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OVERSIGHT HEARING ON THE GENERAL SERVICES ADMINISTRATION (GSA)

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

APRIL 18, 2012

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ONE HUNDRED TWELFTH CONGRESS
SECOND SESSION

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OVERSIGHT HEARING ON THE GENERAL SERVICES ADMINISTRATION (GSA)

WEDNESDAY, APRIL 18, 2012

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC.

The full Committee met, pursuant to notice, at 10 a.m. in room 406, Dirksen Senate Office Building, Hon. Barbara Boxer (Chairman of the full Committee) presiding.

Present: Senators Boxer, Inhofe, Cardin, Baucus, Carper, Udall, Johanns, Barrasso, and Boozman.

OPENING STATEMENT OF HON. BARBARA BOXER, U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator BOXER. The Committee will come to order. Thank you to the press.

First, before I start my statement, I want to enter into the record a letter that I received from Majority Leader Harry Reid that makes clear that well run and cost effective conferences are productive and provide an important economic boost to our communities. So I ask unanimous consent to enter Senator Reid's letter into the record.

[The referenced information was not received at time of print.]

Senator BOXER. Do you have a similar letter from Senator Heller?

Senator INHOFE. Yes, I do. I ask unanimous consent that Senator Heller's statement be put into the record.

Senator BOXER. Absolutely.

[The prepared statement of Senator Heller follows:]

STATEMENT OF HON. DEAN HELLER,
U.S. SENATOR FROM THE STATE OF NEVADA

Thank you, Madam Chairman and Ranking Member Inhofe. I appreciate the opportunity to address this Committee today and submit a statement for the record regarding the Inspector General of the General Services Administration's (GSA's) report on the 2010 Western Regions Conference (WRC).

Like many taxpayers I was shocked and disappointed to read the Inspector General's report that found expenditures at this conference were excessive, wasteful, and in total ignorance of Federal procurement laws and internal GSA policy on conference spending.

The Committee today is right to look into the GSA's practices and provide corrective oversight to ensure that hard earned taxpayer dollars are spent wisely by this Administration.

I want to be clear, this is not an issue about location. This is the result of poor decisionmaking and leadership by the administrator of the GSA.

Las Vegas is one of the greatest locations in the world for a conference, a meeting, or vacation. With over 148,000 hotel rooms and 10.5 million square feet of meeting

and exhibit space citywide, it is ideally suited to host companies and organizations large and small.

In fact, this past January Las Vegas hosted the Consumer Electronic Show which had more people attend than the Iowa Caucuses.

I fully agree that it was inappropriate for the GSA to waste taxpayer dollars, but it is not inappropriate to come to Las Vegas for conventions and meetings. The actions of the GSA should not reflect negatively on Las Vegas, and I am asking all of my colleagues to be mindful of that as you conduct your investigation.

The viability of the economy in Nevada is dependent upon the volume of visitors to our State. Last year nearly 39 million visitors came to Las Vegas alone. These visitors come because Las Vegas continues its reign as the No. 1 trade show and convention destination in North America. Las Vegas hosts thousands of meetings and conventions annually and generates billions in revenue.

This translates into jobs. In Nevada, having a strong tourism industry means more jobs in my State. Las Vegas, Henderson, Lake Tahoe, and Reno have long been favorite recreation destinations for millions of visitors both domestically and more increasingly internationally.

The entire southern Nevada economy is heavily dependent on the hotel, gaming, and convention industry, which employs over one-quarter of the region's labor force. Plain and simple, tourism is the lifeblood for businesses and job creation in Nevada.

Right now Nevada leads the Nation in unemployment. Job creation is and continues to be my top priority.

It is no secret that politicians from Washington, DC, and this Administration have had a negative impact on the Las Vegas economy due to their words spoken publicly. For example, in 2009 attendance to conventions and meetings in Las Vegas fell by 13.6 percent. The following year attendance fell by another 7.2 percent. In total from 2009 to 2010 Las Vegas lost 1.4 million conventions attendees.

While I recognize it is unfair to blame the total decline on a few ill advised lines in a speech, there is no doubt that spoken words by politicians clearly have had an impact on the Las Vegas economy.

Las Vegas and the Great State of Nevada should not be political targets because of GSA's misconduct. Las Vegas is an excellent destination for conferences, and I am proud of my State's ability to entertain and accommodate businesses, organizations, and individuals from all over the world.

Again, while several congressional committees investigate this issue I would respectfully advise my colleagues that it was not the location that caused the misuse of taxpayer funds. The convention services my State offers are the best in the world, and no town in Nevada should be singled out due to the poor judgment by the GSA.

It is my hope that all of my colleagues will focus on the misconduct of the GSA and push for new initiatives that spur growth in the tourism industry instead of blaming Nevada for the mistakes of incompetent Government bureaucrats.

Thank you, Madam Chairman.

Senator BOXER. I am going to ask that we each have 7 minutes for our opening statement.

The latest misconduct at the GSA makes me cringe, cringe for the taxpayers who expect every agency in their Government to fulfill their mission with integrity. And it makes me cringe for the good people at GSA who work so hard every day and have been humiliated by a few bad actors.

To those who betrayed the public trust, let me be clear: the party is over. It is over because of GSA Inspector General Brian Miller, who is a bi-partisan appointee of President George W. Bush and President Barack Obama. And the party is over because of GSA Deputy Administrator Susan Brita, an Obama appointee who blew the whistle and took this matter to the Inspector General. And the party is over because the new Acting Administrator of GSA, Mr. Daniel Tangherlini, is a no-nonsense leader from the U.S. Department of the Treasury who aims to clean up this mess.

This is not the first episode of misconduct at the GSA. The Carter administration uncovered one in 1978 and 1979, when a nationwide investigation into longstanding corruption resulted in prosecutions for bribery, for fraud, and protections for whistleblowers in

the agency. Then there was more misconduct during the Bush administration. The first occurred when the chief of staff to the GSA Administrator traveled with Jack Abramoff to Scotland, even though Mr. Abramoff had business before the GSA. In 2011 this chief of staff went to prison.

In 2006 the Bush-appointed GSA Administrator steered a contract to a friend. And in 2007 she organized a political call with 30 appointees to "help her friends win their elections." That violated the Hatch Act. The Administrator repeatedly clashed with the Inspector General, this Inspector General, in one report comparing his enforcement efforts to "terrorism." She resigned in 2008.

And now here we go again in 2012, this time involving what clearly looks like waste, fraud, abuse, and possible criminal violations. The most recent example of misconduct involves a few individuals who sought personal gain and exhibited scorn toward the public and exhibited scorn toward our President.

There must be justice and restitution for this. And those who are responsible for this outrageous conduct and who violated the public trust must be held accountable.

The GSA Administrator resigned, and she should have. Two of her aides were fired, and they should have been. Others are on administrative leave, awaiting further action. The Acting Administrator and the IG at GSA, who we are very pleased to have before us today, are working closely together to ensure that anyone with more information comes forward; they have set up a hotline for that, and they have sent out the word.

Checks and balances on the regional offices have got to be put in place, and many have already. Many conferences, in my understanding, have been stopped or reduced in scope. And GSA estimates that nearly $1 million has been saved by the actions so far.

Regional financial offices must now report to the Chief Financial Officer. Awards programs have been shut down, and reimbursements are being demanded from specific employees. The outrageous behavior of a few irresponsible, unethical, and perhaps law breaking individuals are overshadowing GSA's achievements following President Obama's cost saving directives, focused on energy efficiency, reduced computing costs, and disposal of unneeded Federal property.

GSA offers critical services to all Federal agencies. But it is time to stop this series of failings that have occurred over four decades and over three Administrations. It is time to send the clearest of signals that this type of conduct and this kind of betrayal of the public trust will not be tolerated.

Anyone in any agency who puts their own interests above the country's interests will suffer the consequences. I really want to recognize the efforts to shine the light on the misconduct that took place at GSA. Mr. Miller, Mr. Tangherlini, thank you for taking Deputy Administrator Susan Brita's concern seriously and following through on your public trust. This Committee will support you and encourage you to clean house at the GSA.

And before I yield to my friend and colleague, let me put into the record an addendum that the Inspector General, Brian Miller, gave us, both sides of the aisle, today. But he didn't have the time to get it into his testimony. It goes through the various steps that he

believes should be taken at the GSA. The first one is centralizing the program and budget management. The second is centralizing agency information management.

The third is what he calls getting back to basics. GSA needs to refocus on its core mission, procurement and building operations. He said he found that many agency contracting personnel didn't understand fiscal law or the Federal travel regulations or were unaware of the existence of agency policies that directly governed their daily work. This is unacceptable, he writes, and I would agree.

Then he said, get out of the matrix. As the former GSA Administrator testified, GSA employee supervision is not presently linear, it is a matrix. Because many high level personnel report to two supervisors. Each supervisor can deflect supervisory responsibility onto the other, or claim to. And he says the matrix is really a sieve. And then he talks about requiring procurement accountability.

And he goes into the fact that the agency needs to make sure that everything that is done has accountability attached to it. I just want to thank the IG for this. It just shows what I think is so important about this hearing, and when Senator Inhofe asked me to hold it, what I was concerned about was that we would only do a look-back. We need to do a look-back and have justice served. But we need to look forward.

So I am very happy that we have this opportunity to have you here, so that we can talk about (A), how we hold people accountable and get to the bottom of the mess over there, but (B), how we move forward to make sure that we don't have a repeat of this nightmare that has now occurred over so many decades and so many Administrations.

I want to thank the two of you for being here today.

Is Susan here, Susan Brita? Could you stand? I just wanted to say—I personally am going to ask you to stand. I want to thank you so much that you had the courage to step out in what was a very difficult situation. Thank you.

Senator Inhofe.

[The referenced information follows:]

Testimony of IG Brian Miller
Addendum on Agency Improvements

To build on a familiar GSA theme as emphasized by previous Administrators, the agency needs to become "One GSA." One GSA, with top to bottom control and accountability should replace a system of diffused "matrix" management that has led to fiefdoms and feudal kingdoms. No Administrator should have to plead ignorance or weakness when the public trust is being abused. If the agency's senior leaders are going to be held accountable for the work of the agency -- and they will be as recent events show -- leadership must have the authority and tools for carrying out their responsibility. As it is, with senior regional leadership having two supervisors, accountability becomes divided and diffused. The supervisory matrix really becomes a sieve through which oversight is lost.

This is the problem with a weak CFO structure. One GSA accountable to the Administrator, as the WRC failures attest, also requires One CFO. When financial responsibilities are so dispersed they fall beyond the control of the CFO, there is no CFO -- and the Administrator is deprived of one of an agency head's lead reins to control spending and provide leadership over agency programs.

A theme of a unified GSA leads to a unified CFO and a unified CIO. Diffused information systems lead to redundancies, cost, and barriers that are inimical to the concept of accountability and transparency.

(1) Centralize program and budget management.

- The GSA's Chief Financial Officer's testimony before the Subcommittee on Economic Development, Public Buildings and Emergency Management of the House Committee on Transportation and Infrastructure indicated that the CFO is essentially a figurehead.
- The CFO should have direct authority over all regional and service budget offices (and should be the only employee with the title "CFO"). The OCFO should have visibility into all agency budgeting, down to the dollar level.

(2) Centralize agency information management.

- Likewise, the agency Chief Information Officer should have control over all agency information systems. Currently, it is not clear that the OCIO is even aware of the full list of the agency information systems that exist. The OCIO should have final authority to access and manage all systems.
- Despite the Inspector General Act's requirement that the IG is authorized "to have access to all records" of the agency that relate to the OIG's responsibilities, currently requests by the OIG for read-only access to agency information systems are often met with extraordinary delays (sometimes over a year) or are never fulfilled. Agency systems "owners" who fail to provide access to the OIG within fourteen days should be required to make an explanation of that failure to the Administrator, with a copy to the Inspector General, by the end of the fourteen-day period.

(3) Get back to basics.

- As the Acting Administrator has stated, GSA needs to re-focus on its core missions – procurement and building operations. We found that many agency contracting personnel did not understand fiscal law or the Federal Travel Regulation, or were unaware of the existence of agency policies that directly governed their daily work. This is unacceptable.
- The agency must separate its contracting function from its program functions. That is, the CO should not report to the program officer.

(4) Get out of the "matrix."

- As the former GSA Administrator testified, GSA employee supervision is not presently linear; it is a "matrix." Because many high-level personnel report to two supervisors, each supervisor can deflect supervisory responsibility onto the other, or claim to. The matrix is really a sieve.

(5) Require procurement accountability.

- Currently, agencies that violate the Anti-Deficiency Act must "report immediately to the President and Congress," as well as the Comptroller General, the facts surrounding each violation and the actions taken to remedy the problem. 31 U.S.C. § 1517(b). This same accountability requirement should be added to the Competition in Contracting Act, which requires that agencies "obtain full and open competition through the use of competitive procedures in accordance with the requirements of [CICA] and the Federal Acquisition Regulation." 41 U.S.C. § 3301(a)(1). This accountability would indicate that the agency takes seriously the concerns of businesses, particularly small businesses, that have not received a full and fair opportunity to compete for federal contracts.

OPENING STATEMENT OF HON. JAMES M. INHOFE, U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator INHOFE. Thank you, Madam Chairman. You had mentioned a comment made by Senator Reid. Let me just elaborate a little bit more on that.

I was surprised at people, when they say the fact that it was held in Las Vegas would have something to do with it; we are dealing with corrupt people here, Madam Chairman. And what happened in Las Vegas would just as likely happen if it were held in Chicago or New York or any place else.

Senator BOXER. Right.

Senator INHOFE. So I think it is totally unfair for people to somehow draw a line there.

I do thank you for holding the hearing. I have had a little history with this Committee. Before I came to the Senate in 1994, I spent 8 years on the committee over in the House. And it happened that we were the minority, but I was the ranking member on the GSA subcommittee.

And when you look at the overwhelming stuff they deal with, it is, if there is anyone who has a propensity to do something dishonest, that is where they ought to be. They deal with huge numbers. I have always been concerned about that, and there is a long history of this happening.

But I think this serious waste and abuse of the taxpayers' money, as well as possible fraud, and I understand the Office of the Inspector General, and I applaud the work that Brian Miller has done on this. It hasn't been easy; I know it has taken an awful lot of time. After the release of the IG report on April 3rd, I sent a letter to Chairman Boxer requesting that the Committee hold a hearing to look at the IG's findings. I also requested that both IG Brian Miller testify along with the Acting Administrator. So I want to thank you, Madam Chairman, for doing that.

In a way, this is not going to be—if there are any media here looking for what they saw yesterday, it ain't going to happen here. We have the two good guys here.

Senator BOXER. Right.

Senator INHOFE. So we are not going to be accusing anybody; we are just wanting to find out where we can go from here. I think it was articulated very well by the Chairman.

Of course, Mr. Tangherlini, you are kind of in a position where you are going to have to do some pretty uncomfortable things. But I know a little bit about you, and I think we have the right guy doing them.

The report describes a number of disturbing findings from the investigation. Some of the highlights were the GSA spending on the conference planning was excessive, wasteful, and in some cases impermissible. Travel expenses for the conference totaling over $100,000, just not believable. Catering costs, $30,000. The GSA failed to follow contracting regulations in many of the procurement associated with the WRC and wasted taxpayers' dollars. The GSA incurred excessive expenses for food, $146,000 on catered food, $5,600 on semi-private catered in-room parties. I mean, it goes on and on.

I think that I do want to have the whole statement, this has already been aired throughout the media. It is kind of interesting, this morning, Madam Chairman, I was on the 7 o'clock CNN, it was supposed to be on this subject. And we went through about 12-minute interview, they never even mentioned this. So I think people are getting a little tired of it already. Nonetheless, it is real, it is a problem; we are going to have to deal with it.

Since the release of the report, the GSA Administrator, Martha Jackson, has resigned, and the head of the Public Buildings Service and the Administrator's top advisor were fired. Further, there are 10 career employees who have been placed on administrative leave. These dismissals highlight the seriousness of the findings of the IG report.

I want to thank our counterparts in the House for their own responsible oversight, and again, thank the Chair for beginning our own oversight. And by the way, on the oversight, a lot of people, somebody was asking this morning on a radio show or something, why are you doing this? It is our constitutional duty. We have oversight responsibility. There is a reason that both the House and the Senate do, because the House and the Senate are often coming from different poles. It is something that we have to do; there is just not a choice.

I say beginning, because I believe that this goes beyond our one-time event. I am concerned that this type of waste has become an embedded part of the culture of the GSA. The conference occurred during a recession and after the President's executive order for an "efficient, effective and accountable Government" and calls for elimination of waste. One can only wonder what kind of wasteful spending would be incurred in a better economy.

As a Committee with oversight responsibilities over GSA and the Public Buildings Service, today I hope we can find out how this happened and examine the safeguards that GSA has put in place to prevent this from happening again. It would be prudent to continue oversight hearings in the future to ensure this culture of wasteful spending has come to an end. We have an opportunity to restore the public's trust.

And I think this goes beyond this. I remember when we were the majority, the Republicans were the majority, and I happened to be the Chair of the Subcommittee on Nuclear. They had not had an oversight hearing in 12 years. And they actually welcomed it. I don't think that any bureaucracy should go without oversight hearings. And I am going to recommend that we expand the number, I have not made a request for them, but I think this will perhaps put us in a position of where we will do that.

So I thank the Chair for holding the hearing and look forward to hearing from our excellent witnesses.

[The prepared statement of Senator Inhofe follows:]

STATEMENT OF HON. JAMES M. INHOFE,
U.S. SENATOR FROM THE STATE OF OKLAHOMA

Thank you, Madam Chairman, for calling this oversight hearing on GSA's Public Buildings Service 2010 Western Regions Conference. The IG report, released on April 2nd, highlights serious waste and abuse of taxpayer money as well as possible fraud. I understand that the Office of Inspector General received information on the

possible misuse of taxpayer money from a GSA employee, and I commend this staffer for stepping forward.

After the release of the IG report, I sent a letter to the Chair requesting that the Committee hold a hearing to look into the IG's findings. I also requested that the IG, Brian Miller, testify. So, I am pleased that you agreed to have this hearing and that Mr. Miller and the new Acting Administrator of GSA, Dan Tangherlini, are joining us today.

The report describes a number of disturbing findings from the investigation. Some of the highlights are:

• GSA spending on conference planning was excessive, wasteful, and in some cases impermissible

–Travel expenses for conference planning totaled $100,405.37, and catering costs totaled $30,000

• GSA failed to follow contracting regulations in many of the procurements associated with the WRC and wasted taxpayer dollars

• GSA incurred excessive and impermissible costs for food

–$146,537.05 on catered food and beverages (including $5,600 for three semi-private catered in-room parties and $44 per person daily breakfasts)

–$30,207.60, roughly $95 per person, for the closing reception and dinner

• GSA incurred impermissible and questionable miscellaneous expenses

–Mementos for attendees, purchases of clothing for GSA employees, and tuxedo rentals

• GSA's approach to the conference indicates that minimizing expenses was not a goal

–The PBS Region 9 Commissioner/Acting Regional Administrator instructed those planning the conference to make it "over the top" and to make it bigger and better than previous conferences. Several suggestions to minimize expenses were ignored

Since the release of the report, the GSA Administrator resigned, and the head of the Public Buildings Service and the Administrator's top advisor were fired. Further, 10 career employees have been placed on administrative leave. These dismissals highlight the seriousness of the findings in the IG report. I want to thank our counterparts on the House side for their own responsible oversight and again thank the Chair for beginning our own oversight. I say beginning because I believe that this goes beyond a one-time event. I am concerned that this type of waste has become an imbedded part of the culture at GSA. This conference occurred during a recession and after the President's Executive Order calling for an "Efficient, Effective, and Accountable Government" and calls for eliminating waste and enhancing transparency. One can only wonder what kind of wasteful spending would be occurring in a better economy. It is time to get at the root of these spending problems. While I appreciate the IG and Acting Administrator joining us today, it would be helpful if we could hear from some of those that were directly involved and find out how things have changed.

As the Committee with oversight responsibilities over GSA and the Public Buildings Service, today I hope we can find out how this happened and examine the safeguards GSA has put in place to prevent this from happening again. It would be prudent to continue oversight hearings in the future to ensure this culture of wasteful spending has come to an end. We have an opportunity to restore the public's trust and make certain that Federal agencies are acting in the best interest of the American people.

Again, I thank the Chair for holding this hearing and look forward to hearing from our witnesses.

Senator BOXER. Thank you very much.

Senator Cardin, followed by Senator Johanns, Senator Baucus; each will have 7 minutes.

OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, U.S. SENATOR FROM THE STATE OF MARYLAND

Senator CARDIN. Madam Chairman, first of all, thank you very much for holding this hearing, and I thank the Ranking Member. This is very important.

We all were shocked by the Inspector General's report revealing the shocking and shameful extravagant spending that the GSA Western Regional Service Division engaged in in 2010. I think it

is important to understand that this event is indicative of a culture of this agency that goes back many years. The Inspector General Miller and the Deputy Administrator that brought this problem to his attention should be commended for investigating this event, bringing this problem into the public eye and calling for reforms within the agency.

What is most important now is that Congress work with the agency to advance smart and thoughtful reforms. The fact is, GSA is vitally important to the function of the Federal Government. GSA makes sure that the Federal Government pays its rent on time, keeps the lights on in public buildings, manages Federal priorities, makes sure our Federal workers—like the scientists at FDA and social workers at VA, who are working hard for the public good—have the tools and resources they need to get the job done.

That said, I often do not agree with GSA's approach to its business. In April of last year I held a GSA oversight hearing, the first GSA oversight hearing this Committee had had in years, to examine GSA's management and service of Federal courthouses. I have been in meetings with GSA public officials to discuss prospective locations for Federal facilities where GSA unabashedly refers to the agency in which they are seeking the space for as the client. And they view themselves as the broker, much the way a private real estate firm hired to find office space for a private sector company would. This private sector perception pervades this public sector agency. I think it may have had its roots in GSA's problems.

Many colleagues often call for the Government to run more like a business. GSA takes pride in the incorporation of private sector sensibilities and practices into its work. There are some cues Government can take from the private sector in its operations and management that are valuable.

I would argue that GSA, in part, because of its function as a real estate and fleet manager and contracting agent is so similar to businesses in the private sector, has led to a total blurring of the line between what actions are appropriate for a public sector agency to engage in. Reforms that return perspective and accountability to GSA are in order. GSA's clients are the American people, not the Social Security Administration or the FDA or the National Science Foundation. And the American people are not shareholders; they are taxpayers. The extent of the wastefulness of taxpayers' dollars on the Western Regional Conference is shocking. Perhaps it is reflective of an agency tied so closely to the real estate and property management industry, having hired many business professionals along with their business practices from the private sector that the agency thinks it is perfectly acceptable to hold a convention similar to those in the private sector.

Suzy Khimm, an economic policy reporter for the Washington Post, published an interesting commentary piece for the Post on April 14th. Madam Chairman, I will submit the entire article for the record.

But let me just quote one sentence from her article: "The real aim of contracting services is ultimately neither to make money nor to spend it, but to achieve a greater good."

I hope this hearing will advance that greater good for our Nation and for our taxpayers.

[The referenced information follows:]

The Washington Post

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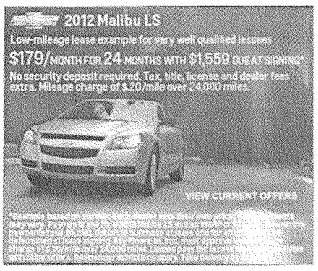
When bureaucrats go wild



By Suzy Khimm,

Free nights at the Ritz-Carlton, wine-braised short ribs, take-home swag — you could imagine all this being par for the course for an annual bash at Google, Exxon Mobil or another major corporation. When General Services Administration employees enjoyed such perks on the taxpayer's dime, however, it became a huge scandal.

But it shouldn't come as a surprise that some government employees have embraced the free-wheeling ways of the private sector. The business of government has become big business, as Washington has moved from providing direct services to the public to doling out private contracts.

It's a transformation that's happened over many decades — one intended to streamline the government by limiting the size of the federal workforce, boosting private industry's role and introducing innovations from the private sector. "Government should be citizen-centered, results-oriented and, wherever possible, market-based," said George W. Bush during his 2000 presidential campaign, and he attempted to follow through in office.

But in certain pockets of the federal government, the push for private-sector efficiency has been eclipsed by a gross imitation of private-sector excess.

This month, top officials at the GSA resigned after a regional office spent more than $800,000 on a single conference in Las Vegas — an event that included the services of a mind reader and a clown. The irony of the scandal is that it came from an agency whose very purpose centers on handing out government contracts. In the process of giving out the government's money, some GSA employees didn't think twice about spending it on themselves.

The size of the executive branch has remained close to 2 million workers since the end of the Vietnam War, with a low of about 1.78 million in 2000 and a high of 2.25 million in 1985, according to the Office of Personnel Management. But during that same period, "the federal budget has exploded, [and] things we deliver has expanded exponentially," says Paul Light, a professor at New York University who has written a book on the subject.

Rather than hiring more workers or using existing ones to carry out new federal activities directly — the way the government used to produce dentures for veterans, as Light recalls — Uncle Sam has instead doled out the money through the private sector. "The federal government should not compete against its citizens but rely on the commercial sector to supply products and services needed by the government," said a directive from the Office of Budget and Management in 1966.

That has created not only a proliferation of government contractors — private-sector employees who sometimes work side by side with federal workers — but also government contracts to arrange for all that spending. Amid this transformation, the GSA has become one of the government's most important middlemen: It's responsible for helping other agencies buy the goods and services they need, overseeing $66 billion in annual federal spending and government property worth $500 billion. As its former chief of staff John Phelps explained in a 2006 speech, "GSA may be the biggest federal agency you never heard of."

The GSA essentially sits on a big pile of government money that private companies bid for, putting the unassuming Bartlebys of the world in constant contact with its Gordon Gekkos.

Like other federal agencies, the GSA has been subject to past administrations' efforts to eliminate government waste. Perhaps the biggest recent change was Bush's 2001 directive to make government more like business through "competitive sourcing": identifying which government activities should be performed by the private sector and to force more competition between those bidding for the government's business.

In theory, at least, that kind of directive should have made the GSA more effective at its job. But rather than emulating the private sector's virtues, some officials at the agency ultimately adopted some of its vices, prioritizing quid pro quo relationships and equating lavish expense with power. Combined with the GSA's diffuse power structure — there are 11 largely autonomous regional offices — and history of mismanagement, it became the set-up for disaster.

The GSA's previous spending scandals were directly related to its contracting responsibilities: In 2006, the agency's former chief of staff, David Safavian, was convicted of obstruction of justice and perjury for his efforts to help purchase GSA properties for uber-lobbyist Jack Abramoff, who had accompanied him on a $150,000 golf outing. Two years later, Lurita Doan, then head of the agency, was forced out after she was accused of steering contracts to her friends and helping the Bush administration use the GSA for political gain.

Even the agency's attempts to clean up its image have backfired: The GSA chief who just stepped down, Martha N. Johnson, was under fire by Sen. Claire McCaskill (D-Mo.) last year for blowing hundreds of thousands of dollars on a privately contracted PR campaign.

These types of problems often surface at agencies that have "things that people want," says Earl Devaney, a former inspector general at the Interior Department. He should know: In 2008, he was the first official to reveal recent misconduct at the Minerals Management Service, where employees were found to be sleeping with oil and gas industry executives, using drugs at parties with them and accepting gifts from companies that contracted with the government.

This time, the GSA wasn't doling out contracts for another agency but for itself. As in previous scandals, it landed in trouble not simply for spending so much on the conference; according to its inspector

general, GSA officials also blithely ignored the government's contracting rules, gave free rooms to contracted employees and helped one contractor hired for the conference spend the agency's maximum, $75,000, for a single day's training.

The larger concern for government reformers is how all of this wheeling and dealing may be diminishing the sense of purpose in some agencies. The real aim of contracting services is ultimately neither to make money nor to spend it, but to achieve a greater good. "It's watering down the culture of public service," says Light, the NYU professor.

Legislators have vowed to get to the root of the problem, with four congressional hearings scheduled for this coming week. But Light worries that the over-the-top aspects of the latest GSA scandal could overshadow the proceedings.

"We never fixed the core problems before because they're boring," Light says. "It's much more fun to haul in the clown in front of the Homeland Security and Government Affairs Committee and ask, 'So, what did you do for your $8,000?' "

Suzy Khimm covers economic policy reporter for The Washington Post and writes for The Post's Wonkblog.

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[The prepared statement of Senator Cardin follows:]

STATEMENT OF HON. BENJAMIN L. CARDIN,
U.S. SENATOR FROM THE STATE OF MARYLAND

Thank you, Madam Chairman, for holding this hearing. The need for a thoughtful explanation of the investigation into GSA's conduct and spending in the Western Region is absolutely necessary as Congress weighs appropriate actions to take to reform the agency.

The findings of the Inspector General's report reveal the shocking and shameful extraneous spending that GSA's Western Regional Service divisions engaged in to hold its 2010 Western Regional Conference in Las Vegas, Nevada.

The subversion of procedure as a means of inflating costs in order to provide a lavish experience for participants, as evidenced by the exorbitant cost of line items in the budget, is offensive.

I think it is important to understand that this event is indicative of the culture of this agency that goes back many years.

Inspector General Miller and the Deputy Administrator that brought this problem to his attention should be commended for investigating this event, bringing this problem into the public eye, and calling for reforms within the agency.

What's most important now is that Congress work with the agency to advance smart and thoughtful reforms and not just browbeat the administration responsible for uncovering a problem within one of its agencies.

The fact is GSA is vitally important to the function of the Federal Government. GSA makes sure the Federal Government pays its rents on time, keeps the lights on in public buildings, manages Federal properties, makes sure our Federal workers—like the scientists at the FDA and social workers at VA who are working hard for the public good—have the tools and resources they need to do their jobs.

That said, I often do not agree with the GSA's approach to its business. In April of last year I held a GSA oversight hearing, the first GSA oversight hearing this Committee had held in years, to examine GSA's management and service of Federal courthouses.

I've been in meetings with GSA public buildings officials to discuss prospective locations for Federal facilities where GSA unabashedly refers to the agency in which they are seeking space for as the "client," and they view themselves as the broker, much the way a private real estate firm hired to find office space for a private sector company would. This private sector perception pervades this public sector agency, and I think it may be at the root of GSA's problems.

Many colleagues often call for Government to run more like a business. GSA takes pride in the incorporation of private sector sensibilities and business practices into its work, and there are some cues Government can take from the private sector in its operations and management that are valuable.

I would argue that GSA, in part because its function as a real estate and fleet manager and contracting agent is so similar to businesses in the private sector, has led to a total blurring of the lines between what actions are appropriate for a public sector agency to engage in.

Reforms that return some perspective and accountability to GSA are in order. GSA's clients are the American people, not the Social Security Administration, or the FDA, or National Science Foundation. And the American people are not shareholders; they are taxpayers.

The extent of the wastefulness of taxpayer dollars on the Western Regional Conference is shocking, but perhaps it's reflective of an agency tied so closely to the real estate and property management industry, having hired many business professionals along with their business practices from the private sector, that the agency thinks it's perfectly acceptable to hold a convention similar to those in the private sector.

Suzy Khimm, an economics policy reporter for the Washington Post, published an interesting commentary piece for the Post on April 14th. I will submit her full piece for the record, but I think this excerpt sums up the issue and the challenge we, as legislators, face nicely:

"Like other Federal agencies, the GSA has been subject to past administrations' efforts to eliminate government waste. Bush's 2001 directive to make government more like business through 'competitive sourcing': identifying which government activities should be performed by the private sector and to force more competition between those bidding for the government's business.

"In theory, at least, that kind of directive should have made the GSA more effective at its job. But rather than emulating the private sector's virtues, some officials

at the agency ultimately adopted some of its vices, prioritizing quid pro quo relationships and equating lavish expense with power.

"The larger concern for government reformers is how all of this wheeling and dealing may be diminishing the sense of purpose in some agencies. The real aim of contracting services is ultimately neither to make money nor to spend it, but to achieve a greater good."

Senator BOXER. Thank you, Senator.

Senator Johanns.

OPENING STATEMENT OF HON. MIKE JOHANNS, U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator JOHANNS. Madam Chair, thank you very much. Let me thank the Ranking Member and the Chair for holding this hearing. I appreciate the attendance of the witnesses today.

I am going to be very, very brief. I am looking at the clock, and I have an ag members meeting in about a half an hour. I am hoping to be here long enough to hear your testimony, and if I have questions following that I will probably submit those questions in written form for the record.

But let me offer just a couple of thoughts. First of all, to the people who have been involved in bringing this to light, we thank you for that. I have to imagine if this happened at this conference there are other issues out there. I can't imagine that this was just an isolated incident.

My experience with Federal employees is that the vast, vast majority of Federal employees are there working hard, they want to do the right thing, they want to follow the rules. They don't want to get themselves into the kinds of problems we see today. That is the vast majority of Federal employees.

Unfortunately, circumstances like this really cast things in a very poor light. And I might add, appropriately so. These expenses and what you see here in the record is really amazing. I mean, really astounding.

My interest is going to be today and going forward the question of what are you putting in place to change the structure and the culture of how GSA operates. Oftentimes GSA is the piece of the Federal Government that interfaces with the public. They are out there working to negotiate contracts and that sort of thing, doing the work that they are empowered to do. So it is just critically important that whatever happens from here forward, we have something put in place that puts this agency on the right path, gives them the right direction, sets the right course, changes the culture so some Senate member is not back here in 5 or 10 or 15 or 20 years going through the same things again.

So I am so anxious today to hear from the witnesses. I have not had time to study the addendum, but I appreciate the fact that you are putting out ideas on how we can deal with this in the future. My hope is that following this hearing there might even be an opportunity to do some individual visits with Senators to say, this is what we are thinking about, this is the direction we think this agency needs to go forward.

With that, again, Madam Chair, thanks for having the hearing.

Senator BOXER. Thank you so much, Senator.

Senator Baucus, followed by Senator Barrasso.

OPENING STATEMENT OF HON. MAX BAUCUS, U.S. SENATOR FROM THE STATE OF MONTANA

Senator BAUCUS. Thank you, Madam Chairwoman.

Thomas Jefferson once said, when a man assumes a public trust, he should consider himself public property. What galls me about this is, this waste, the extravagance, in contrast with a lot of people I met at home, in my State, during this last recess, who are struggling to make ends meet.

For example, in eastern Montana, there is something called the Bakken Formation. It is heavily impacted by all the gas development. The police force is stretched so thin, they can't begin to deal with all the issues. Police officers start at $40,000, their salary is $40,000 a year. And then they see $800,000 spent, and wonder, what is going on here?

The little town of Culbertson I visited, they are scratching to try to get money for a sewage system, trying to piece it together here and there. When they see this waste, they wonder, what, we could use that $800,000 for a sewage system in our little town. Otherwise, we can't afford it, we can't finance it.

In the little town of Ingomar, Montana, it's very small, population about two hands; they are trying to save their post office. The rent is $700 per month for that post office. And they see $130,000 for eight pre-conference trips to Las Vegas. It is just galling. It is absolutely galling when you see what the dollars could otherwise be spent for—and for legitimate purposes—where people are really struggling.

I will just tell you, I think Senator Cardin touched on it, Senator Johanns, and I agree with them, there is something rotten in Denmark. Something is not quite right here. It is not just this. There has to be a lot more. And I very much credit you, Mr. Tangherlini, for taking over here. I have a lot of trust in you. I think you are the kind of guy who is going to straighten all this out.

But it is going to take a lot of work, a lot of work. And it can't be something you can just deal with, not only paper over, but just kind of do it moderately, you can't do that. You've got to go to the core and get this thing, really, the culture problem rooted out at GSA. I just thank you so much, Madam Chair, for this hearing. I just urge you and demand of you, almost, as a person working for 1 million people, that this is what they want. This is what my employers want. I work for all those folks I talked about; you work for all those folks I talked about. Everybody at GSA does. That is the public trust that we have to honor.

Senator BOXER. Thank you very much, Senator.

And now we are going to turn to Senator Barrasso.

OPENING STATEMENT OF HON. JOHN BARRASSO, U.S. SENATOR FROM THE STATE OF WYOMING

Senator BARRASSO. Thank you very much, Madam Chairman. Thank you also, Senator Inhofe, for holding this hearing.

I want to thank the Inspector General and his team of special agents involved in this investigation. I agree with what Senator Baucus has said and what we have heard from Senator Johanns. This investigation, it has exposed the waste, the fraud, and the abuse that the American people really resent so much. This hear-

ing isn't about where this wasteful conference took place; it is really about arrogance and abuse of power.

You look at the mission of the GSA's Public Buildings Service, to provide superior value, it says, superior value to the American taxpayer. The GSA Western Region Conference was a blatant disregard for the hard working taxpayer of this country. There was a systematic failure to follow the law and abide by the procedures to spend taxpayer dollars appropriately.

These events did not occur as a result of lack of controls; these actions occurred because of a culture, a culture of excess within the GSA and a lack of respect for the rules and the regulations and the needs of the taxpayers of this country, a country with $15 trillion in debt. You run through the list of $6,300 for coins in velvet boxes, $9,000 conference yearbook, $58,000 audio visual services, and $136,000 pre-conference scouting trips plus a clown, a mind reader; the GSA employees involved in this incident have broken whatever small amount of trust that the American people may still have had with this Government.

And it is not just the excesses that have angered so many. It is also the way in which GSA has conducted business. It has used deceptive tactics to get around the rules, to hide the true costs of the conferences. The Inspector General has found that the GSA provided contracts to vendors that undercut competition by disclosing other bids, that the GSA violated contracting rules by awarding sole source contracts to vendors. Your report found that the contracts in some cases violated set-asides for small business. You can go on and on and on.

The Administrator has resigned, two senior GSA officials have been fired, 10 individuals have been put on administrative leave. But that is not enough. The taxpayers demand more. A few ceremonial terminations and shuffling employees into new positions or departments are not enough. I understand Jeff Neely, who is at the center of this investigation, is on administrative leave and is still getting paid. Mr. Neely and those who planned the conference knowingly defrauded the American people so they could throw a party on someone else's credit card. This is unacceptable. We demand that those individuals, we must demand that those individuals be held accountable for their actions.

This, I believe, is just the tip of the iceberg, and I hope the Committee conducts additional oversight hearings on the excessive GSA spending.

Madam Chairman, thank you so very much for holding the hearing. I look forward to hearing from the witnesses and more from them in the future.

Senator BOXER. Thank you very much, Senator.

Senator Boozman.

OPENING STATEMENT OF HON. JOHN BOOZMAN, U.S. SENATOR FROM THE STATE OF ARKANSAS

Senator BOOZMAN. Thank you, Madam Chairman.

In the interest of time, I think I would just like to associate myself with the remarks of my colleagues. I appreciate your leadership and Senator Inhofe's leadership. We have our differences in the Committee, but I think this is something that we are all united

on, going forward and finding out exactly what has happened and punishing those who are at fault. Then also put in the safeguards, so importantly, so this won't happen in the future.

With that I yield back. Thank you.

Senator BOXER. Thank you so much. Both Senator Inhofe and I appreciate that.

Now we are going to turn to the Inspector General first; is that all right with you, Mr. Tangherlini? All right.

STATEMENT OF HON. BRIAN D. MILLER, INSPECTOR GENERAL, U.S. GENERAL SERVICES ADMINISTRATION

Mr. MILLER. Good morning, Chairman Boxer, Ranking Member Inhofe, members of the Committee. Thank you for the opportunity to be here today.

While my report details what went wrong at GSA in connection with the Western Regions Conference, I would like to take a moment to focus on what went right. The system worked; the excesses of the conference were reported to my office by a high ranking political appointee. And our investigation ensued. No one prevented us from conducting that investigation or obstructed what turned out to be a lengthy investigation.

As each layer of evidence was peeled back, we discovered that there was more to look into. So our investigation continued.

While some have suggested that the investigation took too long to produce the final report, anyone familiar with law enforcement investigations understands that when you turn over one stone, you often find more stones that need to be turned over as well. Most people understand the need to be careful and certain before making public allegations such as those contained in the report. Because careers and reputations are on the line, and my office does not take that lightly.

Moreover, the GSA Administrator ultimately had control over the date on which this report was released, because it was the Administrator's response to the final report that triggered its public release.

The system also worked in that people responsible for the conduct detailed in my report are being held accountable. It is my understanding that after the White House received the final report, the Administration took swift action. A new Acting Administrator was appointed, senior officials were fired and one resigned.

Finally, the system has been strengthened by the release of the report. The public attention it received in the media and from both Houses of Congress and the strong commitment to our efforts demonstrated by the Acting Administrator, Dan Tangherlini, while not one of many career employees and political employees who were involved in the Western Regions Conference ever came forward and reported the waste and abuse that occurred, perhaps for fear of reprisal, GSA's honest, hard working employees now have been empowered to bring issues to our attention, and they are doing so. We have more work than ever.

I look forward to answering all of your questions. Thank you.

[The prepared statement of Mr. Miller follows:]

Statement of the Honorable Brian D. Miller

Inspector General

General Services Administration

Committee on Environment and Public Works

United States Senate

APRIL 18, 2012

Chairman Boxer, Ranking Member Inhofe, members of the Subcommittee, I thank you for inviting me to testify here today. As you know, on April 2, 2012, the General Services Administration Office of Inspector General (GSA OIG) published a report regarding GSA mismanagement of its Western Regions Conference in the fall of 2010.

It may be very difficult to find among all the bad news and repugnant conduct, but there is at least a glimmer of good news. The oversight system worked. My office aggressively investigated, audited, interviewed witnesses, and issued a report. No one stopped us from writing the report and making it public. Based on the final report, swift action has been taken, hearings have been scheduled, and the whole ugly event now lay bare for all to see. Justice Brandeis said that sunlight is said to be the best of disinfectants.

Almost every federal agency has an inspector general, someone watching and reporting fraud, waste, and abuse of taxpayer dollars. Congress recently strengthened Offices of Inspectors General so that we can better perform our oversight work. We are often the last resort for protecting taxpayer dollars -- unfortunately catching the fraud, waste, and abuse after the money is spent. More needs to be done to establish early warning systems. This is why Acting Administrator Tangherlini and I recently reminded GSA employees to alert us as soon as they see anything wrong. The Western Regions Conference could only occur in an environment where the best lack all conviction while the worst skirt the rules.

Benjamin Franklin warned us at our Nation's founding: "There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government." Those tempted to engage in fraud, waste, and abuse need to know they will be caught. The ultimate deterrence against fraud, waste, and abuse is criminal prosecution. We frequently partner with the Department of Justice in civil and criminal cases.

The GSA Office of Inspector General has about 300 employees to oversee an agency of over 12,000 employees, who are responsible for almost $50 billion in civilian contracts, most federal buildings, and the federal automotive fleet. Despite the ratio of IG personnel to GSA personnel, our office has achieved over $6.5 billion in savings to the taxpayer since 2005. In 2008, GAO found that the GSA OIG had an average return of $19 dollars per dollar budgeted (GAO Report 09-88, 2008).

Our special agents, forensic auditors, and lawyers deserve the recognition for this report. But our office and other Offices of Inspectors General produce great work like this day after day. My own office has issued numerous audit reports relating to GSA's construction and renovation contracts under the Recovery Act. We discovered and investigated eleven federal property managers and contractors taking bribes and kickbacks. All eleven are now convicted. Criminals selling counterfeit IT products were caught and convicted, and are now serving time in federal prison, because of the work of our office and other law enforcement agencies. Federal contractors have paid back hundreds of millions of dollars, because of our audits. Most recently, Oracle paid $199.5 million to settle False Claims Act allegations.

The core mission of GSA is to provide low cost goods and services. When GSA wastes its own money, how can other agencies trust it to handle the taxpayer dollars given to them? GSA also has the sole responsibility for the Federal Travel Regulation, which governs travel and conference planning by agencies across the executive branch. 5 U.S.C. § 5707(a)(1). As detailed in my office's report, in putting on the Western Regions Conference, GSA committed numerous violations of contracting regulations and policies, and of the Federal Travel Regulation. This is of special concern because other federal agencies need to be able to look to

GSA as a model of how to conduct their contracting and procurement efforts, and manage their travel and conference planning.

In attempting to model the entrepreneurial spirit of a private business, some in the Public Buildings Service seemed to have forgotten that they have a special responsibility to the taxpayers to spend their money wisely and economically. While a private business may use its profits to reward employees in a lavish fashion, a government agency may not. Even so, this report should not obscure the fact that thousands of GSA employees work hard and do a great job for the American taxpayers. It is only a minority of employees that are responsible for this debacle.

In preparing the Western Regions Conference report, numerous dedicated professionals from throughout the OIG worked long hours to ensure that the report was accurate and that it drew no conclusions beyond those fully supported by the evidence. My office continued to receive documents relating to this report as late as this January. We are still receiving documents relating to ongoing investigations. It is my hope that these efforts will enable GSA to improve its contracting and conference planning practices in the future, so that GSA may not only be a better steward of taxpayer dollars, but act as a leader within the federal government in efficient procurement and conference planning.

I thank you for an opportunity to discuss this important work of the OIG with the Committee. I request that the attached report and this statement be made part of the record, and I welcome your questions.

Office of Investigations
Office of Inspector General
U.S. General Services Administration

Management Deficiency Report:
General Services Administration
Public Buildings Service

2010 WESTERN REGIONS CONFERENCE

April 2, 2012

U.S. General Services Administration
Office of Inspector General

April 2, 2012

MEMORANDUM FOR MARTHA N. JOHNSON
ADMINISTRATOR (A)

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: Final Management Deficiency Report
Public Buildings Service

Our final management deficiency report on the Public Buildings Service 2010 Western Regions Conference is attached. We will publish the report with your response concurring with our recommendations and outlining the steps you are taking to prevent such waste and abuse from occurring in the future.

Thank you for all the assistance and courtesies extended to our staff during this review. Should you have any questions or require additional information, please contact me or have a member of your staff contact Assistant Inspector General for Investigations Geoff Cherrington on (202) 501-0035.

Attachment

1800 F Street, NW, Washington, DC 20405

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EXECUTIVE SUMMARY

The Public Buildings Service (PBS) of the General Services Administration (GSA) held its biennial Western Regions Conference (WRC), which had approximately 300 attendees, in October of 2010, at the M Resort Spa Casino (M Resort) just outside Las Vegas, Nevada. The GSA Deputy Administrator requested that the GSA Office of Inspector General (OIG) investigate allegations of possible excessive expenditures and employee misconduct in connection with the 2010 WRC.

The OIG found that many of the expenditures on this conference were excessive and wasteful and that in many instances GSA followed neither federal procurement laws nor its own policy on conference spending. Conference costs included eight off-site planning meetings and significant food and beverage costs. The total cost of the conference was over $820,000, broken down as follows:

Phase	Description	Costs
Pre-Conference	Travel, Catering, Vendors, and Other Hotel Costs	$136,504
Conference	Travel, Catering, and Vendors	$686,247
TOTAL		**$822,751**

Our findings included the following:

- **GSA spending on conference planning was excessive, wasteful, and in some cases impermissible.** To select a venue and plan the conference, GSA employees conducted two "scouting trips," five off-site planning meetings, and a "dry run." Six of these planning events took place at the M Resort (the conference venue) itself. Travel expenses[1] for conference planning totaled $100,405.37, and catering costs totaled over $30,000. GSA spent money on refreshment breaks during the planning meetings, which it had no authority to do, and the cost of catered meals at those meetings exceeded per diem limits.

- **GSA failed to follow contracting regulations in many of the procurements associated with the WRC and wasted taxpayer dollars.** GSA actions included:

  - Disclosing a competitor's proposal price to a favored contractor;
  - Awarding a $58,000 contract to a large business in violation of small-business set-asides;
  - Promising the hotel an additional $41,480 in catering charges in exchange for the "concession" of the hotel honoring the government's lodging cost limit;
  - Providing free rooms to a contractor's employees even though the contract cost included lodging; and

[1] "Travel costs" or "travel expenses" as used in this report include per diem, lodging, and transportation costs.

- Disclosing to the team-building contractor the agency's maximum budget for one day of training, then agreeing to pay the contractor that amount ($75,000).

- **GSA incurred excessive and impermissible costs for food at the WRC.** GSA spent $146,527.05 on catered food and beverages during the WRC. That spending included $5,600 for three semi-private catered in-room parties and $44 per person daily breakfasts. GSA also paid $30,207.60 – or roughly $95 per person – for the closing reception and dinner; attendees at that dinner included 27 guests of GSA employees and seven contractor employees. GSA obtained repayment for guests' meals, but only for 23 of the guests and not for the entire cost of the meal.

- **GSA incurred impermissible and questionable miscellaneous expenses.** These expenses included mementos for attendees, purchases of clothing for GSA employees, and tuxedo rentals.

- **GSA's approach to the conference indicates that minimizing expenses was not a goal.** The PBS Region 9 Commissioner/Acting Regional Administrator instructed those planning the conference to make it "over the top" and to make it bigger and better than previous conferences. Several suggestions to minimize expenses were ignored.

GSA, in its management response, concurred with our recommendations and outlined the steps it is taking to prevent future waste and abuse.

SUMMARY OF INVESTIGATION

BACKGROUND

PBS Regions 7, 8, 9, and 10 (covering the western half of the United States) have held the WRC since the early 1990s and now hold it every other year. The conference typically includes about 300 people, selected from the participating regions' thousands of employees. The WRC's purpose has been described variously by different PBS officials as principally offering training in job skills; an exchange of ideas between the "higher-ups" in the four regions; and a combination of those things.

The 2010 WRC, which took place from October 25 through October 29,[2] was hosted by Region 9. PBS chose "A Showcase of World-Class Talent" as its theme; the conference was to "celebrate, share, and showcase the diverse professional and personal talents of GSA associates." GSA considered this theme a good match for the Las Vegas location, which, as GSA stated, has long "been a destination for talented musicians, dancers, magicians and showmen" to "showcase their talents to the international audience Las Vegas attracts." GSA created an internal website with information on the conference, including pictures and videos of conference events, which was taken down on March 23, 2012.

The GSA Deputy Administrator requested that the OIG investigate allegations of possible excessive expenditures and employee misconduct in connection with the 2010 WRC. The allegations included concerns with the team-building exercise, donation of bicycles to charity, and the costs of the conference. In reviewing these allegations, the OIG conducted interviews and reviewed contract files, correspondence, invoices, and other documents related to the WRC. On May 3, 2011, the OIG provided GSA management an interim presentation communicating many concerns regarding the WRC. The M Resort provided the most recent set of documents on January 13, 2012. Investigations are ongoing regarding a number of issues addressed in this report.

EXCESSIVE SPENDING ON CONFERENCE PLANNING

GSA held eight scouting and off-site pre-conference meetings, costing over $130,000, to plan this conference. Six were held at the conference site. Below we discuss the pre-conference planning trips and their cost.

GSA published a notice of its planned procurement on February 2, 2009. The subsequent conference planning meetings included the following:

March '09	Five GSA employees conducted a "scouting trip" to visit nine Las Vegas-area hotels.
March '09	Fifteen GSA employees returned to visit two of the nine hotels again, staying at the M Resort and the Ritz-Carlton.

[2] The morning of Monday, October 25, and all of Friday, October 29, were travel days.

August '09	Seven GSA employees stayed at the M Resort for a planning meeting.
November '09	A second WRC planning meeting, attended by 11 GSA employees, was held at the M Resort following Region 9's leadership council meeting.
March '10	Sixteen GSA employees stayed at the M Resort again for a planning meeting.
June '10	Nine GSA employees attended another planning meeting, this one at a Marriott Hotel in Denver, Colorado.
August '10	Twenty-one GSA employees attended a conference planning meeting at the M Resort.
October '10	Thirty-one GSA employees traveled to the M Resort for a "dry run" of the conference to be held later that month.

These off-site meetings cost the government over $130,000, including:

- A total of $100,405.37 in employee travel costs.
- Significant spending on catered food and beverages during the various pre-conference trips to the M Resort, totaling over $30,000 for the scouting trip, four pre-planning meetings, and dry run. These charges included $57.72 per head lunches ($44 for lunch plus beverages and a 22% gratuity) and $48.80 breakfasts ($40 plus a 22% gratuity).
- Other expenses, such as audio-visual services and printing costs.

IMPROPER CONTRACTING

GSA failed to follow contracting regulations in many of the procurements associated with the WRC and wasted taxpayer funds. Below we discuss (1) the original solicitation and agreement with the hotel, (2) the revised hotel agreement, (3) the contract to provide a team-building exercise, and (4) the contract for audio-visual services.

Original Solicitation and Agreement with M Resort

On February 2, 2009, PBS posted on the Federal Business Opportunities website a combined synopsis and solicitation for its proposed acquisition of hotel space for the WRC. The solicitation sought proposals for single-occupancy sleeping rooms and meeting space during three possible date ranges, the preferred range being October 25-28, 2010. It specified that a "Cyber Café Room" and a conference-style office for 20 people must be available from Sunday through Friday, and that Monday through Thursday GSA required a conference room that would hold 275-300 people. The solicitation also described food and beverage requirements. This included a cash bar on Monday evening, a closing dinner on Thursday evening, breakfast and "AM/PM Breaks" Tuesday through Thursday, and a lunch on Wednesday. The solicitation also requested that offerors provide their price lists for food and "indicate discount off menu prices, if applicable." The acquisition was open to hotels in Las Vegas and the commuting area of McCarran Airport with both sleeping rooms and meeting rooms, and which could offer lodging rates "within prevailing Government per diem (currently $105.00/night)."

Role of Location Solvers

Immediately after posting the solicitation on the Federal Business Opportunities site, a GSA national event planner sent a copy of it to the sales representatives of national hotel chains and to Location Solvers, a private company that assists organizational clients in finding venues for conferences. Location Solvers then informed the M Resort and other independent Las Vegas hotels about GSA's interest in acquiring a conference facility.

In making its proposal, the M Resort contacted GSA through Location Solvers; Location Solvers also assisted GSA in negotiating pricing and other terms of the agreements for the various trips GSA employees made to the M Resort. In exchange for these services, Location Solvers received a $12,601.50 commission from the M Resort. The M Resort's willingness to pay over $12,000 as a finder's fee strongly indicates that further discounts might have been available to GSA if GSA had contacted the hotel directly, rather than working through Location Solvers. Since GSA already employs several full-time event planners, the use of Location Solvers seems redundant and wasteful.

Original Agreement

GSA first entered an agreement with the M Resort on May 8, 2009. The agreement was signed by a national event planner, who had a contracting officer's warrant limited to $100,000. That agreement did not comply with the Federal Acquisition Regulation. Weaknesses included the following:

- That agreement required GSA to pay a $50,000 fee if the event were cancelled. That fee increased to $200,000 (which is above the event planner's warrant) if cancellation occurred after May 1, 2011. Exclusive of lodging costs, which were to be paid by individual employees, the original projected cost was $92,720; the final cost was $153,975.60.

- The agreement was missing many clauses that statutes and regulations required to be included in contracts with the federal government.

- Although the solicitation stated the government-approved lodging rate was subject to change, the agreement set forth a nightly lodging rate of $105, without noting the approved rate might change.[3]

Revised M Resort Agreement

One month before the conference itself, on September 21, 2010, a contracting officer with a $10 million warrant (rather than the event planner, who had a $100,000 warrant) signed a revised

[3] As discussed later, the government-approved lodging rate dropped to $93, which led to GSA making numerous "concessions" to the hotel to obtain the lodging price reduction.

agreement with the M Resort. That agreement stated that the standard commercial agreement terms mandated by the Federal Acquisition Regulation took precedence over the M Resort's own standard terms and reduced the nightly rate to $93, because the federal rate ceiling had dropped after GSA signed the initial agreement. Because regional officials did not inform the recently assigned contracting officer that GSA had published a solicitation in February 2009, he prepared a written justification for procuring facilities from the M Resort on a sole-source basis – without advertisement or competition. He argued that it was "a very time sensitive procurement" and that it would have been too costly "to review each and every site." That a contracting officer prepared a sole-source justification for a procurement that was in fact advertised is indicative of the carelessness of GSA's planning of the conference.[4]

Contract for Team-Building Exercise

GSA awarded a $75,000 contract to Most Valuable Performers (also known as Delta4) to provide a morning team-building exercise during the conference, followed by an afternoon bicycle-building project that would use the new teamwork skills. As part of the contract, the vendor purchased the 24 bikes used for that project. That contract suffered from significant irregularities:

- A GSA program director told the vendor that its initial offer of almost $125,000 was too high. At the vendor's request, the program director disclosed that GSA's maximum budget for one day of team-building training was $75,000. GSA then awarded the contract at this price.

- The goal of the bicycle-building project was that employees would work together in an act of service to those in need.[5] Therefore, GSA officials wanted participants to see the bicycles donated to the children of the local Boys' and Girls' Club during the conference. However, if the government acquires property, it may only dispose of that property pursuant to the Federal Surplus Property Donation Program – created by GSA itself to enable all federal agencies to comply with the Property Act. In order to avoid the requirements of the Property Act, GSA specified that the bicycles would remain at all times the property of the team-building provider. Even though GSA specified the bicycles were the property of the provider, GSA selected the recipient of the bicycles (from a list provided by the vendor); this action appears inconsistent with the assertion that the vendor owned the bicycles.

[4] In addition, federal conferences may only be held at a hotel that is on FEMA's list of Fire Safety Act-approved accommodations. The M Resort is not. Although the solicitation posted on Federal Business Opportunities required that the venue comply with this requirement, GSA's eventual contract with the M Resort was silent on the subject. This requirement may be waived, but we found no evidence of a waiver.

[5] One employee suggested that if GSA wished to indicate its commitment to service, employees should voluntarily work on a service project after work hours rather than on the clock; this suggestion was ignored.

Contract for Audio-Visual Services

GSA awarded Royal Productions a $58,808 contract[6] for audio-visual services. The flaws in this procurement included the following:

- Prior to selecting a vendor for these services, GSA was required to publish a solicitation on Federal Business Opportunities, but did not do so.[7]

- Federal regulation also provides that contracts in this dollar amount are "reserved exclusively for small business concerns." Royal Productions is not a small business for purposes of this type of contract.

- GSA personnel provided the quote from the competing offeror for the audio-visual contract to Royal Productions, enabling it to present a winning bid. Disclosing source information is prohibited.

- GSA paid the housing expenses of Royal Productions employees twice. Royal Productions' contract included $1,962 for "technical crew housing," comprised of $110 per night for three rooms at six nights each. However, GSA *also* provided the Royal Productions crew with twenty room-nights (four rooms for five nights each) out of its "comped" rooms. (The M Resort contract provided for one free room-night for each 50 paid room-nights.) Had GSA not provided these rooms to the Royal Productions employees, it could have used them for GSA employees, reducing the cost by $1,860 (twenty room-nights at $93 each).

EXCESSIVE SPENDING ON FOOD

GSA expenditures on food, as provided for in the contract and in actuality, were excessive, and in several cases, impermissible.

Contract Provisions Regarding Food

GSA's original contract with the M Resort included a food and beverage minimum of $76,000, exclusive of gratuity – which was set at 22%. However, in September of 2010, GSA contacted the M Resort seeking a reduction of the nightly room rate to the new government rate of $93. Recognizing that "this would in essence cost the hotel $16,800.00," GSA offered the hotel "concessions." These included increasing the food and beverage minimum to $110,000 ($134,200 with gratuity), which included adding a cocktail reception before the Thursday night

[6] This amount was later increased by $3,000.

[7] GSA took disciplinary action against an employee in connection with this failure.

dinner and a catered breakfast on Friday morning. GSA also advised the hotel that "[o]ur host[8] is having a post function wrap up party in his loft suite after dinner Thursday bringing in approximately $2K to the room service team." As an additional concession, GSA said it would attempt to book another event at the hotel in March 2011, noting that "GSA absolutely loves this property" and "would gladly share any future leads with M Resort."[9]

The government may not enter into contracts without determining that pricing is fair and reasonable. A month before the conference, the contracting officer sent regional personnel an email asking whether they had negotiated the food pricing, or determined that the prices were fair and reasonable. He also noted that the breakfasts cost $34 or more, while employees' allowances for breakfast are much lower ($12 for Las Vegas). The regional event planner responded that GSA had simply accepted the hotel's menu prices that any customer would have paid, as "[w]e used the . . . increase" in catering costs to "justify" the hotel honoring the government lodging rate.

Rules Governing Food Expenditures

A brief summary of the rules governing food expenditures follows. As discussed below, many of the GSA food expenditures violated these rules or were otherwise questionable.

- Federal employees traveling for work are paid for their lodging costs plus a fixed amount for meals ("per diem"). In 2010, the meal and incidental expenses allowance for Las Vegas was $71 per day. If the government provides employees with meals, they must deduct a portion of this amount: $12 for breakfast, $18 for lunch, and $36 for dinner. Employees attending the WRC were instructed beforehand to make these deductions for the meals provided, and most of them did so.

- GSA policy states that if conference planners use a contract to purchase meals for employees (rather than allowing employees to find their own meals), the contract pricing may not exceed the regulatory limitations on meal expenses.

- Agencies may pay for meals or "light refreshments" for their employees if these are necessary to achieve the objectives of a training program or an official conference. Agencies may not pay for food (other than the set meal allowance for employees who are traveling) at "'day-to-day' meetings" that "involve discussions of the internal procedures or operations of the agency."

- Agencies also may pay for food for nonfederal employees at training, such as conference speakers, when necessary to the effective accomplishment of the training function.

[8] Since the party on Thursday night occurred at the behest of the PBS Region 9 Commissioner/Acting Regional Administrator, it appears the agency considered this employee to be the conference's "host."

[9] Favoring the M Resort in future government procurements would be improper; the agency's obligation is to conduct all conference and acquisition planning so as to minimize costs and act in the best interest of the United States.

- Agencies may pay for food for contractor employees who are traveling to perform their duties, to the extent specified in their contracts.

- Agencies may pay for food for agency employees at an award ceremony if this would make the ceremony more effective. It is also permissible at an award ceremony to pay for refreshments for a guest (for example, a spouse) of an employee who is receiving an award.

Questionable Expenditures for Food

GSA spent $146,527.05 on catered food and beverages during the WRC itself. That amount breaks down as follows:

Food and Beverage Catering	**Costs**
Light Refreshments and Breakfast Buffets	$ 79,511
In-Room Parties	$ 5,600
Networking Reception	$ 31,208
Cocktail Reception and Award Dinner	$ 30,208
TOTAL	**$146,527**

Specific questionable expenditures included the following:

- The "networking reception" on the conference's first evening included 400 pieces of $4.75 "Petit Beef Wellington," 400 "Mini Monte Cristo Sandwiches" at $5.00 each, 1,000 sushi rolls for $7.00 apiece, 150 units of a $19 per person "American Artisanal Cheese Display," and 225 units of a $16 per person "Pasta Reception Station." Also during that reception, GSA paid $525 for two hours of "bartender service fees" for a cash bar;[10] the total cost of the reception was $31,208. We understand commemorative coins were presented at that reception. We do not believe this expense can be justified as either an award ceremony or light refreshments, based either on the nature of the event or the amount spent – over $100 per person.

- Meal expenses exceeded per diem limits. For example, GSA provided breakfast for the WRC's three mornings at a cost of $44 per person, or $32 per person per day more than it would have spent had it simply allowed employees to purchase their own breakfasts and claim the travel allowance set by regulation – a cost of $29,568 over the per diem allowance for breakfasts at the WRC.[11] As another example, the total cost for the closing

[10] There is no evidence that GSA paid for any alcoholic beverages during the WRC. Alcohol was apparently purchased with personal funds, and is not included in this report.

[11] Twenty-five employees who worked on planning the conference received a $48.80 catered breakfast the morning after the conference's concluding dinner, representing an additional $920 in cost over the individual employees' meal allowances.

dinner was $73.20 per person – $37.20 more than the allotted per diem. Moreover, as discussed above, a month before the conference GSA added a cocktail reception before the closing dinner as a "concession" to offset the reduction in the nightly lodging rate. That reception included 300 shrimp at $4.00 each, and 300 items of $5.00 "Boursin Scalloped Potato with Barolo Wine Braised Short Ribs." The total food bill for the evening's events was $30,207.60 (or $95 per person based on 318 attendees), which, again, included $525 in bartender service fees for a cash bar. This made the total cost $59 per person more than the employee travel allowance for dinner, a total of $18,760 over the per diem allowance.[12]

- GSA impermissibly purchased food for non-employees. Examples include the following. A total of 299 GSA employees attended the conference but GSA purchased the dinner on the final day of the conference for 318 people. The list of attendees GSA prepared included 27 personal guests and seven of the agency's embedded contractor employees in addition to 284 GSA employees. Twenty-three GSA employees paid $60 apiece for the dinners of their personal guests. This figure did not include the 22% gratuity added to each meal, however (a total of $303.60 for the 23 guests). Moreover, GSA paid the M Resort for meals for guests who were expected to attend but canceled before the event, but did not charge employees for those guests. The seven embedded contractor employees did not pay for their dinners. Relatives, who were not employees, also ate agency-provided meals throughout the conference. We question whether the meals purchased for personal guests and contractor employees were permissible.

- GSA officials also hosted several semi-private "parties" in their own hotel rooms or suites, which were catered at taxpayer expense. On the evening before the conference officially began, two regional officials hosted a party in an upgraded room. Catering for the event totaled $922.90. The stated purpose of the event was for those organizing the conference (who had arrived a day early) to become acquainted with one another. Two nights later, the PBS Commissioner hosted an essentially celebratory party in his loft suite for GSA senior officials, at a cost of $1,960.[13] Neither of these parties fit any legal authority for GSA to spend funds on food.

- On the last night of the conference, after the closing dinner, the PBS Region 9 Commissioner/Acting Regional Administrator hosted a third party, in the empty loft suite vacated by the PBS Commissioner, who had already departed. GSA had retained the suite

[12] The M Resort did not charge the agency a room rental fee for conference space, either at the pre-planning meetings or at the WRC itself. Thus, the catering costs to some extent compensate for usage of the facility as well. However, one must also consider that during the WRC itself, the conference occupied 314 of the hotel's 390 rooms, making the agency the only likely user of the meeting space. Moreover, less expensive breakfast and refreshment options were available. Agency policy states that if hotels offer "packaged" costs (as here, for meeting space and catering), the agency must still obtain "a total cost for subsistence [i.e., food] items," so the agency can determine "that the maximum per diem rates have not been exceeded." That did not occur here.

[13] As noted previously, these amounts do not include any alcoholic beverages, which were purchased with personal funds.

for use as a "hospitality suite."[14] This party cost $2,717.09. Conference organizers and regional "ambassadors" were invited; regional officials played a slide show of the conference, and the ambassadors received awards and "souvenir books." While purchasing food for award ceremonies is authorized, the event's qualification as an award ceremony is weak, at best.

- Because the pre-conference meetings were for planning, not training, GSA was not authorized to pay for the refreshment breaks at these meetings. As with the conference itself, meal charges exceeded the traveling employees' meal allowances. [15]

OTHER IMPERMISSIBLE AND QUESTIONABLE EXPENSES

GSA made various impermissible and questionable expenditures unrelated to food, including improperly purchasing mementos for conference attendees.

- GSA policy provides that agency funds "are not available to purchase memento items for distribution to conference attendees as a remembrance of an event." Contrary to this policy:
  - At the closing-night dinner, all participants received a "yearbook" containing pictures of all those attending the conference, taken when they checked into the hotel. GSA also printed souvenir books for the regional ambassadors. These costs totaled $8,130.
  - GSA purchased numerous other items for distribution to conference participants. Canteens and carabiners cost $2,781.50, and shirts for all conference participants for the team-building activity were $3,749.40.

[14] GSA selected this suite as one of its "comped" rooms. An internal GSA email to the PBS Region 9 Commissioner/Acting Regional Administrator noted the options of giving the room to a GSA Associate Administrator who was checking in on the same day the PBS Commissioner checked out, or keeping it "as a 'hospitality' suite (where you can have your party Thursday night)."

[15] Additional questionable expenses included such items as two birthday cakes, one for $120 and one for $50, for pre-conference planning attendees and an ice cream station costing $292.80 for 24 children brought in by the Boys' and Girls' Club to receive the bicycles GSA employees had assembled.

- GSA spent $6,325 on commemorative coins "rewarding" all conference participants (as well as all regional employees who did not attend the conference) for their work on Recovery Act projects, along with velvet boxes to hold the coins. These did not qualify as permissible awards because the coins' design, which appears below, shows that they were intended to be mementos of the WRC.

- GSA spent $1,840 for vests for the 19 "regional ambassadors" and other employees, and $393.90 for the rental of tuxedos worn by three employees who acted as masters of ceremonies at the awards dinner.

INDIVIDUAL IMPERMISSIBLE AND QUESTIONABLE ACTIONS

GSA employees may not solicit or accept gifts from any entity doing business with the agency, or use their positions to induce another person to provide any benefit, financial or otherwise, to themselves or their friends or relatives. Numerous employee actions may have violated these prohibitions, including the following:

- Before the original M Resort site visit in March of 2009, Location Solvers emailed the hotel to relate that an agency employee would be staying at the hotel on the night before the travel days for the scouting trip, and therefore was not entitled to the government rate or a complimentary free night. Thus, Location Solvers stated, the employee "needs a friend of a friend of the owner rate. (wink)."

- During the second trip in March of 2009, a different employee stayed in a flat suite – with a connecting room for her sister and niece, apparently offered at a discount by the hotel, which was then working to secure the eventual contract to host the WRC.

- At the behest of the spouse of a senior PBS official, a GSA event planner asked for and the hotel provided an adjoining room during the WRC, at the $93 government rate, for the spouse's relatives. Neither the spouse nor the spouse's relatives were agency employees or participants in the conference.

- During the WRC, a GSA event planner contacted the M Resort's catering and conference services manager and said that she "cannot live without" a $98 purse from the hotel's gift shop, asking whether the manager received a discount and "if so, will you help me?" The manager responded, "I can give you a $30 comp," which was promptly accepted.

GSA'S OVER THE TOP APPROACH TO THE CONFERENCE

Federal regulations on conference planning emphasize cost reduction, stating conference planners "must minimize all conference costs," use government-owned conference facilities as much as possible, and take into account "all direct and indirect conference costs." The evidence the OIG developed, however, showed the goal was not to minimize costs, but to be "over the top." That evidence included the following:

- The PBS Region 9 Commissioner/Acting Regional Administrator instructed those planning the conference to make it "over the top," bigger and better than previous conferences. Several suggestions by regional employees that costs be reined in were ignored.

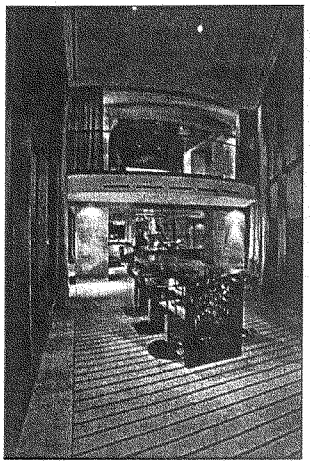
- In planning meetings, GSA personnel discussed that the theme was intended to showcase the business talent of the regional offices, but the emphasis was to be split between business talent and "theatrical talent." Thus, the "Capstone Dinner" on the last evening of the conference was to have a "red carpet" and "lighthearted awards," having "more to do with contribution at the conference" than job performance. Employees were told that the "award" ceremony was necessary so that federal funds could be spent for food; several employees indicated this has become something of a running joke in the region. [16]

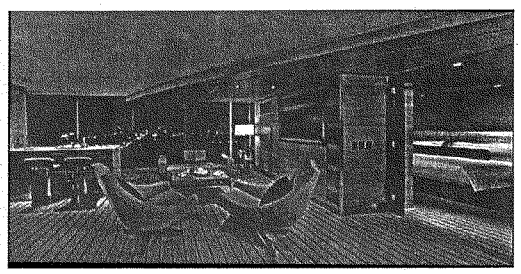
- The in-room "party" on the evening of the closing dinner was hosted by the PBS Region 9 Commissioner/Acting Regional Administrator. A relative of the host worked closely with the agency's regional event planner on the food items selected for that party. Among other things, the employee's relative, who is not a GSA employee and yet "co-hosted" the party, contacted the event planner to add more food items, commenting, "Knowing we have a bit more money in the budget helps." The event planner acquiesced and ordered additional food, increasing costs to $2,717.09 at the government's expense.

- During scouting trips, GSA "VIPs" were shown upgraded suites that they received as a perk for GSA contracting with the M Resort for the 2010 WRC. Loft suites have 2,400 square feet of space, two stories, multiple HD televisions and wet bars, and a going rate

[16] The agenda on the last day included a "Cocktail Reception" at 4:00 pm, a "Red Carpet Show" at 5:30, a "Talent Award Showcase" at 5:50, and dinner with a speaker at 6:20. The only "awards" given during these events were presented during the Talent Award Showcase. There were four non-monetary awards given at that ceremony for musical performances, one for each region. The proper purpose of an awards ceremony is to give out awards recognizing significant contributions to the efficiency and effectiveness of government operations, rather than holding an event and giving out awards as an ancillary purpose to justify food. We do not believe the expenditures at the reception or dinner can be explained as incident to an awards ceremony.

of $1,179 per night. Flat suites have 1,440 square feet and cost $449-$599 per night. The contract between GSA and the M Resort provided that GSA could have two loft suites for five nights each at the government rate for hotel rooms; GSA used all but one of those nights. GSA also received six flat suites for five nights each at the government room rate, and used 25 of those room-nights. The value of the discount that the M Resort offered GSA for these 40 nights was $21,540.





Luxury suites at Nevada's M Resort. At left, a loft suite; above, a flat suite.

CONCLUSION

The excessive pre-conference planning, catering, and other costs, as well as the luxury accommodations and overall approach, show that GSA's planning and expenditures for the 2010 WRC were incompatible with its obligation to be a responsible steward of the public's money. As the agency Congress has entrusted with developing the rules followed by other federal agencies for conferences, GSA has a special responsibility to set an example, and that did not occur here.

RECOMMENDATIONS

The GSA Administrator should take appropriate action to:

- Ensure expenditures at all future conferences comply with all applicable regulations and policies, including that costs be minimized and Executive Order 13589 on Promoting Efficient Spending, which was issued after the date of this conference; these steps should include:

  - Minimize planning expenses for all future conferences;
  - Ensure food expenditures comply with applicable regulations and are necessary and appropriate;
  - Do not spend GSA money on mementos; and
  - Eliminate extraneous and unnecessary expenses such as vests and tuxedo rentals.

- Ensure events are not improperly designated as award ceremonies in order to justify the purchase of food.

- Ensure all regulations are followed in procurements associated with conferences, including:

  - Do not share proposals with competitors;
  - Follow small business set-aside requirements;
  - Ensure contracts adequately protect the government's interests and include all required clauses;
  - Obtain fair and reasonable pricing on all costs;
  - Ensure the contracting officer has an adequate warrant and all relevant information;
  - Do not provide benefits to contractors outside the scope of the contract, including free rooms when those costs are included in the contract;
  - Do not request personal benefits from conference contractors.

- Determine whether GSA can recover funds from Royal Productions based on GSA including the cost of rooms in the contract price and subsequently providing the rooms for free.

- Determine whether GSA can recover funds improperly paid, such as for meals for non-employees.

- Hold senior GSA officials responsible for excessive spending at conferences.

MANAGEMENT RESPONSE

GSA, in its management response, concurred with our recommendations and outlined the steps it is taking to prevent future waste and abuse. GSA's response is contained in the Appendix.

Appendix

The Administrator

April 2, 2012

MEMORANDUM FOR BRIAN D. MILLER
INSPECTOR GENERAL (J)

FROM: MARTHA JOHNSON
ADMINISTRATOR (A)

SUBJECT: Response to the "February 12, 2012 Draft Management Deficiency Report Public Buildings Service"

Thank you for your response to our request for a review of possible excessive expenditures and employee misconduct in connection with the 2010 Western Regions Conference (WRC). I appreciate the thoroughness of the Draft Management Deficiency Report and your review of this matter. I concur with all of the recommendations in your Report. I find the information in your Report to be very troubling as it outlines potential violations of federal procurement laws and agency policy. The excessive spending and other misconduct described in the report would be absolutely unacceptable under any circumstances. But it is especially egregious at a time when the fiscal constraints facing our nation demand that every dollar deliver the greatest value to the American taxpayer. Such misconduct will not be tolerated at GSA.

I am committed to eliminating excessive spending, promoting efficiency and ensuring strict compliance with GSA policies and federal regulations, The Agency has internal controls and extensive guidance in place that addresses excessive spending and what constitutes serious misconduct. However, we recognize in this situation that the internal controls were not adhered to, and the guidance was not followed. In order to ensure this situation does not occur again, I have taken proactive steps to implement tighter internal controls over conferences, finances, and procurements in order to eliminate waste and improper or unnecessary expenditures. In addition, we are taking appropriate disciplinary actions where warranted.

While this document outlines only those steps that address the recommendations made in your report, GSA will be taking a number of other decisive actions to address broader issues related to other conferences, overall risk management and internal controls, and

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employee ethics. In response to your specific recommendations, the Agency is taking the following direct actions:

IG Recommendation: Ensure expenditures at all future conferences comply with all applicable regulations and policies, including that costs be minimized. Additionally, ensure that conferences are in accordance with steps and recommendations identified in Executive Order 13589 on Promoting Efficient Spending.

GSA Action: On August 9, 2011, I established the Office of Administrative Services (OAS) in order to provide greater oversight and accountability for all administrative functions within the agency. In light of your report, I am accelerating and escalating changes that were already planned for this year. Effective immediately, functions that will be performed by the Chief Administrative Services Officer will include:

- Oversight of contracting for conference space, related activities, and amenities;
- Review and approval of proposed conferences for relation to GSA mission;
- Review and approval of any awards ceremonies where food is provided by the Federal government;
- Review and approval of conference budgets as well as changes to the budget;
- Oversight and coordination with GSA conference/event planners and contracting officers on conference planning; and,
- Review of travel and accommodations related to conference planning and execution.
- Handling of procurement for all internal GSA conferences

This is effective immediately and written notice will be sent to GSA Heads of Services and Staff Offices and Regional Administrators informing them of these changes. The Office of Acquisition Policy, the Office of the General Counsel and the Office of Administrative Services will develop mandatory annual training for all employees regarding conference planning and attendance.

These changes are consistent with the OAS's broad range of functional responsibilities that are primarily focused on internal GSA administrative policies, programs and operations. The OAS's mission is to ensure GSA runs as cost-effectively and efficiently as possible by developing and implementing policy and operational programs, including but not limited to, Personal Property (Internal) Accountability, Internal GSA Procurement, and GSA's Travel Program.

IG Recommendation: Hold senior GSA officials responsible for excessive spending at conferences.

GSA Action: I have directed the GSA Region 9 Regional Administrator to perform a thorough review of the conduct of the Regional Commissioner for the Public Buildings Service in Region 9 with respect to the 2010 WRC. The Agency will take any

disciplinary action that may be warranted based on the results of the review. The [redacted] has been placed on administrative leave until further notice pending the outcome of the review.

I have made a decision to take disciplinary action against several senior management officials. This can include a range of disciplinary actions, up to and including suspensions or removals. Further, I have directed the appropriate senior management officials to vigorously review the matters raised in your report and determine if additional policy and organizational changes are necessary, and if additional disciplinary actions are warranted against other senior officials and employees.

In addition to the above, I am taking the following steps:

- Directing PBS to cancel all future Western Regions Conferences;
- Reducing PBS travel budgets for FY 2013 in Regions 7, 8, 9 and 10;
- Shifting reporting and oversight of all Regional PBS budgets to the Central Office PBS; and
- Directing the GSA Chief Financial Officer and Senior Procurement Executive to review contracts and expenses not only associated with the WRC, but also all conferences currently in the planning phase, but also all conferences currently in the planning phase.

IG Recommendation: Ensure events are not improperly designated as award ceremonies in order to justify the purchase of food.

GSA Action: The Chief Administrative Services Officer will review and approve any awards ceremonies where food is provided by the Federal government. This topic will be covered in mandatory training for supervisors and managers.

IG Recommendation: Ensure all regulations are followed in procurements associated with conferences, including the ones identified in the recommendations.

GSA Action: I have directed the GSA Office of Acquisition Policy to ensure that the proper training courses are mandatory for contracting officers and event planners who are tasked with conference planning, contracting and execution. Training will be annual and mandatory. Unannounced and random Procurement Management Reviews, under the direction of the Senior Procurement Executive, will be conducted at least quarterly.

IG Recommendation: Determine whether GSA can recover funds from Royal Productions based on GSA including the cost of rooms in the contract price and subsequently providing rooms for free as well as, determine whether GSA can recover funds improperly paid, such as for meals for non-employees.

Appendix

GSA Action: I have directed the GSA Senior Procurement Executive to explore all opportunities for funds recovery in this matter and take appropriate actions.

I appreciate your attention to this matter and will continue to work closely with the Office of Inspector General until it is resolved.

Senator BOXER. Thank you so much, Mr. Miller.

Mr. Tangherlini.

STATEMENT OF DANIEL TANGHERLINI, ACTING ADMINISTRATOR, U.S. GENERAL SERVICES ADMINISTRATION

Mr. TANGHERLINI. Good morning, Chairman Boxer, Ranking Member Inhofe, members of the Committee. My name is Daniel Tangherlini, and I am the Acting Administrator of the U.S. General Services Administration.

I appreciate the opportunity to come before the Committee today. First and foremost, I want to state that the waste and abuse outlined in the Inspector General's report is an outrage and completely antithetical to the goals of the Administration. The report details violations of travel rules, acquisition rules, and good conduct. Just as importantly, those responsible violated rules of common sense, the spirit of public service, and the trust America's taxpayers have placed in us.

I speak for the overwhelming majority of GSA staff when I say that we are shocked, appalled, and deeply disappointed by these indefensible actions as you are. We have taken strong action against those officials who are responsible and will continue to do so where appropriate. I intend to uphold the highest ethical standards at this agency, including referring any criminal activity to appropriate law enforcement officials, and taking any action that is necessary and appropriate if we find irregularities.

I will also immediately engage GSA's Inspector General. As indicated in the joint letter that Inspector General Brian Miller and I sent to all GSA staff, we expect an employee who sees waste, fraud, or abuse to report it. We want to build a partnership with the IG, while respecting their independence, that will ensure that nothing like this will ever happen again. There will be no tolerance for employees who violate or in any way disregard these rules. I believe this is critical, not only because we owe it to the American taxpayers but also because we owe it to the many GSA employees who work hard, follow the rules, and deserve to be proud of the agency for which they work.

We have also taken steps to improve internal controls and oversight to ensure this never happens again. Already I have canceled all Western Regions Conferences. I have also canceled 35 previously planned conferences, saving nearly a million dollars in taxpayer expense. I have suspended the Hats Off stores and have already demanded reimbursement from Mr. Peck, Mr. Robert Shepard, and Mr. Neely for private, in-room parties. I have canceled most travel through the end of the fiscal year agency-wide and am centralizing budget authority and have already centralized procurement oversight for regional offices to make them more directly accountable.

I look forward to working in partnership with this Committee to make sure that there is full accountability for these activities so that we can begin to restore the trust of the American people. I hope that in so doing, GSA can refocus on its core mission: saving taxpayers' money by efficiently procuring supplies, services, and real estate and effectively disposing of unneeded government property.

We believe that there has seldom been a time of greater need for these services and the savings they bring to the Government and the taxpayer. There is a powerful value proposition to a single agency dedicated to this work, especially in these austere fiscal times. We need to ensure we get back to the basics, conduct this work better than ever.

At GSA our commitment is to our service, our duty, and our Nation, not to conferences, awards, or parties. The unacceptable, inappropriate, and possibly illegal activities at the Western Regions Conference stand in direct contradiction to the express goals of this agency and the Administration. I am committed to ensuring that we take whatever steps are necessary to hold responsible parties accountable and to make sure that this never happens again.

We need to refocus this agency and get back to the basics: streamlining the administrative work of the Federal Government to save taxpayers money. I look forward to working with this Committee moving forward, and I welcome the opportunity to take any questions at this time.

Thank you.

[The prepared statement of Mr. Tangherlini follows:]

U.S. General Services Administration

Daniel Tangherlini
Acting Administrator

Committee on Environment and Public Works
"GSA Inspector General Report"
April 18, 2012

Good morning Chairman Boxer, Ranking Member Inhofe, and Members of the Committee. My name is Daniel Tangherlini, and I am the Acting Administrator of the U.S. General Services Administration (GSA).

I appreciate the opportunity to come before the committee today. First and foremost, I want to state my agreement with the President that the waste and abuse outlined in the Inspector General's (IG) report is an outrage and completely antithetical to the goals and directives of this Administration. We have taken strong action against those officials who are responsible and will continue to do so where appropriate. We are taking steps to improve internal controls and oversight to ensure this never happens again. I look forward to working in partnership with this Committee to ensure there is full accountability for these activities so that we can begin to restore the trust of the American people.

At the same time I am committed to renewing GSA's focus on its core mission: saving taxpayers' money by efficiently procuring supplies, services, and real estate, and effectively disposing of unneeded government property. There is a powerful value proposition to a single agency dedicated to this work, especially in these fiscal times, and we need to ensure we get back to basics and conduct this work better than ever.

Promoting Efficiency and Reducing Costs –

The shocking activities and violations outlined in the IG report run counter to every goal of this Administration. The Administration makes cutting costs and improving the efficiency of the Federal government a top priority. On June 13, 2011, the President issued Executive Order (E.O.) 13576, "Delivering an Efficient, Effective, and Accountable Government." This EO emphasized the importance of eliminating waste and improving efficiency, establishing the Government Accountability and Transparency Board to enhance transparency of Federal spending and advance efforts to detect and remediate fraud, waste, and abuse.

The President further established the goals of this Administration in E.O. 13589, "Promoting Efficient Spending," which set clear reduction targets for travel, employee information technology devices, printing, executive fleets, promotional items, and other areas. The President's FY 2013 budget request for GSA would achieve $49 million in savings under this EO, including $9.7 million in travel.

Holding Officials Responsible –

It is important that those responsible for the abuses outlined in the IG's report be held accountable. We are taking aggressive action to address this issue and to ensure that such egregious actions will never occur again. We have taken a series of personnel actions, including the removal of two senior political appointees. We have also placed ten career employees on administrative leave, including five senior officials.

I intend to uphold the highest ethical standards at this agency and take any action that is necessary and appropriate. If we find any irregularities, I will immediately engage the Inspector General. As I indicated in my joint letter with GSA's Inspector General, I intend to set a standard that complacency will not be tolerated, and waste, fraud, or abuse must be reported.

I believe this commitment is critical, not only because we owe it to the American taxpayers, but also because we owe it to the many GSA employees who conform to the highest ethical standards and deserve to be proud of the agency for which they work.

Taking Action –

I have taken a number of steps since I began my tenure on April 3, 2012 to ensure this never happens again. GSA has consolidated conference oversight in the new Office of Administrative Services, which is now responsible for:

- Oversight of contracting for conference space, related activities, and amenities;
- Review and approval of proposed conferences for relation to GSA mission;
- Review and approval of any awards ceremonies where food is provided by the Federal government;
- Review and approval of conference budgets as well as changes to those budgets;
- Oversight and coordination with GSA conference/event planners and contracting officers on conference planning;
- Review of travel and accommodations related to conference planning and execution;
- Handling of procurement for all internal GSA conferences; and
- Development of mandatory annual training for all employees regarding conference planning and attendance

Additionally, we have cancelled the 2012 Western Regions Conference as well as a number of other conferences that only or primarily involved internal staff. To date, I have cancelled 35 conferences[1], saving taxpayers $995,686. As we put in place greater controls and oversight, we are reviewing each event to make sure that any travel is justified by a mission requirement.

We have also begun review of employee relocations at government expense, and will require all future relocations to be approved centrally by both the Chief People Officer and the Chief Financial Officer.

To strengthen internal controls, we are bringing in all Public Buildings Service regional budgets under the direct authority of GSA's Chief Financial Officer. The autonomy of regional budget allocations is, in part, what led to this gross misuse of taxpayer funds on both the regional conference and the employee rewards program known as "Hats Off." The additional approvals and centralized oversight are intended to mitigate the risk of these problems.

In response to concerns over spending on employee rewards programs, I have eliminated the "Hats Off" store that was operating in the Pacific Rim Region, as well as all similar GSA programs.

I am moving aggressively to recapture wasted taxpayer funds. As a first step, on April 13th, I directed that letters be sent to Bob Peck, Jeff Neely, and Robert Shepard demanding reimbursement for private, in-room receptions at the Western Regions Conference. I will pursue other fund recovery opportunities.

I am engaged in a top to bottom review of this agency. I will continue to pursue every initiative necessary to ensure this never happens again and to restore the trust of American taxpayers.

Conclusion –

The unacceptable and inappropriate activities at the Western Regions Conference stand in direct contradiction to the express goals of this agency and the Administration, and I am committed to ensuring that we take whatever steps are necessary to hold

[1] A conference is "a symposium, seminar, workshop, or other organized or formal meeting lasting portions of 1 or more days where people assemble to exchange information and views or explore or clarify a defined subject, problem or area of knowledge."

those responsible accountable and to make sure that this never happens again. At the same time, I believe that the need for a high quality GSA is more acute today than in any time in its history. We need to refocus this agency and get back to the basics: streamlining the administrative work of the Federal government to save taxpayers money.

I look forward to working with this Committee moving forward and I welcome the opportunity to answer any questions. Thank you.

Senator BOXER. Thank you both very much.

As Senator Inhofe said, you are the good guys in all of this, and Susan is a good gal, Susan Brita, who came forward, as a political appointee, to blow the whistle. And it resulted in the President's Administrator resigning, as she should have, and two people being fired.

And again, I say to Ms. Brita, thank you for your courage. This is not easy. I have done a lot of work on whistleblower protection. And I know how hard it is, and the scorn that is oftentimes heaped on those who have the courage to step forward. And you did it for your country, and we appreciate it at this Committee.

As I researched this and I realized how many scandals there have been involving GSA, it really shakes you up. Because when you look back, President Carter thought he cleaned up the mess way back in the 1970s. And they put people in jail for bribery and fraud, and they put in whistleblower protection and all of that. So now you move forward, then you see two scandals under George Bush, and now this horrible scandal under President Obama. This is decades long.

So I guess the question I have for you, and I don't expect you to have a pinpointed answer, but what is it about the structure of the GSA that leads us back to these scandals? In other words, the expression is, fool me once, you know, OK. But again and again, four scandals? Three Administrations?

So is it, do you think, as I read your recommendations, I say to the Inspector General, and I ask Mr. Tangherlini as well, is it the fact that there hasn't been a centralized check and balance so that you have these regional offices gone wild here if they have the wrong leadership? Is that what we need to fix?

How many regions do we have in GSA, Mr. Miller? And are you enforcing more of a centralized, at this point, checks and balances system, right away, for all the regions, or if you have just gone after the Western Region?

Mr. MILLER. Madam Chair, there are 10 regions of GSA, plus the District of Columbia, so essentially 11 regions. The Western Region is made up of 7, 8, 9 and 10, and they informally call themselves the Western Region. They have this conference. There is no Eastern Region, Northern Region, Southern Region. They don't, as far as I know, have these conferences.

Senator BOXER. I don't want to just dwell on the conferences. Because if there are people who are cheaters, and there are people who are bad actors, they are going to figure out another way to steal. Forget the conferences. So my point is, you are telling me there are 10 regions plus DC, I understand there are 12,000 employees, is that correct?

Mr. MILLER. Over 12,000, and I guess Willie Sutton was asked, why do you rob banks, he said that is where the money is. And part of the problem is, part of the reason there is a lot of crime and fraud, waste and abuse at GSA is a lot of money flows through GSA. It handles money on behalf of other agencies. It has millions of dollars flowing through it. And it has over 12,000 employees. In any town that you have in the United States of 12,000 or more, you always have a jail. So you will always have people doing criminal things and dumb things and silly things. It is no different, unfortu-

nately, in the Federal work force, you have people doing criminal things and dumb things. That is why you need inspectors general to monitor for fraud, waste and abuse.

Senator BOXER. I agree. So what I am trying to say is, have you looked at this notion, you have looked at this notion of more centralization and checks and balances. Have you done that for every region or have you just now done this for the western areas because of this problem? Obviously a lot of them, I think, think this is a systemic problem. So I am asking you if these reforms are going to go forward. Are you recommending to Mr. Tangherlini that he centralize most of the operation?

Mr. MILLER. As you can tell from my supplemental statement, that is the direction we think the GSA should go. But how GSA is managed is essentially an agency function and is at the discretion of the Administrator. It is a little out of my lane.

Senator BOXER. So given the recommendations of the Inspector General that there be more checks and balances and more centralization, what is your take on it at this point, Mr. Tangherlini?

Mr. TANGHERLINI. I already, with only a couple of weeks of experience with the organization, already have strong indication that we need to centralize certain functions. Late last week, I took administrative steps to centralize the finance function so that our Chief Financial Officer of the General Services Administration can actually serve in that capacity straight out to the regions as well. From what I understood, the regions had some autonomous ability to, once their budgets were allocated, spend within those allocations. And so one of our initial moves is to make sure that that Chief Financial Officer actually has visibility straight down into the expenditures at the regional level. There is a lot of work we have to do build the systems necessary to have visibility into the regional expenditures.

We have also taken steps to consolidate the procurement oversight function as well. What we think we can do is continue to have some level of autonomy so that there is innovation and that the regions can reflect the needs of the local area. But we need to have clear accountability. Now, we are going to look at the entire structure of the agency top to bottom, we are going to undertake a process, we are already involved in that, to look at the way the system is structured so we can ask ourselves the kind of clean sheet of paper types of questions, how should it be structured.

Senator BOXER. Good. Well, I want to say this, and I will hold for my next round, but Senator Inhofe alluded to this, as did others. We are going to need to have more oversight. So how many months do you think it will take you before you are ready to put these new systems in place? Because we would like to have you back to give us a progress report.

Mr. TANGHERLINI. I think—we have already started making changes. So that is part of what I am here to report on today. We have the good fortune of having the budget process, the 2014 budget development process, we are entering into that now. So I think we are going to use our 2014 budget development process, which culminates in recommendations to OMB in September and a budget in February, we are going to use that process to start building into this.

But that doesn't mean we are going to wait until the outcome of that process to make necessary changes.

Senator BOXER. Good. So let me just say, I will discuss this further with my Ranking Member, whom I respect so much. And I think around September, perhaps late September, we ought to have you come in to talk about this. Because we have to stay on this. In one sense you are fortunate, because you are coming in on the heels of this, and everyone is going to give you the latitude. Don't listen to those voices who say, we can't change.

Senator Inhofe.

Senator INHOFE. Thank you, Madam Chairman. Senator Johanns has an ag commitment he needs to get to, and I don't, so I would like to have you go ahead of me in line here.

Senator JOHANNS. Thank you very much. That is very kind of you. I appreciate the courtesy.

Mr. Miller, let me start with you. I have to assume that with everything that has happened, that has transpired, that you are also looking at other areas within the GSA. As you have gone through this, in your thinking about what happened and going forward, what thoughts would you have, what recommendations would you have in terms of how the GSA just better manages what is happening? Because this is beyond normally what an inspector general would run into. I think everybody would agree on that.

How do we stop this? How do we put the right structures in place to empower the leadership at GSA to make sure that we are not back here again?

Mr. MILLER. Thank you for the question. We have to deter others from committing criminal acts, from committing fraud, waste, and abuse. We had a region and a regional commissioner that was doing all sorts of things that are documented in our report and we produced to Senate committees and House committees.

But the ultimate deterrent is criminal prosecution. And we are doing all that we can to identify those committing fraud and crimes and referring them to the Department of Justice for prosecution. We are doing all that we can to hold them accountable for civil liability, not just in terms of employee misconduct but people who do business with the GSA. Oracle paid $199 million back recently because of the work of our auditors.

And so we are doing our best to hold people accountable. I know Mr. Tangherlini has some ideas about changes. You have heard my general recommendation that we need to have a strong system where people are held accountable. Regional people need to be held accountable, and people need to manage. You can't legislate good management and good judgment. But you can try and put into place some systems where people do manage. And I will let Mr. Tangherlini speak more about that.

Senator JOHANNS. Go ahead; offer your thoughts.

Mr. TANGHERLINI. Thank you very much, Senator.

I think the Inspector General described it very well. I think we need to look at the way we have structured the organization, look at their reporting lines of authority and ask ourselves, is this a structure that will ensure clear accountability. Again, autonomy allows for the opportunity for a certain amount of innovation. The point, though, is that that innovation has to happen within the con-

straints of accountability so we know what is taking place, we have a shared view of what is taking place, that there are appropriate checks and balances so that nothing like this can happen again.

Senator JOHANNS. Let me ask both of you—Mr. Miller, something you said triggered this thought. Is this, based upon what you have seen so far, is this a regional issue? Or is this a system-wide GSA issue that you are facing? Or is this just simply a situation where the regional leadership was so lax, so whatever, that this just spun totally out of control? What are your thoughts on that?

Mr. MILLER. I am a former prosecutor. I tend to see misconduct in a lot of places. I would say yes to all of the above. Obviously there is misconduct on the part of regional officials. But there was a national central office official, the commissioner of PBS, that threw a party in his loft suite and charged the taxpayers over $1,900 for food. That is a central office, high ranking, senior official. So I think that there is a problem throughout.

But as an IG we do reports based on specifics. We have done a report specifically on the Western Regions Conference. We are reluctant to make generalizations, but I do throw those particular facts out to you about the party, and you can draw your own general conclusions.

Senator JOHANNS. OK.

Mr. TANGHERLINI. I think the events in the Western Regions Conference speak for themselves, that there was clearly a leadership issue happening, particularly out there in Region 9 at the time that this conference was planned and certainly undertaken. I haven't been there long enough to really get a sense organizationally whether this is a broader cultural problem or not.

And that is why we want to look top to bottom at the organization and ask ourselves the clean sheet of paper type questions: are we structured in such a way, have we built ourselves a culture in such a way that it encourages this kind of activity. Although I don't think there is any evidence that there is, beyond what we have seen in Region 9 and what happened with this particular leader, that this is endemic. But we are open to that possibility, and we will work very closely with the IG.

I think equally important, frankly, is making sure we build a system with appropriate accountability, appropriate checks and balances, appropriate visibility into the actions that people will have opportunities to stop this kind of thing before it happens.

Senator JOHANNS. I don't want to abuse my privilege here by extending this, because I am out of time. But I do want to just offer a thought. It would seem to me that an auditing process of some kind either wasn't working, if it was in place, or in the alternative, if it is not in place, it needs to be. You would think just a regular auditing process would have picked out these issues and said, whoa, wait a second, time out here. You are heading off in a wrong direction. For whatever reason, that didn't seem to happen here, which I find very, very surprising.

So maybe a fix going forward is to fix whatever is there that wasn't working, or in the alternative put in place an auditing process to catch these things. Thanks.

Senator INHOFE. Mr. Tangherlini, kind of putting this in perspective, the event took place in October 2010. This interim report

came in May 2011, I understand. So then you had another 11 months. If you had been in the position of Ms. Johnson at that time, the position that you are acting in now, what would you have done when the interim report came out? How would you have handled that?

Mr. TANGHERLINI. It is very hard to conceive of the response to such a hypothetical. However, it is also easy to use 20/20 hindsight. I think going forward the best thing to do is build the kind of relationship that I tried to start on day one with our Inspector General. My first day into the office I came in and I met with Brian and his team. We subsequently had a one on one in which I sat with his entire leadership team and worked with them to try to understand what are the big challenges.

I would like to build the kind of relationship where we have continued and direct communication, and as a result of that communication, we have swift and immediate action on the part of the Administration.

Senator INHOFE. It was my understanding, maybe you can clarify this, Mr. Miller, it was after that interim, that May 2011, that Mr. Neely actually went on several trips, after that report came out. I am talking about two trips to Hawaii, a trip to Saipan, a trip to Guam, a trip to Napa Valley, and several other places. Is that correct?

Mr. MILLER. That is correct, unfortunately, Senator.

Senator INHOFE. All right.

Mr. Tangherlini, there are a total of 11 regions, if you count Washington. And this was 8, 9, 10 and 11. Are you aware of, in the other areas, any other ongoing investigations that you would feel comfortable talking about? Do you know of any others that are taking place, of other regions other than this? Is this an isolated case for right now?

Mr. TANGHERLINI. Let me just, if you don't mind, reiterate that it is 7, 8, 9, 10, Region 11 is actually the National Capital Region, Washington, DC.

Senator INHOFE. I see. That is fine.

Mr. TANGHERLINI. But as far as ongoing investigations, I think it is actually better if the Inspector General speaks to that.

Senator INHOFE. OK; that is fine.

Mr. MILLER. Senator, yes, there are ongoing investigations, some involving other regions.

Senator INHOFE. And were they stimulated because of this problem coming up, or where they already under investigation?

Mr. MILLER. Some were stimulated because of this. I would have to check on exactly how many.

As I said in my opening statement, the result of the release of this report is that people are coming forward now, they are calling the hotline. And as a result of Administrator Tangherlini and my joint appearance before GSA, encouraging people to come forward to my office, people are coming forward and reporting things.

Senator INHOFE. I understand you had a letter that went to you, Mr. Tangherlini, that went to the Neely, Shepard, and I guess Peck was the other one, requesting return of funds that should not have been spent. Is that correct? And are they complying with that?

Mr. TANGHERLINI. It was our acting Public Buildings Commissioner, Linda Chero, who sent a letter to those three individuals demanding return of funds associated with those events. We have also begun the process using the Inspector General's report to go down the list of other places where we believe the Federal Government and the Federal taxpayers inappropriately paid for ineligible items.

Senator INHOFE. Let me just conclude by kind of backing up the Chairman in this case, because we have had so many experiences where oversight has just been neglected. I think we were perhaps in neglect for not doing more. So I think we will kind of serve notice, there are going to be a lot more oversight hearings, not just with GSA, but with other areas in this huge jurisdiction of this Committee.

Thank you, Madam Chairman.

Senator BOXER. Thank you very much.

Senator Barrasso.

Senator BARRASSO. Thank you, Madam Chairman.

The issue continues to arise, should there be a termination, additional people suspended. In response to the Inspector General's report the Administrator resigned. We talked about officials who have been fired. And we get into Senior Executive Service employees who can only be removed from the civil service or suspended for more than 14 days "only for misconduct, neglect of duty, malfeasance, or failure to accept a directed reassignment or to accompany a position in the transfer of function."

As the new Administrator, looking at this, you mentioned taking strong action. Have these procedures to remove an SES employee be set in motion to terminate Jeff Neely?

Mr. TANGHERLINI. I think I want to try and avoid anything I would say that could impact the ability for us to see through the administrative actions against those accountable all the way to completion. Because the personnel rules are rather strong, the Privacy Act also is implicated in discussing these items. I want you to know, though, I would like the Committee to know, that we do have a team of folks from our Human Capital Office, our Deputy Human Capital person, and from our legal office, pursuing the full measure against all those responsible for planning this event and undertaking this event and leading this event.

Senator BARRASSO. Thank you. It is interesting, when you look at some of the policies we have with regard to credit card and contracting warrant policies, and learn that a number of GSA employees actually had their Government credit card privileges temporarily terminated, related specifically to this conference, way back in 2009, and then just 2 weeks later, the privileges were reinstated. So you scratch your head and say, what exactly has happened here, and is that something you are going to look into as well?

Mr. TANGHERLINI. Actually, I took action over this weekend to vest the authority in our senior procurement executive for removal and reinstatement. In the past, that was another delegated authority, out to the regional areas, where people could provide that warrant authority, they could remove the warrant authority, they could re-provide the warrant authority. All of that needs to go

through our senior procurement executive now, and all of it needs to be justified.

Senator BARRASSO. Good.

I would ask you, Mr. Miller, looking at this as a prosecutor, as you said you do, are there things that we should expect in the new few weeks or months that we are going to learn more additional things, or is this pretty well complete? Are you continuing an ongoing investigation?

Mr. MILLER. Senator, we are continuing ongoing investigations. As I said in my opening statement, every time we turn over a proverbial stone we find 50 more, and we find things crawling out from under them. I don't know what we are going to find, but it has not been pretty.

Senator BARRASSO. Just having gone through a number of the documents and the depositions, the invoices, looking through this, it does look like you question how certain vendors were chosen, when it would have been a lot easier to choose others, there are potential allegations of illegal relationships between vendors and those doing the procuring. Is that the sort of thing that you are referring to?

Mr. MILLER. We are looking at all those things, yes, Senator.

Senator BARRASSO. There was a mention made of fining some individuals, making them reimburse for money already spent. It is interesting how you look through some of these hotel bills, and even though someone may have stayed a little longer and paid the $93 bill, as Mr. Neely did, the cost of the room that night, and it was kind of a high roller suite, it would have been over $1,000, he said, well, just add that additional money to the overall invoice for the overall convention, that has come out in deposition.

Mr. MILLER. The taxpayers paid for that.

Senator BARRASSO. Yes, because that is an extra $1,050 for additional time. You look at all of this, and it makes you wonder, because Chairman Boxer mentioned, under both Republicans and Democrats there has been abuse throughout the GSA over a number of decades. Would it not be fair to ask, has GSA outlived its usefulness as a Federal agency? Is this something that should be done in the private sector, rather than the Government sector, since there are so many challenges here for the GSA?

Mr. TANGHERLINI. I think, if you want these activities to happen, if you want fleet management, building management, in fact, most of the work we do is actually provided through the private sector. What we simply do is act as an intermediary. What we need to do is create the appropriate sets of checks and balances, the appropriate sets of oversight systems, the clear lines of accountability that can make sure that this kind of thing can't happen again.

That having been said, having a single accountable agency that can aggregate the expenses of the Government and use the scale of the Government to get the best possible price for the Government, I think that has value today as much as it did back when the Hoover Commission first proposed it and President Truman set up the GSA.

Senator BARRASSO. Because if you go back to the definition, the goal to provide superior value to the American taxpayer, we have

fallen so far away from that that the taxpayers of this country are just appalled.

Thank you.

Thank you, Madam Chairman.

Senator BOXER. Thank you.

Senator Boozman.

Senator BOOZMAN. Thank you, Madam Chair.

Mr. Miller, what were some of the red flags that were overlooked in regard to this? This stuff is pretty blatant. What was there that people didn't pick up that they should have picked up?

Mr. MILLER. Almost everything, Senator. When you have a select number of individuals invited to a party where food is paid for by the taxpayer, somebody somewhere should have—some red flag should have popped up and said, oops, this isn't right. That didn't happen. And we had some of our highest ranking officials attend these networking parties and private receptions in these rooms.

Senator BOOZMAN. So was that budgeted, or are there receipts?

Mr. MILLER. Yes.

Senator BOOZMAN. Were those things falsified?

Mr. MILLER. We went through all the receipts. It was billed to the Federal Government. It took a long time to find, because some of the bills are on purchase cards, credit cards. Some of the bills are in the budget for the conference. Some of the bills came out of the operating fund for the public buildings. They were all over the place.

So I commend our forensic auditors and special agents and auditors for finding these.

Senator BOOZMAN. So within the agency, who is responsible for saying, there is something amiss here?

Mr. MILLER. Dan, do you want to take that?

Mr. TANGHERLINI. I think actually that is part of the problem. I think that was part of our concern, was that we didn't have a strong, centralized financial management organization that could see these things beginning to start coming through the system and start raising questions. It was all held within the region, and that region was being led by this individual who is the main leader of this activity. So that we identify very quickly as an issue, coming out of the Inspector General's report. We have taken immediate action to begin to change that structure. But we think that that is just the beginning and why we need to take a good look, top to bottom, the way we structure and organize and operate this agency.

Mr. MILLER. And Senator, somebody was approving the travel vouchers for those people traveling to this conference. So there is responsibility all throughout GSA.

Senator BOOZMAN. As you have unturned these stones, are you finding—is this more an individual thing, or is this the culture of GSA?

Mr. MILLER. We are finding a lot of things.

Senator BOOZMAN. But is it more a cultural thing, or this has been going on so long that it is business as usual?

Mr. MILLER. As an inspector general, I am reluctant to make generalizations without having facts to support them. I will say that when we uncover things, we disclose them; I gave the Administrator an interim report because we had investigations. And it got

so bad that we thought, we have to tell the Administrator so that they can stop this abuse. Normally we don't do that when we are investigating.

But we put together this interim report. And I briefed the Administrator in May 2011 about the abuse. We also had another problem with the employee rewards store, the Hats Off store; we gave her a draft of that, too. So we gave the managers information so that they could stop this.

I don't know what actions were taken. I will let the Administrator talk about that. But we were trying to get people to stop this. And then in August, there was a new regional administrator sworn in in Region 9. I personally met with her, went through the interim report with her and asked her to get a handle on the regional commissioners' travel. I even suggested perhaps she could have her CFO take a look at past trips.

And then we are faced with a 3-week trip of the regional commissioner to Saipan. We went to the Deputy Administrator, Susan Brita, and said, what is going on? Do you know that he is about to take another trip? She contacted the regional Administrator and the result was, he went on the trip.

Senator BOOZMAN. So that is kind of cultural.

Mr. MILLER. I will let you draw the generalization.

Senator BOOZMAN. Exactly. The GSA evidently is a very troubled agency. Do you know perhaps some of the better agencies—our leadership who has been here a while mentioned that have these recurrent things going on at GSA. What are some of the agencies, what can we use as model within Government to try and model this after so that we don't have this in the future? Some of the agencies that seem to function without these problems, is there one that comes to your mind?

Mr. TANGHERLINI. I would say, I just want to, if you don't mind, add quickly to the IGs, Mr. Miller's comments about culture and say that at the same time, I have received dozens and dozens of e-mails from GSA employees who are as outraged and horrified and disappointed and disgusted, and frankly, even some level more, because they have associated their public service careers with this organization. And they are now embarrassed about being GSA employees.

They are committed, the e-mails I get from people, they are committed to redoubling their efforts to do what the GSA is set up to do, which is save taxpayers money, which makes these events even more unconscionable.

Now, what are the good agencies out there? I really think that the Administration has done a very good job of moving forward on a number of systems, accountability systems, performance accountability systems, that we really need to look at other agencies, how they set things up so that they have a continual quarterly accountability review of the actual performance and expenditures of their component parts. I think there are a lot of lessons we can learn from that.

Senator BOOZMAN. Thank you.

Thank you, Madam Chair.

Senator BOXER. Thank you, Senator.

I just want to thank all my colleagues, because I think every one of these questions is important.

So it is really good to see both of you working together. I can't tell you how much it means to us. Because without that, we are not going to get anything done. I think the last Administrator should have listened to you a lot more when she saw the draft report.

Mr. MILLER. Thank you.

Senator BOXER. I think that was a huge mistake. And if it wasn't for Ms. Brita, we might not even be here.

So I think what is really important is for the public to understand, as you said, Mr. Miller, in your opening, what went wrong and what went right. But now, we have no excuses going forward not to fix this nightmare. And I have to say, it starts with the two of you working together. It really does.

Now, that doesn't mean you are going to agree on every single thing, no two people agree on every single thing. But the motivation of cleaning house is key. And putting in those checks and balances so that, look, we can never stop every bad thing from happening, but we know we can stop most. It starts with accountability for those who committed these, I would say, possible criminal acts. I believe it is very possible. I know you are looking at more.

So I think this is so damaging that Mr. Tangherlini, I want you to be more sweeping in your reforms, perhaps, than people will be comfortable with. You have to. You have no other option. You can do something here that will last for generations if you do it right.

I think Senator Boozman's question was good, is there another agency. Well, there is really not another agency that has quite the same function. This is a different type of a function. Most of our agencies really deal with performing a particular service. You have to deal with so many outside, inside people, it is different. But we have to protect against bad people, because there are always going to be bad people.

So the last Administrator before this one, the Administrator under George Bush, compared you, Mr. Miller, your tactics, to terrorism. I assume that was not a good working relationship. Right. So she is gone, now the next one is gone, and now we have this camaraderie based on not personalities or power, but doing the right thing.

So I would like to offer a couple of thoughts and have you respond. I think all of us who have led organizations, be they small or large, know that the tone set at the top is critical. There is a very kind of a coarse expression, which I will say at my own risk, which is the fish sinks from the head. It makes sense. If the person at the top is not good, it filters down, the ugliness. And we have a good person at the top, we have a great Inspector General who has proven himself through various and sundry Administrations.

So are you considering, Mr. Tangherlini, or have you done this, personal town halls with the GSA employees? Now, it is my understanding that the good people there, and you point to them, are being forgotten. That is the saddest, saddest, saddest thing. Because my understanding, and you can confirm this if I am not correct, is that these current GSA employees following Obama's direc-

tives have saved more than a billion dollars for taxpayers. Am I right on that?

Mr. TANGHERLINI. They have helped us save a million dollars by following——

Senator BOXER. No, I don't mean this. I mean by putting in energy efficiencies, and putting in better computing and better printing.

Mr. TANGHERLINI. Absolutely. The value proposition goes well beyond that when you start looking at what we do in terms of competing travel, what we do in our procurement areas, in terms of strategic sourcing. It is really a great story.

Senator BOXER. So let's be clear here for the taxpayers to know, because of the President's directive to become efficient and save money, we have saved, is it fair to say, more than a billion dollars for taxpayers?

Mr. TANGHERLINI. I think it is fair to say.

Senator BOXER. OK. So let's not lose that. Because that gets lost.

How many people sitting here today work for GSA? Could you raise your hand? I know what a painful thing this is. Every time there is a scandal in the Senate, it hurts everybody, and we have them. It is ugly. And I know what you are going through. But I think what we can't lose sight of is the good people there. And in order to make sure that they are supported, so are you considering having these types of meetings, whether it is large ones out in the region? What are your plans to exert that type of leadership?

Mr. TANGHERLINI. Well, already, on my second and third day at GSA, I went through the Public Buildings Service, the local Public Buildings Service, I went out to our region 11 office here in Washington, I went to our FAS, and I went floor to floor and addressed GSA employees. I have already been on what we call Chatter, which is our internal social networking dialogue opportunity to take questions from GSA employees. In my letter to GSA employees on my first day I asked them to reach out to me. They have not been shy. They have been reaching out to me.

And in our joint letter we asked employees to reach out to both of us if they have an issue.

Senator BOXER. I think what is important, and this is my opinion, is for you and your trusted people at the top to meet with groups of people, large groups of people, and just let them know that we are going to deal with this matter, we are going to straighten this out, we are going to be known as the GSA team that cleaned up a mess that has happened over four decades that keeps on happening, and we are going to clean it up.

It also seems to me, you talk about innovation. Innovation needs to be coming from the grass roots up. But if it has a cost to it, it needs to go to the central place here. Because that is what you need. You need cost controls right now, on everything. I think you should overdo it. There is always a way that you can later on say, maybe we have overdone it.

But in my opinion, for example, these guys did pre-convention trips to try out the resort with their friends. That is disgusting. And it has to stop. So any travel budget, it seems to me, needs to be looked at by your trusted people, every travel budget. And all the expenses, all of that has to be instituted, I think, to regain con-

trol over these runaway regions. I say regions plural, I may be wrong, I don't mean to impugn anybody else.

But your leadership in terms of reaching out to the good people is just as important as your leadership in punishing the bad people. It is a big job. And you have trusted people.

So I want to help you. I know Senator Inhofe does, I know members of the Committee want to help. Because it will rebound to our benefit, if we can help you straighten this out. We are the biggest landlord, we have a lot of property. We can really make it work for the taxpayers if we do it right. If we do it wrong, it is not going to be good.

So you have my full support here. Come September, we will take another look-see on how everything is going.

I am going to turn it over now to Senator Barrasso.

Oh, Senator Carper, I am so sorry. You were gone and now you are back.

Senator CARPER. I am happy to yield.

Senator BOXER. No, go ahead, because he will take his final.

Senator CARPER. Thank you for joining us today. Let me just say, I spent a lot of years in the Navy. We were trained from an early age that leadership by example is one of the best forms of leadership. People may not believe what we say, they will believe what we do. We are entrusted with positions, none of us is perfect; we all make mistakes.

I think it was Richard Nixon who used to say that people who don't make mistakes are people who don't do anything. My father used to say, just use some common sense. I think what happened here is common sense was not used, and leadership by example certainly was not pursued. It is a reminder for all of us that the positions that we are entrusted with, that we need to use some common sense, and we need to remember that there are people looking at us and watching us. That brings with us a special responsibility.

I have a couple of questions I want to ask. Mr. Miller, it appears that, the irony of it is that we are focused here on the expenditure of less than a million dollars, and there is the issue, a much larger issue pointed out every year by GSA that involves surplus property, that we have great potential savings with respect to surplus, thousands of pieces of property that are owned by the Federal Government that in some cases we don't need. We spend a lot of money for utilities and security and so forth.

The Administration is focused on this, your agency has been part of this, and we need to be part of the solution. I think we will be moving legislation later this year, not just focused on the expenditure of $800,000, which is not insignificant, but also to focus on the expenditure, wiser expenditure of billions and billions of dollars, which is part of your responsibilities.

Mr. MILLER. Indeed.

Senator CARPER. Mr. Miller, it appears the system that is designed to uncover such wrongdoing actually worked as it is intended. According to your report, you were informed of excessive spending and potential employee misconduct in conjunction with the conference I think by a GSA Deputy Administrator, is that right?

Mr. MILLER. That is correct. Susan Brita, who is sitting behind me.

Senator CARPER. Would you raise your hand, Susan? OK, thank you.

And that prompted you to launch your investigation?

Mr. MILLER. Yes, sir.

Senator CARPER. And once you revealed the findings of your investigation to GSA leadership, how quickly did they respond?

Mr. MILLER. Well, I think former Administrator Martha Johnson is the one to answer that question. I went through the interim report in May 2011 with Administrator Johnson and her senior staff. I also in August 2011——

Senator CARPER. Could you just back up? Will you start the time line for me?

Mr. MILLER. The time line is the Deputy Administrator contacted our office around December 2010. The actual conference was October 2010. So somewhere around December 2010, the Deputy Administrator came to our office. We began the investigation immediately.

And in May 2011 we were finding such outrageous conduct that we took the unusual step of preparing an interim report. We don't usually do that with investigations. But we prepared an interim Power Point to share with the Administrator. We gave that to her and her staff.

Senator CARPER. That was May 2011?

Mr. MILLER. May 3rd, 2011. And then on May 17th, 2011, I met with her personally, went through the Power Point.

Senator CARPER. What was her reaction?

Mr. MILLER. She appeared to be disgusted by the Power Point. But we went through it. I also went through another draft report that we had on what is called the Hats Off program; it is an employee reward program. And I won't bore you with the details, but it was a draft, I went through that with her as well. In June 2011 the Hats Off report became final. And that indicated wrongdoing on the part of various GSA employees, especially the regional commissioner.

Then in August 2011 I personally met with the newly appointed regional administrator for Region 9.

Senator CARPER. And the administrator had been removed, stepped down?

Mr. MILLER. There was a vacant regional administrator for Region 9, and that was vacant for a long time. The regional commissioner, Jeff Neely, was acting regional administrator at the same time, which may be part of the problem. But Administrator Johnson made it a point to find someone, and appointed someone to take charge as regional administrator. And so I personally briefed regional administrator in August 2011 and suggested that she get a handle, get control of the regional commissioner's travel, and that perhaps she could employ her financial officer to help do some historical work as well to let her know what the true story was.

So that is the time line. We came out with a final report, and I delivered it to Administrator Johnson on February 17th. The way our system works is, we will do essentially what is a final report. We give it to the agency to make comments, so they tell us whether

we got the facts wrong, or there is something wrong, or they say, no, it is exactly right. Either way, we publish their response, and the whole thing is published.

So I gave her what is technically called the draft final report February 17th. And I gave her 30 days to prepare a response that we would publish with the report. She asked for an additional 30 days. But it was clear all along that we would publish whenever we received her response. And ultimately, we received her response on April 2nd, and that is when we published the final report.

Senator CARPER. All right, good. Thank you.

Are you satisfied with the corrective measures that have been taken? Just be very brief. Are you satisfied with the corrective measures that have been taken?

Mr. MILLER. I think more needs to be done, Senator.

Senator CARPER. Give us some idea what that might be.

Mr. MILLER. There are a lot of challenges, perhaps the Acting Administrator wants to address those.

Mr. TANGHERLINI. I agree with the Inspector General; more needs to be done.

Senator CARPER. Can you give us some idea what that might be?

Mr. TANGHERLINI. We mentioned some around the stronger oversight and accountability of the regions, better and stronger financial management systems that reach into the regions so we have clear visibility what is taking place there.

Senator CARPER. The issue, Madam Chair, did you all get into the question, and I will just ask you really, did the fact that there was not a regional administrator for apparently a significant period of time, is that symptomatic? Are there other regions, are we having extended periods of time where you don't have somebody literally there in charge in the regions? And what should we be doing about that? What should the Administration be doing about that?

Mr. TANGHERLINI. Some of that has to do with the changeover between Administrations this year, trying to appoint these positions. But also some of it had to do with the fact that the accountability of the regional commissioners had been transferred away from those regional administrators and sent directly to the commissioner of the Public Buildings Service. We learned yesterday in one of the hearings that there is almost some confusion about the organizational structure of GSA. And we need to make that very clear and very obvious so we can have the kind of accountability we need.

Senator CARPER. All right.

Thank you, Madam Chair.

Senator BOXER. I think that was an important question, so thank you for pursuing it.

Senator Barrasso, then Senator Udall.

Senator BARRASSO. Just to follow up on Senator Carper's point about bringing back the accountability, the question to the Inspector General is, do you have the resources that you need? You said there is more that needs to be found. Do you have all the resources that you need to bring back the accountability that taxpayers demand and deserve?

Mr. MILLER. We are always doing the best with what we have. We have 70 special agents, special agents do the interviewing, they

have law enforcement authority. We have a number of auditors, we have a total of about 300. We have a number of vacancies. And of course because of appropriations, we are not filling many of those vacancies.

But as everyone in the Federal service is doing, we are doing as much as we can.

Senator BARRASSO. Thank you, Madam Chairman.

Senator BOXER. Thank you so much.

Senator Udall.

Senator UDALL. Thank you, Madam Chair, it is good to be with you today, and I really appreciate you doing this hearing. It is tremendously important to focus on the issues that the GSA does focus on, and I am going to talk a little bit about New Mexico here.

At the House hearings and our hearing today, many listed the outrages in this wasteful, over the top conference. I am not going to spend a lot of time on that, but a mind reader, sushi, luxury suites, when you are wasting taxpayer money, what happens in Vegas does not stay in Vegas.

So let's take a little bit more of a look here at this conference in terms of the big picture. My first question is going to focus on all these things you have done in the past. But first, to hit on New Mexico. From a New Mexico perspective, this conference scandal is also especially worrisome for two reasons. First, I am disappointed that this conference involved the western regions of GSA, of which New Mexico is a part, which is within the southwestern region, Region 7.

And second, more importantly, this scandal is distracting from the urgent GSA pending project in New Mexico, the Columbus Land Port of Entry. Columbus, New Mexico, is a border town across from Palomas, Mexico. GSA included a $60 million new land port of entry facility in its 2012 budget. In December this Committee approved a resolution authorizing construction. This facility is extremely important to security, U.S.-Mexico trade and economic development in southwest New Mexico. I was in Columbus last week and heard about the importance of this project. We need to root out the waste and abuse at GSA and get back to the work that taxpayers want us to do, like economic development and border security.

So Mr. Miller, you have talked a lot about the report your office did regarding this wasteful conference in 2010. I would like to hear some more about your other works on wasteful spending, so that we can put this current controversy into context and into perspective. Here are a number of figures from your most recent semi-annual report. I hope you can tell us really what they mean. First of all, $460 million in questioned funds are recommended for better use; $370 million in criminal, civil, and administrative recoveries; 260 new investigations; 71 cases accepted for prosecution; 85 indictments and 64 successful prosecutions; 88 contractors suspended and 61 contractors disbarred.

Now, there are similar figures in all the semi-annual reports going back to President Bush. Could you put this in perspective? We have this conference that is obviously a real waste of taxpayers' funds. But some of the other things you are doing here I think are

very important, and the dollar amounts are huge. Could you put that in perspective?

Mr. MILLER. Thank you, Senator, for noticing. Our office does a lot of great work. We have great auditors, great special auditors, forensic auditors, and lawyers. They do a tremendous amount of work. I will just start backward.

I made it a priority when I became Inspector General in 2005 to make referrals for suspension and debarment. We have referred over 1,000 individuals and companies for suspension and debarment so far. We have indicted a number of individuals and companies. This year alone we indicted a group of individuals who were producing counterfeit integrated circuits, claiming that they were Cisco integrated circuits, and then upgraded integrated circuits. They broke the code that Cisco had to upgrade them, and they would upgrade sometimes real Cisco integrated circuits with counterfeit parts and sell them at a profit to the Government and to others. We convicted those individuals; they were convicted in the Eastern District of Virginia by the U.S. Attorney's office there.

We also investigated—which led to the conviction of 11 individuals involved—property managers managing properties in the DC area, including a manager of White House facilities. They were taking bribes. For example, they would have an arrangement with a contractor to replace an exhaust fan. And they would use their purchase card to charge $2,000 or $1,000 for replacement of a fan. In reality, the fan cost $80. So the contractor then would kick back a part of that money to the property manager.

So 11 property managers and contractors were convicted earlier in this year, I guess 2011.

Senator UDALL. Mr. Miller, in terms of perspective, is the waste, fraud, and abuse at GSA improving, or is it getting worse overall? You've had a real perspective here looking at this big picture issue.

Mr. MILLER. We continue to look at the larger systems, too. Because we do audits of programs of GSA. And GSA, we do audit programs regularly at GSA. Having conferences is not a program of GSA, so it is not one of the regular things we audit. We will start now. But we audit their systems, and we look at their work yearly. And we find more and more fraud, waste, and abuse.

I don't know that we have sat back and compared how much fraud there is year by year. Fraud by its very nature is hidden. I am happy that, thanks to the hard work of our special agents, auditors, forensic auditors, and lawyers, we are uncovering more and more fraud.

Senator UDALL. The last GSA Administrators have had to resign. Is there something about GSA, could you tell us why we are seeing that many scandals at GSA? What can you enlighten us on there?

Mr. MILLER. GSA handles a lot of money. Millions, maybe billions of dollars, flow through GSA. It handles a lot of money, handles a lot of property. There are a lot of contracts that it controls. There is a lot of temptation. And with over 12,000 employees you are going to find criminal conduct, stupid conduct, and just plain negligence. So it is a large operation with a lot of employees, so you do have criminal activity.

Senator UDALL. Madam Chair, I see I am out of time. I just have one more question, if I could have your indulgence here. I would

like to ask the Acting Administrator, is this scandal going to distract GSA from doing its job, such as constructing essential Federal facilities like the Columbus, New Mexico, border crossing land point of entry?

Mr. TANGHERLINI. We hope it won't. Because that would add a very bad outcome to an already unacceptable situation. We need to make sure the GSA, the nearly 13,000 GSA employees stay focused on their core mission and save taxpayers money. If we are diverted from that, then we are only compounding the mistakes that were made at this conference.

Senator UDALL. Thank you.

Madam Chair, I know that you are a real watchdog over the Treasury, and I appreciate your holding this hearing and making sure that we don't see these kinds of wasteful expenditures of taxpayer money.

Senator BOXER. Thank you, Senator, for joining us. I think we have had a good, a very important hearing. We are not looking for photo ops of people taking the fifth. We are trying to now move forward and make sure this doesn't happen again.

Now, the Inspector General, in answer to Senator Udall's question. He is uncovering more and more fraud. It just seems like it is a never ending thing.

So Mr. Tangherlini, you are sitting next to a man who is saying he is uncovering more and more fraud. So again, I am trying to encourage you to do far more than even you thought you had to do. You need to, because we are not going to change this.

So I am encouraging you here, I am supporting you in that effort. As I think of ways, if I was in your seat, again, I would communicate with every single employee. Have you done any type of an e-mail or any type of a letter or any type of a little chat? You said you chatted.

Mr. TANGHERLINI. Yes.

Senator BOXER. Have you made a statement that all GSA employees from the top to the bottom can hear you talk about (A), how much you respect the work they do and (B), how we have zero tolerance for fraud in any way?

Mr. TANGHERLINI. We need to continue to do that. But on my first day I sent a letter to all GSA employees, I followed it up later in the week with a joint letter with the Inspector General. I have also done a video for all General Services employees.

Senator BOXER. Good.

Mr. TANGHERLINI. We started the social media, the chatter conversations. There is going to be more of that. I like your idea of maybe using something like telepresence to get out to the regions.

Senator BOXER. Very important.

Mr. TANGHERLINI. And to talk to folks.

Senator BOXER. Because you know what is going on right now around the water cooler. Not a lot of work.

Mr. TANGHERLINI. Right.

Senator BOXER. And I think people have to know we have a job to do; it is our job to prove to America that this agency is filled with patriotic, loyal Americans who want to do the right thing. And that is critical.

What is so outrageous about this is how these bad actors, very bad actors, perhaps criminal actors, have sullied the reputation of so many people. It really is so disturbing. And they tried to also sully the reputation of our President, these people, in some of the things that they did. So I think a reach-out here is critical.

I also think—you have 11 offices, right? Ten plus DC, right?

Mr. TANGHERLINI. Yes.

Senator BOXER. So I would, if I were you, I would find 11 of the best people I could find, seriously, the top notch people, whether they are in the agency, and you have good people there, or find these people. I would at this point send them out to each of these offices, and I think they ought to be special oversight officers, there to make sure people get back to work, do their job, and before all these papers go off to the central place, which I think is important, that there is somebody there who can liaison with you, so you don't have a situation where you have the same people sending you the papers and you don't have that much confidence.

I think that ought to be something you consider. Now, it may not be necessary to do it in every one of these offices. But I will tell you right now, from what I heard about the one in my State, it ought to be done.

Mr. TANGHERLINI. Right. Already in regions 7, 8, 9, and 10, in the Public Buildings Commission we are sending out new acting public buildings commissioners. But I also took away from here that we need to very quickly focus on the role of the regional administrator and the clear accountability that those folks need to show over those regions.

Senator BOXER. Yes. And sending someone out there to oversee it, whether that is a 6-month assignment, plucked from the best of your best, it is up to you. When I hear the Inspector General, whom I admire so much, who had to take so much verbal abuse in the past, and who stuck with it, when I hear him say he is looking, he is turning over rocks, and every time he turns over a rock, something crawls out, that does not give me heart. I do not feel good.

I am so happy that you are both there. But I am worried about what is to come. You are there now, and you have nothing to do with it. But from this point forward, you do. So don't underestimate this job that you have in terms of shaking this tree, and let these bad apples fall. Have your best people in these regions.

We become Washington-centric sometimes in Federal Government. We really do. And one of the things I learned, being in my job for a long time, thanks to the good people of my State, is that in the beginning, there was always tension between my regional offices at home and my main office. My main office thought they were the best, the best, and everybody was doing things out there wasn't so important. Baloney. The people on the ground are the ones who are meeting my constituents, are the ones who are bringing the issues to me, are the ones with the face of my office.

So we had a lot of heartfelt meetings. And now we are a seamless team. But it takes a lot of time. But I think that these regions have gone wild. This region went wild on you. They went rogue. It can't happen, and there are still ugly things that are going to come

out, let's face it. Because we know that Mr. Miller isn't going to stop until he knows every single thing.

So will you consider this idea of, I am not just talking about a person of public buildings, I am talking about an overall good person to get in there and say to the region, we need to change, and this is how it has to be, this is what our leader in Washington said we are going to do, and we are going to do this for him, we are going to do this for the country. So would you consider that type of approach?

Mr. TANGHERLINI. Absolutely, Senator.

Senator BOXER. Excellent. I think it would really help. Because the big word here is accountability and checks and balances.

You know the expression they used to say back in the founding days, we are a Government of laws, not men, well, we would say today we are a Government of laws, not people. But we are a Government of laws and people, as the Inspector General said. We have the laws on the books. We have the rules on the books. And these people skirted them, disobeyed them, and it will happen until the end of time. But we have to get to the bottom of this. I think it is going to take your most trusted people, with the most integrity, to get out to these areas and make them understand, they don't just do anything that comes along. They have to carry out a very important mission and do it with the highest integrity.

So I have one more sticky wicket, which is not a hard question for the Inspector General at all. Has anyone in any way ever tried to stop you from this investigation in the Senate or in the House?

Mr. MILLER. No.

Senator BOXER. Has anyone called you and said, go easy on this?

Mr. MILLER. No.

Senator BOXER. Has anyone called you, Mr. Tangherlini, a Senator or House member, and said, go easy on this?

Mr. TANGHERLINI. No.

Senator BOXER. OK. I want that clear, because we have a chairman over in the House who was saying that one of the Senators is trying to stop this investigation. And that is an outrage.

So I am going to read in our close what the Inspector General said. "There is a glimmer of good news. The oversight system worked. My office aggressively investigated, audited, interviewed witnesses and issued a report. No one stopped us from writing a report and making it public."

And the whole ugly event is now laid bare for all to see. Justice Brandeis said that sunlight is said to the best of disinfectants; how true.

So let the record be clear: there isn't one Senator or no Member of Congress who is trying to do anything other than get to the bottom of this. And the two of you, and I have to say Ms. Brita, you are the good guys and you are the heroes of this. We should never forget that. We stand with you, and we will be with you every inch of the way. Don't let anyone stop you from doing the right thing here. Because the days are over of these parties, they are over. The days of being unaccountable at GSA are over.

And we have to make sure they are over long after none of us is sitting in these rooms. That is what the Carter administration thought. They put people in jail, there was fraud, they protected

whistleblowers, and we got back again and again and again. So let's make it this time, set into place a system that is going to stop all these bad things that have happened and more. And I think you do it with the best people, and you do it with the kind of an organization that builds in the checks and balances. So if you have a bad actor, that bad actor is found out. There is a layered system.

One of the things about the defense at the airports, and we are all critical, and we don't think they work, and sometimes they are abused and so on, it is a layered system of defense. It is a layered system. You buy the ticket; you are checked out. You go through; you are checked out. You go to the desk; you are checked out. Your baggage is checked; everything is checked. So if you have multiple checks, then you are doing your best.

Does it mean it is perfect? Does it mean it is foolproof? No, because we are humans. But I think you can do it. If ever I saw two people, three, if I might add, who have the integrity and who have the will, it is the three of you. And the others here, who I don't know, who I believe want to help you do it.

So let's show the world, let's show our taxpayers that we are going to fix this. And although this is a horrible situation, and we could see more parade of horribles, we are going to change it, and we are going to make sure that we change it for good.

Thank you very much. We will stay in touch. Thank you.

[Whereupon, at 11:45 a.m., the Committee was adjourned.]

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