



U.S. General Services Administration

Administrator's Semiannual Management Report to Congress



Report No. 46
October 1, 2011 to
March 31, 2012

U.S. General Services Administration
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May 2012

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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 October 1, 2011 through March 31, 2012. The Act requires the Administrator to report directly to the Congress on management decisions and final actions taken on audit recommendations. This report provides a general overview of GSA audit activity and where necessary provides an explanation in cases where final action has not been taken on an audit one year after the date of the management decision.

During the six-month period, audit management decisions were issued on 48 audit reports. Of these 48 audits, 35 of these audits resulted in \$781,434 in recovered funds that were a direct savings to the Federal Government (called disallowed costs). Also identified within these 35 audits, was \$123,411,028 having no budget impact but a potential future savings to the Federal Government (called funds to be put to better use). This information is disclosed within Appendix A of this report. The potential future savings identified in these audit reports provide opportunities for contractual savings within future government contracts with private contractors in outlying years.

During the six-month period, GSA was able to take final action on a total of 17 audits (See pages 9 and 10, section C.). These audits represent the recovery of \$6,319,510 in government funds (See page 9, section C.) and the identification of \$58,019,090 (See page 10, section C.) in potential future savings.

As of March 31, 2012, 58 audit reports remained open. Of this total, only two were under formal appeal/litigation.

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 October 1, 2011 through March 31, 2012. This is the agency's 46th report to the Congress since the implementation of the Act (Public Law 100-504). The data in the report indicates 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 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.

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.

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 auditors' 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 Administrative Services Officer

The Chief Administrative Services Officer provides administrative direction to officials in the Office of Administrative Services (OAS) 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;

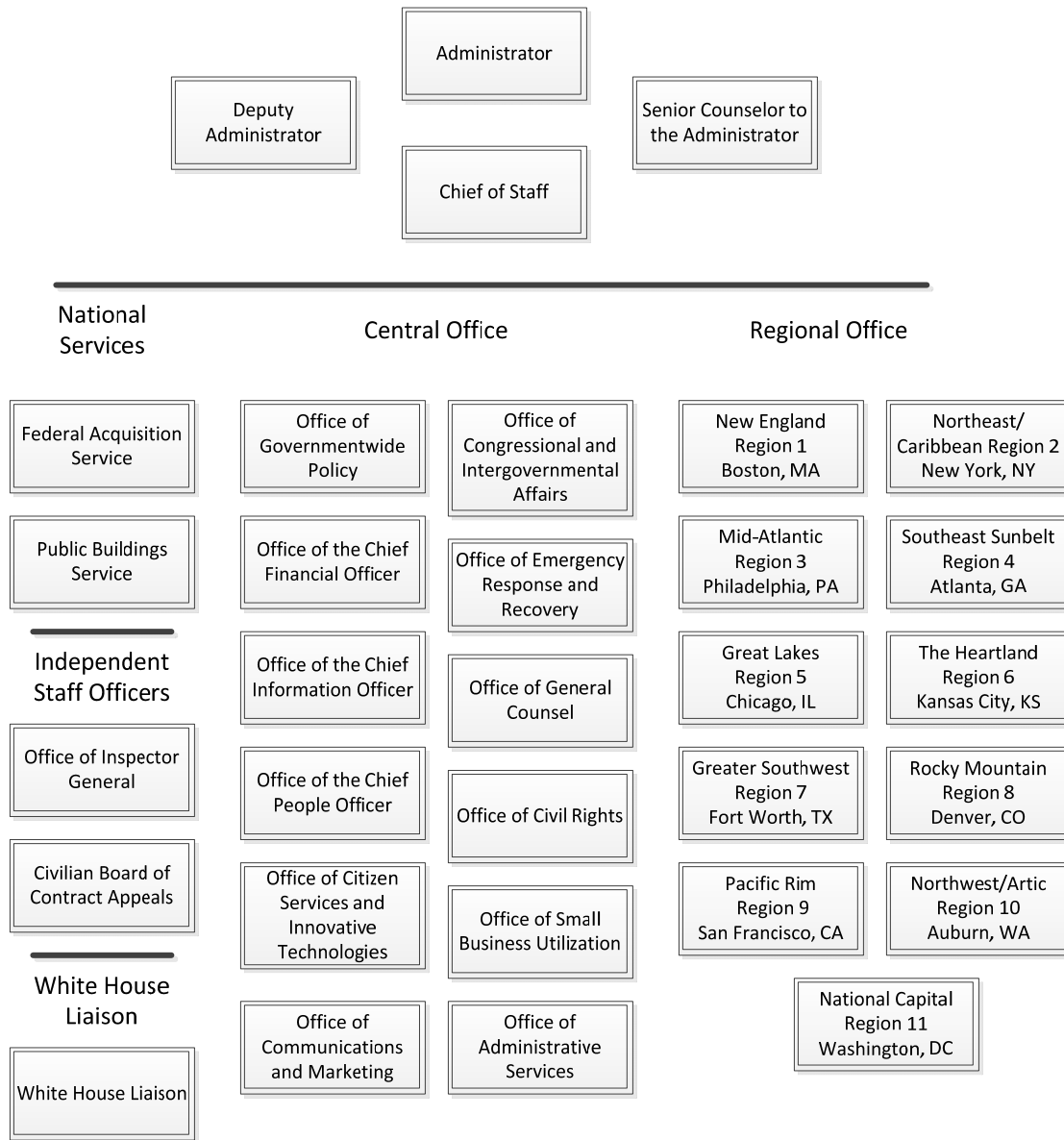
- Overseeing the collection and proper accounting of amounts determined due to the Government as the result of audit-related claims;
- Analyzing GSA programs upon request from the Administrator, particularly as related to past or present audit recommendations; and,
- Maintaining an automated report control 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 Chief Administrative Services Officer; 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



As of 3/31/2012

Audits with Disallowed Costs

Final action for the six-month period <u>Ending MARCH 31, 2012</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.	44	\$69,273,233
B. New audit reports on which management decisions were made during the reporting period.	13	\$746,513
C. Audit reports on which final action was taken during the reporting period.	7	\$835,148
D. Recovered disallowed costs during the reporting period:		<i>\$6,319,510</i>
- collections.....		\$6,312,396
- offset.....		\$0
- property in lieu of cash.....		\$0
- other.....		\$7,114
E. Disallowed costs that were written off by management during the reporting period:		<i>\$8,624</i>
F. Audit reports for which no final action has been taken by the end of the reporting period.	50*	\$69,184,598
<p>* Formula used: Letter F = Letter A plus Letter B subtract Letter C resulting in the remainder of audits which is 50 equaling \$69,184,598.</p>		

Audits with Better Use Funds

Final action for the six-month period ending <u>MARCH 31, 2012</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.	65	\$568,082,631	\$0
B. New audit reports on which management decisions were made during the reporting period.	22	\$106,946,738	\$0
C. Audit reports for which final action was taken during the reporting period.	10	\$58,019,090	\$0
<i>(i) The actual dollar value of recommendations that were actually completed.</i>		\$1,349,771	\$0
<i>(ii) The actual dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.</i>		\$1,874,990	\$0
<i>(iii) The actual dollar value of recommendations that management has subsequently concluded should not or could not be determined (calculated).</i>		\$0	\$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>		\$54,794,329	N/A
D. Audit reports for which no final action had been taken by the end of the reporting period.	77*	\$617,010,279	\$0
* Formula used: Letter D = Letter A plus Letter B minus Letter C resulting in the remainder of audits which is 77 equaling \$617,010,279.			

American Recovery and Reinvestment Act (ARRA) Audits

The American Recovery and Reinvestment Act of 2009 (Recovery Act) authorized the PBS to invest \$5.55 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 March 31, 2012, there are 62 GSA Recovery Act audits, totaling \$266,522,385 audited.

Internal Audits

Audits with Management Decisions Made Prior to March 31, 2011,
But with Final Action not Taken as of March 31, 2012

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.	04/15/2012
A070171QAP09005 Performance Measurement for Procurement	09/30/2009	\$0	\$0	Action plan in implementation stage.	05/15/2012
A070118QAP09007 Consistency in Implementing Policy	09/30/2009	\$0	\$0	Action plan in implementation stage.	05/15/2012
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.	4/15/2012
A080180BTF10002 E2 Travel System	03/31/2010	\$0	\$0	Action plan in implementation stage.	07/15/2012
A090203QAP10007 Contracting within the Center for IT Schedules Program	06/11/2010	\$0	\$0	Action plan in implementation stage.	05/15/2012

Audits under Appeal/Litigation

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS	
		Disallowed Costs	Better Use Funds
A060196P9X07091 TIGARD Electric, Incorporated	08/28/2007	\$0	\$988,088
A080084P7X08061 KENMOR Electrical Company, Limited Liability Partnership	04/29/2008	\$0	\$312,148

Contract Audits

Audits with Management Decisions Made Prior to March 31, 2011, but with
Final Action not Taken as of March 31, 2012

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A110115Q7X11061 Pacific Star Communications, Incorporated	06/10/2011	\$23,201	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A060119Q6X11033 Fastenal Company	03/09/2011	\$6,250,000	\$0	GSA is in the process of collecting funds owed the government from the contractor.
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.
A080067Q5X09035 Haworth, Holland, MI	02/04/2009	\$0	\$65,000,000	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 Immix Technology, Inc.	04/27/2009	\$711,525	\$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.
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.

REPORT NUMBER NAME OF CONTRACTOR	DATE OF REPORT	MANAGEMENT DECISION AMOUNTS		REASON FOR NO FINAL ACTION
		Disallowed Costs	Better Use Funds	
A090228PCX09094 Green Horne & O'Mara, Incorporated	08/27/2009	\$0	\$53,000	Negotiations have been completed between Contracting Officer and contractor.
A090254PCX09097 Green Horne & O'Mara, Incorporated	09/04/2009	\$0	\$118,000	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.
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.
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.
A090198Q3X10037 IBIS Tek; Limited Liability Company	02/24/2010	\$100,507	\$688,000	Negotiations are proceeding between Contracting Officer and contractor.
A090222QWX10058 Force 3, Incorporated	06/23/2010	\$0	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A090108Q5X10059 Integrated Data Services Incorporated	06/24/2010	\$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.
A090130Q7X10076 Cort Business Furniture	08/16/2010	\$83,696	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A090140Q6X10081 Systems Research and Applications Corporation	08/24/2010	\$392,685	\$0	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	
A080124Q7X10086 ASAP Software Express, Incorporated	09/15/2010	\$739,985	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A100148P9X10087 Alutiiq International Solutions, LLC	09/16/2010	\$0	\$3,456,189	Agreement has not been reached between OIG and Contracting Officer on the Decision Record.
A100117QWX11001 Dun & Bradstreet, Inc.	10/07/2010	\$0	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A100156P9X11003 Acousti Engineering Company of Florida	10/12/2010	\$4,698,598	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A090133Q7X11005 SeaArk Marine, Inc.	10/27/2010	\$1,130,227	\$0	GSA is in the process of collecting funds owed the government from the contractor.
A100167Q6X11007 Affordable Interior Systems, Inc.	11/02/2010	\$95,428	\$1,756,120	Negotiations are proceeding between Contracting Officer and contractor.
A100176Q9X11009 SPARTA, Inc.; Centreville, Virginia	11/12/2010	\$10,747	\$9,524,859	GSA is in the process of collecting funds owed the government from the contractor.
A080057Q5X11010 The Sherwin-Williams Company	11/16/2010	\$7,580,000	\$5,700,000	Negotiations are proceeding between Contracting Officer and contractor.
A100195Q3X11013 Knight Protective Service, Inc.	11/22/2010	\$16,032	\$4,777,562	Negotiations are proceeding between Contracting Officer and contractor.
A090192Q2X11015 SHI International Corporation	11/24/2010	\$0	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A100193Q4X11014 The Stratix Corporation	11/24/2010	\$41,168	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A100177Q5X11018 AAR Mobility Systems	12/14/2010	\$0	\$3,900,000	Negotiations are proceeding between Contracting Officer and contractor.
A100201Q4X11017 Government-Buys, Incorporated	12/14/2010	\$5,119	\$128,521	Negotiations have been completed between Contracting Officer and contractor.
A100172Q6X11020 New England Woodcraft, Incorporated	12/27/2010	\$10,850	\$0	Negotiations are proceeding between Contracting Officer and contractor.
A100075Q7X11022 Cort Business Services Corporation	01/27/2011	\$0	\$1,575,000	Negotiations are proceeding between Contracting Officer and contractor.
A100213P9X11023 Cobb Mechanical Contractors	01/27/2011	\$0	\$4,864,953	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	
A100178P2X11024 Bovis Lend Lease LMB, Incorporated	01/31/2011	\$0	\$410,983	Negotiations are proceeding between Contracting Officer and contractor.
A110022Q3X11021 Cooper Notification, Inc.	01/31/2011	\$45,767	\$342,405	Negotiations are proceeding between Contracting Officer and contractor.
A100171P9X11025 Layton Construction Company, Incorporated	02/02/2011	\$0	\$1,899,985	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 for funds that 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 was 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.

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.

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 A

Semiannual Report to Congress on the Number of Management Decisions



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

April 10, 2012

MEMORANDUM FOR RALPH BOLDT
DIRECTOR
GAO/IG AUDIT RESPONSE DIVISION (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 October 1, 2011 through March 31, 2012. The totals are based on H1C/JA Data Match Report, dated April 5, 2012 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	31	\$123,411,028	\$ 308,841
Postaward	3	\$ 0	\$ 468,005
Internal	14	\$ 0	\$ 4,588
Totals	48	\$123,411,028	\$ 781,434

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


Name

DIRECTOR
Title

4/10/2012
Date

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