MEMORANDUM FOR: DANIEL M. TANGHERLINI

ACTING ADMINISTRATOR (A)

GARY GRIPPO

ACTING CHIEF FINANCIAL OFFICER (B)

FROM:

1 4 2012

BRIAN D. MILLER BUN

INSPECTOR GENERAL (J)

SUBJECT: Audit of the General Services Administration's Fiscal

Year 2012 Financial Statements

The Office of Inspector General (OIG) administered a contract with KPMG LLP (KPMG) to audit the financial statements of the General Services Administration (GSA) for the fiscal year ending September 30, 2012. The purpose of this audit was to determine the fair presentation of GSA's consolidated financial statements and the balance sheets for the Federal Buildings Fund and the Acquisition Services Fund. The audit also evaluated internal controls over financial reporting and tested GSA's compliance with certain laws, regulations, and contracts. Attached is a copy of KPMG's report.

KPMG's contract required that the audit be completed in accordance with the following criteria: U.S. Generally Accepted Government Auditing Standards; and the Office of Management and Budget Bulletin 07-04, as amended, *Audit Requirements for Federal Financial Statements*. The OIG does not express opinions on GSA's financial statements and related internal controls. In addition, we do not opine as to whether GSA's financial management systems substantially comply with the Federal Financial Management Improvement Act of 1996 (FFMIA), nor do we reach any conclusions on compliance with laws, regulations, and contracts. As such, KPMG is responsible for the attached auditor's report and the conclusions expressed therein.

In its audit, KPMG found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles;
- There were no material weaknesses in internal controls over financial reporting; and
- No instances in which the entity's financial management systems did not substantially comply with the requirements of FFMIA.

However, KPMG identified the following significant matters:

 Weaknesses in the effectiveness of controls over GSA's budgetary accounts and transactions;

- Weaknesses relating to GSA's controls over the accounting and reporting of property and equipment;
- Weaknesses in the effectiveness of controls over GSA's accounting and reporting of environmental liabilities;
- Weaknesses relating to GSA's controls over the accounting and reporting of leases and occupancy agreements;
- Weaknesses in GSA's controls over financial management and reporting;
- Weaknesses in general controls over financial management systems;
 and
- Weaknesses in GSA's controls at the entity-level.

The Office of Inspector General appreciates the courtesies and cooperation extended to KPMG and to our audit staff by GSA during the audit. If you have any questions, please contact Theodore R. Stehney, Assistant Inspector General for Auditing at (202) 501-0374.

Attachments



KPMG LLP Suite 12000 1801 K Street, NW Washington, DC 20006

Independent Auditors' Report

Inspector General, United States General Services Administration:

We have audited the consolidated totals in the accompanying consolidating balance sheets of the United States General Services Administration (GSA) as of September 30, 2012 and 2011, and the related consolidated totals on the accompanying consolidating statements of net cost, and changes in net position, and the combined totals in the combining statements of budgetary resources (hereinafter referred to as "consolidated financial statements") for the years then ended. We have also audited the individual balance sheets of the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF) (hereinafter referred to as the "Funds") as of September 30, 2012 and 2011 and the related individual statements of net cost and changes in net position, and combined statements of budgetary resources (hereinafter referred to as the Funds' "individual financial statements") for the years then ended.

The objective of our audit was to express opinions on the fair presentation of the GSA's consolidated financial statements and the Funds' individual financial statements. In connection with our fiscal year 2012 audit, we also considered GSA's internal control over financial reporting and tested GSA's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on the GSA's consolidated financial statements and the Funds' individual financial statements.

Summary

As stated in our opinions on the GSA's consolidated financial statements and the Funds' individual financial statements, we concluded that the GSA's consolidated financial statements and the Funds' individual financial statements as of and for the years ended September 30, 2012 and 2011, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our Opinions on the Financial Statements, GSA changed its presentation for reporting the statement of budgetary resources in fiscal year 2012.

Our consideration of internal control over financial reporting resulted in identifying certain deficiencies that we consider to be significant deficiencies, as defined in the Internal Control Over Financial Reporting section of this report, as follows:

- I. Budgetary accounts and transactions
- II. Accounting and reporting of property and equipment
- III. Accounting and reporting of environmental liabilities
- IV. Accounting and reporting of leases and occupancy agreements
- V. Financial management and reporting
- VI. General controls over financial management systems
- VII. Entity-Level Controls



We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed instances of noncompliance with the Anti-Deficiency Act and other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The Office of Inspector General identified certain matters that may represent a violation of the Anti-Deficiency Act. These matters have been referred to GSA management and are currently under review by GSA's Office of General Counsel. A final determination has not yet been made and therefore the outcome of these matters is not presently known.

The following sections discuss our opinions on the GSA's consolidated financial statements and the Funds' individual financial statements; our consideration of GSA's internal control over financial reporting; our tests of GSA's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.

Opinions on the Financial Statements

We have audited the consolidated totals in the accompanying consolidating balance sheets of the United States General Services Administration as of September 30, 2012 and 2011, and the related consolidated totals on the accompanying consolidating statements of net cost and changes in net position, and the combined totals in the combining statements of budgetary resources for the years then ended. We have also audited the individual balance sheets of the Funds as of September 30, 2012 and 2011 and the related individual statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GSA and the financial position of each of the Funds as of September 30, 2012 and 2011, and the consolidated and individual Funds' net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 14 to the GSA's consolidated financial statements and the Funds' individual financial statements, the GSA changed its presentation for reporting the combined totals in the combining statement of budgetary resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*. As a result, the GSA's combined statement of budgetary resources for fiscal year 2011 has been adjusted to conform to the current year presentation.

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the GSA's consolidated financial statements and the Funds' individual financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the GSA's consolidated financial statements and the Funds' individual financial statements, and other knowledge we obtained during our audit of the GSA's consolidated financial statements and the Funds' individual financial statements and the Funds' individual financial statements and the Funds' individual financial statements.



assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the GSA's consolidated financial statements and the Funds' individual financial statements as a whole. The September 30, 2012 consolidating information in the Required Supplementary Information section of the of GSA's 2012 Agency Financial Report is presented for purposes of additional analysis and is not a required part of the GSA's consolidated financial statements and the Funds' individual financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the GSA's consolidated financial statements and the Funds' individual financial statements. The September 30, 2012 consolidating information has been subjected to the auditing procedures applied in the audit of the GSA's consolidated financial statements and the FBF's individual financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the GSA's consolidated financial statements and the FBF's individual financial statements or to the GSA's consolidated financial statements and the FBF's individual financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the September 30, 2012 consolidating information in the Required Supplementary Information section of the of GSA's 2012 Agency Financial Report is fairly stated in all material respects in relation to the GSA's consolidated financial statements and the Funds' individual financial statements as a whole. The information in the Other Accompanying Information section of GSA's 2012 Agency Financial Report is presented for the purposes of additional analysis and is not a required part of the GSA's consolidated financial statements and the Funds' individual financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the GSA's consolidated financial statements and the Funds' individual financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Internal Control Over Financial Reporting

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in Exhibit I that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Exhibit III presents the status of prior year significant deficiencies.

We noted certain additional matters that we have reported to management of the GSA in a separate letter dated November 8, 2012.



Compliance and Other Matters

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed instances of noncompliance and other matters, described in Exhibit II, that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which GSA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

* * * * * * *

Responsibilities

Management's Responsibilities. Management is responsible for the GSA's consolidated financial statements and the Funds' individual financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws, regulations, and contracts applicable to GSA.

Auditors' Responsibilities. Our responsibility is to express opinions on the fiscal year 2012 and 2011 GSA's consolidated financial statements and the Funds' individual financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the GSA's consolidated financial statements and the Funds' individual financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GSA's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the GSA's consolidated financial statements and the Funds' individual statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall GSA's consolidated financial statement and individual Funds' financial statement presentation.

We believe that our audit provides a reasonable basis for our opinions.

In planning and performing our fiscal year 2012 audit, we considered the GSA's internal control over financial reporting by obtaining an understanding of the GSA's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinions on the GSA's consolidated financial statements and the Funds' individual financial statements, but not for the purpose of expressing an opinion on the effectiveness of GSA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GSA's internal control over financial reporting. We did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.



As part of obtaining reasonable assurance about whether GSA's fiscal year 2012 consolidated financial statements and the Funds' individual financial statements are free of material misstatement, we performed tests of GSA's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the GSA's consolidated financial statement amounts and the Funds' individual financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to GSA. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

GSA's written response to the findings identified in our audit and presented in Exhibits I and II was not subjected to the auditing procedures applied in the audit of GSA's consolidated financial statement amounts and the Funds' individual financial statement and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of GSA's management, GSA's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.



November 8, 2012

I. Budgetary Accounts and Transactions

Budgetary accounts are a category of the general ledger accounts where transactions related to receipts, obligations, and disbursements of budgetary authority – the authority provided by law to incur financial obligations that will result in outlays – are recorded.

OMB Circular No. A-123, *Management's Responsibility for Internal Control, Revised*, sets forth requirements to develop control processes necessary to ensure that reliable and timely information is obtained, maintained, reported, and used for decision making. Additionally, OMB Circular No. A-127, *Financial Management Systems, Revised*, provides a framework for Federal agencies to develop financial management systems that should generate reliable, timely, and consistent information necessary for meeting management's responsibilities, including the preparation of financial statements. In addition, GSA policies require each of GSA's Services – Public Buildings Service (PBS) and Federal Acquisition Service (FAS) – to address the need to strengthen internal controls over budgetary reporting and to mitigate known weaknesses in the budgetary transaction level controls.

GSA needs to continue improving the effectiveness of controls over its accounting and business processes to ensure that budgetary transactions are properly recorded, processed, and summarized. Specifically, we continued to note the following internal control deficiencies in GSA's financial management systems and financial reporting processes related to the recording of undelivered orders and recoveries of prior years' obligations. In addition, we identified control deficiencies over the processing of unfilled customer orders, apportionments, and funds controls. Many of these conditions were reported in the fiscal year 2011 *Internal Control over Financial Reporting* section of our Independent Auditors' Report. Further, GSA management's assessment of internal controls reviews, performed as part of their OMB Circular No. A-123, Appendix A, indicated similar issues as noted below.

a. Undelivered Orders

Undelivered orders represent GSA's obligations that require the agency to make payments to the public or from one Government account to another. Under requirements of OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget,* obligations incurred must conform to applicable provisions of law, and agencies must be able to support the amounts reported by appropriate documentary evidence as defined by 31 U.S.C. 1501.

Of the 105 PBS obligations selected for test work, we noted 6 instances where the contract was signed after the period of performance start or ending date; 2 instances where the obligating documents did not provide a period of performance; 3 instances where the obligation was recorded without the proper obligation documents; 4 instances where the obligation was recorded before the obligating documents were signed; and 19 instances where signed contracts were not entered into the financial management system within five business days of being signed. GSA performed additional analysis and determined that the undelivered orders balance was not significantly misstated.

b. Unfilled Customer Orders

Unfilled customer orders represent the amount of goods and services to be furnished by GSA to other federal agencies. Unfilled customer orders provide budgetary resources to enter into new obligations and to liquidate obligations. GSA needs to improve the effectiveness of its controls over unfilled customer orders. During our test work of 72 unfilled customer orders for PBS, we noted 4 instances where the goods and services related to these orders had been completed and the remaining unfilled customer orders were not cancelled in a timely manner. In addition, we noted 12 instances where PBS did not record the signed unfilled customer order in the financial management system in a timely manner.

Further, PBS needs to improve the effectiveness of its controls over the tracking of obligations (and related expenses) associated with corresponding unfilled customer orders. As a result, GSA initially obligated an amount in excess of the corresponding unfilled customer order by approximately \$9.1 million. This control weakness exposes GSA to an increased risk of possible violations of laws and regulations. GSA performed additional analysis and determined that the unfilled customer orders balance was not significantly misstated.

c. Apportionments and Funds Control

As outlined in OMB Circular A-11, the purpose of an agency's fund control system is to restrict both obligations and expenditures (also known as outlays or disbursements) from each appropriation or fund account to the lower of the amount apportioned by OMB or the amount available for obligation or expenditure in the appropriation or fund account. GSA needs to improve the effectiveness of its funds controls as required by OMB Circular A-11. Specifically, we noted the following control deficiencies:

- 1. During October, 2011, GSA obligated and expended funds for routine business in its Working Capital Fund (WCF) without a signed apportionment. This is a violation of section 1517 of the Anti-Deficiency Act. Refer to our Finding A, *Non-Compliance with the Anti-Deficiency Act*, included in Exhibit II FY 2012 Compliance and Other Matters. Although the apportionment was created and signed by the Chief Financial Officer as required by OMB Circular A-11, GSA failed to submit the approved apportionment to the OMB by the required date. Since the WCF is not subject to an annual appropriation act, it is not covered under an automatic apportionment and a signed apportionment is necessary before any obligations can be made. GSA reported this violation to OMB as required by Section 1517(b) of Title 31, of the United States Code.
- 2. GSA entered into a contract including a provision that obligated the Government to unlimited liability, which is a violation of the Anti-Deficiency Act. Refer to our Finding A, *Non-Compliance with the Anti-Deficiency Act*, included in Exhibit II *FY 2012 Compliance and Other Matters*. Although the provision is standard in certain types of contracts, it is not a standard government contracting clause and it is the responsibility of the contracting officer to remove the clause before signing the contract. GSA reported this violation to OMB as required by Section 1351 of Title 31, of the United States Code.
- 3. During our test work over 40 Reimbursable Work Authorizations for PBS, we noted 2 instances where the contracting officer did not obtain the required certification of fund availability from the budget analyst before signing the obligating documents; 1 instance where the required requisition form was not signed by the budget analyst; and 9 instances where the budget analyst approved the certification of funds without using the required requisition forms. Instead, these fund certifications were approved electronically in the contract management system.
- 4. The financial management system provides funding and spending controls to ensure that budget authorities are not exceeded at each budget level. Such controls include a hard-edit feature, which denies the user the ability to process further obligating documents if the user attempts an entry that will exceed the respective authority available amount. However, we noted that GSA management can manually override these funding and spending automated controls while processing budgetary transactions. There is no formal manual or automated review to ensure that funding and spending automated controls are being turned off for a valid reason and whether they were subsequently turned back on after processing. In addition, there is not sufficient functionality in the system to identify the transactions that were recorded while the controls were turned off.

GSA performed additional analysis to determine that its budgetary account balances were not significantly misstated.

d. Recoveries of Prior Years' Obligations

Recovery of prior years' obligations represents cancellations or downward adjustments of obligations incurred in prior fiscal years. As reported in the previous year, changes to certain fields in the financial management system related to prior year obligation information – such as vendor codes – cause a recording of a recovery of prior years' obligations regardless of whether the obligation was actually cancelled or adjusted downward. This condition requires extensive manual reviews and adjustments to detect and correct errors, rather than preventing them. In addition, GSA did not effectively review its recoveries from prior years' obligations during the year. Of the 26 recoveries of prior year obligations tested, we noted 3 instances where the recoveries were invalid or not recorded in a timely manner. GSA performed additional analysis to ensure the recovery of prior years' obligations balance was not significantly misstated.

The lack of integrated financial and acquisition systems and the ineffective monitoring and oversight over the apportionment process, combined with the ineffective communication between the program office and the Budget/Financial Management Office within the regions; and the lack of sufficient monitoring and oversight of the contracting function—as evidenced by contracting and budgetary control activities not being performed in a consistent manner at the regional level, continue to be main contributing factors for the control deficiencies over budgetary accounts and transactions. As a result, GSA management continued to rely on costly compensating processes and unsustainable labor-intensive efforts to prepare reliable financial statements throughout the year and at fiscal year-end. If not corrected, these deficiencies will continue to expose GSA to an increased risk of misstatements in its financial reports and possible additional violations of laws and regulations.

Recommendations

We recommend that GSA management continue to implement the following recommendations to improve controls over the accounting for undelivered orders:

a. Undelivered Orders

- 1. Continue efforts to implement a contracting system that will interface with the financial management system of record;
- 2. Until such interfaces are in place, continue monthly reconciliation efforts between the current contracting system and the financial management system and ensure sufficient resources are available to perform the reconciliations in a timely and routine manner;
- 3. Improve communications with the regional offices to investigate and resolve variances identified in a timely and consistent manner and to ensure that all obligations are recorded in the financial system timely and accurately;
- 4. Perform procedures to ensure all obligations are captured and accurately recorded in the financial management system;
- 5. Institute policies and procedures, including management reviews, to ensure that a contract delivery date or period of performance is stated on all obligating documents before obligations are authorized, when appropriate;
- 6. Ensure contracting officers and regional procurement officers review contracts thoroughly to ensure that contract options are correctly exercised and applicable Notice-to-Proceed documents are issued timely;
- 7. Continue assessing the root causes of ineffective internal controls at the process level as part of the top-to-bottom review process to help design an effective internal control environment that is suitable to GSA business processes;

Independent Auditors' Report Exhibit I – FY 2012 Significant Deficiencies

- 8. Improve the efficiency of transaction-level, process-driven controls to avoid overreliance on high-level mitigating controls over budgetary accounts and transactions;
- 9. Improve communication with GSA's procurement operations and the regions to better facilitate response times by regions for award acceptance and receipt of goods and services; and
- 10. Provide additional training to reinforce existing policies and procedures, which require proper authorization and approvals of contracts prior to recording the obligations in the financial management system, that all obligations be entered into financial management systems timely and prior to the receipt of any goods and/or services by GSA.

b. Unfilled Customer Orders

- 1. Enforce existing policies and procedures with regional personnel to ensure that all orders are entered in the appropriate feeder subsidiary ledger system accurately and timely;
- 2. Continue to perform periodic monitoring and reviews of outstanding unfilled customer orders and consider increasing the precision of the reviews performed to ensure that balances reported in the financial statements are valid and accurate;
- 3. Improve communications with the regions to stress the importance of having valid unfilled customer orders in the financial statements and the need to properly account for unfilled customer orders by closing all orders as they are completed; and
- 4. Consider implementing automated system controls over unfilled customer orders spending to ensure reimbursable obligations and expenses incurred are not greater than funding authority provided by a valid unfilled customer order.

c. Apportionments and Funds Control

- 1. Continue to monitor newly implemented and existing controls over apportionment submissions to OMB to ensure all Apportionment and Reapportionment Schedules for each subject appropriation or fund account are prepared, reviewed, approved, and submitted timely;
- 2. Continue to monitor newly implemented and existing controls over contracting and procurement actions to ensure all contracts are prepared legally and accurately in accordance with Federal procurement laws and GSA policies and procedures; and obligating documents reviewed and approved by appropriate members of management;
- 3. Document all policies and procedures relating to the budgetary control environment and activities and provide employees with timely training and updated training materials;
- 4. Enforce existing policies and procedures related to funds availability certification to ensure that the certification is obtained before a contracting officer signs an obligating document;
- 5. Provide training to the contracting officers to reinforce existing policies and procedures, which require them to obtain the proper certifications of funds availability from the certifying official before signing any obligating document;
- 6. Consider updating the policy over certification of funds availability to establish consistency for certifying funds across the agency; and communicate and enforce the updated policy to the regions; and

Independent Auditors' Report Exhibit I – FY 2012 Significant Deficiencies

7. Consider developing an audit logging capability in the financial management system to track the status of funding and spending automated controls to ensure that such control are not overriding without the approval of the appropriate members of management.

d. Recoveries of Prior Years' Obligations

- 1. GSA needs to train users to prevent user errors, which account for the majority of the errors; and
- 2. Continue to rely on its periodic reviews of the recovery of prior year obligation balances to ensure that balances reported in the financial statements are valid and accurate.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

II. Accounting and Reporting of Property and Equipment

GSA reported \$27.5 billion in property and equipment, net of accumulated depreciation, as of September 30, 2012. GSA needs to continue to improve controls over general property and equipment to ensure that transactions are promptly recorded, properly classified, and accounted for in accordance with the requirements outlined in Federal financial accounting standards and OMB Circular No. A-123. During our fiscal year 2012, we continued to note the following control weaknesses over general property and equipment, many of which were reported in the fiscal year 2011 *Internal Control over Financial Reporting* section of our Independent Auditors' Report.

a. Buildings

As reported in the previous year, GSA did not consistently record property disposals when they occurred. When a building is sold, conveyed, demolished, or classified as excess property, the regional offices do not always notify the Office of the Chief Financial Officer (OCFO) to properly record the asset disposal and to reduce the building value in the financial management system accordingly. As a result of our analysis over the buildings account, we noted 40 instances where the general property and equipment was not transferred to excess property and as a result, GSA continued to incur on depreciation expenses, and 21 instances where the asset disposals were not recorded or were not recorded timely. In addition, we noted 65 leased properties and 9 leasehold improvements that were incorrectly coded as owned buildings.

Upon our request, management analyzed the buildings subsidiary ledger, resulting in an identification of an overstatement of the buildings balance and related accumulated depreciation of approximately \$51.3 million and \$43.2 million, respectively, as of September 30, 2012. GSA adjusted its buildings balance at year-end as part of its financial reporting closing process.

b. Construction in Process (CIP)

GSA needs to continue improving the effectiveness of controls over the proper classification of projects that are deemed substantially complete. GSA did not consistently record transfers of substantially completed projects from CIP to the buildings balance in a timely manner for 8 of 44 CIP transfers tested. Due to the inconsistent application of PBS's guidance as to the definition of when a project is substantially complete, the size and complexity of GSA's construction projects, and the manually intensive process of determining and documenting substantial completion dates, there is an increased risk that asset transfers may not be recorded to the general ledger in a timely manner, which also could lead to misstatements in depreciation expense.

Although, in fiscal year 2011, GSA revised its accounting policies over the recording and reporting of cleanup costs related to abatement, remediation, and/or disposal of hazardous waste associated with renovation projects, such accounting policies were not fully implemented in fiscal year 2012. Therefore,

GSA continued to capitalize certain environmental cleanup cost estimates that should have been expensed in accordance with applicable Federal accounting standards, as outlined in Statement of Federal Financial Accounting Standard (SFFAS) No.6, *Accounting for Property, Plant, and Equipment, Section 4 – Cleanup Costs*. GSA adjusted its CIP balance at year-end as part of its financial reporting closing process.

c. Fixed Asset Subsidiary Ledger

The fixed asset subsidiary ledger included in the financial management system was developed and implemented to track property transactions more accurately and to accommodate multiple substantial completion dates for more complex multi-asset constructions projects. However, the fixed asset subsidiary ledger was not configured properly to capture gains and losses from asset disposal appropriately, resulting in an overstatement of revenues and expenses. GSA adjusted its revenue and expense balances at year-end as part of its financial reporting closing process.

Recommendations

We continue to recommend that GSA management implement the following recommendations to improve controls over the accounting for general property and equipment:

a. Buildings

- 1. Perform regular verifications of the building status listed in the Fixed Asset subsidiary ledger;
- 2. Develop policies and procedures requiring a new building location code to facilitate the verification of building status;
- Develop policies and procedures to improve communications between the Central Office and the
 regional portfolio managers regarding asset disposals or conveyance to ensure all parties have an
 understanding of the documents and notifications needed for the OCFO to record the asset disposals in
 a timely manner;
- 4. Develop and deliver training on an ongoing basis to all portfolio managers and realty specialists regarding the reporting of real property disposal or conveyance to ensure that all of the appropriate requirements are fulfilled and consistently recorded in accordance with GSA policies and procedures; and
- 5. Enforce GSA's existing policy on reporting asset disposal or conveyance.

b. Construction in Process (CIP)

- 1. Fully implement the new accounting policy on accounting treatment for environmental related cost during fiscal year 2013;
- 2. Properly track and account for cleanup costs of hazardous waste incurred during renovation projects in accordance with applicable Federal financial accounting standards;
- 3. Continue current initiatives to strengthen internal controls over proper classification of costs associated with projects and ensure proper data entry and timely transfer of costs between the construction in process and building accounts;
- 4. Continue reconciliation efforts to review the validity of substantial completion dates entered into the applicable feeder systems and the fixed assets subsidiary system to ensure that substantially completed CIP projects are transferred to the appropriate building account in a timely manner; and
- 5. PBS Central Office's effort to correct the validity of substantial completion dates needs to be supported by regional efforts (e.g., making continuous improvements toward entering actual substantial completion dates into the system) in order to ensure effective controls.

c. Fixed Asset Subsidiary Ledger

- 1. Consider modifying Fixed Asset module functionality to properly record gains and losses for multiple fixed asset disposals; and
- 2. Develop a reconciliation procedure over recorded gains and losses from asset disposals to ensure that the corresponding revenues and expenses are recorded in accordance with applicable federal accounting standards.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

III. Accounting and Reporting of Environmental Liabilities

GSA manages over 1,500 owned properties with an average age of 48 years, including 305 buildings considered heritage assets. Certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. SFFAS No. 5, Accounting for Liabilities of the Federal Government, SFFAS No. 6, Accounting for Property, Plant and Equipment and Technical Release No. 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government set forth the requirements and guidance for accounting and reporting environmental liabilities.

In fiscal year 2012, GSA issued a revised Accounting for Environmental Liabilities Guidelines document (Guidelines) requiring the establishment of a new baseline assessment process to identify and investigate properties that may contain hazardous substances. The revised Guidelines also expanded the accounting requirements for environmental liabilities and it is expected to be implemented during fiscal year 2013. Because the baseline assessment process will not be in place until fiscal year 2013, the weaknesses in controls over the due care process were not corrected in fiscal year 2012. Therefore, GSA was unable to provide consistent documentation supporting its due care process for evaluating the likely presence of environmental contamination and did not report all environmental liabilities in a consistent manner throughout the fiscal year. As a result of our observations, GSA adjusted its environmental liabilities balance, when appropriate.

The lack of effective communications between the Regional Environmental personnel, PBS Central Office and the OCFO, combined with turnover of key management positions in PBS Central Office and the ineffective design of lines of authority regarding the development, implementation, execution, monitoring and enforcement of policies and procedures, are the contributing factors inhibiting the progress on GSA corrective actions for this control deficiency. If left uncorrected, these control deficiencies, combined with the implementation of Technical Bulletin 2006-1 – *Recognition and Measurement of Asbestos-Related Cleanup Costs*, as amended, effective for fiscal years beginning on October 1, 2012, could have a significant impact on GSA's environmental liabilities balance.

Recommendations

We continue to recommend that GSA management perform a comprehensive analysis of the root causes of ineffective controls over the accounting and reporting of environmental liabilities as part of the overall control deficiency assessment to help design an effective internal control environment over environmental liabilities that is suitable for GSA business processes. Specifically:

- 1. Fully implement the Accounting for Environmental Guidelines in fiscal year 2013;
- 2. As part of the implementation of the Accounting for Environmental Liabilities Guidelines, develop and deliver training to all applicable regional personnel on accounting and reporting procedures for environmental liabilities;

Independent Auditors' Report Exhibit I – FY 2012 Significant Deficiencies

- 3. Require the regional offices to develop and implement internal controls to provide reasonable assurance that the due care procedures are effectively and consistently applied;
- 4. Develop effective information and communication processes to ensure that technical accounting issues related to environmental liabilities are identified in a timely manner and to ensure that policies and procedures are consistently communicated to the Regional Environmental Managers;
- 5. Establish a clear line of authority between the OCFO; the PBS Central Office and regional offices to ensure that the policies and procedures for environmental liabilities are implemented in a consistent manner throughout GSA; and
- 6. Consider evaluating the level of resources needed to effectively implement the environmental liability guidelines.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

IV. Accounting and Reporting of Leases and Occupancy Agreements

GSA processes approximately \$5.4 billion and \$9.8 billion, respectively, in lease expenses and revenues from occupancy agreements. GSA needs to improve controls over leases and occupancy agreements to ensure that transactions are recorded promptly, recorded accurately, and properly classified in accordance with requirements outlined in Federal financial accounting standards OMB Circular A-123. In addition, GSA management's assessment of internal control, performed as part of their OMB Circular A-123, Appendix A, indicated similar issues as noted below.

a. Leases

GSA needs to improve the effectiveness of its controls over the processing of leases to ensure that leases are properly classified and accurately and timely recorded in the financial management system. Of the 83 leases selected for test work, we noted 9 instances where the certification of funds approval was not completed in the applicable feeder system before the contracting officer signed the obligating lease documents; 4 instances where delays in processing the lease action forms caused delays in the recognition of lease expense; 5 instances where the lease payment made to the vendor was underpaid; and 5 instances where the Consumer Price Index (CPI) adjustments were not recorded in a timely manner.

Also, of the 4 lease terminations selected for test work, we identified 1 instance where the lease termination was not recorded timely in the financial management system, which led to overpayments and overstatement of expense. GSA adjusted its lease expense balance as part of its financial reporting closing process.

In addition, GSA did not effectively review its capital leases during the year, resulting in an understatement of capital lease assets by approximately \$144 million as of September 30, 2012. As a result of our observations, GSA adjusted its capital lease assets and related capital lease liability.

The lack of sufficient monitoring, oversight, and training over the leasing function, as evidenced by existing policies not being followed as written are the main contributing factors for lease transactions not being recorded promptly, recorded accurately, and properly classified.

b. Occupancy Agreements

Of the 52 Occupancy Agreements selected for test work, we identified 23 instances where the Occupancy Agreements were not recorded timely in the financial management system, which led to back billings and delays in recognizing revenue. We performed additional analysis to obtain evidence that revenue from occupancy agreements was not significantly misstated.

The prompt processing of occupancy agreements, in many cases, is subject to the timely processing of the corresponding leases. Therefore, when GSA incurs delays in processing leases, there is an increased risk that revenues from occupancy agreements will not be properly recognized in accordance with applicable Federal financial accounting standards.

Recommendations

We recommend that GSA management implement the following recommendations to improve controls over the accounting for leases and Occupancy Agreements:

a. Leases

- 1. Enforce existing policies and procedures to ensure that all leases are timely and accurately processed; and leases are properly classified as operating or capital leases in accordance with Federal financial accounting standards; and
- 2. Regional personnel should be trained, properly supervised, and made accountable for adhering to accounting policies and procedures related to leases.

b. Occupancy agreements

- 1. Enforce existing policies and procedures to ensure that all occupancy agreements are timely and accurate processed, as well as customer agencies are billed on a timely manner; and
- 2. Regional personnel should be trained, properly supervised, and made accountable for adhering to accounting policies and procedures related to occupancy agreements.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

V. Financial Management and Reporting

GSA needs to improve controls over financial management and reporting to ensure that transactions are recorded promptly, accurately, and are properly classified in accordance with Federal financial accounting standards and with OMB Circular A-123. During our test procedures, we noted the following conditions:

a. Revenue and expense recognition policies in the Federal Acquisition Services Fund

During fiscal year 2011, GSA drafted policies and procedures to address this prior year condition. However these policies and procedures were not fully implemented during fiscal year 2012, therefore, based on the results of our test work we continued to observe instances where GSA did not recognize revenues when goods or vehicles were provided to the customer agency and recognized expenses before goods or vehicles were received from the supplier. GSA adjusted its revenues and expenses balances in the FAS individual financial statements at year-end.

The information and communication processes in place to help the OCFO identify the technical accounting issues related to revenue recognition; determine and analyze the type of information needed for financial reporting of revenue recognition; and to ensure that policies and procedures are consistently communicated to the FAS management is not sufficient and continued to be the contributing factor preventing the OCFO from implementing these policies and procedures in a timely manner.

b. Manual Journal Entries

GSA needs to improve controls over the preparation and review of manual journal entries. GSA's information and communication processes are not sufficient to enable the OCFO, FAS, and PBS to identify, resolve and correct accounting issues in a timely manner in accordance with applicable accounting standards. Specifically, we noted the following conditions:

- 1. The OCFO recorded accrual entries using a draft version of GSA's policy entitled, "Revised Accounting Methodology on Revenue, Expense, and Asset Recognition for Telecommunications, Supply, and Vehicles" as authoritative guidance. GSA adjusted its revenue and expense balances as part of its financial reporting closing process; and
- 2. The OCFO did not account for "build-to-suit" and purchases of buildings using other agency's funding in accordance with applicable accounting standards. As a result, GSA incorrectly overstated exchange revenue by approximately \$88.7 million as of September 30, 2012. As a result of our observations, GSA adjusted its exchange revenue and deferred revenues at year-end as part of its financial reporting closing process.

c. Reconciliation Procedures

OMB Circular A-123 states that monitoring the effectiveness of internal controls should occur in the normal course of business. Periodic reviews, reconciliations, or comparison of data should be included as part of the regular assigned duties of personnel. GSA needs to improve the effectiveness over the preparation, review and approval of certain reconciliation procedures. As a result of our test procedures, we noted un-reconciled variances on a number of monthly interim reconciliation procedures related to revenue, expenses, accounts receivable and accounts payable. GSA performed additional analysis and adjusted the revenue, expenses, accounts receivable and accounts payable balances, when appropriate.

Recommendations

We recommend that GSA management implement the following recommendations to improve controls over financial reporting:

a. Revenue and expense recognition policies in the Federal Acquisition Services Fund

- 1. Fully implement the Revised Accounting Methodology on Revenue, Expense, and Asset Recognition for Telecommunications, Supply, and Vehicles in fiscal year 2013; and
- 2. As part of the implementation process, introduce historical analysis to assess the reasonableness of the methodology and whether refinements to the methodology are needed. The historical analysis should include a comparison between estimated accruals and actual transactions.

b. Manual Journal Entries

1. Develop and implement effective information and communication processes to help ensure that technical accounting issues are identified, analyzed and resolved in a timely manner; and

2. Ensure journal entries are prepared and recorded based on OCFO approved policies and procedures.

c. Reconciliation Procedures

- 1. Enforce existing policies and procedures to ensure that all reconciliation procedures are properly prepared; and reviewed and approved by an appropriate member of management; and
- 2. As part of the reconciliation procedures all reconciling items should be properly investigated and resolved within an appropriate level of precision.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

VI. General Controls over Financial Management Systems

GSA did not have adequate information technology controls to protect its financial management systems as required by OMB Circular No. A-130, *Management of Federal Information Resources*. These conditions could affect GSA's ability to prevent and detect unauthorized changes to financial information, control electronic access to sensitive information, and protect its information resources. During fiscal year 2012, GSA's Office of the Chief Information Officer (OCIO) put in place a corrective action plan to address some control deficiencies reported in previous years and as a result we noted certain improvements in GSA general controls. However, GSA continued to have control deficiencies related to security and general controls over its financial information systems. Many of these conditions were similar to prior-year weaknesses but applied to different systems, platforms, and environments. GSA's lack of a governing structure to collect, assess, and share information relating to known weaknesses from one system with designated personnel throughout the organization to help eliminate similar weaknesses in other systems is the contributing factor inhibiting GSA to fully resolve these control deficiencies. A summary of the findings by general controls follows:

a. Access Controls

Access controls are designed to limit or detect access to computer programs, data, equipment, and facilities to protect these resources from unauthorized modification, disclosure, loss, or impairment. Such controls include logical and physical security controls. However, of the 11 systems tested, GSA did not fully establish controls to prevent and detect unauthorized access for nine systems. Specifically, GSA did not consistently ensure accounts for separated users is removed in a timely manner for one system; inactive accounts were not disabled within the GSA pre-defined time period of 90 days for four systems; and weaknesses were identified within the annual user access recertification process for two systems. Finally, GSA did not fully establish monitoring controls over operating system activity logs and violation reports of user actions.

b. Separation of Duties for Program Changes

Separation of duties controls ensure that incompatible duties are separated effectively so that users cannot control entire processes. Appropriate assignment of roles and responsibility, according to traditional Information Technology (IT) system functional areas, can maintain a strong internal control environment by separating incompatible sensitive IT roles, such system administrators, database administrators, developers, change management support, and computer operations personnel. Separation of duties deters an individual from introducing unapproved and potentially harmful code into the production environment and ensures the integrity of GSA' information. GSA did not consistently ensure users' access was restricted for developing and implementing changes to the production environment for three systems.

Recommendations

We continue to recommend that GSA management improve controls over its financial information systems to ensure adequate security and protection of the information systems as follows:

a. Access Controls

- 1. Implement a comprehensive access control security program to address the administration of access controls in order to increase the reliability of data and decrease the risk of destruction or inappropriate disclosure of data:
- 2. Develop agency-wide policies and procedures to manage all contractors;
- 3. Implement controls for applications to identify and deactivate user accounts that have been inactive for the GSA defined maximum period of inactivity;
- 4. Improve policies and procedures to approve and terminate user access to validate that only authorized users have access to information systems;
- 5. Investigate and repair the cause of system errors that resulted in the breakdown of the recertification workflow;
- 6. Develop and implement a process to review and document the review of operating system audit logs related to financial system access and processing; and
- 7. Improve upon existing procedures to define events to be monitored over operating system activity logs and violation reports of user actions.

b. Segregation of Duties for Program Changes

- 1. Given the high volume of transactions processed through GSA's systems, high emphasis should be placed on removing incompatible duties across GSA's various applications, platforms, and environments to allow management to obtain reliance on the integrity of its production financial data; and
- 2. Improve policies and procedures that restrict users from having full control over the development, compilation, and implementation of program changes.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

VII. Entity-Level Controls

The control environment sets the tone of an organization by influencing the control consciousness of its personnel. It is also the foundation for all components of internal control, providing discipline and structure. The comments below should be read in conjunction with Finding VI, *General Controls over Financial Management Systems*, which describes additional entity-wide control weaknesses related to general information technology controls. We identified four entity-wide control environment conditions through our test procedures that have a pervasive influence on the effectiveness of controls. Those common themes are described below; however, they also contribute to several of the conditions presented in findings I through V listed above.

1. Development and implementation of effective information and communication processes to help ensure that technical accounting issues are identified, analyzed and resolved in a timely manner;

Independent Auditors' Report Exhibit I – FY 2012 Significant Deficiencies

- 2. Certain lines of authority regarding the development, implementation, execution, monitoring and enforcement of policies and procedures need to be redefined. For example, the OCFO issued policies and procedures for the accounting of environmental liabilities; however, the OCFO depends on the PBS Central Office for the implementation of such policies and procedures. The PBS Central Office does not report directly to the OCFO. Further, these policies and procedures are subject to execution by regional environmental personnel, who do not report directly to PBS Central Office or the OCFO;
- 3. Regional and operational personnel do not always share responsibilities for, or are not adequately supervised on financial management matters that affect the financial statements, including adhering to appropriate accounting policies and procedures and performing key internal control functions in support of financial reporting; and
- 4. Certain financial systems functionality limitations are contributing to control deficiencies reported in Findings I, *Budgetary Accounts and Transactions*; II, *Accounting and Reporting for Property and Equipment*; and V, *Financial Management and Reporting*, are inhibiting progress on corrective actions for GSA and are preventing the agency from improving the efficiency and reliability of its financial reporting process. Some of the financial system limitations lead to extensive manual and redundant procedures to process transactions, to verify accuracy of data, and to prepare the financial statements. Systemic conditions related to financial system functionality include:
 - PBS lack of integrated financial and acquisition systems;
 - Funds controls in the financial management system can be overridden without proper controls over transactions recorded when such edit checks were switched off:
 - Configuration of the financial management system regarding the proper accounting for recoveries of prior years' obligations;
 - Configuration of the fixed asset subsidiary ledger within the financial management system that overstates gains and losses relating to asset disposals;
 - Aging feeder systems that do not capture proper information for the correct recognition of expenses and related revenue for certain FAS lines of businesses;
 - Configuration of the billing and accounts receivable subsidiary ledger in the financial management system creating out of balance conditions between the subsidiary ledger and the general ledger for billed accounts receivable for the fleet program; and
 - Numerous interfaces between feeder systems and the financial management system requiring manual journal entries to capture transactions properly that originally did not interface correctly.

Recommendations

We recommend that GSA management implement the following recommendations to improve the effectiveness of entity-level controls:

1. Design and implement strategies to ensure that technical accounting issues are identified, analyzed and resolved in a timely manner. GSA components, working with the OCFO support, should be able to discuss initial accounting positions, with basic rationale and supporting facts, and reach an initial conclusion within a short period of time of the issue being identified. Final resolution may take longer depending on the complexity of the issues and impact on the agency. However, even difficult matters should be resolved and documented properly in a timely manner;

Independent Auditors' Report Exhibit I – FY 2012 Significant Deficiencies

- 2. As a part of the results from the top-to-bottom review and the centralization of the FAS and PBS regional budget and financial management functions under the OCFO, consider realignment of financial accounting and reporting personnel to devote more resources to technical accounting issue resolution, and reduce reliance on external audit;
- 3. As part of consolidation of the Agency's information technology functions under the Chief Information Officer, continue the assessment of the agency's financial information technology infrastructure with the objective of improving the effectiveness of information technology controls, both general and application, and of timely and accurate financial reporting. In the interim, as part of the overall control deficiency assessment, the OCFO should improve the efficiency of transaction-level, process-driven controls to help ensure completeness, accuracy, authorization and validity of financial transactions reported in the financial statements and reduce the dependency of manual-intensive processes; and
- 4. Regional and operations personnel should be trained and properly supervised on financial management matters that affect the financial statements, including adhering to accounting policies and procedures, as appropriate and performing key internal control functions in support of financial reporting.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

A. Non-Compliance with the *Anti-Deficiency Act*:

This condition should be read in conjunction with Finding I.c., *Budgetary Accounts and Transaction – Apportionments and Funds Controls* included in Exhibit I, *FY 2012 Significant Deficiencies*. GSA obligated and expended funds in its Working Capital Fund from October 1, 2011 to October 27, 2011 without an appropriately signed apportionment from the Office of Management and Budget. In addition, GSA entered into a contract which included a provision that obligated the Federal Government to an unlimited liability. Accordingly, GSA reported these violations of the Anti-deficiency Act, as required by Sections 1351 and 1517(b) of Title 31, of the United States Code.

Recommendations

We recommend that GSA management implement the following recommendations to improve controls over compliance with the Anti-deficiency Act:

- 1. Continue to monitor newly implemented and existing controls over apportionment submissions to OMB to ensure all Apportionment and Reapportionment Schedules (Standard Forms 132) for each subject appropriation or fund account are prepared, reviewed, approved, and submitted timely;
- 2. Continue to monitor newly implemented and existing controls over contracting and procurement actions to ensure all contracts are prepared legally and accurately in accordance with Federal procurement laws and GSA policies and procedures; and reviewed and approved by appropriate members of management; and
- 3. Document all policies and procedures relating to the budgetary control environment and activities and provide employees with timely training and updated training materials.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

B. Other Matters

The Office of Inspector General identified certain matters that may represent a violation of the Anti-Deficiency Act. These matters have been referred to GSA management and are currently under review by GSA's Office of General Counsel. A final determination has not yet been made and therefore the outcome of these matters is not presently known.

Status of GSA's Prior Year Findings		
Report	Significant Deficiency	Status
Prior to Fiscal Year 2009	A. Controls over budgetary accounts and transactions	This condition continues to exist in fiscal year 2012. See finding I.
Fiscal Year 2010	B. Controls over accounting and reporting of general property and equipment	This condition continues to exist in fiscal year 2012. See finding II.
Fiscal Year 2010	C. Controls over accounting and reporting of environmental liabilities	This condition continues to exist in fiscal year 2012. See finding III.
Fiscal Year 2010	D. Controls over revenue and expense recognition policies in the Federal Acquisition Services Fund	This condition continues to exist in fiscal year 2012. See finding V.a.
Prior to Fiscal Year 2009	E. General controls over financial management systems	This condition continues to exist in fiscal year 2012. See finding VI.