



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

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

Report Number A120169/Q/9/P14002
March 31, 2014



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

REPORT ABSTRACT

OBJECTIVE

To determine whether the Transportation Audits Division's postpayment audit process effectively ensures the maximum recovery of transportation overpayments within the 3-year timeframe established under 31 United States Code Section 3726.

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Audit of the Postpayment Audit Process, Transportation Audits Division, Federal Acquisition Service

Report Number A120169/Q/9/P14002
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WHAT WE FOUND

We identified the following during our audit:

- Finding 1 – The Transportation Audits Division needs to analyze existing performance data and assess its staffing levels to ensure maximum recovery of overcharges.
- Finding 2 – The Contracting Officer's Technical Representative's lack of enforcement of the terms and conditions in the postpayment contract's Statement of Work exposes the Government's interests to non-compliance.
- Finding 3 – The Transportation Audits Division's exclusion of a required security provision in its Statement of Work and non-compliance with GSA's Information Technology Security Policy subjects government data to risk.
- Finding 4 – The Transportation Audits Division is not updating its internal audit tracking system to ensure that agencies comply with 41 CFR 102-18.425.

WHAT WE RECOMMEND

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

1. Strengthen the Transportation Audits Division's postpayment audit process to maximize collections by:
 - a. Performing in-depth analysis of available transportation data;
 - b. Maximizing the use of tolling agreements;
 - c. Conducting a study that addresses the staffing requirements needed to meet its future workload; and
 - d. Developing procedures within the Office of Travel and Transportation under FAS's Travel, Motor Vehicle, and Card Service portfolio to minimize any perceived conflict of interest.
2. Provide proper guidance and supervision to ensure that the Contracting Officer's Technical Representative enforces the terms and conditions outlined in the Statement of Work.
3. Immediately modify the current Statement of Work to include the required security provisions and ensure that those provisions are notated in any future solicitation and/or Statement of Work for postpayment audits.
4. Ensure the required security clearances for their postpayment auditors complies with GSA Order CIO P 2100.1D.
5. Ensure that the Accounts Receivable Tracking System is current by updating the number of invoices received for postpayment audit.

MANAGEMENT COMMENTS


The Commissioner of the Federal Acquisition Service concurred with our recommendations. Management's comments can be found in their entirety in **Appendix B**.



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

DATE: March 31, 2014

TO: Thomas A. Sharpe, Jr.
Commissioner, Federal Acquisition Service (Q)



FROM: Perla Corpus
Audit Manager, Pacific Rim Field Audit Office

SUBJECT: Audit of the Postpayment Audit Process,
Transportation Audits Division, Federal Acquisition Service
A120169/Q/9/P14002

This report presents the results of our audit of the postpayment audit process in the Transportation Audits Division of the Federal Acquisition Service. 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 B** of this report.

If you have any questions regarding this report, please contact me or any member of the audit team at the following:

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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

Each agency that receives a bill for transporting individuals or property on behalf of the United States Government must verify the bill's accuracy, as delineated in 31 United States Code (U.S.C.) Section 3726. This regulation grants authority for oversight of this process to the General Services Administration (GSA). GSA established the Transportation Audits Division within the Travel, Motor Vehicle, and Card Services portfolio of the Federal Acquisition Service (FAS) to perform this oversight.

The Division is responsible for identifying and recovering overcharges and other debts related to the estimated \$16.3 billion in annual transportation bills paid by federal agencies to transportation service providers. Provider services include shipping goods (household and commodities) and transporting individuals (via airlines, trains, and ships). The Division is organized into three branches: Audit Policy and Review, Accounts and Collections, and Disputes Resolution.

GSA developed detailed rules and regulations, incorporated into the Code of Federal Regulations (CFR), to assist federal agencies in complying with 31 U.S.C. Section 3726. The CFR provides agencies with an interpretation of statutes and other policies to assure that payments and payment systems for agency transportation services are uniform and appropriate.

The Division oversees compliance with 31 U.S.C. Section 3726 and the CFR by ensuring postpayment audits are performed on all federal transportation invoices. To fulfill this responsibility, the Division awarded three contracts for postpayment audit services using a two-tiered audit process.¹ Each contractor was awarded as either first or second tier for specific transportation modes.² For each transportation mode, the first tier contractor is given the initial opportunity to audit the transportation invoices. Once the first tier contractor has been given the opportunity to conduct its audit, the invoices are made available to the second tier contractor. This two-tier postpayment audit process allows for a second independent review, which has proven to be effective since second tier contractors are finding additional overcharges missed by the first.

The postpayment audit process begins when the Division receives an agency's paid transportation invoice in paper or electronic format. Paper invoices are entered into an internal tracking system and sent to the appropriate first tier contractor on a monthly basis.³ Electronic invoices, received through an automated payment system, are

¹The three contracts: GS-33F-V0029 Mid-South Transportation Analysts, Inc.; GS-33F-V0028 The Commercial Traffic Company; and GS-33F-V0030 Parsifal Corporation, were awarded on April 1, 2009, for 1 year with four 1-year options.

²The Division is responsible for auditing the following transportation modes: air cargo, air passenger, domestic household goods, foreign household goods, motor freight, rail freight, and steam ship.

³Paper invoices are any invoice mailed to the Division, including submissions through e-mail.

managed by the Division through internal audit schedules.⁴ Depending on the transportation mode, the electronic invoices are available to the first tier contractor 60 to 90 days after payment and to the second tier contractor 90 to 180 days after payment.

Once received, the first tier contractor audits the invoices and issues an overcharge, if found.⁵ The first tier contractor holds invoices with identified overcharges and makes clear invoices available to the second tier contractor for review.⁶ The contracts require all audits to be completed within 30 days from the contractor's receipt of invoice.

Upon the contractor issuing an overcharge, the provider has 60 days to dispute or protest all or any portion of the amount due to the Government. Within 30 days of a notice of protest, the contractor that issued the overcharge has two options: (1) allow the protest, which cancels the overcharge; or (2) deny the protest, which requires the provider to pay the full amount. The Accounts and Collections Branch is responsible for collecting all overcharges due from the provider.⁷

Our objective was to determine whether the Division's postpayment audit process effectively ensures the maximum recovery of transportation overpayments within the 3-year timeframe established under 31 United States Code Section 3726.

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

⁴The Division prepares audit schedules to provide notice to contractors when electronic invoices will be available to audit. The audit schedule for each contractor is organized by transportation mode and helps prevent first and second tier contractors from auditing electronic invoices simultaneously.

⁵An overcharge is notification that there is an overbilling on an invoice. Once an overcharge is issued, it is entered into the Division's Transportation Accounts Receivable Payable System (TARPS) and a paper notification is mailed to the responsible provider.

⁶Clear invoices are paid transportation bills where no billing errors or overbillings were found.

⁷Based on a negotiated percentage, the contractors are compensated for the overcharges that are successfully collected by the Division.

Results

Finding 1 – The Transportation Audits Division needs to analyze existing performance data and assess its staffing levels to ensure maximum recovery of overcharges.

The Division cannot ensure it is recovering the maximum amount of overcharges from transportation providers because it does not analyze existing performance data and has not assessed its staffing levels. GSA may conduct postpayment audits of transportation invoices of any federal agency after an invoice is paid under 31 U.S.C. Section 3726; however, the collection of overcharges is limited to 3 years after payment (excluding time of war). We also identified a conflict of interest within the FAS Office of Travel and Transportation that may impede recovery of overcharges.

Performance Data

The Division is not analyzing existing data to assess its performance or that of its postpayment audit contractors. Consequently, the Division is unable to either evaluate the strengths and weaknesses of its postpayment audit processes or make sound business decisions affecting the collection of overcharges. We were able to evaluate the performance of the Division and its contractors using available data for the following areas:⁸

- Lag Times⁹
- Collection Rates
- Expiring Collections

Lag Times. From 2009 through 2011, contractors issued overcharges 260 days after the invoice paid date for the first tier audit and 738 days for the second tier audit (see *Figure 1*).

Figure 1 – Postpayment Lag Times by Audit Tier (Days)

Calendar Year Bill Paid In	First Tier Audits	Second Tier Audits
2009	288	745
2010	240	742
2011	259	588
Average¹⁰	260	737

⁸Data used during this audit was captured in TARPS.

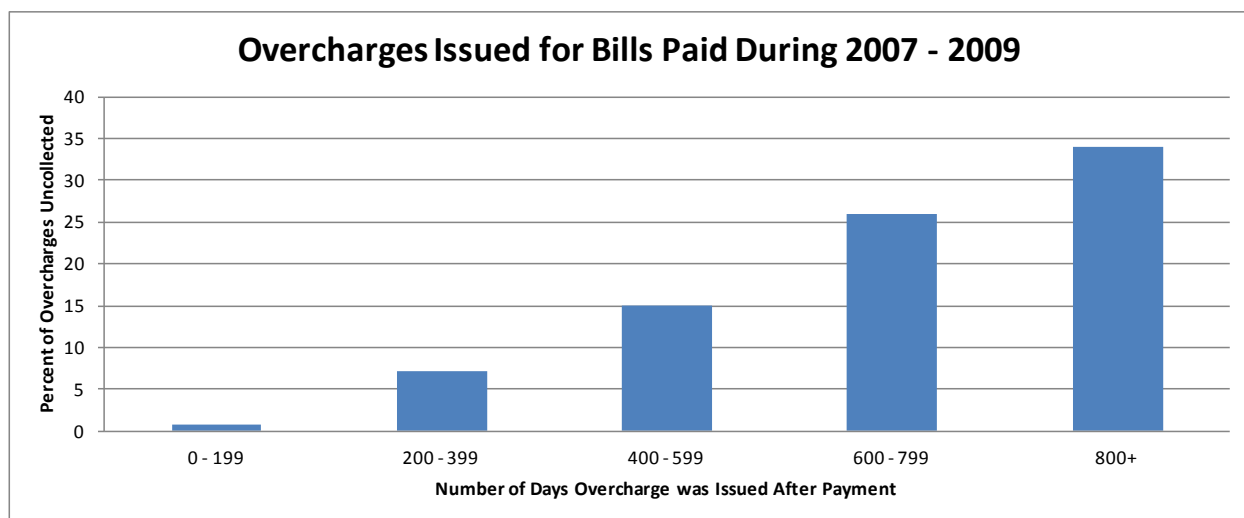
⁹Lag time is equal to the number of calendar days elapsed from the date the invoice was paid to the date the overcharge was issued. The lag includes the time it takes for agencies to mail paper invoices to the Division and the one-month processing time it takes for the Division to forward paper invoices to the contractors.

¹⁰Average days are weighted by the number of overcharges issued during the year in which the bill was paid.

Division officials informed us that an agreement with the Department of Defense to delay audits of transportation bills for 180 days for quality assurance purposes contributed to contractor lag times. However, accounting for this exception, no other explanation was provided for lag times exceeding this 180-day delay by 80 and 557 days for first tier and second tier audits, respectively.¹¹ We note that the length of time between the date when the contractor received the invoice and issued an overcharge could not be determined as the contractors' invoice receipt date is not tracked; therefore, we could not account for this in our analysis.

We determined a correlation exists between the number of days an overcharge was issued after payment and the percentage of overcharges uncollected (see *Figure 2*). The longer contractors took to issue an overcharge, the likelihood increased that an overcharge was not collected.

Figure 2 Correlation between Increased Lag Times and Percentage of Overcharges Uncollected



For bills paid during 2007 to 2009 the Division issued overcharges of \$33.1 million, of which, \$6.3 million were written off as uncollectible.¹² Less than 10 percent of the overcharges were uncollected if the lag time was less than 400 days. For overcharges with lag times between 600 and 799 days, the percentage of uncollected overcharges rose to over 25 percent and for lag times of at least 800 days nearly 35 percent. The correlation between the lag time of an overcharge and the percent uncollected highlights the importance of identifying overcharges early in the postpayment audit process.

¹¹Weighted average of 260 days less 180 days equals an 80 day lag for first tier audits. Weighted average of 737 days less 180 days equals a 557 day lag for second tier audits.

¹²Since the majority of invoices paid during 2010 and all invoices paid since 2011 have not yet exceeded the 3-year limitation, the collection implications for the lag times in *Figure 1* cannot yet be determined.

Collection Rates. While data are readily available, the Division is not tracking its collection rates and cannot determine its collections performance. We calculated the collection rate to ascertain the Division's performance for the years 2007 to 2009 (see *Figure 3*).¹³ The Division could use these annual collection rates to continuously improve its postpayment audit process.

Figure 3 - Collection Rates for 3-year Period by Contractor (Percent)

Year Bill Paid	Mid-South	Commercial Traffic	Parsifal
2007	96	45	96
2008	92	63	89
2009	96	66	94

Expiring Collections. The Division does not use available data to prevent overcharges from expiring. As of the end of August 2012, overcharges worth \$3.6 million were due to expire by December 31, 2012. In response to a 2010 Civilian Board of Contract Appeals decision that reduced the statute of limitations for overcharge collection from 10 to 3 years, the Division introduced tolling agreements.¹⁴ However, of the top ten providers with the most outstanding overcharges, only three had a tolling agreement.

We performed further analysis on the \$3.6 million in overcharges and identified that 21 percent (\$770,059) were not protected by a tolling agreement and were written off by the Division. Had the Division been able to establish a tolling agreement, the likelihood of collection could have increased.

By collecting, analyzing, and benchmarking lag times, collection rates, and expiring collections, the Division can prioritize its collection efforts to increase the likelihood of recovering overcharges. The Division needs to improve data analysis techniques to increase collections. In addition, the Division should use tolling agreements to the maximum extent possible to extend the collection of overcharges beyond the 3-year statute.

Staffing Analysis

The Division has not completed an analysis of staffing requirements needed to meet its current and future workload, jeopardizing its ability to maximize the collection of transportation overcharges.

Division management has not formally addressed how it will accomplish its mission with current staff levels. In the last 2 years, the Division lost 40 percent of its management team with at least 35 years of experience. As of February 2013, the Division lost its

¹³We calculated the collection rate by dividing the total number of overcharges collected by the total number of overcharges for each year respectively.

¹⁴A tolling agreement is a contract between the provider and the Division that allows collection of transportation overcharges exceeding the 3-year statute of limitations.

Director (GS-15), one branch chief (GS-14), two supervisors (GS-13s), and three senior employees (GS-11s or GS-12s) to retirement. The Accounts and Collections Branch alone lost its branch chief, two GS-13 supervisors, and two senior employees to retirement, 33 percent of the Branch's employees.

Although the Director position was filled through internal promotion, the Division was unable to backfill other vacancies due to an agency-wide hiring freeze.¹⁵ To ensure coverage for all branches, management has informally shuffled personnel to cover the workload. However, temporarily reassigning employees between branches is not a long-term solution to resolving staff issues.

The Division is currently commissioning a study to assess its business processes.¹⁶ As part of this study, the Division should include a thorough analysis of staffing requirements needed to meet future workload.

Perceived Conflict of Interest

A perceived conflict of interest could occur within the Office of Travel and Transportation due to competing interests. As a result, management decisions affecting the Division could be unduly influenced by secondary interests, which may affect recovery of overcharges.

The Division is part of the Office of Travel and Transportation under FAS's Travel, Motor Vehicle, and Card Service portfolio. The Director of the Office of Travel and Transportation oversees not only the Division but also travel and transportation programs such as the City Pair Program,¹⁷ whereby the Division is responsible for collecting provider overcharges. Hence, management decisions regarding providers who participate in travel and transportation programs could impact the postpayment auditing process. To minimize or eliminate the perceived conflict of interest FAS should develop procedures to ensure that competing interests are addressed.

Recommendation 1

We recommend the Commissioner of the Federal Acquisition Service:

1. Strengthen the Transportation Audits Division's postpayment audit process to maximize collections by:
 - a. Performing in-depth analysis of available transportation data;
 - b. Maximizing the use of tolling agreements;

¹⁵The Acting GSA Administrator imposed a GSA-wide hiring freeze on July 17, 2012.

¹⁶The purpose of the proposed study is to acquire business process management and consulting services for the Division. These services include an assessment of the Division's personnel and database systems.

¹⁷The City Pair Program offers travelers on official government business airline fares with considerable discounts from comparable commercial fares.

- c. Conducting a study that addresses the staffing requirements needed to meet its future workload; and
- d. Developing procedures within the Office of Travel and Transportation under FAS's Travel, Motor Vehicle, and Card Service Portfolio to minimize any perceived conflict of interest.

Management Comments

The Commissioner of the Federal Acquisition Service concurred with our recommendation. Management's written comments to this report are included in their entirety as **Appendix B**.

Finding 2 – The Contracting Officer's Technical Representative's lack of enforcement of the terms and conditions in the postpayment contract's Statement of Work exposes the Government's interests to non-compliance.

The Contracting Officer's Technical Representative (COTR) is not enforcing the terms and conditions of the contract's Statement of Work (SOW) due to the Division's lack of oversight. As a result, the Government's interests are not protected against contractor non-compliance.

Despite receiving the required COTR training, the Division has not provided adequate supervision to ensure that the appointed COTR enforces the SOW requirements. We noted that several of the SOW's terms and conditions were not enforced, including: (1) obtaining certain deliverables from contractors, (2) monitoring contractor compliance based on the contract's 30-day completion timeframe, (3) ensuring that second tier audits are performed as specified in the SOW, and (4) verifying qualifications of contractors.

Deliverables. The SOW requires that contractors provide two monthly deliverables: Number of Transportation Bills Audited and Number of Protests Processed.¹⁸ However, the COTR did not obtain these reports from all contractors. In fact, we could only confirm that one contractor was even tracking the data necessary to provide the required deliverables. The Division cannot determine the universe of audits completed without these deliverables.

Completion Timeline. Audit schedules are not being followed by a second tier contractor. The contractor had not reviewed available foreign household good transportation bills for the life of the contact due to a miscommunication between the Division and the contractor and the Division's lack of oversight.¹⁹ A minimum of 4,000 transportation bills, valued at \$21 million, were available for review in 2011 alone. Also, as of September 2012, the contractor was reviewing domestic household good electronic bills paid over 2 years prior, instead of 90-180 days as specified in the audit

¹⁸A protest is any dispute by the transportation service provider concerning a Notice of Overcharge or other type of billing error.

¹⁹The period of performance was initiated on April 1, 2009.

schedule. The COTR's lack of follow-up on the audit schedules hindered the Division's ability to issue and collect potential overcharges.

Second Tier Audits. The SOW requires each second tier contractor to audit all transportation bills it receives. The COTR is not ensuring required audits under each transportation mode are undergoing the second tier audit, specifically audits of rail freight bills from 2009 to 2012.²⁰ In 2011 alone, there were over 6,000 rail freight bills not audited by the second tier contractor. The Division did not provide an explanation for the failure to conduct a second tier audit on rail freight transportation bills. Management's lack of COTR oversight has reduced the likelihood of recovering additional overcharges.

Contractor Qualifications. The SOW states that postpayment auditors must have a minimum of 7 years general transportation experience and 4 years of specialized experience in auditing freight and/or passenger bills. The COTR did not verify the qualifications of contractor personnel because she was not aware it was a COTR responsibility. As a result, two postpayment auditors performed audits while not qualified.

Had the COTR ensured contractors were submitting required deliverables, complying with audit schedules, and conducting second tier audits of all transportation modes, the Division could have identified and corrected issues in a timely manner and increased collection of overcharges. In addition, unqualified personnel hired to perform postpayment audits may have increased the risk of inaccurate audits and potentially reduced collections resulting from overlooked overcharges. With proper COTR supervision, deficiencies may have been avoided.

Recommendation 2

We recommend the Commissioner of the Federal Acquisition Service:

2. Provide proper guidance and supervision to ensure that the Contracting Officer's Technical Representative enforces the terms and conditions outlined in the Statement of Work.

Management Comments

The Commissioner of the Federal Acquisition Service concurred with our recommendation. Management's written comments to this report are included in their entirety as **Appendix B**.

²⁰All transportation bills are required to undergo a second tier audit except for steam ship bills.

Finding 3 –The Transportation Audits Division’s exclusion of a required security provision in its Statement of Work and non-compliance with GSA’s Information Technology Security Policy subjects government data to risk.

As mandated by GSA’s Information Technology (IT) Security Policy, the Division did not include security provisions in the SOW and did not ensure its contractors underwent background screenings prior to gaining access to GSA systems. As a result, personally identifiable information (such as social security numbers) available on GSA systems was at risk. According to GSA Order CIO P 2100.1D, dated June 21, 2007, GSA contractors accessing GSA information systems must undergo background screenings, before being allowed to use GSA systems.²¹

Exclusion of security provision in the SOW

Because security provisions were not stated in the SOW, Division personnel and contractors were not aware of the requirement to obtain background screenings prior to accessing GSA systems. GSA Order CIO P 2100.1D, dated June 21, 2007, states, “contracting officers shall ensure that security requirements are included in task orders and contracts for all GSA IT systems.”

Non-compliance with GSA IT Security Policy

For each contract award, postpayment auditors did not have the required security clearance prior to obtaining access to the Division’s database systems. Management officials representing two contractors stated that they were not required to obtain employee background screenings to access systems, such as TARPS, which contained personally identifiable information. We determined that 12 of the 23 postpayment auditors with access to TARPS did not undergo background investigations, 8 had insufficient clearance, and the remaining 3 obtained the required security clearance 6 months after the award date.²² As a result, none of the postpayment auditors completed the required background screening prior to gaining access to GSA systems, as stipulated in GSA Order CIO P 2100.1D.²³

To ensure compliance, the Division must immediately modify the current SOW to include security provisions and ensure that these provisions are notated in any future solicitation and/or SOW for postpayment audits.

²¹Postpayment auditors were granted access to TARPS during calendar years 2008 - 2010.

²²The Director of the Transportation Audits Division stated that postpayment auditors are required to undergo background investigations at the moderate public trust risk level. However, 8 postpayment auditors only had clearance for the low public trust risk level and the remaining 12 did not have any security clearance.

²³With the current postpayment contract due to expire on March 31, 2014, contractors are subject to the same requirements for obtaining background screenings prior to gaining access to a GSA system (GSA Order CIO P 2100.1H effective September 24, 2012).

Recommendations 3 and 4

We recommend the Commissioner of the Federal Acquisition Service:

3. Immediately modify the current Statement of Work to include the required security provisions and ensure that those provisions are notated in any future solicitation and/or Statement of Work for postpayment audits.
4. Ensure the required security clearances for their postpayment auditors complies with GSA Order CIO P 2100.1D.

Management Comments

The Commissioner of the Federal Acquisition Service concurred with our recommendations. Management's written comments to this report are included in their entirety as **Appendix B**.

Finding 4 – The Transportation Audit Division is not updating its internal audit tracking system to ensure that agencies comply with 41 CFR 102-18.425.

During 2012, the Division had a 4-month backlog of transportation bills that were not recorded into the Accounts Receivable Tracking System (ARTS).²⁴ As a result, the Division is unable to ensure agencies are submitting transportation bills as required by 41 CFR 102-118.425.

To initiate the postpayment audit process for paper transportation bills, the GSA Transportation Audits Handbook requires customer agencies to send the Division their transportation bills on a monthly basis. The Division tabulates the number and monetary amount of transportation bills received, sorts transportation bills by transportation mode, and inputs the results into ARTS. The system then generates letters to agencies that failed to submit their monthly transportation bills. However, since the Division failed to input transportation bills into ARTS, no letters were generated during April to July of 2012.

In addition to the lack of letters from ARTS, there is no documentation available to support that the Division attempted to contact agencies to obtain monthly paper transportation bills; however, follow-up is further complicated due to missing contact information on certain invoice submissions. Without proper follow-up, agencies are able to hold transportation bills for extended amounts of time, delaying the initiation of audits. In October 2012, the Division received nearly 3,000 transportation bills paid in 2008, totaling approximately \$18 million. Since the 3-year limitation expired, the transportation bills did not undergo the postpayment audit process. Timely submission of transportation bills is critical to recovering overcharges before expiration.

²⁴This database is critical in the postpayment audit process because it tracks agencies' paid paper transportation bills submitted to GSA.

Recommendation 5

We recommend the Commissioner of the Federal Acquisition Service:

5. Ensure that the Accounts Receivable Tracking System is current by updating the number of invoices received for postpayment audit.

Management Comments

The Commissioner of the Federal Acquisition Service concurred with our recommendation. Management's written comments to this report are included in their entirety as **Appendix B**.

Other Observations

During the course of our audit, we noted issues that we want to bring to management's attention. There are no recommendations for the following issues:

- The Division ceased issuing travel overcharges by Foreign Service Officers (FSO) resulting in an estimated \$814,000 of uncollected overcharges in 2010. According to 5 U.S.C. Sections 5701-09, FSOs are not required to use the City Pair Program. In addition, State Department policy designates any of its employees on foreign travel as a FSO. Through discussions, the Division agreed with the State Department that FSOs are not mandatory users of the City Pair Program and notified its contractors to stop issuing overcharges on corresponding air passenger transportation bills.
- The Division is unable to audit transportation bills from freight shippers (subcontractors) under the Defense Transportation Coordination Initiative because the shipper's rates are not available to Division contractors. The Division has been in contact with the Defense Transportation Coordination Initiative's contracting officer; however, the contracting officer does not want to make the subcontractor rates available. A contractor estimated annual overcharges of \$3 million under the Defense Transportation Coordination Initiative contract.

Conclusion

The Division is not performing effective oversight of the postpayment audit process to ensure the maximum recovery of transportation overpayments within the 3-year timeframe established by 31 U.S.C. Section 3726. As a result, the Division was unable to collect \$6.3 million in overcharges during calendar years 2007 – 2009.

To improve collection of overcharges before they expire, the Division should analyze existing data to assess postpayment audit performance to reduce the significant lag between the bill pay date and the issuance of an overcharge. A reduction in lag time could improve its collection rates and amounts.

Additionally, the Division has not formally addressed how it will accomplish its mission with the loss of significant experience through retirement, including 40 percent of its management team and 33 percent of its staff in the Accounts and Collections Branch.

To minimize potential conflicts of interest within the Travel, Motor Vehicle, and Card Service portfolio, FAS must develop and implement procedures regarding management decisions affecting the collection of overcharges.

FAS management should also address the fact that the contracting officer's technical representative is not enforcing the terms and conditions of the contract's statement of work including: deliverables, timelines, second tier audits, and contractor qualifications.

To adhere to GSA IT Security Policy, the Division must ensure that security provisions are notated on current and future solicitations and/or statements of work for postpayment audits. In addition, contractors must have background screenings prior to accessing GSA IT systems for the Division to be in compliance with the security policy.

Finally, the Division is not updating its internal audit tracking system to ensure agencies are submitting paper transportation bills, as required by 41 CFR 102-118.425, in a timely manner. This reduces the Division's ability to assess its performance.

Given the \$16.3 billion spent in government-wide transportation expenses in fiscal year 2012, implementing the audit report's recommendations could reduce transportation overcharges that may remain uncollected.

Appendix A – Purpose, Scope, and Methodology

Purpose

This is the second of two transportation audits included in the Office of Inspector General Audit Plan for fiscal year 2012. The first audit focused on the Division's prepayment audit process.²⁵ This audit is focused on the Division's postpayment audit process. We performed both audits at the request of the Federal Acquisition Service's Office of Travel, Motor Vehicle, and Card Services.

Scope

Our audit focused on the Division's postpayment audit processes for transportation bills paid by agencies during 2007 – 2011.

Methodology

To accomplish the audit objective, we:

- Reviewed relevant criteria, including the United States Code and the Code of Federal Regulations;
- Interviewed the Division's Director, three Branch Chiefs, and postpayment audit staff;
- Conducted site visits to review the postpayment contractors' processes for auditing transportation bills;
- Obtained and analyzed postpayment audit data from the Division's TARPS database;²⁶
- Determined lag times of overcharges for 2009 – 2011 bills based on payment and overcharge issuance dates;
- Determined whether a correlation exists between the lag times of overcharges and the likelihood of collection;
- Calculated collection rates of the postpayment contractors for bills paid during 2007 – 2009;
- Determined the amount of overcharges that were to expire during the 4-month period ended December 31, 2012;
- Ascertained the number of employee retirements in the Division during 2012 and 2013;
- Assessed potential conflicts of interest between the Division and FAS management;
- Reviewed the SOW and the COTR's oversight of the postpayment contractors;

²⁵Final Report titled, *Audit of the Prepayment Audit Process, Transportation Audits Division, Federal Acquisition Service*, Report Number A120060/Q/9/P13001 issued March 14, 2013.

²⁶We did not audit the reliability of TARPS data.

Appendix A – Purpose, Scope, and Methodology (cont.)

- Examined the security clearance process for the Division's contractors; and
- Evaluated the Division's timeliness of updating ARTS.

We conducted the audit from August 2012 to December 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 addressing 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.

Appendix B – Management Comments



GSA Federal Acquisition Service

MAR 4 2014

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

FROM: THOMAS A. SHARPE, JR. *Thomas A. Sharpe, Jr.*
COMMISSIONER
FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: Draft Audit Report - Audit of the Postpayment Audit Process,
Transportation Audits Division, Federal Acquisition Service (FAS),
Report Number A120169

Thank you for the opportunity to provide comments to the above report. Federal Acquisition Service (FAS) management has reviewed the GSA Inspector General's (IG) review of the Postpayment Audit Process, and appreciates the work done in identifying gaps that may exist in ensuring effective postpayment audit oversight. This is the second of two Transportation Audits reviews ordered at the request of the FAS Office of Travel, Motor Vehicle, and Card Services (TMVCS) with primary focus on the postpayment audits process. The objective of this review was to determine whether the Transportation Audits Division's postpayment process effectively ensures that the maximum amount of transportation overpayments are recovered within the 3-year statutory requirement as established in 31 United States Code (U.S.C.) Section 3726.

Detailed FAS Comments

Recommendation 1- *Strengthen the Transportation Audits Division's postpayment audit process to maximize collections by:*

- a. Performing in-depth analysis of available transportation data;*
- b. Maximizing the use of tolling agreements;*
- c. Conducting a study that addresses the staffing requirements needed to meet its future workload; and*
- d. Developing procedures within the Office of Travel and Transportation under FAS's Travel, Motor Vehicle, and Card Service Portfolio to minimize any perceived conflict of interest*

We concur with Recommendation 1 and started the process of developing analytical reports to measure performance data for lag times, collection rates and expiring collections. Additionally, we are enhancing overcharge collections by increasing the utilization of Tolling Agreements, establishing an electronic collections module for civil agencies using CitiBank's PayPort Express, and employing additional means of debt recovery to optimize collections.

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Appendix B – Management Comments (cont.)

Regarding staffing needs, we recently completed a draft Statement of Work and Strategic Action Plan Initiative (SAPI) to conduct a business model assessment for the Audits Division (Audits). However this is contingent on approval of funding to conduct the study. In the interim, Audits has conducted a high level in-house review to look at their current staffing levels to fill critical needs and has taken initial steps to assign and realign staff to optimize collections.

We are in the process of developing an escalation plan which will allow for audits mediation at various levels within TMVCS should the need arise. The arbitration/mediation plan will include Audits, Program Managers, Acquisition Operations, the Director of Travel and Transportation Services, and the Assistant Commissioner of TMVCS. The plan will be included as part of the Audits Standard Operating Procedures. This should dispel any perceived conflict of interest and allow for an optimal adjudication process for all audit issues.

Recommendation 2 - *Provide proper guidance and supervision to ensure that the Contracting Officer's Technical Representative enforces the terms and conditions outlined in the Statement of Work.*

We concur with your assessment of Contracting Officer's Representative (COR) duties and responsibilities. As a result, we have taken the following actions to correct this issue;

- a. effective January 2, 2013, we assigned a new COR for this contract;
- b. met and agreed to periodic meetings with Contracting Officer, Audits Management Team and COR to discuss roles and responsibilities;
- c. COR and supervisor developed detailed contract auditor check list;
- d. COR and supervisor conducted site visits for all three contract auditors and completed check list and reviewed SOW requirements, and finally;
- e. CO and COR addressed performance issues and corrective actions with all auditors. CO has processed formal notifications regarding security clearance requirements for contractor personnel, a change in first and second contractors audit standards, and enforcement of deliverables due to the COR as stated in the contract.

Recommendation 3: *Immediately modify the current Statement of Work to include the required security provisions and ensure that those provisions are notated in any future solicitation and/or Statement of Work for postpayment audits.*

Recommendation 4: *Ensure that contractors obtain the required security clearances for their postpayment auditors to comply with GSA Order CIO P2100.1D.*

We concur with recommendations 3 and 4 and have modified the postpayment audit contracts to include the Minimum Background Investigation (MBI) clearance as the mandatory security requirement for the contract. We have also included this requirement in the Statement of Work for the follow on contract. In addition, all contractor personnel have completed the necessary documentation to request clearances and are awaiting approvals from personnel security.

Recommendation 5 - *Ensure that the Accounts Receivable Tracking System is current by updating the number of invoices received for postpayment audit.*

We concur with this recommendation and have taken the following corrective measures; eliminated the backlog, all data elements are entered into the Accounts Receivable Tracking System (ARTS), and implemented a notification process to ensure agencies are notified of non-submission of invoices monthly.

Appendix B – Management Comments (cont.)

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 for additional information.

Appendix C – Report Distribution

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