



Office of Inspector General  
U.S. General Services Administration

# Semiannual Report to the Congress

April 1, 2009 – September 30, 2009

# GSA's SIGNIFICANT MANAGEMENT CHALLENGES

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

CHALLENGES	BRIEF DESCRIPTION OF CHALLENGE	PAGE
<b>ACQUISITION PROGRAMS</b>	GSA's procurement organization awards and administers government-wide contracts worth \$100 billion. With growing programs and shrinking numbers of qualified acquisition personnel, attention to important fundamentals such as ensuring competition, meaningful price analysis, and implementation of statutory and regulatory compliance-type requirements has diminished.	2
<b>INFORMATION TECHNOLOGY</b>	Technology applications have increased exponentially as "E-Gov" is used to better manage operations and interface with the public, but complex integration and security issues exist.	10
<b>MANAGEMENT CONTROLS</b>	Management controls have been streamlined, resulting in fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed. The need for strong internal controls underlies several of the other management challenges.	16
<b>PROTECTION OF FEDERAL FACILITIES AND PERSONNEL</b>	GSA is responsible for protecting the life and safety of employees and public visitors in Federal buildings. The increased risks from terrorism have greatly expanded the range of vulnerabilities. A broadly integrated security program is required.	No Reports This Period
<b>HUMAN CAPITAL</b>	GSA has an aging workforce and is facing significant loss of institutional knowledge due to retirements, including a loss of key management staff over the past year. Better recruitment and training programs are needed to develop the 21st century workforce.	No Reports This Period
<b>FEDERAL BUILDINGS FUND</b>	Faced with an aging, deteriorating inventory, GSA is challenged in making the best use of available funds to deliver high performance workplaces on schedule and within budget.	20

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## Foreword

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*I am pleased to provide this report to the people of the United States and their elected representatives in Congress. The Office of Inspector General (OIG) at GSA has been working successfully to identify and prevent waste, fraud, and abuse in connection with the programs and operations of GSA. This reporting period, we issued 98 audit reports and identified over \$282 million in funds recommended for better use and questioned costs. We also made 266 referrals for criminal prosecution, civil litigation, and administrative action—activities valuable in their own right, as well as for their deterrent effect. In this reporting period GSA achieved savings totaling over \$466 million from management decisions on audit findings and from civil settlements and investigative recoveries.*

*Notable during this reporting period was the \$128 million civil settlement with NetApp, Inc., for alleged false claims and contract fraud in connection with the sale of information technology products and services. NetApp is the largest Multiple Award Schedule contract fraud settlement that GSA has ever obtained. Almost \$24 million in contract fraud settlements were obtained during this reporting period from other companies.*

*The Recovery Act provides GSA with \$5.5 billion in construction funding, its single largest amount ever, which must be obligated within a relatively short timeframe. This reporting period, we developed a risk assessment of GSA's Recovery Act implementation, and began reviews of major construction and high performance "green building" projects and the Department of Homeland Security headquarters project. In addition to oversight reviews, we have provided contract audit support through 32 reports and memoranda on reviews of contractors' proposals.*

*During this reporting period, I offered Congressional testimony on contracting oversight and Recovery Act issues. Our office took the lead in helping to prevent fraud by providing fraud awareness training in conjunction with the U.S. Department of Justice to over 1,200 individuals in GSA's Headquarters and 11 regions. We also received four contractor disclosures under the Federal Acquisition Regulation rule implementing the Close the Contractor Fraud Loophole Act, P.L. 110–252.*

*We remain committed to assisting GSA to accomplish its mission with efficiency, effectiveness, and economy. By their steady record of accomplishment, OIG employees continue to show a dedication to effective public service of which our nation can be proud. I commend our employees for their professionalism and performance in discharging their duties and upholding the law. I also recognize the continued strong support of Congress, OMB, and employees throughout GSA.*



*Brian D. Miller  
Inspector General  
September 30, 2009*



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## *Table of Contents*

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	<b>Page</b>
Summary of OIG Performance .....	v
Executive Summary .....	.vii
OIG Organization Chart .....	.xiii
OIG Profile .....	1
Management Challenges .....	2
Acquisition Programs .....	2
Information Technology .....	10
Management Controls .....	16
Federal Buildings Fund .....	20
New Initiatives .....	21
Promoting and Protecting Integrity .....	26
Governmentwide Policy Activities .....	37
Professional Assistance Services .....	43
Statistical Summary of OIG Accomplishments .....	45
<b>Appendices</b>	
Appendix I – Significant Audits from Prior Reports .....	53
Appendix II – Audit Report Register .....	57
Appendix III – Audit Reports over 12 Months Old, Final Agency Action Pending .....	68
Appendix IV – Government Contractor Audit Findings .....	72
Appendix V – Audits Without Management Decision .....	73
Appendix VI – Delinquent Debts .....	74
Appendix VII – Reporting Requirements .....	75
Appendix VIII – OIG Offices and Key Officials .....	76

**This semiannual report may be accessed on the Internet at the following address: <http://www.gsaig.gov>**



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## Summary of OIG Performance

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April 1, 2009 – September 30, 2009

### ***OIG Accomplishments***

Total financial recommendations \$282,423,231

These include:

• Recommendations that funds be put to better use \$268,888,227

• Questioned costs \$ 13,535,004

Audit reports issued 98

Referrals for criminal prosecution, civil litigation, and administrative action 266

### ***Results Attained***

Management decisions agreeing with audit recommendations, civil settlements, and court-ordered and investigative recoveries \$466,476,422

Indictments and informations on criminal referrals 40

Cases accepted for criminal prosecution 29

Cases accepted for civil action 9

Successful criminal prosecutions 36

Civil settlements 8

Contractors/individuals suspended and debarred 122

Employee actions taken on administrative referrals involving GSA employees 23

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## ***Fiscal Year 2009 Results***

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### ***During Fiscal Year 2009, OIG activities resulted in:***

- Over \$599 million in recommendations that funds be put to better use and in questioned costs. If adopted, these recommendations ultimately result in savings for the taxpayer.
- 154 audit reports that assisted management in improving the efficiency and effectiveness of Agency operations.
- Almost \$918 million in management decisions agreeing with audit recommendations; \$210.2 million in criminal, civil, administrative, and other recoveries.
- 228 new investigations opened and 204 cases closed.
- 75 case referrals (112 subjects) accepted for criminal prosecution and 23 case referrals (44 subjects) accepted for civil litigation.
- 101 criminal indictments/informations and 91 successful prosecutions on criminal matters referred.
- 13 civil settlements.
- 42 employee actions taken on administrative referrals involving GSA employees.
- 150 contractor/individual suspensions and 62 contractor/individual debarments.
- 2,746 Hotline calls and letters received of which 138 were referred for criminal or civil investigations, 91 were referred to other agencies for follow up, and 225 were submitted to GSA for review and appropriate administrative actions.



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## *Executive Summary*

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During this semiannual period, the OIG continued to direct its auditing and investigative resources toward what it has identified as the major management challenges facing GSA. The OIG conducted audit reviews and investigations to ensure the integrity of the Agency's financial statements, programs, and operations, and to ensure that the taxpayers' interests were being protected. The OIG also continued to initiate actions to prevent fraud, waste, and abuse, and to promote economy and efficiency throughout GSA.

The OIG's resources have been directed specifically toward conducting preaward, financial, and programmatic audits; management control assessments; contract reviews; investigations of fraud, abuse, and related actions by GSA employees and government contractors; and litigation support in civil fraud actions, enforcement actions, criminal prosecutions, contract claims, and administrative actions, all in an effort to maintain the integrity of GSA programs.

### *Management Challenges*

The OIG continued to strive to provide the high level of quality in reviews and recommendations for which it is known, and which it believes necessary in order for GSA to continue leading the government in contracting and procurement. During this semiannual period, the focus has been on acquisition programs, information technology, management controls, the federal buildings fund, and new initiatives. The following are significant audits and reviews that identify major issues facing GSA.

#### **Acquisition Programs**

**Significant Preaward Reviews and Other Audits.** The OIG's preaward review program provides information to contracting officers (COs) for use in negotiating contracts. This period, the OIG performed preaward reviews of 74 contracts with an estimated value of \$8.1 billion. We recommended that more than \$268 million be put to better use. During this reporting period, management decisions were made on 29 preaward reports, which recommended that over \$303 million be put to better use. Management agreed with 99.7 percent of the recommended savings (page 2).

**Inconsistencies in Implementing MAS Program Policy.** GSA's Multiple Award Schedule (MAS) Program consists of 38 schedules administered by nine Acquisition Centers (Centers). The OIG conducted an audit to determine whether the Centers are effectively implementing the pricing guidance that governs the MAS Program, including guidance on rate escalation and price adjustment. The auditors found inadequate and inconsistent documentation and implementation of Most Favored Customer pricing; inconsistent or inaccurate application of price escalations to contracts that reduced the government's price protections; and a generally inadequate degree of national oversight control, leading to inconsistency between the Centers (page 3).

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## Executive Summary

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### **Improving Resource Allocation and Feedback in GSA's PMR Program.**

The GSA Office of the Chief Acquisition Officer (OCAO) created a Procurement Management Review (PMR) Division in 2004, which conducts peer reviews of GSA contracting activities and makes recommendations for improvement in acquisitions. OIG auditors evaluated whether the PMR program was effective in identifying and improving deficiencies in acquisition practices, and whether the OCAO has an effective means of measuring the effectiveness of the PMR program. The auditors concluded that the PMR program could better allocate its limited resources to GSA's higher-risk contracting activities; improve its communication and implementation of recommended improvements; and refine the Outcome Analysis Tool it uses to evaluate contracting activities (page 5).

### **Possible Improvements in FAS Performance Measures for MAS Program.**

The OIG conducted an audit to determine whether the Federal Acquisition Service (FAS), which oversees the Centers that administer the MAS Program, has adequate performance measures to determine whether MAS contracting officers are achieving high contract quality, including obtaining the lowest-cost alternative for the government's needs. The audit found that the measures of customer satisfaction are sufficient. However, FAS should still strengthen price-related performance measures and measures of compliance with applicable laws, regulations, and guidance (page 6).

**Appropriate and Inappropriate Redundancies in GSS Programs.** GSA's Office of General Supplies and Services (GSS) requested that the OIG perform an audit to help address concerns in a 2007 Office of Management and Budget PART analysis. It identified that unnecessary duplication exists between two GSS business lines, the MAS Program and GSA Global Supply. The auditors concluded that while duplication exists, it is appropriate because the programs provide different levels of service and thus address different customer needs. However, there is unnecessary duplication within the MAS Program. This could be addressed by full implementation of the changes indicated by FAS's several studies and initiatives over the last decade (page 8).

### **Information Technology (IT)**

**Improvements in GSA's Internal IT Services Contract.** GSA has undertaken an Infrastructure Technology Global Operations initiative to consolidate its internal contracts for desktop computing, networking, messaging, and other services, in order to maximize consistency and efficiency. The auditors determined that GSA could improve the initiative by undertaking more precise cost savings measures, ensuring day-to-day consistency in the tech support program, and, in particular, by monitoring possible security threats and developing a plan for responding to IT security incidents (page 10).

**Security Weaknesses in Agency Information Systems.** The Federal Information Security Management Act of 2002 requires OIGs to perform an annual independent evaluation of their agencies' information security programs. The OIG reviewed five systems in this period. Auditors identified four major areas in which information security could be improved. These include ensuring that system security plans cover all agency systems, including minor

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## Executive Summary

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applications; restricting access to sensitive and personally identifiable information to those with a need to know; preventing employees from creating unauthorized social networking websites on the GSA internal network; and providing contractor employees working on GSA electronic information systems with security awareness and privacy training (page 12).

### Management Controls

**Greater Oversight Needed in Federal Surplus Property Donation Program.** The Office of Personal Property Management within FAS determines whether personal property no longer needed by federal agencies is needed for another purpose within the federal government; if not, the property is available for donation to state and local public agencies through State Agencies for Surplus Property (SASPs). The OIG performed an audit to determine whether the Office of Personal Property Management is adequately overseeing SASPs and whether donated property is being allocated appropriately. The auditors concluded that GSA needs to undertake more effective oversight and corrective action over SASPs to ensure that they comply with donation program requirements. Auditors also found inadequate documentation and recording of donations (page 16).

**Inadequate Controls over Compliance with Lease Authorization Requirements.** Real estate leases for federal agencies must be authorized by Congress if the annual rent exceeds a certain threshold; authorization is obtained by submitting a “prospectus” on the lease to Congress. The OIG performed an audit to determine whether the Public Buildings Service has sufficient controls in place to keep leasing transactions consistent with prospectus requirements. The audit found a number of control weaknesses, including inadequate guidance regarding whether lease modifications require a separate authorization, inappropriate splitting of real estate requirements to avoid the rent threshold, and improper use of fast-track leasing procedures for transactions that exceeded the prospectus threshold (page 18).

### Federal Buildings Fund

**Weaknesses in Cost Estimates for Los Angeles Courthouse Alternatives.** After cancellation of the construction of a brand-new federal courthouse in Los Angeles, GSA provided cost estimates on various alternatives for meeting the court’s space needs to Congress, the Administrative Office of the U.S. Courts, and the Office of Management and Budget. Congress requested that the OIG determine whether these estimates are validly derived. The auditors concluded that the Public Buildings Service used different methodologies for the cost estimates, and that elements of some cost estimates were uncertain or even subjective, and, in some cases, based on miscalculations (page 20).

### New Initiatives

**New FAR Rule on Contractor Disclosures.** Last reporting period, a new Federal Acquisition Regulation rule went into effect requiring contractors to disclose significant overpayments, False Claims Act violations, and certain federal criminal offenses in conjunction with government contracts. During this reporting period, the OIG has received four contractor disclosures. OIG

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## *Executive Summary*

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components are working together internally, and the OIG is working closely with GSA acquisition personnel, to ensure that disclosures are promptly and properly reviewed and resolved (page 21).

**Recovery Act Oversight.** The American Recovery and Reinvestment Act (Recovery Act) appropriated almost \$6 billion to GSA for programs to create jobs and stimulate the economy, including remodeling federal buildings to achieve greater energy efficiency, constructing land ports of entry, and acquiring more fuel-efficient government vehicles. The Recovery Act also appropriated \$7 million to the OIG for oversight of these new programs. The OIG has already issued a risk assessment of GSA's implementation of its Recovery Act programs and an audit report evaluating the comprehensiveness of GSA's project plans for construction and renovation under the Recovery Act, and, in cooperation with the Defense Contract Audit Agency, completed 32 audits of contractor proposals for Recovery Act projects (page 23).

### *Promoting and Protecting Integrity*

GSA is responsible for providing working space for one million Federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property, and operates a government-wide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. When systemic issues are identified during investigations, they are shared with GSA management for appropriate corrective actions. During this period, criminal, civil and other monetary recoveries totaled almost \$156 million.

### *Significant Civil Actions and Criminal Investigations*

**Civil Settlements.** NetApp, Inc., agreed to pay the government \$128 million, plus interest, following an investigation of alleged false claims and contract fraud (page 26). This is the largest contract fraud settlement GSA has ever obtained. Dynamics Research Corporation agreed to a \$15 million settlement with the United States to settle allegations of a fraudulent kickback scheme (page 27). A federal court entered a consent judgment, pursuant to which Lighthouse Disaster Relief will pay the United States \$4 million, and relinquish \$1.66 million in garnished funds, for breach of its contract to provide services in support of Hurricane Katrina disaster relief (page 28). The United States won a \$2.3 million judgment against the owner and president of Pacific General, Inc., for submitting false claims (page 28). In separate cases, L-3 Government Services, Inc., agreed to pay almost \$2 million to the United States; University Loft Company agreed to pay \$400,000; and Booz, Allen & Hamilton, Inc., agreed to pay \$325,000, to resolve false claims allegations (pages 28-29).

**Bribery and Blackmail.** Following an investigation into a scheme in which federal employees received money and other items in exchange for directing task orders to Computer Giants, four federal employees pled guilty to theft, fraud, and conspiracy to commit bribery, and sentenced to 20 months, 15 months, 34 months, and 18 months of imprisonment, and ordered to pay a

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## Executive Summary

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total of \$76,658 in restitution. A former Computer Giants employee was sentenced to 27 months' incarceration and ordered to pay \$22,100 in restitution in connection with the same scheme (page 29). A federal employee was convicted of steering contracts to Escarnio Construction and Fischer Supply, both controlled by the same attorney, in exchange for bribes. Both the federal employee and the attorney pled guilty to bribery and to falsifying the federal employee's tax return; each was sentenced to 2 years' incarceration and 2 years' probation (page 30). Two Social Security Administration employees made threatening phone calls to a GSA employee threatening to disclose derogatory information about him to his supervisors if he did not pay them money. Both pled guilty; one was sentenced to 2 years' supervised release, the other to 1 year of probation and a \$2,000 fine (page 35).

**Theft and Embezzlement.** A GSA employee pled guilty to theft and embezzlement of \$539,549.44 of government funds, which he caused to be paid to his fictitious company. He was sentenced to 37 months' incarceration and ordered to repay the stolen funds (page 31). The president of the National Center for Employment of the Disabled pled guilty to embezzling millions of dollars of government funds from the organization, making false statements, fraud, and preparing a false tax return; he has not yet been sentenced (page 31). A Mission Valley Auto employee pled guilty to taking Voyager credit cards from government vehicles awaiting repair and purchasing gas with them. He was sentenced to 5 years' probation and ordered to pay \$4,343 in restitution (page 32). The OIG also recovered one item of lost or stolen Works Progress Administration artwork during this period (page 35).

**Fraud and False Statements.** An Illinois township Road Commissioner pled guilty to mail fraud after selling Federal Emergency Management Agency travel trailers to friends and family members. He was sentenced to 30 days' confinement and a \$10,000 fine (page 33). Two employees of a car repair company signed a Pretrial Intervention Agreement that they pay \$13,986 in restitution and serve 2 years' probation each, after they fraudulently billed GSA for 1,080 unnecessary oil changes to government vehicles (page 32). A former GSA employee pled guilty to making false statements in order to obtain employment with GSA, and was sentenced to 6 months' home confinement and 3 years' probation (page 33). The owner of JB Auto Restoration was found guilty of making false statements in connection with making excessive repairs to government vehicles, and was sentenced to 6 months' incarceration and 3 years' supervised release. The U.S. Postal Service employee who had funneled the excessive work to the repair shop was acquitted of conspiracy charges (page 33). A GSA contractor pled guilty to making false claims for certifying that he had paid his subcontractors when he had not. He was sentenced to 5 years' probation and ordered to pay restitution (page 34). A GSA contractor employee submitted fictitious quotes for GSA contracts in order to direct work to his employer. He pled guilty to tampering with government records and received deferred adjudication, and was sentenced to 4 years' probation (page 34).

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## ***Executive Summary***

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### **Suspension and Debarment – Highlights**

During this reporting period, the OIG made 128 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. GSA issued 122 suspension and debarment actions based on current and previous OIG referrals (page 35).

### **Integrity Awareness – Highlights**

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse and to reinforce employees' roles in helping to ensure the integrity of Agency operations. This period, we presented 64 briefings attended by 2,334 regional and Central Office employees (page 36).

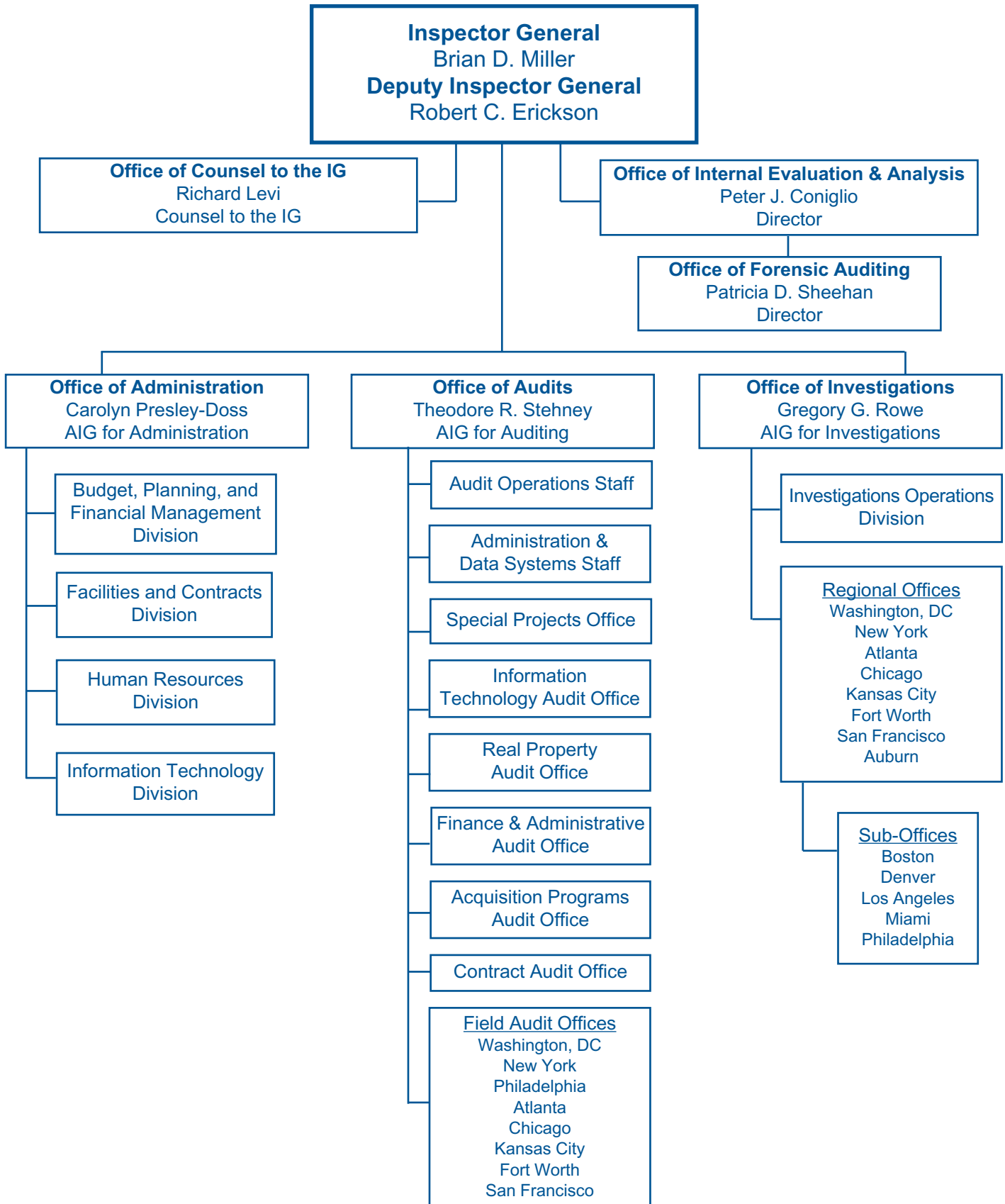
### **OIG Hotline – Highlights**

During this reporting period, we received 1,441 Hotline contacts. On the basis of these contacts, 276 Hotline cases were initiated. In 119 of these cases, referrals were made to GSA program officials for review and action as appropriate; 48 were referred to other Federal agencies for follow up; 83 were referred for OIG criminal/civil investigations or audits; and 26 did not warrant further review (page 36).

### ***Summary of Results***

The OIG made over \$268 million in financial recommendations to better use government funds; made 130 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed numerous legislative and regulatory actions; issued 83 subpoenas; and received 1,441 Hotline contacts. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over \$466 million.

# OIG Organization Chart



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## OIG Profile

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### Organization

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

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

- The Office of Audits, an evaluative organization staffed with auditors and analysts who provide comprehensive coverage of GSA operations through program reviews, assessments of management controls, and financial, regulatory, and system audits. The office conducts external reviews in support of GSA contracting officials to carry out their procurement responsibilities and obtain best value for Federal customers and the American taxpayers. The office also provides other services to assist management in evaluating and improving their programs.
- The Office of Investigations, an investigative organization that conducts a nationwide program to prevent, detect, and investigate illegal and/or improper activities involving GSA programs, operations, and personnel.
- The Office of Counsel, an in-house legal staff that provides legal advice and assistance to all OIG components, represents the OIG in litigation arising out of or affecting OIG operations, and manages the OIG legislative and regulatory review.
- The Office of Internal Evaluation and Analysis, a multidisciplinary staff that conducts operational assessments of the OIG components and their field offices; performs special projects for the Inspector General, including research and analysis; provides advice to the Inspector General; and conducts reviews and investigations internal to the OIG. It contains the Office of Forensic Auditing, an independent team that combines auditing and investigative techniques to utilize innovative detection strategies, assess fraudulent situations, and produce evidence meeting the standard of proof required by criminal courts.
- The Office of Administration, a professional staff that provides information technology, budgetary, administrative, personnel, and communications support and services to all OIG offices.

### Office Locations

The OIG is headquartered in Washington, DC, at GSA's Central Office Building. Field offices are maintained in Atlanta, Boston, Chicago, Denver, Fort Worth, Kansas City, Los Angeles, Miami, New York, Philadelphia, San Francisco, Auburn, WA, and Washington, DC. (A contact list of OIG offices and key officials is provided in Appendix VIII.)

### Staffing and Budget

As of September 30, 2009, our on-board staffing level was 316 employees. The OIG's FY 2009 budget is \$58.1 million, which includes \$3.25 million in reimbursable authority and \$800,000 in funds appropriated under the American Recovery and Reinvestment Act of 2009.

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## Management Challenges

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*Each year since 1998, we have identified and shared with Congress and senior GSA management what we believe to be the major challenges facing the Agency. (The current list is summarized on the front inside cover.) This period we continued our work in addressing these challenges, making recommendations, and working with management to improve Agency operations. The following sections highlight our activities in these areas.*

### **Acquisition Programs**

*GSA provides Federal agencies with products and services valued in the billions of dollars through various types of contracts. We conduct reviews of these activities to ensure that the taxpayers' interests are protected.*

### **Significant Preaward Reviews and Other Audits**

The OIG's preaward review program provides information to contracting officers for use in negotiating contracts. The pre-decisional, advisory nature of preaward reviews distinguishes them from other audits. This program provides vital and current information to the contracting officers, enabling them to significantly improve the government's negotiating position and to realize millions of dollars in savings on negotiated contracts. This period, the OIG performed preaward reviews of 74 contracts with an estimated value of \$8.1 billion. We recommended that more than \$268 million of funds be put to better use. Three of the more significant Multiple Award Schedule (MAS) contracts we reviewed had projected government-wide sales totaling more than \$2.9 billion. The review findings recommended that \$183 million in funds be put to better use. The reviews disclosed that these vendors offered prices to GSA that were not favorable and discounts that were not as favorable as the discounts other customers received from these vendors. For example, one vendor for services overstated its cost build-up rates because it did not include all of its direct labor employees in its calculations, did not account for uncompensated overtime for direct labor employees, and applied an unsupported inflation factor to the rates. Another vendor for services did not provide complete information, and the labor rates on its MAS contract were overstated when compared to its actual employees' rates. Finally, one vendor disclosed incomplete and inaccurate information about discounts to commercial customers and to state, local, and educational customers.

There are more than 17,500 MAS contracts with over \$38 billion in business annually under GSA's procurement programs. Past history has shown that for every dollar invested in preaward contract reviews, at least \$10 in lower prices or more favorable terms and conditions are attained for the benefit of the government and the taxpayer. The Office of Management and Budget (OMB) has long recognized the increasing dollar value of GSA's contract activities and our limited resources in providing commensurate audit coverage. Since 2004, through the Federal Acquisition Service (FAS) contract program revenue, OMB officials have provided us additional financial support to increase our work in this area. These funds enabled us to hire additional staff to support expanded contract review activities including, primarily, an increase in preaward contract

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## Management Challenges

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### **Acquisition Programs (continued)**

reviews, as well as more contract performance reviews that evaluate contractors' compliance with pricing, billing, contract terms, and periodic program evaluations to assess the efficiency, economy, and effectiveness of contracting activities. Starting in FY 2010, OMB will be providing this additional support in direct appropriations to the OIG to provide continued service in this area. We will continue to work closely with FAS to develop preaward and contract performance assessment programs that strengthen government-wide contracts and provide value for the taxpayers. During this reporting period, management decisions were made on 29 of the preaward reports, which recommended that over \$303 million of funds be put to better use. Management agreed with 99.7 percent of the recommended savings.

### **Review of Consistency in Implementing Policy Across Acquisition Centers**

*Report Number A070118/Q/AIP09007, dated September 30, 2009*

The MAS Program is one of the GSA's largest procurement programs. It is operated by nine Acquisition Centers (Centers) that award and administer contracts under 38 schedules. The Office of Acquisition Management within the FAS is responsible for issuing the national operating and negotiating procedures and policy guidance for all of the Centers. GSA's Office of the Chief Acquisition Officer (OCAO) also issues national procurement guidance. Additionally, there is schedule, Center, and portfolio specific guidance available for acquisition personnel. Subsequent to our fieldwork, FAS announced the creation of the MAS Program Office with responsibilities that include developing and implementing MAS acquisition policy and guidance. The objectives of our review were to determine if policy and related guidance for the MAS Program are being implemented effectively by the Centers, and to identify best practices in use by the Centers. We narrowed the focus of these objectives to the area of pricing, including rate escalation and price adjustment.

Our review found opportunities for the Centers to improve the consistency of implementing procurement policy and related guidance when making determinations of fair and reasonable pricing and when conducting negotiations. While the contract file documentation that we reviewed consistently indicated that Most Favored Customer (MFC) pricing was targeted for negotiations per regulation, adequate support for this assertion was not always available. Of the 24 contract files we reviewed containing price analyses, each asserted that MFC pricing was targeted for negotiations. However, support for this assertion varied widely and in several cases adequate support was not available. For 8 contracts we did not find invoices in the contract files to substantiate MFC pricing and, in 6 of the 16<sup>1</sup> contracts that contained support, invoices were either not provided in a form that was comparable to the Commercial Sales Practices (CSP) form or the information was not timely or credible. Some determinations of price

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<sup>1</sup> GSA Office of Inspector General audit reports were available as support for three of the contracts we evaluated.

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## Management Challenges

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### ***Acquisition Programs (continued)***

reasonableness were based solely on the offeror's assertion that government pricing bettered MFC pricing without substantiation of these rates or further comparison to the market place. Also, to facilitate price analyses when assessing wage rates for offered labor categories, one Center relied on a flawed pricing tool. Additionally, some acquisition personnel informed us that they are not allowed to use cost analysis when considering offers under the MAS Program, a position with which we disagree. Further, we found inconsistent or inaccurate application of price escalations to contracts that reduced the government's price protections or may be confusing to the agencies using the MAS Program. Differing policy interpretations, increased demands on acquisition personnel, and the need for improved communication and oversight contributed to instances when the government did not have assurance of price reasonableness.

We identified controls at both the national and Center level designed to ensure the implementation of procurement policy and guidance. However, we found some instances when these controls were not applied. A lack of clearly defined responsibilities within the new FAS organization appears to have effectively neutralized national oversight control and may also have impacted sharing best practices between the Centers. While Center controls were in place and used, we found cases where they did not accomplish their intended purpose, resulting in potential harm to the government. We also noted isolated instances of inaccurate contractor postings on GSA Advantage, one of which may have resulted in overcharges to the government of more than \$590,000. In addition, we noted that the Centers are using a variety of procurement and operational business practices, such as negotiating volume discounts. Some of these practices appear transferable and could be considered best practices.

We recommended that the Commissioner of the Federal Acquisition Service:

- Develop and implement policy and training for acquisition personnel including:
  - o MFC pricing determination that employs methodologies commensurate with the value and risk of the acquisition.
  - o Use of cost analysis, including a clear definition of cost or pricing data in relation to information requested on the CSP form and for Office of Inspector General pre-award audits.
  - o Proper use of GSAM 552.216-70 as the Economic Price Adjustment clause when Commercial Price Lists contain more than base year rates.
  - o Schedule specific guidance to assist in determining wage rate escalation, including when escalation is appropriate, specific index selection, time periods for consideration, and application timeframe.
  - o Consideration of volume discounts during negotiation when offerors' practices include these discounts for their commercial customers, so as to maximize the government's purchasing power.

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## Management Challenges

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### ***Acquisition Programs (continued)***

- Assess the viability of developing or establishing resources at the national level to support contracting officers in all the Centers by providing cost/price analyses and support, particularly in the area of professional services.
- Fully implement FSS Acquisition Letter FX-03-1, updated through Supplement No. 3, dated February 18, 2005, ensuring these responsibilities are all clearly defined within the FAS organization. Additionally, consider performing an assessment as to whether control functions of the legacy Federal Supply Service and Federal Technology Service organizations have been adequately transitioned to the new FAS organization to enhance organizational performance and accountability.
- Develop and implement controls to ensure the accuracy of contract information published on GSA Advantage such as approved Special Item Numbers (SINs), authorized pricing, etc. Determine if potential overcharges of \$590,000 occurred and, if so, institute actions to recover funds.

The FAS Commissioner partially concurred with the report findings and recommendations.

### **Review of the GSA OCAO's Procurement Management Review Process**

*Report Number A080121/OIA/F09012, dated September 30, 2009*

GSA's OCAO is charged with strengthening the acquisition activities of GSA so that GSA can provide customers with acquisition support while emphasizing compliance, ethics, and integrity in contracting. In 2004, the OCAO created its Procurement Management Review (PMR) Division and initiated Procurement Management Reviews (PMRs). This Division coordinates with Agency professionals from various acquisition specialty areas within GSA to conduct periodic peer reviews of GSA contracting activities and make recommendations to management for improvement. The PMR Division also follows up on management action plans and compiles and analyzes data from its peer reviews. PMRs, if conducted effectively, can benefit acquisition personnel and management throughout GSA. The audit objectives were to determine whether (1) the PMRs are effective in identifying and communicating compliance issues to improve contracting officer performance in complying with Federal acquisition laws and regulations and (2) the OCAO has a mechanism for measuring the effectiveness of PMRs.

Our review found opportunities to strengthen the effectiveness of the PMR program by leveraging limited resources and implementing further process improvements. Specifically, the PMR Division may be able to better leverage available resources and provide additional assistance to higher risk contracting activities by adopting a broader risk-based approach when planning overall peer review schedules, contract action sampling, and the type or depth of peer

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## Management Challenges

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### ***Acquisition Programs (continued)***

review. Furthermore, we found opportunities to improve the efficiency and effectiveness of the PMRs in the areas of communication and feedback, review focus, and implementation of management action plans.

The PMR Division has developed a tool to assist in evaluating contracting activity performance. The continuing evolution of the PMR process and the qualitative aspects of PMRs have complicated the development of this tool, but the PMR Division has made improvements and these efforts continue. We also found opportunities to improve and supplement this tool, potentially improving its reliability and enhancing its use as a performance measure and for trend analysis.

We recommended that the Chief Acquisition Officer:

- Implement program improvements including:
  - o utilizing a broad risk-based approach across contracting activities;
  - o enhancing communication and feedback to ensure wide dissemination of best practices; and
  - o making improved use of the Internal Control and Audit Division Audit Tracking System to track implementation of management action plans.
- Continue efforts to improve the Outcome Analysis Tool and refine its usage to enhance quantification and trend analysis of PMR results.
- Continue current Office of Management and Budget Circular A-123 implementation efforts, integrating where possible with our prior recommendations, to leverage limited PMR resources.

The Chief Acquisition Officer generally agreed with the report findings and recommendations and indicated that steps to implement the recommendations were already underway.

### **Review of Program Performance Measurement for Procurement**

*Report Number A070171/QA/P09005, dated September 30, 2009*

Under the GSA's MAS Program (Schedules Program), the FAS establishes and administers long-term contracts with commercial vendors to provide government agencies with streamlined access to over 12 million commercial supplies and services to meet their missions. Agencies' use of the Schedules Program satisfies government-wide competition requirements mandated by law provided that GSA opens the program to all responsible sources, and contracts and orders under the program result in the lowest cost alternative for the government's needs. To ensure customer agencies and taxpayers receive the best value and fulfill the intent of the Schedules Program, contracting officers are responsible for negotiating with the goal of achieving vendors' most favored customer pricing through leveraging the collective

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## Management Challenges

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### ***Acquisition Programs (continued)***

purchasing volume of the government. The objective of this review was to determine if FAS has performance measures for MAS contracting officers that stress the importance of contract quality, including pricing, and if not, to identify potential performance measures FAS could implement to ensure that MAS contracts reflect the intent and goals of the Schedules Program.

Our review identified that FAS has performance measures for MAS contracting officers that assess contract quality, including customer satisfaction and compliance with laws, regulations, and guidelines. We found existing measures for customer satisfaction to be sufficient. However, because of the importance of pricing to the foundation of the Schedules Program, attention is needed to ensure that pricing receives more emphasis in the contracting officer's performance and to ensure an adequate assessment of overall compliance.

We recognize that FAS has made efforts to develop meaningful and measurable contract quality measures for MAS contracts, including some pricing measures. However, we believe FAS should adopt additional measures at the organizational level to address continuing concerns about Schedules Program pricing. Strengthening price-related performance measures is critical to improve controls over the quality of MAS contracts and enhance the value of the Program. In conjunction with the information based on our study of other government procurement organizations, we are also reaffirming recommendations from a previous report<sup>2</sup> intended to improve contracting officer performance in price analysis and negotiations.

Relative to broad compliance with laws, regulations, and guidelines, FAS has developed portfolio scorecards that incorporate a measure for overall quality of contract actions; however, FAS has not formally implemented the measure. The intended basis for the measure is the results of annual Procurement Management Reviews performed by GSA's Office of the Chief Acquisition Officer (OCAO); however, in our opinion, these reviews do not provide adequate evidence of the level of compliance for the Program due to the small number of MAS contract actions included in the samples.

We recommend that the Commissioner of the Federal Acquisition Service:

- Ensure that the Offices of General Supplies & Services; and Travel, Motor Vehicles, and Card Services develop at least one organizational measure emphasizing the importance of pricing to the Schedules Program for FY 2010 and future scorecards.

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<sup>2</sup> In Audit Report Number A060190/Q/6/P07004, "Review of Multiple Award Schedule Program Contract Workload Management," dated July 31, 2007, we addressed the need for increased attention to pricing in CO performance measures. To date, FAS has not implemented the recommendations to establish performance measures that evaluate CO effectiveness regarding price analysis and negotiations.

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## Management Challenges

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### ***Acquisition Programs (continued)***

- Ensure that the Offices of Integrated Technology Services; General Supplies & Services; and Travel, Motor Vehicles, and Card Services portfolios develop an organizational measure for FY 2010 and future scorecards to evaluate price analysis for a risk-based sample of proposed awards or modifications (e.g., percent of contracting actions reviewed with acceptable price analysis performed and documented in compliance with regulatory guidelines).
- Establish an internal review program through the Office of Acquisition Management that will provide an adequate assessment of the extent that MAS contracts meet requirements for quality in terms of compliance with laws, regulations, and guidelines and that can be quantitatively measured at the organizational level.

The FAS Commissioner partially concurred with the report findings and recommendations.

### **Determination of Unnecessary Duplication within the Office of General Supplies and Services, Federal Acquisition Service**

*Report Number A080226/Q/A/P09006, dated September 30, 2009*

We initiated our review of the Office of General Supplies and Services (GSS) of the FAS primarily at the request of GSS management to address issues identified in the OMB's 2007 Program Assessment Rating Tool's analysis of GSS, which stated that unnecessary duplication existed within GSS. The GSS is responsible for comprehensive supply chain management and acquisition services under its four business lines. Our review focused on the Supply Operations (GSA Global Supply) and Acquisition Operations (MAS Program) business lines, as we determined that they had the most potential for duplication. OMB's report noted areas of concern related to duplication of MAS contracts (1) for the same or similar products and services and competition between the customer centers because of regional management of FAS's acquisition centers; and (2) for similar products that were available under both GSA Global Supply and MAS that customer agencies could order through multiple websites that did not allow for item or price comparison. The objective of our review was to determine if unnecessary duplication exists within GSS, with a specific focus on whether OMB's assertion that unnecessary duplication exists between GSA Global Supply and MAS.

Our review determined that products and ordering systems for GSA Global Supply and MAS were duplicated. However, based on their unique business models, the duplicate ordering systems provide customers with different levels of service. GSA Global Supply performs functions on behalf of the customer, whereas MAS customers deal directly with the vendors. We concluded that the duplication was appropriate because each program serves different customer needs. While duplicate systems do increase costs, the systems generate revenue above their expenses and are providing value to the customer, as



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## Management Challenges

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### ***Acquisition Programs (continued)***

evidenced by heavy sales volume. In addition, we concluded that unnecessary duplication did exist within MAS but not within GSA Global Supply.

Duplication of products and services within the MAS Program is not a new issue for FAS. Since 1999, FAS has commissioned four studies and developed three initiatives addressing unnecessary duplication. While FAS has made strides in implementing changes as a result of these studies and initiatives, it has not implemented all of the recommended changes. For example, FAS has standardized contract clauses for the services schedules and reduced the number of GSS schedules to 32. However, it has not updated the guidance for the process (referred to as the 1649 process) used to minimize or eliminate overlap of contract offerings or schedules since FAS was formed as a result of the merger of the Federal Supply Service and the Federal Technology Service in 2006. FAS initiatives to reduce unnecessary duplication in the MAS Program have not reduced duplication to the maximum extent possible due to numerous operational issues and insufficient educational efforts related to the schedules.

Unnecessary duplication within MAS has caused confusion and increased operating costs for GSS, vendors, and customers alike. Opportunities exist for GSS to reduce unnecessary duplication by applying recommendations noted in FAS commissioned studies and optimizing GSS initiatives. By implementing the studies' recommendations, optimizing the initiatives, and resolving the systems issue, FAS could reduce confusion and costs for customers, vendors, and the organization.

We recommended the Commissioner of the Federal Acquisition Service:

- Create an accurate and complete inventory of GSS MAS duplication.
- Develop and implement a plan to determine whether recommendations in the September 2008 report regarding the 1649 process should be acted upon.
- Implement the following operational and educational improvements to the Consolidated Schedule (CS):
  - o Centrally determine which Schedules should participate in the CS, when they may be allowed to cease participation, and what documentation, review, and approval are required for such a change.
  - o Determine whether acquisition centers that assist with CS contracts should be allocated a portion of CS revenue.
  - o Synchronize updates of the CS and their participating Schedules.
  - o Determine the feasibility of improving the accuracy of CS vendor offerings displayed in FAS systems.
  - o Increase vendor awareness of the CS.

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## Management Challenges

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### ***Acquisition Programs (continued)***

- Issue updated guidance on the 1649 process, after determining the most suitable procedures.
- Submit a formal Federal Procurement Data System change request to GSA's Office of the Chief Acquisition Officer to resolve the issue that requires GSS to award separate MAS contracts for small business set-asides.

The FAS Commissioner concurred with our report findings and recommendations.

### ***Information Technology***

*GSA is in the process of replacing or upgrading a number of its legacy information systems to improve performance and take advantage of technological advances. Since GSA has had difficulty sharing usable data between systems, many of the new IT projects are intended to go beyond automating current business functions and to create real change in the way that GSA does business. However, GSA systems development projects have typically experienced significant schedule delays and cost overruns, the need for frequent redesign, and a prolonged period of time in development.*

### **Review of the Implementation of GSA's IT Infrastructure Support Services Consolidation Initiative**

*Report Number A070113/OIT/IF09007, dated June 18, 2009*

GSA's Infrastructure Technology Global Operations (GITGO) initiative was a performance-based task order awarded for the purpose of consolidating GSA's IT infrastructure support services. Expected benefits from the GITGO initiative to consolidate GSA's internal contracts for desktop computing, networking, messaging and other services were: (1) combining 40 disparate contracts into one consolidated contract; (2) enhancing efficiency by aligning functions performed by multiple organizations and locations; (3) establishing consistent IT infrastructure levels of service throughout GSA; (4) establishing a consolidated help desk for all IT infrastructure issues; (5) improving management controls over funding for IT infrastructure, and (6) simplifying enterprise efforts, such as implementing new software versions and maintaining asset inventories. Our audit objective was to assess whether risks with GSA's consolidation of IT support services have been adequately mitigated by determining if: (1) the GITGO initiative is generating expected cost savings and other benefits; (2) GSA's consolidated IT Service Desk is operating effectively, efficiently, and securely; and (3) GSA and the GITGO contractor are developing and implementing Information Technology Infrastructure Library (ITIL) processes to align IT support services to customer needs.

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## Management Challenges

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### **Information Technology (continued)**

Our review identified findings related to security, service, and cost validation risks that could hinder long-term success for GITGO if not adequately addressed. We have identified security controls that need to be strengthened in the areas of web application, database, and operating system platform security in response to results of technical scanning and other testing. Specifically, important risk management activities for the Unicenter Service Desk infrastructure, including certification and accreditation, the assignment of an Information System Security Officer (ISSO), and completion of an IT contingency plan should be prioritized. We also found that comprehensive procedures are not yet in place for service desk handling of security incidents, and audit trails for the remote support solution used by the IT Service Desk are not being analyzed for suspicious activity. An official GSA governance body should be utilized to review and approve changes to service level agreements as needed to monitor the performance of the infrastructure support processes. The ITIL is the selected IT service management framework for GITGO. However, a GITGO-specific ITIL plan, with milestones, is needed for guiding the development and implementation of ITIL disciplines for improving GSA's IT infrastructure services. Enhanced procedures are needed for the consolidated IT Service Desk to improve day-to-day operations. Since procedures were not adequate for verifying the pre-consolidation cost baseline information, the Office of the Chief Information Officer should improve the cost validation process to ensure the accuracy of future cost baselines for monitoring infrastructure support services. Taking steps to ensure improvements with GITGO at this time will assist GSA in progressing toward more standardized processes, reliable infrastructure support services, and efficiencies in GSA operations.

We recommended that the Chief Information Officer improve GSA Infrastructure Technology Global Operations (GITGO) security controls by:

- Enhancing IT security management of key certification and accreditation activities for the Unicenter Service Desk (USD) infrastructure to include:
  - o completing the required certification and accreditation;
  - o assigning an Information System Security Officer; and
  - o developing an IT contingency plan in accordance with the IT Security Policy.
  
- Addressing the security vulnerabilities for the USD infrastructure to include:
  - o mitigating the identified vulnerabilities;
  - o enhancing hardening procedures for web applications, databases, and operating system platforms; and
  - o ensuring that IT security performance measures allow for adequate oversight of the IT Service Desk by incorporating key requirements into the contracting process.

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## Management Challenges

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### **Information Technology (continued)**

- Improving the handling of IT security incidents by the IT Service Desk to include establishing comprehensive procedures for handling IT security.

The Chief Information Officer concurred with the findings and recommendations.

### **FY 2009 Office of Inspector General FISMA Review of GSA's Information Technology Security Program**

*Report Number A090126/OITIF09011, dated September 30, 2009*

The Federal Information Security Management Act of 2002 (FISMA) requires Federal agencies to develop, implement, and document an agency-wide information security program. FISMA provides a framework for securing Federal information systems including: (1) assurance of the effectiveness of information security controls over information resources; (2) development and maintenance of minimum controls required to protect Federal information and information systems; and (3) a mechanism for improved oversight of agency information security programs. FISMA requires Inspectors General to perform an annual independent evaluation to determine the effectiveness of their respective agency's information security program, including testing of a subset of the agency's information systems. The objective of this audit was to determine if GSA has developed, documented, and implemented an agency-wide information security program to provide information security for the data and systems that support the operations and assets of the Agency. We focused our review on the implementation of processes established with GSA's IT Security Program to manage risks for five select Agency systems.

GSA has taken steps to develop, document, and implement an agency-wide IT security program and also provide information security for the operations and assets managed by the Agency. We also noted improvements in the implementation of GSA's IT Security Program for select agency systems. Our annual FISMA review identified areas where steps are needed to strengthen risk management practices with GSA's IT Security Program and instances where system security officials' practices did not mitigate risks and protect sensitive data and systems, as required. Specific IT security findings fall into four main areas where we also provided overall recommendations to better manage risks for GSA systems and sensitive information: (1) certification and accreditation of system controls, (2) internal application security, (3) security of social media technologies (e.g., blogs, wikis), and (4) oversight of systems provided by contractors. Also, we found that management attention was needed to strengthen controls for specific GSA systems, particularly in the areas of access control, audit logging and monitoring, and secure configuration of system devices.

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## Management Challenges

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### **Information Technology (continued)**

To improve GSA's IT Security Program and better ensure the security of Agency systems, data, and operations, we recommended that the Chief Information Officer:

- Strengthen system certification and accreditation (C&A) processes by:
  - o Developing language to be included in C&A contracts for the provision of adequate details on methods used to conclude on the effectiveness of system security controls, and updating Agency security guidance accordingly.
  - o Enhancing oversight processes to ensure that detailed information on testing procedures and methodologies is provided in system C&A packages.
  - o Collaborating with system security officials to ensure that system boundaries and controls for minor applications are adequately considered with C&A activities.
- Enhance the security of internal applications by working with GSA Services/ Staff Offices/Regions to:
  - o Develop and maintain an inventory of internal applications, including the data maintained and functions performed by these applications.
  - o Ensure that these applications, including those we have identified in our report, meet GSA security requirements.
  - o Strengthen change management procedures to better ensure that applications are put in operation with appropriate security controls.
- Improve security of GSA's social media technologies, such as blogs and wikis, by:
  - o Reviewing all Agency-operated social media sites to ensure that appropriate access controls are established for creation and maintenance of such sites.
  - o Incorporating the Agency's social media policy into security awareness training and rules of behavior.
  - o Ensuring that periodic security reviews of social media sites are performed.
- Work with the Chief Human Capital Officer, Chief Acquisition Officer, and other Agency officials, as appropriate, to enhance the security of systems supported by contractors by:
  - o Developing an inventory of contractors supporting GSA IT systems that have significant privacy information responsibilities.
  - o Ensuring that appropriate security awareness and privacy training is provided to contractors supporting GSA systems, including role-based training for contractors with significant privacy information responsibilities.

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## Management Challenges

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### **Information Technology (continued)**

- o Prioritizing ongoing efforts to analyze and mitigate the use of non-government domains for GSA systems by focusing on systems provided by contractors as managed service offerings.
- o Ensuring that appropriate privacy clauses are included in contracts, statements of work, and task orders for Privacy Act systems.

The Chief Information Officer concurred with the report findings and recommendations.

To assess the effectiveness of GSA's IT Security Program for meeting the FISMA requirements, we based our results on five separate audits of the following systems: USAccess; Chief Financial Officer (CFO) Corporate Information Network; E2 Solutions (E2) system; Public Buildings Service (PBS) eLease system; and, Enterprise Communications System (ECS). The security control audit of USAccess was issued and reported in the previous SAR period. The audit of CFO Corporate Information Network will be issued in the next SAR period. The three remaining security control audits were issued this SAR period and are summarized below.

- The E2 system is an operational financial management Privacy Act System of Record operated and maintained by a Federal contractor to provide travel services for GSA. It is part of the e-Gov Travel Service (ETS) Initiative launched by GSA to meet the goals of the President's Management Agenda, initiated by President George W. Bush in 2001. ETS is an operational web-based service intended to provide travel management practices to consolidate Federal travel, minimize cost, and produce superior customer satisfaction. E2 is one of the three systems offered under the ETS Initiative. In our review of selected IT system security controls for the E2 system, we found that while GSA's Office of the Chief Financial Officer with assistance from the Federal Acquisition Service (FAS) Program Management Office has applied the majority of the security measures required by FISMA, we identified specific security controls that require management attention to ensure that sensitive financial and travel information is adequately safeguarded. Opportunities exist to strengthen system C&A and risk management processes by addressing not only the Government-wide solution but also risks and vulnerabilities specific to GSA's IT systems environment. We also found an opportunity to improve GSA's ability to effectively prevent, detect, and recover from a system security breach by ensuring that agreements have been developed for each interconnection with E2. As well, contractor oversight should be improved by ensuring that required personnel background investigations are completed and security awareness training is taken prior to providing contractors with full system access. Further, actions should be taken to strengthen system security by implementing two-factor authentication for user access to E2 and by restricting users to privileged procedures and user training materials to those with a need-to-know. The report contained three recommendations for the Chief Financial Officer to work with the FAS

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## Management Challenges

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### ***Information Technology (continued)***

Program Management Office and the Office of the Chief Information Officer to take actions to strengthen management, operations, and technical controls to better manage IT security risks with E2 implementation and to ensure the confidentiality, integrity, and availability of the system and the data it maintains.

- GSA's ECS is an Agency general support system comprised of collaboration and communication software and hardware that supports the exchange of information within the GSA community and is managed by the Office of the Chief Information Officer (OCIO). The system maintains email accounts for GSA employees and contractors and provides email access to another Federal organization. Through its PBX telephone systems, ECS provides a variety of telecommunications services to GSA associates in all GSA locations, including voicemail, fax, call transfers, and video and audio conferencing services, and further supports call center operations for FAS. In 2007, the OIG performed a review of GSA's Lotus Notes environment and identified serious security concerns. In our review of selected IT system security controls for the ECS, we found that the OCIO has completed positive actions to strengthen security controls for GSA's Lotus Notes environment; however, our analysis of specific management, operational, and technical controls found areas where additional steps are needed to better manage risk and ensure that the confidentiality, integrity, and availability of this important system are maintained. We found that location-related controls for all system physical locations were not addressed when a C&A was performed, limiting management's ability to rely on the C&A to make informed decisions about system security. We also identified the need to strengthen audit-monitoring practices to help in detecting potential malicious activities. Finally, our security control tests identified technical vulnerabilities including untimely patching and insecure settings that demonstrate the need to strengthen configuration and management practices to better manage technical risks. The report contained three recommendations for the Chief Information Officer to strengthen management controls for the C&A process, develop policy and procedures for enhancing audit-monitoring processes, and strengthen technical controls to protect sensitive system functions.
- The eLease system is a Privacy Act system owned by the PBS that maintains information required throughout the lifecycle of a PBS building lease, and supports over 2000 users across GSA. It supports GSA's mission to deliver superior workspaces through innovation at best value. The goal of eLease is to standardize a national leasing transaction lifecycle and automate daily tasks of realty specialists. In our review of selected IT system security controls for the eLease system, we found that while control tests showed that PBS has applied many system security controls required by FISMA and GSA's IT Security Program, our analysis of specific management, operational, and technical controls identified needed improvements for eLease, an important part of GSA's leasing process. First, system security can be enhanced by

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## Management Challenges

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### **Information Technology (continued)**

ensuring that system web users and web applications are configured in accordance with GSA's IT Security Policy. Second, ensuring that audit records for eLease are reviewed regularly for suspicious activity could assist in detecting potential unauthorized activity. We also noted that contingency planning activities were not tested for assurance of operational readiness. We further identified sensitive system documentation within the GSA intranet that could be accessed without authentication, including eLease security controls that should be restricted on a "need to know" basis. The report contained three recommendations for the Commissioner, Public Buildings Service to improve technical controls to maintain the eLease security; enhance operational readiness by ensuring that eLease procedures and staff are included in contingency plan testing; and, strengthen management controls over sensitive system documentation.

### **Management Controls**

*Multiple management controls and extensive supervisory reviews have been replaced, through streamlining efforts, by fewer and broader controls, making it essential that the remaining control processes be emphasized and consistently followed. Streamlined processes have helped GSA achieve its goal of serving customers more quickly and efficiently; however, the Agency is exposed to the risk of mismanagement and abuse if program officials do not ensure the faithful application of existing safeguards.*

### **Audit of Personal Property Management Donation Program, Federal Acquisition Service**

*Report Number A080104/Q/5/P09003, dated August 25, 2009*

Within GSA Federal Acquisition Service's Office of General Supplies and Services, the Office of Personal Property Management (Personal Property Office) is responsible for managing and facilitating the disposal of personal property continually being excessed by executive agencies. Specifically, GSA determines whether there are Federal requirements for an agency's excess personal property. If GSA determines that no Federal requirements exist, it becomes surplus property and is available for donation to State and local public agencies, through the State Agencies for Surplus Property (SASPs). To facilitate the disposal process, GSA established an internet based system, GSAXcess®, for listing agencies' excess property. For fiscal year 2008, the Federal government reported nearly \$8 billion (based on original acquisition cost) of property as excess. The objectives of the audit were to determine whether the Personal Property Office was providing effective oversight of the SASPs, and whether the property not processed through the GSAXcess® system was given adequate visibility and was properly allocated.



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## Management Challenges

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### **Management Controls (continued)**

While the Personal Property Office provided oversight of the SASPs, more can be done to ensure controls over property are adhered to and allocations performed reasonably. The SASPs assist donees in locating, screening, and acquiring needed equipment, and advise donees of the terms, conditions, restrictions, and noncompliance ramifications associated with donating personal property. Specifically, some SASPs did not notify GSA in a timely manner, or sometimes at all, when they did not pick up or acquire property they had selected for transfer. Also, GSA continued to transfer property with little corrective action to SASPs with histories of selling high percentages (25 percent or more) of the property transferred to them. The Personal Property Office's guidelines state that the SASPs must donate at least 75 percent of the property transferred from the Federal government. In addition, SASPs transferred property to Small Business Administration (SBA) 8(a) donees without the requisite SBA approvals designed to assure property was acquired for valid purposes. Furthermore, we found significant discrepancies between State Agency records and GSA records, and undetected and unchallenged misuse of donated property.

In many instances property donations were processed outside GSAXcess®, and referred to as manually prepared. This lowered the assurance that all parties with valid interests were adequately informed of the property. Even when donations are manually prepared, they are to be recorded in GSAXcess® once the transactions are completed. We found that this was not always done or were entered long after the transaction was completed. Lack of entry or untimely entry into the system reduces the transparency and obscures the audit trail for the transactions which increases the potential for abuse. Donations were manually prepared because of historic practice or for expediency, such as in the case of Federal Emergency Management Agency trailers. However, we did not find evidence that property processed outside the system was improperly allocated.

We recommended that the Commissioner of the Federal Acquisition Service:

- Enhance the monitoring of the State Agencies for Surplus Property by:
  - o Placing greater reliance on internal GSA automated records to assist in identifying potential problem areas.
  - o Simplifying and streamlining the SASP reviews so they are carried out more frequently.
  - o Assuring SASPs' sales and donation rates are factored into allocation decisions.
- Minimize the processing of property outside the GSAXcess® system whenever possible.
- Ensure donations processed outside GSAXcess® are promptly recorded in the system.

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## Management Challenges

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### **Management Controls (continued)**

The FAS Commissioner generally concurred with the report findings and recommendations.

### **Review of Management Controls over the Lease Prospectus Process**

*Report Number A070199/PIR/IR09002, dated July 15, 2009*

Leasing actions require Congressional authorization if the annual net rent exceeds a certain dollar threshold. Congressional authorization is accomplished through the lease prospectus process. Within GSA, the prospectus document, which outlines and justifies the proposed lease, is prepared by the region responsible for the lease and then submitted to PBS' National Office for review. Next, the OMB must approve it before it is submitted to Congress for approval. The objective of our review was to determine if management controls are in place to provide reasonable assurance that PBS leasing transactions adhere to prospectus requirements. To accomplish this objective, we evaluated a sample of prospectus submissions and corresponding leases from Fiscal Year 2001 through 2006, to determine if associated leases remained within congressionally approved parameters.

Overall, PBS has implemented management controls at the National Office and the regions over the lease prospectus process. However, interpretation and implementation of previous National Office guidance varied. During our review, PBS published a memorandum titled *Updated Lease Prospectus Guidance*, which included additional guidance regarding supplemental lease agreements (SLA), particularly post award SLAs, and the need to obtain a prospectus for a lease within ten percent of the applicable prospectus threshold. In general, there were variances in the regions regarding how to process additional space requests from the tenant agency, and inconsistencies in defining what constitutes a separate and distinct leasing action; a topic not covered in former or current policy. As a result, in some instances, a prospectus may not have been submitted or revised when necessary. Furthermore, the updated guidance does not define terms such as "material," clarify what is a separate and distinct leasing action, or describe the methodology for combining multiple approved prospectuses into a single lease.

Although the new guidance is an improvement, further clarification is needed, especially with regard to SLAs. SLAs are the primary method used to change or modify an existing lease. In some cases, a SLA could trigger the need for a prospectus or an amended prospectus to be submitted to Congressional committees. The lease files we reviewed contained variations in how SLAs were evaluated for prospectus implications. In certain instances, the files contained an analysis indicating that the contracting officer evaluated the SLA prospectus implications based on the revised lease terms for the entire lease. In other instances, the SLA was treated as a standalone leasing action, and only the incremental increases in square footage and rent costs were evaluated

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## Management Challenges

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### ***Management Controls (continued)***

for prospectus requirements. Twenty-one percent of the prospectus submissions and corresponding leases in our sample had incremental increases in space. This included 11 instances where SLAs were used to acquire additional space that either: (1) increased the size of a non-prospectus lease above the prospectus threshold; or (2) pushed a prospectus level lease above approved parameters.

In addition, PBS needs to address situations where multiple leases might be construed as a single leasing action. PBS's treatment of multiple tenant agency space requests as separate and distinct leasing actions has resulted in co-located leases with very similar terms that, when combined, exceed the prospectus threshold. While these leases are technically compliant with policy, they could be viewed as a single leasing action. In many of these situations, the Advanced Acquisition Program (AAP) inventory may have been a contributing factor. The AAP, specific only to the National Capital Region, provides for fast track, multiple award procurements for non-prospectus actions based on a generic solicitation for offers and was originally intended to satisfy customer needs for smaller blocks of space. For example, two leases were awarded on the same day, for the same tenant agency with the same lease terms, for about the same rentable square feet (RSF). The combined leases total approximately 114,000 RSF, with a net annual rent of slightly over \$3 million (27 percent above the FY 2005 threshold of \$2.36 million). The file did contain two space requests; however, they were from the same agency contact person and were dated the same day. In another instance, a prospectus level lease was awarded in December 2000 within the approved prospectus parameters of 178,789 RSF and \$4,827,303. A second lease, for 500 parking spaces at a cost of about \$379,000 annually, was awarded the same day for a ten-year term beginning and ending simultaneously with the leased office space. The prospectus only referenced 15 parking spaces. The commonalities in these examples indicate that the region should have considered awarding single, rather than multiple leases, with the appropriate prospectus. Also, while regional guidance notes that the AAP is not suitable for acquisition of prospectus level leases, our review disclosed that at least five prospectus level leases were awarded using AAP.

We also identified additional control issues that need to be addressed. These include incorrect calculations in prospectus analysis, limited documentation on tenant requirements, leases not monitored for prospectus compliance after award, and the need for increased communication among the parties involved in the process.

We recommended that the Commissioner of the Public Buildings Service:

- Establish a consistent approach for evaluating leasing actions for prospectus compliance, especially for additional space requests, SLAs, and rent calculations.

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## Management Challenges

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### **Management Controls (continued)**

- Improve communication and coordination among the prospectus process participants.
- Review the examples cited in our report to evaluate the current status of the leases and determine whether any leasing actions need to be reported to the appropriate Congressional committees.
- Develop controls to monitor prospectus leases after award.
- Remove superseded prospectus guidance from PBS's internal websites or identify it as having been superseded.

The PBS Commissioner generally concurred with the report findings and recommendations.

### **Federal Buildings Fund**

*As the landlord for the civilian Federal government, GSA is being challenged to provide quality space to agencies using an aging, deteriorating inventory of buildings. GSA needs a comprehensive strategy to enable an evaluation of its building projects nationwide to make the best use of available funds to deliver high performance workplaces on schedule and within budget.*

### **Review of Cost Estimates for the Los Angeles Courthouse Project**

*Report Number A080125/IP/IR09001, dated June 23, 2009*

The Administrative Office of the U.S. Courts has identified the Los Angeles Courthouse as the Judiciary's highest priority project with operations facing serious space shortages, security concerns, and operational inefficiencies. In July 2000, the House Committee on Transportation and Infrastructure authorized and Congress appropriated funds to design a new 41-courtroom courthouse. Through fiscal year 2005, Congress had appropriated approximately \$400 million for the project, and the General Services Administration (GSA) has acquired and prepared a site in downtown Los Angeles for construction of the new courthouse. However, the project experienced several delays, and in March 2006, GSA cancelled the procurement. GSA, in conjunction with the Office of Management and Budget, Congress, and the Courts, has been reconsidering its strategy to meet the Court needs. Alternatives to the original courthouse are being considered, ranging from scaled down versions of the original project to extensive renovation of the existing buildings to construction of additional courthouses. GSA has provided cost estimates of these project alternatives to the stakeholders. Congress has expressed concern over the reliability of these estimates and requested this review. The focus of our review was to determine if the project alternatives cost estimates are supported and based on valid criteria, analysis and assumptions.

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## Management Challenges

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### ***Federal Buildings Fund (continued)***

We found that PBS used different methodologies to develop the cost estimate for each of the project alternatives, as the alternatives were at different stages of development and the estimates were often developed within short time frames. These methodologies were based on varying degrees of cost support and detail. As such, in some instances the estimates included miscalculations and judgmental assumptions, as well as many unknown variables that can further impact the accuracy of the estimates. Moreover, the assumptions for some estimates were not clearly identified, thus adding a degree of uncertainty as to what the actual construction or renovation would entail.

Additionally, we noted that judgmental cost factors have a significant impact on the cost estimate. Each methodology applies an escalation factor to account for cost increases until the midpoint of construction. While the initial year of escalation was determined by a market survey, subsequent years are purely judgmental. Also, PBS has applied a “limited market fee” to the project costs to compensate for the effect of limited bidders in the Los Angeles marketplace interested in the project. While PBS consultants agreed with the fee, it appears subjective in nature. Should the cost escalation and limited market fee prove inaccurate, this would have a significant impact on estimate reliability.

We recommended that the Commissioner of the Public Buildings Service improve PBS’s construction cost-estimating accuracy by monitoring cost estimates against actual results to identify factors that could be enhanced.

The PBS Commissioner concurred with the recommendation.

### ***New Initiatives***

*The Government has seen significant changes over the last fiscal year. Specifically, the OIG is directly involved in two initiatives impacting GSA. In response to recent legislative actions regarding a new Federal Acquisition Regulation (FAR) rule that requires government contractors to disclose to agencies’ OIGs credible evidence of violations of Federal criminal law under U.S.C. Title 18 or the civil False Claims Act, we initiated a website for contractor self reporting, and internal procedures for evaluating such disclosures. In addition, the American Recovery and Reinvestment Act of 2009 (Recovery Act) has required a full range of OIG oversight activities including contract, financial, and internal audits, as well as criminal investigations, as GSA makes use of its Recovery Act funding to renovate and repair Federal buildings, construct land ports of entry, and acquire fuel-efficient vehicles.*

### ***New FAR Rule for Contractor Disclosure***

Effective December 12, 2008, the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) agreed on a final rule amending the FAR to amplify the requirements for a contractor code of business

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## Management Challenges

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### ***New Initiatives (continued)***

ethics and conduct, an internal control system, and disclosure to the Government of certain violations of criminal law, violations of the civil False Claims Act, and significant overpayments. The final rule implements the *Close the Contractor Fraud Loophole Act*, Public Law 110–252, Title VI, Chapter 1.

Under the rule, a contractor must timely disclose to the relevant agency's OIG in connection with the award, performance, or closeout of a Government covered contract performed by the contractor or a subcontract awarded thereunder, credible evidence of a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code, or a violation of the civil False Claims Act. The rule provides for the suspension or debarment of a contractor when a principal knowingly fails to timely disclose, in writing, such violations. The statute defines a covered contract to mean "any contract in an amount greater than \$5,000,000 and more than 120 days in duration." The final rule also provides that the contractor's internal control system shall be established within 90 days after contract award, unless the contracting officer establishes a longer time period (see FAR 52.203–13(c)). The internal control system is not required for small businesses or commercial item contracts.

The GSA OIG has put in place a website for contractor self-reporting and GSA's contractors may make the required disclosures through this website. Further, the OIG has developed internal procedures to process, evaluate, and act on the disclosures made by contractors. As disclosures are made, the Office of Audits, Office of Investigations, and Office of Counsel to the Inspector General work together examining each acknowledgment and making a determination as to what actions are warranted. During this reporting period, we have received four actual disclosures. Also, it is not uncommon for a contractor to inform the OIG of an issue that potentially could rise to the level of mandatory disclosure; therefore, the company is proactively alerting the OIG of the potential for a future disclosure.

In cases involving substantial contractor overpayments, the contractor's disclosure can be made to either the OIG or the GSA contracting officer (CO). The Office of Audits is working with Agency management to ensure that disclosures made to GSA COs are forwarded to the OIG for a full review. Another common disclosure involves activities discovered as the result of company mergers whereby the remaining company performs systems reviews and uncovers a potentially reportable issue, such as the failure of the company no longer existing to pass on a contractual discount to the Government. A further cause for potentially reportable activity is found in overlooking the inadvertent mixing of two companies' accounting and procedures systems that were in place to ensure contract compliance. The OIG will work closely with the COs and the FAS to insure these disclosures are reviewed fully.

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## **Management Challenges**

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### ***New Initiatives (continued)***

#### **Oversight of GSA's Implementation of the American Recovery and Reinvestment Act**

The Recovery Act was enacted to create jobs and stimulate the economy through a variety of measures that modernize the Nation's infrastructure and improve energy independence. The Recovery Act provides GSA with funding to renovate and repair Federal buildings to improve energy efficiency, construct land ports of entry (LPOE), and acquire fuel-efficient vehicles. Specifically, the Recovery Act provides \$5.55 billion to the Federal Buildings Fund, of which \$750 million will be used for Federal buildings and courthouses, \$300 million for LPOEs, and \$4.5 billion for measures necessary to convert Federal buildings to High-Performance Green Buildings. The Recovery Act requires that \$5 billion of these funds be obligated by September 30, 2010, the remainder to be available until September 30, 2011.

Additionally, the Recovery Act provides \$300 million to improve the fuel efficiency of GSA's fleet, which will remain available until September 30, 2011. The Act requires that a spending plan, an inventory of the Federal fleet, and a strategy to substantially increase energy efficiency be completed within 90 days of enactment. The language also requires quarterly reports on obligations beginning June 30, 2009.

The Recovery Act also provides \$7 million to the GSA OIG for oversight activities, to be available until September 30, 2013.

#### ***OIG Oversight***

Effective implementation of the provisions of the Recovery Act poses additional challenges for GSA. When organizations face large workload increases combined with short deadlines, the fast pace and pressure can often undermine the organization's management controls and thus create an environment that provides more opportunities for fraud, waste, and abuse to occur.

The Recovery Act provides GSA with its largest amount of construction funding ever, and the proposed timeframes to award the funding create the need to develop and award contracts quickly. This is a major undertaking, as GSA typically receives approximately \$1.3 billion of construction funds per year and its resources for managing the projects and awarding and administering the contracts are geared toward this lower funding level. In addition, the \$300 million for fuel-efficient vehicles must be incorporated into a business process that is usually driven by fulfilling customer needs as they arise rather than stockpiling vehicles until they are needed.

Historically, GSA has confronted a number of challenges that could impact its implementation of the Recovery Act. Specifically, in the construction program, the OIG has noted deficiencies relating to cost escalations, claims, and project delays, which result in additional costs to the projects as well as lost rental

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## **Management Challenges**

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### ***New Initiatives (continued)***

revenue. In the area of financial reporting, we have noted, via the independent public accounting firm's financial statement audit, GSA's challenges in ensuring that the financial statements are complete and accurate. For example, the FY 2007 financial statements failed to report \$276 million of building-related contractual obligations, including one construction contract for \$188 million, as well as \$220 million of contractual obligations for vehicle purchases. Both contracting and performance irregularities have potential to occur in this environment.

The oversight of GSA's implementation of the Recovery Act will require a full range of oversight activities including contract, financial, and internal audits, as well as criminal investigations, over the long term. As part of its core oversight activities, the OIG performs internal audits that evaluate GSA functions and programs for economy, efficiency, and effectiveness; contract audits of proposals as well as high value contract modifications and claims under PBS construction contracts; and investigations of criminal activities that impact GSA programs. In addition, due to the nature of construction, the need for oversight will extend beyond the funding period until the projects are completed and claims have been settled.

### ***Activities to Date***

In providing oversight of GSA's implementation of the Recovery Act, the OIG has been performing a variety of oversight activities. The OIG developed a risk assessment of GSA's Recovery Act implementation. The risk assessment, entitled GSA's Implementation Challenges for the Recovery Act, was issued on August 6, 2009. In assessing GSA's ability to effectively manage these funds, the OIG identified several challenges that should be addressed. The OIG found that the Agency needs to hire or contract a sufficient number of qualified contracting and project management personnel to carry out the work. To manage construction projects, the Agency also needs to ensure that projects are thoroughly planned and that project documentation is maintained. The Agency also needs to ensure it meets the requirements for converting Federal buildings to High-Performance Green Buildings

The OIG has also initiated reviews of GSA's Recovery Act responsibilities including reviews of major construction projects, limited and small scope high performance green building projects, and the Department of Homeland Security headquarters project. As of September 30, 2009, the OIG has issued one audit memorandum related to Recovery Act oversight. The memorandum on PBS's Major Construction and Modernization Projects Funded by the American Reinvestment and Recovery Act of 2009: Comprehensive Project Plans, dated September 29, 2009, found that project plan management plans, known formally as Comprehensive Project Plans (CPP), have not always been updated or fully developed and approved for major Recovery Act construction and modernization projects. These plans are important as they identify the



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## ***Management Challenges***

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### ***New Initiatives (continued)***

project goals and objectives, the roles and responsibilities of each member of the project management team, as well as the risk mitigation strategies being employed.

In addition to oversight reviews, the OIG has provided contract audit support to GSA contracting personnel to assist and support the contracting personnel in their efforts to assess and evaluate offers from potential contractors. As of September 30, 2009, the OIG had issued 32 reports and memoranda on reviews of contractors' proposals. As part of this effort, the OIG Office of Audits coordinated with the Defense Contract Audit Agency to perform 27 audits of proposals related to a major GSA construction project. The total proposed dollars audited were over \$126 million. As of September 30, 2009, 26 of these audits have been completed and issued to GSA contracting personnel.

To further assist the agency, the OIG has provided fraud awareness briefings related to the Recovery Act and performed outreach to GSA personnel as well as to others. In particular, the OIG teamed with the Antitrust Division of the Department of Justice to provide fraud awareness training to each of GSA's 11 regions as well as GSA's Headquarters. The fraud awareness training reached over a total of 1,200 individuals. The OIG has also made outreach presentations at the GSA Expo and to the Federal Chief Information Officers Council. The GSA Expo was designed to benefit Federal, state and local government employees and military members who make or influence procurement decisions. The presentation, which was held on August 7, 2009 for the Chief Information Officers Council, focused on improving information technology investment management practices in the Federal government to better prevent and detect fraud, waste, and abuse with the implementation of the Recovery Act.

As a broadened part of the Recovery Act oversight, the OIG Office of Audits also prepared and presented training to its staff. This training course, entitled "Construction Claims in the American Recovery and Reinvestment Act Environment," provided detailed, technical instruction on how to audit construction claims generated from Recovery Act projects. Further, the OIG has assembled a claims team to perform audits and oversight of the Recovery Act construction projects.

Finally, in support of the OIG's mission to prevent and detect fraud, waste, and abuse, the OIG has opened multiple investigations related to the Recovery Act. Several of these investigations are ongoing.

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## Promoting and Protecting Integrity

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*GSA is responsible for providing working space for one million Federal employees. The Agency also manages the transfer and disposal of excess and surplus real and personal property and operates a government-wide service and supply system. To meet the needs of customer agencies, GSA contracts for billions of dollars worth of equipment, supplies, materials, and services each year. We conduct reviews and investigations in all these areas to ensure the integrity of the Agency's financial statements, programs, and operations, and that the taxpayers' interests are protected. In addition to detecting problems in these GSA programs and operations, the OIG is responsible for initiating actions to prevent fraud, waste, and abuse and to promote economy and efficiency. When systemic issues are identified during investigations, they are shared with GSA management for appropriate corrective actions. During this period, criminal, civil, and other monetary recoveries totaled almost \$156 million (see Tables 5 and 6).*

### **Significant Civil Actions and Criminal Investigations**

#### **GSA Contractor Agrees to Pay \$128 Million to Resolve Contract Fraud Allegations**

On April 27, 2009, NetApp, Inc. and NetApp U.S. Public Sector, Inc. (collectively NetApp) agreed to pay the United States \$128 million, plus interest, following an investigation of alleged false claims and contract fraud. This is the largest contract fraud settlement the GSA has obtained to date.

The settlement relates to contracts entered into by NetApp (a computer storage and data management solutions company) to sell hardware, software and storage management services for computer network environments to government entities through GSA's Multiple Award Schedule (MAS) program. Under the MAS program, contractors must agree to disclose commercial pricing policies and practices, and to abide by the contract terms when selling to purchasers under the MAS contract.

The settlement resolves allegations that in contract negotiations and over the course of the contracts' administration, NetApp knowingly failed to meet its contractual obligations to provide GSA with current, accurate and complete information about its commercial sales practices, including discounts offered to other customers, and that NetApp knowingly made false statements to GSA about its sales practices and discounts. The settlement further resolves allegations that NetApp knowingly failed to comply with the price reduction clauses of their GSA contracts by failing to disclose to GSA discounts NetApp gave to its commercial customers when they were higher than the discounts that NetApp had disclosed to GSA, and by failing to pass those discounts on to government purchasers. Because of these allegedly fraudulent dealings, it is alleged that the U.S. accepted lower discounts and paid far more than it should have for NetApp products.

The settlement resolves the lawsuit filed on behalf of the U.S. government by a former NetApp employee, who will receive a \$19,200,000 share of the recovery

### **Significant Civil Actions and Criminal Investigations (continued)**

in the case. Under the False Claims Act, private citizens can bring suit on behalf of the United States and share in any recovery obtained by the government. This settlement was the result of a coordinated effort by the Department of Justice, Civil Division, Commercial Litigation Branch; the U.S. Attorney's Office for the District of Columbia; and the GSA OIG, in investigating and resolving the allegations.

### **Dynamics Research Corporation Agrees to \$15 Million Civil Settlement**

On August 13, 2009, Dynamics Research Corporation (DRC), a consulting, engineering and information technology services provider, agreed to pay the United States \$15 million plus interest to settle allegations that two of its former executives engaged in a fraudulent kickback scheme that resulted in false claims for computer equipment and services relating to contracts with the Air Force. This civil settlement was a result of a joint investigation by the GSA OIG, the Defense Criminal Investigative Service (DCIS), the Defense Contract Audit Agency (DCAA), the Internal Revenue Service Criminal Investigations (IRS-CI), the FBI, and the Air Force Office of Special Investigations.

The investigation found that from 1997 to 2000, DRC's vice presidents steered Air Force contracts for computer equipment and services to companies owned by themselves, a vice president's wife and others, in exchange for kickbacks and inflated contract prices. The two executives received windfall profits in excess of \$7 million. This settlement agreement resolves the 2003 lawsuit filed against DRC, in which the United States sought damages and penalties under the Anti-Kickback Act and the False Claims Act and for breach of contract.

The settlement includes the company's admission of liability solely for breach of contract and payment of \$15 million to the government and dismissal with prejudice of all other claims against DRC. The company, which said it did not know or benefit from the unlawful conduct of its former employees, noted that it previously reported on this matter and recorded a \$15 million charge in its 2008 financial results.

In related criminal proceedings in 2001, DRC's vice presidents pled guilty to conspiring to defraud the government. One DRC vice president was sentenced to five years in prison and ordered to pay \$3.2 million in restitution; the other vice president was sentenced to one year and eight months in prison and ordered to pay \$2.8 million in restitution.

Two straw corporations formed to facilitate the fraud were each sentenced to 24 months probation and ordered to pay restitution totaling over \$7.5 million. Another corporation was ordered to pay \$3,745,302 in restitution and its President was sentenced to 36 months probation, fined \$25,000, and ordered to pay \$350,000 restitution.

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## Promoting and Protecting Integrity

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### **Significant Civil Actions and Criminal Investigations (continued)**

#### **Lighthouse Disaster Relief Agrees to \$4 Million Settlement for False Claims**

On April 23, 2009, Consent Judgments were entered in the amount of \$4 million against Lighthouse Disaster Relief (LDR) on the basis of settlement agreements between LDR's co-owners and the United States. The co-owners are jointly and severally liable for the \$4 million judgment and agreed to release all claims to ownership of approximately \$1.66 million that had been garnished by the U.S. This investigation was worked jointly with the Department of Homeland Security (DHS), OIG.

On September 18, 2005, GSA awarded a contract to LDR for the DHS Federal Emergency Management Agency for a 1,000 person base camp for disaster relief workers in St. Bernard's Parish in the wake of Hurricane Katrina. Under the contract, LDR was required to setup and operate the base camp for 30 days for a firm fixed price of \$5,209,000. The investigation determined that LDR did not fulfill the terms of the contract, but received full payment.

On February 27, 2006, a civil complaint was filed against LDR for \$2,421,100 alleging that LDR did not provide any services for 13 days of its contract. Garnishment orders were filed for the bank accounts of LDR and the co-owners of LDR. Additionally, a garnishment order was filed against Premier Party Rentals, Inc. for monies owed to LDR in the sale of its base camp.

#### **U.S. Secures \$2.3 Million Judgment against President of Pacific General, Inc. for False Claims**

On April 22, 2009, the United States obtained a judgment in the amount of \$2,346,600 against the owner and president of Pacific General, Inc. (PGI), for submitting false claims related to federal construction contracts at the Grand Canyon National Park and the Lake Mead National Recreational Area.

Between November 2003 and January 2004, the president falsely certified that PGI was properly bonded to perform federal construction work and that PGI was paying its subcontractors for work on federal construction projects in the Grand Canyon National Park and the Lake Mead National Recreational Area. This was a joint investigation with the Department of Interior (DOI) OIG, the FBI and the GSA OIG initiated at DOI's request.

#### **L-3 Government Services, Inc. Agrees to Pay U.S. Over \$1.9 Million for Making False Claims**

On April 8, 2009, L-3 Government Services, Inc. (L-3) agreed to pay \$1,933,080 to the U.S. as part of a civil settlement agreement for fraudulent overbillings. The investigation found that L-3 violated the False Claims Act and the Program Fraud Civil Remedies Act.

L-3 requested admission into the Department of Defense OIG Voluntary Disclosure Program. L-3 disclosed it had overbilled for hours under GSA

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## Promoting and Protecting Integrity

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### **Significant Civil Actions and Criminal Investigations (continued)**

contract GS-35F-47-02G, Task Order T0701BG0108, and the follow-on contract GS-07T-00-BGD-0023, Task Order MU210201T1. The investigation revealed that L-3 salaried employees were routinely entering nine hours on their time sheets when in fact they only worked eight on information technology support services contracts. The settlement was a result of a joint investigation with the Defense Criminal Investigative Service and the U.S. Army Criminal Investigative Division.

### **University Loft Company Agrees to Pay U.S. \$400,000 to Resolve Contract Fraud Allegations**

On June 12, 2009, University Loft Company agreed to pay the United States \$400,000 following an investigation of alleged false claims and contract fraud. The settlement resolves allegations that the company knowingly sold Malaysian-made furniture to government purchasers in violation of the Trade Agreements Act (TAA). To further government trade policy, the TAA sets requirements for the country of origin of products sold to the United States. University Loft Company was required to comply with the TAA under contracts with the GSA that allowed it to sell products to the military and other Government purchasers. University Loft Company competitor Furniture by Thurston Inc., and Lee Thurston individually filed this lawsuit on behalf of the U.S. government and will receive a \$66,000 share of the recovery. Under the False Claims Act, private citizens can bring suit on behalf of the United States and share in any recovery obtained by the Government.

This settlement was the result of a coordinated effort to investigate and resolve the allegations by the U.S. Department of Justice, Civil Division, Commercial Litigation Branch; the U.S. Attorney's Office for the District of Columbia; the GSA OIG; the Air Force Office of Special Investigations; the Defense Criminal Investigative Service; the Naval Criminal Investigative Service; and the Department of the Navy, Acquisition Integrity Office.

### **Booz, Allen & Hamilton Agrees to Pay U.S. \$325,000 for Fraudulent Billing**

On May 29, 2009, Booz, Allen & Hamilton, Inc. (BAH) signed a release and settlement agreement with the U.S. to pay \$325,000 for fraudulent billing practices. BAH is a GSA-schedule provider of information services. An investigation was initiated when a NASA contract specialist alleged that BAH was conducting practices of billing employees at higher job categories than justified by their experience, inflating monthly hours, and excessively billing at its off-site rate. The investigation verified these allegations and resulted in this settlement agreement.

### **Six Individuals Sentenced for Conspiracy to Bribe a Public Official**

A joint investigation with the Defense Criminal Investigative Service (DCIS) was initiated when it was reported that a former GSA contractor employee at Ft. Belvoir, VA, may have provided bid information to a project manager at the

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## Promoting and Protecting Integrity

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### **Significant Civil Actions and Criminal Investigations (continued)**

U.S. Army, Fort Belvoir, VA, who then forwarded the bid information to a former general manager (GM) at Computer Giants (CG). GSA had issued task orders to CG to provide computer related equipment to the U.S. Army at Ft. Belvoir, VA, and the Tobyhanna Army Depot (TAD), Tobyhanna, PA.

The investigation disclosed that the former GM of CG, the project manager, a former Department of Defense (DOD) employee at the TAD and four other DOD employees (1 from Ft. Belvoir and 3 from TAD) participated in a scheme in which the DOD employees directed task orders to CG in return for money and other items of value. The former GM, four former TAD employees, and the DOD employee from Ft. Belvoir have pled guilty to conspiracy to commit bribery of a public official, wire fraud, mail fraud and theft of government property, and were sentenced this reporting period.

On May 4, 2009, one of the former DOD employees at the TAD was sentenced to 1 year 8 months imprisonment and 3 years supervised release; and ordered to pay restitution in the amount of \$11,018. On June 3, 2009, the former GM of CG was sentenced to 2 years imprisonment and 3 years supervised release; and ordered to pay restitution in the amount of \$22,100. On June 16, 2009, a second former TAD employee was sentenced to 1 year 3 months imprisonment and 2 years supervised release; and ordered to pay restitution in the amount of \$20,000. On July 7, 2009, the former Army employee at Ft. Belvoir was sentenced to 2 years 10 months imprisonment and 3 years supervised release; and ordered to pay restitution in the amount of \$16,400. On July 9, 2009, a third former TAD employee was sentenced to 1 year 6 months imprisonment and 3 years supervised release; and ordered to pay restitution in the amount of \$29,240. On July 16, 2009, the fourth former TAD employee was sentenced to 1 year 10 months imprisonment and 3 years supervised release; and ordered to pay restitution in the amount of \$18,000.

The investigation developed no information to suggest that the former GSA contractor employee was part of this scheme, nor that he was aware that the project manager had provided sensitive contract information to CG. It was found that he had provided this information to the Army employee because the Army employee was the Project Manager and client for the contracts in question. The project manager at Fort Belvoir chose to go to trial and was found guilty for his participation in the bribery and fraud scheme and is awaiting sentencing.

### **VA Supervisor and His Attorney Sentenced for Bribery and Preparing/ Filing a False Tax Return**

A joint investigation with the FBI, VA OIG, VA Police Service, and the IRS Criminal Investigations (IRS-CI) was initiated when it was reported that a VA construction maintenance supervisor was misusing a GSA purchase card issued to him for Government business. The investigation revealed that the supervisor steered VA construction, maintenance, and supply contracts to Escarnio Construction, LLC, and Fischer Supply, LLC that were controlled and managed by the attorney.

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## Promoting and Protecting Integrity

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### **Significant Civil Actions and Criminal Investigations (continued)**

The attorney paid the supervisor's personal expenses on a recurring basis for having the contracts steered to his corporations. On February 27, 2009, the attorney pled guilty to Bribery and Aiding and Assisting in the Preparation of a False Tax Return. On July 1, 2009, he was sentenced to 2 years imprisonment, followed by 2 years probation. Pursuant to a plea agreement, the VA supervisor pled guilty to Bribery and Filing a False Tax Return. On October 1, 2009, he was sentenced to 2 years imprisonment, followed by 2 years probation on the bribery and filing a false tax return charges.

### **GSA Employee Pleads Guilty to Theft of Government Funds/Embezzlement**

A joint investigation with IRS-CI was initiated when it was reported to them that a GSA employee had deposited high dollar U.S. Treasury checks made payable to the MWR FUND into a Bank of America account. A Pegasys payment search showed that from May 2006 through May 2008, thirteen payments totaling \$593,549.44 had been paid to the MWR FUND from GSA.

The investigation revealed that the GSA employee started the fictitious company called MWR FUND and acquired a P.O. Box for the same; then used his position as a GSA Supervisory Accountant to create, sign and submit thirteen fraudulent Public Voucher for Refunds (SF 1047s) to the Payable Division within GSA Finance, causing U.S. Treasury checks to be dispensed to his fictitious company. He admitted to taking the money in order to gamble, pay off credit card debts caused by gambling, re-pay bad check debts and re-pay approximately 20 outstanding loans through the Payday Loan Servicing Company.

The employee pled guilty to theft of government funds/embezzlement and money laundering, and on August 13, 2009, was sentenced to 3 years 1 month incarceration, 3 years supervised release, and ordered to pay restitution in the amount of \$593,549.

### **Former Executive of Charitable Organization Pleads Guilty to Embezzlement, Tax, and Public Corruption Charges**

A joint investigation with the FBI, U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit, the USPS OIG, and IRS-CI was initiated when it was alleged that fraudulent activities were occurring at the National Center for the Employment of the Disabled (NCED). On July 2, 2009, the former CEO and President of the NCED pled guilty to embezzling millions of dollars in government program funds and to conspiring with others to deprive the community of the right to honest services of elected officials. By pleading guilty, he admitted that he schemed to steal or embezzle at least \$5,000 from NCED (an organization that received at least \$10,000 in federal government program money) and without authorization of the NCED Board of Directors, directed the money for his use or others.

The former CEO admitted to conspiring to making false statements and defrauding the United States by lying to the Committee for Purchase from the

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## ***Promoting and Protecting Integrity***

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### ***Significant Civil Actions and Criminal Investigations (continued)***

Blind and Severely Disabled by falsely claiming that NCED was in compliance with the Javits-Wagner-O'Day Act (JWOD). He fraudulently secured no-bid contracts from government agencies—contracts which are set aside for not-for-profit organizations who employ blind or other severely handicapped individuals for not less than 75 percent of the man-hours of direct labor required for the production or provision of the goods or commodities required on the government contract. NCED did not employ sufficient numbers of blind or severely disabled workers to qualify for JWOD contracts. He also submitted false information to a financial institution in order to secure a \$975,000 mechanic's lien on his new home.

The former CEO also pled guilty to aiding and abetting in the preparation of a false 2003 tax return and to conspiring with elected officials and others to commit mail/wire fraud. He knowingly failed to report \$1 million in income the Jones Family Trust received and was involved in a scheme to defraud the County of El Paso, the El Paso Independent School District, Ysleta Independent School District, the Socorro Independent School District as well as the citizens living and voting in El Paso County of the right to honest services of elected officials. He admitted to paying cash and other bribes in the forms of campaign contributions and gratuities in order to secure vendor contracts between Access Healthsource and the above mentioned entities.

### **Auto Repair Employee Pleads Guilty to Credit Card Theft**

An investigation was initiated when it was reported that questionable fuel transactions were being made with a Voyager credit card for a GSA vehicle assigned to the U.S. Department of Health and Human Services. The investigation determined that the fraudulent gas transactions occurred when the GSA vehicle was at Mission Valley Auto (MVA) for maintenance repairs.

Surveillance tapes and records revealed that an employee of MVA had fraudulently used several Voyager credit cards from GSA vehicles to purchase gas. He admitted to stealing several Voyager credit cards from GSA vehicles that were left with the MVA for either repairs or service work, and then returning the card prior to the GSA vehicle being returned to its agency. On April 14, 2009, he signed a plea agreement and on July 30, 2009, was sentenced to 5 years probation and ordered to pay restitution in the amount of \$4,343 for stealing Voyager credit cards.

### **Contractor Fleet Vendor Fraud**

A joint investigation with the NASA OIG was initiated when it was alleged that Keith Ross Mobile (KRM) had been performing an unusual amount of repairs to government-owned vehicles (GOVs). The volume of questionable charges/services submitted by KRM was for battery replacements, jump starts, engine code checks, oil changes, and wiper blade changes. The investigation revealed that two KRM employees had invoiced GSA for services and parts that were



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## Promoting and Protecting Integrity

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### **Significant Civil Actions and Criminal Investigations (continued)**

not completed or provided to GOVs assigned for security at the NASA Kennedy Space Center. It was found that KRM had billed GSA for 1,080 oil/filter changes at a cost of \$39,607. On August 18, 2009, the two KRM employees signed a Pretrial Intervention Agreement regarding Organized Fraud, which stipulated that they pay \$13,986 joint restitution to GSA, serve 2 years probation, pay \$51 per month to the Florida Department of Corrections for the cost of supervision, and complete 50 hours of community service.

### **Township Road Commissioner Pleads Guilty to Conversion of Donee Property**

A joint investigation with the Illinois State Police (ISP) was initiated when an ISP agent developed information indicating a local township Road Commissioner may have sold Federal Emergency Management Agency (FEMA) travel trailers to relatives and friends. The investigation found that the commissioner acquired numerous pieces of federal surplus property, including 16 FEMA travel trailer/campers that were not put into the intended program use by his Township, but were used personally by him and sold to his family members and friends prior to the expiration of the 18 month restriction period. On July 16, 2009, he pled guilty to mail fraud and was sentenced to 30 days confinement with 3 years supervised release, and ordered to pay a fine of \$10,000. Pursuant to Illinois Compiles Statutes, he then resigned his position as Road Commissioner.

### **Former GSA Employee Pleads Guilty to Making False Statements**

This investigation was initiated when the U.S. Department of Energy (DOE), OIG, alleged that a former GSA employee provided GSA with false information in an effort to obtain employment with the GSA's Public Buildings Service (PBS). The investigation found that while he was employed by DOE in August 2007, he submitted a fraudulent performance appraisal form to DOE management. The forged document led to the former GSA employee receiving a large cash performance award; and when he realized that the DOE OIG was conducting an investigation into this activity, he resigned from DOE and applied for a position with GSA. In August 2008, he was hired by GSA but did not disclose that he was the subject to an ongoing criminal investigation.

On December 2, 2008, the former GSA employee sent GSA an official notification of resignation in response to GSA's proposal to remove him from his position for falsification of an official document. On July 23, 2009, the former GSA employee was sentenced in U.S. District Court to 3 years supervised probation, 6 months of home confinement, and 600 hours of community service for making false statements.

### **GSA Contractor Pleads Guilty to False Statements**

A joint investigation with the U.S. Postal Service (USPS), the IRS-CI, and the OIG was initiated when the USPS reported that several auto body and repair shops in the Philadelphia area may have been overcharging the USPS for

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## Promoting and Protecting Integrity

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### **Significant Civil Actions and Criminal Investigations (continued)**

work performed on USPS owned vehicles. The investigation disclosed the majority of auto body repairs performed on USPS vehicles was being performed by J B Auto Restoration and Collision (JB Auto) and that one USPS employee was responsible for funneling the excessive repair work to JB Auto. He used the GSA Voyager Fleet Credit Cards assigned to the USPS vehicles to pay for the extensive repairs. On December 16, 2008, the owner of JB Auto was found guilty of false statements and for failure to withhold, account for, and pay federal withholding taxes. On July 16, 2009, he was sentenced to 6 months incarceration and 3 years supervised release; and ordered to pay restitution in the amount of \$68,195. The USPS employee was tried and acquitted for conspiracy.

### **GSA Contractor Pleads Guilty to False Claims**

An investigation was initiated when the U.S. Small Business Administration, OIG alleged that the president of L.A. Transportation & Paving Company, Inc. (L.A.TRANS), Niagara Falls, NY had submitted false claims to GSA by signing GSA Form 2419 (Certification of Progress Payments Under Fixed-Price Construction Contracts) and then failing to make payments to his subcontractors and suppliers. The investigation disclosed that the president on behalf of L.A. TRANS submitted and caused to be submitted several "Application and Certificate for Payment" forms to GSA certifying that certain work had been done, and that L.A. TRANS had paid the subcontractors who had done the work. On November 21, 2008, the GSA contractor, president of L.A. TRANS, pled guilty to making false claims and on February 27, 2009 was sentenced to 5 years probation and ordered to pay restitution in the amount of \$113,446.

### **GSA Subcontractor Pleads Guilty to Submitting Fictitious Quotes**

A joint investigation with DHS-FPS was initiated when GSA PBS contracting officials reported that WW Contractors, Inc. (WWC) personnel or their subcontractors were creating and submitting quotes to PBS in other vendor's names. The investigation determined that a division director, Enterprise Electric, LLC, (EE), created fictitious quotes to direct work to his employer EE. The investigation identified evidence that the division director created and submitted five fictitious quotes under the company names of E&M Services (E&M) and Excel Property Service (EPS). He had personal knowledge of the amount quoted on the EE quotes; so, he created higher priced E&M and EPS quotes to fulfill the three bid proposal requirements. He stated that he submitted the fictitious quotes to GSA through WWC; so, that EE would be awarded subcontracts. EE was awarded approximately \$85,000 in subcontracts with WWC for GSA orders based on these fictitious quotes. On June 17, 2009, the director pled guilty to tampering with governmental records and received deferred adjudication with 4 years probation, 200 hours community service, and a fine.

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## ***Promoting and Protecting Integrity***

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### ***Significant Civil Actions and Criminal Investigations (continued)***

#### **Recovery of Works Progress Administration Painting**

Following the Federal Property and Administrative Services Act of 1949, GSA became the custodian of all Works Progress Administration (WPA) works of art. The OIG has coordinated with GSA's fine arts specialists, the Department of Justice and the FBI to develop a list of lost and stolen WPA artwork. Fine arts dealers are required to check this database prior to the sale of any work of art. The OIG continues its proactive investigation by monitoring art sales to identify government-owned art being offered for public sale and initiating recovery efforts when WPA artwork is located. During this reporting period, one item was recovered.

The Fine Arts Program (FAP) Office, Office of the Chief Architect, GSA PBS notified OIG investigators of an eBay auction for a WPA painting, Duchess Apple Blossom by artist Reathal Keppen. The seller was apprised of the WPA recovery efforts, agreed to terminate the auction, and brought the painting to the Minnesota Historical Society. The FAP believed the painting to be an authentic WPA artwork. On June 17, 2009, the FAP entered into a loan agreement with the Minnesota Historical Society, giving the society permission to display the painting for an indefinite period of time. The painting, valued at approximately \$5,000, has significant historical value.

#### **Blackmail of GSA Employee**

A joint investigation with the FBI and the Social Security Administration (SSA) OIG was initiated when a GSA employee reported that he was receiving threatening telephone calls on his personal Nextel cellular telephone. The investigation disclosed that two SSA employees were responsible for the calls. One SSA employee was indicted by a Federal grand jury for interstate communication and conspiracy to defraud the Government and admitted his participation in a scheme to extort money from the GSA employee in return for not disclosing derogatory information about the GSA employee to GSA officials. He pled guilty and was sentenced on May 12, 2009, to 2 years supervised release. The other SSA employee pled guilty to unauthorized access of a government computer and was sentenced on September 25, 2009 to 1 year probation and ordered to pay a fine of \$2,000.

#### **Suspension and Debarment Initiative**

GSA has a responsibility to ascertain whether the people or companies it does business with are eligible to participate in federally-assisted programs and procurements, and that they are not considered "excluded parties." Excluded parties are individuals and companies debarred, suspended, proposed for debarment, or declared ineligible to receive contracts by a Federal agency. The Federal Acquisition Regulation authorizes an agency to suspend or debar individuals or companies for the commission of any offense indicating a lack of business integrity or business honesty that directly affects the present responsibility of a government contractor or subcontractor. The OIG has made

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## ***Promoting and Protecting Integrity***

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### ***Significant Civil Actions and Criminal Investigations (continued)***

it a priority to process and forward referrals to GSA, so GSA can timely ensure that the government does not award contracts to individuals or companies that lack business integrity or honesty.

During this reporting period, the OIG made 128 referrals for consideration of suspension/debarment to the GSA Office of Acquisition Policy. GSA issued 122 suspension and debarment actions based on current and previous OIG referrals.

### ***Integrity Awareness***

The OIG presents Integrity Awareness Briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse and to reinforce employees' roles in helping to ensure the integrity of Agency operations. This period, we presented 64 briefings attended by 2,334 regional and Central Office employees. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other Federal agencies and thus help to prevent their recurrence. GSA employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of successful investigative information.

### ***Hotline***

The OIG Hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA-controlled buildings encourage employees to use the Hotline. We also use our FraudNet Hotline platform to allow Internet reporting of suspected wrongdoing. During this reporting period, we received 1,441 Hotline contacts. Of these contacts, 276 Hotline cases were initiated. In 119 of these cases, referrals were made to GSA program officials for review and action as appropriate, 48 were referred to other Federal agencies for follow up, 83 were referred for OIG criminal/civil investigations or audits, and 26 did not warrant further review.

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## Governmentwide Policy Activities

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

### **Internal Evaluations**

- **Operational Assessments.** The OIG Office of Internal Evaluation and Analysis (JE) conducts operational assessments of OIG components and their field offices.
- **Annual Assurance Statement.** Pursuant to the Federal Managers' Financial Integrity Act, and OMB Circulars A-123 and A-127, JE coordinated the OIG assessment of the adequacy of its internal controls.
- **Office of Forensic Auditing.** The Office of Forensic Auditing, JEF, which is located in JE, utilizes innovative strategies that enhance the traditional OIG audit and investigative practices and procedures to detect fraudulent activities, assess situations when a fraud has taken place, and produce evidence meeting the standard of proof required by criminal courts. During this reporting period, JEF initiated a continuous fraud monitoring strategy to assess potential fraudulent purchase card activity, and established a cooperative effort with the OIG Counsel's Office to initiate a proposed computer matching agreement to evaluate potential abuses in the GSA transit subsidy program. The unit also provided assistance to the OIG Office of Investigations with data matching and analysis, and pricing and product substitution analyses in ongoing procurement investigations. JEF also participated in a joint operations study group with the objective of combining the resources of forensic auditing and investigations to proactively find and investigate Recovery Act fraud in the procurement process, and used data mining to support ongoing litigation against a MAS contractor.
- **Statistical Support for OIG Audits and Investigations.** During this reporting period, we continued to provide assistance in scientific sampling and database analysis to the OIG auditors and investigators for such varied areas of concern as uses of purchase cards, fleet vehicles, and charge cards; leased office space for Federal employees; procurement fraud; suspension and debarment databases; and wage rates on construction projects. We also conducted workload analyses for examining types of OIG investigations and times required to complete them. In addition, we have conducted recurring analyses of Recovery Act contracting data to identify potential areas for further review. We examined state and local government debarment databases for potential integration with the Excluded Parties List System.

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## Governmentwide Policy Activities

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### ***Interagency Committees and Working Groups***

We participated in a number of interagency committees and working groups that address cross-cutting and governmentwide issues:

- **Council of the Inspectors General on Integrity and Efficiency (CIGIE).** The IG is a member of several CIGIE committees including the Homeland Security Roundtable, the Human Resources Committee, and the Investigations Committee. The Homeland Security focus of the Roundtable was a springboard for a review of the Federal Government's practices during the Gulf Coast Hurricane Recovery.

The mission of the Human Resources Committee is to provide educational opportunities for members of the CIGIE communities and to assist in ensuring the development of competent personnel. The purpose of the Investigations Committee is to advise the Inspector General community on issues involving investigative functions, establish investigative guidelines, and promote best practices.

- o **CIGIE Federal Audit Executive Council (FAEC) Information Technology (IT) Committee.** The Committee is responsible for leading discussion and reaching consensus among all of the OIGs regarding a myriad of IT issues. Our Information Technology Audit Office provides both administrative and technical support for the CIGIE and the FAEC, through the IT Committee for FAEC. The IT Committee consists of over 55 members who represent approximately 15 Agencies from across the Federal IG community. The IT Audit Office's leadership role includes planning, hosting, and documenting bimonthly IT Committee meetings as well as spearheading governmentwide projects and fast-paced surveys and data analyses on IT audit issues and related matters of interest for the FAEC.
- o **FAEC Contracting Committee.** The Deputy Assistant Inspector General, Acquisition Programs Audit Office, participates in the FAEC Contracting Committee, created in December 2007. This Committee provides a forum to share information and coordinate reviews of significant contract and procurement community issues of interest across the IG community and Federal Government. The Committee also proposes the development and recommendation of best practices to be used by IGs to address contracting issues.
- **Federal Systems Security Governance Board (FSSGB).** The Deputy Assistant Inspector General, Information Technology Audit Office, participates in the FSSGB, the oversight body of the Information Systems Security Line of Business initiative, which seeks to provide for common IT security solutions governmentwide. Specific FSSGB activities related to IT auditing and other interests of the OIG community include coordination with the new Security and Identity Management Committee, under the Federal

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## Governmentwide Policy Activities

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### ***Interagency Committees and Working Groups (continued)***

Chief Information Council, as the principal interagency forum for identifying and recommending strategic high priority IT security and identity-management initiatives to the Federal Chief Information Officer Council and the Office of Management and Budget.

- **Recovery Accountability and Transparency Board Working Group (Recovery Working Group).** The GSA OIG is a participating member of the Recovery Working Group, comprised of the 29 OIGs that are responsible for performing oversight of Recovery Act funds. The Working Group is responsible for examining oversight issues that cross all of the federal agencies that received Recovery Act funds. Further, the Working Group provides advice and makes recommendations to the Recovery Funds Working Group Committee on coordinated oversight efforts that cross the federal, state, and local governments.
- **Regional Procurement Fraud Working Group.** The Regional Inspector General for Auditing, Heartland Region Field Audit Office, participates in quarterly meetings of the Western District of Missouri and Kansas Regional Procurement Fraud Working Group meetings. The goal of the regional Working Group is to detect, prevent and prosecute procurement fraud. The meetings are chaired by Assistant United States Attorneys from both districts and attended by investigators, agents and auditors from various Federal Government investigative branches, including Offices of Inspectors General, the Federal Bureau of Investigations, and the Department of Justice. In addition to improving contact between agencies and U.S. Attorneys Offices, these meetings have resulted in innovative methods to identify and prosecute fraud and have resulted in the development of collaborative cases between different Government agencies.
- **TeamMate Technical Support Group.** Our TeamMate Technical Support Group participates in the TeamMate Federal Users Group and the CCH TeamMate Users Group to discuss concerns and new challenges facing TeamMate users. TeamMate is an automated audit paperwork management system that strengthens the audit process and increases efficiency.

### ***Legislation, Regulations, and Subpoenas***

During this reporting period the OIG reviewed legislative matters and proposed regulations as well as commented on agency directives. We also responded to requests from Congressional members on behalf of their constituents and provided Congressional testimonies. Additionally, we issued 83 subpoenas in support of our audit and investigative work. The following provides highlights of our work in this area:

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## Governmentwide Policy Activities

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### ***Legislation, Regulations, and Subpoenas (continued)***

- The OIG made substantive comments on several proposed laws and regulations, including:

On January 26, 2009, GSA published a proposed rule (GSAR Case 2006-G507) and request for public comments. The proposed rule amends sections of the General Services Acquisition Regulations (GSAR) addressing Federal Supply Schedule Contracting actions, GSAR Part 538, and reflects the agency's efforts "to maintain consistency with the Federal Acquisition Regulation (FAR) and to implement streamlined and innovative acquisition procedures" through a re-write of the GSA Acquisition Manual (GSAM).

The OIG reviewed the proposed rule and submitted written comments on March 27, 2009. Notable changes which generated significant concerns within the OIG included the scope and form of commercial sales practices information requested for supplies and services offered under GSA's Multiple Award Schedule (MAS) program, factors utilized in the evaluation of MAS offers, evaluation and frequency of economic price adjustments, and extension of contract terms following the Government's exercise of an option.

The OIG also provided input into comments by the IG community on Federal Acquisition Regulation (FAR) Case 2009-011, implementing provisions of the Recovery Act, which has been published as an interim rule at 74 Fed. Reg. 14,646. The OIG suggested that the alternate version of FAR clause 52.215-2 for contracts using Recovery Act funds should state that IGs have access to all relevant records, rather than just "directly pertinent" records. This change was incorporated in the interim rule. The OIG also proposed that the rule grant IGs the right to interview subcontractor employees in connection with contracts funded by the Recovery Act. This suggestion was not implemented.

- A recent Congressional request from a Senator centered on concerns from a constituent regarding conditions at the Alcan Border Station in Alaska. We evaluated the concerns raised and determined what actions GSA took to address the issues. Our review confirmed the existence of several of the conditions identified in the complaint through an on-site visit and discussions with PBS personnel responsible for Alcan property management, client agency representatives, and GSA's maintenance contractor. Further meetings with PBS management officials corroborated awareness of the conditions, however, management acknowledged limited ability in prior years to address all issues raised due to funding constraints. Management is currently reassessing the funding level for the facility and is addressing the concerns.
- In July 2009, our Principal Deputy Assistant Inspector General for Auditing testified before the U.S. House of Representatives Subcommittee on Economic Development, Public Buildings, and Emergency Management, about GSA's National Broker Contracts. The testimony focused on the



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## Governmentwide Policy Activities

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### **Legislation, Regulations, and Subpoenas (continued)**

Program's major areas observed in a current audit and issues that GSA should address as it moves forward to the next generation of broker contracts:

- o In refining broker tasks, a clearer expectation of the work to be performed should be defined under the contract.
- o Improper disclosure of procurement sensitive data remains a risk that needs better management.
- o The broker performance evaluation process is complex and cannot provide results in time to facilitate performance-based tasking.
- o GSA's electronic leasing application, eLease, needs to better support workflow and analysis.

The Inspector General also provided testimony and proposed legislation during this reporting period.

• **IG Miller Testifies on Contracting Oversight.** On April 21, 2009, IG Miller testified before the Ad Hoc Subcommittee on Contracting Oversight of the Senate Committee on Homeland Security and Governmental Affairs. At that hearing, procurement and oversight experts from across the federal government offered testimony regarding the state of federal contracting and measures needed to ensure greater procurement integrity. IG Miller offered four suggestions to improve oversight within the OIG community: (1) making IG subpoenas more similar to grand jury subpoenas by permitting IG subpoenas to access financial records without previously notifying the target of an investigation that the records have been sought; (2) requiring an annual report to notify Congress of contractors who are included on USASpending.gov as receiving federal contracting dollars at the same time they are listed in the Excluded Parties List System as excluded from doing business with the federal government; (3) defining the making of a criminal false statement under federal law to include the knowing omission by federal employees of material information in response to a law enforcement inquiry; and (4) restoring the GSA OIG's contractual authority to review as part of a post-award audit the pricing information provided by GSA contractors during negotiations.

• **IG Miller Testifies on Aspects of the American Recovery and Reinvestment Act.** On May 5, 2009, IG Miller testified before the Subcommittee on Economic Development, Public Buildings, and Emergency Management of the House Transportation and Infrastructure Committee. At that hearing, the Sub-committee sought information regarding federal agency efforts to implement programs funded by the Recovery Act, and the additional resource and oversight needs occasioned by those programs. IG Miller testified regarding the cooperation between OIG and GSA personnel in preparing for management and oversight of Recovery Act contracts, and the tools prepared by the OIG to report findings rapidly, consistent with the

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## Governmentwide Policy Activities

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### **Legislation, Regulations, and Subpoenas (continued)**

accelerated timeline of Recovery Act spending, including vulnerability assessments, spot reviews of construction projects, and Critical Point Evaluations. IG Miller also testified regarding expected challenges faced by GSA in implementing Recovery Act programs, including the need to manage unbudgeted customer needs, recruit additional qualified contracting officers and project managers, and manage the security and integrity challenges posed by an expanded contractor workforce.

- **IG Miller Proposes Changes to Laws to Improve Oversight.** IG Miller has also reaffirmed the importance of granting access to financial records through IG subpoenas without prior notice to investigation targets in a white paper shortly to be published in the *Journal of Public Inquiry*. In that paper, the IG also proposes two other legal reforms that would lead to greater transparency and accountability in federal programs. The first is a statutory change that would expressly provide that Inspectors General are entitled to unrestricted, read-only access to the electronic information systems of their affiliated agencies, in order that agency system owners would not feel themselves constrained to inquire into, and adjudge the necessity of, the OIG's projects in an effort to maintain compliance with federal information security requirements. The second change would grant OIGs the right, as part of federal contracts and grants, to examine the records and interview the employees of federal contractors, subcontractors, grantees, and subgrantees, in conjunction with OIG audits and investigations.

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## Professional Assistance Services

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*Government Auditing Standards prohibit Federal audit organizations from performing certain types of management consulting projects because they may impair the independence of the auditors when performing subsequent audit work in the same area. To maintain our independence when working closely with GSA management, we carefully assess our services to ensure compliance with the standards. As allowed under the standards, we participate in Agency improvement task forces, committees, and working groups in an observer or advisory capacity.*

**Task Forces, Committees, and Working Groups.** The OIG provides advice and counsel to GSA while monitoring ongoing Agency initiatives. Our representatives advise management at the earliest possible opportunity of potential problems, help ensure that appropriate management controls are provided when installing new or modifying existing Agency systems, and offer possible solutions when addressing complex financial and operational issues.

Our direct participation with the Agency on task forces, committees, and working groups allows us to contribute our expertise and advice, while improving our own familiarity with the Agency's rapidly changing systems. We nevertheless maintain our ability to independently audit and review programs. Our participation on task forces is typically as nonvoting advisory members.

Some areas in which we have been involved this period include:

- **The Multiple Award Schedule (MAS) Working Group.** The Working Group was established as a result of an OIG report released in August 2001 relating to MAS contracting pricing practices. The Working Group is currently comprised of senior level management of the Federal Acquisition Service (FAS) and the OIG. The Working Group has had several areas of focus, including preaward contract reviews and MAS negotiations issues. It developed guidance to MAS contracting officers (COs) regarding the performance and use of preaward MAS contract reviews. Further, the Working Group reinvigorated the process by which FAS and the OIG collaboratively select and commence preaward reviews of vendors, and has built into this process a specific mechanism for COs to request reviews of particular vendors. The MAS Working Group has been restructured to limit participation in order to better communicate broad policy issues at a higher level. Based on these discussions, subgroups were established to discuss discrete issues having to do with particular contracts or reviews. For example, an MAS subgroup was tasked to examine the time frames necessary to ensure audit results are available in sufficient time to minimize the use of temporary contract extensions. Another subgroup provides an avenue to resolve issues relating to audit reviews of MAS contacts. This subgroup also identifies FAS policy issues for referral to the Working Group.
- **GSA IT Governance Groups.** Through collaboration with the GSA Chief Information Officer, our Information Technology Audit Office monitors the Agency's efforts to establish a streamlined, enterprise-level IT governance

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## *Professional Assistance Services*

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structure and process in which the responsibilities of key Services and Staff Offices, and individual positions, are clear. This includes the IT Executive Council (ITEC) that reviews and makes decisions and recommendations on agency-wide technical issues, strategic IT planning, IT portfolio management, and enterprise architecture guidance, and oversees five standing committees: (1) Enterprise Applications Committee, (2) Enterprise Architecture Committee, (3) Enterprise Infrastructure Committee, (4) Information Assurance Committee, and (5) Portfolio Management Committee.

- **Single Audit Act Activities.** The Single Audit Act established uniform audit requirements for state and local governments receiving Federal awards. The non-Federal entities that receive Federal awards under more than one Federal program are required to undergo a single audit to prevent duplicate audits and inefficiencies. Each Federal agency monitors the non-Federal entity's use of awards provided by the Agency, and assesses the quality of the audits conducted relative to its program. The OIG monitors these activities primarily as they relate to the personal property disposal program.

## Statistical Summary of OIG Accomplishments

### Audit Reports Issued

The OIG issued 98 audit reports during this reporting period. The 98 reports contained financial recommendations totaling \$282,423,231 including \$268,888,227 in recommendations that funds be put to better use and \$13,535,004 in questioned costs. Due to GSA's mission of negotiating contracts for governmentwide supplies and services, most of the savings from recommendations that funds be put to better use would be applicable to other Federal agencies.

### Management Decisions on Audit Reports

Table 1 summarizes the status of the universe of audits requiring management decisions during this period, as well as the status of those audits as of September 30, 2009. There was 1 report more than six months old awaiting management decision as of September 30, 2009. Table 1 does not include 1 report issued to another agency this period. Table 1 also does not include 4 reports excluded from the management decision process because they pertain to ongoing investigations.

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

	Number of Reports	Reports with Financial Recommendations*	Total Financial Recommendations
For which no management decision had been made as of 4/1/2009			
Less than six months old	21	15	\$175,110,918
Six or more months old	4	3	\$ 15,287,844
Reports issued this period	<u>97</u>	<u>67</u>	<u>\$282,423,231</u>
<b>TOTAL</b>	<b>122</b>	<b>85</b>	<b>\$472,821,993</b>
For which a management decision was made during the reporting period			
Issued prior periods	24	17	\$175,446,839
Issued current period	<u>34</u>	<u>23</u>	<u>\$136,209,755</u>
<b>TOTAL</b>	<b>58</b>	<b>40</b>	<b>\$311,656,594</b>
For which no management decision had been made as of 9/30/2009			
Less than six months old	63	44	\$146,213,476
Six or more months old	<u>1</u>	<u>1</u>	<u>\$ 14,951,923</u>
<b>TOTAL</b>	<b>64</b>	<b>45</b>	<b>\$161,165,399</b>

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

## Statistical Summary of OIG Accomplishments

### **Management Decisions on Audit Reports with Financial Recommendations**

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

**Table 2. Management Decisions on OIG Audits with Recommendations that Funds be Put to Better Use**

	<u>Number of Reports</u>	<u>Financial Recommendations</u>
For which no management decision had been made as of 4/1/2009		
Less than six months old	12	\$158,706,954
Six or more months old	3	\$ 15,287,844
Reports issued this period	<u>52</u>	<u>\$268,888,227</u>
<b>TOTAL</b>	<b>67</b>	<b>\$442,883,025</b>
For which a management decision was made during the reporting period		
Recommendations agreed to by management	28	\$302,443,220
Recommendations not agreed to by management	<u>1</u>	<u>\$ 971,197</u>
<b>TOTAL</b>	<b>29</b>	<b>\$303,414,417</b>
For which no management decision had been made as of 9/30/2009		
Less than six months old	38	\$139,468,608
Six or more months old	<u>0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<b>38</b>	<b>\$139,468,608</b>

## Statistical Summary of OIG Accomplishments

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

	<u>Number of Reports</u>	<u>Questioned Costs</u>
For which no management decision had been made as of 4/1/2009		
Less than six months old	4	\$16,403,964
Six or more months old	0	\$ 0
Reports issued this period	<u>24</u>	<u>\$13,535,004</u>
<b>TOTAL</b>	<b>28</b>	<b>\$29,938,968</b>
For which a management decision was made during the reporting period		
Disallowed costs	15	\$8,242,177
Costs not disallowed	<u>0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<b>15</b>	<b>\$8,242,177</b>
For which no management decision had been made as of 9/30/2009		
Less than six months old	12	\$ 6,744,868
Six or more months old	<u>1</u>	<u>\$14,951,924</u>
<b>TOTAL</b>	<b>13</b>	<b>\$21,696,792</b>

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## Statistical Summary of OIG Accomplishments

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### *Investigative Workload*

The OIG opened 128 investigative cases and closed 105 cases during this period. In addition, the OIG received and evaluated 44 complaints and allegations from sources other than the Hotline that involved GSA employees and programs. Based upon our analyses of these complaints and allegations, OIG investigations were not warranted.

### *Referrals*

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

During this period, the OIG also made 33 referrals to GSA officials for information purposes only.

**Table 4. Summary of OIG Referrals**

Type of Referral	Cases	Subjects
Criminal	68	120
Civil	16	30
Administrative	46	116
<b>TOTAL</b>	<b>130</b>	<b>266</b>

### *Actions on OIG Referrals*

Based on these and prior referrals, 29 cases (44 subjects) were accepted for criminal prosecution and 9 cases (20 subjects) were accepted for civil litigation. Criminal cases originating from OIG referrals resulted in 40 indictments/informations and 36 successful prosecutions. OIG civil referrals resulted in 8 case settlements. Based on OIG administrative referrals, management debarred 35 contractors/individuals, suspended 87 contractors/individuals, and took 23 personnel actions against employees.



## Statistical Summary of OIG Accomplishments

### Monetary Results

Table 5 presents the amounts of fines, penalties, settlements, forfeitures, judgments, and restitutions payable to the U.S. Government as a result of criminal and civil actions arising from OIG referrals.

**Table 5. Criminal and Civil Recoveries**

	<u>Criminal</u>	<u>Civil</u>
Fines and Penalties	\$ 22,745	
Settlements		\$152,452,946
Forfeitures	1,831,219	
Seizures	2,976	
Restitutions	<u>892,471</u>	<u>                    </u>
<b>TOTAL</b>	<b>\$2,749,411</b>	<b>\$152,452,946</b>

Table 6 presents the amount of administrative recoveries and forfeitures as a result of investigative activities.

**Table 6. Other Monetary Results**

Administrative Recoveries	\$585,350
Forfeitures	<u>3,318</u>
<b>TOTAL</b>	<b>\$588,668</b>



# ***APPENDICES***



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## **Appendix I—Significant Audits from Prior Reports**

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Under the Agency audit management decision process, the GSA Office of the Chief Financial Officer, Office of the Controller, is responsible for tracking the implementation of audit recommendations after a management decision has been reached. That office furnished the following status information.

Sixteen audits highlighted in prior reports to the Congress have not yet been fully implemented; all are being implemented in accordance with currently established milestones.

### **FY 2009 Information Technology Security Audit of USAccess, GSA's HSPD 12 System**

*Period First Reported: October 1, 2008 to March 31, 2009*

The objectives of the audit were to determine if GSA had implemented management, operational, and technical controls to effectively manage risks inherent to a high-risk system, in accordance with FISMA and GSA's IT Security Program. The report contained three recommendations; two have not been implemented.

The remaining recommendations involve strengthening management controls related to system certification and accreditation and oversight of third party applications; and improving technical controls to protect sensitive system information and maintaining the security of USAccess. They are scheduled for completion between November 15, 2009 and November 15, 2010.

### **Review of Internal Controls over Payroll**

*Period First Reported: October 1, 2008 to March 31, 2009*

As related to the FY 2008 Financial Statement Audit, the objectives of the audit were to determine if: the National Payroll Branch has internal control policies and procedures designed to ensure effective financial reporting and whether these controls are operating as intended; and payroll information is accurately transmitted to OPM. The report contained one recommendation, which has not been implemented.

The recommendation involves ensuring that the requirements of CFO P 4282.1 are adhered to by

timekeepers and certifying supervisors. It is scheduled for completion by November 15, 2009.

### **Fiscal Year 2008 EDP Management Recommendation Letter**

*Period First Reported: October 1, 2008 to March 31, 2009*

The objective of the audit was to discuss findings, recommendations and suggestions for improvements in internal controls and other management issues that were observed during the Fiscal Year 2008 financial statement audit. The report contained fifty seven recommendations; nine have not been implemented.

Three of the remaining recommendations involve the Office of the Chief Financial Officer taking the following actions: ensure the review of Pegasys audit log is performed and documentation of the review is maintained; develop, document and implement an approval process for creating new and modifying existing vendor records; and develop and document policies and procedures pertaining to the timely correction of FEDBIL errors. The six remaining recommendations involve VITAP system management taking the following actions: ensure that user accounts are promptly removed for separated users in accordance with the GSA termination procedures; create and implement procedures to identify and automatically disable user accounts that have been inactive for 90 days according to GSA policy; develop and implement procedures to perform a periodic review of user activity; implement library management software to ensure version control of software changes; ensure access to source and production code is segregated between different individuals who have been authorized; and ensure access roles are appropriately segregated between different individuals based on the defined segregation of duties policy. They are scheduled for completion between October 15, 2009 and February 15, 2010.

### **Improving the FedRooms Program Based On Benchmarking**

*Period First Reported: April 1, 2008 to September 30, 2008*

The FAS requested a benchmarking study as a follow-up to the review of FedRooms, (Report Number A070167/Q/9/P08002, issued on February 4, 2008).

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## Appendix I—Significant Audits from Prior Reports

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The review found that usage of FedRooms was low and recommended that the Commissioner of FAS develop a business plan for FedRooms. The objective for the follow-up audit was to determine how FAS can improve FedRooms to gain wider participation by hotels and travelers, based on best practices used by large corporations and states. The report contained five recommendations; one has not been implemented.

The remaining recommendation involves determining the most effective method of marketing FedRooms. It is scheduled for completion by November 15, 2010.

### **Work Remains in Implementing a Fully Integrated Pegasys Financial Management System**

*Period First Reported: April 1, 2008 to September 30, 2008*

The objectives of the audit were to gather information on the status of Pegasys and evaluate risks and potential improvements in two main areas: development and maintenance of an integrated accounting and financial management system, and system operations and response to management and user needs. The report contained four recommendations; three have not been implemented.

The remaining recommendations involve coordinating with GSA Services, Staff Offices, and Regions to develop a detailed plan for migration and integration of remaining NEAR functionality and other systems with Pegasys; ensuring that system implementation review processes comprehensively consider how Pegasys is meeting Agency and customer needs; and improving security and privacy controls for sensitive Pegasys data. They are scheduled for completion by October 15, 2009.

### **FY 2008 Office of Inspector General FISMA Review of GSA's Information Technology Security Program**

*Period First Reported: April 1, 2008 to September 30, 2008*

The objectives of the audit were to assess the effectiveness of controls over GSA systems and data and to address specific questions and reporting requirements identified by OMB. Four systems were

reviewed, including one contractor system, to assess implementation of GSA's IT Security Program. The report contained five recommendations; four have not been implemented.

The remaining recommendations involve working with the Office of the Chief Acquisition Officer to develop standard requirements and deliverables for IT service contracts and task orders that promote compliance with GSA IT Security Policy and procedures; working with the Office of the Chief Acquisition Officer and the Office of the Chief Human Capital Officer (OCHCO) to ensure consistent background investigation requirements in policies, procedures, and task orders; expediting actions to implement encryption of mobile devices and two-factor authentication and to work with the OCHCO to promptly fulfill responsibilities for implementing a comprehensive breach notification policy; and enhancing monitoring of GSA's public web presence and ensuring that all of GSA's publicly facing web applications (a) encrypt login credentials, (b) support Federal Information Processing Standards (FIPS) Publication 140-2 encryption, and (c) use approved Government domains for GSA web applications. They are scheduled for completion between October 15, 2009 and January 15, 2010.

### **Audit of Reimbursable Work Authorizations**

*Period First Reported: April 1, 2008 to September 30, 2008*

The objectives of the audit were to determine if RWAs are properly accounted for and whether controls over RWAs are adequate and effective. The report contained two recommendations; neither has been implemented.

The recommendations include ensuring the controls recommended by the National Team are effectively implemented and adhered to and that the results achieved are monitored; and, the residual risks associated with the RWA process identified in this report are incorporated into the National Team's reengineered process, addressed by management where clarifications are needed and/or disseminated to GSA associates as part of their overall training/implementation process. They are scheduled for completion by January 15, 2010.

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## Appendix I—Significant Audits from Prior Reports

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### **Hotline Complaint – Acquisitions with the Office of the Chief Acquisition Officer**

*Period First Reported: April 1, 2008 to September 30, 2008*

The OIG received a hotline complaint in 2006 stating concerns about whether the GSA could rely on the AWS, ALC, and ACMIS initiatives to achieve its goal of building and retaining an optimal acquisition workforce. Concerns were also expressed regarding the award and administration of the contracts. The objectives of the audit were to determine the validity of the complaint allegations by addressing whether the contracts were awarded and administered in accordance with acquisition regulations, policies, and procedures. The report contained four recommendations; one has not been implemented.

The remaining recommendation involves ensuring that appropriated funds are obligated and used in accordance with the Federal Acquisition Regulation (FAR). It is scheduled for completion by March 15, 2010.

### **Audit of PBS’s Controls Over Security of Building Information**

*Period First Reported: April 1, 2008 to September 30, 2008*

The objective of the audit was to determine whether PBS has adequate controls in place to protect sensitive building information. The report contained five recommendations; one has not been implemented.

The remaining recommendation involves implementing a system of controls to ensure that PBS 3490.1 requirements are being followed by PBS project teams. It is scheduled for completion by October 15, 2009.

### **Improvements to the GSA Privacy Act Program Are Needed to Ensure That PII is Adequately Protected**

*Period First Reported: October 1, 2007 to March 31, 2008*

The objectives of the audit were to determine if GSA: manages sensitive personal information pursuant to legal and regulatory requirements, including e-Government provisions for privacy controls; has implemented

technical, managerial, and operational privacy-related controls to effectively mitigate risks inherent to Privacy Act systems of records; and, has established procedures and automated mechanisms to verify control efficacy. The report contained four recommendations; one has not been implemented.

The remaining recommendation involves ensuring that the Privacy Act Program is integrated with the agency’s security program. It is scheduled for completion by November 15, 2010.

### **Use of Inventory Management Software, Federal Acquisition Service**

*Period First Reported: October 1, 2007 to March 31, 2008*

The objectives of the audit were to determine whether: FAS was using the Manugistics inventory management software to the fullest extent possible, and if not, what were the reasons for inconsistent usage; and if the Manugistics software could be improved to better manage inventory in the depots and stores. The report contained seven recommendations; three have not been implemented.

The remaining recommendations involve the FAS Commissioner removing redundant inventory management functionality from the legacy systems; maintaining up-to-date procurement and inventory costs in the Manugistics software; and conducting a cost/benefit study related to implementing improvements to transportation management information. They are scheduled for completion between October 15, 2009 and August 15, 2010.

### **Multiple Award Schedule Program Contract Workload Management**

*Period First Reported: April 1, 2007 to September 30, 2007*

The objective of the audit was to determine if FAS was effectively managing the workload associated with processing contract actions in the Schedules program. The report contained ten recommendations; four have not been implemented.

The remaining recommendations involve adopting a more structured approach to reduce the number of

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## Appendix I—Significant Audits from Prior Reports

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existing underutilized schedule contracts; establishing specific nationwide guidance related to Price Analysis Documentation Requirements and Negotiation Policies and Techniques for schedule contracts; establishing performance measures that evaluate CO/CS (a) verification of vendor disclosures related to Commercial Sales Practice, (b) effectiveness in analyzing prices and conducting negotiations, and (c) consideration of the field pricing assistance; and developing standardized procedures for the initial screening of offers. They are scheduled for completion between January 15, 2010 and October 15, 2010.

### **FAS's Administration of Unused Airline Tickets**

*Period First Reported: April 1, 2007 to September 30, 2007*

The objectives of the audit were to determine whether FAS Audit Division's controls and procedures for receipts and collections were sufficient to administer unused airline tickets and if they had collected the \$56 million of unused airline tickets claimed by the government. The report contained six recommendations; two have not been implemented.

The remaining recommendations involve pursuing other alternatives such as DFAS deductions (maximum of \$7.7 million) and/or legal action to collect on the outstanding claim of \$8.34 million from the non-bankrupt airline; and developing a feasible plan in conjunction with the Office of General Counsel that will lead to finalizing settlements of unused airline tickets estimated at \$48 million with the three bankrupt airlines. They are scheduled for completion by October 15, 2009.

### **Heating Operation and Transmission District's Operations and Finances**

*Period First Reported: April 1, 2007 to September 30, 2007*

The objective of the audit was to determine if GSA's Heating Operation and Transmission District (HOTD), a steam and chilled water utility service to government and quasi-government customers in the National Capital Region, operates and uses its assets economically, efficiently, and securely. The report contained thirteen recommendations; one has not been implemented.

The remaining recommendation involves replacing the deficient Induced Draft Fan to permit as-designed system functionality and performance testing of the system. It is scheduled for completion by January 15, 2010.

### **GSA's Electronic Contract Proposal and Modification System**

*Period First Reported: October 1, 2006 to March 31, 2007*

The objective of the audit was to determine whether eOffer/eMod is realizing expected benefits and if sufficient security controls have been designed and implemented. The report contained four recommendations; one has not been implemented.

The remaining recommendation involves analyzing usage rates and developing strategies to address the causes of low usage. It is scheduled for completion by January 15, 2010.

### **Consolidation of Distribution Centers**

*Period First Reported: October 1, 2002 to March 31, 2003*

The objective of the audit was to examine the operations of the FSS Stock Program. The report contained two recommendations; one has not been implemented.

The remaining recommendation, which requires developing access to sufficient and reliable data for all delivery methods, is scheduled for completion by October 15, 2009.



## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs

(Note: Because some audits pertain to contract awards or actions that have not yet been completed, the financial recommendations related to these reports are not listed in this Appendix.)

### *PBS Internal Audits*

06/23/09	A080125	Review of Cost Estimates for the Los Angeles Courthouse Project		
07/15/09	A070199	Review of Management Controls Over the Lease Prospectus Process		
07/24/09	A080179	Review of Proposed Lease Payment Recoveries, Northeast and Caribbean Region		\$157,956
09/29/09	A090129	Limited Review of the Administration of Lease GS-06P-60009, 120th and L Streets, Omaha, Nebraska		
09/30/09	A090126	FY 2009 Office of Inspector General Information Technology Security Audit of eLease		

### *PBS Contract Audits*

04/07/09	A080137	Review of a Claim: Webcor Construction, Incorporated, Subcontractor to Dick Corporation/Morganti Group, a Joint Venture, Contract Number GS-09P-02-KTC-0002		
05/04/09	A090132	Review of Proposed Rental Rate Increase, Lease Number GS-06P-40004, Internal Revenue Service Center, 315 West Pershing Road, Kansas City, Missouri		\$70,500
05/05/09	A080202	Preaward Review of Architect and Engineering Services Contract: Morphosis Architects, Solicitation Number GS-02P-04-DTC-0035		
07/24/09	A090193	Preaward Review of Architect/Engineering Proposal: M. Arthur Gensler, Jr. and Associates, Incorporated, Solicitation Number GS-09P-09-KT-C-0061		\$514,132

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
07/27/09	A090201	Preaward Review of Architect/Engineering Proposal: Buro Happold Consulting Engineers, Incorporated, Subcontractor to M. Arthur Gensler, Jr. and Associates, Incorporated, Solicitation Number GS-09P-09-KT-C-0061		
07/28/09	A090199	Preaward Review of Architect/Engineering Proposal: Clifford Projects, Incorporated and Clifford Planning, LLC, Subcontractor to M. Arthur Gensler, Jr. and Associates, Incorporated, Solicitation Number GS-09P-09-KT-C-0061		
07/30/09	A090161	Review of Cost or Pricing Data: Kallidus Technologies, Inc., Contract Number GS-01P-09-BZ-C-0013		
08/14/09	A090214	Preaward Review of Architect/Engineering Proposal: Architectural Resources Group, Incorporated, Subcontractor to HKS Architects, Incorporated, Solicitation Number GS-09P-09-KTC-0048		
08/27/09	A090116	Review of Claims for Increased Costs: General Heating & Air Conditioning, Inc., Contract Number GS-05P-04-GAC-0055		
08/27/09	A090228	Report on Audit of Parts of a Firm Fixed Price Proposal for Architectural and Engineering Services on the new St. Elizabeth's West Campus of the U.S. Department of Homeland Security Headquarters and Consolidated National Operations Center (NOC): Greenhorne & O'Mara, Inc., Solicitation Number GS11P08MKC0079		
09/04/09	A090254	Report on Audit of Parts of a Firm Fixed Price Proposal for Architectural and Engineering Services on the new St. Elizabeth's West Campus of the U.S. Department of Homeland Security Headquarters and Consolidated National Operations Center (NOC): Greenhorne & O'Mara, Inc., Solicitation Number GS11P08MKC0080		

## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
09/08/09	A090217	Preaward Review of Architect/Engineering Change Order Proposal: AECOM U.S., Subcontractor to Ross Drulis Cusenbery Architecture, Incorporated, Contract Number GS-09P-03-KTC-0091		
09/09/09	A090232	Report on Audit of Parts of a Firm Fixed Price Proposal for Architectural and Engineering Services on the new St. Elizabeth's West Campus of the United States Department of Homeland Security Headquarters and Consolidated National Operations Center in Washington, DC: Haley & Aldrich, Inc., Solicitation Number GS11P08MKC0079		
09/09/09	A090230	Report on Audit of Parts of a Firm Fixed Price Proposal for Architectural and Engineering Services on the new St. Elizabeth's West Campus of the United States Department of Homeland Security Headquarters and Consolidated National Operations Center in Washington, DC: Goody, Clancy and Associates, Inc., Solicitation Number GS11P08MKC0079		
09/10/09	A090234	Report on Audit of Direct Labor Rates, Indirect Rates, and Other Direct Costs Portion of HDR Architecture, Inc.'s Subcontract Proposal Under Solicitation Number GS11P08MKC0079		
09/11/09	A090242	Audit of Firm Fixed Price Subcontract Proposal: Olin Partnership, Solicitation Number GS11P08MKC0080		
09/11/09	A090238	Report on Audit of Parts of a Proposal: Robert Silman Associates, PLLC, Solicitation Number GS11P08MKC0079		
09/14/09	A090239	Audit of: Shen Milsom & Wilke, Proposed Subcontract to Goody Clancy Under Solicitation GS11P08MKC0079		
09/15/09	A090233	Report on Audit of Parts of a Subcontract Proposal for: HC YU and Associates, Solicitation GS11P08MKC0079		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
09/16/09	A090215	Preaward Review of Architect/Engineering Change Order Proposal: Ross Drulis Cusenbery Architecture, Incorporated, Contract Number GS-09P-03-KTC-0091		
09/16/09	A090237	Report on Audit of Parts of a Subcontract Firm Fixed Price Proposal: Rhodeside and Harwell, Inc., Solicitation Number GS11P08MKC0079		
09/17/09	A090236	Report on Audit of Parts of a Proposal: The Protection Engineering Group, Inc., Solicitation Number GS11P08MKC0079		
09/17/09	A090246	Report on Audit of Parts of a Proposal: A&F Engineers, Inc., Solicitation Number GS11P08MKC0080		
09/21/09	A090231	Audit of: Gruzen Samton, Proposed Subcontract to Goody Clancy Under Solicitation GS11P08MKC0079		
09/21/09	A090252	Report on Audit of Subcontract Proposal to Zimmer Gunsul Frasca for St. Elizabeth's West Campus of the U.S. Department of Homeland Security: Code Consultants, Inc., Solicitation Number GS11P08MKC0080		
09/21/09	A090253	Report on Audit of Parts of a Proposal: O'Neal Technologies, Inc., Solicitation Number GS11P08MKC0080		
09/22/09	A090229	Audit of Parts of a Proposal for ARUP USA, Inc.'s Proposal for Architect & Engineering Professional Services: ARUP USA, Inc., Solicitation Number GS11P08MKC0079		
09/23/09	A090245	Report on Audit of Parts of a Proposal Submitted in Response to Solicitation No. GS11P08MKC0080: Thornton Tomasetti, Inc.		
09/24/09	A090247	Hinman Consulting Engineers, Inc., Firm Fixed Price Subcontract Proposal to Zimmer Gunsul Frasca Under Prime Proposal No. GS11P08MKC0080		

## *Appendix II–Audit Report Register*

<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>	<b>Financial Recommendations</b>	
			<b>Funds to Be Put to Better Use</b>	<b>Questioned (Unsupported) Costs</b>
09/25/09	A090241	Report on Audit of Parts of a Proposal for EYP Project No. GS11P08MKC0080 (GSA): Einhorn Yaffee Prescott Architecture & Engineering, P.C.		
09/25/09	A090250	Report on Audit of Subcontract Proposal to Zimmer Gunsul Frasca for Architect Engineering Professional Services: RTM Consultants, Inc., Solicitation Number GS11P08MKC0080		
09/28/09	A090244	Report on Audit of Parts of a Proposal: JVP Engineers, P.C., Solicitation Number GS11P08MKC0080		
09/28/09	A090251	Report on Audit of Parts of a Firm-Fixed-Price Subcontract Proposal for the St. Elizabeths East-West Campus, U.S. Department of Homeland Security: Kroll Security Group, Solicitation Number GS11P08MKC0080		
09/29/09	A090235	Report on Audit of Parts of a Firm-Fixed Price Subcontract Proposal: Kohnen-Starkey, Inc., Solicitation Number GS11P08MKC0079		
09/29/09	A090243	Audit of Parts of a Proposal: Syska & Hennessy, Inc., Solicitation Number GS11P08MKC0080		
09/29/09	A090248	Report on Audit of Parts of a Subcontract Proposal Under Solicitation Number GS11P08MKC0080: Schnabel Engineering, LLC		
<b><i>FAS Internal Audits</i></b>				
05/01/09	A090009	Review of the Federal Acquisition Service's Alliant Ordering Guide		
08/25/09	A080104	Audit of Personal Property Management Donation Program, Federal Acquisition Service		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
09/09/09	A090151	Review of the Federal Acquisition Service's Alliant Small Business Ordering Guide		
09/30/09	A070171	Review of Program Performance Measurement for Procurement		
09/30/09	A080226	Determination of Unnecessary Duplication within the Office of General Supplies and Services, Federal Acquisition Service		
09/30/09	A070118	Review of Consistency in Implementing Policy Across Acquisition Centers		
<b><i>FAS Contract Audits</i></b>				
04/01/09	A040224	Review of Multiple Award Schedule Contract Number GS-07F-8854D for the Period February 1, 1996 Through December 31, 2006: ADT Security Services, Inc.		\$2,600,921
04/01/09	A080140	Preaward Review of Multiple Award Schedule Contract Extension: CDO Technologies, Inc., Contract Number GS-35F-5457H		\$49,543
04/01/09	A080123	Review of Multiple Award Schedule Contract Number GS-07F-0008K for the Period October 1, 1999 to September 30, 2007: American Material Handling, Inc.		\$115,630
04/07/09	A080181	Preaward Review of Multiple Award Schedule Contract Extension: I2, Inc., Contract Number GS-35F-0241J		\$8,775
04/07/09	A080219	Preaward Review of Multiple Award Schedule Contract Extension: MacAulay Brown, Inc., Contract Number GS-35F-0137J		\$25,144
04/10/09	A090068	Preaward Review of Multiple Award Schedule Contract Extension: BAE Systems Specialty Group, Inc., Contract Number GS-07F-5778P		\$40,475
04/13/09	A090070	Preaward Review of Multiple Award Schedule Contract Extension: Softmart Government Services, Inc., Contract Number GS-35F-0346J		

## Appendix II–Audit Report Register

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
04/16/09	A080228	Preaward Review of Multiple Award Schedule Contract Extension: Trimble Navigation Limited, Contract Number GS-07F-5588P		
04/21/09	A080197	Preaward Review of Multiple Award Schedule Contract Extension: Tandberg, Inc., Contract Number GS-35F-0859N		
04/21/09	A080225	Preaward Review of Multiple Award Schedule Contract Extension: FLIR Systems, Inc., Contract Number GS-03F-5051C		
04/23/09	A080203	Preaward Review of Multiple Award Schedule Contract Extension: SimplexGrinnell LP, Contract Number GS-06F-0054N		
04/27/09	A080210	Preaward Review of Multiple Award Schedule Contract Extension: ImmixTechnology, Inc., Contract Number GS-35F-0330J		\$711,525
04/30/09	A080160	Preaward Review of Multiple Award Schedule Contract Extension: CALIBRE Systems, Inc., Contract Number GS-35F-5833H		
04/30/09	A090104	Preaward Review of Multiple Award Schedule Contract Extension: Scitor Corporation, Contract Number GS-35F-0298J		\$16,483
05/12/09	A090107	Preaward Review of Multiple Award Schedule Contract Extension: Westar Aerospace & Defense Group, Inc., Contract Number GS-23F-0207P		\$3,376,047
05/28/09	A090041	Preaward Review of Multiple Award Schedule Contract Extension: Specialized Products Company, Contract Number GS-06F-0011J		
06/08/09	A090115	Preaward Review of Multiple Award Schedule Contract Extension: Square One Armoring Services Company, Contract Number GS-07F-0303J		

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
06/11/09	A090076	Preaward Review of Multiple Award Schedule Contract Extension: KSJ & Associates, Incorporated, Contract Number GS-10F-0024J		
06/11/09	A080077	Limited Scope Postaward Review of Multiple Award Schedule Contract: Gartner, Inc., Contract Number GS-35F-5014H		\$1,486,750
06/11/09	A090122	Preaward Review of Multiple Award Schedule Contract Extension: The Stanley Works dba Stanley Vidmar, Contract Number GS-27F-5062C		
06/17/09	A070188	Limited Scope Review of Multiple Award Schedule Contract: Covenant Security Services, Ltd., Contract Number GS-07F-0505M		\$17,817
06/18/09	A090003	Preaward Review of Multiple Award Schedule Contract Extension: ESI International, Inc., Contract Number GS-02F-0058P		\$12,667
07/08/09	A090007	Preaward Review of Multiple Award Schedule Contract Extension: Booz Allen Hamilton, Inc., Contract Number GS-35F-0306J		\$806,948
07/14/09	A090162	Preaward Review of Multiple Award Schedule Contract Extension: Meggitt Training Systems, Inc., Contract Number GS-02F-0414D		
07/23/09	A090123	Preaward Review of Multiple Award Schedule Contract Extension: Global Protection Acquisition, Inc., Contract Number GS-07F-6028P		\$86,132
08/06/09	A090145	Preaward Review of Multiple Award Schedule Contract Extension: BTAS, Inc., Contract Number GS-35F-0546J		
08/19/09	A080223	Preaward Review of Multiple Award Schedule Contract Extension: AT&T Corp., Contract Number GS-35F-0249J		



## *Appendix II–Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
08/19/09	A090106	Preaward Review of Multiple Award Schedule Contract Extension: Perot Systems Government Services, Inc., Contract Number GS-00F-0049M		\$34,758
08/20/09	A090117	Preaward Review of Multiple Award Schedule Contract Extension: Monster Government Solutions, Incorporated, Contract Number GS-02F-0010P		
08/21/09	A080030	Preaward Review of Multiple Award Schedule Contract: Hewlett-Packard Company, Solicitation Number FCIS-JB-980001-B		\$59,353
08/21/09	A090090	Preaward Review of Multiple Award Schedule Contract Extension: Ezenia!, Inc., Contract Number GS-35F-0475P		
08/21/09	A090109	Preaward Review of Multiple Award Schedule Contract Extension: DRS Technical Services, Incorporated, Contract Number GS-35F-0056J		\$4,965
08/21/09	A080112	Preaward Review of Multiple Award Schedule Contract Extension: Altarum Institute, Contract Number GS-35F-4912H		
08/24/09	A090131	Preaward Review of Multiple Award Schedule Contract Extension: Avid Technology, Inc., Contract Number GS-35F-0638J		\$2,394,174
08/27/09	A090181	Preaward Review of Multiple Award Schedule Contract Extension: Network Connectivity Solutions, Corp., Contract Number GS-35F-0539J		
09/03/09	A090072	Preaward Review of Multiple Award Schedule Contract Extension: BAE Systems Survivability Systems, LLC, Contract Number GS-07F-0177J		
09/03/09	A090089	Preaward Review of Multiple Award Schedule Contract Extension: Mohawk Carpet Corporation, Lees Carpets Division, Contract Number GS-27F-0031N		\$124,119

## *Appendix II—Audit Report Register*

Date of Report	Audit Number	Title	Financial Recommendations	
			Funds to Be Put to Better Use	Questioned (Unsupported) Costs
09/04/09	A090074	Preaward Review of Multiple Award Schedule Contract Extension: TechFlow, Inc., Contract Number GS-35-0210J		
09/10/09	A090113	Preaward Review of Multiple Award Schedule Contract Extension: Design Analysis Associates, Inc., Contract Number GS-24F-1443C		
09/11/09	A090067	Preaward Review of Multiple Award Schedule Contract Extension: ManTech Advanced Systems International, Inc., Contract Number GS-23F-0122J		
09/24/09	A090144	Preaward Review of Multiple Award Schedule Contract Extension: TMP Worldwide Advertising & Communications, LLC, Contract Number GS-23F-0076J		
09/25/09	A090118	Interim Postaward Review of Multiple Award Schedule Contract: Murray-Benjamin Electric Co., Contract Number GS-35F-0088N		\$461,494
09/30/09	A090158	Preaward Review of Multiple Award Schedule Contract Extension: Applied Data Trends, Incorporated, Contract Number GS-35F-0680J		\$358,696

### *Other Internal Audits*

05/11/09	A080090	Audit of GSA's Purchase Card Program		
06/18/09	A070113	Review of the Implementation of GSA's IT Infrastructure Support Services Consolidation Initiative		
08/07/09	A080180	FY 2009 Office of Inspector General Audit of the E2 Travel System Security Controls		
09/04/09	A090103	Audit of GSA's Living Quarters Allowance Process		
09/30/09	A080121	Review of the GSA OCAO's Procurement Management Review Process		

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## *Appendix II–Audit Report Register*

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>	<b>Financial Recommendations</b>	
			<b>Funds to Be Put to Better Use</b>	<b>Questioned (Unsupported) Costs</b>
09/30/09	A090126	FY 2009 Office of Inspector General FISMA Review of GSA's Information Technology Security Program		
09/30/09	A090126	FY 2009 Office of Inspector General Information Technology Security Audit of the Enterprise Communications System		

### ***Non-GSA Internal Audits***

09/09/09	A090110	General Services Administration Office of Inspector General's Independent Report on Applying Agreed-Upon Procedures to the Office of Personnel Management		
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## Appendix III—Audit Reports over 12 Months Old, Final Agency Action Pending

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

In GSA, the Office of the Chief Financial Officer (OCFO) is responsible for monitoring and tracking open recommendations. While we continue to assist the Agency in resolving these open items, various litigative proceedings, continuing negotiations of contract proposals, and corrective actions needed to undertake complex and phased-in implementing actions often delay timely completion of the final action.

The OCFO provided the following list of reports with action items open beyond 12 months:

Date of Report	Audit Number	Title
<b>Contract Audits</b>		
06/01/00	A000971	Audit of Claim for Increased Costs: Midwest Curtainwalls, Inc., The Federal Triangle Project
04/30/01	A010127	Audit of Billing under Contract Number GS06P99GZC0315: DKW Construction, Inc., Contract Number GS06P99GZC0315
10/18/01	A63630	Postaward Audit of Multiple Schedule Contract: The Presidio Corporation, Contract Number GS00k95AGS6170
03/25/03	A030140	Limited Scope Review of Termination Claim: Science Applications International Corp., Contract Number GS35F4461G
03/09/04	A030186	Postaward Audit of Multiple Award Schedule Contract: Nova Solutions, Contract Number GS-29F-0173G
03/09/04	A040162	Price Adjustments on Multiple Award Schedule Contract: Nova Solutions, Inc., Contract Number GS-29F-0173G
06/28/04	A040085	Limited Scope Postaward Audit of Multiple Award Schedule Contract: Onboard Software, Inc., Contract Number GS-35F-0117J
05/10/05	A050112	Preaward Review of Multiple Award Schedule Contract Extension: Entrust, Inc., Contract Number GS-35F-0332K
07/08/05	A050138	Review of Claim for Increased Costs: Nason and Cullen, Inc., Contract Number GS-03B-02301
10/12/05	A050105	Preaward Review of Multiple Award Schedule Contract Extension: BCOP Federal, Contract Number GS-14F-003K
11/30/05	A050147	Limited Scope Review of Task Order F11623-02-F-A425 Multiple Award Schedule Contract: Herman Miller, Inc., Contract Number GS-28F-8049H
03/30/06	A050248	Postaward Review of Lease Costs and Pricing Data: Information Systems Support, Inc., Contract Number GS-09K-99-BHD-0006
04/18/06	A050122	Review of Industrial Funding Fee Remittances: Fasternal Company, Contract Number GS-06F-0039K

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## **Appendix III—Audit Reports over 12 Months Old, Final Agency Action Pending**

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<b>Date of Report</b>	<b>Audit Number</b>	<b>Title</b>
09/07/06	A060181	Preaward Review of Multiple Award Schedule Contract Extension: Haverstick Government Solutions, Inc., Contract Number GS-35F-0496L
10/24/06	A060148	Preaward Review of Multiple Award Schedule Contract Extension: Kimball International, Contract Number GS-29F-0177G
10/31/06	A060206	Postaward Review of Lease Costs and Pricing Data: Information Systems Support Incorporated, Contract Number GS-09K-99-BHD-0006
12/08/06	A060115	Preaward Review of Multiple Award Schedule Contract Extension: WFI Government Services, Inc., Contract Number GS-35F-0553L
04/20/07	A070107	Review of a Claim: Linear Electric Company, Contract Number GS-02B-23182
04/30/07	A060245	Preaward Review of Multiple Award Schedule Contract Extension: Comstor, Division of Westcon Group N.A., Inc., Contract Number GS-35F-4389G
08/23/07	A070183	Preaward Review of Architect Engineer Proposal: Perkins + Will, Contract Number GS-09P-06-KTC-3043
08/27/07	A070141	Review of Claim for Increased Costs: Logicvision, Inc., Contract Number GS06P04GYC0005
08/28/07	A060196	Preaward Review of Request for Equitable Adjustment: Tigard Electric, Incorporated, Contract Number GS-10P-02-LTC-0025
09/27/07	A060239	Preaward Review of Multiple Award Schedule Contract Extension: Emtec Federal, Inc., Contract Number GS-35F-4564G
10/02/07	A060194	Limited Scope Pricing Review of Multiple Award Schedule Contract: Q-Matic Corporation, Contract Number GS-07F-0017K
10/04/07	A070144	Preaward Review of Multiple Award Schedule Contract Extension: Aquilent, Inc., Contract Number GS-35F-4729G
10/31/07	A070120	Preaward Review of Multiple Award Schedule Contract Extension: Merlin International, Inc., Contract Number GS-35F-0783M
12/18/07	A070176	Preaward Review of Multiple Award Schedule Contract Extension: T-Mobile USA, Incorporated, Contract Number GS-35F-0503M
12/19/07	A070133	Preaward Review of Multiple Award Schedule Contract Extension: World Wide Technology, Inc., Contract Number GS-35F-4194D
02/12/08	A070119	Preaward Review of Multiple Award Schedule Contract Extension: BAE Systems Information Technology, Inc., Contract Number GS-35F-4668G
03/03/08	A070124	Preaward Review of Multiple Award Schedule Contract Extension: Alion Science and Technology Corporation, Contract Number GS-35F-4721G
03/07/08	A070202	Review of a Claim: Dick Corporation/Matt Construction Company, Contract Number GS-09P-01-KTC-007

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## Appendix III—Audit Reports over 12 Months Old, Final Agency Action Pending

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Date of Report	Audit Number	Title
03/26/08	A080111	Preaward Review of a Claim: Caddell Construction Company, Inc., Contract Number GS-04P-02-EXC-0077
03/31/08	A080080	Postaward Audit Report on Examination of Direct Costs: Science Applications International Corp., Contract Number GS00T99ALD0210
03/31/08	A070227	Preaward Review of Multiple Award Schedule Contract Extension: Telecommunication Systems, Inc., Contract Number GS-35F-4655H
04/10/08	A070168	Preaward Review of Multiple Award Schedule Contract Extension: MSC Industrial Direct Company, Inc., Contract Number GS-06F-0010N
04/10/08	A080083	Review of a Claim for Increased Costs: H.J. Martin & Son, Inc., Contract Number GS-09P-01-KTC-0071
04/29/08	A080084	Review of Change Order Proposal for Resolution of Wage Rate: Kenmor Electrical Company, LP, Contract Number GS-07P-05-URC-5007
05/05/08	A070219	Preaward Review of MAS Contract Extension: Navarro Research & Engineering Inc., Contract Number GS-00F-0092N
05/05/08	A080107	Preaward Review of Multiple Award Schedule Contract Extension: Superior Protection Service, Inc., Contract Number GS-07F-0605N
05/20/08	A070218	Preaward Review of Multiple Award Schedule Contract Extension: KPMG, LLP, Contract Number GS-23F-8127H
05/22/08	A070229	Preaward Review of Multiple Award Schedule Contract Extension: Citrix Systems, Incorporated, Contract Number GS-07F-0332N
06/05/08	A070095	Preaward Review of Multiple Schedule Contract Extension: GTSI Corporation, Contract Number GS-35F-4120D
06/06/08	A080115	Preaward Review of Multiple Award Schedule Contract Extension: Home Depot U.S.A., Inc., Contract Number GS-06F-0052N
06/10/08	A080088	Review of a Claim: Control Air Conditioning Corporation, Contract Number GS-09P-01-KTC-0071
06/11/08	A040224	Review of Multiple Award Schedule Contract: ADT Security Services, Inc., Contract Number GS-07F-8854D
07/23/08	A070217	Preaward Review of Multiple Award Schedule Contract Extension: Compuware Corporation, Contract Number GS-35F-5337H
08/05/08	A080077	Preaward Review of Multiple Award Schedule Contract Extension: Gartner, Inc., Contract Number GS-35F-5014H
08/07/08	A080158	Preaward Review of a Claim: GPA-Buffer, L.P., Lease Number GS-04B-039838
08/08/08	A080092	Preaward Review of Multiple Award Schedule Contract Extension: Agilent Technologies, Inc., Contract Number GS-24F-0806A

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

Date of Report	Audit Number	Title
08/28/08	A070230	Preaward Review of Multiple Award Schedule Contract Extension: Bearingpoint, LLC, Contract Number GS-35F-4338D
09/02/08	A080071	Preaward Review of Multiple Award Schedule Contract Extension: MPC-G, LLC, Contract Number GS-35F-0348N
09/03/08	A080167	Preaward Review of Multiple Award Schedule Contract Extension: Phoenix Consulting Group, Inc., Contract Number GS-07F-0684N
09/24/08	A070217	Limited Scope Review of Multiple Award Schedule Contract: Compuware Corporation, Contract Number GS-35F-5337H

Date of Report	Audit Number	Title	Projected Final Action Date
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### Internal Audits

03/18/03	A020161	Audit of the Consolidation of Distribution Center Operations: Impact on Shipment Costs and Delivery Times	10/15/2009
03/06/07	A060149	Review of eOffer/eMod, GSA's Electronic Contract Proposal and Modification System	01/15/2010
05/17/07	A070067	Review of the Administration of Unused Airline Tickets	10/15/2009
07/31/07	A060190	Review of Multiple Award Schedule Program Contract Workload Management	10/15/2010
09/13/07	A060170	Review of the Heating Operation and Transmission District's Operations and Finances	01/15/2010
03/21/08	A070164	Review of the Use of Inventory Management Software, Federal Acquisition Service	08/15/2010
03/31/08	A060228	Improvements to the GSA Privacy Act Program are Needed to Ensure that Personally Identifiable Information is Adequately Protected	01/15/2010
06/23/08	A070094	Work Remains in Implementing a Fully Integrated Pegasys Financial Management System	10/15/2009
07/30/08	A070046	Hotline Complaint – Acquisitions with the Office of the Chief Acquisition Officer	03/15/2010
09/11/08	A080081	FY 2008 Office of Inspector General FISMA Review of GSA's Information Technology Security Program	01/15/2010
09/29/08	A080074	Improving the FedRooms Program Based on Benchmarking, Federal Acquisition Service	01/15/2010
09/30/08	A070216	Audit of PBS's Controls Over Security of Building Information	10/15/2009
09/30/08	A060101	Audit of Reimbursable Work Authorizations	01/15/2010

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## ***Appendix IV—Government Contractor Audit Findings***

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The *National Defense Authorization Act for Fiscal Year 2008*, P.L. 110-181, requires each Inspector General appointed under the *Inspector General Act of 1978* to submit an annex on final, completed contract audit reports issued to the contracting activity that contain significant audit findings – unsupported, questioned, or disallowed costs in an amount in excess of \$10 million, or other significant findings – as part of the Semiannual Report to the Congress. During this reporting period, the OIG issued no contract review reports that met this requirement.



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## ***Appendix V—Audits Without Management Decision***

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

### ***Postaward Audit Report on Direct Costs Incurred on Trilogy Project: Computer Sciences Corporation, Task Order Number T0001AJM026, Under GSA Millennia Contract Number GS00T99ALD0204, issued December 29, 2008***

This audit was requested by the GSA Federal Systems Integration and Management Center (FEDSIM) on behalf of the Federal Bureau of Investigation (FBI). In 2001, the FBI initiated the Trilogy program to modernize its information technology infrastructure and systems. To expedite the contracting process, the FBI entered into an interagency agreement with GSA to support the FBI's use of the FEDSIM Millennia contract for implementation of the Trilogy program. The task order was awarded in May 2001 to Computer Sciences Corporation (CSC). In February 2006, the Government Accountability Office (GAO) issued a report identifying questionable costs billed on task orders issued under the Trilogy program. The OIG coordinated with the Defense Contract Audit Agency (DCAA) to perform an audit. The audit objectives were to determine if any of the direct costs identified as a result of the GAO report were unallowable, unallocable, or unreasonable and whether the audit results could be used as the basis to pursue remedies to recoup funds and assess penalties. DCAA, in its audit of CSC and its seven subcontractors, took exception to \$14.95 million of the \$120.8 million in direct costs incurred and billed under the task order. CSC and the subcontractors did not concur with the majority of the costs questioned by DCAA. To reach a management decision, the contracting officer will continue to assess, with the many parties involved, the issues raised by the contractor and subcontractors in their rebuttal to the DCAA audit report.

## Appendix VI—Delinquent Debts

The GSA Office of the Chief Financial Officer provided the following information.

The GSA Office of the Chief Financial Officer (OCFO) has continued to implement and initiate actions to improve our debt collection efforts and reduce the amount of debt written off as uncollectible for GSA. Management has continued to place a high priority on resolving delinquent accounts receivable.

Coordination efforts between regional contracting officers, realty specialists, Treasury claims cross-servicing personnel, and the recovery auditors continue to strengthen our delinquent receivables and claim collection efforts. Receivables and claims continue to be reduced through routine follow-up of delinquencies. Also, delinquent and aged receivable reports are being distributed to field office personnel and regional management. Aged receivables are elevated to regional financial managers and senior level managers for action and resolution.

In addition to reviews, reconciliations, follow-up emails and phone calls, OCFO continues to issue consistent and timely delinquency notices and increase efforts to identify invoice offsets on amounts due to commercial vendors on other contracts. These efforts are designed to promote faster claim resolution.

In accordance with OMB Circular A-129, GSA continues to write off uncollected claims over two years old; however, written off claims due from debtors for which Treasury has a Taxpayer Identification Number or Social Security Number remain in Treasury's Off-set Program (TOP) for up to ten years for collection. GSA's OCFO continues to place a high priority on resolving delinquent accounts receivable and claims.

### Non-Federal Accounts Receivable

	As of March 31, 2009	As of September 30, 2009	Difference
Amounts Due GSA	\$144,634,557	\$163,835,958	(\$19,201,401)
Amounts Overdue	\$12,880,763	\$12,952,550	(\$71,787)
Amounts Written Off		\$2,339,471	

From April 1, 2009 to September 30, 2009, the Office of Financial Policy and Operations referred \$3,817,861 delinquent non-Federal claims to the U.S. Department of the Treasury for cross-servicing collection activities. Collections on non-Federal claims were \$269,765,869.

Administrative offsets have resulted in additional collections of \$13,136,403. GSA also collected non-Federal claims using Pre-Authorized Debits (PADS) totaling \$38,268.

## Appendix VII—Reporting Requirements

The table below cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages where they are addressed. The information requested by the Congress

in Senate Report No. 96-829 relative to the 1980 Supplemental Appropriations and Rescission Bill and the National Defense Authorization Act is also cross-referenced to the appropriate page of the report.

Requirement	Page
<b>Inspector General Act</b>	
Section 4(a)(2) – Review of Legislation and Regulations. . . . .	39
Section 5(a)(1) – Significant Problems, Abuses, and Deficiencies. . . . .	2–25
Section 5(a)(2) – Recommendations with Respect to Significant Problems, Abuses, and Deficiencies. . . . .	2–25
Section 5(a)(3) – Prior Recommendations Not Yet Implemented . . . . .	53
Section 5(a)(4) – Matters Referred to Prosecutive Authorities. . . . .	48
Sections 5(a)(5) and 6(b)(2) – Summary of Instances Where Information Was Refused. . . . .	none
Section 5(a)(6) – List of Audit Reports. . . . .	57
Section 5(a)(7) – Summary of Each Particularly Significant Report. . . . .	2–25
Section 5(a)(8) – Statistical Tables on Management Decisions on Questioned Costs. . . . .	47
Section 5(a)(9) – Statistical Tables on Management Decisions on Recommendations That Funds Be Put to Better Use . . . . .	46
Section 5(a)(10) – Summary of Audit Reports Issued Before the Commencement of the Reporting Period for Which No Management Decision Has Been Made . . . . .	73
Section 5(a)(11) – Description and Explanation for Any Significant Revised Management Decision . . . . .	none
Section 5(a)(12) – Information on Any Significant Management Decisions with Which the Inspector General Disagrees. . . . .	none
<b>Senate Report No. 96-829</b>	
Resolution of Audits . . . . .	45
Delinquent Debts . . . . .	74
<b>National Defense Authorization Act</b>	
Public Law 104-106, 5 U.S.C. app. 3, § 5 note . . . . .	68
Public Law 110-181 . . . . .	72

## Appendix VIII—OIG Offices and Key Officials

### Office of the Inspector General

Inspector General, Brian D. Miller (J)	(202) 501-0450
Deputy Inspector General, Robert C. Erickson	(202) 501-0450
Director of Communications and Congressional Affairs, Dave Farley	(202) 219-1062

### Office of Counsel to the Inspector General

Counsel to the IG, Richard Levi (JC)	(202) 501-1932
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### Office of Internal Evaluation and Analysis

Director, Peter J. Coniglio (JE)	(202) 501-0468
Office of Forensic Auditing, Director Patricia D. Sheehan	(703) 603-0193

### Office of Audits

Assistant IG for Auditing, Theodore R. Stehney (JA)	(202) 501-0374
Principal Deputy Assistant IG for Auditing, Regina M. O'Brien (JAD)	(202) 501-0374
Director, Audit Planning, Policy, and Operations Staff, Lisa Blanchard (JAO)	(202) 501-4865
Director, Administration and Data Systems Staff, Thomas P. Short (JAS)	(202) 501-1366
Director, Special Projects, Paul J. Malatino (JA)	(202) 208-0021

### Deputy Assistant Inspectors General for Auditing

Information Technology Audit Office, Gwendolyn A. McGowan (JA-T)	(703) 308-1223
Real Property Audit Office, Rolando N. Goco (JA-R)	(202) 501-2322
Finance & Administrative Audit Office, Jeffrey C. Womack (JA-F)	(202) 501-0006
Acquisition Programs Audit Office, Kenneth L. Crompton (JA-A)	(703) 603-0189
Contract Audit Office, James M. Corcoran (JA-C)	(215) 446-4846

### Regional Inspectors General for Auditing

National Capital Region Field Office, Barbara E. Bouldin (JA-W)	(202) 708-5340
Northeast and Caribbean Field Office, Howard R. Schenker (JA-2)	(212) 264-8620
Mid-Atlantic Field Office, Glenn D. Merski (JA-3)	(215) 446-4840
Southeast Sunbelt Field Office, James D. Duerre (JA-4)	(404) 331-5125
Great Lakes Field Office, David K. Stone (JA-5)	(312) 353-7781
The Heartland Field Office, John F. Walsh (JA-6)	(816) 926-7052
Greater Southwest Field Office, Rodney J. Hansen (JA-7)	(817) 978-2571
Pacific Rim Field Office, James P. Hayes (JA-9)	(415) 522-2744

## Appendix VIII—OIG Offices and Key Officials

### Office of Investigations

Assistant IG for Investigations, Gregory G. Rowe (JI)	(202) 501-1397
Deputy Assistant IG for Investigations, Geoffrey A. Cherrington (JID)	(202) 501-1397
Director, Investigations Operations Division, Randal A. Stewart (JIB)	(202) 501-4583

### Special Agents in Charge (SAC)

Mid-Atlantic Regional Office, SAC Christopher P. Cherry (JI-W)	(202) 252-0008
Philadelphia Resident Office, Assistant SAC James E. Adams (JI-3)	(215) 861-3550
Northeast and Caribbean Regional Office, SAC Daniel J. Walsh (JI-2)	(212) 264-7300
Boston Resident Office, Assistant SAC Luis A. Hernandez (JI-1)	(617) 565-6820
Southeast Regional Office, SAC Lee P. Quintyne (JI-4)	(404) 331-5126
Miami Resident Office, SA Dietrich Bohmer (JI-4M)	(954) 356-6993
Central Regional Office, SAC Stuart G. Berman (JI-5)	(312) 353-7779
Mid-West Regional Office, SAC John F. Kolze (JI-6)	(816) 926-7214
Denver Resident Office, SA Christopher C. Hamblen (JI-8)	(303) 236-5072
Southwest Regional Office, SAC Paul W. Walton (JI-7)	(817) 978-2589
Western Regional Office, Vacant (JI-9)	(415) 522-2755
Los Angeles Resident Office, SA Tony Wu (JI-9L)	(949) 360-2214
Northwest Regional Office, SAC Terry J. Pfeifer (JI-10)	(253) 931-7654

### Office of Administration

Assistant IG for Administration, Carolyn Presley-Doss (JP)	(202) 501-4638
Deputy Assistant IG for Administration (Acting), Richard Parker (JP)	(202) 501-1641
Budget, Planning, and Financial Management Division, Director Kristin Sneed (JPB)	(202) 208-4198
Facilities and Contracts Division, Team Leader Carol Mulvaney (JPFC)	(202) 501-3119
Human Resources Division, Director (Acting), Deborah Bell (JPH)	(202) 501-0360
Information Technology Division, Director Michael McLaughlin (JPM)	(202) 219-2319

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