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## PREFACE

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This report, submitted pursuant to the Inspector General Act of 1978, as amended, presents management's perspective on audit resolution and followup activity at the General Services Administration for the period April 1, 2004, through September 30, 2004.

In April 1990, the Office of Inspector General began to identify audit recommendations for cost avoidance as "funds to be put to better use" and, to the extent practical, distinguished these recommendations on the basis of whether they have or do not have an impact on the agency budget. Funds identified as "budget impact" involve the obligation process. Audit-related savings of these funds, depending on the particular fund involved, may be available for reprogramming. Funds identified as "no budget impact," however, do not involve obligated monies, and, therefore, cannot be construed as having a material effect on GSA's appropriated funds.

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## EXECUTIVE SUMMARY

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In accordance with the Inspector General Act Amendments of 1988, the Administrator of General Services submits this report to the Congress on final actions regarding audit recommendations. The report covers the period April 1, 2004 through September 30, 2004. The Act requires the Administrator to report directly to Congress on management decisions and final actions taken on audit recommendations. The report must also explain why final action on any audit has not been taken one year after the date of the management decision. This submission statistically summarizes management's implementation of the recommendations contained in audit reports issued by the General Services Administration's Office of Inspector General.

During the reporting period, management decisions were issued on 83 audit reports. Of this total, audit reports represented \$ in disallowed costs and \$ in funds to be put to better use. The latter category is comprised of estimated and actual cost avoidance determined to have no impact on the agency's budget. There were no management decisions this period that involved actual cost avoidance determined to have a potential impact on the budget.

During the six-month period, final action was achieved for audits with management decisions identifying disallowed costs or funds to be put to better use. These audits represent the recovery of \$ and the implementation of \$ of actual cost avoidance determined to have no impact on the agency's budget. No cost avoidance determined to have a potential impact on the budget was implemented during the period.

As of September 30, 2004, audit reports remained open without final action a year after the management decision. Of this total, were under formal administrative or judicial appeal. Explanations of the reasons final actions have not been taken with respect to the remaining audits are provided in the report.

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## INTRODUCTION

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### *General*

This report, submitted pursuant to the Inspector General Act of 1978, as amended, presents management's perspective on audit resolution and followup activity at the General Services Administration (GSA) for the period April 1, 2004 through September 30, 2004. This is the agency's 31st report to the Congress since the implementation of the Inspector General Act Amendments of 1988 (Public Law 100-504). The data in the report indicates that GSA's audit followup efforts continue to play a significant role in the effective management of the agency's operations and the accomplishment of its mission.

### **Organization of the Audit Followup Program in the General Services Administration**

#### **Background**

GSA is organized around business functions represented by three major services (Public Buildings Service, Federal Supply Service, and Federal Technology Service). In addition, there are 11 regions and a number of staff offices which provide support to the other GSA organizations.

GSA is headed by the Administrator, who directs the execution of all functions assigned to GSA. Members of his office, as well as Regional Administrators and Heads of Services and Staff Offices, advise and make recommendations on policy or operational issues of national scope.

Each service is headed by a Commissioner located in the Central Office in Washington, DC. The Commissioners are responsible in their respective functional areas for policy development; program direction; funding; and interfacing with congressional staffs, clients and other constituents regarding issues of policy or national importance.

Each region has a Regional Administrator who is responsible for managing the regional functions. The Regional Administrators report directly to the Administrator. GSA's structure requires a matrixed approach to management where communication between the regions and Central Office organizations is critical to the effective management of the agency.

GSA has effective systems in place for keeping track of audit recommendations and more importantly has top management commitment to making sure that appropriate corrective action is taken on the basis of those recommendations. Managers have the responsibility to act upon the auditor's recommendations, with the audit resolution process being supervised by the agency audit followup official. The following provides a description of the responsibilities of GSA officials involved in the audit followup process.

### **Senior Agency Official**

The Deputy Administrator is the senior agency official responsible for audit followup in the agency. As such he has overall responsibility for ensuring the adequacy of the agency's followup system, monitoring the resolution of audit recommendations and ensuring the prompt implementation of corrective actions. He also makes final decisions to resolve differences between agency management and the Office of Inspector General (OIG).

### **The Chief Financial Officer**

The Chief Financial Officer provides administrative direction to the officials in the Office of the Chief Financial Officer who manage GSA's Audit Resolution and Followup System. Their responsibilities include:

- Acting as the liaison with the General Accounting Office (GAO) for the coordination of GAO audits in progress within GSA and for preparation of responses and reports for the signature of the Administrator on GAO recommendations as required by law;
- Ensuring timely resolution and implementation of internal and external audit recommendations made by the OIG as well as GAO;
- Overseeing the prosecution, collection, and proper accounting of amounts determined due the Government as the result of audit-related claims;

- Critically analyzing GSA's programs upon request from the Administrator, particularly as related to past or present audit recommendations; and,
- Maintaining an automated report control system for both internal and external audits that provides an accurate means for tracking and documenting actions taken in implementing audit recommendations.

### Heads of Services and Staff Offices and **Regional Administrators**

Heads of Services and Staff Offices and Regional Administrators to whom audit recommendations pertain have primary responsibility for resolving and implementing recommendations promptly, including, but not limited to:

- Ensuring controls are implemented to provide timely, accurate and complete responses to audit reports;
- Developing, advocating and clearly documenting agency positions on audit recommendations;
- Preparing draft and final responses to GAO reports involving their services, staff offices, or regions in coordination with the Office of the Controller; and
- Providing comments on audit decision papers prepared by the OIG to ensure that management's position on unresolved audit recommendations is properly stated.

### **Definitions**

*The following definitions, based on the Inspector General Act of 1978, as amended, apply to terms used in this Semiannual Report.*

**Questioned Cost.** A cost which the Office of Inspector General (OIG) questions because of:

1. An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
2. A finding that, at the time of an audit, such cost is not supported by adequate documentation; or

3.A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Unsupported Cost.** A cost which the OIG questions because the OIG found that, at the time of an audit, such cost is not supported by adequate documentation.

**Disallowed Cost.** A questioned cost which management, in a management decision, has sustained or agreed should not be charged to the Government.

**Recommendation That Funds Be Put to Better Use.** An OIG recommendation that funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

1. Reductions in outlays;
2. Deobligation of funds from programs or operations;
3. Withdrawal of interest subsidy costs on loans or loan guarantees, insurance or bonds;
4. Costs not incurred by implementing recommended improvements related to operations, contractors, or grantees;
5. Avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
6. Any other savings which are specifically identified.

**Management Decision.** The evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

**Final Action.** The completion of all actions that management has concluded in its decision are necessary with respect to the findings and recommendations included in an audit report. In the event that management concludes no action is necessary, final action occurs when a management decision has been made.

## **Statistical Reports**

**FINAL ACTION ON AUDITS WITH DISALLOWED COSTS  
FOR THE SIX-MONTH PERIOD ENDING 09/30/04**

	<u>Number of Audit Reports</u>	<u>Disallowed Costs</u>
A. Audit reports with management decisions on which final action had not been taken at the beginning of the period.		\$
B. Audit reports on which management decisions were made during the period.		\$ <sup>1</sup>
C. Total audit reports pending final action for the period (total of A and B).		\$
D. Audit reports on which final action was taken during the period.		\$
1. Recoveries		
(a) Collections/Offset	\$	
(b) Property	\$	
(c) Other	\$	
2. Write-offs	\$ <sup>2</sup>	
3. Total of 1 and 2	\$ <sup>3</sup>	
E. Audit reports needing final action at end of the period (subtract D from C).		\$

<sup>1</sup>Data pertaining to the number of audit reports on which management decisions were made during the period and the associated amount of disallowed costs was furnished by the Office of Inspector General.

<sup>2</sup>For the purposes of this report, write-offs are interpreted to represent the difference between the disallowed cost and the amount successfully recovered.

<sup>3</sup>This amount is greater than the amount on line D because recovery exceeded the disallowed cost for certain audits.

**FINAL ACTION ON AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE  
FOR THE SIX-MONTH PERIOD ENDING 09/30/04**

	<u>Number of Audit Reports</u>	<u>No Budget Impact</u>	<u>Budget Impact</u>
A. Audit reports with management decisions on which final action had not been taken at the beginning of the period.	1		\$ <sup>2</sup>
B. Audit reports on which management decisions were made during the period. <sup>3</sup>		\$	\$
C. Total audit reports pending final action for the period (total of A and B).		\$	\$
D. Audit reports on which final action was taken during the period.		\$ <sup>4</sup>	\$
		<u>No Budget Impact</u>	<u>Budget Impact</u>
1. Value of recommendations implemented (completed).		\$	\$
2. Value of recommendations that management concluded should not or could not be implemented.		\$	\$
3. Total of 1 and 2.		\$	\$
E. Audit reports needing final action at the end of the period (subtract D from C).			\$

<sup>1</sup>The figure in this entry represents amounts cited as "cost avoidance" and "funds to be put to better use," as agreed to by contracting officers and management officials. Prior to April 1990, no funds were identified by the Office of Inspector General specifically as "funds to be put to better use," and no management decisions were issued based on the consideration of "better use" of funds.

<sup>2</sup>The figures in this column represent amounts identified in agency management decision records as "budget impact" funds.

<sup>3</sup>Data pertaining to the number of audit reports on which management decisions were made during the period and the associated dollar amounts agreed to by management were furnished by the Office of Inspector General (OIG). It should be noted that the OIG data included an additional 6 management assistance audits not counted in this report since the audits were not subject to normal audit resolution and followup processes.

<sup>4</sup>This figure, shown as "no budget impact" funds, is composed of estimated and actual amounts, as follows:

Estimated:	\$
Actual:	\$
Total:	\$

This distinction is made by management, based on type of contract involved, to enable calculation of actual savings compared with dollar values associated with management decisions involving fixed price, definite quantity-type contracts. Generally, savings information is determinable for these types of contracts at the time of final action (award), unless a project scope change or other factor precludes accurate calculation. Management, however, does not record or report estimated or projected cost avoidances relating to requirements contracts since substantive avoidance amounts are not determinable at the time of final action.

**AUDITS WITH MANAGEMENT DECISIONS MADE PRIOR TO 09/30/03  
BUT WITH FINAL ACTION NOT TAKEN AS OF 09/30/04**

**CONTRACT AUDITS**

<sup>1</sup>The figures in this column represent amounts cited as "cost avoidance" and "funds to be put to better use" as referred to by contracting officers and management officials. Prior to April 1990, no funds were identified by the Office of Inspector General as "funds to be put to better use," and no management decisions were issued based on the consideration of "better use" of funds.

- <sup>2</sup>
- 1 In negotiation process toward award or settlement.
  - 2 Negotiations temporarily suspended for administrative reasons.
  - 3 Negotiations completed - award, settlement, or issuance of final decision pending.
  - 4 Final decision issued - contractor response pending.
  - 5 In collection process ( time-phased payments, referrals to the Department of Justice, pending bankruptcy court disbursements).
  - 6 Action is overdue.

**AUDITS WITH MANAGEMENT DECISIONS MADE PRIOR TO 09/30/03 BUT WITH  
FINAL ACTION NOT TAKEN AS OF 09/30/04**

**INTERNAL AUDITS**

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<sup>1</sup>The figures in this column represent amounts cited as "cost avoidance" and "funds to be put to better use" as referred to by contracting officers and management officials. Prior to April 1990, no funds were identified by the Office of Inspector General as "funds to be put to better use," and no management decisions were issued based on the consideration of "better use" of funds.

- <sup>2</sup>
- 1 Long-term corrective action plan is on schedule.
  - 2 Corrective action plan was revised - final action rescheduled.
  - 3 Management action is overdue.

## AUDITS UNDER FORMAL ADMINISTRATIVE OR JUDICIAL REVIEW

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<sup>1</sup>The figures in this column represent amounts cited as "cost avoidance" and "funds to be put to better use" as referred to by contracting officers and management officials. Prior to April 1990, no funds were identified by the Office of Inspector General as "funds to be put to better use," and no management decisions were issued based on the consideration of "better use" of funds.