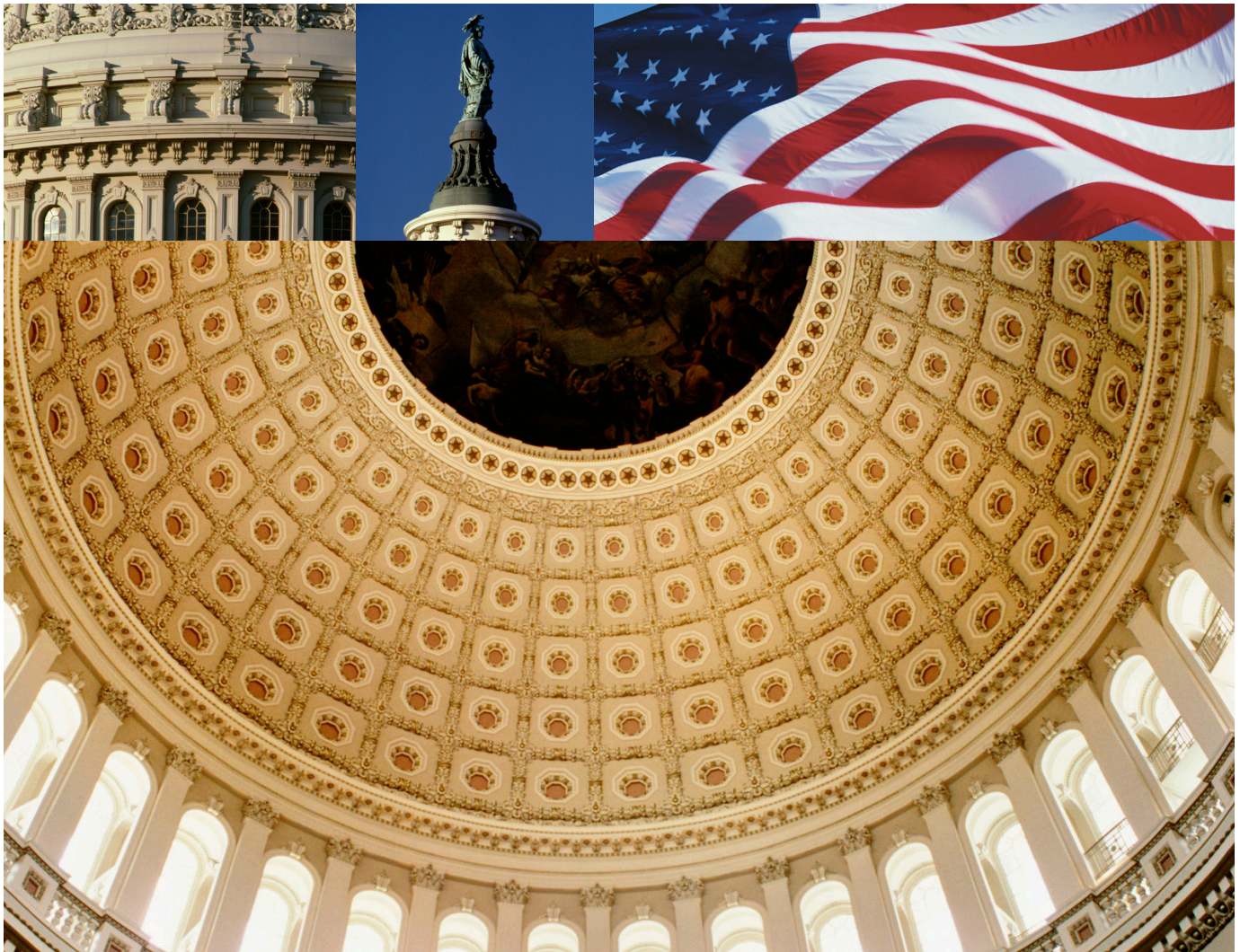




U.S. General Services Administration

# Administrator's **Semiannual** Management Report to Congress



**Report No. 40**

October 1, 2008  
to March 31, 2009

## U.S. General Services Administration

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May 2009

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## EXECUTIVE SUMMARY

In accordance with the Inspector General Act of 1978, as amended, the Administrator of the U.S. General Services Administration (GSA) submits this report to Congress on final actions regarding audit recommendations. The report covers the period from October 1, 2008, through March 31, 2009. 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 as to why final action on any audit has not been taken one year after the date of the management decision. This report statistically summarizes management's implementation of the recommendations contained in audit reports issued by GSA's Office of Inspector General.

During the reporting period, GSA issued management decisions on 68 audit reports. These included management decisions on 40 audit reports that identified a total of \$3,394,939 in disallowed costs and \$603,675,145 in funds that could 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 and \$109,092 in actual cost avoidance determined to have a potential impact on the budget. The other 28 management decisions did not identify any disallowed costs or funds to be put to better use.

During the six-month period, final action was taken on 37 audits with management decisions identifying disallowed costs or funds to be put to better use. These actions resulted in the recovery of \$3,179,374 and the implementation of \$22,258,278 of actual cost avoidance that has 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 March 31, 2009, 42 internal and contract audit reports remained open without final action one year after the management decision. Of this total, six audits were under formal administrative or judicial appeal. Explanations as to why final actions have not been taken on the remaining 36 audits are provided in the report.

Additionally, the American Recovery and Reinvestment Act of 2009 (Recovery Act) authorized the GSA Public Buildings Service (PBS) to invest \$5.55 billion in Federal public building projects and the GSA Federal Acquisition Service (FAS) to invest \$300 million in alternative-fuel vehicles. PBS Recovery Act funding includes \$4.5 billion to transform Federal facilities into exemplary high-performance green buildings, \$750 million to renovate and construct new Federal offices and courthouses, and \$300 million to construct and renovate

border stations. Due to this increased agency spending, GSA is developing risk assessments and control methodologies to ensure Recovery Act funds are awarded and distributed in a prompt, fair, and reasonable manner, recipients and uses of all Recovery Act funds are transparent to the public, and public benefits of these funds are reported clearly, accurately, and in a timely manner. To assist in the implementation of these goals, all audits involving Recovery Act funds will be tracked and reported on in future Semiannual Management Reports to Congress.

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# INTRODUCTION

## Overview

This report, submitted pursuant to the Inspector General Act of 1978, as amended, presents management's perspective on audit resolution and follow-up activity at the U.S. General Services Administration (GSA) for the period beginning October 1, 2008, through March 31, 2009. This is the agency's 40th report to Congress since the implementation of the Act (Public Law 100-504). The data in the report indicates that GSA's audit follow-up efforts continue to play a significant role in the effective management of the agency's operations and the accomplishment of its mission.

## U.S. General Services Administration Organization

GSA is organized around two major business functions represented by the Federal Acquisition Service and the Public Buildings Service. In addition, there are 11 Regions and a number of Staff Offices that provide support to the other GSA organizations.

The Administrator of GSA directs the execution of all functions pertaining to the agency. 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 lead 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 of national scope.

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

## **Agency Audit Follow-up Process**

GSA has effective systems in place for keeping track of audit recommendations. It also has senior management's commitment to ensure that appropriate corrective action is taken and agency managers have an unambiguous responsibility to act on the audit recommendations. The following provides a description of the responsibilities of GSA officials involved in the audit follow-up process.

### **Senior Agency Official**

The Deputy Administrator is the Senior Agency Official responsible for audit follow-up in the agency. As such, he has overall responsibility for ensuring the adequacy of the agency's follow-up system, monitoring the resolution of audit recommendations, and ensuring the prompt implementation of corrective actions. He is also responsible for final resolution of any differences between agency management and the Office of Inspector General.

### **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 Follow-up System. Their responsibilities include:

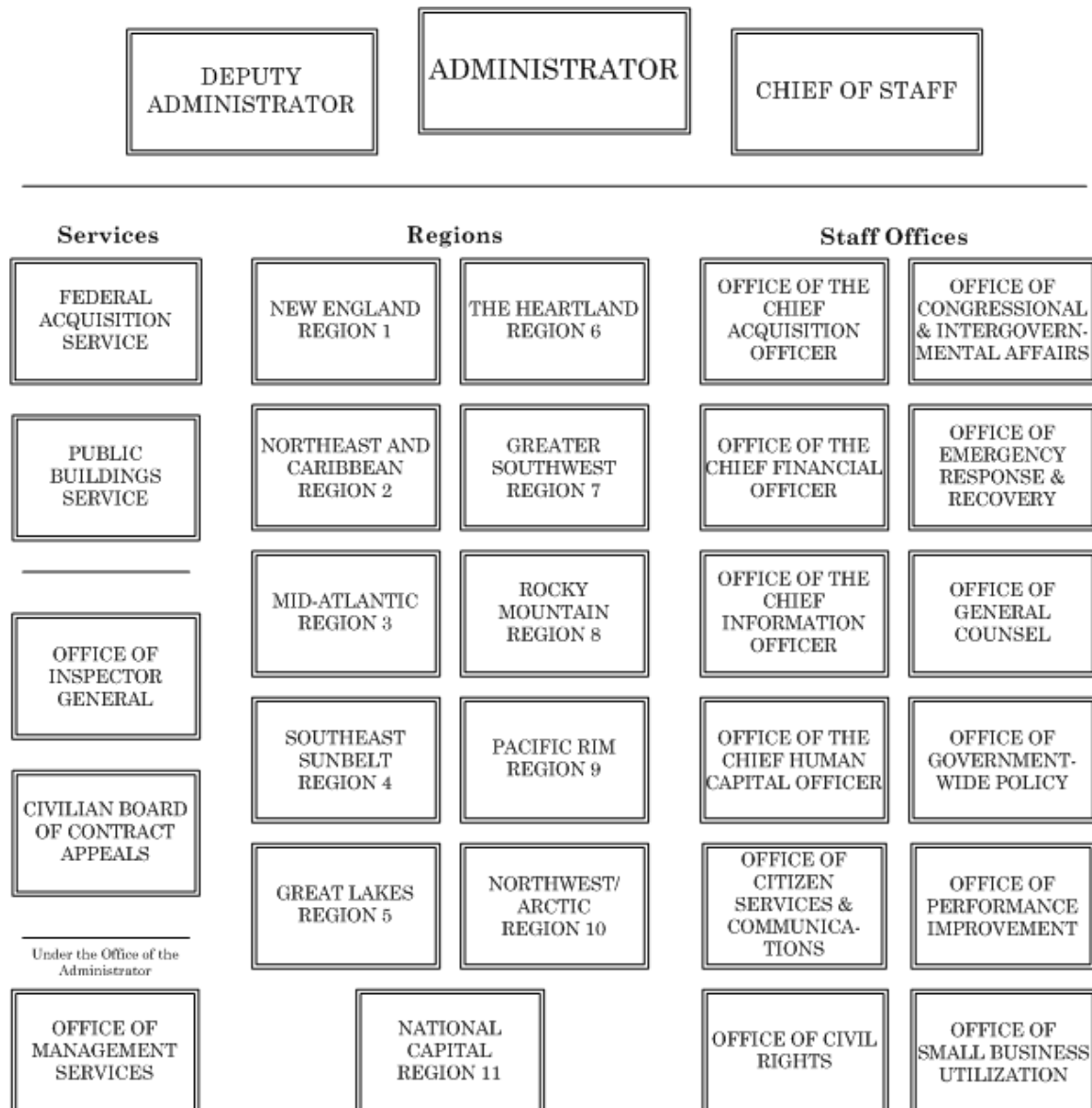
- Acting as the liaison with the U.S. Government Accountability Office (GAO) for the coordination of GAO audits in progress within GSA and for preparation of responses and reports for the signature of the Administrator on GAO recommendations as required by law;
- Ensuring timely resolution and implementation of internal and external audit recommendations made by the Office of Inspector General and GAO;
- Overseeing the collection and proper accounting of amounts determined due to the Government as the result of audit-related claims; 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. Their responsibilities include:

- Ensuring controls are implemented to provide timely, accurate, and complete responses to audit reports;
- Developing, advocating, and documenting agency positions on audit recommendations;
- Preparing responses to draft and final GAO reports in coordination with the Office of the Chief Financial Officer; and
- Providing comments on audit decision papers prepared by the Office of Inspector General to ensure that management's position on unresolved audit recommendations is properly stated.

## Organization Chart

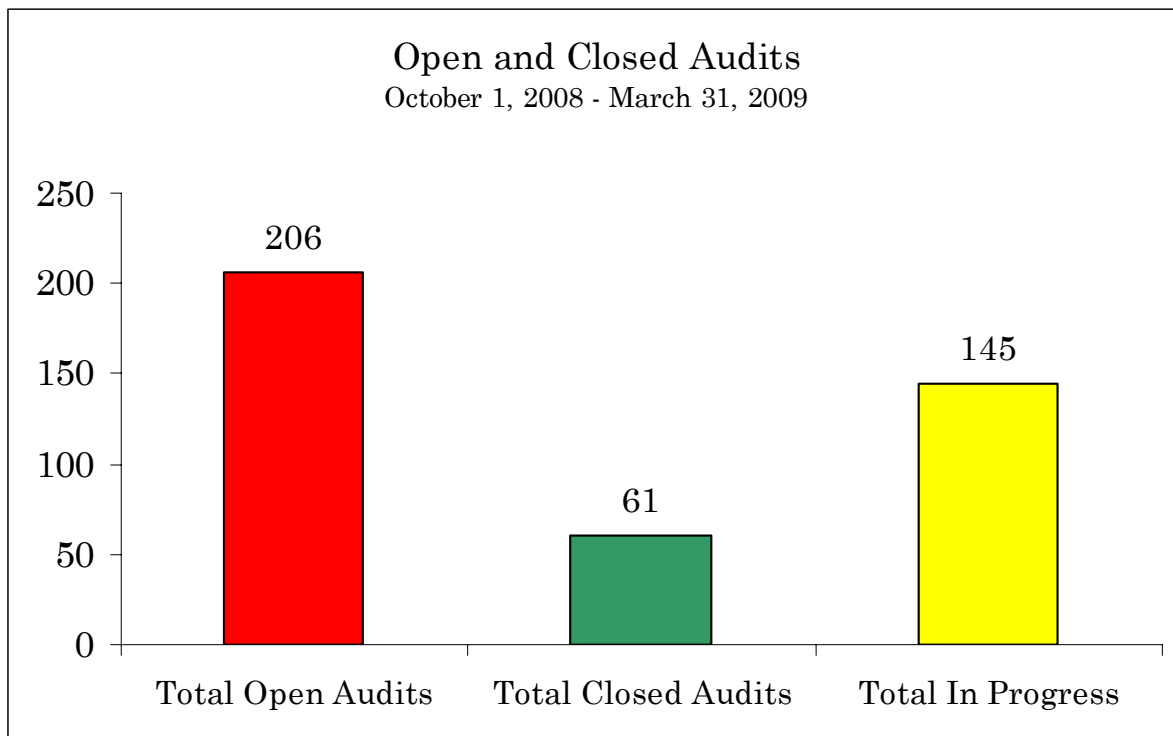




# PROGRESS OF AUDIT CLOSURE

FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2009

Timely closing of open audits remains a priority for the U.S. General Services Administration. In keeping with that focus, the Office of the Chief Financial Officer (OCFO) staff worked with contracting officers and audit liaisons in obtaining supporting documentation to close out numerous internal and contract audits. During the reporting period of October 1, 2008, through March 31, 2009, OCFO staff successfully closed 30 percent, or 61 internal and contract audits out of 206 audits that were reported as open. The remaining 145 audits that could not be closed are due to litigation, negotiations, collections, and implementation of corrective actions.



## AUDITS WITH DISALLOWED COSTS

Final action for the six-month period <u>ending March 31, 2009</u>	Number of Audit Reports	Disallowed Costs
A. Audit reports for which final action had not been taken by the commencement of the reporting period.	14	\$16,812,144
B. Audit reports on which management decisions were made during the reporting period.	6	\$3,394,939
C. Audit reports on which final action was taken during the reporting period.	3	\$3,602,222
<i>(i) the dollar value of disallowed costs that were recovered by management through:</i>		<i>\$3,179,374</i>
- collections.....\$459,669		
- offset.....\$2,719,705		
- property in lieu of cash.....\$0		
- other..... \$0		
<i>(ii) the dollar value of disallowed costs that were written off by management.*</i>		<i>\$422,848</i>
D. Audit reports for which no final action had been taken by the end of the reporting period.	17	\$16,604,861

\* For the purposes of this report, write-offs are interpreted to represent the difference between the amount successfully recovered and the disallowed cost, which is a questioned cost that GSA management in a management decision sustained or agreed should not be charged to the Government. However, during negotiations management might have agreed to a smaller amount in order to settle the case with the contractor.

## AUDITS WITH BETTER USE FUNDS

<u>Final action for the six-month period ending March 31, 2009</u>	<u>Number of Audit Reports</u>	<u>No Budget Impact – Actual and Estimated</u>	<u>Budget Impact</u>
A. Audit reports for which final action had not been taken by the commencement of the reporting period.	73	\$568,660,692	\$0
B. Audit reports on which management decisions were made during the reporting period.	34	\$603,566,053	\$109,092
C. Audit reports for which final action was taken during the reporting period.	34	\$639,253,278	\$0
<i>(i) the actual dollar value of recommendations that were actually completed.</i>		\$22,258,278	\$0
<i>(ii) the actual dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.</i>		\$1,563,789	\$0
<i>(iii) the actual dollar value of recommendations that management has subsequently concluded should not or could not be determined (calculated).</i>		\$0	\$0
<i>(iv) the estimated dollar value of “funds to be put to better use” as agreed to by GSA management and the OIG.</i>		\$615,431,211	N/A
D. Audit reports for which no final action had been taken by the end of the reporting period.	73	\$532,973,467	\$109,092

# INTERNAL AUDITS

## AUDITS WITH MANAGEMENT DECISIONS MADE PRIOR TO MARCH 31, 2008, BUT WITH FINAL ACTION NOT TAKEN AS OF MARCH 31, 2009

REPORT NUMBER TITLE OF REPORT	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION	PROJECT FINAL DATE
		Disallowed Costs	Better Use Funds		
A020161F3V03003 Distribution Center Operations	03/18/2003	\$0	\$0	Transportation option selection scheduled for 2009.	10/15/2009
A060190Q6P07004 MAS Contract Workload	07/31/2007	\$0	\$0	Implementation is on target following issuance of the Multiple Award Schedule Advisory Panel Report.	03/15/2010
A060149QTP07002 Electronic Contract Proposal/ Modification System	03/06/2007	\$0	\$0	Management Control Report to be developed by 7/15/2009.	07/15/2009
A070067F9V07003 Unused Airline Tickets	05/17/2007	\$0	\$0	In process of sampling unused airline tickets.	07/15/2009
A070180OTW07001 GSA's Electronic Messaging Services and National Notes Infrastructure	09/12/2007	\$0	\$0	Reorganization of Notes and Domino databases are on schedule for 2009.	05/15/2009
A060170PWR07005 Heating Operation and Transmission District's Operations and Finance	09/13/2007	\$0	\$0	Delays are caused by the decision to implement corrective actions through a new OCFO financial systems initiative.	01/15/2010

## AUDITS UNDER APPEAL/LITIGATION

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS	
		Disallowed Costs	Better Use Funds
A000971P5X00107 Midwest Curtainwalls, Inc.	06/01/2000	\$0	\$488,953
A030140FWX03056 Science Applications International Corporation	03/25/2003	\$0	\$1,028,099
A040085F7X04085 Onboard Software, Inc.	06/28/2004	\$348,158	\$0
A050138P3X05082 Nason and Cullen, Inc.	07/08/2005	\$0	\$770,701
A050147F5X06018 Herman Miller, Inc.	11/30/2005	\$50,410	\$0
A070141P6X07090 Logicvision, Inc.	08/27/2007	\$0	\$616,112

## CONTRACT AUDITS

### AUDITS WITH MANAGEMENT DECISIONS MADE PRIOR TO MARCH 31, 2008, BUT WITH FINAL ACTION NOT TAKEN AS OF MARCH 31, 2009

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A73617PWX97197 Committee For Purchase	08/05/1997	\$2,703,694	\$0	The Price Negotiation Memorandum and the settlement documents are pending approval of the Regional counsel.
A000971P5X00107 Midwest Curtainwalls, Inc.	06/01/2000	\$0	\$488,953	The contractor has appealed the contracting officer's decision and the audit is now in the litigation process.
A010127P6X01079 DKW Construction, Inc.	04/30/2001	\$303,193	\$0	GSA is in the process of collecting funds owed the Government from the contractor.
A63630FWX02004 The Presidio Corporation	10/18/2001	\$273,000	\$0	GSA is in the process of collecting funds owed the Government from the contractor.
A030140FWX03056 Science Applications International Corporation	03/25/2003	\$0	\$1,028,099	The contractor has appealed the contracting officer's decision and the audit is now in the litigation process.
A040098P5X04038 Gonzalez Hasbrouck, Inc.	01/12/2004	\$0	\$80,010	Management is in the process of reviewing the Price Negotiation Memorandum and the award documents to close out this audit.



REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A040119P5X04044 Julie Snow Architects, Inc.	02/03/2004	\$0	\$76,575	Management is in the process of reviewing the Price Negotiation Memorandum and the award documents to close out this audit.
A030186F5X04054 NOVA Solutions, Inc.	03/09/2004	\$46,805	\$0	GSA is in the process of collecting funds owed the Government from the contractor.
A040162F5X04053 NOVA Solutions, Inc.	03/09/2004	\$0	\$17,000	GSA is in the process of collecting funds owed the Government from the contractor (collections are being tracked through OIG audit A030186).
A040085F7X04085 Onboard Software, Inc.	06/28/2004	\$348,158	\$0	Audit case is pending with GSA Civilian Board of Contract Appeals.
A050112F7X05068 Entrust, Inc.	05/10/2005	\$0	\$3,300,000	Still attempting to get usable data that will allow auditors to provide an opinion. No new documents issued.
A050138P3X05082 Nason and Cullen, Inc.	07/08/2005	\$0	\$770,701	Audit case is pending with GSA Civilian Board of Contract Appeals.
A050105F6X06006 BCOP Federal	10/12/2005	\$0	\$29,550,000	The audit is under renegotiations. The necessary documents to close out the audit report will be provided to management when the renegotiations are completed.
A050147F5X06018 Herman Miller, Inc.	11/30/2005	\$50,410	\$0	Audit case is pending an outcome from litigation brought by the Air Force.
A050247T1X06031 Lockheed Martin Services, Inc.	01/05/2006	\$0	\$682,278	Negotiations are proceeding between the contracting officer and the contractor.

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A050248T9X06056 Information Systems Support, Inc.	03/30/2006	\$3,138,873	\$0	Negotiations are proceeding between the contracting officer and the contractor.
A050122F6X06059 Fastenal Company	04/18/2006	\$35,274	\$0	Negotiations are proceeding between the contracting officer and the contractor.
A060127F4X06096 W.B. Brawley Company	08/15/2006	\$0	\$1,267,845	Negotiations are proceeding between the contracting officer and the contractor.
A060181F7X06100 Haverstick Government Solutions, Inc.	09/07/2006	\$0	\$765,634	Negotiations are proceeding between the contracting officer and the contractor.
A060148F6X07007 Kimball International	10/24/2006	\$0	\$33,731,457	Awaiting receipt of Price Negotiation Memorandum and award documents prior to closure.
A060206T9X07012 Information Systems Support, Inc.	10/31/2006	\$4,026,287	\$0	Negotiations are proceeding between the contracting officer and the contractor.
A060115F2X07025 WFI Government Services, Inc.	12/08/2006	\$0	\$771,178	Negotiations are proceeding between the contracting officer and the contractor.
A070107P5X07060 Linear Electric Company	04/20/2007	\$0	\$204,334	Negotiations are proceeding between the contracting officer and the contractor for possible award or settlement.
A060245F6X07065 Comstor, Division of Westcon Group North America, Inc.	04/30/2007	\$0	\$0	Negotiations are proceeding between the contracting officer and the contractor.

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A070036F7X07069 ASAP Software Express, Inc.	05/03/2007	\$0	\$29,425,000	Negotiations are proceeding between the contracting officer and the contractor.
A070047F5X07070 Draeger Safety, Inc.	05/14/2007	\$60,590	\$0	Negotiations have been completed and the audit is now in collection.
A060247Q3X07082 AT&T Government Solutions, Inc.	07/31/2007	\$0	\$9,922,000	Negotiations are proceeding between the contracting officer and the contractor.
A070183P9X07088 Perkins + Will	08/23/2007	\$0	\$108,380	Negotiations are proceeding between the contracting officer and the contractor.
A070141P6X07090 LogicVision, Inc.	08/27/2007	\$0	\$616,112	The contracting officer issued the final decision letter dated 10/24/2007 to the contractor stating that the entire claim is denied. GSA will monitor to determine if the contractor appeals the contracting officer's final decision.
A060196P9X07091 Tigard Electric, Inc.	08/28/2007	\$0	\$988,088	Negotiations are proceeding between the contracting officer and the contractor.
A060239F2X07101 Emtec Federal, Inc.	09/27/2007	\$0	\$0	Negotiations are proceeding between the contracting officer and the contractor.
A070153Q6X08010 J & L America, Inc.	10/18/2007	\$0	\$2,493,479	Awaiting final Price Negotiation Memorandum.
A070220P6X08018 Faith Technologies, Inc.	11/05/2007	\$0	\$2,563,067	Negotiations are proceeding between the contracting officer and the contractor.
A070176Q9X08032 T-Mobile USA, Inc.	12/18/2007	\$0	\$2,456,420	Negotiations are proceeding between the contracting officer and the contractor.

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A070103QWX08034 Intelligent Decisions, Inc.	12/20/2007	\$0	\$29,560,419	Negotiations are proceeding between the contracting officer and the contractor.
A070233P6X08036 Mainelli Mechanical Contractors, Inc.	01/27/2008	\$0	\$2,619,865	Negotiations are proceeding between the contracting officer and the contractor.

# GLOSSARY OF TERMS

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

**Questioned Costs.** Costs questioned by the OIG as a result of:

- an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- a finding that, at the time of an audit, such cost is not supported by adequate documentation; or
- a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Disallowed Cost.** Questioned costs that GSA management in a management decision sustained or agreed should not be charged to the Government.

**Recommendation that Funds be Put to Better Use.** A recommendation by the OIG that funds could be used more efficiently if management took action to implement and complete the recommendations, including:

- reductions in outlays;
- de-obligation of funds from programs or operations;
- withdrawal of interest subsidy costs on loans or loan guarantees, insurance or bonds;
- costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
- avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or
- any other savings that are identified specifically.

**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 planned corrective actions to remedy weaknesses identified in the report.

**Final Action.** The completion of all actions that GSA management concluded in its management decision were necessary with respect to the findings and recommendations included in the audit report. In the event that GSA management concluded no action was necessary, final action occurred when the management decision was made.

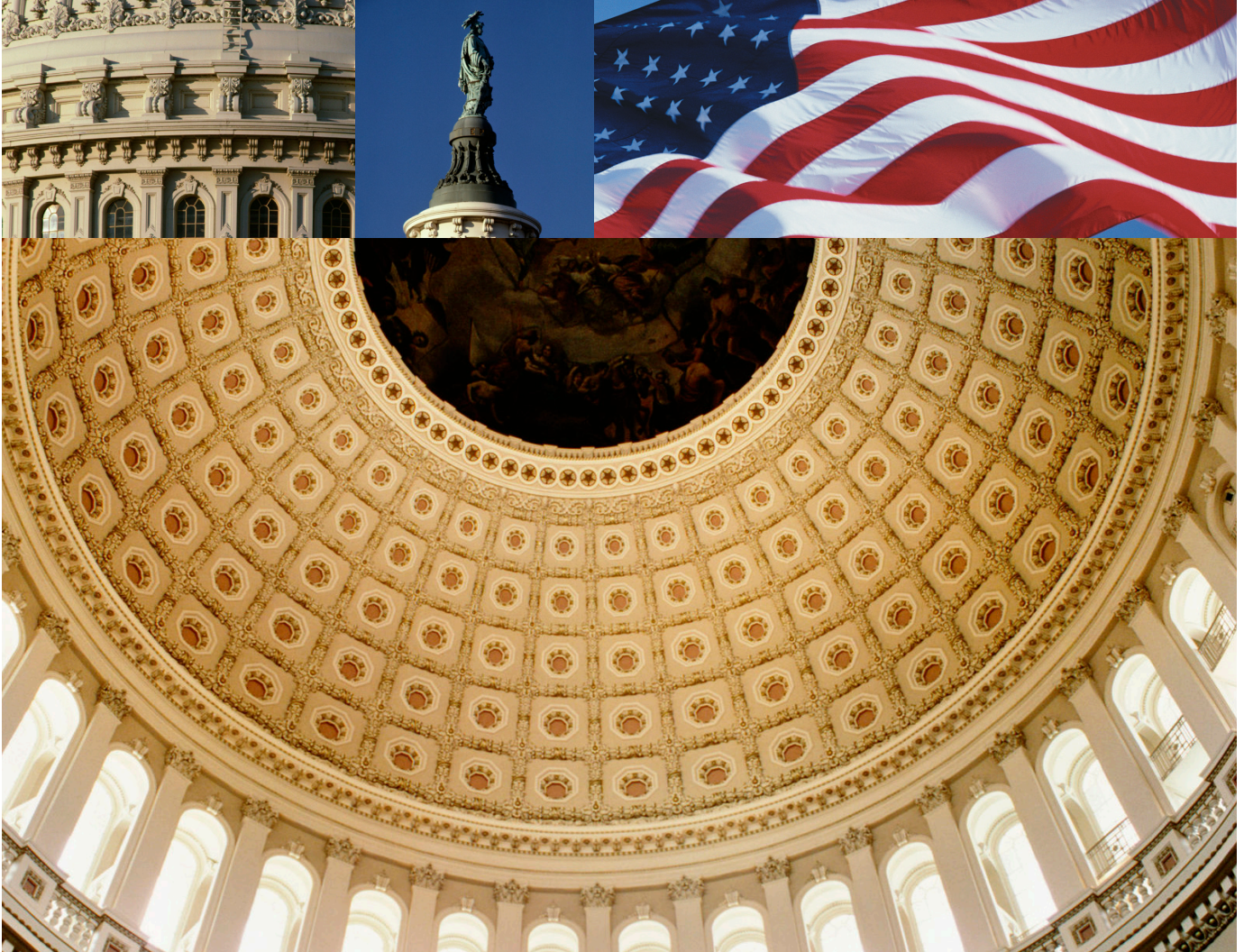
**Management Actions – Questioned Costs.** The following is a list of the different management actions used by GSA management to resolve questioned costs in an audit report.

- **Audit reports on which management decisions were made during the period:** 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 OIG.
- **Write-offs:** For the purposes of this report, write-offs are interpreted to represent the difference between the disallowed cost and the amount successfully recovered.

**Management Actions – Better Use Funds.** The following is a list of the different management actions used by GSA management to resolve the “better use” of funds in an audit report.

- **Better Use Funds:** The figure represents amounts cited as “cost avoidance” and “funds to be put to better use,” as agreed to by GSA management and the OIG.
- **Budget Impact Funds:** 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.
- **No Budget Impact Funds:** Funds identified as “no budget impact” are composed of estimated and actual amounts, and do not involve obligated monies, and, therefore, cannot be construed as having a material effect on GSA’s appropriated funds.
- **Audit reports on which management decisions were made during the period:** 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 OIG.
- **Value of recommendations that management concluded should not or could not be calculable:** Management was unable to determine the award amounts and “better use funds” implemented since the amount is included in the overall award to the prime contractor and savings could not be determined.





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