

FEDERAL TRADE COMMISSION



OFFICE OF INSPECTOR GENERAL

**Financial Statement Audit for Fiscal Year 2005
Follow Up of Prior Year Findings**

Management Letter



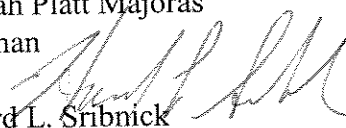
United States of America
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

January 5, 2006

MEMORANDUM

TO: Deborah Platt Majoras
Chairman

FROM: Howard L. Sribnick 
Inspector General

SUBJECT: Transmittal of OIG Audit Report

When auditors detect deficiencies in internal controls that are not considered reportable conditions (that is, they do not rise to a level of seriousness to be reported in the auditor's opinion), such findings are communicated to the auditee in a management letter. Attached, for your information, is a copy of the FY 2005 Financial Statement Management Letter that reports on such audit findings.

As the audit team reviews all major financial systems and accounting processes yearly, additional findings within the same general area are likely to occur. Consequently, the Management Letter begins with reporting on the status of prior year findings. This approach is not necessarily an indication that problems are recurring without management's attention. Rather it means that certain areas are vulnerable to accounting errors or system breakdowns and, thus, need constant oversight. This also helps the Office of Inspector General (OIG) to determine whether management's actions were successful in addressing prior-year problems.

This year's management letter contains the status of four prior-year findings as well as four new findings. All have been discussed with management. In a number of cases, corrective action has already been initiated.

The OIG will continue to review areas vulnerable to accounting error and report any findings in next year's management letter.

I am available to discuss the letter at your convenience.

**Federal Trade Commission
Financial Statement Audit for Fiscal Year 2005
Management Letter**

Follow Up of Prior Year Findings

1. Improvement Needed in Quality Assurance Review of Financial Statements

The Assistant CFO for Finance and her staff are integrally involved in the financial statement compilation and are also responsible for the Quality Assurance of these statements. With the shortened time frame to produce financial statements, the resources used to compile the statements limit the resources available for a quality assurance (QA) review. Further, the over-familiarity with the details by staff compiling the statements and notes is counterproductive when these individuals are involved in the QA review process.

During its review of the FY 2003 financial statement package (Management's Discussion and Analysis, statements and notes), the OIG identified several errors that are common among such large and complex products. These errors included misspelled words and misplaced information in the notes, and formatting errors. Currently, the Financial Management Office (FMO) has not dedicated any personnel to perform the QA review of the financial statements and notes other than those involved with compiling them.

During the exit conference, the Chief Financial Officer (CFO) told the OIG that he agreed with the finding and had designated a staff person to assist in the QA review as part of the FY 2003 financial statement quality control. However, that individual retired and no other person was assigned. The CFO plans to assign this function to a new hire for the FY 2004 statements.

FY 2003 Recommendation: The OIG recommended that the quality control review include tests for mathematical accuracy and consistency within the statements and among the statements, notes and supporting tables. To assist in this process, the Assistant CFO-Finance should develop a guide outlining procedural steps that the QA reviewers can follow.

FY 2004: The Assistant CFO for Finance told the OIG that errors and omissions often occurred because she was too involved in the compilation and review process. In effect, she had been tasked with preparing the statements, editing the notes and performing quality assurance steps on the finished product. In FY 2004, the financial statement compilation and review process was reassigned to the FMO's senior accountant. Two staff accountants assist the senior accountant in preparing schedules and proofing the statements for grammar and mathematical errors. The Assistant CFO for Finance then performs a quality assurance review of the financial statements.

Although the Q&A process was revamped, the OIG still found several errors in the financial statements. For example, the statement of financing did not conform to OMB's form and content requirements for government financial statements, select footnotes did not tie back to the financial statements and some prior year financial statement numbers were inaccurate.

FY 2004 Recommendation: The OIG recommends that the Assistant CFO for Finance develop a checklist of items containing common financial statement errors as a guide for the quality assurance review of the financial statements.

FY 2005 Finding and Follow Up: In her 8/18/05 memorandum to the agency's audit follow-up official, the Assistant CFO for Finance stated that she developed a guide for the review of the statements and uses the Government Accountability Office's financial reporting checklist to reduce errors on the statements.

The OIG has noted improvements by FMO in the preparation of the financial statements for FY 2005. However, the OIG still identified some errors in the statements. Most notably, we found footnotes and exhibits that did not tie to the face of the statements.

Because of the progress made by FMO in this area, the OIG is not making additional recommendations this year to address this finding. Rather, we will continue to monitor FMO's quality assurance efforts in FY 2006 and determine what changes need to be made depending on the outcome of that review.

2. Receiving Reports Are Not Prepared Timely

Receiving reports provide written evidence of acceptance of property or services by a Government official. Receiving reports contain the following information: (i) contract or other authorizing number, (ii) product or service description, (iii) quantities received - if applicable, (iv) date that the property or services were delivered or received, (v) date the property or services were accepted, and (vi) signature of the Contracting Officer's Technical Representative (COTR).

The Prompt Payment Act of 1982 (PL. 97-177) requires the payment of interest to vendors on payments made after the payment due date. Generally payments are due 30 days after the latter of (i) the acceptance date of the services or (ii) the date the invoice is received at the National Business Center (NBC). The Act's guidelines are very specific as to the need for complete and accurate invoices from vendors and for the requirement of timely acceptance of goods and services. Receiving reports are to be submitted through the FMO to the NBC once goods are accepted by the COTR.

The FTC's vendor payment processor, NBC, requires proof that an invoice is valid before it will pay the vendor. Agency COTR's provide such proof by completing a receiving report certifying that goods/services were delivered as specified on the invoice. Interest penalties paid to vendors for late payments by the agency pursuant to the Prompt Payment Act are usually the result of receiving reports not filed timely by COTRs.

In a prior Management Letter, the OIG recommended that FMO send letters to bureau/office heads alerting them to interest penalty expenditures. This procedure resulted in a dramatic drop in interest penalties paid by the agency, from \$18,884 in FY 2002 to \$6,475 in FY 2003. But that downward trend was short-lived, as FY 2004 interest penalties doubled between FY 2003 to FY

2004 (\$6,475 to \$12,814). The OIG noted that 69% or \$8,800 of the interest penalties in FY 2004 was associated with the Information & Technology Management Office (ITMO).

FY 2004 Recommendation: The OIG recommends that the Finance Office notify bureau and office heads of the interest penalties charged to their respective organizations while continuing to identify specific COTRs responsible for the penalties.

FY 2005 Finding and Follow Up: Rather than take the additional step to notify bureau and office heads of penalties as recommended in FY 2004, FMO amended the procedures for receiving report processing. Interest penalties for FY 2005 decreased significantly (to \$4,202 from \$12,814 in FY 2004).

FMO believes that the decrease is attributable to the amended procedures. First, FMO encouraged all COTRs to submit receiving reports by fax or by e-mail (through a scanned version of the receiving report) directly to NBC. FMO estimates that approximately 75% of COTRs now routinely scan and e-mail their receiving reports directly to NBC instead of sending them through FMO. Second, NBC now contacts COTR's directly through e-mail when an invoice is received from the vendor without a corresponding receiving report on file. The new procedures eliminate the duplicate procedure that was in place where FMO and NBC both tracked missing receiving reports. In addition to the new procedures established by FMO, ITMO has designated two employees to monitor all contracts to prevent any late payments.

The OIG considers this finding to be closed.

3. Parking Benefits Are Not Accurately Reported on W-2's

Parking provided to an employee at or near the employer's place of business is considered a qualified transportation fringe benefit. Internal Revenue Service (IRS) regulations permit employees provided with this benefit to exclude it from their income, up to a certain monthly limit (\$200 in 2005 and \$195 in 2004). If the parking benefit value exceeds this limit, the excess must be included in the employee's income and reported on his/her IRS form W-2. The FTC values non-reserved spaces at the IRS benefit limit resulting in no tax consequences for those employees parking in non-reserved spaces. However, reserved spots do carry tax consequences as explained below.

The FTC's Administrative Services Office (ASO) manages both the reserved and non-reserved spaces at its headquarters garage. For reserved spaces, ASO determines the value of the parking benefit by averaging monthly fees at similar, nearby parking facilities. In calendar years 2005 and 2004, the average value in the area around the FTC headquarters building for reserved parking spots was \$417 and \$388 per month, respectively. The names of employees receiving reserved parking benefits are forwarded to the Human Resources Management Office (HRMO), along with the per-pay period amount to be included as income. HRMO, in turn, submits the names of the identified employees along with their social security numbers, organization codes and per-pay period amounts to be reported as income to the National Business Center.

For calendar years 2003 and 2004, the OIG identified errors in the computation and reporting of the parking benefit. As there are less than 10 employees in any one year who request a reserved spot, the OIG believes that basic control procedures would address the noted deficiencies.

In the FY 2004 Management Letter, the OIG recommended that HRMO establish a quality control process whereby (a) the names of benefit recipients are verified with ASO quarterly, and (b) calculations establishing tax liabilities are checked by an individual other than the person performing the calculation to ensure that computation errors are identified and corrected before W-2's are prepared.

FY 2005 Finding and Follow Up: On June 21, 2005, management informed the OIG that the recommendation had been implemented. Specifically, HRMO management provided the OIG with a set of procedures for the identification of beneficiaries, calculation of benefit totals and quality assurance checks.

During the current year audit, the OIG reviewed parking for calendar year 2004 and for the first 17 pay periods of calendar year 2005. Notwithstanding the new procedures, the OIG found that two employees receiving reserved parking benefits for 2004 and one employee for 2005 had no benefit income reported on their W-2's or on their 2005 earnings report. The OIG concluded that the new procedures were not fully implemented.

In her December 16, 2005 response to the OIG, the Director, HRMO, told the OIG that she is revising the procedures, especially those covering the quality assurance review. The OIG believes that these procedures will identify discrepancies in time to make corrections before IRS Form W-2s are printed. The OIG will continue to monitor the reserved parking benefit program during the FY 2006 audit.

4. The FTC Is Not Maximizing Interest Earnings on Funds Held for Redress

The FTC obtains consumer redress in connection with the settlement or litigation of both its administrative and its federal court cases. As the FTC rarely distributes funds to consumers directly, it has established a contractual relationship with two claims administration and distribution agents (contractors) to perform this important function. The FTC maintains complete control of the funds deposited with them.

The Redress Administration Office (RAO) is responsible for the overall management of the redress program, including oversight of contractor performance.

When defendants make payment(s) toward a monetary judgment directly to the FTC, funds are deposited in the agency's deposit account with the U.S. Treasury.¹ The funds are held in the

¹A U.S. Treasury deposit account is established to hold monies that do not belong to the Federal government. These amounts include deposits received from outside sources for which the government acts solely as a banker, fiscal agent or custodian.

account pending transfer to the contractor or to the Treasury general fund (disgorgement). In other cases, funds may be wired directly to one of the agency's two redress contractors by the defendant per instructions contained in the court order. Factors determining where funds are initially deposited include, but are not limited to, the likelihood of redress and whether the case is on appeal.

A. RAO Cash Management Practices Result in Lost Interest Earnings on Numerous Redress Cases

The OIG found that the FTC lost thousands of dollars in interest income by holding funds in non-interest bearing deposit accounts in the Treasury Deposit Fund (TDF) instead of depositing funds in interest bearing accounts managed by the agency's redress distribution contractors. These earnings could have been used to offset contractor fees, either resulting in more funds being distributed to consumers or disgorged to the U.S. Treasury. The OIG identified \$29,000 in lost interest on just four large cases held in the TDF in FY 2004. As of December 31, 2004, the FTC held \$19 million in the no-interest TDF.

FY 2004 Recommendation: In keeping with sound financial management principles, the OIG recommends that BCP deposit all funds with contractors as soon after the receipt of these funds from defendants as practicable, but no longer than 30 days. Contractor accounts where no distribution occurs should be disgorged, to include net interest earnings. The OIG also recommends that BCP modify its redress contracts to specify how contractor fees will be calculated on cases on appeal in the event interest earnings are insufficient to cover expenses.

FY 2005 Finding and Follow Up: RAO and Office of the General Counsel staff evaluated three options to transfer funds from the TDF to interest-bearing accounts. The three options were to (i) amend the redress contract to permit the FTC to use its contractors' interest-bearing accounts to house funds prior to a decision to conduct redress, (ii) establish FTC interest-bearing accounts, and (iii) place redress funds in federal court registries.

RAO rejected the first two approaches because these approaches raised issues regarding the payment of taxes and compliance with the Miscellaneous Receipts Act and because the costs of the solution appeared to RAO to outweigh the benefits. Pursuant to Fed R. Civ. P. 67, RAO staff elected to deposit funds in court registries. RAO believes this option has several advantages including (i) it does not involve the Miscellaneous Receipts Act, (ii) by statute the fees assessed on the registry deposits cannot exceed the interest earned, (iii) funds in the registries are generally protected from loss and would require no additional security, and (iv) pursuing this option would not require hiring additional personnel to administer redress accounts.

RAO's recommended approach provides many of the same advantages as the OIG recommended approach with fewer administrative burdens on staff. Consequently, the OIG accepts RAO's proposed alternative to hold funds in Court Registry Investment System for cases in which the FTC holds with more than \$100,000 on deposit.

The OIG considers this finding to be closed.

B. Financial Management Practices by One Redress Contractor Results in Lost Interest Earnings on Numerous Redress Cases

Over the past five years, interest earnings from funds on deposit with FTC contractors totaled \$4,538,000, which covered some, but not all, of the costs to perform redress distributions during the same period. Net expenses were paid from the fund principal, thus reducing the fund corpus available for redress to consumers.

Once the FTC has determined that redress will be distributed (sufficient funds are available, consumers are located, pro rata shares are determined, checks are printed, etc.) funds are moved from interest-bearing accounts to non-interest bearing checking accounts. These accounts are then reduced as the checks are cashed. Any remaining funds either become part of a subsequent distribution or are disgorged to the U.S. Treasury.

As the distributions are sometimes made in stages, it is prudent to move only those funds sufficient to cover the issued checks, leaving the balance to earn interest. These cases often involve millions of dollars and the accrued interest is substantial. One of the agency's contractors (Contractor A) told the OIG that it moves funds from savings to checking sufficient to cover only half of the checks mailed to consumers and it monitors the account activity daily. When funds in checking are reduced to a certain point, additional, but not all remaining, funds are moved to checking. Contractor A has an agreement with the bank to cover overdrafts on the checking account, as both savings and checking accounts are with the same bank.

The OIG noted that the other contractor (Contractor B) moved all funds prior to beginning the distribution. According to Contractor B, this policy is based on direction from the RAO. As a result of this practice, Contractor B did not earn thousands of dollars in interest that it could have earned if it had managed the accounts as did Contractor A. The OIG estimated that lost interest on five of the largest cases held by this contractor totaled to \$87,000. The OIG did not calculate lost interest on the remaining cases managed by this contractor.

FY 2004 Recommendation: The OIG recommends that RAO instruct the contractor to notify it when funds will be moved from interest-bearing savings to non interest-bearing checking accounts, the amount of the transfer and to provide a work up of the amount needed to be transferred. RAO should review the planned transfer with the objective of minimizing the time that idle funds sit in non-interest bearing accounts.

FY 2005 Finding and Follow Up: RAO informed the OIG that it concurs with the recommendation. When we brought the finding to the attention of RAO management, it instructed this contractor to move only those funds necessary to cover outstanding checks, and to move any funds not disbursed within 30 days back to interest-bearing accounts. These corrective actions satisfy the intent of the OIG recommendation.

The OIG considers this finding to be closed.

Current Year Findings

5. Imputed Financing at Fiscal Year End is Understated

As required by Statement of Federal Financial Standards No. 5, *Liabilities of the Federal Government*, the Agency recognizes actual costs of future benefits, which includes the Federal Employees Health Benefit Program (FEHBP), the Federal Employees Group Life Insurance Program (FEGGLIP) and pension benefits. The total costs of these future benefits are determined every year by the Office of Personnel Management (OPM) through an actuarial cost method. After OPM calculates the future costs of these benefits, it distributes a benefit administration letter providing the agency with cost factors to determine the total cost of the FEHBP, FEGGLIP, and pension plans. The agency then recognizes an imputed revenue and imputed expense for all costs that exceed the agency's and employees' share of the payments.

In FY 2005 the OIG noted that the Financial Management Office was incorrectly calculating the imputed financing amount for the agency's pension plans. Imputed costs for pension plans are determined by multiplying the basic pay of employees in the pension plan by the cost factor less any employer or employee contributions. When performing this calculation, FMO used the incorrect employee basic pay data, resulting in the agency understating its imputed costs and revenue for benefit programs by \$517,000 for the year ending September 30, 2005.

***FY 2005 Recommendation #1:** The OIG recommends that FMO make corrections to its determination of basic pay in calculating imputed financing to properly reflect imputed financing.*

FMO informed the OIG that it agrees with the recommendation and has corrected its imputed financing calculation in the first quarter of FY 06.

6. Many FTC Employees are Not Seeking Sales Tax Exemptions While on Official Government Travel.

Most FTC employees are required to travel as part of their official government duties. Official travel rules and regulations for Federal civilian employees and others authorized to travel at the Government's expense are found in the Federal Travel Regulations (FTR). In addition to the FTR, the agency also established its own policies and procedures that all FTC employees must follow when they are on official travel. These rules are summarized in the agency's Travel Guide located on the FTC Intranet.

A significant part of employee travel costs is lodging expense. Included in the cost of the room is state (and sometimes) local sales tax. Many jurisdictions around the country grant federal employees tax exempt status when they are on official government travel, but the exemption must be requested at check in. Sales taxes can range from 5 percent-15 percent depending on the jurisdiction. Most jurisdictions listed on the GSA's travel page tax hotel rooms at between 10 percent and 13 percent. Chapter five of FTC's travel guide recommends that agency travelers obtain tax-exempt forms from FMO before traveling. Since hotel accommodations are often

reserved by the employee traveling, it is that employee's responsibility to inquire about the local jurisdiction rules for tax-exempt status.²

The OIG reviewed 11 of the agency's travel vouchers for trips occurring in FY 2005. In this sample, the OIG noted that only one traveler received the sales tax exemption.³ Of the remaining ten vouchers the OIG calculated that the agency paid approximately \$1,800 in sales taxes to jurisdictions offering the sales tax exemption to federal employees.

The OIG believes that there are two reasons for noncompliance with the agency's stated policy. First, employees may be unaware of their tax exempt status when traveling. Second, employees are not penalized financially as the taxed amount is simply included on the employee's travel voucher and reimbursed by the agency. As this benefit accrues to the FTC and not to the employee, FMO should more aggressively publicize this agency policy and update the information in the travel guide regarding this policy. The OIG noted that the link provided by FMO to travelers to obtain information on tax exempt localities is down, making it difficult if not impossible for travelers to identify tax exempt locations.

Developing an exact cost savings estimate is difficult because the agency does not track travel components (hotel, meals, airfare, mileage, etc.) separately. Further, room taxes vary by locality and some localities do not offer the exemption as noted above. However, when the OIG looked at 11 vouchers, we identified \$1,800 in funds that the agency staff could have saved simply by requesting a sales tax exemption. Based on this narrow sample, we believe the possible savings are significant. As a "ballpark" estimate, the OIG conservatively calculates that the agency could save at least \$25,000 annually by requiring staff to claim the hotel room exemption.⁴

FY 2005 Recommendation #2: *The OIG recommends that: a) FMO update the travel guide and, at least twice a year, publicize the tax exempt benefit to all agency staff via the FTC daily. All employees traveling on official business should be reminded that they are to obtain sales tax exemptions when applicable b) The agency's travel service provider be instructed to request the tax exempt status from applicable locations when it makes hotel reservations. c). FMO work with ITM to bring the travel link back on line.*

²In select cases, the agency's travel service contractor will make reservations at the traveler's request.

³The 11 vouchers reviewed belonged to nine employees. Two employees filed two vouchers each.

⁴In FY 2005, the FTC spent \$1,447,000 on travel. The OIG assumed that hotel costs represent 35 percent of total travel, or \$506,000. Average room tax is assumed to be 10%. Multiplying the average rate (10%) by the room cost estimate (\$506,000), total estimated room tax is approximately \$50,000. Taking into account that some travelers do obtain the room tax exemption and that some states do not offer the exemption, the OIG conservatively estimates that \$25,000 represents funds the agency could have put to better use.

7. RAO's Year-End Budget Review of all Redress Cases was Incomplete

The Redress Administration Office (RAO) is located in the Bureau of Consumer Protection's (BCP) Division of Planning and Information. The RAO is responsible for the oversight and tracking of all judgments, collections and claims disbursements in BCP, including consumer redress and civil penalties. The RAO maintains a database on all BCP court and administrative cases. The BCP database contains court and financial information, as well as case-specific information. BCP also maintains an Accomplishments Report to track complaints filed and orders obtained in court. The database and the Accomplishments Report are the source documents for the judgment totals BCP provides to FMO quarterly and at year end for inclusion on the financial statements.

RAO relies on five different information sources to ensure the accuracy and completeness of the database and the Accomplishments Report: 1) Office of the Secretary Reports. These reports document all Commission votes. Settlement judgments, including the judgment amount, must be voted on by the Commission. 2) Copies of judgments provided by BCP case managers; 3) BCP case manager questionnaire. The redress database is updated semi-annually through questionnaires sent to case managers. The Accomplishments Report is sent quarterly to BCP and regional managers for updates. 4) Public Access to Court Electronic Records (PACER).⁵ RAO uses the service to scan for all judgments involving the agency; and 5) Review of cash receipts by the agency.

When FMO compared its FY 2005 cash receipt records for FTC cases with RAO's list of FY 2005 judgment activity, FMO noted a discrepancy. Specifically, FMO records indicated that the agency received a payment for a FY 2005 judgment that was not identified on RAO's report. As this report is the primary source document for BCP activity detailed on the audited financial statements, FMO immediately questioned the accuracy of the various totals. The OIG agreed with this concern and brought this to the attention of RAO officials. RAO reviewed its files and agreed that this case had been inadvertently omitted and identified three additional redress cases that it had also omitted. These four redress cases represented approximately \$19.5 million in additional redress orders.

These omissions led the OIG to review controls in place to identify the universe of closed cases. This is especially important as these same systems are relied upon to report performance information to Congress, the Office and Management and Budget, and the Agency's stakeholders.

RAO believes that the processes that are established to record all judgment totals are adequate, although both the RAO and the OIG continue to be concerned that these processes rely heavily on manual inputting of data. When asked to explain why the four cases were omitted, RAO responded that it was likely due to human error. Because no one agency database captures all final judgments, RAO must rely on multiple, redundant databases to identify the universe of final judgments each fiscal year. This is time consuming, labor intensive and imperfect.

⁵PACER is run by the Judicial Conference of the United States and is an electronic public access service that allows users to obtain case and docket information from Federal Appellate, District and Bankruptcy courts, and from the U.S. Party/Case Index.

To address this weakness, RAO is developing an automated database to track all redress cases. This new system will amalgamate computer data from all offices within the FTC and existing reports submitted by redress contractors. According to RAO officials, the new system will include triggers signifying that RAO needs specific information. Staff expects that the new database will reduce reliance on manual or staff input and will achieve more accurate and timely results.

The RAO believes that the existing procedures coupled with the implementation of the new automated database will be adequate to correctly identify the universe of cases ordered. The OIG reiterates the need for this information to be as accurate and timely as possible and will follow up on this process again during the FY 2006 audit.

8. GSA Overcharges FTC for Chicago Office Real Estate Taxes

As part of the OIG's review of rent paid to the General Services Administration (GSA) for Washington, D.C. and field locations, the OIG reviewed monthly rent charges and investigated unusual fluctuations. In all cases, the agency pays rent to GSA, regardless of whether the property is government or privately-owned. The monthly rent billing from GSA is charged directly against FTC's Treasury account through the Intra-governmental Payment and Collection (IPAC) system. GSA provides an invoice detailing its IPAC charges to the Administrative Services Office (ASO).

In FY 2005, the FTC received two real estate tax charges pertaining to the Chicago regional office for \$64,000 and \$42,000. These tax charges represented FTC's allocation of real estate taxes for FY 2003 and FY 2002, respectively. Our comparison with prior years' rent charges indicated that these amounts were high. When ASO questioned GSA, it was told by GSA that this was the amount paid to the landlord. No explanation was given for the amounts themselves.

When the OIG followed up with GSA, the OIG discovered that GSA was billing the agency for space that it did not occupy. This error first occurred in FY 2001 when all federal agencies except FTC moved out of the building that GSA was leasing. GSA did not reduce the total square footage allocation occupied by federal agencies. Instead it assigned all this space to the FTC, resulting in GSA overpaying the landlord and overcharging the FTC for approximately \$82,000 in real estate taxes for fiscal years 2001 - 2003. GSA told the OIG that, due to the passage of time, it would not be able to reimburse the agency for \$23,000 that the FTC overpaid in FY 01, but would reimburse the agency for \$59,000 that was overpaid in FY 02 and FY 03. The OIG notified ASO to expect a refund on its December rent invoice.

The OIG believes that more aggressive monitoring and follow-up of the rent bill by ASO could have identified this overcharge sooner. The OIG believes that \$82,000 represents funds put to better use by the agency.

***FY 2005 Recommendation #3:** The OIG recommends that ASO obtain supporting documentation for all adjustments made by GSA that are in excess of \$10,000. This supporting documentation should include the basis of the calculation and the computation.*