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

1800 F Street, NW | Washington, DC 20405

www.gsaig.gov

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

TABLE OF CONTENTS

Executive Summary 1

Summary of Investigation 3

Background 3

Excessive Spending on Conference Planning 3

Improper Contracting 4

Original Solicitation and Agreement with M Resort 4
Revised M Resort Agreement 5
Contract for Team-Building Exercise 6
Contract for Audio-Visual Services 7

Excessive Spending on Food 7

Contract Provisions Regarding Food 7
Rules Governing Food Expenditures 8
Questionable Expenditures for Food 9

Other Impermissible and Questionable Expenses 11

Individual Impermissible and Questionable Actions 12

GSA's Over the Top Approach to the Conference 13

Conclusion 14

Recommendations 15

Management Response 16

Appendix

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.

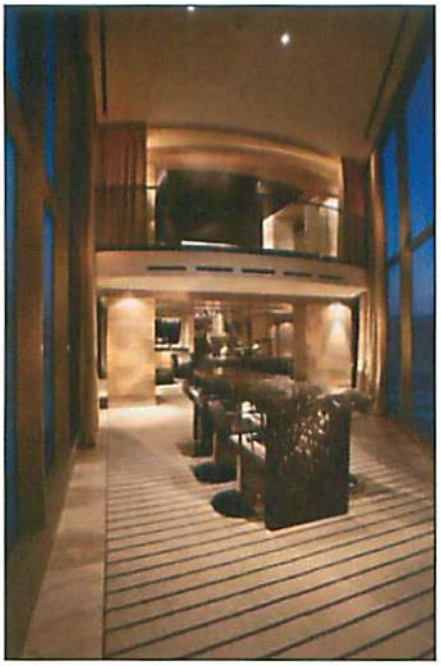
- In planning meetings, GSA personnel discussed that the theme was intended to showcase the business talent of the regional offices, but the emphasis was to be split between business talent and "theatrical talent." Thus, the "Capstone Dinner" on the last evening of the conference was to have a "red carpet" 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.

GSA

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

U.S. General Services Administration
1275 First Street, NE
Washington, DC 20417
Telephone: (202) 501-0800
Fax: (202) 219-1243

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.

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.