



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

GSA Lacks Adequate Controls Over Foreign Gifts and Decorations

JE24-001
April 18, 2024

Introduction

In April 2023, the Office of Inspector General (OIG), Office of Inspections, initiated an evaluation of the U.S. General Services Administration's (GSA) Foreign Gifts and Decorations Program. Our review covered the period January 1, 2019, through April 27, 2023. The purpose of the review was to determine whether GSA properly accounts for and disposes of foreign gifts and decorations, and if GSA is ensuring adequate security of the gifts and decorations in its custody.¹

GSA manages the Foreign Gifts and Decorations Program through two separate offices. The Office of Administrative Services (OAS) is responsible for receipt and retention of foreign gifts and decorations (foreign gifts) given to GSA employees. The Federal Acquisition Service (FAS), Office of Personal Property Management is responsible for the disposition of foreign gifts government-wide.

Our evaluation found that FAS's Foreign Gifts and Decorations Program generally lacked adequate inventory management controls, resulting in foreign gifts missing from the program's inventory. We also identified prohibited gifts included in the inventory; inefficient inventory storage, labeling, and organization; gifts sitting in storage for years; and infrequent inventory activities and follow-up. Additionally, we observed vulnerabilities in the security of the foreign gifts, leaving them susceptible to loss or theft. Lastly, we found foreign gifts sold by GSA to recipients and to the public did not follow federal requirements and internal policies for essential documentation.

Our report makes six recommendations to address the issues identified during the evaluation. In response to our report, GSA management agreed with our findings and recommendations. Management comments can be found in their entirety in Appendix 2. Based on management comments, we made a revision to Recommendation 2.

Background

There is a general ban on officers and employees of the United States accepting gifts or decorations from foreign governments.² However, federal law provides for the acceptance of certain gifts from foreign governments if they do not exceed a minimal value, which is currently set at \$480.³ For gifts over the minimal value, if the refusal of such a gift would likely cause offense or embarrassment to the donor, or would adversely affect the foreign relations of the

¹ Our evaluation did not include foreign gifts in the custody and control of the U.S. Department of State's Office of the Chief of Protocol.

² The U.S. Constitution, at Article 1, Section 9, Clause 8.

³ 5 U.S.C. § 7342 (a)(5) requires the Administrator of General Services, in consultation with the Secretary of State, to redefine every three years the definition for "minimal value" for a foreign gift, based on the changes in the consumer price index for the immediately preceding three years. The current minimal value of \$480 is defined in GSA Bulletin Federal Management Regulation (FMR) B-52 Foreign Gift and Decoration Minimal Value, dated March 6, 2023.

U.S., the gift may be accepted, but only on the behalf of the U.S.⁴ Within 60 days of accepting a gift above the minimal value, the employee shall deposit it with their agency. The agency determines if it will keep the gift for official use, such as for public display. When the gift is no longer in use by the agency, the foreign gift must be deposited with GSA for transfer, donation, or disposal.

OAS's Oversight of Foreign Gifts and Decorations Given to GSA Employees

GSA Order OAS 7880.1B, *Acceptance of Gifts and Decorations from Foreign Governments and the Giving of Gifts to Foreign Individuals by GSA Employees* (Order), provides guidance to GSA employees on their responsibilities and annual reporting requirements regarding the giving of gifts to foreign individuals and receiving of gifts from foreign governments. GSA's Chief Administrative Services Officer is responsible for:

- maintaining records of foreign gifts received of more than minimal value deposited by GSA employees;
- monitoring compliance by GSA employees;
- compiling an annual list of foreign gifts given to GSA employees to the Secretary of State; and
- determining whether a foreign gift above minimal value will be retained for official use, returned to the donor, or reported to the FAS Office of Personal Property Management.

The Order states that GSA employees cannot request or encourage the offer of a gift and are obligated to refuse any gifts. Mementos, tokens, or other gifts of minimal value received as souvenirs from a foreign government may be accepted and retained by the employee. If an employee accepts a gift of minimal value (below \$480), it must be reported to the GSA Foreign Gifts and Decorations Officer in writing within 30 calendar days. If an employee accepts a gift over the minimal value, then it must be deposited with the Foreign Gifts and Decorations Officer within 60 days. If the recipient has indicated an interest in purchasing the gift, then an appraisal must be obtained to determine the value.

We verified documentation pertaining to foreign gifts given to GSA employees and determined that during the period of our review, there were 31 foreign gifts reported by GSA employees to OAS that did not exceed the applicable minimal value.⁵ No GSA employee reported receiving and accepting a foreign gift above minimal value. We identified no issues concerning the Chief Administrative Services Officer's responsibilities outlined in the Order.

FAS's Administration of the Foreign Gifts and Decorations Program

When a foreign gift above minimal value is accepted and not retained for agency official use, the

⁴ *Id.* at (c)(1).

⁵ During the period of our review, the applicable minimal value changed three times, from \$390, to \$415, and is currently at \$480.

employing agency must report it to GSA as excess personal property.⁶ Foreign gift recipients may be authorized to purchase gifts that exceed minimal value; however, the employing agency must retain physical custody until the purchasing action is complete. In these cases, the employing agency must report the gift as excess personal property to GSA, indicate that the recipient wishes to purchase the gift, and include the appraisal of the gift. The foreign gift will first be offered to other federal agencies through the Personal Property Management System (PPMS) site.⁷ If the foreign gift is available after 21 days, the Office of Personal Property Management's Foreign Gifts Program Manager will provide a letter to the original recipient describing how to purchase the gift, which is priced at the appraised value.

If a foreign gift above the minimal value is not retained for official use or purchased by the recipient, the Office of Personal Property Management will accept physical custody.⁸ After 21 days, the gift will be deemed surplus property and made available for donation to eligible public agencies through State Agencies for Surplus Property or for later sale to the public.⁹

The Secretary of State, or a designee, must provide approval before GSA makes any foreign gift available for public sale.¹⁰ Once approved, the Office of Personal Property Management will offer the gifts for public bidding.¹¹ If GSA is unable to sell a gift, it may be destroyed and disposed of for scrap or for its material content.¹²

While the foreign gifts are in GSA's custody, GSA is responsible for maintaining an inventory, ensuring their protection, and disposing of them properly. GSA's Office of Personal Property Management, National Capital Region, located at the Springfield, Virginia warehouse (warehouse) manages the inventory and disposal of foreign gifts deposited with GSA. In addition to the warehouse, foreign gifts are also stored in a vault within a federal building in Washington, D.C. GSA's Office of Personal Property Management manages its Foreign Gifts and Decorations Program using a draft Standard Operating Procedures (draft SOP), which has been in use since February 2017.¹³ The Foreign Gifts and Decorations Program currently uses PPMS to monitor

⁶ Federal agencies can report foreign gifts as excess personal property on GSA's Personal Property Management System or on Standard Form 120 Report of Excess Personal Property in accordance with 41 C.F.R. § 102-42.95.

⁷ Personal Property Management System, located at www.ppms.gov.

⁸ [GSA's Personal Property Disposal Guide](#), April 2019, page 33, prohibits the acceptance of alcohol.

⁹ [State Agencies for Surplus Property](#) are state-run organizations that administer the federal program for the donation of federal surplus property to eligible public and nonprofit organizations.

¹⁰ The Secretary of State determines that the sale will not adversely affect the foreign relations of the United States. 5 U.S.C. § 7342 (e)(1). The Secretary of State's approval is documented through a signed memorandum to GSA.

¹¹ GSA offers personal property for auction to the general public at www.gsaauctions.gov.

¹² 41 C.F.R. § 102-42.155.

¹³ The draft SOP contains contradictory guidance and lacks detailed procedures.

and manage its foreign gifts inventory.¹⁴

As of April 27, 2023, GSA's inventory consisted of 1,265 foreign gifts, with an estimated value of \$2,108,390. The foreign gifts consist of items such as jewelry, purses, bags, fur coats, portraits, paintings, rugs, statues, and watches. Some of these gifts were turned in to GSA as far back as the early 1980s.

Findings

Finding 1. Foreign gifts inventory contains inaccuracies and irregularities.

We found that the Foreign Gifts and Decorations Program generally lacked adequate inventory management controls. Specifically, our evaluation identified gifts missing from the program's inventory; prohibited gifts included in the inventory; inefficient storage, labeling, and organization in both the vault and the warehouse; gifts sitting in storage for years; and infrequent inventory activities and follow-up.

Missing foreign gifts

We judgmentally sampled 200 foreign gifts, valued at over \$1.2 million, from the inventory database, and conducted site visits at both storage locations. GSA was unable to locate 14 foreign gifts, or 7 percent of the inventory sampled. The value of the missing gifts exceeded \$13,000.

Each executive agency is required to maintain adequate inventory controls and accountability systems for property under its control.¹⁵ Additionally, agencies are also required to continuously survey property under their control to identify excess property and transfer or dispose of excess property as promptly as possible. The draft SOP identifies periodic inspections and an annual inventory as control activities for the foreign gifts in GSA's custody.

Since the Foreign Gifts and Decorations Program was placed under the National Capital Region's Office of Personal Property Management in 2016, only two inventories have been completed, one in November 2017 and the other in May 2022. Despite continuing to accept foreign gifts into custody over the past seven years, the Director of the office stated that due to the impacts of the Coronavirus Disease 2019 pandemic and staffing shortages, no inventories were conducted between 2018 and 2022. The results of the 2022 inventory included the program's inability to locate 84 gifts. Our judgmental sample of 200 foreign gifts specifically included 19 gifts from GSA's list of 84 that the office was unable to locate in 2022 and remained

¹⁴ GSA used its web-based platform, GSAXcess, for reporting, searching, and requesting excess personal property for federal re-use. Effective July 24, 2023, GSA replaced GSAXcess with PPMS, which provides agencies with a means of electronically reporting their excess personal property - including foreign gifts - to GSA.

¹⁵ 40 U.S.C. § 524(a)(1).

in the inventory database.¹⁶

The Office of Personal Property Management's *PPM Foreign Gifts Inventory Process* outlines 12 key factors for inventory control based on the U.S. Government Accountability Office's (GAO) Executive Guide (Guide).¹⁷ The following actions outlined in the Guide were not implemented following the 2022 inventory review:

1. Perform required research to investigate discrepancies between physical count and record.
2. Complete research in timely manner to identify and correct causes of discrepancies.

The program's neglect in updating the inventory database across the span of a year demonstrates ineffective follow-up actions and inventory controls. The Foreign Gifts and Decorations Program continues to operate with an inaccurate inventory listing for the property under its control.

Prohibited foreign gifts accepted in inventory

GSA's Personal Property Disposal Guide and the draft SOP prohibit the acceptance of alcohol; however, we found that the Foreign Gifts and Decorations Program accepted two bottles of whiskey, with a total estimated value of \$8,854, into inventory in 2020 and 2021. The evaluation team verified the whiskey was still in the program inventory as of February 2024. The program's initial acceptance of these gifts, and subsequent maintenance within its inventory for multiple years, further demonstrates inadequate inventory management controls.

Foreign gifts labeled and stored in an unorganized and inefficient manner

During our inventory verification, we found that foreign gifts were not organized or labeled in an efficient manner. Inventory tags were found on the ground and not attached to any foreign gifts, and gifts were unorganized. As a result, the Foreign Gifts and Decorations Program manager had difficulty locating gifts in our sample inventory.

Excess personal property must be continuously monitored to assure maximum use and the agency must develop and maintain a system to prevent and detect nonuse.¹⁸ The Director of the Office of Personal Property Management, National Capital Region, stated the program's priority is to reuse property and that the sale of gifts funds their program. However, as of April 2023, 59 percent of GSA's inventory consisted of gifts reported to GSA prior to January 1, 2019, with some gifts dating back to the 1980s. Foreign gifts stored long term and not disposed of take up

¹⁶ Of the 19 gifts from GSA's list of 84 that were not located in 2022, we located five gifts during our site visits and confirmed one gift was sold.

¹⁷ U.S. General Accounting Office Executive Guide, *Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property*, GAO-02-447G, March 2002, section Key Factors in Achieving Consistent and Accurate Counts of Physical Inventories, pages 10-59. The agency changed its name from U.S. General Accounting Office to U.S. Government Accountability Office in 2004. PPM Foreign Gifts Inventory Process was created in 2000 and last modified in 2017.

¹⁸ 41 C.F.R. § 102-36.45(d)(5).

space that could more appropriately and efficiently be used to better organize and monitor foreign gifts that have not yet been offered for sale.

GSA's failure to implement adequate inventory management controls may lead to inefficient and ineffective utilization of program resources, loss of revenue, and the opportunity for fraud or theft related to high dollar value foreign gifts. Specifically, program management may be unable to efficiently manage the inventory due to the sheer volume of foreign gifts under its custody and the lack of necessary follow-up actions to maintain an adequate count.

Finding 2. Foreign gifts at risk of loss or theft due to security deficiencies.

GSA accepts custody and stores foreign gifts from federal agencies for final disposal in its warehouse or in a vault within a federal building located in Washington, D.C. Based on our observations, the exterior and interior security of the warehouse and access to the foreign gift storage areas have reasonable measures in place; however, we observed security deficiencies at the vault that may put the foreign gifts at risk of loss or theft.

GAO's *Standards for Internal Control in the Federal Government*, states that management should establish physical controls to secure and safeguard vulnerable assets, such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use.¹⁹

GSA's storage vault is located within a security guard protected federal building in a high traffic hallway across from a sandwich shop and a collaboration lounge for the building's federal tenants. When closed, the vault is secured with a large metal door and is set with an alarm. Access is controlled with a keypad entry and an identification card reader. When program staff enter the vault, the door is disarmed and left open, with only a curtain covering the entrance to prevent unauthorized access. A few gifts are stored directly across from the open door, with most of the gifts being held in a secondary room within the vault. However, when staff are working in the secondary room, they do not have direct visibility to the entrance of the vault, leaving gifts vulnerable to theft. Additionally, the draft SOP states two employees are required to enter the vault, and no one is authorized to enter the vault alone. According to the Director, both the vault and the warehouse have a logbook, which employees are required to sign in and out of, to ensure accountability.²⁰ However, we noted several instances where there was only one signature entry in the vault's logbook.

Federal agencies must protect excess personal property against hazards including but not limited to fire, theft, vandalism, and weather and maintain the property in a safe, secure, and cost-effective manner until final disposition.²¹ However, the security deficiencies we identified at the vault put the foreign gifts at risk for possible loss or theft. Beyond the requirement to have two employees present in the vault, the draft SOP does not provide guidance on security

¹⁹ *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014, page 47.

²⁰ The requirement to sign the logbook upon entry and exit of the vault and the warehouse foreign gifts area is not documented in the draft SOP.

²¹ 41 C.F.R. § 102-36.45(d) and 41 C.F.R. § 102-35.30(a).

requirements or handling for foreign gifts to ensure there is limited opportunity for loss or theft.

Finding 3. Foreign gifts sold by GSA were missing essential documentation.

During the period of our evaluation, GSA sold a total of 191 foreign gifts. We selected a judgmental sample of 60 gifts - 34 sold to recipients and 26 sold to the public - to verify documentation for compliance with federal requirements and internal policies. Our review identified missing documentation supporting the value of the gifts and missing prior approval from the Secretary of State for gifts sold to the public.

Missing foreign gift valuation documentation

An appraisal must be obtained if the recipient indicates an interest in purchasing the gift, and the employing agency must include the appraisal when reporting the foreign gift to GSA.²² By attaching the appraisal to the gift, the employing agency is certifying that the value cited is the retail value of the gift in the U.S. in U.S. dollars on the date set forth on the appraisal. If a recipient expresses interest in purchasing the gift, the Foreign Gifts and Decorations Program staff draft a purchase offer letter based on the appraisal provided. However, from our sample of 34 gifts sold to recipients, 2 were missing appraisals.

All gifts over the minimal value deposited with GSA are required to state an estimated value at the time of acceptance.²³ According to the draft SOP, the Program Office ensures that the reporting agency uploads the appraisal certificate or market research of the foreign gift value into the foreign gifts database.²⁴ The Foreign Gifts Program Manager told us that she reviews reported foreign gifts to ensure information is correct and has rejected submissions due to missing information. Despite the Program Manager's internal review for compliance, GSA was unable to provide documentation of appraisals or market research supporting the value of 24 of the 26, or 92 percent, of the gifts sold to the public in our sample.

Of our entire sample of 60 gifts, we found that 26 gifts, or 43 percent, were sold without documentation of an appraisal or market research supporting the value of the gift. As a result, gifts may have been inaccurately valued, and thus sold to recipients and the public below market value, resulting in a loss of revenue to help run GSA disposal operations.

Missing approval from the Secretary of State

Foreign gifts deposited for disposal require the approval of the Secretary of State prior to sale.²⁵ We reviewed supporting documentation for our sample of 26 foreign gifts sold by GSA to the public and found that 4 of the gifts, or 15 percent, were not submitted to the U.S. Department of State for approval prior to sale.

²² 41 C.F.R. § 102-42.40(a) and 41 C.F.R. § 102-42.55.

²³ 5 U.S.C. § 7342 (c)(2)-(3) and (f)(2)(E).

²⁴ Foreign Gifts Standard Operating Procedures, pages 3 to 4.

²⁵ 5 U.S.C. § 7342 (e)(1).

Conclusion

GSA is responsible for maintaining adequate controls over the inventory of foreign gifts that are in its custody for proper disposal. GSA was unable to locate 7 percent of the 200 foreign gifts in our judgmental sample from the Foreign Gifts and Decorations Program inventory. These gifts have been missing since the program's last inventory review. GSA failed to update the inventory database to reflect the changes in the actual inventory, and GSA's inventory tagging, and organization are in disarray. Additionally, we found the foreign gifts located in the vault are vulnerable to theft or loss due to inadequate security measures. The lack of specific internal guidance on security requirements and inventory management for foreign gifts leads to increased opportunity for theft or loss.

Finally, GSA's sale of gifts to recipients and the public lacked essential documentation, to include 43 percent of sampled sales missing documentation of appraisals or market research supporting their value, and 15 percent missing required Secretary of State approval prior to their sale. These deficiencies demonstrate GSA's lack of adequate controls in the management of the Foreign Gifts and Decorations Program.

Recommendations

The Assistant Commissioner of the Office of General Supplies and Services should:

1. Update and finalize the Foreign Gifts and Decorations Program's standard operating procedures to reflect current practices, ensure compliance with federal requirements, and instill management controls over the disposition of foreign gifts and decorations.
2. Properly dispose of all prohibited gifts in inventory and ensure none is accepted moving forward.
3. Conduct an annual foreign gifts inventory, update the database for accuracy, and properly dispose of gifts with no value.
4. Conduct a security risk assessment to determine the risks of possible theft or loss of foreign gifts and decorations at both storage locations and throughout the lifecycle of the program.
5. Ensure the program's compliance with 41 C.F.R. § 102-42 and internal policies for all foreign gifts and decorations reported to GSA.
6. Ensure all foreign gifts and decorations sold to the public are reviewed and approved by the Secretary of State in accordance with 5 U.S.C. § 7342.

Appendix 1: Objectives, Scope, and Methodology

On April 12, 2023, the Office of Inspections initiated an evaluation of GSA's Foreign Gifts and Decorations Program. Our review covered foreign gifts reported to GSA from January 1, 2019, through April 27, 2023. The objectives for this review were to determine whether GSA properly accounts for and disposes of foreign gifts and decorations, and if GSA is ensuring adequate security of the gifts and decorations in its custody.

To accomplish our objectives, we:

- Researched laws, rules, regulations, and other federal guidance on the management and disposition of foreign gifts given to federal employees;
- Reviewed relevant audits and inspections conducted by GSA OIG, and other federal agencies;
- Interviewed GSA staff in the Federal Acquisition Service's Office of Personal Property Management located in GSA Central Office and the National Capital Region;
- Analyzed inventory and sales data from GSAXcess and GSA Auctions for the inventory and disposal of foreign gifts;
- Conducted in-person site visits to two locations where the foreign gifts are under GSA's custody to visually verify the existence and security of the sampled foreign gifts and decorations; and
- Reviewed documentation for a judgmental sample of foreign gifts sold to recipients and the public to verify compliance with federal requirements and internal policies.

To conduct our evaluation, we judgmentally sampled 200 foreign gifts from a population of 1,265 located at two sites managed by GSA. While the non-statistical judgmental sample does not allow for projection of the results, it allowed us to address our evaluation objectives. We assessed the reliability of inventory database elements needed to answer our objectives by (1) reviewing the April 2023 inventory spreadsheet report for data discrepancies, and (2) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*, issued December 2020.

Appendix 2: Management Comments



Federal Acquisition Service

April 12, 2024

MEMORANDUM FOR: PATRICIA D. SHEEHAN
ASSISTANT INSPECTOR GENERAL FOR INSPECTIONS
OFFICE OF INSPECTIONS (JE)

FROM: ERVILLE KOEHLER 
ASSISTANT COMMISSIONER
OFFICE OF GENERAL SUPPLIES AND SERVICES (QS)

SUBJECT: Response to the Office of Inspector General (OIG) Updated
Draft Report, *GSA Lacks Adequate Controls Over Foreign Gifts
and Decorations* (JEF23-003-000)

We appreciate the opportunity to comment on the referenced updated draft report *GSA Lacks Adequate Controls Over Foreign Gifts and Decorations*, Report Number JEF23-003-000, dated April 2, 2024. This report is an updated version of a draft report dated December 5, 2023. We have reviewed the updated report and agree with the three findings and six recommendations.

We provide the following context or clarifications that may be useful to include in the final report.

The updated report changed recommendation #2 to: *Properly dispose of all prohibited gifts in inventory and ensure none is accepted moving forward, in accordance with 41 C.F.R. § 102–42.* GSA acknowledges that two bottles of whiskey were in the foreign gifts inventory and have since been destroyed. These items were shipped directly to GSA by the reporting agency without GSA's prior knowledge or approval. This was a deviation from the standard practice where agencies must first submit foreign gift information to GSA in order for GSA to determine whether it meets the criteria of a foreign gift that GSA can accept. While GSA's internal policy prohibits the acceptance of alcoholic foreign gifts, it is not prohibited by 41 C.F.R. § 102–42 as the recommendation suggests. GSA will update operating procedures to ensure that if prohibited items are delivered again that they are destroyed promptly.

The introduction on page 1 of the updated report, added the words "gifts sitting in storage for years". Further in finding #2 on page 5 notes that some foreign gifts in GSA's inventory date back to the 1980s. GSA acknowledges that foreign gifts

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should be disposed of as quickly as practicable. However, it should be noted that, as a general rule, the Department of State does not approve the public sale of foreign gifts received during an administration while that administration is still in office. This means that, depending on when the foreign gift is received and length of the President's service, foreign gifts may not be eligible for public sale for up to 8 years (assuming two Presidential terms). Additionally, it is not uncommon for agencies to retain foreign gifts—received by an agency employee or from GSA through a transfer—for years or decades for official use before reporting them to GSA for disposal once they are no longer required (41 C.F.R. §§ 102-42.90 & 102-42.115). This means that foreign gifts received during previous administrations may enter the foreign gifts inventory at any time. GSA will update operating procedures to ensure older foreign gifts are identified and disposed of.

FAS agrees with and appreciates OIG's recommendations and will implement them to strengthen the program.

If you have any questions, please contact Matthew Manger, Director, Office of Personal Property Management, at matthew.manger@gsa.gov.



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