

U.S. General Services Administration

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EXECUTIVE SUMMARY

In accordance with the Inspector General Act of 1978, as amended, the Administrator of the General Services Administration submits this report to Congress on final actions regarding audit recommendations. The report covers the period from October 1, 2009 through March 31, 2010. The Act requires the Administrator to report directly to the 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 GSA's Office of Inspector General.

During the reporting period, management decisions were issued on 87 audit reports. Of this total, 70 audit reports represented \$27,864,230 in disallowed costs and \$259,464,996 in funds to be put to better use. The latter category includes \$255,512,977 in estimated and actual cost avoidance determined to have no impact on the agency's budget and \$3,952,019 in actual cost avoidance determined to have potential impact on the budget.

During the six-month period, final action was achieved for 55 audits with management decisions identifying disallowed costs or funds to be put to better use. These audits represent the recovery of \$8,048,449 and the implementation of \$4,578,283 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, 2010, 37 audit reports remained open without final action one year after the management decision. Of this total, 5 were under formal administrative or judicial appeal. Explanations of the reasons why final actions have not been taken with respect to the remaining 32 audits are provided in the report.

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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 General Services Administration (GSA) for the period beginning October 1, 2009 through March 31, 2010. This is the agency's 42nd report to the 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 her office, as well as Regional Administrators, Regional Commissioners and Heads of Services and Staff Offices, advise and make recommendations on policy or operational issues of national scope.

Each Service is led 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 importance.

GSA is organized as a matrix. One vector is the functional area, Public Buildings Service or Federal Acquisition Service. The other vector is geographical. Regional Commissioners have a direct functional line to the respective FAS/PBS Commissioner. Simultaneously, the Regional Commissioners have a duty, responsibility, and direct reporting relationship to the Regional Administrator regarding the health of the region as an enterprise.

Agency Audit Follow-up Process

GSA has effective systems in place for keeping track of audit recommendations. In addition, GSA has senior management commitment to ensure that appropriate corrective action is taken. Agency managers have the responsibility to act upon the auditor's recommendations, with the audit resolution process being supervised by the agency audit follow-up official. 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, she 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. She also makes final decisions to resolve 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:

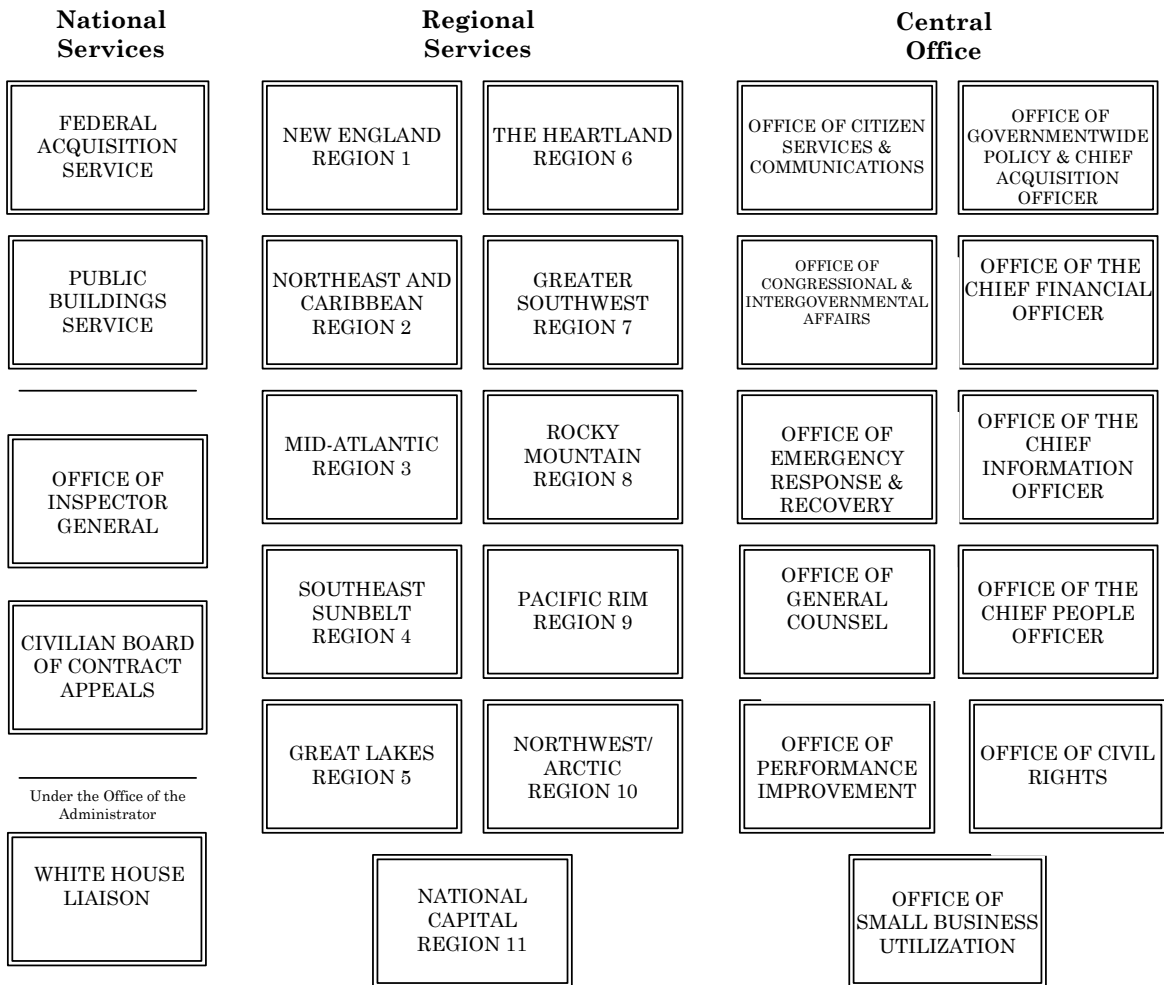
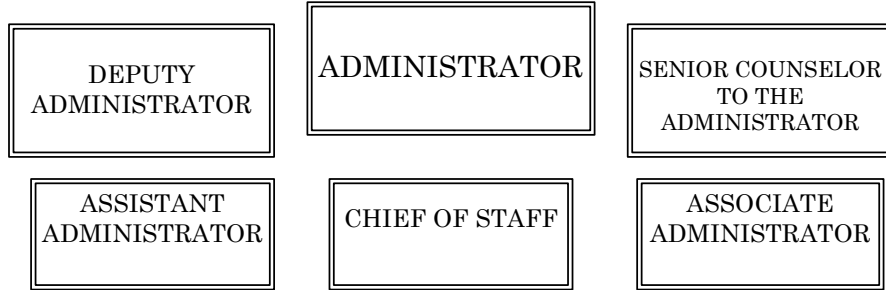
- Acting as the liaison with the Government Accountability Office (GAO) for the coordination of GAO audits in progress within GSA and for preparation of responses and reports for the signature of the Administrator on GAO recommendations as required by law;
- Ensuring timely resolution and implementation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

Heads of Services and Staff Offices and Regional Commissioners 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.

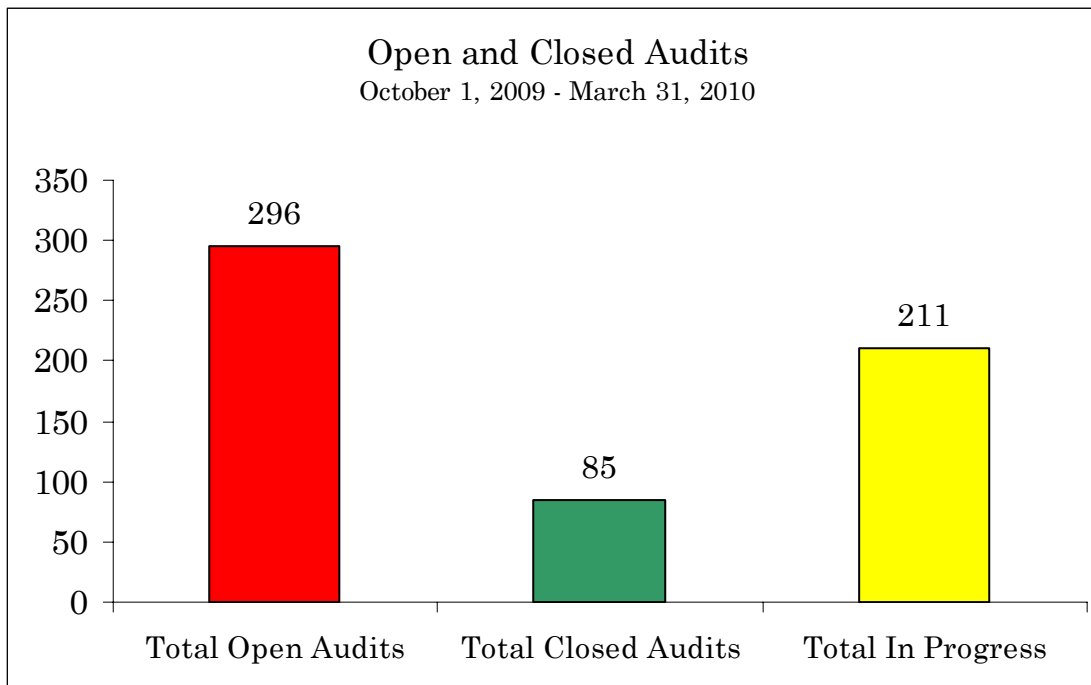
Organization Chart



PROGRESS OF AUDIT CLOSURE

FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2010

Timely closing of 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, 2009, through March 31, 2010, OCFO staff successfully closed 29 percent, or 85 internal and contract audits out of 296 audits that were reported as open. The remaining 211 audits that could not be closed are due to litigation, negotiation, collections, and implementation of corrective actions. The decreased percentage of total closed audits from previous years is due to the increased number of internal and contract audits issued by the OIG during the period relating to the American Recovery and Reinvestment Act (ARRA).



AUDITS WITH DISALLOWED COSTS

Final action for the six-month period <u>Ending MARCH 31, 2010</u>	Number of Audit <u>Reports</u>	Disallowed <u>Costs</u>
A. Audit reports for which final action had not been taken by the commencement of the reporting period.	29	\$22,012,254
B. Audit reports on which management decisions were made during the reporting period.	17	\$27,864,230
C. Audit reports on which final action was taken during the reporting period.	11	\$12,953,938
<i>(i) the dollar value of disallowed costs that were recovered by management through:</i>		<i>\$11,768,153</i>
- collections.....\$8,048,449		
- offset.....\$3,542,282		
- property in lieu of cash.....\$0		
- other..... \$177,422		
<i>(ii) the dollar value of disallowed costs that were written off by management.</i>		<i>\$1,185,785</i>
D. Audit reports for which no final action has been taken by the end of the reporting period.	35	\$36,922,546

AUDITS WITH BETTER USE FUNDS

<u>Final action for the six-month period ending MARCH 31, 2010</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.	79	\$666,189,765	\$1,486,750
B. Audit reports on which management decisions were made during the reporting period.	55	\$255,512,977	\$3,952,019
C. Audit reports for which final action was taken during the reporting period.	47	\$315,898,740	\$0
<i>(i) the actual dollar value of recommendations that were actually completed.</i>		\$4,578,283	\$0
<i>(ii) the actual dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.</i>		\$5,974,447	\$0
<i>(iii) the actual dollar value of recommendations that management has subsequently concluded should not or could not be determined (calculated).</i>		\$1,523,192	\$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>		\$303,822,818	N/A
D. Audit reports for which no final action had been taken by the end of the reporting period.	87	\$605,804,002	\$5,438,769

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) AUDITS

The American Recovery and Reinvestment Act of 2009 (Recovery Act) authorized the General Services Administration's (GSA) Public Buildings Service (PBS) to invest \$5.5 billion in Federal public building projects. This 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 and implementing 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 Recovery Act monies are being tracked and reported. As of March 31, 2010, there are 35 GSA ARRA-related audits, totaling \$146,783,681 in dollars audited. A summary of these audits are summarized in the chart on the following page.

ARRA Audits

Audit #	Total Dollars Reviewed	Questioned Amt		Funds Put to Better Use	
		Total	Unsupp.	Total	Unsupp.
A090214P9X09083	\$ 1,974,984.00	\$0.00	\$0.00	\$92,869.00	\$0.00
A090199P9X09080	\$ 4,942,327.00	\$0.00	\$0.00	\$70,762.00	\$0.00
A090242PCX09106	\$ 1,994,671.00	\$0.00	\$0.00	\$100,894.00	\$0.00
A090201P9X09079	\$ 1,680,117.00	\$0.00	\$0.00	\$395,337.00	\$0.00
A090254PCX09097	\$ 5,841,031.00	\$0.00	\$0.00	\$118,000.00	\$0.00
A090232PCX09101	\$ 863,859.00	\$0.00	\$0.00	\$11,762.00	\$0.00
A090228PCX09094	\$ 2,652,206.00	\$0.00	\$0.00	\$53,000.00	\$0.00
A090230PCX09103	\$ 21,022,391.00	\$0.00	\$0.00	\$124,032.00	\$0.00
A090234PCX09102	\$ 13,541,780.00	\$0.00	\$0.00	\$809,387.00	\$192,400.00
A090238PCX09105	\$ 2,313,490.00	\$0.00	\$0.00	\$0.00	\$0.00
A090233PCX09109	\$ 2,258,920.00	\$0.00	\$0.00	\$45,178.00	\$0.00
A090239PCX09108	\$ 1,269,754.00	\$0.00	\$0.00	\$90,385.00	\$12,500.00
A090237PCX09111	\$ 1,789,942.00	\$0.00	\$0.00	\$310,194.00	\$0.00
A090236PCX09112	\$ 1,021,306.00	\$0.00	\$0.00	\$0.00	\$0.00
A090231PCX09114	\$ 2,399,864.00	\$0.00	\$0.00	\$45,134.00	\$0.00
A090253PCX09115	\$ 1,925,000.00	\$0.00	\$0.00	\$606,342.00	\$0.00
A090246PCX09113	\$1,020,274.00	\$0.00	\$0.00	\$30,608.00	\$0.00
A090252PCX09116	\$ 886,509.00	\$0.00	\$0.00	\$88,996.00	\$0.00
A090193P9X09078	\$ 12,406,242.00	\$0.00	\$0.00	\$313,462.00	\$0.00
A090245PCX09118	\$2,853,806.00	\$0.00	\$0.00	\$93,612.00	\$0.00
A090247PCX09120	\$ 788,848.00	\$0.00	\$0.00	\$28,621.00	\$0.00
A090250PCX09122	\$ 887,966.00	\$0.00	\$0.00	\$49,601.00	\$0.00
A090241PCX09121	\$ 8,706,741.00	\$0.00	\$0.00	\$222,987.00	\$0.00
A090251PCX09125	\$ 931,012.00	\$0.00	\$0.00	\$32,710.00	\$0.00
A090244PCX09124	\$ 1,760,528.00	\$0.00	\$0.00	\$254,455.00	\$21,763.00
A090235PCX09127	\$ 1,439,293.00	\$0.00	\$0.00	\$24,739.00	\$0.00
A090243PCX09126	\$ 5,433,000.00	\$0.00	\$0.00	\$295,245.00	\$0.00
A090248PCX09129	\$ 719,353.00	\$0.00	\$0.00	\$278,256.00	\$206,450.00
A090229PCX09117	\$ 6,169,039.00	\$0.00	\$0.00	\$192,302.00	\$0.00
A090240PCX10023	\$ 29,364,836.00	\$0.00	\$0.00	\$4,254,124.00	\$0.00
A090249PCX10001	\$ 1,761,984.00	\$0.00	\$0.00	\$629,199.00	\$0.00
A090172PRR10001	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
A090194P2X10012	\$ 1,003,523.00	\$0.00	\$0.00	\$11,044.00	\$0.00
A090200P2X10026	\$ 2,736,790.00	\$0.00	\$0.00	\$244,702.00	\$0.00
A090224P2X10027	\$ 422,295.00	\$0.00	\$0.00	\$87,881.00	\$0.00
Totals	\$ 146,783,681.00	\$ -	\$ -	\$10,005,820.00	\$433,113.00

INTERNAL AUDITS

AUDITS WITH MANAGEMENT DECISIONS MADE PRIOR TO MARCH 31, 2009, BUT WITH FINAL ACTION NOT TAKEN AS OF MARCH 31, 2010

REPORT NUMBER TITLE OF REPORT	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION	PROJECTED COMPLETION DATE
		Dis- allowed Costs	Better Use Funds		
A020161F3V03003 Consolidation of Distribution Center Operations	03/18/2003	\$0	\$0	Action plan is currently being implemented.	09/15/2013
A060149QTP07002 Electronic Contract Proposal/Modification System	03/06/2007	\$0	\$0	Action plan is currently being implemented.	06/15/2010
A060190Q6P07004 Multiple Award Schedule (MAS) Contract Workload	07/31/2007	\$0	\$0	Action plan is currently being implemented.	3/15/2011
A070164QAP08004 Inventory Management Software	03/21/2008	\$0	\$0	Action plan is currently being implemented.	9/30/2012
A060228OTF08007 Improvements to the GSA Privacy Act to Protect PII	03/31/2008	\$0	\$0	Action plan is currently being implemented.	10/15/2010
A080081OTF08016 FISMA Review of IT Security Program	09/11/2008	\$0	\$0	Action plan is currently being implemented.	3/15/2011
A060101P2R08006 Audit of Reimbursable Work Authorizations	09/30/2008	\$0	\$0	Action plan is currently being implemented.	6/15/2010

AUDITS UNDER APPEAL/LITIGATION

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS	
		Disallowed Costs	Better Use Funds
A030140FWX03056 Science Applications Int'l Corp.	03/25/2003	\$0	\$1,028,099
A080084P7X08061 Kenmor Electrical Company, LP	04/29/2008	\$0	\$312,148
A080077Q5X08087 Gartner, Inc.	08/05/2008	\$0	\$5,753,000
A080200P3X09042 Wm. T. Spaeder Co, Inc.	02/19/2009	\$0	\$154,039
A090111P6X10011 Midtown Development	10/30/2009	\$0	\$3,280,021

CONTRACT AUDITS

AUDITS WITH MANAGEMENT DECISIONS MADE PRIOR TO MARCH 31, 2009, BUT WITH FINAL ACTION NOT TAKEN AS OF MARCH 31, 2010

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
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 in process of collecting funds owed the Government from the contractor.
A030140FWX03056 Science Applications Int'l Corp.	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.
A030186F5X04054 NOVA Solutions, Inc.	03/09/2004	\$46,805	\$0	Contracting Officer has determined that Nova does not owe GSA and is working with auditor for agreement to close out – anticipate completion Mid-2010.
A040162F5X04053 NOVA Solutions, Inc.	03/09/2004	\$0	\$17,000	GSA in process of collecting funds owed the government from the contractor.
A050112F7X05068 Entrust Inc.	05/10/2005	\$0	\$3,300,000	Negotiations are proceeding between Contracting Officer and contractor.
A050105F6X06006 BCOP Federal, Inc.	10/12/2005	\$0	\$29,550,000	Negotiations are proceeding between contracting officer and contractor.
A050248T9X06056 Information Support, Inc.	03/30/2006	\$3,138,873	\$0	In collections.

A050122F6X06059 Fasternal Company, Inc.	04/18/2006	\$35,274	\$0	In the Investigation Process. An investigation has been opened by the GSA OIG and the Department of Justice regarding actions taken by the contractor.
A060206T9X07012 Information Systems Support Incorporated	10/31/2006	\$4,026,287	\$0	In Negotiations - GSA issued the Contracting Officers' final decision and demand letter to CACI - ISS and ISS representatives on 1/7/2010. GSA Finance has established a debt collection account for this audit.
A060245F6X07065 Comstor, Div. of Westcon Group N. A., Inc.	04/30/2007	\$0	\$0	In the Investigation Process. Under investigation by Department of Justice.
A060196P9X07091 Tigard Electric, Inc.	08/28/2007	\$0	\$988,088	Negotiations are proceeding between Contracting Officer and contractor.
A070176Q9X08032 T-Mobile USA	12/18/2007	\$0	\$2,456,420	Negotiations are proceeding between Contracting Officer and contractor.
A070168Q6X08057 MSC Industrial Direct Co., Inc.	04/10/2008	\$0	\$22,294,058	Negotiations are proceeding between Contracting Officer and contractor.
A080084P7X08061 Kenmor Electrical Company, LP	04/29/2008	\$0	\$312,148	The contractor has appealed the Contracting Officer's decision and the audit is now in the litigation process.
A080107Q3X08063 Superior Protection Service, Inc.	05/05/2008	\$0	\$811,315	Agreement has been reached between OIG and Contracting Officer. Negotiations are proceeding.
A070229Q4X08068 Citrix Systems, Incorporated	05/22/2008	\$0	\$7,376,859	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor.
A070095Q3X08073 GTSI Corporation	06/05/2008	\$0	\$9,700,000	Agreement has been reached between OIG and Contracting Officer. Negotiations are proceeding.
A040224F3X08077 ADT Security Services, Inc.	06/11/2008	\$1,846,647	\$0	Negotiations are proceeding between Contracting Officer and contractor.

A080077Q5X08087 Gartner, Inc.	08/05/2008	\$0	\$5,753,000	Litigation in Process - The contractor has appealed the Contracting Officer's decision and the audit is now in the litigation process.
A080151Q7X09009 SeaArk Marine, Inc.	10/29/2008	\$0	\$1,835,327	Negotiations are proceeding between Contracting Officer and contractor.
A080001Q3X09006 SunGard Availability Services, LP	10/30/2008	\$4,601	\$0	In negotiation.
A080177Q9X09015 Tecalote Research, Incorporated	12/12/2008	\$0	\$658,765	Agreement has been reached between OIG and Contracting Officer. Negotiations are proceeding.
A080185P9X09016 Pacific Coast Steel, Inc.	12/16/2008	\$0	\$2,199,853	In negotiation.
A080220P9X09022 Boyett Door and Hardware	01/09/2009	\$0	\$526,039	In negotiation.

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. Prior to April 1990, no funds were identified by the OIG specifically as “funds to be put to better use,” and no management decisions were issued based on the consideration of “better use” of funds.
- **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.