of the data and GSA’s ability to collect and exploit it to obtain cost savings for customer agencies will be limited.

GSA is now engaged in the final rulemaking process. We will continue to closely monitor this proposal.

### **Congressional Testimony**

During this reporting period, the Inspector General (IG) testified twice before the U.S. House of Representatives Committee on Oversight and Government Reform, Subcommittee on Government Operations. On January 6, 2016, the IG testified about the OIG’s work monitoring the GSA’s administration of the Army childcare subsidy program. On March 2, 2016, the IG testified about the OIG’s evaluation of GSA’s Surplus Firearm Donation Program.



## Interagency and Intra-agency Committees and Working Groups

- **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** The IG is a member of the Investigations Committee. The IG is also the liaison between CIGIE and the Federal Chief Acquisition Officers Council. Through CIGIE, we also participate in the following organizations:
  - **CIGIE Disaster Assistance Working Group.** As a member, the GSA OIG works with the Group to share information, identify best practices, and participate on an ad hoc basis with other governmental entities to prevent, detect, and remediate waste, fraud, and abuse related to Federal disaster response and assistance.
  - **Federal Audit Executive Council Information Technology Committee.** The Office of Audits participates in the Federal Audit Executive Council (FAEC) Information Technology Committee. This Committee provides a forum to share information and coordinate audits of significant IT issues with the OIG community and the federal government. The committee also develops and recommends best practices to be used by OIGs in addressing IT issues.
  - **Federal Audit Executive Council Digital Accountability and Transparency Act Working Group.** The Office of Audits participates in the FAEC Digital Accountability and Transparency Act (DATA Act) working group. The working group’s mission is to assist the IG Community in understanding and meeting its DATA Act oversight requirements by: (1) serving as a working level liaison with the Department of the Treasury, (2) consulting with the Government Accountability Office, (3) developing a common review approach and methodology, and (4) coordinating key communications with other stakeholders. The Office of Audits participates to stay abreast of the latest DATA Act developments in order to monitor the Agency’s implementation of the DATA Act.
  - **CIGIE Inspections and Evaluations Roundtable.** The Office of Inspections and Forensic Auditing participates in the CIGIE Inspections and Evaluations Roundtable. This roundtable provides a forum to share information and coordinate issues of importance with the OIG inspections and evaluations community.

# APPENDICES

# APPENDIX I

## ACRONYMS AND ABBREVIATIONS

ATS	Austin Tele-Services
CID	Army Criminal Investigation Command
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CIO	Chief Information Officer(s)
COR	contracting officer's representative
CSC	Computer Sciences Corp.
CUI	Computers Universal, Inc.
DATA Act	Digital Accountability and Transparency Act
DBC	Design Build Contractors
DCIS	Defense Criminal Investigative Service
DHS	Department of Homeland Security
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DoD	Department of Defense
FAEC	Federal Audit Executive Council
FAP	Fine Arts Program
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FBF	Federal Buildings Fund
FBI	Federal Bureau of Investigation
FISMA	Federal Information Security Modernization Act of 2014
GAO	Government Accountability Office
GCIMS	GSA's Credential and Identity Management System
GSA	General Services Administration
GSAR	General Services Administration Acquisition Regulation
HSPD-12	Homeland Security Presidential Directive- 12
IG	Inspector General
IPA	Independent Public Accounting Firm
IRS	Internal Revenue Service

IT	Information Technology
MAS	Multiple Award Schedules
MDP	Modern Data Products
MIS	Modern Imaging Solutions
NCIS	Naval Criminal Investigative Service
NCR	National Capital Region
NIST	National Institute of Standards and Technology
NPS	National Park Service
O&M	Operations and Maintenance
OAS	Office of Administrative Services
OIG	Office of Inspector General
OMA	Office of Mission Assurance
OMB	Office of Management and Budget
P.L.	Public Law
PBG	Phoenix Building Group
PBS	Public Buildings Service
PIV	Personal Identity Verification
PUTI	Philadelphia Urban Technology Institute
PWAP	Public Works of Art Project
RCCC	Regional Credit Card Coordinator
SBA	Small Business Administration
SCM	Specialty Construction Management
SDVOSB	Service-Disabled Veteran Owned Small Business
SSC	Silver Star Construction
U.S.C	United States Code
UCMJ	Uniform Code of Military Justice
USMC	United States Marine Corps
VA	Department of Veterans Affairs
WPA	Works Progress Administration





## APPENDIX II

# SIGNIFICANT AUDITS FROM PRIOR REPORTS

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

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

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

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

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

The remaining recommendations involve providing specialized training for contracting officers who award and administer Multiple Award Schedule contracts that includes course FCN 401, *Awarding and Administering Multiple Award Schedules*, and granting Central Office portfolio training coordinators system access to generate reports in the Federal Acquisition Institute Training Application System that track Federal Acquisition Certification in Contracting and warrant compliance for their assigned staff. The recommendations are scheduled for completion by June 24, 2016.

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

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

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

The remaining recommendations involve developing, implementing, and maintaining the management controls necessary to ensure that: PBS NCR is not procuring or participating in personal services contracts; services contracts comply with Federal Acquisition Regulation 52.222-17, *Nondisplacement of Qualified Workers*, and purchase card holders comply with GSA Order OAS 4200.1A. The recommendations are scheduled for completion by June 30, 2016.

## **OVERSIGHT AND SAFETY ISSUES AT THE PBS MICHIGAN SERVICE CENTER**

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

Our objective was to determine whether the Michigan Service Center is providing clean, safe, secure, maintained, and comfortable work space for its building occupants. We made three recommendations; two have not been implemented.

The remaining recommendations involve ensuring that lease property managers' inspections comply with the PBS desk guide and lease inspection form and assess all aspects of lease performance including safety, fire protection, and security, as well as remediating the safety, fire, and security issues identified during the audit; and ensuring that PBS identifies electrical, mechanical, and plumbing deficiencies in its buildings which could impact the safety of building occupants, as well as remediating the electrical, mechanical, and plumbing issues identified during the audit. The recommendations are scheduled for completion by September 30, 2016.

## **PBS'S IDENTIFICATION AND MANAGEMENT OF ENVIRONMENTAL RISKS NEED IMPROVEMENT**

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

Our objective was to determine whether PBS has the 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 made four recommendations; none of which has been implemented.

The recommendations involve developing a system or framework to collect environmental risk data for PBS buildings and facilities to enable the Environmental Division and regional management to manage and report on environmental risks and liabilities; ensuring that environmental compliance audits or equivalent surveys are conducted to identify risk factors for each PBS facility and are updated as needed and establishing policies to ensure the environmental compliance audits or surveys are consistent across the regions and findings are addressed; establishing and enforcing consistent environmental management practices across the regions; and incorporating environmental management responsibilities into tenant occupancy agreements, particularly in cases where the tenant's activities pose a greater risk to the environment. The recommendations are scheduled for completion by June 17, 2016.

### **EXISTING PRACTICES HINDER PBS'S MANAGEMENT OF TRANSITION ASSETS**

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

Our objectives were to determine whether PBS developed strategies and action plans in a timely manner for transition assets; whether the strategies and plans were implemented effectively; and to evaluate the reasons behind any assets that remained in the transition status for extended periods of time. We made four recommendations; one has not been implemented.

The remaining recommendation involves implementing 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 recommendation is scheduled for completion by April 29, 2016.

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

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

Our objective was to determine whether PBS NCR's Potomac Service Center followed current procurement regulations and policies for ordering and accepting goods and services. We made four recommendations; three have not been implemented.

The remaining recommendations involve developing, implementing, and maintaining the management controls necessary to ensure that: PBS NCR is not procuring or participating in personal services contracts; contract extensions and modifications are handled in accordance with the Federal Acquisition Regulation; and contract prices are finalized timely to reduce the risk of contractor performance issues. The recommendations are scheduled for completion by June 17, 2016.



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

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

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

The remaining recommendations involve ensuring objectivity in exercising current contract options or awarding a future contract; and 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. The recommendations are scheduled for completion by June 17, 2016.

## **AUDIT OF THE GENERAL SERVICES ADMINISTRATION'S FISCAL YEAR 2013 FINANCIAL STATEMENTS**

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

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

The remaining recommendations involve performing procedures to ensure all obligations are captured and accurately recorded in the financial management system; and developing and implementing agency-wide policies and procedures to manage all contractors, including maintaining information on contractor status and separation date, if applicable. The recommendations are scheduled for completion by April 30, 2016.

## **AUDIT OF THE ADMINISTRATION OF REGIONAL LOCAL TELECOMMUNICATIONS SERVICES CONTRACTS, NORTHEAST AND CARIBBEAN REGION**

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

Our 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; the three unimplemented recommendations reported in the previous semiannual report are pending final approval by GSA.





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# APPENDIX III

## AUDIT AND INSPECTION REPORT REGISTER

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
(Note: Because some audits pertain to contract awards or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)				
<b>PBS INTERNAL AUDITS</b>				
03/02/16	A150048	Limited Scope Audit - Operations and Maintenance Services Contract at St. Elizabeths		
03/17/16	A150120	PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building		
<b>PBS CONTRACT AUDITS</b>				
10/09/15	A140128	Examination of a Final Settlement Proposal: Hathaway Dinwiddie Construction Company, Contract Number GS-09P-09-KTC-0065		
11/13/15	A140118	Examination of a Claim: N.B. Kenney Company, Inc., Subcontractor to Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010		
11/20/15	A150146	Examination of Architect and Engineering Services Contract: Schwartz/Silver Architects, Inc., Contract Number GS-05P-15-SL-C-0022		
11/20/15	A150113	Examination of a Claim: Matsuo Engineering Centerre Construction A Joint Venture, Contract Number GS-08P-10-JB-C-0007		
12/14/15	A150145	Examination of Architect and Engineering Services Contract: designLAB architects inc., Contract Number GS-05P-15-SI-C-0026		
12/21/15	A140146	Examination of a Claim: Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021		
12/28/15	A140145	Examination of a Claim: Pace Plumbing Corporation, Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021		
01/15/16	A140158	Examination of Change Order Proposals: Fusco Corporation, Contract Number GS-02P-09-DTC-0022		
01/27/16	A150127	Examination of a Final Settlement Proposal: JM Industrial Supply, Inc. and River City Construction, LLC Joint Venture, Contract Number GS-05P-13-SI-C0059		
01/29/16	A140148	Examination of a Claim: Five Star Electric Corporation, Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021		
03/30/16	A140147	Examination of a Request for Equitable Adjustment: ASM Mechanical Systems, Inc., Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021(N)		\$1,120,928
<b>FAS INTERNAL AUDITS</b>				
11/09/15	A150148	Implementation Review of Action Plan: Audit of GSA's Acquisition of Vehicles, Report Number A110105/Q/A/P12001, December 14, 2011		
03/28/16	A150029	FAS has not Effectively Digitized Federal Supply Schedules Contract Files		

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
<b>FAS CONTRACT AUDITS</b>				
10/20/15	A150079	Preaward Examination of Multiple Award Schedule Contract Extension: Segovia, Inc., Contract Number GS-35F-0016X		
11/10/15	A150062	Preaward Examination of Multiple Award Schedule Contract Extension: Fedbid, Inc., Contract Number GS-35F-0752R		\$16,522
11/10/15	A150083	Preaward Examination of Multiple Award Schedule Contract Extension: LCG Systems LLC, Contract Number GS-35F-0047L		\$149,663
11/12/15	A150077	Preaward Examination of Multiple Award Schedule Contract Extension: Office Depot, Inc., Contract Number GS-14F-0040K		
11/18/15	A140064	Preaward Examination of Multiple Award Schedule Contract Extension: AllWorld Language Consultants, Inc., Contract Number GS-10F-0227K		\$35,292
11/19/15	A150123	Preaward Examination of Multiple Award Schedule Contract Extension: 3T International, Inc., Contract Number GS-35F-0883R		
12/03/15	A150069	Preaward Examination of Multiple Award Schedule Contract Extension: Research Triangle Institute, Contract Number GS-10F-0097L		\$61,375
12/03/15	A090175	Limited Scope Postaward Examination: Square One Armoring Services Company, Contract Number GS-07F-0303J		\$1,850,081
12/07/15	A140055	Preaward Examination of Multiple Award Schedule Contract Extension: SRC, Inc., Contract Number GS-00F-0019L		\$637,423
12/14/15	A150142	Preaward Examination of Multiple Award Schedule Contract Extension: IDSC Holdings, LLC, Contract Number GS-06F-0006L		\$36,620
12/15/15	A140103	Preaward Examination of Multiple Award Schedule Contract Extension: General Dynamics Information Technology, Inc., Contract Number GS-23F-0076K		
01/08/16	A150147	Preaward Examination of Multiple Award Schedule Contract Extension: Innovative Emergency Management, Inc., Contract Number GS-10F-0178L		
01/19/16	A150086	Preaward Examination of Multiple Award Schedule Contract Extension: Value Recovery Holding, LLC., Contract Number GS-23F-0014X		\$20,598
01/27/16	A150082	Preaward Examination of Multiple Award Schedule Contract Extension: Modern Technology Solutions, Inc., Contract Number GS-23F-0033L		\$56,521
02/11/16	A150144	Preaward Examination of Multiple Award Schedule Contract Extension: Medical Science & Computing, LLC, Contract Number GS-35F-0373X		
02/23/16	A150104	Preaward Examination of Multiple Award Schedule Contract Extension: Kipper Tool Company, Contract Number GS-06F-0018L		\$57,177
03/02/16	A150093	Preaward Examination of Multiple Award Schedule Contract Extension: Innovative Management & Technology Approaches, Inc., Contract Number GS-35F-0096L		\$143,095
03/24/16	A150096	Preaward Examination of Multiple Award Schedule Contract Extension: McKinsey & Company, Inc. Washington D.C., Contract Number GS-10F-0118S		
03/24/16	A150103	Preaward Examination of Multiple Award Schedule Contract Extension: CliftonLarsonAllen LLP, Contract Number GS-23F-0135L		
03/31/16	A150106	Preaward Examination of Multiple Award Schedule Contract Extension: The HON Company, LLC, Contract Number GS-27F-0015S		\$23,113

DATE OF REPORT	REPORT NUMBER	TITLE	FINANCIAL RECOMMENDATIONS	
			FUNDS BE PUT TO BETTER USE	QUESTIONED (UNSUPPORTED) COSTS
<b>OTHER INTERNAL AUDITS</b>				
12/23/15	A150134	Implementation Review of Action Plan Audit of GSA's Transition from Lotus Notes to the Cloud Report Number A120131/O/F/F12004 September 28, 2012		
03/22/16	A150122	Limited Scope Audit - GSA Provided Cloud Computing Services at No Cost to a Government Agency		

## INSPECTION REPORTS

<b>OFFICE OF THE CHIEF FINANCIAL OFFICER</b>				
01/04/16	JE16-001	Status Update: GSA's Administration of the Army Childcare Subsidy Program		
<b>OFFICE OF MISSION ASSURANCE</b>				
03/30/16	JE16-002	GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Management of Contractor HSPD-12 PIV Cards		
03/30/16	JE16-003	GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Use of Facility Specific Building Badges		

# APPENDIX IV

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

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

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

DATE OF REPORT	REPORT NUMBER	TITLE
<b>CONTRACT AUDITS</b>		
08/24/10	A090140	Postaward Review of Multiple Award Schedule Contract: Systems Research and Applications Corporation, Contract Number GS-35F-0735J
05/16/11	A110063	Postaward Examination of Multiple Award Schedule Contract Number GS-35F-0554K for the Period January 1, 2008 to December 31, 2010: IntelliDyne, LLC
07/28/11	A110088	Postaward Examination of Multiple Award Schedule, Contract Number GS-07F-6028P for the Period January 1, 2009 to December 31, 2010: Global Protection USA, Inc.
08/03/11	A100119	Preaward Review of Multiple Award Schedule Contract Extension: Noble Sales Co., Inc., Contract Number GS-06F-0032K
08/15/11	A110180	Examination of Architect and Engineering Services Contract: RTKL Associates, Inc., Contract Number GS-11P-11-MK-C-0045
09/15/11	A110174	Postaward Examination of Multiple Award Schedule Contract Number GS-07F-9029D for the Period March 5, 2010 to July 31, 2011: Protective Products Enterprises
01/23/12	A110186	Preaward Examination of Multiple Award Schedule Contract Extension: BRSI, L.P., Contract Number GS-23F-0186L
03/02/12	A120021	Preaward Examination of Multiple Award Schedule Contract Extension: Presidio Networked Solutions, Inc., Contract Number GS-35F-4554G
07/17/12	A120136	Examination of a Claim: Lenex Steel Company, Subcontractor to Caddell Construction Company, Contract Number GS-05P-02-GB-C-0089
08/15/12	A110209	Preaward Audit of Multiple Award Schedule Contract Extension: Proper International Sales, Inc., Contract Number GS-07F-0228M
08/21/12	A120083	Examination of a Change Order Proposal: M.A. Mortenson Company, Contract Number GS-08P-09-JFC-0010
10/16/12	A120071	Preaward Examination of Multiple Award Schedule Contract Extension: ICF Z-Tech, Inc., Contract Number GS-35F-0102M

DATE OF REPORT	REPORT NUMBER	TITLE
12/06/12	A110147	Preaward Audit of Multiple Award Schedule Contract Extension: Xerox Corporation, Contract Number GS-25F-0062L
01/24/13	A120150	Preaward Examination of Multiple Award Schedule Contract Extension: Grant Thornton LLP, Contract Number GS-23F-8196H
01/30/13	A120165	Examination of Conversion Proposal: Skanska USA Building, Inc., Contract Number GS-04P-09-EX-C-0078
02/28/13	A120095	Preaward Examination of Multiple Award Schedule Contract Extension: Military Personnel Services Corporation, Contract Number GS-10F-0234M
03/05/13	A120178	Preaward Examination of Multiple Award Schedule Contract Extension: VT Aepeco, Inc., Contract Number GS-23F-0191N
03/21/13	A120109	Preaward Examination of Multiple Award Schedule Contract Extension: ICF Macro, Inc., Contract Number GS-23F-9777H
03/28/13	A130034	Examination of Claim: Caddell Construction Co., Inc., Contract Number GS-05P-02-GBC-0089
03/29/13	A120127	Preaward Examination of Multiple Award Schedule Contract Extension: General Dynamics Information Technology, Inc., Contract Number GS-23F-8049H
04/17/13	A120162	Preaward Examination of Multiple Award Schedule Contract Extension: Kforce Government Solutions, Inc., Contract Number GS-23F-9837H
05/13/13	A130047	Examination of a Request for Equitable Adjustment: Skanska USA Building, Inc., Contract Number GS-04P-09-EX-C-0076
05/22/13	A120175	Preaward Examination of Multiple Award Schedule Contract Extension: STG Inc., Contract Number GS-35F-4951H
06/3/13	A120113	Preaward Examination of Multiple Award Schedule Contract Extension: MSC Industrial Direct Co., Inc., Contract Number GS-06F-0010N
06/28/13	A130069	Preaward Examination of Multiple Award Schedule Contract Extension: L-3 Communications Vertex Aerospace, LLC, Contract Number GS-10F-0328N
07/11/13	A120152	Preaward Audit of Multiple Award Schedule Contract Extension: Herman Miller, Inc., Contract Number GS-28F-8049H
07/18/13	A100054	Limited Scope Review of Contractor-Disclosed Overbillings: Northrop Grumman Information Technology, Inc., Contract Number GS-35F-4506G
12/23/13	A130100	Preaward Examination of Multiple Award Schedule Contract Extension: Cellco Partnership dba Verizon Wireless, Contract Number GS-35F-0119P
01/31/14	A130071	Preaward Examination of Multiple Award Schedule Contract Extension: Industries for the Blind, Inc., Contract Number GS-02F-0208N
03/12/14	A130048	Postaward Audit of Multiple Award Schedule Contract: Intirion Corporation, Contract Number GS-21F-0091H
03/24/14	A130099	Examination of a Claim: HCBeck, Ltd., Contract Number GS-07P-09-UY-C-0007
03/31/14	A130049	Preaward Examination of Multiple Award Schedule Contract Extension: SimplexGrinnell LP, Contract Number GS-06F-00054N
04/14/14	A130136	Preaward Examination of Multiple Award Schedule Contract: Fisher Scientific Company, LLC, Solicitation Number 7FCB-C4-070066-B

DATE OF REPORT	REPORT NUMBER	TITLE
04/24/14	A110139	Postaward Examination of Multiple Award Schedule Contract: Alaska Structures, Incorporated, Contract Number GS-07F-0084K
05/08/14	A130123	Preaward Examination of Multiple Award Schedule Contract Extension: Teknion LLC, Contract Number GS-27F-0013V
06/19/14	A140057	Preaward Examination of Multiple Award Schedule Contract Extension: ATD-American Co., Contract Number GS-28F-0030P
06/26/14	A140126	Examination of a Final Settlement Proposal: Hoar-Christman, LLC, Contract Number GS-04P-09-EX-C-0077
07/16/14	A130043	Limited Scope Postaward Examination of Multiple Award Schedule Contract: ICF Z-Tech, Inc., Contract Number GS-35F-0102M
07/16/14	A130054	Preaward Audit of Multiple Award Schedule Contract Extension: PricewaterhouseCoopers, LLP, Contract Number GS-10F-0466N
07/23/14	A130106	Preaward Examination of Multiple Award Schedule Contract Extension: CSI Aviation, Inc., Contract Number GS-33F-0025V
07/29/14	A130116	Preaward Examination of Multiple Award Schedule Contract Extension: Management Concepts, Inc., Contract Number GS-02F-0010J
08/29/14	A130125	Preaward Examination of Multiple Award Schedule Contract Extension: Sigmatech, Incorporated, Contract Number GS-23F-0090P
09/05/14	A140130	Preaward Examination of Multiple Award Schedule Contract Extension: Atlantic Diving Supply, Inc., Contract Number GS-07F-6072P
09/09/14	A140111	Examination of a Claim: Sigma Construction, Inc., Contract Number GS-09P-08-NP-C-0005
09/16/14	A140132	Preaward Examination of Multiple Award Schedule Contract Extension: A-T Solutions, Inc., Contract Number GS-02F-0193P
09/23/14	A140125	Examination of a Final Settlement Proposal: Consigli Construction Co., Inc., Contract Number GS-01P-09-BZ-C-0028
09/25/14	A140044	Preaward Examination of Multiple Award Contract Extension: American Institutes for Research in the Behavioral Sciences, Contract Number GS-10F-0112J
09/29/14	A140122	Examination of Administrative Labor Rates, Employee Qualifications, and Change Order Markups: Swinerton Builders, Contract Number GS-09P-09-KTC-0103
11/10/14	A140110	Examination of Claims: Suffolk Construction Company, Inc., Contract Number GS-01P-05-BZ-C-3010
11/14/14	A140123	Preaward Examination of Multiple Award Schedule Contract Extension: The Columbia Group, Inc., Contract Number GS-23F-0114J
12/03/14	A110194	Limited Scope Postaward Examination: Global Mail, Incorporated, Contract Number GS-10F-0208L
12/04/14	A140049	Preaward Examination of Multiple Award Schedule Contract Extension: McKing Consulting Corporation, Contract Number GS-00F-0042P
12/23/14	A140040	Preaward Examination of Multiple Award Schedule Contract Extension: Harris Corporation, Contract Number GS-35F-0283J
12/24/14	A140124	Examination of a Credit Change Order Proposal: Tocci/Driscoll, A Joint Venture, Contract Number GS-02P-09-DTC-0018



DATE OF REPORT	REPORT NUMBER	TITLE
01/20/15	A140136	Preaward Examination of Multiple Award Schedule Contract Extension: Kearney and Company P.C., 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
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
02/19/15	A140081	Preaward Examination of Multiple Award Schedule Contract Extension: Arrow Enterprise Computing Solutions, Inc., Contract Number GS-35F-0296R
03/05/15	A110188	Preaward Examination of Multiple Award Schedule Contract Extension: Mythics, Inc., Contract Number GS-35F-0153M
03/05/15	A140082	Preaward Examination of Multiple Award Schedule Contract Extension: Boeing Service Company, Contract Number GS-23F-0183K
03/20/15	A140127	Preaward Examination of Multiple Award Schedule Contract Extension: Booz Allen Hamilton Inc., Contract Number GS-23F-0025K
03/26/15	A140102	Preaward Examination of Multiple Award Schedule Contract: Spacesaver Storage Systems, Inc., Contract Number GS-28F-006BA
03/27/15	A140149	Examination of a Request for Equitable Adjustment: Donaldson Interiors, Inc., Subcontractor to Cauldwell Wingate Company, LLC, Contract Number GS-02P-05-DTC-0021
03/31/15	A140039	Preaward Examination of Multiple Award Schedule Contract Extension: High Performance Technologies Innovations, LLC, Contract Number GS-35F-0333P

DATE OF REPORT	REPORT NUMBER	TITLE	PROJECTED FINAL ACTION DATE
<b>INTERNAL AUDITS</b>			
05/30/12	A110100	Audit of Management Controls Within the Network Services Division Pacific Rim Region, Federal Acquisition Service	04/29/16
12/19/13	A130013	Audit of the General Services Administration's Fiscal Year 2013 Financial Statements	04/30/16
06/17/14	A110217	Procurement Errors, Financial Losses, and Deficient Contract Administration Demonstrate Ineffective Management of the Ronald Reagan Building and International Trade Center	06/17/16
09/29/14	A120164	Improving the Telecommunications Order and Invoice Processing Could Benefit Customers of the Federal Acquisition Service's Network Services Division, Pacific Rim Region	03/31/18
02/27/15	A130011	Great Lakes Region Network Services Division Invoicing Process Lacks Transparency	07/29/16
03/19/15	A130121	Existing Practices Hinder PBS's Management of Transition Assets	04/29/16
03/20/15	A130131	PBS's Identification and Management of Environmental Risks Need Improvement	06/17/16
03/27/15	A130112	PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts	06/17/16

# APPENDIX V

## OIG REPORTS WITHOUT MANAGEMENT DECISION

Section 5(a)(10) of the Inspector General Act of 1978, as amended, requires a summary of each report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period. GSA has a system in place to track reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by the OIG and agreed to by management are addressed as efficiently and expeditiously as possible. There is one OIG report that meets this requirement this reporting period.

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

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

We are working with Agency officials to resolve these issues.

# APPENDIX VI

## PEER REVIEW RESULTS

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

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

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

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

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

# APPENDIX VII

## GOVERNMENT CONTRACTOR SIGNIFICANT REPORT FINDINGS

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

# APPENDIX VIII

## REPORTING REQUIREMENTS

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

REQUIREMENT	PAGE
<b>INSPECTOR GENERAL ACT OF 1978, AS AMENDED</b>	
Section 4(a)(2) – Review of Legislation and Regulations	44
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies	6-15
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	6-15
Section 5(a)(3) – Prior Recommendations Not Yet Implemented	51
Section 5(a)(4) – Matters Referred to Prosecutive Authorities	40
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused	none
Section 5(a)(6) – List of OIG Reports	56
Section 5(a)(7) – Summary of Each Particularly Significant Report	6-15
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs	20
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use	19
Section 5(a)(10) – Summary of OIG Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made	64
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	17
<b>NATIONAL DEFENSE AUTHORIZATION ACTS</b>	
Public Law 104-106, 5 U.S.C. app. 3, § 5 note	59
Public Law 110-181	66
<b>DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT</b>	
Peer Review Results	65







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