



Office of Audits  
Office of Inspector General  
U.S. General Services Administration

Audit of the Prepayment Audit Process  
Transportation Audits Division  
Federal Acquisition Service

*Report Number A120060/Q/9/P13001*  
*March 14, 2013*



Office of Audits  
Office of Inspector General  
U.S. General Services Administration

## REPORT ABSTRACT

### OBJECTIVE

The objective of this audit was to determine whether the Audit Policy and Review Branch of the Federal Acquisition Service's Transportation Audits Division ensures federal agencies audit all transportation bills prior to payment, as required by Public Law 105-264. If not, determine the reasons for, and the impact of, the Audit Policy and Review Branch's lack of oversight.

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### Audit of the Prepayment Audit Process Transportation Audits Division Federal Acquisition Service

Report Number A120060/Q/9/P13001  
March 14, 2013

### WHAT WE FOUND

We identified the following during our audit:

Finding 1 – The Review Branch cannot determine which agencies to monitor because it has not identified the universe of federal agencies subject to Public Law 105-264.

Finding 2 – The Review Branch uses a flawed methodology to measure compliance with Public Law 105-264 and does not follow-up with non-compliant agencies.

Finding 3 – The Review Branch is not analyzing readily available transportation data to adequately monitor compliance with Public Law 105-264.

Finding 4 – The Review Branch is not complying with federal regulations that require evaluation and approval of federal agencies' prepayment audit programs.

### WHAT WE RECOMMEND

Based on our audit findings, we recommend the Commissioner of the Federal Acquisition Service (FAS):

1. Direct the Review Branch to continue its efforts to identify the best method(s) to determine the universe of federal agencies required to comply with Public Law 105-264. As part of this process, the Review Branch should access the Chief Financial Officers Council website and use it as a resource for obtaining agency contact information.
2. Improve compliance measurement by ensuring that complete and comparable data are used to assess agency compliance with Public Law 105-264.
3. Contact agencies with low compliance rates to identify and address the reasons for lack of compliance.
4. Improve monitoring of agency compliance with Public Law 105-264 by using and analyzing transportation data more thoroughly.
5. Obtain, review, and approve all prepayment audit programs, as required by CFR 102-118.325 and CFR 102-118.330.

### MANAGEMENT COMMENTS

While the Acting Commissioner agreed with the audit report's findings and recommendations, FAS is seeking an exit strategy to transfer the duties and responsibilities of overseeing Public Law 105-264 to the Office of Government-wide Policy. Management's written comments to the draft report are included in their entirety as **Appendix C**.



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**Office of Audits  
Office of Inspector General  
U.S. General Services Administration**

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DATE: March 14, 2013

TO: Thomas Sharpe  
Commissioner  
Federal Acquisition Service (Q)

FROM: Perla Corpus  
Audit Manager  
Pacific Rim Field Audit Office (JA-9)

A handwritten signature in blue ink that reads "Perla Corpus".

SUBJECT: Audit of the Prepayment Audit Process  
Transportation Audits Division  
Federal Acquisition Service  
A120060/Q/9/P13001

This report presents the results of our audit of the Federal Acquisition Service's prepayment audit process. Our findings and recommendations are summarized in the Report Abstract. Instructions regarding the audit resolution process can be found in the email that transmitted this report.

Your written comments to the draft report are included in **Appendix C** of this report.

If you have any questions regarding this report, please contact Eric Madariaga, Auditor-in-Charge, at (415) 522-2730/[eric.madariaga@gsaig.gov](mailto:eric.madariaga@gsaig.gov) or me at (415) 522-2733/[perla.corpus@gsaig.gov](mailto:perla.corpus@gsaig.gov).

On behalf of the audit team, I would like to thank you and your staff for your assistance during this audit.

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## **Introduction**

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The Federal Acquisition Service's (FAS) Transportation Audits Division has overall responsibility for identifying and recovering transportation service provider (TSP) overcharges and other debts related to transportation bills paid by federal agencies. TSP services include shipping goods (household and commodities) and transporting individuals (via airlines, trains, and ships). In fiscal year 2011, the Office of Management and Budget (OMB) reported nearly \$17 billion in government-wide transportation expenses.

The key functions of the Transportation Audits Division are to:

- Oversee the performance of prepayment audits for transportation services procured worldwide;
- Conduct postpayment audits of transportation bills;
- Collect overcharges; and
- Adjudicate TSP claims.

The Transportation Audits Division is part of FAS's Travel, Motor Vehicle, and Card Services portfolio and is comprised of three branches: Audit Policy and Review, Accounts and Collections, and Disputes Resolution. This audit focused on the Audit Policy and Review Branch (Review Branch).

Public Law 105-264 (passed on October 19, 1998) requires that federal agencies conduct prepayment audits of all transportation billings. In addition, the law grants authority to the General Services Administration (GSA) for oversight of agencies' prepayment audits. This responsibility is tasked to the Review Branch.

To assist federal agencies in complying with the law, GSA provides detailed rules and regulations that are incorporated into the Code of Federal Regulations (CFR). Title 41, CFR 102-118 addresses agency requirements for prepayment audits (see **Appendix B** for a list of the applicable CFR clauses).

The Review Branch oversees compliance with the Public Law and the CFR by:

- Identifying the universe of agencies subject to Public Law 105-264;
- Collecting and analyzing agencies' prepayment audit reports to determine compliance rates;<sup>1</sup> and
- Obtaining, reviewing, and approving agencies' prepayment audit programs.<sup>2</sup>

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<sup>1</sup>The Branch calculated an agency's compliance rate by comparing total transportation costs audited prior to payment to the total budgeted transportation costs as reported by the OMB (Object Class 22).

<sup>2</sup>A prepayment audit program describes an agency's method for performing audits of transportation invoices prior to payment. See **Appendix B** for the detailed requirements of an acceptable prepayment audit program.

The objective of this audit was to determine whether the Audit Policy and Review Branch of the FAS Transportation Audits Division ensures that federal agencies audit all transportation bills prior to payment, as required by Public Law 105-264. If not, determine the reasons for, and the impact of, the Audit Policy and Review Branch's lack of oversight.

See **Appendix A** – Purpose, Scope, and Methodology for additional details.

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## Results

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The Review Branch is not performing effective oversight of Public Law 105-264. As a result, federal agencies, bureaus, or offices (federal agencies) could pay excess charges to transportation service providers.

**Finding 1 – The Review Branch cannot determine which agencies to monitor because it has not identified the universe of federal agencies subject to Public Law 105-264.**

The Review Branch cannot determine which agencies are not complying with Public Law 105-264 because it does not maintain an inventory of the federal agencies subject to the law. The primary reason for this is that the Review Branch lacks agency contact information. The Chief of the Review Branch indicated that no information exists on the names and addresses of agency personnel responsible for overseeing the requirements of prepayment audits.

The Review Branch has taken steps, such as contacting the Treasury Department and accessing OMB's website, to address this problem but to date it has not been successful. In its first effort, the Review Branch obtained a list of 1,251 federal agency payment offices from the Treasury Department and conducted a mass mailing in September 2011 requesting transportation-related information, including data about their prepayment audit programs. The response rate was a mere 6 percent and only 13 prepayment audit programs were submitted. Because the mass mailing did not achieve its desired results, the Review Branch went to OMB's website to identify departments and agencies with reported transportation costs. As a starting point, it focused on the 25 largest departments and independent agencies. However, the OMB website lacked the agency contact information necessary for the Review Branch to determine the universe. As of June 30, 2012, the Review Branch had not received any additional prepayment audit program contacts.

During this audit, we noted that the Chief Financial Officers Council maintains a website that provides a member list of Chief Financial Officers (CFO) for 28 departments/independent agencies of the Federal Government.<sup>3</sup> The council consists of the CFOs and Deputy CFOs of the largest federal agencies, as well as senior officials from OMB and the Department of the Treasury. It is responsible for monitoring and improving financial management within the U.S. Government. This website could prove to be a valuable first step in developing the contact information the Review Branch needs.

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<sup>3</sup><http://cfoc.gov>

## Recommendation 1

We recommend the Commissioner of the Federal Acquisition Service:

1. Direct the Review Branch to continue its efforts to identify the best method(s) to determine the universe of federal agencies required to comply with Public Law 105-264. As part of this process, the Review Branch should access the Chief Financial Officers Council website and use it as a resource for obtaining agency contact information.

## **Finding 2 – The Review Branch uses a flawed methodology to measure compliance with Public Law 105-264 and does not follow-up with non-compliant agencies.**

The Review Branch cannot accurately measure compliance with Public Law 105-264 because the data it uses to compute a compliance rate is neither complete nor comparable. In addition, the Review Branch did not obtain explanations from agencies with low compliance rates.

A federal agency's compliance rate (see *Table 1* on the following page) should represent the percentage of total transportation expenditures audited prior to payment to total actual transportation expenditures for that agency. However, the Review Branch does not include all agencies within a department by limiting its analysis to only those agencies that have submitted transportation data. To provide a valid conclusion regarding compliance, the Review Branch should evaluate total transportation costs audited prior to payment to total transportation costs incurred at an agency, bureau, or office level.

In addition, the Review Branch compares an agency's total transportation costs audited prior to payment to the department's total budgeted transportation costs reported by OMB (Object Class 22).<sup>4</sup> A study concluded that OMB significantly underreported agency transportation budgets.<sup>5</sup> The study found that transportation costs incurred in fiscal year 2008 totaled between \$40 billion and \$50 billion, compared to the \$25 billion reported by OMB.

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<sup>4</sup>Prepayment contractor auditors were the source of this information.

<sup>5</sup>PRTM Management Consultants, LLC, a subsidiary of PricewaterhouseCoopers, issued the study in February 2008 titled, *Governmentwide Transportation Management Study*.



**Table I – Summary of Total Transportation Costs Audited to Total Budgeted Fiscal Year 2011**

No.	Department <sup>6</sup>	CR* (%)	No.	Department	CR* (%)
1	Homeland Security	7	14	Housing & Urban Development	0
2	Commerce	22	15	National Archives & Records Admin.	0
3	Defense	20	16	National Aeronautics & Space Admin.	0
4	Energy	62	17	Nuclear Regulatory Commission	0
5	Education	0	18	National Science Foundation	0
6	Interior	16	19	Office of Personnel Management	0
7	Justice	55	20	Small Business Administration	0
8	Labor	0	21	Social Security Administration	41
9	State	0	22	Treasury	2
10	Transportation	0	23	U.S. Aid for International Development	0
11	Environmental Protection Agency	77	24	Agriculture	1
12	General Services Administration	28	25	Veteran Affairs	11
13	Health & Human Services	27	LEFT BLANK		

0 - Data Not Available

\* CR-Compliance Rate is calculated using the following formula:

Total Transportation Costs Audited Prior to Payment / Total OMB Budgeted Amount x 100

The Review Branch has not followed up with the agencies listed in *Table I* to obtain explanations or track the reasons for low compliance rates. In addition, we noted no follow-up was performed for departments with a zero compliance rate due to unavailable data. Furthermore, the Review Branch has not tried to determine why some agencies within a given department have not reported their transportation data. For example, only four of the nine bureaus of the Department of Interior submitted prepayment audit data through their audit contractors. We could not find evidence that the Review Branch attempted to follow up and obtain the data. The Review Branch was unable to provide an explanation for the lack of agency follow-up.

### Recommendations 2 and 3

We recommend the Commissioner of the Federal Acquisition Service:

2. Improve compliance measurement by ensuring that complete and comparable data are used to assess agency compliance with Public Law 105-264.
3. Contact agencies with low compliance rates to identify and address the reasons for lack of compliance.

<sup>6</sup>All listed items are Departments of the U.S. Government with the exception of 11, 12, 15-21, and 23, which are independent agencies.

**Finding 3 – The Review Branch is not analyzing readily available transportation data to adequately monitor compliance with Public Law 105-264.**

The Review Branch is not taking advantage of all available transportation data in monitoring agency compliance with Public Law 105-264. The Review Branch can glean insight regarding an agency’s transportation costs by making more effective use of prepayment auditor reports and FAS’s Transportation Management Services Solution (TMSS) system.<sup>7</sup> CFR 102-118.335 requires the Review Branch to verify agency prepayment programs through data analysis (such as assessing cost savings or other improvements).

**Prepayment Auditors’ Transportation Reports.** Reports issued by prepayment auditors contain useful information about the amount of overcharges and the cost benefit of conducting a prepayment audit.

As shown in *Table II*, in fiscal year 2011, five prepayment auditors identified nearly \$4 million in transportation overcharges out of \$114 million in total initial billings reviewed. The weighted average return on investment resulting from using these contractors was 23 dollars (*i.e.*, 1 dollar of audit costs resulted in 23 dollars in cost avoidance).<sup>8</sup>

**Table II – Summary of Prepayment Audits for 5 Contract Auditors  
Fiscal Year 2011**

Prepayment Audit Contractor	Number of Federal Agencies	Total Billed Initially	Total Savings*	Total Audit Cost	Return on Investment
National Traffic Service	16	\$64,919,906	\$3,029,262	\$91,024	32
Commercial Traffic	11	5,499,514	195,756	8,120	23
USTC Live Logistics	9	34,114,135	478,048	40,875	11
Lexicon Relocation	1	7,288,059	48,174	45,594	0
Parsifal	1	2,395,377	95,530	16,890	5
<b>Total</b>	<b>38</b>	<b>\$114,216,991</b>	<b>\$3,846,770</b>	<b>\$202,503</b>	<b>23**</b>

\*Total Savings are the amounts saved due to identified overcharges.

\*\*Weighted Average

For the 10 agencies with the highest transportation expenditures, prepayment contract auditors identified nearly \$41 million in overcharges during the 6-year period ended fiscal year 2011 (*Table III*). These audit costs totaled \$733,908; therefore, the weighted average return on investment was \$129.<sup>9</sup> This type of data allows the Review Branch to measure the cost effectiveness and benefits of the agencies’ prepayment audits.

<sup>7</sup>By inputting data, federal agencies can manage and report their transportation expenditures using this database system via a GSA website (<http://www.gsa.gov/portal/content/100737>).

<sup>8</sup>The return on investment is a performance measure used to evaluate the efficiency of an investment, which in this case is the outlay on audit costs. It is calculated as (Savings less Audit Costs) / Audit Costs.

<sup>9</sup>We also analyzed all 37 agencies and noted total savings of \$51 million and audit costs of \$1.2 million with a weighted average return on investment of \$124.

**Table III – Summary of Agencies Complying with Prepayment Audits  
Fiscal Years 2006-2011**

<b>Agency</b>	<b>Total Amount Billed</b>	<b>Total Savings*</b>	<b>Total Audit Cost</b>	<b>Return on Investment</b>
Navy	\$401,133,567	\$24,076,947	\$208,132	\$115
Coast Guard	84,316,819	5,831,177	26,800	217
Marines	55,155,710	2,525,226	25,569	98
Drug Enforcement Agency	52,202,424	1,102,619	11,111	98
Secret Service	52,089,974	431,866	3,468	124
Bureau of Prisons	51,947,641	2,359,704	8,497	277
National Cemetery Administration	33,759,049	736,030	413,853	1
Federal Bureau of Investigation	32,370,428	395,916	10,935	35
Center for Disease Control	30,121,711	1,080,808	5,890	182
Census Bureau	22,091,682	2,075,075	19,653	105
<b>TOTAL</b>	<b>\$815,189,005</b>	<b>\$40,615,368</b>	<b>\$733,908</b>	<b>\$129**</b>

\*Total Savings are the amounts saved due to identifying overcharges.

\*\*Weighted Average

Move managers can also provide useful information regarding transportation overcharges.<sup>10</sup> During the 6-year period ended fiscal year 2011, one move manager identified \$785,000 in transportation overcharges for 12 agencies with billings totaling \$41 million.

In addition, the Review Branch does not thoroughly analyze internal GSA transportation data. Based on Finance Center and prepayment contract auditor data, we determined that only 54 percent of GSA's transportation expenses were subjected to prepayment audits (\$15,564,823 of \$28,966,063). The Review Branch was unable to explain why the remaining 46 percent (\$13,401,240) was unaudited.

**Transportation Management Services Solution system.** GSA's TMSS system, maintained by the Center for Transportation Management,<sup>11</sup> is another useful source of transportation data available to the Review Branch. Currently, 21 federal agencies are managing and reporting their transportation expenditures in TMSS. In fiscal year 2011, 10 of these agencies reported more transportation expenditures in the TMSS than the amount audited by their prepayment contractors, indicating that these agencies were not in full compliance with Public Law 105-264.

<sup>10</sup>Move managers are GSA schedule contractors that manage transportation-related services for federal customers. These services include pre-move counseling, TSP selection, preparation of bills of lading, and prepayment audits.

<sup>11</sup>As part of FAS's Office of Travel and Transportation, the Center for Transportation Management provides federal customers with competitive rates, industry expertise, and proper management and control of transportation services.

#### Recommendation 4

We recommend the Commissioner of the Federal Acquisition Service:

4. Improve monitoring of agency compliance with Public Law 105-264 by using and analyzing transportation data more thoroughly.

#### **Finding 4 – The Review Branch is not complying with federal regulations that require evaluation and approval of federal agencies’ prepayment audit programs.**

The Review Branch is not complying with CFR 102-118.325. First, the Review Branch is not using available information from prepayment contract auditors to obtain agencies’ prepayment audit programs. For example, three agencies of the Department of Homeland Security (United States Coast Guard, Secret Service, and United States Immigration and Customs Enforcement) provided transportation data. However, these agencies did not submit their prepayment audit programs to the Review Branch for final approval, as required in CFR 102-118.325. The Review Branch did not provide an explanation as to why it did not obtain their prepayment audit programs.

Second, there were no prepayment audit programs for nine agencies and departments,<sup>12</sup> including the three largest: the United States Navy, the General Services Administration, and the United States Coast Guard. The Chief of the Review Branch indicated that the Navy and Coast Guard were exempt, but was unable to provide documentation to support these exemptions. CFR 102-118.325 requires all federal agencies to submit prepayment audit programs to GSA for approval by the Transportation Audits Division.

The Review Branch approved eight prepayment audit programs without determining compliance with CFR 102-118.330. The Review Branch automatically approved these programs without evaluation because the individual agencies used a GSA schedule prepayment contract auditor. The Chief of the Review Branch noted that prepayment contract auditors on schedule are aware of the requirements of the CFR and, therefore, a review of the prepayment audit program elements is unnecessary. Furthermore, she stated that the review of prepayment audit programs would be time consuming due to redundant information.

We evaluated 13 submitted prepayment audit programs and determined that they generally did not comply with CFR 102-118.330 (see *Table IV*).

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<sup>12</sup>Besides departments of the Federal Government, independent agencies are also included.

**Table IV – Summary of Prepayment Audit Program Deficiencies**

<b>Department</b>	<b>Agency/Bureau/Office</b>	<b>Missing Criteria</b> <sup>13</sup>
Agriculture	Risk Management	(b) through (j)
Federal Housing Finance Agency	Office of the Inspector General	All except (e) and (h)
Health & Human Services	Indian Health Services (Arizona)	All except (e) and (h)
Health & Human Services	Indian Health Services (Maryland)	All except (a), (e) and (h)
Housing & Urban Development	Accounting Center	All except (a), (e) and (h)
Interior	National Business Center	All except (a), (e) and (h)
Justice	Bureau of Prisons	(a) through (j)
Justice	Marshals Service	(a) through (j)
National Aeronautics & Space Admin.	Shared Services Center	All except (a), (e) and (h)
Commerce	National Institute of Standards & Technology	(a) through (j)
Social Security Administration	Acquisition and Grants	(b) through (e), (i), and (j)
Treasury	Administrative Resource Center	(d), (e), (i), and (j)
Treasury	Internal Revenue Service	All except (a) and (f)

Accordingly, the Review Branch should review the prepayment audit programs of all agencies that have submitted transportation data. In addition, the Review Branch should notify agencies to make necessary changes to ensure that programs meet the requirements of CFR 102-118.330.

#### Recommendation 5

We recommend the Commissioner of the Federal Acquisition Service:

5. Obtain, review, and approve all prepayment audit programs, as required by CFR 102-118.325 and CFR 102-118.330.

#### **Management Comments**

While the Acting Commissioner agreed with the audit report’s findings and recommendations, FAS is seeking an exit strategy to transfer the duties and responsibilities of overseeing Public Law 105-264 to the Office of Government-wide Policy (OGP). FAS will submit an action plan to address how GSA will exit from the prepayment audit process completely or how FAS will transfer the responsibilities to OGP. Management’s comments are included in their entirety as **Appendix C**.

#### **Office of Inspector General Comments**

We look forward to FAS’s corrective action plan on its exit strategy and transition of responsibilities to OGP concerning Public Law 105-264. However, until official notice has been provided by the GSA Administrator regarding the transfer of prepayment audit oversight, FAS’s Transportation Audits Division must continue monitoring efforts to ensure that federal agencies audit transportation bills prior to payment. Therefore, FAS must provide a corrective action plan to address each of the report’s five recommendations.

<sup>13</sup>See **Appendix B** for criteria.

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## ***Conclusion***

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FAS is not adequately ensuring that federal agencies audit all transportation bills prior to payment, as required by Public Law 105-264. The Transportation Audits Division could assist federal agencies to minimize transportation overcharges through effective monitoring methods. Obtaining a complete universe, analyzing available transportation data, and evaluating a federal agency prepayment audit program are methods that could be used to improve oversight of the prepayment audit process. Although FAS is planning to transfer the prepayment audit oversight role to the Office of Government-wide Policy, the Transportation Audits Division must continue to ensure federal agency compliance with the Public Law until the GSA Administrator provides official notice on the transfer of prepayment audit oversight. Given the nearly \$17 billion spent in government-wide transportation expenses in fiscal year 2011, the likelihood of federal agencies paying for transportation overcharges increases without effective oversight by the Transportation Audits Division.

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## ***Appendix A – Purpose, Scope, and Methodology***

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### **Purpose**

The audit of the Transportation Audits Division, Audit Policy and Review Branch was included in the Office of Inspector General's Fiscal Year 2012 Audit Plan at the request of FAS Office of Travel, Motor Vehicle, and Card Services.

### **Scope**

Our audit generally focused on prepayment audit transactions that occurred during fiscal year 2011.

### **Methodology**

To accomplish our objectives, we:

- Interviewed Audit Policy and Review Branch personnel, including the Branch Chief;
- Interviewed FAS management officials involved in program operations, including the Director of Travel Transportation Services, the Director and Deputy Director of the Transportation Audits Division, Branch Chiefs for Accounts and Collections and Disputes Resolution;
- Obtained summary listing of OMB budgets and compliance rates of the top 25 departments and independent agencies with reported transportation expenses;
- Evaluated alternative methods for calculating federal department compliance rates;
- Requested documentation from the Review Branch for any follow-up with departments with low compliance rates;
- Obtained relevant transportation data from five prepayment contract auditors to determine the amount of transportation overcharges and the cost-benefit of conducting prepayment audits for fiscal year 2011;
- Identified transportation overcharges and audit costs for ten agencies with the highest transportation expenditures during a 6-year period ended fiscal year 2011 to determine the weighted average return on investment;
- Obtained relevant transportation data from one move manager and determined transportation overcharges for 12 agencies during a 6-year period ended fiscal year 2011;
- Requested an explanation on why 46 percent of GSA's total transportation expenses (\$13 million) were not subjected to a prepayment audit;
- Reviewed GSA's Transportation Management Services Solution to assess whether 21 federal agencies are complying with Public Law 105-264; and
- Reviewed 13 submitted prepayment audit programs for compliance with the requirements of CFR 102-118.325.

We conducted the audit between November 2011 and May 2012 in accordance with generally accepted government auditing standards. Those standards require that we

plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Internal Controls**

The scope of our work was limited to answering the objective of this audit. Thus, our assessment and evaluation of internal controls was restricted to those issues identified in the Results section of this report.



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## **Appendix B – Prepayment Audits Criteria**

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As noted previously, the CFR provides guidance to federal agencies in complying with Public Law 105-264. Title 41, CFR 102-118 addresses requirements for prepayment audits. The table below specifies the clauses addressed in this report.

<b>Clause</b>	<b>Description of Requirement</b>
102-118.270	Agency requirement to establish a prepayment audit program
102-118.320	Agency requirement to submit transportation costs to the Review Branch
102-118.325	Agency requirement to obtain final approval from the Review Branch for its prepayment audit program
102-118.330	Elements of an acceptable prepayment audit program
102-118.335	Review Branch requirement to verify agencies' prepayment programs through data analysis

For CFR 102-118.330, the elements of an acceptable prepayment audit program must provide for the following:

- (a). Verify all transportation bills against filed rates and charges before payment;
- (b). Comply with the Prompt Payment Act;
- (c). Allow for your agency to establish minimum dollar thresholds for transportation bills subject to audit;
- (d). Require your agency's paying office to offset, if directed by GSA's Audit Division, debts from amounts owed to the TSP within the 3 years;
- (e). Be approved by the GSA Audit Division. After the initial approval, the agency may be subject to periodic program review and re-approval;
- (f). Complete accurate audits of transportation bills and notify the TSP of any adjustment within 7 calendar days of receipt;
- (g). Create accurate notices to the TSPs that describe in detail the reasons for any full or partial rejection of the stated charges on the invoice;
- (h). Forward documentation monthly to the GSA Audit Division;
- (i). Establish procedures in which transportation bills not subject to prepayment audit (*i.e.*, bills for unused tickets and charge card billings) are handled separately and forwarded to the GSA Audit Division; and
- (j). Implement a unique agency numbering system to handle commercial paper and practices.

## Appendix C – Management Comments



GSA Federal Acquisition Service

FEB 08 2013

MEMORANDUM FOR JAMES HAYES  
DEPUTY ASSISTANT INSPECTOR GENERAL FOR ACQUISITION  
AUDITS (JA-A)

FROM: MARY A. DAVIE *Mary A. Davie*  
ACTING COMMISSIONER  
FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: Draft Audit Report - Audit of the Prepayment Audit Process,  
Transportation Audits Division, Federal Acquisition Service (FAS),  
Report Number A120060

Thank you for the opportunity to provide comments to the above report. FAS management has reviewed the GSA Inspector General's (IG) review of the Prepayment Audit Process and appreciates the work done in identifying gaps that exist in ensuring effective prepayment audit oversight. Although FAS management concurs with all five recommendations, from a strategic perspective we do not believe the FAS Transportation Audits Division (FAS Audits) should perform the prepayment audits oversight function and would like to revisit the most efficient way to optimize the legal interpretation of Public Law 105-264 and the right policy alignment.

It is clear to FAS Audits the intent of Public Law 105-264 was for agencies to be responsible for conducting prepayment audits with oversight by the Administrator of GSA. The GSA Administrator delegated this oversight responsibility to FAS Audits because in 2000 it was practical to use the 'then' expertise of FAS Audits. Since the requirements have been in place for more than 10 years, agencies have had time to become knowledgeable and proficient in complying with the law and there has been a market shift where today existing technology can replace less efficient manual processes and procedures.

This apparent contradiction in concurring with the IG recommendations while strategically seeking to eliminate this function from FAS will be resolved in the formal action plan which will be submitted post the final IG report. Based on GSA general counsel findings on GSA's and FAS' role regarding statutory language in Public Law 105-264 the action plan will address parallel activities 1) how GSA will exit from prepayment audit oversight completely or 2) how FAS will transfer the responsibility to OGP.

### Detailed FAS Comments

**Recommendation 1-** *Direct the Review Branch to continue its efforts to identify the best method(s) to determine the universe of federal agencies required to comply with Public Law 105-264. As part of this process, the Review Branch should access the Chief Financial Officers Council website and use it as a resource for obtaining agency contact information.*

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## **Appendix C – Management Comments (cont.)**

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We concur with Recommendation 1 and have reviewed the Chief Financial Officers Council website and agree that it provides useful agency contact information and will use it for future communications.

**Recommendation 2** - *Improve compliance measurement by ensuring that complete and comparable data are used to assess agency compliance with Public Law 105-264.*

**Recommendation 3** - *Contact agencies with low compliance rates to identify and address the reasons for lack of compliance.*

**Recommendation 4** - *Improve monitoring of agency compliance to Public Law 105-264 by using and analyzing transportation data more thoroughly.*

We concur with recommendations 2, 3 and 4 that using the Office of Management and Budget (OMB) Object Class 22 data is not a good comparison to determine agency compliance. At the time the IG conducted their review, FAS Audits was not able to compare prepayment audit data to post payment audit data. Today, instead of comparing prepayment audit data to the OMB number, we are comparing what is audited in prepayment to what is identified in post payment.

FAS Audits collects prepayment audit data provided monthly from audit contractors, agencies, and move managers and FAS can generate prepayment audit reports from US Banks Syncada (Department of Defense) and Citi Bank's PayPort Express (Civilian Agencies).

In addition, FAS Audits is now capturing post payment data collected by mode, volume and cost from hard copy documents provided by agencies, data from the Transportation Management Services Solution, US Banks Syncada (Department of Defense) and Citi Bank's PayPort Express (Civilian Agencies). The post payment data is entered into the FAS Accounts Receivable Tracking System (ARTS) and reports can be generated to identify post payment audit activity.

Now that we are collecting more precise data our analysis has led us to restructuring the way we evaluate pre and post payment audits. Instead of comparing prepayment to the OMB number, we are comparing what is audited in prepayment to what is identified in post payment.

It should be noted, that until a large number of civilian agencies are using PayPort express, our civilian data will be limited.

**Recommendation 5** - *Obtain, review, and approve all prepayment audit programs as required by CFR §102-118.325 and CFR §102-118.330.*

We concur with this recommendation and have noted above that FAS Audits will develop a formal action plan to revisit the most efficient way to optimize the legal interpretation of Public Law 105-264 and the right policy alignment upon receipt of the final IG report.

Please call me at (703) 605-5400 if you have any questions. Your staff may contact Mr. Wayne Williams at (703) 605-2177 or [Wayne.williams@gsa.gov](mailto:Wayne.williams@gsa.gov) for additional information.

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## ***Appendix D – Report Distribution***

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Commissioner (Q)

Acting Deputy Commissioner (Q1)

FAS Chief of Staff (Q0A)

FAS Controller (QB)

Director, Office of Travel and Transportation Services (QMC)

Division Director, GAO/IG Audit Response Division (H1C)

Audit Liaison (QB0A)

Audit Liaison (QB0AB)

Assistant IG for Auditing (JA)

Deputy Assistant IG for Investigations (JID)

Director, Audit Planning, Policy, and Operations Staff (JAO)