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# United States Senate

COMMITTEE ON  
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
WASHINGTON, DC 20510-6250

MICHAEL L. ALEXANDER, STAFF DIRECTOR  
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May 10, 2012

The Honorable Daniel M. Tangherlini  
Acting Administrator  
U.S. General Services Administration  
One Constitution Square  
1275 First Street, NE  
Washington, DC 20417

Dear Acting Administrator Tangherlini:

We are writing in response to the Inspector General's Management Deficiency Report on the 2010 Western Regions Conference (WRC) (April 2, 2012). As you know, the IG uncovered numerous violations of contracting regulations and policies, the Federal Travel Regulation, and purchase card rules by General Services Administration (GSA) employees. The IG's investigation of the WRC has also prompted additional investigations and at least one referral to the Department of Justice. The waste, excessive spending, and possible fraud uncovered as a result of this investigation and continuing investigations cause us grave concern. It is never appropriate for an agency to skirt acquisition rules and policies and waste tax dollars in the process. These issues are even more troubling given GSA's unique and lead role in contracting and management of travel and conference planning.

We appreciate that you were only recently asked to lead GSA, and we recognize the actions you have taken thus far to address the egregious waste of taxpayer money that has been exposed by the IG's WRC Report. We are writing to recommend additional measures that you might take, and to obtain more information so that we may determine whether further measures, through either executive action or Congressional mandate, are warranted.

As the Chairman and Ranking Member of the Committee with responsibility for oversight of the efficiency, economy and effectiveness of government agencies, we are concerned that, without sound internal management of its own activities, GSA cannot fulfill its mission of making the federal government operate more efficiently. Moreover, as the Committee of jurisdiction over federal procurement policies, we are alarmed by the numerous violations of contracting regulations committed by the Public Building Service (PBS) in planning the WRC.

We recommend that you direct the Chief Financial Officer (CFO) of GSA to review all recent GSA conferences to identify potentially wasteful or unlawful spending. We also ask that she review a representative sampling of per diem expenses to ensure that

GSA employees who received meals as part of a conference did not also claim per diem expenses for those meals, as did some employees who attended the WRC. Additionally, we recommend that you undertake a comprehensive review of GSA's policies and procedures for granting contract warrants, which authorize individuals to enter into contracts on behalf of the government. GSA must ensure that only qualified personnel serve as contract officers, that those individuals meet training and certificate requirements, and that warrants are terminated when those holding them perform in an unsatisfactory manner or engage in unethical behavior.

We also ask that you provide us the following information by May 31:

### **GSA Top to Bottom Review**

- 1) You have testified that you are conducting a "top to bottom" review of GSA.
  - a) What is the scope of your review?
  - b) What is the timeline for completing this review, including specific milestones and deliverables?
  - c) Who is responsible for this review, including seeing that the milestones are reached?
  - d) Please provide us an update on the review no later than June 15, and a report of your findings as soon as the report is complete.

### **Financial Controls Over GSA's Regions**

- 2) We have learned through the WRC investigation that there appears to have been inadequate supervision of regional office spending by GSA headquarters.
  - a) Since being appointed Acting Administrator, what changes, if any, have you made to ensure that GSA headquarters exercises appropriate oversight over regional office spending and that regional offices are held more accountable for their spending of taxpayer dollars?
  - b) Since being appointed Acting Administrator, what changes, if any, have you made to the authorities of the GSA CFO and to the authorities of the regional CFOs to improve oversight of and accountability for regional office spending?
- 3) At the time of 2010 WRC, what were the procedures for the development and approval of the budgets for GSA's regional offices?
  - a) At that time, did those procedures differ for PBS and the Federal Acquisition Services (FAS)?
  - b) What changes have been made to those procedures since the 2010 WRC?

### **Conferences, Travel, and Award Ceremonies**

- 4) What are the current procedures for the approval of GSA-sponsored conferences?
- 5) What is the role of the GSA Office of General Counsel in reviewing proposed conferences?



- 6) The former Region 9 CFO told IG investigators that she was concerned about expenses incurred for the WRC, and general conference planning and travel in Region 9, and that she had requested guidance from GSA headquarters. Specifically, she said that she contacted the former PBS CFO and subsequent PBS CFO about tightening up guidance at the national level for conference planning. What steps, if any, did GSA take in response to this request?
- 7) The Office of Governmentwide Policy (OGP) is responsible for policy making in a number of areas, including travel and transportation.
  - a) What are the specific responsibilities of OGP in issuing regulations?
  - b) What role will OGP have in carrying out the “top to bottom” review that you are conducting, and in implementing corrective actions that may come out of that review?
- 8) What are the procedures for the approval of travel by GSA employees?
  - a) Have these procedures been changed as a result of the IG report on the WRC?
  - b) How does GSA ensure that travel expenses reflect legitimate needs?
- 9) At times, the PBS Commissioner for Region 9, Jeff Neely, apparently approved his own travel because he was also serving as Acting Administrator for Region 9. Have you, or do you intend to, put in place procedures to ensure that employees, including those serving in “acting” positions, do not approve their own travel or other expenses, or to otherwise ensure that all employees’ travel expenses are adequately reviewed?
- 10) In response to the IG on the WRC report, former Administrator Johnson said she was transferring a range of functions related to conferences and award ceremonies to the Office of Administrative Services (OAS), including oversight, review, approval and handling of procurement.
  - a) Is OAS now carrying out these functions for all of GSA (including PBS and FAS)?
  - b) What are the procedures in place to facilitate this oversight?
  - c) To whom does the head of OAS report?
- 11) Ms. Johnson also said that she would direct the CFO and the Senior Procurement Executive to review contracts and expenses associated with conferences.
  - a) Have these officials begun to review contracts and expenses associated with conferences?
  - b) What is the scope of their review?
  - c) What is the status of their review?
- 12) Ms. Johnson further indicated that the Office of Acquisition Policy, the Office of the General Counsel and OAS would develop mandatory annual training for all employees regarding conference planning and attendance.
  - a) Has such training been implemented?
  - b) If not, what is the expected timeline for implementing this action?

- 13) Several GSA employees told the IG that it was a running joke in Region 9 that they had to have “awards” so they could justify food paid for by taxpayers. In response to the IG’s investigation, Ms. Johnson indicated that the Chief Administrative Services Officer would review and approve any award ceremonies where food is provided by the federal government, and that this topic will be covered in mandatory training for supervisors and managers.
- a) Have these new review procedures been implemented? If not, when do you expect them to be implemented?
  - b) Has the training been implemented? If not, when do you expect it to be implemented?
  - c) What other actions, if any, have you taken or do you plan to take, to ensure that events are not improperly designated as award ceremonies in order to justify the purchase of food?
- 14) On November 9, 2011, President Obama issued Executive Order 13589, *Promoting Efficient Spending*. This executive order directed agencies to reduce certain administrative expenses (including travel, employee information technology devices, and promotional items) by not less than 20 percent below Fiscal Year 2010 levels, in Fiscal Year 2013. Please provide to the Committee a copy of any plan GSA has for meeting this target, as well as an update on whether GSA is on track to meet the target.
- 15) Executive Order 13589 also directed each agency to designate a senior-level official to be responsible for developing and implementing policies and controls to ensure efficient spending on travel and conference-related activities.
- a) Who has been designated to serve in this role at GSA?
  - b) To whom does this individual report?
- 16) The recent executive order also directed agencies to make all appropriate efforts to conduct business and host conferences in space controlled by the federal government, wherever practicable and cost-effective. As recently as March 2012, however, Region 9 employees attended an off-site leadership meeting in Napa Valley for approximately 80 people (at a reported cost of \$40,000). GSA employees in Region 9 also reported to the IG that GSA routinely paid for space for meetings when ample federal facilities in the Bay Area were available. What specific steps has GSA taken to follow the executive order’s direction on the use of government-controlled space?
- 17) The executive order also directed agencies to limit the purchase of promotional items such as plaques, clothing, and commemorative items. The IG found numerous instances of unnecessary and impermissible spending on such items in connection with the WRC (which took place roughly a year before the executive order), including a “yearbook” given to all attendees (\$8130), shirts for a teambuilding activity (\$3749), and commemorative coins (\$6325). What steps, if any, has GSA taken to carry out the provision of the executive order related to commemorative items?



- 18) Region 9 employees incurred significant travel costs in recent years, including a 17 day trip by Mr. Neely in February 2012 to Hawaii, Guam, and Saipan.
- a) Has GSA initiated a review of Region 9 travel during Mr. Neely's tenure?
  - b) If impermissible travel expenses are identified, will GSA consider cost recovery options?

## **Contracts**

- 19) GSA originally contracted with the M Resort to pay a minimum of \$76,000 (with gratuity set at 22%) for the October 2010 WRC, but then agreed to increase this minimum to \$110,000 (\$134,200 with gratuity), as a "concession" for the M Resort to honor the government per diem for lodging. What safeguards will you put in place so that GSA does not offer "concessions" for a hotel to honor the per diem – a practice which is contrary to the very concept of a per diem?
- 20) The sole source award to M Resorts also raises concerns about GSA's use of exceptions to competition and documentation of sole source awards. Although a solicitation for conference sites was published by PBS in February 2009, a GSA contracting officer (who had not been involved in, and, inexplicably, was not aware of, the initial solicitation) wrote a memo dated September 29, 2010 justifying a sole source award to M Resorts because, according to the memo, the October 2010 WRC was a "very time sensitive procurement" and it "would have been a waste of government funds" to review the nine sites deemed to satisfy initial criteria.
- a) What steps are being taken (at headquarters and in the regions) to ensure controls are in place to avoid making inappropriate or unjustified sole source awards, and to promote the importance of competition?
  - b) What steps are being taken (at headquarters and in the regions) to ensure proper communications between program officials and contracting officers?
- 21) In response to the IG's report, Ms. Johnson indicated that the Office of Acquisition Policy would ensure that annual training courses are mandatory for contracting officers and event planners that are tasked with conference planning, contacting, and execution. She further assured the IG that unannounced and random procurement management reviews, under the direction of the Senior Procurement Executive, would be conducted at least quarterly.
- a) Have the training and the procurement management reviews been initiated? If not, when will they be initiated?
  - b) Will these procurement management reviews be conducted throughout GSA (i.e., at PBS, FSA and in the regions)?
  - c) Will the results of the procurement management reviews be incorporated into the performance evaluations and compensation decisions of procurement officials and their managers?
  - d) Were procurement management reviews previously conducted at the regional level?

- e) Please describe the results of any procurement management reviews conducted in Region 9 in the last five years.
- 22) The IG recommended that GSA determine whether it can recover funds from Royal Productions, based on the fact that GSA included the cost of rooms for the contractor's employees in the contract price and then provided free rooms to the contractor. The IG also recommended determining whether GSA can recover other funds improperly paid, such as meals for non-employees.
  - a) Has GSA initiated action to recover these funds?
  - b) Beyond the April 13 letters to recover WRC funds for in-room parties from Mr. Bob Peck, Mr. Robert Shepard, and Mr. Jeff Neely, what other efforts are planned or being pursued now to recover any other impermissible WRC-related costs?
- 23) GSA contracting officers appear to have repeatedly failed to compete contracts awarded to MVP/Delta4, the teambuilding vendor used at the WRC. Between April 2009 and December 2010, MVP/Delta4 received PBS contracts valued at \$288,530 where there was no evidence of competition on file. Based on comments from the IG's interviews with employees, it appears MVP/Delta 4 may have had a favored relationship with Region 9. In addition, based on a review of MVP/Delta4's profit and loss by job statement for the one day teambuilding exercise contract (valued at \$75,000) for the WRC, they appear to have realized an excessive profit of 28 percent for this contract.
  - a) What, if anything, is GSA doing to review past and current awards to this vendor for any improprieties?
  - b) What is GSA doing to emphasize the importance of competition in contracting with regional contracting staff?
- 24) Please provide a copy of GSA's policy on its contract officer warrant program.
- 25) The IG's WRC investigation suggests that there have been instances at GSA where individuals signed agreements above their warrant authority.
  - a) How are contract officer warrants monitored and managed today?
  - b) Who is responsible for monitoring and managing contract officer warrants?
- 26) How many warranted contracting officers are in each GSA region?
  - a) Of these contracting officers, how many work for PBS?
  - b) How many work for FAS?
- 27) What are GSA's certification requirements for contracting officers, and what are the requirements for continuing education of contracting officers, once certified?
- 28) We understand that GSA awarded a contract to Royal Productions in the amount of \$58,000 for audio-visual services at the WRC. Contracts of this size are reserved for small businesses, but Royal Productions is not considered a small business. What training do GSA contracting officers undergo on small business contracting rules?



- 29) What role does the GSA Chief Acquisition Officer (CAO) play in carrying out GSA's programs? The Services Acquisition Reform Act requires that each agency CAO "shall have acquisition management as that official's primary duty." (41 U.S.C. 414) It is our understanding that in recent years, the individual designated as the CAO has also served in other positions, such as Associate Administrator for the Office of Governmentwide Policy, White House Liaison, and Chief of Staff. Given that acquisition is integral to GSA's mission, how is it possible for an individual to fulfill the statutory duties of a CAO while also serving in other positions?
- 30) Under what circumstances, if any, does GSA's Office of General Counsel review a contract?
- 31) Do you believe that contracting officers should be independent of the control of program officials?
- 32) What is the role of the regional procurement officers?
- a) Are there regional procurement officers in place for each GSA region?
  - b) Do they report to the Regional Administrator or a senior procurement official at headquarters?

### **Relocation Expenses**

- 33) The IG's investigative record includes comments from a GSA employee that relocation costs in Region 9 over the last few years were "crazy" and "astronomical." As an example, the employee cited GSA's payment of \$330,000 to relocate an employee from Denver to Hawaii who reportedly only stayed at GSA for one year. We understand that you have begun a review of employee relocations at government expense.
- a) What is the scope of this review?
  - b) Does the review include all GSA regions?
  - c) When will this review be complete?
  - d) We understand that all future relocations will be approved centrally by the Chief People Officer and the Chief Financial Officer. Has this central approval process been implemented? If not, when do you expect it will be implemented?

### **Purchase and Travel Cards**

- 34) A number of instances of misuse of government purchase cards in Region 9 have come to light – an issue that is of particular concern because GSA is the agency that administers the purchase card program across the federal government. Most notably, Mr. Neely's deputy, Daniel Voll, pleaded guilty in April 2010 for embezzlement through fraudulent use of his government purchase card for personal use. In addition, the IG's review of the Region 9 employee awards "Hats Off" program found that two employees improperly allowed others to use their cards and they misused their cards by splitting purchases to avoid the cardholder purchase limits.

- a) What actions, if any, do you plan to take to ensure employees properly use their government purchase cards?
  - b) Are there audit processes in place to protect against purchase card abuses?
- 35) Please provide to the Committee GSA's written policies and procedures implementing Appendix B of OMB Circular A-123, as updated on January 15, 2009, which prescribes measures for agencies to take to reduce waste, fraud and error in government charge card programs.
- 36) Is GSA in compliance with the training requirements of Circular A-123 (requiring initial training for all purchase card holders and program managers, as well as refresher training, at a minimum, every three years)?
- 37) What is the current overall ratio of approving officials to purchase card holders within GSA?
- a) What is the ratio of approving officials to purchase card holders in PBS?
  - b) What is the ratio of approving officials to purchase card holders in FAS?
- 38) How many personnel actions has GSA taken in each of the last five years for violations of purchase and travel card rules?

### **Disciplinary Actions**

- 39) Please provide the Committee with a detailed description of all disciplinary actions initiated against agency personnel for violations of federal laws or regulations or agency policies, in connection with the 2010 WRC. In answering this question, please construe the term "disciplinary action" broadly, to include any formal or informal actions taken by GSA in response to an incident of improper, inappropriate, or illegal behavior. With respect to each action, please detail the cause for the disciplinary action, the position and title of those involved, when the events at issue occurred, the specific disciplinary action taken, and the outcome of the action. If any investigations against additional individuals are ongoing, please indicate this as well.
- 40) We understand that approximately 50 people involved in the planning of WRC received bonus awards totaling \$35,500. Among those who reportedly received bonuses are several WRC core planning team members who are now subject to disciplinary action.
- a) Please provide the position and title for the approving official for each of the bonuses.
  - b) Was WRC planning a partial basis, or the sole basis, for these bonuses?
  - c) Are there are plans to review any of these bonuses in light of the findings of the IG's investigation?
  - d) What steps are you taking to ensure that GSA's awards programs are fair and consistent with statutory requirements and regulations on awards issued by the Office of Personnel Management?



## Overall Cultural Issues

- 41) We often hear that GSA considers itself different from other agencies because, although part of its budget is appropriated, much of its operating budget comes from fees other federal agencies pay to GSA out of their own appropriated accounts in exchange for services GSA provides. GSA's employees, therefore, may be less conscious of budget constraints than agencies that rely on appropriations. What will you do to instill in the mindset of GSA employees that they are first and foremost the stewards of taxpayer dollars, whether that money comes directly to GSA or passes initially through other agencies?

We appreciate your cooperation and look forward to your timely response to our requests.

Sincerely,



Joseph I. Lieberman  
Chairman



Susan M. Collins  
Ranking Member