



U.S. General Services Administration

# Administrator's Semiannual Management Report to the Congress



**Report No. 53**  
April 1, 2015 to  
September 30, 2015

## U.S. General Services Administration

Denise Turner Roth  
*Administrator*

### Office of Administrative Services

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*Chief Administrative Services Officer*

### GAO/IG Audit Response Division

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*Director*

October 2015

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## Synopsis of Audit Activity

In accordance with the Inspector General Act of 1988, as amended, the Administrator is required to report directly to the Congress on management decisions and final actions taken on audit recommendations made by the Office of Inspector General (OIG) of the General Services Administration (GSA). This report covers the semiannual management reporting period of April 1, 2015, through September 30, 2015.

The report provides a summary of:

- Cases where final action has not been taken on audits one year after the date of the management decision.
- Implementation of the recommendations by GSA management contained in audit reports issued by the OIG.

At the commencement of this semiannual management reporting period, there were audit reports with disallowed costs, audits with better use funds, and audits with both disallowed cost and better use funds. At the beginning of the reporting period, a total of 195 audit reports were pending final action containing financial recommendations totaling \$3,219,926,440. There were 168 contract audits with financial recommendations totaling \$3,219,739,546 and 27 internal audits with financial recommendations totaling \$186,894.

During the reporting period, management decisions were made on 44 audit reports concerning nationwide GSA programs and operations.

Of the 44 audits, 32 of these audits found \$17,022,355 in pre-award, post-award contracts and internal program spending that was incorrectly charged to the Government (known as disallowed costs). Of the 44 audits, 30 audits recommended that \$1,033,291,001 could be used more efficiently (known as funds to be put to better use) if management took action to implement and complete the OIG recommendations. This information is disclosed in Appendix A of this report.

During the six-month period, GSA was able to successfully take final action on a total of 90 audits. These audits represent the recovery of \$41,343,226 in Government funds and the identification of \$1,125,246,707 in potential future savings.

As of September 30, 2015, 145 audit reports remained open. There are several audits involving claims under appeal or litigation during this reporting period.

## 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 GSA for the period beginning April 1, 2015, through September 30, 2015. This is the agency's 53rd 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 which results in better use of Taxpayer's dollars.

### **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, GSA houses the Office of Government-wide Policy, the Office of Citizen Services and Innovative Technologies, and a number of Staff Offices that provide support to the other GSA organizations. There are 11 regions in the GSA structure.

The Administrator of GSA directs the execution of all GSA functions. 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. They are also responsible for execution of programs and services within their service, region or staff office, under the leadership of the Administrator.

## Organization of Audit Follow-Up Program

GSA has effective systems in place for keeping track of audit recommendations. In addition, GSA senior management is committed to ensuring 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. A description of the responsibilities of GSA officials involved in the audit follow-up process is set forth below:

### Agency Audit Follow-up Official

The Deputy Administrator is the Agency Audit Follow-up Official responsible for audit follow-up activity. As such, she/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. She/he also makes final decisions to resolve differences between agency management and the OIG.

### The Chief Administrative Services Officer (CASO)

The CASO provides direction and oversight to the officials in the Office of Administrative Services (OAS) who manage the 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 GAO and the OIG;
- Overseeing the collection and proper accounting of monetary 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 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 for GAO draft reports and transmittals for final GAO reports in coordination with OAS;
- Providing comments on audit decision papers prepared by the OIG to ensure that management's position on unresolved audit recommendations is properly stated.

## Audits with Disallowed Costs

<u>Final action for the six-month period Ending SEPTEMBER 30, 2015</u>	<u>Number of Audit Reports</u>	<u>Disallowed Costs</u>
A. Audit reports for which final action had not been taken by the commencement of the reporting period.	195	\$145,227,274
B. Audit reports on which GSA/OIG management decisions were made during the reporting period.	44	\$17,022,355
D. Audit reports for which no final action has been taken by the end of the reporting period.	145	\$120,906,403

## Audits with Better Use Funds

<u>Final action for the six-month Ending SEPTEMBER 30, 2015</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.	195	\$3,074,699,166	\$0
B. Audit reports on which management decisions were made during the reporting period.	30	\$1,033,291,001	\$0
C. Audit reports on which final action was taken during the reporting period.	90	\$1,125,246,707	\$0
<i>(i) the actual dollar value of recommendations that were actually completed.</i>		25,990,638	\$0
<i>(ii) the actual dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.</i>		0	\$0
<i>(iii) the actual dollar value of recommendations that management has subsequently concluded should not or could not be determined (calculated).</i>		6,225,926	\$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>		1,105,481,995	\$0
D. Audit reports for which no final action has been taken by the end of the reporting period.	145	\$2,196,421,133	\$0



## Internal Audits

**Audits with Management Decisions made prior to October 1, 2014, but  
with Final Action not taken as of September 30, 2015**

REPORT NUMBER TITLE OF REPORT	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION	PROJECTED COMPLETION DATE
		Disallowed Costs	Better Use Funds		
A110100Q9P12009 Audit of Management Controls Within the Network Services Division Pacific Rim Region, Federal Acquisition Service	05/30/2012	\$0	\$0	Audit is in the implementation stage.	11/30/2015
A120001PFR13007 Audit of GSA's Controls over the National Capital Region's Reimbursable Work Authorizations	09/11/2013	\$0	\$0	Audit is in the Implementation Stage.	02/26/2016
A110217PRR14004 Procurement Errors, Financial Losses, and Deficient Contract Administration Demonstrate Ineffective Management of the Ronald Reagan Building and International Trade Center	06/17/2014	\$186,894	\$0	Audit is in the Implementation Stage.	11/30/2015

## Audits under Appeal/Litigation

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS	
		Disallowed Costs	Better Use Funds
A130034P4X13032 Caddell Construction Co., Inc.	03/28/2013	\$0	\$5,001,544
A130093P4X14045 Amthor Steel, Inc.	06/26/2014	\$0	\$2,065,356
A130094P5X14060 Clayton B. Obersheimer, Inc.	09/16/2014	\$0	\$3,417,748
A130092P4X14065 Mascaro Construction Company, L.P.	09/30/2014	\$0	\$8,443,064
A140144P4X15033 Integrity Management Consulting, Inc.	04/30/2015	\$ 30,958	\$0

## Contract Audits

Audits with Management Decisions made prior to October 1, 2014,  
but with Final Action not taken as of September 30, 2015

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A100075Q7X11022 Cort Business Services Corporation	01/27/2011	\$0	\$1,575,000	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A110063QAX11053 IntelliDyne, LLC	05/16/2011	\$3,948,160	\$0	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A100140Q5X11070 Veterans Imaging Products, Inc.	07/07/2011	\$3,893	\$496,000	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A110088Q3X11079 Global Protection USA, Inc.	07/28/2011	\$29,337	\$0	In the Process of Collection - GSA is in the process of collecting funds owed the government from the contractor
A100119Q6X11081 Noble Sales Co., Inc.	08/03/2011	\$0	\$0	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A110180P9X11084 RTKL Associates, Inc.	08/15/2011	\$0	\$412,057	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor

## Contract Audits

Audits with Management Decisions made prior to October 1, 2014,  
but with Final Action not taken as of September 30, 2015

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A110067Q2X11092 Clifton Gunderson, LLP	09/09/2011	\$1,374	\$1,196,561	Price/Settlement Negotiated - Negotiations have been completed between Contracting Officer and contractor
A110174Q4X11097 Protective Products Enterprises	09/15/2011	\$63,992	\$0	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A110176Q4X12010 Fontaine Trailer Company, Incorporated	12/07/2011	\$0	\$4,648,519	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A110186Q7X12018 BRSI, L.P.	01/23/2012	\$0	\$7,425,000	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120021Q3X12023 Presidio Networked Solutions, Inc.	03/02/2012	\$31,878	\$2,427,935	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A110169Q3X12048 Oce' North America, Inc.	06/29/2012	\$225,180	\$0	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120136P4X12053 Lenex Steel Company	07/17/2012	\$0	\$834,067	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor

## Contract Audits

Audits with Management Decisions made prior to October 1, 2014,  
but with Final Action not taken as of September 30, 2015

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A110209Q6X12057 Propper International Sales, Inc.	08/15/2012	\$2,063,375	\$0	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120083P9X12059 M.A. Mortenson Company	08/21/2012	\$0	\$2,814,148	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120148P9X13003 Siemens Industries, Inc.	10/17/2012	\$0	\$0	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A090140Q6X10081 Systems Research and Applications Corporation	08/24/2010	\$392,685	\$0	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120071Q2X13002 ICF Z-Tech, Inc.	10/16/2012	\$14,580	\$166,639	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120155Q3X13007 Avion Solutions, Inc.	11/21/2012	\$0	\$4,523,340	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A110147Q6X13010 Xerox Corporation	12/06/2012	\$0	\$8,511,087	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor

## Contract Audits

Audits with Management Decisions made prior to October 1, 2014,  
but with Final Action not taken as of September 30, 2015

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A120165P4X13019 Skanska USA Building, Inc.	01/30/2013	\$0	\$82,475	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120150Q3X13018 Grant Thornton LLP	01/24/2013	\$3,848	\$8,200,000	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120147Q2X13028 Harris Corporation, RF Communications Division	03/20/2013	\$33,486	\$30,946,880	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120178Q3X13026 VT Aepco, Inc.	03/05/2013	\$76,352	\$38,059,421	Unresolved - Agreement has not been reached between OIG and Contracting Officer on the Decision Record
A120109Q7X13030 ICF Macro, Inc.	03/21/2013	\$0	\$11,456,930	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120095Q7X13024 Military Personnel Services Corporation	02/28/2013	\$87,379	\$16,083,715	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120127Q4X13033 General Dynamics Information Technology, Inc.	03/29/2013	\$147,371	\$48,528,780	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor

## Contract Audits

Audits with Management Decisions made prior to October 1, 2014,  
but with Final Action not taken as of September 30, 2015

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A120162Q5X13036 Kforce Government Solutions, Inc.	04/17/2013	\$147,666	\$11,000,000	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A130034P4X13032 Caddell Construction Co., Inc.	03/28/2013	\$0	\$5,001,544	Litigation in Process - The contractor has appealed the Contracting Officer's decision and the audit is now in the litigation process
A130047P4X13040 Skanska USA Building, Inc.	05/13/2013	\$0	\$1,189,218	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A100160Q7X13042 i2, Incorporated	05/28/2013	\$2,064,798	\$0	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120113Q2X13046 MSC Industrial Direct Co.	06/03/2013	\$2,278	\$55,064,975	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120175Q3X13041 STG Inc.	05/22/2013	\$0	\$0	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor

## Contract Audits

Audits with Management Decisions made prior to October 1, 2014,  
but with Final Action not taken as of September 30, 2015

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A130069Q7X13051 L-3 Communications Vertex Aerospace, LLC	06/28/2013	\$248,423	\$24,112,597	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120152Q6X13054 Herman Miller, Inc.	07/11/2013	\$175,056	\$20,574,360	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A120134Q6X13059 International Business Machines Corporation	07/31/2013	\$0	\$482,854,052	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A130099P4X14011 HCBeck, Ltd.	03/24/2014	\$0	\$1,689,965	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A130071Q5X14018 Industries for the Blind, Inc.	01/31/2014	\$306,596	\$6,900,000	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A130085Q3X13063 Bart & Associates, Inc.	09/06/2013	\$130,030	\$48,373,190	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A130048Q6X14023 Intirion Corporation	03/12/2014	\$569,834	\$0	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor



## Contract Audits

Audits with Management Decisions made prior to October 1, 2014,  
but with Final Action not taken as of September 30, 2015

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A140106P4X14022 Skanska USA Building, Inc.	03/06/2014	\$0	\$1,499,696	In Negotiation - Negotiations are proceeding between Contracting Officer and contractor
A130093P4X14045 Amthor Steel, Inc.	06/26/2014	\$0	\$2,065,356	Litigation in Process - The contractor has appealed the Contracting Officer's decision and the audit is now in the litigation process
A130094P5X14060 Clayton B. Obersheimer, Inc.	09/16/2014	\$0	\$3,417,748	Litigation in Process - The contractor has appealed the Contracting Officer's decision and the audit is now in the litigation process
A130092P4X14065 Mascaro Construction Company, L.P.	09/30/2014	\$0	\$8,443,064	Litigation in Process - The contractor has appealed the Contracting Officer's decision and the audit is now in the litigation process

## Glossary of Terms

The following definitions, based on the Inspector General Act Amendment of 1988, 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;
- 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;
- 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 and concurrence by the OIG concerning its response to such findings and recommendations, including planned corrective actions to remedy weaknesses identified in the report.

**Final Action.** The completions 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.

# Appendix

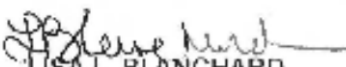


U.S. GENERAL SERVICES ADMINISTRATION  
Office of the Inspector General

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October 14, 2015

MEMORANDUM FOR LEROY FORD  
DIRECTOR  
GAO/IG AUDIT RESPONSE BRANCH (H1C)

FROM:   
LISA L. BLANCHARD  
DIRECTOR  
AUDIT PLANNING, POLICY, AND OPERATIONS STAFF (JAO)

SUBJECT: Semiannual Report to Congress on the Number  
of Management Decisions

This memo is intended to relate the total management decisions for the period April 1, 2015 through September 30, 2015. The totals are based on H1C/JA Data Match Report, dated October 6, 2015 and JA's AIS database. The OIG's management decision statistics are, as follows:

Type of Audit	Number of Audits	Amount of Better Use Funds	Amount of Disallowed Cost
Preaward	30	\$ 1,033,291,001	\$ 2,733,890
Postaward	2	\$ 0	\$ 14,288,465
Internal	12	\$ 0	\$ 0
Totals	44	\$ 1,033,291,001	\$ 17,022,355

Please acknowledge your agreement of the statistics by signing below and returning to JAO as soon as possible.

 \_\_\_\_\_  
Name Title  
 Director  
Date Oct 9, 2015

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