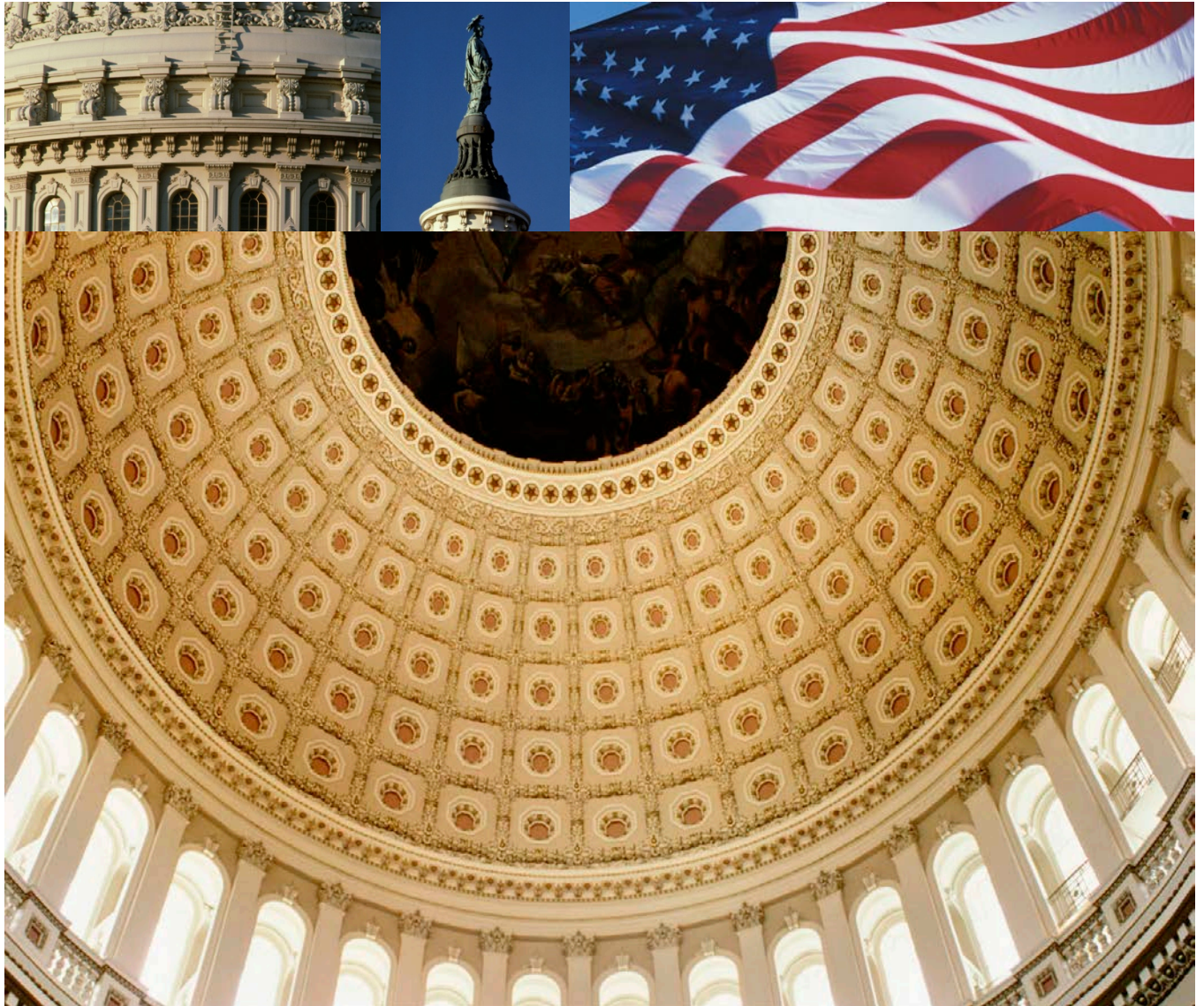




U.S. General Services Administration

Administrator's Semiannual Management Report to Congress



Report No. 45
April 1, 2011 to
September 30, 2011

U.S. General Services Administration
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November 2011

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Executive Summary

In accordance with the Inspector General Act Amendments of 1978, as amended, the Administrator of the General Services Administration (GSA) submits this report to Congress on final actions regarding audit recommendations. The report covers the period from April 1, 2011 through September 30, 2011. The Act requires the Administrator to report directly to the Congress on management decisions and final actions taken on audit recommendations. The report must provide an explanation in cases where final action has not been taken on an audit one year after the date of the management decision. The report also summarizes management's implementation of the recommendations contained in audit reports issued by the GSA Office of the Inspector General (OIG).

During the reporting period, management decisions were issued on 69 audit reports. Of this total, 54 audit reports represented \$65,156,031 in disallowed costs and 48 audit reports represented \$201,016,432 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, GSA took final action on 71 audits with management decisions identifying disallowed costs or funds to be put to better use. These audits represent the recovery of \$13,468,009 and the implementation of \$22,382,453 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 September 30, 2011, 46 audit reports remained open without final action one year after the management decision. Of this total, four were under formal administrative or judicial appeal. The reasons no actions have been taken with respect to the remaining 42 audits are provided in the report.

Introduction and 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, 2011, through September 30, 2011. This is the agency's 45th report to the Congress since the implementation of the Act (Public Law 100-504). The data in the report indicate that GSA 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.

Organization

GSA is organized around two major business functions represented by the Federal Acquisition Service (FAS) and the Public Buildings Service (PBS). 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 and Heads of Services and Staff Offices, advise and make recommendations on policy or operational issues of national scope.

Each Service is lead 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 international importance.

GSA is organized as a matrix. One vector is the functional area, PBS or FAS. The other vector is geographical. Regional Commissioners have 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.

Organization of Audit Follow-up Program in General Services Administration

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 officials in the Office of the Chief Financial Officer (OCFO) who manage the GSA 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 OIG as well as GAO;

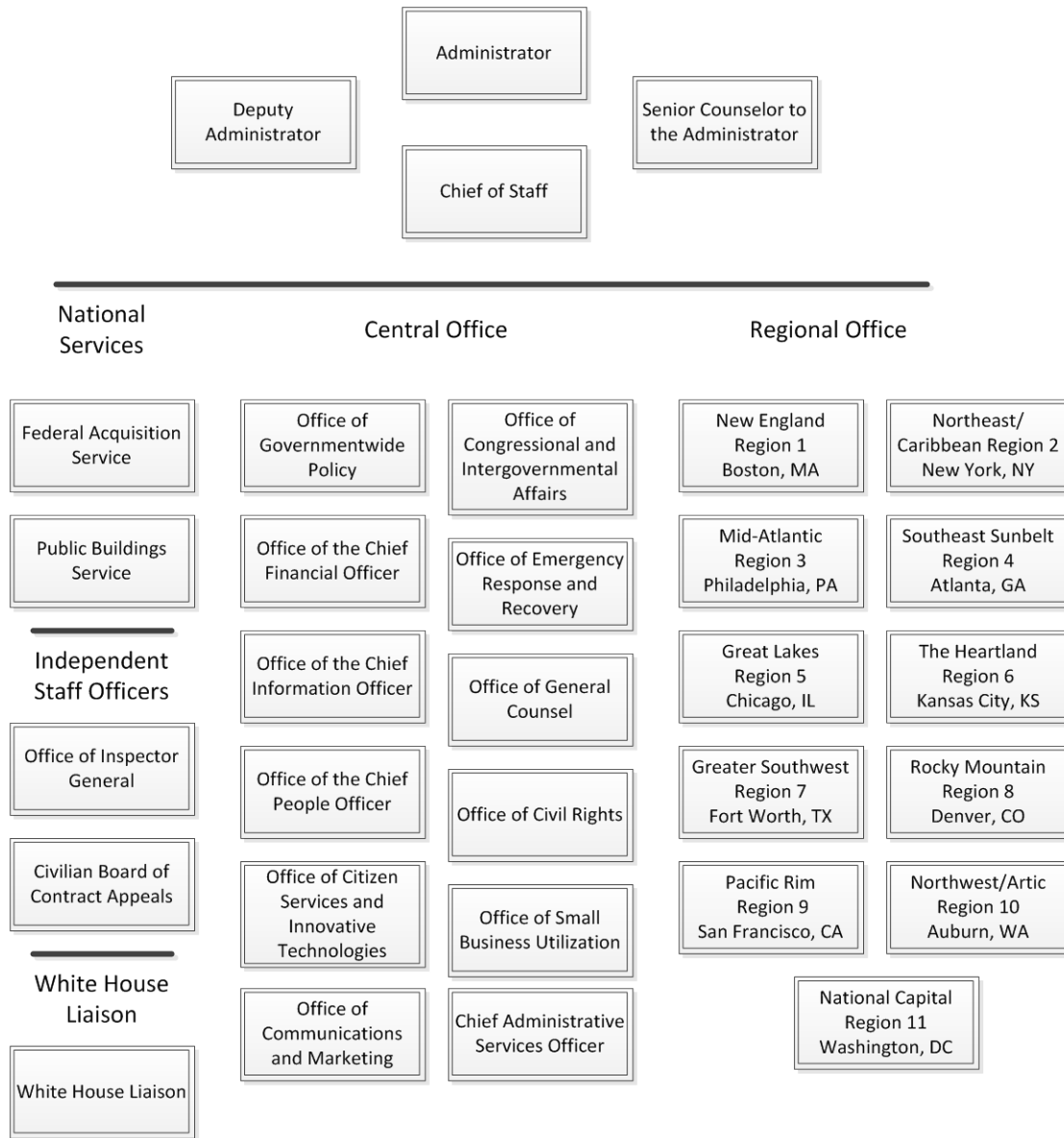
- Overseeing the collection and proper accounting of amounts determined due to the Government as the result of audit-related claims;
- Analyzing GSA programs upon request from the Administrator, particularly as related to past or present audit recommendations; and,
- Maintaining an automated report control 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 to draft and final GAO reports in coordination with the OCFO; and
- Providing comments on audit decision papers prepared by the OIG to ensure that management's position on unresolved audit recommendations is properly stated.

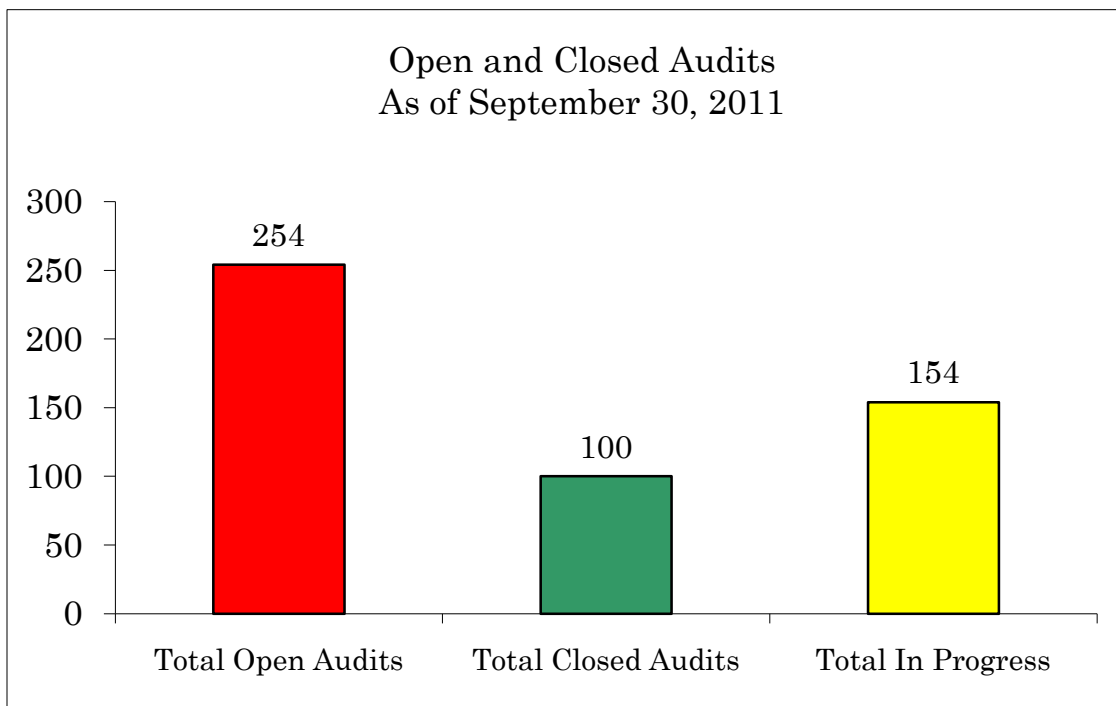
Organization Chart



Progress of Audit Closure

FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 2011

Timely closing of audits remains a priority for GSA. The OCFO staff worked with contracting officers and audit liaisons to close out numerous internal and contract audits. From April 1, 2011 through September 30, 2011, GSA closed approximately 39.4 percent, or 100 internal and contract audits, of 254 open audits. The remaining 60.6 percent or 154 audits are open because of ongoing litigation, negotiation, collections, and implementation of corrective actions.



Audits with Disallowed Costs

Final action for the six-month period <u>Ending SEPTEMBER 30, 2011</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.	47	\$56,471,864
B. Audit reports on which management decisions were made during the reporting period.	18	\$63,058,714
C. Audit reports on which final action was taken during the reporting period.	17	\$40,221,771
<i>(i) the dollar value of disallowed costs that were recovered by management through:</i>		<i>\$13,468,009</i>
- collections.....\$13,323,231		
- offset.....\$144,778		
- property in lieu of cash.....\$0		
- other..... \$0		
<i>(ii) the dollar value of disallowed costs that were written off by management.</i>		<i>\$26,753,762</i>
D. Audit reports for which no final action has been taken by the end of the reporting period.	48	\$79,308,807

Audits with Better Use Funds

Final action for the six-month period ending <u>SEPTEMBER 30, 2011</u>	Number of Audit Reports	No Budget Impact – Actual and Estimated	Budget Impact
A. Audit reports for which final action had not been taken by the commencement of the reporting period.	88	\$579,126,797	\$0
B. Audit reports on which management decisions were made during the reporting period.	31	\$201,016,432	\$0
C. Audit reports for which final action was taken during the reporting period.	54	\$228,183,348	\$0
<i>(i) the actual dollar value of recommendations that were actually completed.</i>		\$22,382,453	\$0
<i>(ii) the actual dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.</i>		\$3,691,277	\$0
<i>(iii) the actual dollar value of recommendations that management has subsequently concluded should not or could not be determined (calculated).</i>		\$7,574,627	\$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>		\$194,534,991	N/A
D. Audit reports for which no final action had been taken by the end of the reporting period.	65	\$551,959,881	\$0

American Recovery and Reinvestment Act (ARRA) Audits

The American Recovery and Reinvestment Act of 2009 (Recovery Act) authorized the PBS to invest \$5.5 billion in federal public building projects. This includes \$4.5 billion to transform federal facilities into high-performance green buildings, \$750 million to renovate and construct new federal offices and courthouses, and \$300 million to construct and renovate border stations. As a result of this increased spending, GSA has developed and is 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 Recovery Act funds are transparent to the public; and public benefits of the funds are reported clearly, accurately, and in a timely manner. To assist in the implementation of these goals, all Recovery Act monies are tracked and reported. As of September 30, 2011, there are 45 GSA Recovery Act audits, totaling \$266,510,027 audited.

Internal Audits

Audits with Management Decisions Made Prior to September 30, 2010,
But with Final Action not Taken as of September 30, 2011

REPORT NUMBER TITLE OF REPORT	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION	PROJECTED COMPLETION DATE
		Disallowed Costs	Better Use Funds		
A060190Q6P07004 MAS Contract Workload	07/31/2007	\$0	\$0	FAS has submitted a revised action plan for OIG review.	04/05/2012
A070180OTW07001 GSA'S Electronic Messaging Services (GEMS) and National Notes Infrastructure (GNNI)	09/12/2007	\$0	\$0	Re-opened based on implementation review. GSA is tracking action plan until complete.	03/30/2012
A060228OTF08007 Improvements to the GSA Privacy Act to Protect PII	03/31/2008	\$0	\$0	Action plan in implementation stage.	11/15/2011
A080081OTF08016 FISMA Review of IT Security Program	09/11/2008	\$0	\$0	Action plan in implementation stage.	11/15/2011
A070171QAP09005 Performance Measurement for Procurement	09/30/2009	\$0	\$0	Action plan in implementation stage.	02/15/2012
A070118QAP09007 Consistency in Implementing Policy	09/30/2009	\$0	\$0	Action plan in implementation stage.	01/15/2012
A090062BFF10001 Fiscal Year 2009 Financial and EDP Statements	01/08/2010	\$0	\$0	Action plan in implementation stage.	05/15/2012
A090026Q7P10001 Prompt Payment Discounts	03/15/2010	\$0	\$0	Action plan in implementation stage.	12/15/2011
A090126BTF10003 CFO Corporate Information Network	03/31/2010	\$0	\$0	Action plan in implementation stage.	04/15/2012
A080180BTF10002 E2 Travel System	03/31/2010	\$0	\$0	Action plan in implementation stage.	01/15/2012
A090203QAP10007 Contracting within the Center for IT Schedules Program	06/11/2010	\$0	\$0	Action plan in implementation stage.	01/15/2012

Audits under Appeal/Litigation

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS	
		Disallowed Costs	Better Use Funds
A030140FWX03056 Science Applications International Corporation	03/25/2003	\$0	\$1,028,099
A060196P9X07091 TIGARD Electric, Incorporated	08/28/2007	\$0	\$988,088
A080084P7X08061 KENMOR Electrical Company, Limited Liability Partnership	04/29/2008	\$0	\$312,148
A080077Q5X08087 Gartner, Incorporated	08/05/2008	\$0	\$5,753,000

Contract Audits

Audits with Management Decisions Made Prior to September 30, 2010, but
with Final Action not Taken as of September 30, 2011

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A030140FWX03056 Science Applications International Corporation	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.
A050122F6X06059 FASTERNAL Company	04/18/2006	\$35,274	\$0	An investigation has been opened by either the OIG or the Justice Department regarding actions taken by the contractor.
A060196P9X07091 TIGARD Electric, Incorporated	08/28/2007	\$0	\$988,088	The contractor has appealed the Contracting Officer's decision and the audit is now in the litigation process.
A080084P7X08061 KENMOR Electrical Company, Limited Liability Partnership	04/29/2008	\$0	\$312,148	The contractor has appealed the Contracting Officer's decision and the audit is now in the litigation process.
A080077Q5X08087 GARTNER, Incorporated	08/05/2008	\$0	\$5,753,000	The contractor has appealed the Contracting Officer's decision and the audit is now in the litigation process.
A080177Q9X09015 Tecolote Research, Incorporated	12/12/2008	\$0	\$658,765	Negotiations are proceeding between Contracting Officer and contractor.
A080136Q2X09028 Dynamic Decisions, Inc.	01/20/2009	\$0	\$0	Negotiations have been completed between Contracting Officer and contractor.
A080085Q6X09043 The HON Company	03/03/2009	\$0	\$31,298,140	Negotiations are proceeding between Contracting Officer and contractor
A080212Q3X09047 Phillips Corporation -- Federal Division	03/23/2009	\$27,429	\$1,445,916	GSA is in the process of collecting funds owed the government from the contractor.
A080210Q6X09062 ImmixTechnology, Inc.	04/27/2009	\$711,525	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A080077Q5X09071 Gartner, Incorporated	06/11/2009	\$1,486,750	\$0	Negotiations are proceeding between Contracting Officer and contractor
A090007Q6X09075 Booz Allen Hamilton, Incorporated	07/08/2009	\$806,948	\$68,696,732	GSA is in the process of collecting funds owed the government from the contractor.

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A090145Q5X09082 BTAS, Incorporated	08/06/2009	\$0	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A090106Q3X09084 Perot Systems Government Services, Incorporated	08/19/2009	\$34,758	\$33,743,210	GSA is in the process of collecting funds owed the government from the contractor.
A080030Q3X09087 Hewlett-Packard Company	08/21/2009	\$59,353	\$81,038,538	Negotiations are proceeding between Contracting Officer and contractor
A090090Q2X09086 Ezenia!, Incorporated	08/21/2009	\$0	\$0	Negotiations are proceeding between Contracting Officer and contractor
A090228PCX09094 GreenHorne & O'Mara, Incorporated	08/27/2009	\$0	\$53,000	Negotiations have been completed between Contracting Officer and contractor
A090089Q4X09095 Mohawk Carpet Corporation: Lees Carpets Division	09/03/2009	\$124,119	\$3,394,643	GSA is in the process of collecting funds owed the government from the contractor.
A090074Q7X09099 TechFlow, Incorporated	09/04/2009	\$0	\$4,373,215	Negotiations are proceeding between Contracting Officer and contractor.
A090254PCX09097 Greenhorne & O'Mara, Incorporated	09/04/2009	\$0	\$118,000	Negotiations have been completed between Contracting Officer and contractor.
A090232PCX09101 Haley & Aldrich, Incorporated	09/09/2009	\$0	\$11,762	Negotiations have been completed between Contracting Officer and contractor.
A090234PCX09102 HDR Architecture, Incorporated	09/10/2009	\$0	\$809,387	Negotiations have been completed between Contracting Officer and contractor.
A090118Q6X09123 Murray-Benjamin Electric Company	09/25/2009	\$461,494	\$0	GSA is in the process of collecting funds owed the government from the contractor.
A080155Q2X10006 Cascades Technologies, Incorporated	10/21/2009	\$261,525	\$0	GSA is in the process of collecting funds owed the government from the contractor.
A090170Q9X10007 eTouch Systems Corporation	10/23/2009	\$0	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A090202Q6X10016 Computech, Incorporated	11/09/2009	\$0	\$19,043,879	Negotiations are proceeding between Contracting Officer and contractor.
A080144Q7X10019 BMC Software, Incorporated	11/17/2009	\$0	\$3,246,860	Negotiations have been completed between Contracting Officer and contractor.
A090159Q5X10022 RCF Information Systems, Incorporated	12/10/2009	\$4,459	\$522,882	Negotiations are proceeding between Contracting Officer and contractor.

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A090101P2X10024 Paramount Mechanical Corporation: Subcontractor to PJ Dick Incorporated	12/16/2009	\$0	\$1,593,437	Negotiations are proceeding between Contracting Officer and contractor.
A090198Q3X10037 IBIS Tek; Limited Liability Company	02/24/2010	\$100,507	\$688,000	Negotiations are proceeding between Contracting Officer and contractor.
A090187Q2X10042 B&H Foto and Electronics Corporation	03/22/2010	\$0	\$7,297,749	Negotiations have been completed between Contracting Officer and contractor.
A100147P9X10057 AECOM Transportation, a Division of AECOM U.S.	06/16/2010	\$709,183	\$0	GSA is in the process of collecting funds owed the government from the contractor.
A090222QWX10058 Force 3, Incorporated	06/23/2010	\$0	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A080070QWX10063 Accenture, Limited Liability Partnership	07/06/2010	\$0	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A110115Q7X11061 Pacific Star Communications, Incorporated	06/10/2011	\$23,201	\$0	Negotiations are proceeding between Contracting Officer and contractor.

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; 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.

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