
PREFACE

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 October 1, 2003, through March 31, 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.

EXECUTIVE SUMMARY

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 October 1, 2003 through March 31, 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, 31 audit reports represented \$245,004 in disallowed costs and \$39,957,302 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 66 audits with management decisions identifying disallowed costs or funds to be put to better use. These audits represent the recovery of \$2,317,228 and the implementation of \$48,455,277 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 March 31, 2004, 150 audit reports remained open without final action a year after the management decision. Of this total, 17 were under formal administrative or judicial appeal. Explanations of the reasons final actions have not been taken with respect to the remaining 133 audits are provided in the report.

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INTRODUCTION

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 October 1, 2003 through March 31, 2004. This is the agency's 30th 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 03/31/04**

	<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.	20	\$54,817,858
B. Audit reports on which management decisions were made during the period.	2	\$ 245,004 ¹
C. Total audit reports pending final action for the period (total of A and B).	22	\$55,062,862
D. Audit reports on which final action was taken during the period.	10	\$ 1,883,646
1. Recoveries		
(a) Collections/Offset		\$2,317,228
(b) Property		\$ 0
(c) Other		\$ 0
2. Write-offs		\$2,386,229 ²
3. Total of 1 and 2		\$4,703,457 ³
E. Audit reports needing final action at end of the period (subtract D from C).	12	\$53,179,216

¹Data 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.

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

³This 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 03/31/04**

	<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.	283	179,640,867 ¹	\$0 ²
B. Audit reports on which management decisions were made during the period. ³	29	\$ 39,957,302	\$0
C. Total audit reports pending final action for the period (total of A and B).	312	\$219,598,169	\$0
D. Audit reports on which final action was taken during the period.	56	\$ 89,127,323 ⁴	\$0
		<u>No Budget Impact</u>	<u>Budget Impact</u>
1. Value of recommendations implemented (completed).		\$ 48,455,277	\$0
2. Value of recommendations that management concluded should not or could not be implemented.		\$ 6,519,815	\$0
3. Total of 1 and 2.		\$ 54,975,092	\$0
E. Audit reports needing final action at the end of the period (subtract D from C).	256	\$130,470,846	\$0

¹The 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.

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

³Data 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.

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

Estimated:	\$ 18,155,561
Actual:	<u>\$ 70,971,762</u>
Total:	\$ 89,127,323

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 03/31/03
BUT WITH FINAL ACTION NOT TAKEN AS OF 03/31/04**

CONTRACT AUDITS

Report Number	Report Date	Management Decision Amounts		Reason for No Final Action ²
		Disallowed Costs	Better Use Funds ¹	
A22479K9X95028	10/26/94	\$643,749	\$0	5
A00763K9X95027	10/26/94	\$676,989	\$0	5
A22480K9X95029	10/26/94	\$579,262	\$0	5
A21266F4X96034	11/09/95	\$728,000	\$0	5
A70632P2X97101	03/21/97	\$0	\$38,045	1
A73617PWX97197	08/05/97	\$0	\$2,703,694	1
A22536F9X98023	11/26/97	\$4,994,452	\$0	5
A32476F9X98024	11/26/97	\$9,992	\$0	1
A81515P5X98068	03/19/98	125,596	\$0	5
A42146F7X98093	05/27/98	\$2,943,631	\$0	5
A82441P9X98100	06/17/98	\$0	\$1,230,088	2
A90302F5X98149	09/04/98	\$4,292,893	\$0	5
A80931F3X98153@	09/22/98	\$15,918	\$0	1
A80636P2X99508	10/13/98	\$0	\$332,840	1
A995113P2X99539	02/05/99	\$0	\$532,346	1
A995150P2X99559	03/30/99	\$0	\$498,588	3
A995182PWX99561	04/02/99	\$0	\$71,986	3
A995151P2X99566	05/05/99	\$0	\$693,617	3
A995192F3X99573	06/08/99	\$152,751	\$0	1
A42113F7X99575	06/15/99	\$15,021,402	\$0	1

¹The 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.

- ²
- 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.

CONTRACT AUDITS

Report Number	Report Date	Management Decision Amounts		Reason for No Final Action ²
		Disallowed Costs	Better Use Funds ¹	
A995171F2X99577	06/15/99	\$0	\$324,083	1
A995164F3X99583	06/22/99	\$0	\$6,750,000	1
A995249P2X99589	07/07/99	\$126,218	\$0	1
A995173F2X99597	07/30/99	\$0	\$647,627	1
A995215F2X99601	08/12/99	\$0	\$73,113	1
A995283F5X99611	09/09/99	\$0	\$2,375,000	1
A52566F9X99618	09/15/99	\$1,603,980	\$0	5
A52565F9X99617	09/15/99	\$800,137	\$0	5
A52534F9X99616	09/15/99	\$262,041	\$0	5
A995296F9X99621	09/23/99	\$0	\$744,000	3
A995271P2X00020	11/10/99	\$0	\$883,410	1
A995289P2X00024	11/30/99	\$0	\$11,411	1
A995330F5X00030	12/08/99	\$0	\$10,000	1
A000819P2X00046	01/11/00	\$0	\$15,555	1
A40910F3X00060	02/15/00	\$2,300,000	\$0	5
A000923F7X00062	02/17/00	\$0	\$402,824	1
A000934F7X00065	03/02/00	\$0	\$580,500	1
A000963P2X00070	03/06/00	\$0	\$154,587	1
A81830F6X00078	03/29/00	\$433,876	\$0	5
A995122F6X00077	03/29/00	\$51,765	\$0	4
A60648F2X02040	04/11/00	\$575,000	\$0	5
A000975F7X00087	04/25/00	\$0	\$1,500,000	3
A000993P2X00092	05/11/00	\$0	\$81,792	1
A001007F3X00095	05/16/00	\$0	\$1,100,000	1
A001009F7X00101	05/18/00	\$7,392	\$0	1
A000955F6X00106	05/25/00	\$687,644	\$0	1
A000860F6X00114	06/27/00	\$2,200,000	\$0	5
A001000F6X00116	06/30/00	\$293,508	\$0	2
A000940P2X00126	07/19/00	\$0	\$99,522	1
A001028P2X00128	07/27/00	\$0	\$1,642,497	1

CONTRACT AUDITS

Report Number	Report Date	Management Decision Amounts		Reason for No Final Action ²
		Disallowed Costs	Better Use Funds ¹	
A000941P2X00141	08/24/00	\$0	\$550,863	1
A001044P6X00146	08/31/00	\$137,287	\$0	5
A001024P2X01008	10/17/00	\$0	\$600,748	1
A000942P2X01014	10/30/00	\$0	\$53,744	1
A001021F3X01031	01/10/01	183,047	\$0	5
A001092P6X01040	01/10/01	\$67,593	\$0	5
A001081P9X01045	01/25/01	\$0	\$2,903,486	1
A000909P2X01046	01/29/01	\$0	\$724,788	1
A010093P2X01064	02/28/01	\$0	\$132,747	4
A001119P2X01070	03/20/01	\$0	\$1,625,400	1
A010169F3X01072	03/29/01	\$0	\$216,000	1
A010127P6X01079	04/30/01	\$303,193	\$0	3
A010128P2X01081	05/11/01	\$0	\$48,246	1
A010175F5X01089	05/30/01	\$0	\$2,727,727	1
A010118P9X01090	05/31/01	\$0	\$577,190	1
A001113F6X01097	06/19/01	\$161,834	\$0	1
A001055P2X01107	07/31/01	\$0	\$48,098	1
A010222P9X01110	08/14/01	\$0	\$152,120	1
A010221F9X01119	09/17/01	\$0	\$315,700	1
A010253F5X01120	09/26/01	\$0	\$2,178,817	1
A63630FWX02004	10/18/01	\$273,000	\$0	5
A010215P9X02005	10/19/01	\$0	\$784,977	1
A010246F7X02012	10/31/01	\$0	\$539,562	1
A010265PWX02011	10/31/01	\$0	\$61,722	1
A010214P9X02013	11/08/01	\$0	\$3,542,792	1
A010281P9X02028	01/11/02	\$0	\$2,052,477	1
A010247FWX02030	01/17/02	\$0	\$249,470	1
A010247FWX02031	01/17/02	\$2,027	\$0	1
A010138P2X02034	02/20/02	\$0	\$1,370,856	1
A010220P9X02035	02/26/02	\$0	\$4,28,728	1

CONTRACT AUDITS

Report Number	Report Date	Management Decision Amounts		Reason for No Final Action ²
		Disallowed Costs	Better Use Funds ¹	
A020108F7X02036	03/07/02	\$55,497	\$0	1
A010263P2X02039	04/03/02	\$0	\$12,185,542	1
A60648F2X02040	04/11/02	\$0	\$592,556	5
A010248P2X02043	04/18/02	\$0	\$2,711,898	1
A020154P1X02044	04/29/02	\$0	\$376,557	1
A020101P2X02046	04/30/02	\$0	\$473,668	1
A010262P2X02045	05/13/02	\$0	\$4,850,127	1
A020115PWX02048	05/16/02	\$0	\$81,547	1
A020134P3X02049	05/17/02	\$0	\$626,332	1
A020125P3X02047	05/17/02	\$0	\$98,129	1
A020124P9X02051	05/29/02	\$0	\$420,630	1
A020109P2X02055	05/29/02	\$0	\$1,486,402	1
A020155P1X02054	05/30/02	\$0	\$943,893	1
A020141P5X02059	06/06/02	\$0	\$250,349	1
A020142P5X02060	06/06/02	\$0	\$203,441	1
A020132P5X02061	06/06/02	\$0	\$386,687	1
A020079P1X02058	06/07/02	\$0	\$4,157,459	1
A020097P9X02063	06/12/02	\$0	\$1,071,076	1
A010239P2X02068	06/27/02	\$0	\$7,057,897	1
A020191PWX02074	07/16/02	\$0	\$112,320	1
A020086P9X02076	07/30/02	\$0	\$960,982	1
A020173P2X02080	08/07/02	\$0	\$178,381	1
A020119P1X02082	08/12/02	\$0	\$6,219,152	1
A020114P5X02086	09/03/02	\$0	\$799,137	1
A020180PWX02087	09/04/02	\$0	\$27,840	1
A020184P1X02088	09/12/02	\$0	\$2,025,529	1
A020196PWX02090	09/24/02	\$0	\$544,000	1
A020066F7X02092	09/26/02	\$1,351	\$0	1
A020201P2X02091	09/26/02	\$0	\$729,332	1
A020178F7X03001	10/02/02	\$0	\$700,000	1

CONTRACT AUDITS

Report Number	Report Date	Management Decision Amounts		Reason for No Final Action ²
		Disallowed Costs	Better Use Funds ¹	
A020200P5X03002	10/02/02	\$130,793	\$533,417	5
A020221P5X03008	02/22/02	\$0	\$1,091,450	1
A020227P1X03010	10/24/02	\$0	\$1,550,609	1
A020202P3X03009	10/29/02	\$0	\$1,168,495	1
A020254P1X03012	11/14/02	\$0	\$210,376	1
A010279P9X03015	11/20/02	\$0	\$10,387,248	1
A020224P9X03016	11/22/02	\$0	\$279,958	1
A020199P3X03017	11/25/02	\$0	\$1,886,195	1
A020192P9X03026	01/07/03	\$0	\$53,88,730	1
A030082P1X03031	01/17/03	\$0	\$326,868	1
A020233P9X03032	01/22/03	\$0	\$1,782,276	1
A030096P1X03035	01/27/03	\$0	\$116,904	1
A020238P9X03040	02/07/03	\$0	\$1,670,225	1
A030081P9X03042	02/12/03	\$0	\$740,118	1

**AUDITS WITH MANAGEMENT DECISIONS MADE PRIOR TO 03/31/03 BUT WITH
FINAL ACTION NOT TAKEN AS OF 03/31/04**

INTERNAL AUDITS

Report Number	Report Date	Title of Report	Management Decision Amounts		Projected Final Action Date	Reason for No Final Action ²
			Disallowed Costs	Better Use Funds ¹		
A82706BFF99510	07/15/99	PricewaterhouseCoopers LLP Fiscal Year 1998 Management Letter	\$0	\$0	01/15/04	2
A000968P1R01014	03/27/01	Review of Operating Inventories, New England	\$0	\$0	07/15/04	2
A010187AFF02012	05/10/02	Audit of General Services Administration Fiscal Years 2001 and 2000 Financial Statements	\$0	\$0	10/15/05	2
A001012BFF01012	05/29/01	PricewaterhouseCoopers LLP Fiscal Year 2000 Interim And Year-End Management Letters	\$0	\$0	06/15/03	1
A001122PWR02002	10/17/01	Review Of PBS Use Of The Occupancy Agreement	\$0	\$0	06/15/03	2

¹The 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.

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

INTERNAL AUDITS

Report Number	Report Date	Title of Report	Management Decision Amounts		Projected Final Action Date	Reason for No Final Action ²
			Disallowed Costs	Better Use Funds ¹		
A020011OTF02018	09/26/02	Audit of GSA's Electronic Mail System Security	\$0	\$0	07/15/04	2
A020056P7R02021	09/30/02	Audit of Controls Over Reimbursable Work Authorizations Billing Practices in the Greater Southeast Region	\$0	\$0	06/15/04	2
A020055P4R03002	11/12/02	Audit of the Southeast Sunbelt Region Public Buildings Service's Administration of Construction Projects in Regards to Claims	\$0	\$0	07/15/04	2
A020135PWR03003	12/11/02	Review of PBS's Use of Brokerage Contracts for Lease Acquisition Services	\$0	\$0	05/15/04	2

AUDITS UNDER FORMAL ADMINISTRATIVE OR JUDICIAL REVIEW

Report Number	Report Date	Management Decision Amounts	
		Disallowed Costs	Better Use Funds ¹
A30324P1X93125	02/17/93	\$0	\$445,069
A71811P6X97177	06/27/97	\$0	\$933,980
A71803P6X97181	07/11/97	\$0	\$1,643,168
A71804P6X97185	07/22/97	\$0	\$4,618,624
A71820P6X97194	07/31/97	\$0	\$5,350,957
A80609P2X98044	02/05/98	\$0	\$331,457
A82456P9X98159	09/24/98	\$0	\$705,970
A995128P6X99558	07/13/99	\$0	\$0
A995231P2X99585	06/24/99	\$230,539	\$0
A995262P3X00007	10/13/99	\$0	\$916,518
A995278P3X00009	10/26/99	\$0	\$828,963
A995272P3X00016	11/04/99	\$0	\$2,558,972
A000971P5X00107	06/01/02	\$0	\$488,953
A010047P4X010323	12/13/00	\$0	\$17,488
A010089P4X01052	02/08/01	\$0	\$1,193,793
A010160P2X01086	05/23/01	\$0	\$610,946
A030166P6X03067	05/28/03	\$0	\$1,209,319

¹The 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.