



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

Audit of GSA's FY 2013 Improper Payments Performance

*Report Number A140021/B/9/F14002
April 15, 2014*



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

REPORT ABSTRACT

OBJECTIVE

To determine whether the General Services Administration (GSA) complied with the Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), for fiscal year (FY) 2013.

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Audit of GSA's FY 2013 Improper Payments Performance

Report Number A140021/B/9/F14002

April 15, 2014

WHAT WE FOUND

GSA has complied with IPIA, as amended by IPERA, for FY 2013; however, we identified the following during our audit:

Finding 1 – GSA did not accurately report its FY 2013 improper payments information.

Finding 2 – GSA improperly paid its payment recapture audit contractor.

Finding 3 – Regional reviews for claims validations were not timely.

WHAT WE RECOMMEND

Based on our audit findings, we recommend the Chief Financial Officer:

1. Adhere to established accounting processes and strengthen current review procedures to ensure accurate reporting of improper payments information in the Agency Financial Report;
2. Establish a formal review process for the Office of Management and Budget (OMB) MAX Information System (MAX) submission of improper payments information;
3. Correct the FY 2013 improper payments information reported in OMB MAX;
4. Seek reimbursement from the payment recapture audit contractor for the FY 2013 improper payment of \$14,768;
5. Review prior fiscal year invoices from the payment recapture audit contractor to verify billing accuracy and recover any identified overpayments;
6. Establish internal controls to ensure billings from the payment recapture audit contractor are accurately invoiced and paid; and
7. Develop and disseminate formal procedures regarding claim validation reviews and timelines to all regional offices.

MANAGEMENT COMMENTS


The Chief Financial Officer of GSA agreed with our findings and recommendations. Management comments are included in their entirety as **Appendix D**.



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

DATE: April 15, 2014

TO: Michael Casella
Chief Financial Officer (B)

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

SUBJECT: Audit of GSA's FY 2013 Improper Payments Performance
Report Number A140021/B/9/F14002

This report presents the results of our audit of GSA's FY 2013 Improper Payments Performance. 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 D** 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

The objective of this audit was to determine if GSA complied with the Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), for fiscal year (FY) 2013.

The IPIA was enacted to enhance the accuracy and integrity of federal payments by providing a framework that allows federal agencies to identify specific causes of improper payments and implement necessary solutions to reduce them. Under Executive Order 13520, federal agencies are required to decrease improper payments by intensifying efforts to: eliminate payment error, waste, fraud, and abuse in the major programs they administer; ensure transparency and public scrutiny of significant payment errors; focus on identifying and eliminating improper payments; provide for accountability; and coordinate with other Federal, state and local agencies to identify and eliminate improper payments.

The Office of Management and Budget (OMB) issued Memorandum 11-16 (OMB M-11-16) to provide guidance to all federal agencies regarding the implementation of the IPERA. OMB M-11-16 requires agencies to review all programs and activities they administer, identify those that may be susceptible to significant erroneous payments, and implement mandatory actions to reduce erroneous payments. This guidance also requires Inspectors General to perform annual reviews of their particular agency's reporting of any improper payments beginning in FY 2011. This review is to be completed no later than 120 days after an Agency Financial Report (AFR) or Performance and Accountability Report (PAR) is published.¹

To be in compliance with IPERA, an agency must:

- Publish an AFR or PAR;
- Conduct a program specific risk assessment;
- Issue improper payment estimates;
- Publish programmatic corrective action plans in the AFR or PAR;
- Publish and meet annual reduction targets for each program;
- Report a gross improper payment rate of less than 10 percent for each program and activity included in its improper payments report; and
- Report information on its efforts to recapture improper payments.

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

¹ GSA conveyed the results of its IPERA review in the *GSA 2013 Agency Financial Report* published on December 16, 2013.

Results

While GSA has complied with IPERA for FY 2013, we identified three areas for improvement. Specifically, GSA should: (1) accurately report improper payments information, (2) correctly pay the payment recapture audit contractor and recover any identified overpayments, and (3) develop formalized regional procedures for claims validation.

Finding 1 – GSA did not accurately report its FY 2013 improper payments information.

The Office of the Chief Financial Officer (OCFO) did not accurately report its improper payments data in the FY 2013 AFR and in the OMB MAX Information System (MAX).² As a result, GSA's financial position regarding improper payments was misstated. See **Appendix B** for an excerpt of GSA's published FY 2013 AFR.

Although the OCFO submitted its FY 2013 AFR in a timely manner as required, the reported data in each of the six AFR tables contained errors.³ A summary of financial inaccuracies for the six AFR tables is noted in *Figure 1* on page 3. Additional details regarding the misstatements are included in **Appendix C**. In this appendix, we specifically identified the affected line items for each table in the AFR and the reason(s) for the difference(s).

The OCFO also submitted its AFR information into OMB MAX as required by OMB M-11-16. Improper payment information from the agency AFR is subsequently included in OMB's governmentwide report on improper payments. The noted differences in *Figure 1* were transferred into OMB MAX. The OCFO also incorrectly reported projected improper payments percentages for the Purchase Card and Other Sensitive Payments programs into OMB MAX.

The OCFO did not exercise due care to ensure the amounts published in both the AFR and OMB MAX were accurate, complete, and supported. Specifically, year-end manual processing of the data caused errors in the AFR and the OMB MAX submission. Furthermore, the review processes for reporting improper payments information in the AFR and OMB MAX were not conducted thoroughly.

² OMB uses the MAX Information System to collect, validate, analyze, and publish information relating to its governmentwide management and budgeting activities.

³ The regulations requiring reporting improper payments information include IPERA; OMB Circular A-123, Appendix C, *Requirements for Effective Measurement and Remediation of Improper Payments*; and OMB Circular A-136, *Financial Reporting Requirements*.

Figure 1 – Summary of Financial Inaccuracies (Tables 1 – 6)

Table 1 – Improper Payment Reduction Outlook

Program	Reported (a)	Audited (b)	Difference (a)- (b)	NOTE⁴
Rental of Space	\$59,550,000	\$59,544,991	\$5,009	1-1
Building Operations - Utilities	\$250,000	\$238,635	\$11,365	1-2
Purchase Cards	\$0	\$3,723	<\$3,723>	1-3
Other Sensitive Payments	\$10,000	\$713	\$9,287	1-3

Table 2 – Payment Recapture Audit Reporting

Program	Reported	Audited	Difference	NOTE
Rental of Space	\$3,206,976,558	\$3,206,346,558	\$630,000	2-1
Rental of Space	\$4,474,860	\$4,446,028	\$28,832	2-2
Rental of Space	\$4,437,802	\$4,466,634	<\$28,832>	2-3
Rental of Space	\$86,252,849	\$86,224,017	\$28,832	2-4
Rental of Space	\$30,856,517	\$30,885,349	<\$28,832>	2-4
Supply	\$1,777,294	\$1,777,530,422	<\$1,775,753,128>	2-5

Table 3 – Payment Recapture Audit Targets

Program	Reported	Audited	Difference	NOTE
Rental of Space	\$4,474,860	\$4,446,028	\$28,832	3-1

Table 4 – Aging of Outstanding Overpayments

Program	Reported	Audited	Difference	NOTE
Rental of Space	\$4,024,700	\$4,053,532	<\$28,832>	4-1

Table 5 – Disposition of Recaptured Funds

Program	Reported	Audited	Difference	NOTE
Rental of Space	\$4,474,860	\$4,446,028	\$28,832	5-1

Table 6 – Overpayments Recaptured Outside of Payment Recapture Audits

Program	Reported	Audited	Difference	NOTE
OCFO Identified	\$38,218,665	\$40,877,462	<\$2,658,797>	6-1
OCFO Identified	\$69,825,930	\$72,484,727	<\$2,658,797>	6-2
OCFO Identified	\$68,501,521	\$71,835,436	<\$3,333,915>	6-3

⁴ See **Appendix C** for Notes to Summary of Financial Inaccuracies.

Corrective Action Taken

As of April 3, 2014, the OCFO has updated its improper payments information in OMB MAX to accurately reflect GSA's improper payments position. Notwithstanding this action, OCFO personnel should continually assess the accuracy and completeness of improper payments reporting in the AFR and in OMB MAX.

Recommendations 1, 2, and 3

To ensure accurate reporting of improper payments information, we recommend the Chief Financial Officer:

1. Adhere to established accounting processes and strengthen current review procedures to ensure accurate reporting of improper payments information in the AFR;
2. Establish a formal review process for the OMB MAX submission of improper payments information; and
3. Correct the FY 2013 improper payments information reported in OMB MAX.

Management Comments

The Chief Financial Officer of GSA agreed with the audit finding and concurred with the recommendations. Management comments are included in their entirety as **Appendix D**.

Finding 2 – GSA improperly paid its payment recapture audit contractor.

In FY 2013, the OCFO allowed the payment recapture audit contractor (contractor) to charge a recovery fee of 18.135 percent, which exceeds the negotiated contract rate.⁵ Therefore, the contractor was overpaid by \$14,768.

The contract between GSA and the contractor provides for a recovery fee of 18 percent. According to the Industrial Funding Fee (IFF) clause in the contract, the IFF should be included in the award price.⁶

OCFO personnel explained that the 18.135 percent was calculated by multiplying the IFF rate of 0.75 percent by the recovery fee of 18 percent. No contract modifications were approved to change the negotiated contract rate. Therefore, the OCFO was unaware that the IFF was already included in the negotiated contract rate of 18 percent. The OCFO confirmed the improper payment of \$14,768 and that internal controls are not in place to ensure the billings are accurate and verified to the correct contract rate.

⁵ PRGX Global, Inc. is the payment recapture audit contractor who was awarded a payment recapture audit contingency contract (GS-23F-8140H) on April 26, 2011, for one year with five 1-year options. This type of contract provides for audit services in which payment is based on a percentage of overpayments collected. The contractor must provide clear evidence of overpayments to the appropriate agency official.

⁶ All GSA schedule vendors are required to incorporate the IFF rate of 0.75 percent into their prices. This fee covers GSA's costs of operating the schedules program.

Recommendations 4, 5, and 6

We recommend the Chief Financial Officer:

4. Seek reimbursement from the payment recapture audit contractor for the FY 2013 improper payment of \$14,768;
5. Review prior fiscal year invoices from the payment recapture audit contractor to verify billing accuracy and recover any identified overpayments; and
6. Establish internal controls to ensure billings from the payment recapture audit contractor are accurately invoiced and paid.

Management Comments

The Chief Financial Officer of GSA agreed with the audit finding and concurred with the recommendations. Management comments are included in their entirety as **Appendix D**.

Finding 3 – Regional reviews for claims validations were not timely.

The OCFO did not provide formalized procedures to the regional offices requiring timely review for the claims validation process. Without a formal process, the regional offices may not be held accountable for accurate and timely identification and reporting of improper payments.⁷

The payment recapture audit contingency contract requires the contractor to notify GSA of any suspected overpayments. GSA then has 60 days to review, verify, and validate those identified overpayments. During our testing, we found that certain regional offices did not complete the claims review process within 60 days. We reviewed a total of 76 claims, of which 57 were validated and 19 were pending.⁸ Of the validated claims, we found that 26 were not reviewed within 60 days. The review time ranged from 69 to 259 days to validate the claims. As of February 10, 2014, 6 of the 19 pending claims had been validated (taking 242 days), and 13 remained in pending status (ranging from 269 to 634 days).

The OCFO relied on an informal process to notify regional offices of the claims validation timelines.

Recommendation 7

We recommend the Chief Financial Officer:

7. Develop and disseminate formal procedures regarding claim validation reviews and timelines to all regional offices.

⁷ For the claim validation review, all claims were related to the Public Buildings Service and no claims were associated with the Federal Acquisition Service.

⁸ For validated claims, a final decision has been made (*i.e.*, approved or denied).

Management Comments

The Chief Financial Officer of GSA agreed with the audit finding and concurred with the recommendation. Management comments are included in their entirety as ***Appendix D***.

Other Observations

During the course of our audit, we noted additional issues warranting management's attention. Although there are no formal recommendations for these issues, the OCFO should be aware of our concerns regarding the completeness of claim forms and the accuracy of prompt payment interest calculations.

One section of the claim form was not completed because boxes indicating whether a claim is "within scope" or "outside the scope of the Recovery Audit" were left unchecked. In our *Audit of GSA's FY 2012 Improper Payments Performance*, we recommended the OCFO modify the contract to include OMB requirements.⁹ The modification was exercised and the contract language was amended to include the requirement that "the contractor must notify the agency of any overpayments identified...that are beyond the scope of the contract." By not fully completing the claim form, the payment recapture audit contractor may not be informing GSA of out of scope payments per the contract and OMB requirements. To adhere to these requirements, the OCFO must ensure the form is entirely completed.

In our review of GSA's test plans, which sampled FY 2013 transactions for AFR reporting, we noted minor issues regarding prompt payment interest calculations. Although these errors were minimal, incorrect calculation of interest payments could lead to potential errors in AFR reporting.

⁹ Report Number A130014/B/F/F13002 issued on March 14, 2013.

Conclusion

GSA has complied with the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), for FY 2013. However, based on our findings, GSA needs to improve and strengthen aspects of its implementation of the requirements under IPERA.

The OCFO is not performing effective oversight on reporting its improper payments information. Additionally, the OCFO does not have adequate internal controls to ensure billings from, and payments to, its recapture audit contractor are accurate. Furthermore, the OCFO does not have a formalized procedure for the regional offices' claims validation reviews.

As a result of these issues, GSA's financial position regarding improper payments was misstated and the payment recapture audit contractor was improperly paid. Without standardized procedures for regional offices' claims validations, GSA is at risk for further inaccurate financial reporting and untimely identification of improper payments.

Appendix A – Purpose, Scope, and Methodology

Purpose

This audit was included in the GSA Office of Inspector General's FY 2014 Audit Plan, in compliance with the requirements of IPERA.

Scope

The audit reviewed GSA's improper payments performance for FY 2013. Taking a risk based approach,¹⁰ and considering our audit objective, we tested a total of 76 payment recapture audit contractor claims and 80 GSA transactions. We used data analysis software to generate a random sample for the claims and transactions selected for testing.

Methodology

To accomplish our objective, we:

- Reviewed relevant criteria, including Public Laws, Executive Orders, OMB Memoranda, and GSA directives, internal procedures, and policies;
- Reviewed prior audit reports related to improper payments issued by the Government Accountability Office, GSA OIG, and other federal agencies;
- Examined supporting documentation for GSA's Agency Financial Report, risk assessment, organizational structure, and corrective actions from prior year GSA OIG audit recommendations;
- Evaluated documentation from GSA's payment recapture audit contractor, including its Statement of Work, claims listing, and improper payments reports;
- Examined a judgmental sample of claim forms for accuracy, completeness, and timeliness;
- Verified receiving reports to the payment recapture audit contractor's FY 2013 invoices, which totaled \$2,116,889, and calculated any overpayments;
- Obtained all regions' procedures for claims processing;
- Reviewed a judgmental sample of GSA transactions for accuracy and completeness;
- Conducted meetings and communicated with GSA OCFO personnel; and

¹⁰ As defined by the Government Accountability Office, the assessment of audit risk involves both qualitative and quantitative considerations. Factors impacting audit risk include time frames, complexity, or sensitivity of the work; size of the program in terms of dollar amounts and number of citizens served; systems and processes to detect inconsistencies, significant errors, or fraud; and auditors' access to records.

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

- Obtained access to GSA systems including OMB MAX, Pegasys,¹¹ Real Estate across the United States,¹² and the Financial Management Information System.¹³

We conducted the audit between November 2013 and March 2014 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

We limited our assessment of internal controls to those related to the OCFO's improper payment recapture audit program. We reviewed the OCFO's procedures and processes to assess compliance with IPERA; the improper payments contract for recapture audit services; and financial documentation to assess the effectiveness of the controls. Based on our audit, we made recommendations to strengthen and improve the controls discussed in the Results section of this report.

¹¹ Pegasys, GSA's core financial system, supports funds management (budget execution and purchasing), credit cards, accounts payable, disbursements, standard general ledger, and reporting.

¹² Real Estate across the United States is an inventory system for GSA to manage federally owned and leased properties and conduct all inventory management related work.

¹³ The Financial Management Information System provides daily, monthly, and yearly financial data for reconciliation, financial analysis, and management reporting.

Appendix B – GSA Published FY 2013 AFR (Tables 1-6)

This appendix provides reference to GSA's reported FY 2013 AFR improper payments information. The six tables are an excerpt from GSA's published FY 2013 AFR.

Table 1 Improper Payment Reduction Outlook (in millions)

Program or Activity	PY Outlays	PY IP%	PY IP\$	CY Outlays	CY IP%	CY IP\$	CY Over Payment \$	CY Under Payment \$	CY+1 Est. Outlays	CY+1 IP%	CY+1 IP\$	CY+2 Est. Outlays	CY+2 IP%	CY+2 IP\$	CY+3 Est. Outlays	CY+3 IP%	CY+3 IP\$
Rental of Space	N/A	N/A	N/A	\$5,556	1.07%	\$59.55	\$29	\$30.6	\$5,593	1.02%	\$57	\$5,593	1%	\$56	\$5,593	1%	\$56
Building Operations - Utilities	N/A	N/A	N/A	\$400	0.06%	\$0.25	\$-	\$0.249	\$383	0%	\$-	\$383	0%	0	\$383	0%	\$-
Integrated Technology Service - Wide Area Network	N/A	N/A	N/A	\$753	0%	\$-	\$-	\$-	\$743	0%	\$-	\$743	0%	\$-	\$743	0%	\$-
Purchase Cards	N/A	N/A	N/A	\$54.9	7.79%	\$4.28	\$4.28	\$0.00	\$34	7.3%	\$2.3	\$34	6.8%	\$2.3	\$34	6.2%	\$2.1
Other Sensitive Payments	N/A	N/A	N/A	\$17.7	1.67%	\$0.30	\$0.29	\$0.01	\$18	1.5%	\$2.7	\$18	1.3%	\$0.23	\$18	1.1%	\$0.20

Table 2 Payment Recapture Audit Reporting

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported (CY)	Amount Identified for Recovery (CY)	Amount Recovered (CY)	% of Amount Recovered out of Amount Identified (CY)	Amount Outstanding (CY)	% of Amount Outstanding out of Amount Identified (CY)	Amount Determined Not to be Collectable (CY)	% of Amount Determined Not to be Collectable out of Amount Identified (CY)	Amounts Identified for Recovery (PYs)	Amounts Recovered (PYs)	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)	Cumulative Amounts Outstanding (CY+PYs)	Cumulative Amounts Determined Not to be Collectable (CY+PYs)
Rental of Space	Contract	\$3,206,976,558	\$3,206,976,558	\$9,085,958	\$4,474,860	49%	\$4,437,802	49%	\$173,296	2%	\$108,862,792	\$81,777,989	\$117,948,750	\$86,252,849	\$30,856,517	\$839,384
Regional Telecommunications	Contract	\$630,000	\$630,000	\$0	\$-	0%	\$-	0%	\$-	0%	\$-	\$-	\$-	\$-	\$-	\$-
Supply	Contract	\$1,777,294	\$1,777,294	\$0	\$-	0%	\$-	0%	\$-	0%	\$-	\$-	\$-	\$-	\$-	\$-

Table 3 Payment Recapture Audit Targets

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY	CY	CY	CY + 1	CY + 2	CY + 3
		Amount Identified	Amount Recovered	Recovery Rate (Amount Recovered / Amount Identified)	Recovery Rate Target	Recovery Rate Target	Recovery Rate Target
Rental of Space	Contract	\$9,085,958	\$4,474,860	49%	50%	55%	60%

Appendix B – GSA Published FY 2013 AFR (Tables 1-6) (cont.)

Table 4 Aging of Outstanding Overpayments

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY Amount Out- standing	CY Amount Out- standing	CY Amount Out- standing
		(0 – 6 months)	(6 months to 1 year)	(over 1 year)
Rental of Space	Contract	\$4,024,700	\$413,102	--

Table 5 Disposition of Recaptured Funds

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
Rental of Space	Contract	\$-	\$-	\$-	\$ 4,474,860	\$-	\$-

Table 6 Overpayments Recaptured Outside of Payment Recapture Audits

Source of Recovery	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (PY)	Amount Recovered (PY)	Cumulative Amount Identified (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
OCFO Identified	\$31,607,265	\$31,111,530	\$38,218,665	\$37,389,991	\$69,825,930	\$68,501,521

Appendix C – AFR Tables: Summary of Financial Inaccuracies

This appendix provides further detail for audited amounts in *Figure 1 Summary of Financial Inaccuracies* (page 3). See **Appendix B** for the excerpt of the reported improper payments data from GSA's published FY 2013 AFR.

Notes:

- 1-1. **Rental of Space:** The current year overpayment (**CY Overpayment \$** in the AFR), current year underpayments (**CY Underpayment \$**) and overall improper payments (**CY IP \$**) related to Rental of Space were inconsistently rounded. The **CY IP \$** was rounded upwards to two decimal places, while **CY Overpayment \$** was rounded to the nearest dollar. The **CY Underpayment \$** was rounded up to one decimal place. These rounding inconsistencies caused a difference of \$5,009.
- 1-2. **Building Operations–Utilities:** The amounts reported for current year improper payments (**CY IP \$**) and current year underpayments (**CY Underpayment \$**) associated with Building Operations-Utilities were overstated by \$11,365 due to rounding errors.
- 1-3. **Purchase Cards and Other Sensitive Payments:** The amount of current year underpayments (**CY Underpayment \$**) for Purchase Cards was reported as \$0 (in millions). The audited amount and difference was \$3,723. The **CY Underpayment \$** for Other Sensitive Payments was reported as \$0.01 (in millions). The audited amount was \$713, resulting in a difference of \$9,287. Due to inconsistent rounding, one program category was rounded upward to reflect recapture activity, while the other category was not.
- 2-1. **Rental of Space:** The **Amount Subject to Review for CY Reporting** and the **Actual Amount Reviewed and Reported (CY)** for Rental of Space is overstated by \$630,000. The OCFO erroneously included the Regional Telecommunication information in the amounts for Rental of Space.
- 2-2. **Rental of Space:** The **Amount Recovered (CY)** is overstated. Three claims, recovered in FY 2014, were incorrectly reported in FY 2013, totaling an overstated amount of \$33,050. In addition, one claim was inaccurately reported, resulting in an understatement of \$4,218. These errors led to a net overstatement of \$28,832.
- 2-3. **Rental of Space:** The **Amount Outstanding (CY)** is calculated by subtracting **Amount Recovered (CY)** from **Amount Identified for Recovery (CY)**. Because of the overstatement noted in 2-2 above, the **Amount Outstanding (CY)** was understated by \$28,832.

Appendix C – AFR Tables: Summary of Financial Inaccuracies (cont.)

- 2-4. **Rental of Space: Cumulative Amounts Outstanding (CY+PYs)** were understated and **Cumulative Amounts Recovered (CY+PYs)** were overstated by the same \$28,832 errors noted above. See **Notes 2-2** and **2-3**.
- 2-5. **Supply:** Supporting documentation for the Supply program was inconsistent. The OCFO provided information supporting a Supply amount in **Amount Subject to Review for CY Reporting** and **Actual Amount Reviewed and Reported (CY)** as \$1,777,294,494. The contractor provided documentation supporting those amounts as \$1,777,530,422, leading to a difference of \$235,928. When reporting the Supply information, the OCFO, using their supporting documentation, also mistakenly omitted the last 3 digits of those amounts, resulting in an understatement by a factor of 1,000. Therefore, the Supply **Amount Subject to Review for CY Reporting** and **Actual Amount Reviewed and Reported (CY)** were net understated by \$1,775,753,128.
- 3-1. **Rental of Space:** The **Amount Identified (CY)** was overstated by \$28,832. See **Note 2-2**.
- 4-1. **Rental of Space: CY Amount Outstanding (0-6 months)** was understated by \$28,832, due to the error identified in **Note 2-3**. In addition, the **CY Amount Outstanding (0-6 months)** could not be reconciled to the Table 2 **Amount Outstanding (CY)**. The OCFO was unable to adequately explain or support a \$3,173 adjustment, which was made to the 0-6 month category.
- 5-1. **Rental of Space:** Due to the overstatement of **Amount Recovered (CY)** identified in **Note 2-2**, the recaptured funds reported in **Original Purpose** were also overstated by \$28,832.
- 6-1. **OCFO Identified:** The **Amount Identified (PY)** was not fully corrected from the FY 2012 AFR reported amounts, resulting in an overstatement of \$805,549. The **Amount Identified (PY)** also did not include FY 2012 identified overpayments of \$3,464,346, resulting in a net understatement of \$2,658,797.
- 6-2. **OCFO Identified:** The **Cumulative Amount Identified (CY+PYs)** is net understated by \$2,658,797. See **Note 6-1** for details.
- 6-3. **OCFO Identified:** The **Cumulative Amount Recovered (CY+PYs)** is understated by \$3,333,915 and does not include current year (FY 2013) recovered amounts of prior year (FY 2012) identified improper payments.

Appendix D – Management Comments



GSA Office of the Chief Financial Officer

APR 7 2014

MEMORANDUM FOR HILDA GARCIA
REGIONAL INSPECTOR GENERAL FOR AUDITING
(JA-9)

FROM: MICHAEL CASELLA 
CHIEF FINANCIAL OFFICER (B)

SUBJECT: Response to Audit of the General Services Administration's FY
2013 Improper Payments Performance Report Number
A140021

Thank you for the opportunity to comment on the draft report. We appreciate your efforts to evaluate the performance of the GSA improper payment program and agree with the findings and recommendations.

Corrective actions are underway to:

- Improve accuracy of reporting improper payments information into the Agency Financial Report (AFR) by expanding upon existing reconciliation procedures, developing reconciliation templates and edit checks to ensure the accuracy over reporting, designing additional internal review procedures, and developing standard operating procedures;
- Improve the controls over payments to the contractor by adding an additional layer of review to ensure invoiced amounts match the terms. GSA is also in the process of recovering the overpaid amounts; and
- Formalize and disseminate procedures regarding claim validation reviews and timelines to all regional offices. This will include a process to track, monitor and elevate status and exceptions of each claim.

The attachment includes responses for each recommendation.

Should you have any questions regarding this matter, please contact Susie Dossie of my staff at (202) 501-0145.

Attachment

U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405
www.gsa.gov

Appendix D – Management Comments (cont.)

Finding 1 – GSA did not accurately report its FY 2013 improper payments information.

1. Adhere to established accounting processes and strengthen current review procedures to ensure accurate reporting of improper payments information in the AFR.

Management Response: Management concurs with this recommendation and has initiated appropriate corrective action. The OCFO is updating the payment recapture audit reconciliation procedures, which will include step-by-step instructions to ensure calculations yield the same result when re-performed. The OCFO is developing a template for the reconciliation that will include a systematic approach to reduce manual calculations while instituting edit checks to verify accuracy.

2. Establish a formal review process for the OMB MAX submission of improper payments information.

Management Response: Management concurs with this recommendation and will initiate appropriate corrective action. The OCFO will develop a formal process for management review of the OMB MAX reporting data prior to submission to ensure what is reported is accurate and matches the Agency Financial Report (AFR) and supporting documents.

3. Correct the FY 2013 improper payments information reported in OMB MAX.

Management Response: Management concurs with this recommendation and has made appropriate corrective action. The OCFO has made the appropriate corrections in OMB MAX; however, when actual amounts were entered into OMB MAX, amounts were automatically rounded to the hundredths. In addition, the OCFO has confirmed with OMB that cumulative amounts cannot be trued-up to the amounts reported in the AFR unless OMB opened all previous years' reports and GSA adjusts them year-by-year. OMB decided this would not be the best course of action but asked that GSA include a note in OMB MAX regarding the difference.

Finding 2 – GSA improperly paid its payment recapture audit contractor.

1. Seek reimbursement from the payment recapture audit contractor for the FY 2013 improper payment of \$14,768.

Management Response: Management concurs with this recommendation and has initiated appropriate corrective action. The OCFO completed the invoice payment reconciliation for the payment recapture audit vendor since the billing rate changed, effective as of April 2011. A claim for the total overpaid amount will be established in early April 2014.

Appendix D – Management Comments (cont.)

2. Review prior fiscal year invoices from the payment recapture audit contractor to verify billing accuracy and recover any identified overpayments

Management Response: Management concurs with this recommendation and has initiated appropriate corrective action. The OCFO completed the invoice payment reconciliation for the payment recapture audit vendor since the billing rate changed, effective as of April 2011. A claim for the total overpaid amount will be established in early April 2014.

3. Establish internal controls to ensure billings from the payment recapture audit contractor are accurately invoiced and paid.

Management Response: Management concurs with this recommendation and has initiated appropriate corrective action. The OCFO has revised its payment recapture auditor invoice validation procedure. The revised procedure includes an additional control step where the Contracting Officer Representative (COR) reviews and approves invoices to ensure the billing rates are in accordance with the contract.

Finding 3 – Regional reviews for claim validation were not timely.

1. Develop and disseminate formal procedures regarding claim validation reviews and timelines to all regional offices.

Management Response: Management concurs with this recommendation and will initiate appropriate corrective action. The OCFO will develop and disseminate formal procedures regarding claim validation reviews. In addition, the OCFO will develop a process to track claims and report status of open claims that can be escalated to senior management.

Appendix E – Report Distribution

Chief Financial Officer (B)

Chief of Staff (B)

Acting Director, Office of Financial Policy and Operations (BC)

Acting Director, Internal Control Division (BCB)

Audit Liaison, Office of the Chief Financial Officer (B)

Program Manager, GAO/IG Audit Response Division (H1C)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Investigations (JID)

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