

**Report on the Transfer of Funds to the
Department of Homeland Security for
Federal Protective Service Operations
Report Number: A040113/B/F/F05017
February 11, 2005**



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date: February 11, 2005

Reply to: Kristin R. Wilson
Regional Inspector General for Auditing

Attn of: Finance and Staff Offices Audit Office (JA-F)

Subject: Report on the Transfer of Funds to the Department of Homeland
Security for Federal Protective Service Operations
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To: Kathleen M. Turco
Chief Financial Officer (B)

This report presents the results of the Office of Inspector General's (OIG) report review of the transfer of funds to the Department of Homeland Security for Federal Protective Service operations. The review was conducted in coordination with the PricewaterhouseCoopers, LLP (PwC) Fiscal Year 2004 Financial Statement Audit of the General Services Administration (GSA). The results of the review were provided to PwC for use in the completion of their audit.

Background

The Homeland Security Act of 2002 consolidated several entities of the Federal Government that have provided protection, security information analysis, and communications regarding threats, emergencies, and disasters within the United States to form the Department of Homeland Security (DHS). As a result of the legislation, GSA was required to transfer the Federal Protective Service (FPS) to DHS effective March 1, 2003.

In order to ensure FPS operations were adequately supported upon transfer to DHS, a Memorandum of Agreement (MOA) was entered into by GSA and DHS in late February of 2003. The MOA established that through September 30, 2003, GSA would continue to provide support services for FPS consistent with the level of support provided at the time of the transfer until those functions could be adequately provided by DHS. These support services included were performed in such areas as finance and budget, human capital, and information technology. If DHS required support services beyond those agreed to in the MOA, an agreement was reached stipulating that DHS would pay for any additional services on a reimbursable basis based on fees established in the MOA. This agreement was extended through Fiscal Year 2004.

In addition to providing support services as established in the MOAs, GSA continued to collect FPS related security fees as a portion of rent in Fiscal Year 2004. In turn, GSA transferred funds from the Federal Buildings Fund to DHS to cover these FPS operations as required by the Department of Homeland Security Appropriations Act of 2004.

Objectives, Scope, and Methodology

The objective of our audit was to answer the following questions as related to GSA's Fiscal Year 2004 Financial Statement Audit:

How did GSA determine the amount to be transferred to DHS for FPS Operations and was the appropriate amount transferred?

Did GSA collect more for security as a portion of rent than it transferred to DHS?

To accomplish our audit objectives, we:

- Interviewed officials from the Office of the Chief Financial Officer (OCFO) and the Office of the Public Buildings Service Chief Financial Officer;
- Reviewed legislation pertinent to the funding of DHS and GSA;
- Reviewed documentation supporting the transfer of funds from GSA to DHS; and
- Reviewed Federal Buildings Fund (FBF) income reports for Fiscal Year 2004.

Initially, our review was focused on the controls in place over the revenue and expense cycles related to DHS services. During the course of our survey work, we determined that GSA was continuing to perform accounting services for DHS, and that in order to ensure proper separation of funds for the DHS revenue and expense cycles, GSA established a separate account for DHS. While our survey work identified issues with the open-items reconciliation as of September 30, 2003, we noted that this issue was previously identified as a material weakness by PwC in their Fiscal Year 2003 Audit of GSA's Financial Statements. We recognized that in response to PwC's finding, the OCFO had already initiated corrective action to address this issue. As a result of the corrective action, PwC determined that the open-items reconciliation issue was resolved during their Fiscal Year 2004 Audit of GSA's Financial Statements. Additionally, during our work we were made aware that external audit organizations, including the Government Accountability Office, were performing reviews of the creation of DHS, and that these reviews did not identify any significant issues related to accounting services, including those provided by GSA.

Based on the results of our survey, we limited our testing to the transfer of funds from GSA to DHS to cover the costs for the provision of basic security services and building specific security services as detailed in our objectives above. As noted previously, this work was performed in support of PwC's Fiscal Year 2004 Financial Statement Audit of GSA.

The audit was conducted from March to December 2004, and was performed in accordance with generally accepted government auditing standards.

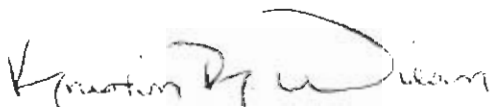
Results of Audit

Our review found that the Department of Homeland Security Appropriations Act of 2004 (Public Law 108-90) required a transfer from GSA's FBF to DHS to fund FPS operations in the amount of \$424,211,000. As a result of the legislation, a transfer of \$424,211,000 was authorized in a memorandum from the Director of Budget to the Director of Finance dated March 10, 2004. We then obtained support for this transfer and were able to verify that the transfer took place for the required amount.

Further, we reviewed the revenue collections for security services reported for the FBF for the period ended September 30, 2004, in order to verify that the amount collected for security did not exceed the amount transferred to DHS as required by the Department of Homeland Security Appropriations Act of 2004. We determined that the total amount collected through rent for security services was \$343,099,904. Therefore, the amount collected for security services through rent by GSA during Fiscal Year 2004 was \$81,111,096 less than the amount transferred to the Department of Homeland Security as required by the DHS Appropriations Act of 2004.

We are not making any formal recommendations concerning GSA's transfer of funds to DHS for FPS operations. The results of our work have been provided to PwC, and were considered in the completion of their GSA's Fiscal Year 2004 Financial Statement Audit.

We wish to thank OCFO personnel for the assistance and courtesies they extended to us during this review. This report does not require a response, however, should you or your staff have any questions, please contact me on (202) 501-0006.



Kristin R. Wilson
Regional Inspector General for Auditing
Finance and Staff Offices Audit Office (JA-F)

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