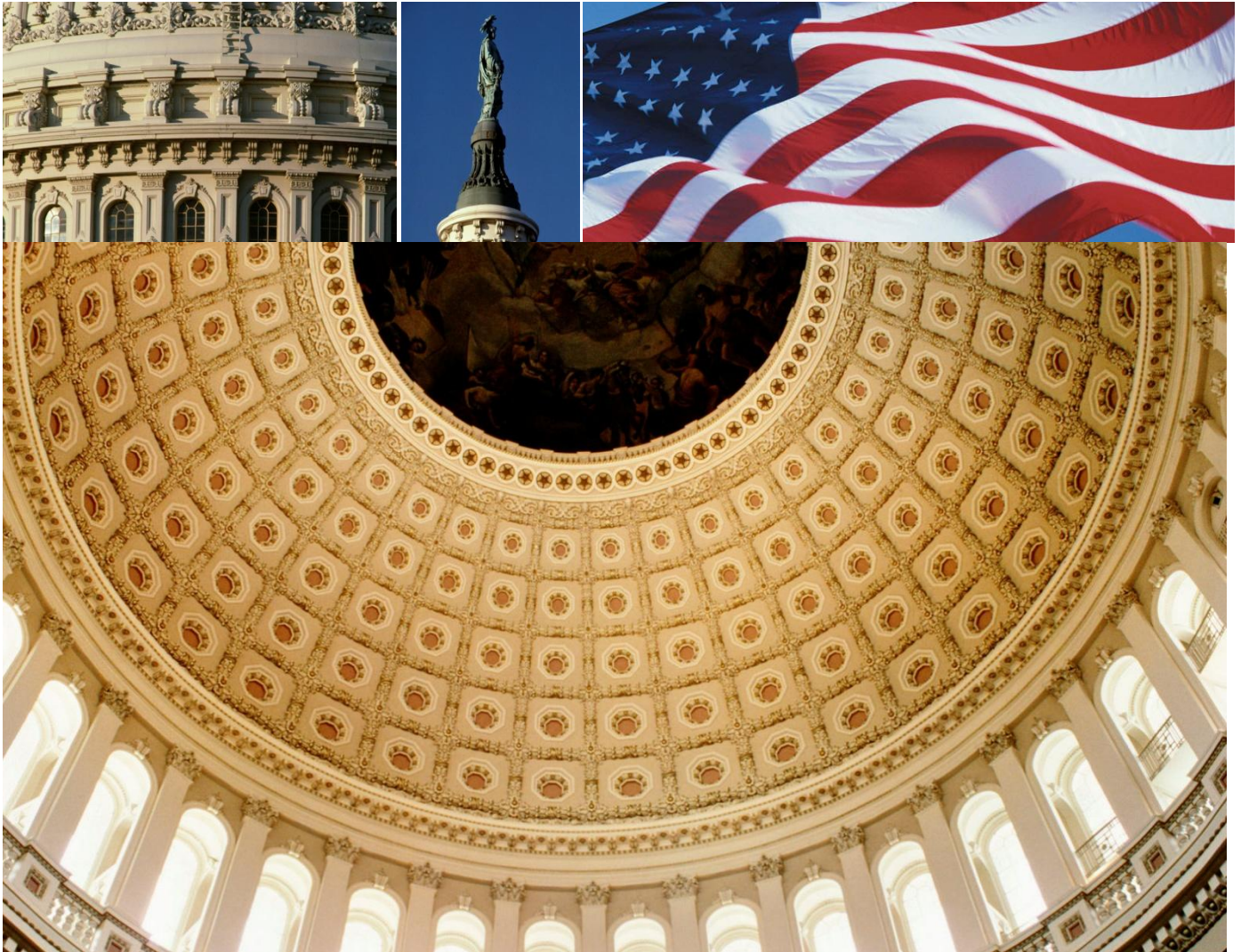




U.S. General Services Administration

# Administrator's **Semiannual** Management Report to Congress



**Report No. 43**

April 1, 2010  
To September 30, 2010

## U.S. General Services Administration

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November 2010

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## EXECUTIVE SUMMARY

In accordance with the Inspector General Act of 1978, as amended, the Administrator of General Services Administration (GSA) submits this report to Congress on final actions regarding audit recommendations. The report covers the period from April 1, 2010 through September 30, 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 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 General Services Administration's Office of Inspector General.

During the reporting period, management decisions were issued on 65 audit reports. Of this total, 40 audit reports included \$7,725,111 in disallowed costs and \$206,356,167 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 included actual cost avoidance determined to have a potential impact on the budget.

During the six-month period, GSA took final action on 36 audits with management decisions identifying disallowed costs or funds to be put to better use. These audits represent the recovery of \$1,506,699 and \$1,043,704 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, 2010, 41 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 final actions have been taken with respect to the remaining 37 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) from April 1, 2010, through September 30, 2010. GSA's audit follow-up efforts continue to play a significant role in the effective management of GSA 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 (FAS) and the Public Buildings Service (PBS). In addition, there are 11 Regions and a number of Staff Offices that provide support to 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.

PBS and FAS are each led by a Commissioner located in Washington, DC. The Commissioners are responsible in their respective functional areas for policy development, program direction, funding, and working 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 direct functional line to the respective FAS/PBS Commissioner. The Regional Commissioners also report to the Regional Administrator.

## 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 direction to Office of the Chief Financial Officer staff who manages the GSA Audit Resolution and Follow-up System. Their responsibilities include:

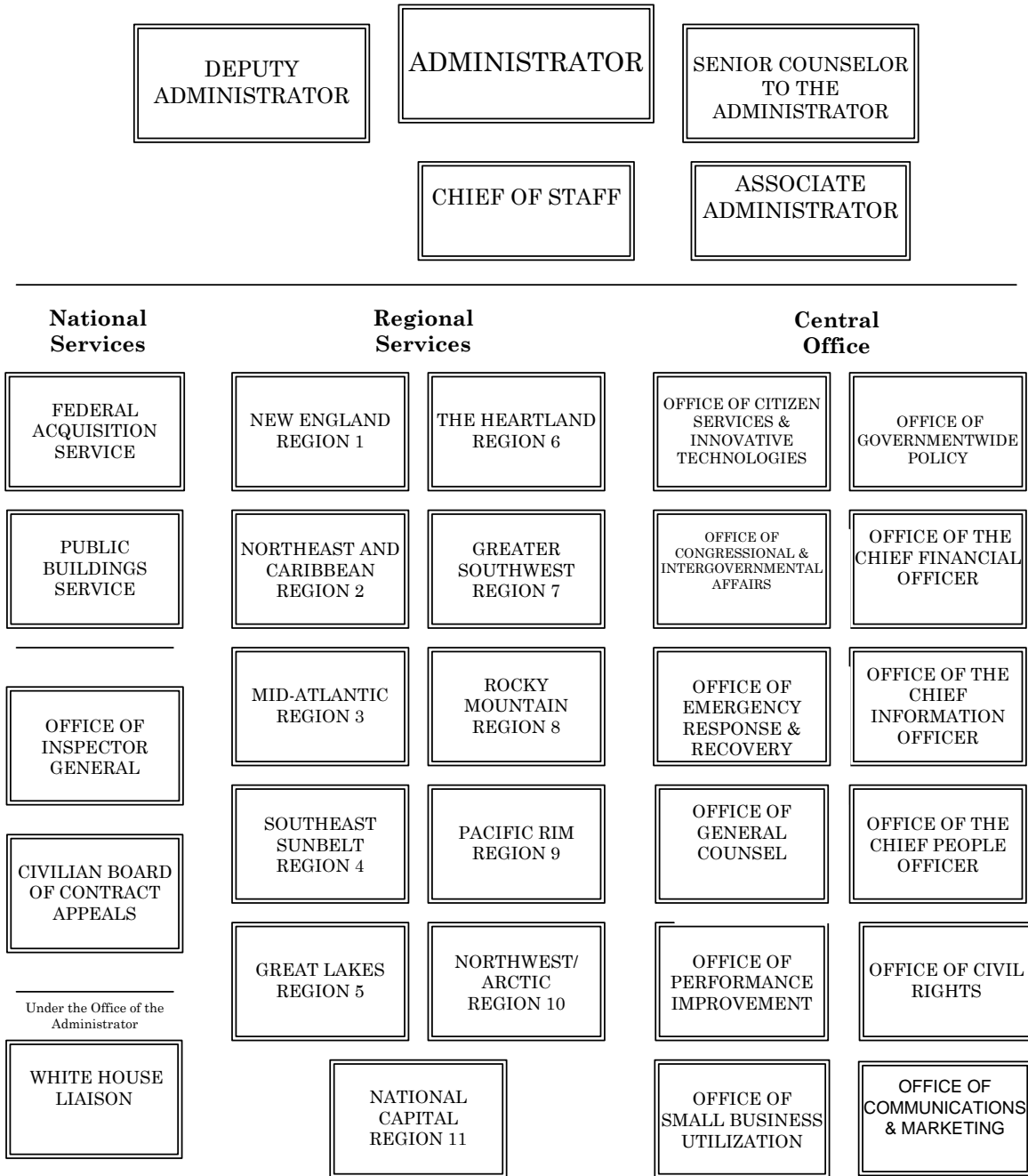
- Acting as the liaison with the Government Accountability Office (GAO) for the coordination of GAO audits and for preparation of responses and reports for the signature of the Administrator on GAO recommendations as required by law;
- Ensuring timely resolution and implementation of internal and external 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 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 Administrators have primary responsibility for resolving and implementing recommendations promptly that pertain to their organization. Their responsibilities include:

- Ensuring controls are in place 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



## **Administrator's Comments on the Office of the Inspector General's Semiannual Report to the Congress**

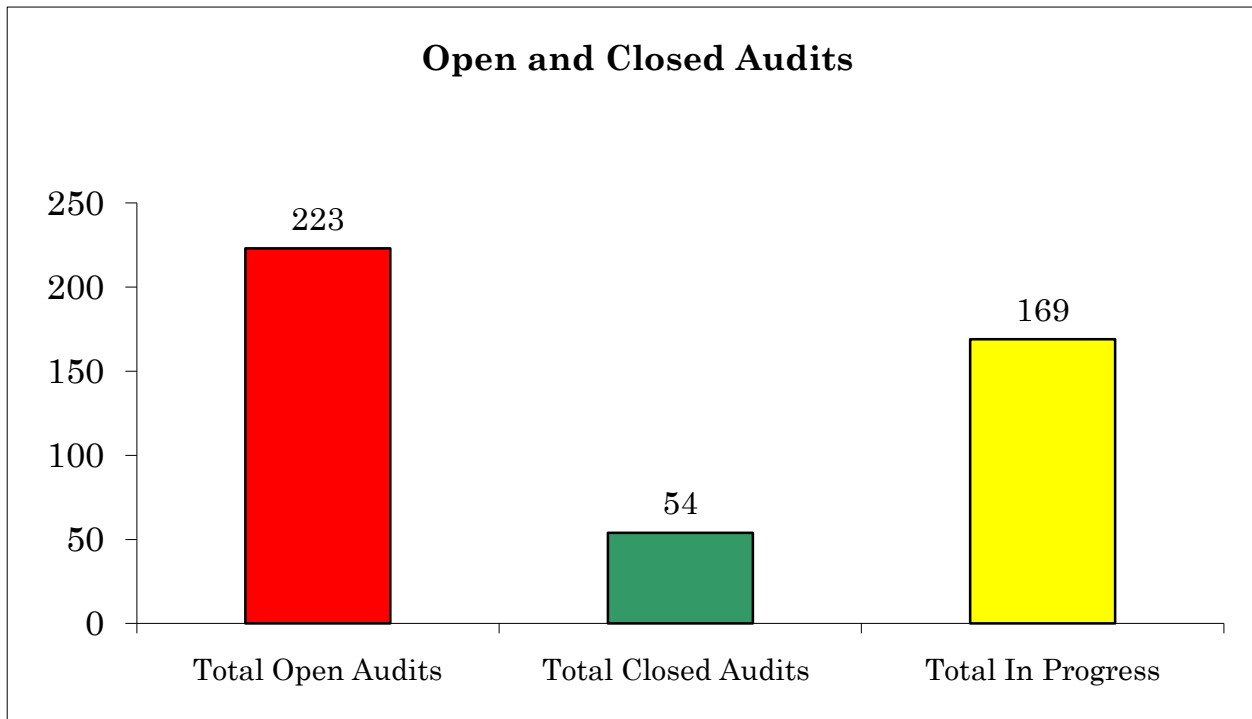
The Office of Inspector General in its Semiannual Report to the Congress includes financial reporting among the management challenges facing the GSA. Specifically, the report states that GSA continues to rely heavily on significant adjusting entries to prepare the financial statements and related note disclosures. This management challenge was based on a significant deficiency reported in the Fiscal Year (FY) 2009 Independent Auditors' Report. The independent auditors eliminated the adjusting entries significant deficiency in the FY 2010 Independent Auditors' Report because GSA no longer relied on significant adjusting entries to prepare its financial statements and related note disclosures.



# PROGRESS OF AUDIT CLOSURE

## For the Six-Month Period Ending September 30, 2010

Timely closing of audits remains a priority for GSA. Office of the Chief Financial Officer (OCFO) staff worked with contracting officers and audit liaisons to close out numerous internal and contract audits. From April 1, 2010 through September 30, 2010, GSA closed 24 percent, or 54 internal and contract audits, of 223 open audits. The remaining 169 audits are open because of ongoing litigation, negotiation, collections, and implementation of corrective actions. GSA closed a smaller percentage of audits in FY 2010 from previous years because of the increased number of internal and contract audits issued by the OIG related to the American Recovery and Reinvestment Act.



## AUDITS WITH DISALLOWED COSTS

Final action for the six months <u>Ending September 30, 2010</u>	Number of Audit Reports	Disallowed Costs
A. Audit reports for which final action had not been taken by the commencement of the reporting period.	33	\$38,516,204
B. Audit reports on which management decisions were made during the reporting period.	12	\$7,725,111
C. Audit reports on which final action was taken during the reporting period.	11	\$2,113,130
<i>(i) the dollar value of disallowed costs that were recovered by management through:</i>		<i>\$1,506,699</i>
-		
collections.....\$1,506,699		
- offset.....\$0		
- property in lieu of cash.....\$0		
- other.....\$0		
<i>(ii) the dollar value of disallowed costs that were written off by management.</i>		<i>\$9,666</i>
D. Audit reports for which no final action has been taken by the end of the reporting period.	34	\$44,128,185

## AUDITS WITH BETTER USE FUNDS

<u>Final action for the six months ending September 30, 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.	86	\$586,991,318	\$5,438,769
B. Audit reports on which management decisions were made during the reporting period.	28	\$206,356,167	\$0
C. Audit reports for which final action was taken during the reporting period.	25	\$75,310,453	\$0
<i>(i) the actual dollar value of recommendations that were actually completed.</i>		<i>\$1,043,704</i>	<i>\$0</i>
<i>(ii) the actual dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.</i>		<i>\$384,205</i>	<i>\$0</i>
<i>(iii) the actual dollar value of recommendations that management has subsequently concluded should not or could not be determined (calculated).</i>		<i>\$0</i>	<i>\$0</i>
<i>(iv) the estimated dollar value of “funds to be put to better use” as agreed to by GSA management and the OIG.</i>		<i>\$73,882,544</i>	<i>N/A</i>
D. Audit reports for which no final action had been taken by the end of the reporting period.	89	\$718,037,032	\$5,438,769

# AMERICAN RECOVERY AND REINVESTMENT ACT AUDITS

The American Recovery and Reinvestment Act of 2009 (Recovery Act) authorized the 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 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 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 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, 2010, there are 38 GSA Recovery Act audits, totaling \$152,060,851 in dollars audited. The Recovery Act audits are summarized in the chart on the following page.

## American Recovery and Reinvestment Act Audits

<b>Audit Number</b>	<b>Total Dollars Reviewed</b>	<b>Questioned Amount</b>	<b>Funds to Better Use Total</b>	<b>Funds to Better Use Unsupported</b>
A090172PRR10001		\$0	\$0	\$0
A090172PRR10005		\$0	\$0	\$0
A090193P9X09078	\$14,061,886	\$0	\$514,132	\$0
A090194P2X10012	\$1,003,523	\$0	\$11,044	\$0
A090195P2X10052	\$1,633,359	\$0	\$214,844	\$0
A090199P9X09080	\$6,423,655	\$0	\$70,762	\$0
A090200P2X10026	\$2,736,790	\$0	\$244,702	\$0
A090201P9X09079	\$1,680,117	\$0	\$395,337	\$0
A090214P9X09083	\$1,974,984	\$0	\$92,869	\$0
A090224P2X10027	\$422,295	\$0	\$87,881	\$0
A090225P2X10068	\$506,839	\$0	\$0	\$0
A090228PCX09094	\$2,652,206	\$0	\$53,000	\$0
A090229PCX09117	\$6,169,039	\$0	\$192,302	\$0
A090230PCX09103	\$210,22,391	\$0	\$124,032	\$0
A090231PCX09114	\$2,399,864	\$0	\$45,134	\$0
A090232PCX09101	\$863,859	\$0	\$11,762	\$0
A090233PCX09109	\$2,258,920	\$0	\$45,178	\$0
A090234PCX09102	\$13,541,780	\$0	\$809,387	\$192,400
A090235PCX09127	\$1,439,293	\$0	\$24,739	\$0
A090236PCX09112	\$1,021,306	\$0	\$0	\$0
A090237PCX09111	\$1,789,942	\$0	\$310,194	\$0
A090238PCX09105	\$2,313,490	\$0	\$0	\$0
A090239PCX09108	\$1,269,754	\$0	\$90,385	\$12,500
A090240PCX10023	\$29,364,836	\$0	\$4,254,124	\$0
A090241PCX09121	\$8,706,741	\$0	\$222,987	\$0
A090242PCX09106	\$1,994,671	\$0	\$100,894	\$0
A090243PCX09126	\$5,433,000	\$0	\$295,245	\$0
A090244PCX09124	\$1,760,528	\$0	\$254,455	\$21,763
A090245PCX09118	\$2,853,806	\$0	\$93,612	\$0
A090246PCX09113	\$1,020,274	\$0	\$30,608	\$0
A090247PCX09120	\$788,848	\$0	\$28,621	\$0
A090248PCX09129	\$719,353	\$0	\$278,256	\$206,450
A090249PCX10001	\$1,761,984	\$0	\$629,199	\$0
A090250PCX09122	\$887,966	\$0	\$49,601	\$0
A090251PCX09125	\$931,012	\$0	\$32,710	\$0
A090252PCX09116	\$886,509	\$0	\$88,996	\$0
A090253PCX09115	\$1,925,000	\$0	\$606,342	\$0
A090254PCX09097	\$5,841,031	\$0	\$118,000	\$0
<b>Totals</b>	<b>\$152,060,851</b>	<b>\$0</b>	<b>\$10,421,334</b>	<b>\$433,113</b>

# INTERNAL AUDITS

## Audits with Management Decisions Before September 30, 2009 & Final Action Not Taken by September 30, 2010

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 submitted a revised action plan for OIG review.	03/31/2012
A070180OTW0700 1 GSA'S Electronic Messaging Services and National Notes Infrastructure (GEMS) and (GNND)	09/12/2007	\$0	\$0	Re-opened based on implementat ion review. GSA is tracking action plan until complete.	03/31/2011
A060228OTF0800 7 Improvements to the GSA Privacy Act to Protect PII	03/31/2008	\$0	\$0	Action plan is being implemented	02/05/2011
A080081OTF0801 6 FISMA Review Of IT Security Program	09/11/2008	\$0	\$0	Action plan is being implemented	03/15/2011
A070113OTF0900 7 GSA IT Support Services Consolidation (GITGO)	06/18/2009	\$0	\$0	Negotiations ongoing between Contracting Officer and contractor.	12/01/2010



## 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 Kenmore Electrical Company, LP	04/29/2008	\$0	\$312,148
A080077Q5X08087 Gartner, Inc.	08/05/2008	\$0	\$5,753,000
A090111P6X10011 Midtown Development	10/30/2009	\$0	\$3,280,021

# CONTRACT AUDITS

## Audits with Management Decisions Before September 30, 2009 & Final Action Not Taken by September 30, 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 collecting funds owed the government from the contractor.
A63630FWX02004 The Presido Corporation	10/18/2001	\$273,000	\$0	GSA is collecting funds owed the Government from the contractor. This is in collection at DOJ.
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 in litigation.
A030186F5X04054 NOVA Solutions, Inc.	03/09/2004	\$46,805	\$0	GSA is collecting funds owed the government from the contractor.
A040162F5X04053 NOVA Solutions, Inc.	03/09/2004	\$0	\$17,000	GSA is collecting funds owed the government from the contractor (collections are being tracked through OIG audit A030186 – listed above).
A050105F6X06006 BCOP Federal	10/12/2005	\$882,549	\$29,550,000	GSA is collecting funds owed the government from the contractor.
A050248T9X06056 INFORMATION SYSTEMS SUPPORT, Inc.	03/30/2006	\$3,138,873	\$0	GSA is in settlement discussions with the contractor's attorneys.

A050122F6X06059 Fasternal Company	04/18/2006	\$35,274	\$0	Investigation Process - An investigation has been opened by the OIG and the Justice Department regarding actions taken by the contractor
A060206T9X07012 Information Systems Support Inc.	10/31/2006	\$4,026,287	\$0	GSA is in settlement discussions with ISS legal representatives.
A060245F6X07065 COMSTOR, Div. of Westcon Grp N. A., Inc.	04/30/2007	\$0	\$0	Under investigation by DOJ.
A060196P9X07091 Tigard Electric, Inc.	08/28/2007	\$0	\$988,088	Negotiations ongoing between Contracting Officer and contractor.
A070168Q6X08057 MSC Industrial Direct Co., Inc.	04/10/2008	\$0	\$22,294,058	Negotiations ongoing between Contracting Officer and contractor.
A080084P7X08061 Kenmore Electrical Company, LP	04/29/2008	\$0	\$312,148	The contractor has appealed the Contracting Officer's decision, and the audit is in litigation.
A080107Q3X08063 Superior Protection Service, Inc.	05/05/2008	\$0	\$811,315	Negotiations ongoing between Contracting Officer and contractor.
A070095Q3X08073 GTSI Corporation	06/05/2008	\$0	\$9,700,000	Agreement reached between OIG and Contracting Officer on the Decision Record. Awaiting PNM and award documentation.
A040224F3X08077 ADT Security Services, INC.	06/11/2008	\$1,846,647	\$0	Agreement has not been reached between OIG and Contracting Officer on the Decision Record.
A080077Q5X08087 Gartner, Inc.	08/05/2008	\$0	\$5,753,000	The contractor appealed the Contracting Officer's decision, and the audit is in litigation.
A080151Q7X09009 SeaArk Marine, Inc.	10/29/2008	\$0	\$1,835,327	Negotiations ongoing between Contracting Officer and contractor.

A080001Q3X09006 SunGard Availability Services, LP	10/30/2008	\$4,601	\$0	Negotiations ongoing between Contracting Officer and contractor.
A080177Q9X09015 Tecolote Research, Incorporated	12/12/2008	\$0	\$658,765	Negotiations ongoing between Contracting Officer and contractor.
A080185P9X09016 Pacific Coast Steel	12/16/2008	\$0	\$2,199,853	Mediation is being conducted. Awaiting legal advice.
A080191Q6X09020 Corporate Lodging Consultants, Inc.	12/31/2008	\$0	\$31,700,75 4	Unresolved - Agreement not reached between OIG and Contracting Officer on the Decision Record.
A080220P9X09022 Bovet Door and Hardware	01/09/2009	\$0	\$526,039	Mediation conducted. Awaiting Legal Opinion.
A080136Q2X09028 Dynamic Decisions, Inc.	01/20/2009	\$0	\$0	Negotiations ongoing between Contracting Officer and contractor.
A090005Q9X09033 Nitrate Computer Inc.	01/28/2009	\$0	\$0	Agreement reached between OIG and Contracting Officer on the Decision Record. Awaiting PNM and award documentation.
A080067Q5X09035 Haworth, Holland, MI	02/04/2009	\$0	\$65,000,00 0	Negotiations ongoing between Contracting Officer and contractor.
A080085Q6X09043 The HON Company	03/03/2009	\$0	\$31,298,14 0	Negotiations ongoing between Contracting Officer and contractor.
A080212Q3X09047 Phillips Corporation -- Federal Division	03/23/2009	\$27,429	\$1,445,916	Negotiations ongoing between Contracting Officer and contractor.
A080181Q2X09054 i2, Inc.	04/07/2009	\$8,775	\$0	GSA is collecting funds owed the government from the contractor.
A090068Q3X09052 BAE Systems Specialty Group, Inc.	04/10/2009	\$40,475	\$0	Awaiting final contract modification from contracting officer.
A080203Q4X09061 SimplexGrinnell LP	04/23/2009	\$0	\$18,373,17 9	Negotiations ongoing between Contracting Officer and contractor.

A080210Q6X09062 Immix Technology, Inc.	04/27/2009	\$711,525	\$0	Negotiations ongoing between Contracting Officer and contractor.
A080077Q5X09071 Gartner, Inc. Stamford, CT	06/11/2009	\$1,486,750	\$1,486,750	Negotiations ongoing between Contracting Officer and contractor.
A090007Q6X09075 Booz Allen Hamilton, Inc.	07/08/2009	\$806,948	\$68,696,73 2	Negotiations ongoing between Contracting Officer and contractor. Awaiting Price Negotiation Memorandum and award document from contracting officer.
A090090Q2X09086 Azania!, Inc.	08/21/2009	\$0	\$0	Negotiations ongoing between Contracting Officer and contractor.
A090215P9X09110 Ross Cusenbery Architecture, Inc.	09/16/2009	\$0	\$74,638	Negotiations ongoing between Contracting Officer and contractor.

# GLOSSARY OF TERMS

## Glossary

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.



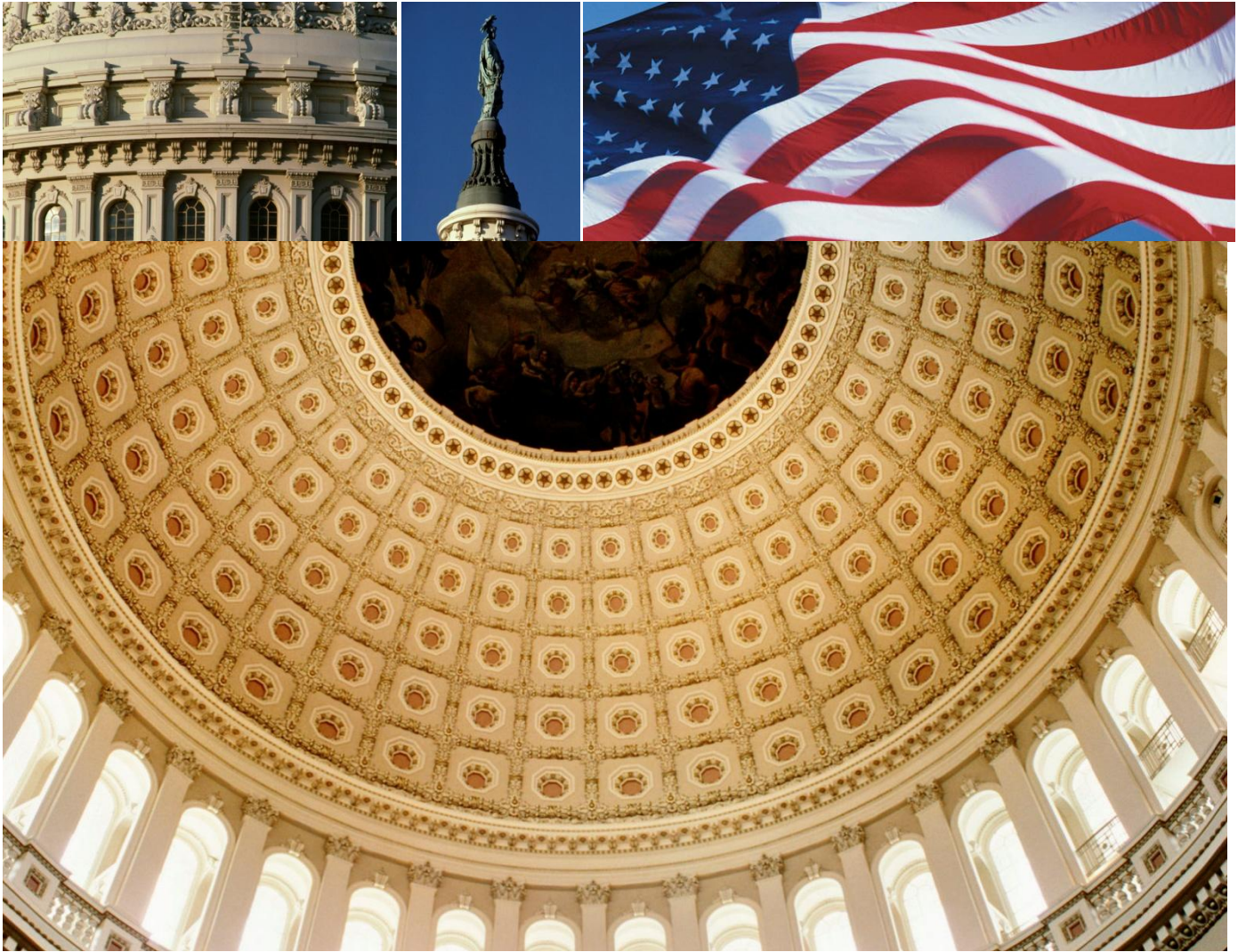
**Final Action.** The completion of all actions that GSA management concluded in its management decision were necessary with respect to the findings and recommendations included in the audit report. In the event that GSA management concluded no action was necessary, final action occurred when the management 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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