

**Report on Internal Controls Over
Performance Measures
Report Number: A040226/B/F/F05002
November 8, 2004**



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

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MEMORANDUM FOR STEPHEN A. PERRY
ADMINISTRATOR (A)

KATHLEEN M. TURCO
CHIEF FINANCIAL OFFICER (B)

FROM: DANIEL R. LEVINSON *Daniel R. Levinson*
INSPECTOR GENERAL (J)

SUBJECT: Report on Internal Controls Over Performance Measures
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This report presents the results of the Office of Inspector General's (OIG) review regarding the design and operation of the system of internal controls over performance measures reported in the Management Discussion and Analysis section of the General Services Administration's (GSA) Fiscal Year 2004 Performance and Accountability Report. This report also describes our audit responsibilities for conducting the performance measure review.

Scope and Methodology

Under a contract monitored by the OIG, PricewaterhouseCoopers LLP performed the audit of GSA's Fiscal Year 2004 Financial Statements. However, the portion of the audit related to internal controls over performance measures was performed by the OIG. During our review, we assessed the reasonableness of GSA's controls concerning the existence and completeness of data supporting individual performance measures. To obtain an understanding of the controls in place, we examined current GSA Government Performance and Results Act reporting policy and met with officials from the Office of the Chief Financial Officer (OCFO) regarding compliance with the policy. We also reviewed documentation provided by OCFO officials that demonstrated that internal controls were in place and operational. Our procedures were not designed to provide assurance on internal controls over reported performance measures. Therefore, we do not provide an opinion on such controls.

We conducted this review in accordance with generally accepted government auditing standards, as well as the provisions set forth in the Office of Management and Budget Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, related to performance measures.



Results of Audit

The internal controls designed by the OCFO over GSA's performance measure data reported in the Management Discussion and Analysis Section of the Agency's Fiscal Year 2004 Performance and Accountability Report are operating effectively. While we had identified significant internal control weaknesses in the past, the results of our testing indicated that the OCFO has taken a number of steps to ensure the adequacy of the internal controls over GSA's performance measure data.

In Fiscal Year 2003, we reported that the OCFO did not fully implement an established process to ensure the adequacy of the internal controls over performance measure data. Specifically, we found that although the OCFO reviewed the data supporting the performance measures for the Federal Technology Service in Fiscal Year 2003 and the data for the Federal Supply and Public Buildings Services in Fiscal Years 2002 and 2001 respectively, they did not perform such reviews for GSA's major Staff Offices. We felt that in not doing so, the OCFO was not making sufficient progress in implementing their plan to address the adequacy of the internal controls over the performance measure data. We deemed this lack of progress to be an internal control weakness, and determined it was of sufficient magnitude to warrant a reportable condition.

This year, however, we found that the OCFO reviewed the performance measurement data for GSA's major Staff Offices. The OCFO's review of the performance measure data reported by the Staff Offices, coupled with the reviews of the performance measure data reported by the Services over the past three years, has resulted in the completion of an initial review of GSA's overall performance measure data, and represents significant progress in the implementation of internal controls over the data supporting the Agency's performance measures.

The OCFO has also performed two additional steps in an effort to ensure the adequacy of the internal controls over the Agency's performance data. First, the OCFO has prepared a draft GSA Order entitled, "Performance Measure Data Verification and Validation Procedures." Once signed into effect, this Order will identify the policies, procedures, and responsibilities for the establishment of GSA's performance measurement data verification and validation process. The Order will formally require that the performance measurement data for all Services and Staff Offices be reviewed on a three year cycle. Second, the OCFO has hired a consultant to review the process used to verify and validate the data supporting GSA's performance measures, and to make recommendations as to how to improve this process and implement these suggested improvements throughout GSA.

The steps taken by the OCFO during Fiscal Year 2004 have adequately addressed our concerns that significant deficiencies exist in the design and operation of the internal controls in place over GSA's performance measure data. Accordingly, we have determined that the internal controls over the existence and completeness of the data supporting GSA's performance measures appear to be operating effectively. Therefore, we consider the reportable condition identified in Fiscal Year 2003 to be resolved.

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