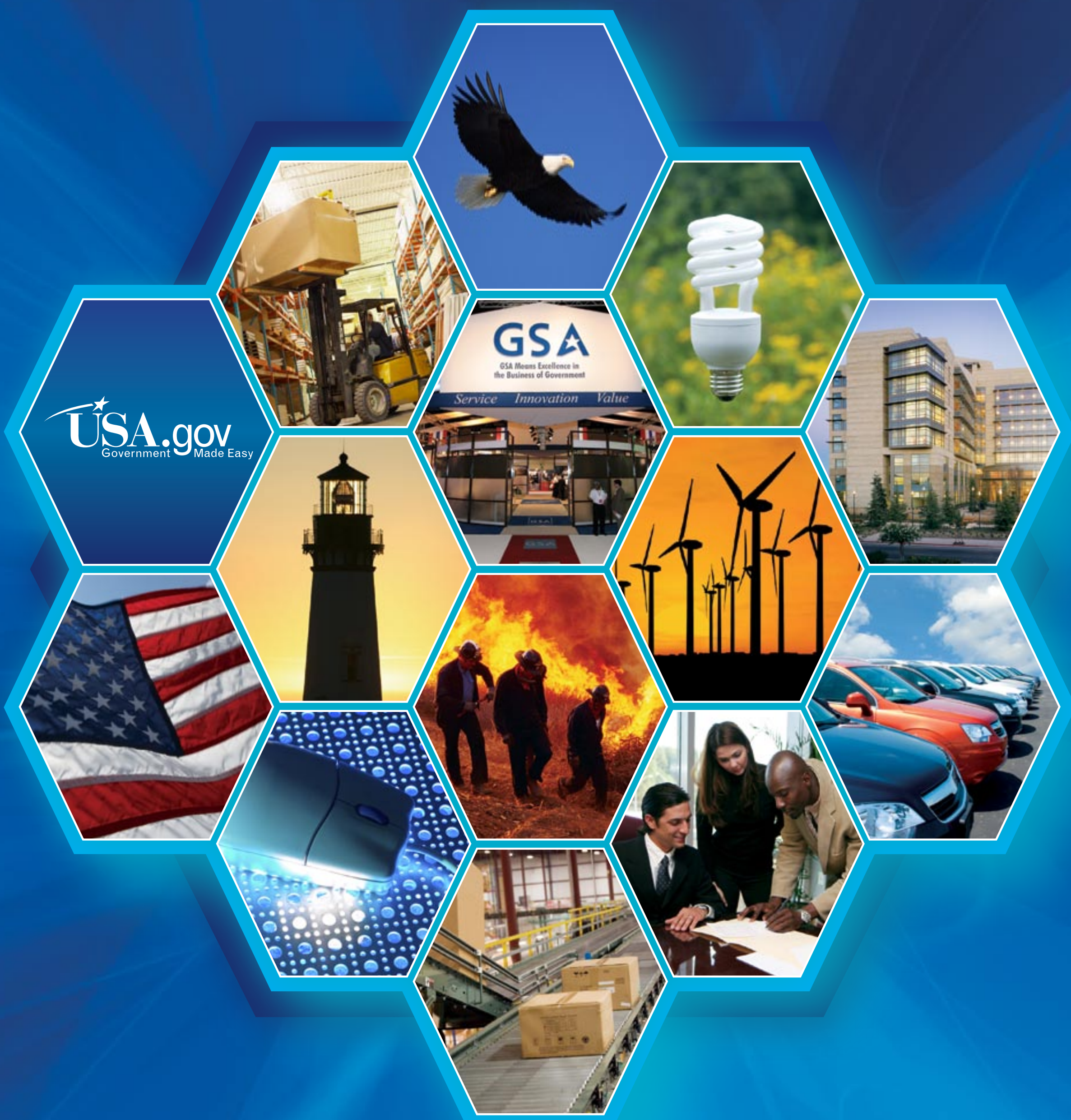
U.S. General Services Administration

2007 ANNUAL PERFORMANCE AND ACCOUNTABILITY REPORT



GSA Means Excellence in the Business of Government

How to use this report

This Performance and Accountability Report (PAR) for fiscal year (FY) 2007 provides the General Services Administration's (GSA) financial and performance information, enabling the President, Congress, and the American people to assess the Agency's performance as provided by the requirements of the:

- *Reports Consolidation Act of 2000 and other laws*
- *Government Management Reform Act of 1994*
- *Government Performance and Results Act (GPRA) of 1993*
- *Chief Financial Officers (CFO) Act of 1990*
- *Federal Managers' Financial Integrity Act (FMFIA) of 1982*
- *Office of Management and Budget (OMB) Circular A-136.*

The assessment of GSA's performance contained in this report compares performance results to the Agency's strategic goals and performance goals. GSA's Strategic Plan, Performance Plan, and annual PARs are available on GSA's Web site at www.gsa.gov/annualreport. GSA welcomes feedback on the form and content of this report. If you wish to provide feedback, please choose a contact from the annual report Web page.

This report is organized into the following major components:

1 Letter from the Administrator of GSA

The Administrator's letter includes an assessment on the reliability and completeness of the financial and performance information presented in the report and a statement of assurance on the Agency's management controls as required by the FMFIA.

2 Management's Discussion and Analysis

This section provides an overview of the financial and performance information contained in the Performance, Financial, and Other Accompanying Information sections. The Management Discussion and Analysis (MD&A) includes an overview of the GSA organization, highlights of the Agency's most important performance goals and results, current status of systems and internal control weaknesses, and other pertinent information such as the progress being made by GSA in implementing the President's Management Agenda (PMA).

3 Performance Section

This section provides the annual performance information as required by OMB Circular A-11 and the GPRA. Included in this section is a detailed discussion and analysis on the Agency's performance in FY 2007. Information on key performance measures with past results can be found in the Performance Section.

4 Financial Section

This section contains the details on GSA's finances in FY 2007, an introduction letter from GSA's CFO, followed by the Independent Auditor's Report, the Agency's audited financial statements, and required supplementary financial information.

5 Other Accompanying Information

This section includes the Inspector General's (IG) Updated Assessment of GSA's Major Management Challenges with Management's comments, information on the Agency's Debt Management and Payments Management, a summary chart of performance information, Improper Payments Improvement Act (IPIA) information, and a glossary of acronyms.

Mission Statement

GSA leverages the buying power of the federal government to acquire best value for taxpayers and our federal customers. We exercise responsible asset management. We deliver superior workplaces, quality acquisition services, and expert business solutions. We develop innovative and effective management policies.

Strategic Goals

Stewardship

Lead federal agencies in the economical and efficient management of federal assets by spearheading effective policy development and by the exemplary management of the buildings/workplaces, motor vehicles, and personal property provided by GSA.

Superior Workplaces

Deliver and maintain productive workplaces consisting of office space, furnishings, technology, supplies, and related services.

Best Value

Develop and deliver timely, accurate, and cost-effective acquisition services and business solutions.

Innovation

Develop new and better ways of conducting business that result in more productive and effective federal policies and administrative operations.

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FINANCIAL SECTION

OTHER ACCOMPANYING INFORMATION

Letter from the Administrator

FY 2007 Performance and Accountability Report

Lurita Doan

I am pleased to present the Fiscal Year (FY) 2007 Annual Performance and Accountability Report (PAR) for the U.S. General Services Administration (GSA). This report details the Agency's accomplishments and challenges in upholding our mission to leverage the buying power of the Federal government to acquire best value for taxpayers and our Federal customers. GSA exercises responsible asset management; delivers superior workplaces, quality acquisition services, and expert business solutions; and develops innovative and effective management policies to better serve other agencies and the American public.

Our new Strategic Plan, published in June 2007, provides an exciting opportunity to envision the future and implement new strategies that will improve partnering with our customer agencies. The Strategic Plan guides us in better meeting agencies' multiple workplace needs by integrating the offerings of GSA's two Services—Public Buildings Service (PBS) and Federal Acquisition Service (FAS). Cross-Service collaboration will produce "workplace solutions" that meet the full spectrum of a customer's space and other office needs. GSA is committed to providing products, services, and solutions to Federal agencies at best value, thereby allowing Federal agencies to focus on their core missions. The cost-effective stewardship of Federal assets provided by GSA to Federal agencies ensures that our obligation to the U.S. taxpayer is met in the most efficient manner possible.

Our innovation in acquisition services and business solutions has led to more effective Federal policies and administrative operations which further allows our Federal customers to accomplish their missions in a successful manner. Our diverse offerings of procurement and policy development, Federal asset management, and acquisition services provide the solutions that achieve results for our Federal customers. Our vision is that agencies doing business with GSA should have one contact that can coordinate within GSA to fulfill all their workplace requirements. The guiding principle behind this effort has been captured as **"One GSA—One Voice."** This principle promotes the collaboration and integration of our many diverse offerings, ultimately enhancing our ability to meet the requirements of our Federal agency customers and the American people.

Unqualified "Clean" Opinion

GSA again received an unqualified "clean" opinion in FY 2007 with no material weaknesses from our independent auditors. This accomplishment continues to demonstrate to our customers that we are committed to handling their funding with care and attention to detail. With the attainment of the unqualified "clean" opinion and no material weaknesses, we are moving forward and improving our internal control processes and fulfilling the goals of the President's Management Agenda (PMA). GSA has educated Agency personnel in the proper closeout of completed projects and is returning unused budgetary authority. These actions have resulted in more efficient use and monitoring of customer budget authority as well as accurate financial accounting and reporting. In addition, these actions also demonstrate our dedication to sound and transparent accounting practices.

GSA Priorities

President Bush has a vision for government reform that is guided by his desire for an effective Federal government that is citizen-centered and results-oriented. Aggressive changes we have made in alignment with the PMA include the development of a new strategic plan that will better enable us to meet our customers' needs and provide savings to the taxpayers. Under my tenure, GSA's top priorities have been:

- Fiscal Discipline
- Transparency, Integrity, and Accountability
- Employee Morale
- Integrating our offerings to accomplish other GSA strategic objectives, including:
  - Meeting agencies' multiple workplace needs better, by integrating the offerings of Federal Acquisition Service (FAS) and Public Buildings Service (PBS). Greater cross-Service collaboration will produce "workplace solutions" that meet the full spectrum of a customer's space and other office needs.
  - Reducing duplication of effort in government contracting.
  - Developing alternative price options and tiers of service—from assisted services to fully integrated solutions.
  - Increasing speed and efficiency in the delivery of space, services, and products to our customers at prices that offer the best value.
  - Expanding the acquisition workforce and improving training for contracting professionals.
  - Pioneering lines of business (LoB) that meet the needs of a 21st century workplace and workforce.
- Presenting "one face to the customer." Agencies doing business with GSA should have one GSA contact that can coordinate within GSA to fulfill all their workplace requirements; One GSA—One Voice.
- Helping Federal agencies meet the goal of President Bush's Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management;* and the Energy Policy Act of 2005 by providing green products and services to its customers. GSA offers alternative fuel vehicles (AFV); uses wind, solar, and other innovative renewable energy sources in its buildings; develops alternative workplace arrangements; and offers a wide range of environmentally preferable office products.

Federal Acquisition Service

FAS was officially established in FY 2007. The new organization combines the Federal Technology Service (FTS) and the Federal Supply Service (FSS) and represents a historic milestone for GSA. The new Service is providing greater standardization and innovative techniques, offering developing technology, and leveraging government buying power to remain competitive in selling goods and services to agencies.

In merging our supply and technology offerings, we have already seen results in superior, faster service to our customers. The process of rethinking previously separate functions and searching for new solutions has energized FAS and is benefiting our customers. One example of this new entrepreneurial energy from GSA employees was the launch of the new Multiple Award Schedule (MAS) Express Program. The program was launched this year to speed the processing period between application and award for Federal MAS contracts. GSA now awards MAS contracts to eligible vendors within 30 days, instead of the previous average of

157 days. This program improves customer service and increases efficiencies by reducing time to award contracts, which benefits small businesses and the American taxpayer.

This year, FAS also awarded the highly anticipated Networx Universal and Networx Enterprises contracts to telecommunication vendors for implementation. These two contracts will transform the current Federal telecommunications system to a modern network. It will offer customers an expanded portfolio of quality voice, data, video communication solutions, and emerging network services. By awarding these two contracts, FAS is on the right path to improve our business and help GSA remain the government's premier acquisition agency.

In December 2006, the Department of Defense (DoD) and GSA signed a Memorandum of Agreement (MOA) to better define the relationship between the two agencies. GSA worked intensively to implement all 24 objectives in the MOA; 13 action items have already been completed. GSA accomplishments include specifying key roles to increase oversight, providing online and video training for all GSA contract specialists to enhance training in interagency acquisition, standardizing policy guidance and collaboration, increasing communication, and improving financial data reporting. The 11 remaining action items are ongoing and do not have scheduled completion dates. Agency officials will continue to review progress weekly to ensure GSA addresses and prevents potential problems. These accomplishments will restore the confidence of our largest customer and improve business.

DoD has also committed to using the GSA Veterans Technology Services (VETS) Government Wide Acquisition Contract (GWAC), for service-disabled veteran owned businesses, wherever possible for information technology (IT) services. This commitment from DoD also signals a new level of collaboration between GSA and DoD on IT procurements.

In keeping with GSA's focus on fiscal responsibility and results, I announced in September that GSA was putting in place the structure to ensure that the FAS Assisted Acquisition Services (AAS) Program is on a sustainable path of progress, including the reorganization of certain divisions to build a more economically viable business line that will break even by 2008. GSA's decision to move AAS into a break even status will not mean job losses. The Agency is placing AAS personnel within other parts of GSA where there is greater need for their skills.

I see a bright future for GSA's AAS. Information technology is becoming more complex, creating a greater need in the government for assistance in writing statements of work, managing projects, and guiding customers.

Public Buildings Service

PBS is setting the example for the government and the private sector in incorporating principles of sustainable design and energy efficiency into all of its building projects. In FY 2007, PBS celebrated the official opening of the National Oceanic and Atmospheric Administration (NOAA) Satellite Operations Facility in Suitland, MD. The new workplace was designed under guidelines of GSA's Design Excellence Program and the U.S. Green Building Council. PBS is dedicated and committed to helping client agencies meet their environmental obligations by providing responsible choices and innovative construction.

As a means of evaluating and measuring green building achievements, PBS requires all new construction projects and major renovations to be certified through the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system. We recognize that buildings consume about 40 percent of the total energy used in the United States and as much as 70 percent of the electricity. GSA has always made significant investments in energy saving solutions. In fact, between 1985 and 2005, GSA achieved a 30 percent reduction in energy consumption. The President has challenged all Federal agencies to reduce their energy consumption, to increase the use of renewable energy, and continue to find new technologies. We continue to take energy reduction measures, but we are also researching new technologies that can help us reduce energy consumption even more and reduce overall costs to the government.

PBS continues to improve customer service and to achieve savings for Federal agencies in our real estate leasing program. Our most significant effort involves the National Broker Contract. This contract has been in place for about two years and we are seeing results. Last year, projects with our brokers were more than 13 percent below the market midpoint and that far exceeds our overall goal of 8.75 percent. In addition, because of increased efficiency, beginning October 2007, our leasing fee to customer agencies will decline from eight to seven percent.

PBS is achieving significant milestones towards strengthening credibility with customers and meeting their expectations. On June 18, 2007, GSA went live with a nationally standardized process for rent billing. This process helps us meet our goals of accurate billing supported by source documentation, notifying customers prior to bill change, and reflecting changes to the bill within one billing cycle.

President's Management Agenda

The PMA Scorecard for the fourth quarter of FY 2007 shows steady progress, with four GSA initiatives achieving a Green-Green rating for status and progress. The four areas that achieved this high rating were Human Capital, Performance Improvement, Real Property, and Financial Performance. This is the second consecutive year GSA earned a Green rating in both categories on the Performance Improvement and Real Property Scorecards. A successful audit kept the Financial Performance rating as Green-Green. Human Capital improved from last year by moving into a Green-Green rating. GSA is rated Yellow for status and progress for Competitive Sourcing and Yellow and Red for E-Gov. Transportation Management, Environmental Stewardship, and Energy Management are three new initiatives for this year. Transportation Management scored Red for status and Green for progress. Environmental Stewardship has a rating of Yellow for both status and progress and Energy Management scored Green for status and Yellow for progress. The results indicate solid commitment by GSA's employees to improving government performance and providing better service to our customers.

Financial Performance and Program Data

As outlined in the Management Assurance section of this report, GSA conducted its assessment of the effectiveness of internal control over financial reporting. GSA can provide reasonable assurance that its internal control over financial reporting is operating effectively and no material weaknesses were found. We are extremely proud of this accomplishment, but more work needs to be done. GSA is aggressively making continued improvements to its financial systems and operations. Throughout the year, our senior managers assessed the efficiency and effectiveness of their organizations by analyzing financial and performance data. Management relies on this data to identify material inadequacies in financial and program performance areas and to identify corrective actions needed to resolve them.

As required by the Reports Consolidation Act of 2000, I have assessed the financial and performance data used in this report, and believe it to be complete and reliable.

Management Challenges

To uphold our mission of leveraging the buying power of the Federal government to acquire best value for taxpayers and our Federal customers, GSA faces the following challenges:

- Assisting other Federal agencies in complying with the President's Environmental Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management.* GSA is helping its client agencies meet their environmental obligations by providing responsible choices in our services and offerings.

- Continuing to improve GSA's real property capital project planning, and delivery. Costs for materials and labor continue to increase and fluctuations in commodities like petroleum and petroleum-based products are adding volatility in pricing. GSA must ramp up oversight and consistency in project delivery with new tools and procedures in place so that we know when a project schedule or budget has slipped before it becomes a crisis.

- Developing a new strategy to change the way customer agencies do business. Launching new programs is always a challenge; however, we must have the courage and willingness to modify programs that are not performing successfully or not meeting expectations.

- Increasing the percentage of employees who can telework in accordance with Public Law 106-346, § 359. I have challenged GSA managers to develop plans to enable 50 percent of eligible employees to telework one or more days per week by 2010. Telework benefits include reduced energy use, such as fewer greenhouse gas emissions, less traffic, less U.S. dependence on foreign oil, increased worker productivity, and savings for American taxpayers. Telework is an important component in every successful Continuity of Operations Plan (COOP). It is also an important recruiting and retention tool that will help attract and keep talented individuals in public service.

GSA is a dynamic organization that is energized and delivering tangible benefits for our country. All of us who work at GSA care deeply about this organization and are committed to its goals and principles. Teamwork is critical to achieving our strategic goals, meeting the requirements of our customer agencies, and fully realizing our vision of One GSA—One Voice.

Cordially,

Lurita Doan
Administrator

November 9, 2007

How GSA Benefits the Public

GSA's mission includes supporting government agencies with superior workplaces, equipment, and products and services that they need to operate successfully. The benefit of the bundled buying power of the Federal government to reduce wasteful spending and save the taxpayers money is sometimes unclear to the U.S. public. The following examples demonstrate how GSA directly benefits the public.

Reducing Costs for the American Taxpayer

An overarching theme in all of GSA's activities is that they are designed to consolidate activities across the Federal government and reduce costs for the American taxpayer. As the premier Federal acquisition agency, GSA offers discount commercial airfares to Federal travelers on official business at an average savings of 67 percent below full commercial fares. GSA's airfare contracts are estimated to have saved the Federal government $4 billion on 4,961 domestic and international routes.

Public Law 109-364 amended 40 U.S.C. 502 to provide for the use of GSA's Federal Supply Schedules by state and local governments, allowing them to order products and services to support recovery from major disasters and acts of terrorism. The law not only applies during emergencies, it also allows state and local governments to purchase goods in advance of a disaster to allow for rapid response and recovery. As of the end of FY 2007, 65 percent of the schedule contracts had been modified in support of this effort.

Commitment to Small Businesses

The strength and viability of small businesses is important to the nation's economy and the public, as small businesses account for over 45 percent of total retail sales and 40 percent of Federal tax revenues. During FY 2007, GSA opened its Veterans Technology Services (VETS) Government Wide Acquisition Contract (GWAC). VETS is a GWAC set aside for service-disabled, veteran-owned small businesses. The VETS GWAC has a potential value of $5 billion. VETS is the third GWAC within GSA's offerings which is dedicated exclusively to small businesses.

One of GSA's top priorities during FY 2007 was removing bureaucratic barriers for small businesses. GSA accomplished this by introducing the Multiple Award Schedule (MAS) Express program. The goal of this program is to award MAS contracts to eligible firms in 30 days or less. To meet GSA's target, significant changes to existing processes were designed to improve the quality of contract offers, productivity, and the alignment of GSA services to meet customer needs. GSA is committed to increasing contracting opportunities for small businesses.

E-Government

During FY 2007, GSA renamed the official Web portal of the U.S. government from FirstGov.gov to USA.gov, and renamed the Spanish-language portal from Espanol.gov to GobiernoUSA.gov. USA.gov and GobiernoUSA.gov are the only Web sites that provide information and services from Federal, state, and local governments in one location. The site helps citizens find and do business with government organizations. The sites are clear, simple, user friendly, and connect citizens to a wide array of topics, such as education, health, taxes, housing, driver licensing, Federal benefits, and many other online government resources. They are easy to navigate and use a clustering technology that organizes thousands of search results into categories that allow citizens to zero in on topics of interest. From finding out what services and assistance the government has to offer to getting news updates, these Web sites are the U.S. public's gateway to government services. During FY 2007, USA.gov won the international Government Standard of Excellence from the Web Marketing Association's 2007 WebAward. Additionally, USA.gov and GobiernoUSA.gov were listed as one of *Time* magazine's "25 Sites We Can't Live Without."

E-Government Benefits

GSA is managing partner on seven and a participating partner on eight E-Gov initiatives. The initiatives are designed to make the Federal government more citizen-centric and results oriented. The benefits to GSA, other Federal agencies, and ultimately the general public include:

- Improved agency performance by increasing the focus on performance metrics and establishing enterprise standards for performance.
- Enhanced productivity as a result of improved information technology (IT) infrastructure, shared services, and automated processes, which leads to efficiency in delivering goods and services to citizens.
- Improved mission delivery by the Federal government that will result from the improved productivity of Federal employees and result in higher performance levels for services to the general public.

Community Good Neighbors

With a Federal presence in 2,000 U.S. communities, GSA continues to design, renovate, and manage facilities to enhance the workplace and revitalize U.S. towns and cities. GSA considers local needs that can bring benefits to the entire community, including high-quality public spaces that: serve both Federal workers and the public; create opportunities for collaborative planning efforts promoting both customer agency and community goals; and promote public events at Federally-owned buildings, including concerts, farmers markets, and festivals. One example of this was at the Sandra Day O'Connor Federal Courthouse in Phoenix where the building's gleaming glass atrium held court of a different type—prom court. A high school hosted the event for more than 600 students.

Partner in Wildfire Protection

GSA furnishes wildfire protection equipment and supplies to Federal agencies through formal agreements with the U.S. Department of Agriculture (USDA) U.S. Forest Service, and the U.S. Department of the Interior (DOI) Bureau of Land Management (BLM). During an active fire season, orders in excess of 1,600 tons of equipment and supplies are received, processed, and shipped to support ongoing firefighting and replenishment efforts. GSA, through the Federal Acquisition Service (FAS), manages and coordinates the various functions necessary for support of wildland firefighting operations, including fire item specifications, purchasing, order processing, stocking, inventory management, and transportation.

During FY 2007, fire gear purchased from GSA's Global Supply helped save the lives of two firefighters in the Lake Tahoe area. The firefighters were extinguishing spot fires when they found themselves surrounded by flames. They backed into a meadow, climbed under their GSA purchased fire shelters, and were protected for nearly 30 minutes while the fire burned around them.

Strengthening Federal Environmental, Energy, and Transportation Management

During FY 2007, GSA's Administrator tasked GSA management with helping agencies comply with the President's Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management.* GSA has maintained a strong focus on the environment for many years; this experience will enable GSA to better serve Federal agencies in their compliance efforts in the future.

Since 1985, GSA has achieved an overall energy reduction of 35 percent in its facilities. GSA won the Energy Star Building Award for Superior Performance. Energy Star is a symbol of energy efficiency established by the Environmental Protection Agency (EPA) and the Department of Energy (DOE). GSA operates its buildings at five percent below comparable commercial buildings and pays 12 percent less for utilities. During FY 2006, GSA reduced its energy consumption by 4.7 percent, supporting Executive Order 13423 requiring a

30 percent reduction by FY 2015. Additionally, through the Public Buildings Service (PBS) and the Energy Center of Expertise, GSA conducts Energy Awareness programs for its tenants in an effort to build awareness of conservation methods.

GSA's MAS offers a list of businesses approved to sell Federal agencies everything from environmental assessments and energy management programs to recycled paper, fluorescent lighting, paints, chemicals, and pollution prevention systems.

GSA Fleet has been involved in the Federal government's alternative fuel program since the enactment of the Alternative Motor Fuels Act of 1988 (AMFA). GSA purchased over 24,000 alternative fuel vehicles (AFV) this year, bringing GSA's total AFVs purchased since 1991 to more than 140,000 (more than any single organization in the United States). GSA's cost per mile of 43 cents is 39 percent below the government-wide average of 71 cents. Currently GSA's inventory consists of 70,415 AFVs and 497 Hybrid Energy Vehicles, approximately 34 percent of the total GSA Fleet.

GSA also is working with other Federal agencies on several initiatives for further improvements in environmental management, including the following:

- Working with the Office of Personnel Management (OPM) to lead improvement in the Federal Telework Program.
- Partnering with USDA to identify opportunities for increased use of bio-based products.
- Partnering with Customs and Border Protection and the Federal Highway Administration to develop "survivability" strategies for land ports of entry, potentially taking remote ports of entry "off the power grid."
- Integrating power controls into IT operations to reduce systems energy consumption.

Donations of Usable Surplus

GSA serves the public by providing a channel for Federal agencies to donate usable surplus property to state and local governments or selected nonprofit organizations. Once a Federal agency determines it has unneeded property, the property is declared excess and is available for transfer to any other Federal agency. If no agency wants the excess property, it is eligible to be donated to state and local governments. If the property is not claimed through these channels, it is declared surplus for Federal needs and may be sold through public auctions.

In an effort to make modern computer technology an integral part in classrooms across the nation, the Computers for Learning (CFL) Program provides schools and educational nonprofit organizations a place to request excess computer equipment. It also provides a quick and easy way for government agencies and the private sector to donate that equipment to schools and educational nonprofit organizations. This results in a benefit to schools that receive much-needed computers, organizations that no longer waste space storing surplus computers, and a public that is better served through the deployment of surplus computers as valuable learning tools.

Historical Preservation

GSA is responsible for the stewardship of over 425 historic properties, including 63 National Historic Landmarks and two National Historic Sites. These properties represent the work of prominent architects and are valued for their significance in U.S. history, architecture, art, archaeology, engineering, and culture. GSA takes great pride in its inventory and strives to preserve, protect, and utilize historic properties as established in the National Historic Preservation Act of 1966. GSA continues to preserve historic properties by providing redevelopment in urban areas. For example, GSA's lease of the underutilized U.S. Post Office and Courthouse in Albuquerque, NM to the Amy Biel High School won a National Preservation Award in 2006 for reintroducing a young population to the downtown area, and expanding educational opportunities from the classroom to the community. The charter school (Albuquerque's first urban high school in 40 years) supports the local economy while offering students the unique opportunity to meet their educational requirements in a historic Federal building, attend art classes at the South Broadway Cultural Center, and meet physical education standards at the Barelas Community Center. More than 93 percent of the school's students and staff use public transportation.

GSA's legacy buildings include customhouses, courthouses, post offices, land border ports of entry, and Federal agency offices across the United States and its territories. Many are grand structures designed to serve a symbolic, ceremonial, and functional purpose. As steward of its historic legacy buildings, GSA's goal is to shape this legacy through its preservation efforts so that the U.S. public can continue to enjoy and appreciate its cultural and architectural heritage.

Acquisition Workforce

The Acquisition Workforce Training Fund (AWTF) provided over 15,000 acquisition professionals more than 100 acquisition learning opportunities, and both these numbers are increasing annually. The Federal Acquisition Institute through its management of the AWTF, saves taxpayers approximately 40 percent off commercial training prices by strategically sourcing training, allowing agencies to direct limited resources to other needs.

Howard M. Metzenbaum U.S. Courthouse, Cleveland, OH

Management's Discussion and Analysis

GSA has incorporated green (planted) roofs in some of our projects. At the National Oceanic and Atmospheric Administration (NOAA) Satellite Operations Facility in Suitland, MD, we have built one of the largest green roofs in the country, covering over 170,000 square feet—nearly four acres.

GSA provides workspaces for over 100 Federal agencies. Environmental sustainability in building design, construction, and operation is fundamental to the mission of GSA's Public Buildings Service (PBS); to provide a world-class workplace to the Federal worker and superior value to the American taxpayer.

www.GSA.gov/green

Mission, Values, and Goals

As the government's premier acquisition agency, GSA continues to assist its customers with procuring various goods and services cheaper, faster, and in compliance with laws and regulations, which in turn saves money for the taxpayers. GSA brings best practices to procurements and harnesses the full purchasing power of the Federal government. At the same time, GSA is helping other Federal agencies to concentrate their efforts and limited contracting resources onto agency-specific procurements.

GSA MISSION STATEMENT

GSA leverages the buying power of the Federal government to acquire best value for taxpayers and our Federal customers. We exercise responsible asset management. We deliver superior workplaces, quality acquisition services, and expert business solutions. We develop innovative and effective management policies.

The Agency's mission is derived from GSA's original authorizing legislation, the Property and Administrative Services Act of 1949. This law consolidated the Federal government's real estate, supply, and other management support functions so that agencies would run more efficiently. GSA seeks efficiencies through joint management policy-making with departments and other agencies. Today, for the great majority of functions, agencies are able to determine for themselves whether GSA's centralized services serve their needs, as agencies are no longer required to use GSA.

A major change to the delivery of GSA's mission has been accomplished in the consolidation of the former Federal Supply Service (FSS) and the Federal Technology Service (FTS) into the Federal Acquisition Service (FAS). The evolution of technology and the marketplace has blurred the distinctions between information technology (IT) and other products and services. Thus, the separation between FSS and FTS that served the government well for decades no longer makes sense. GSA customers require a blended delivery model that integrates products and services in a manner that is transparent to the customer with GSA providing end-to-end customer service.

A crucial aspect of GSA's mission is to promote unified planning and coordination of disaster mitigation, preparedness, response, and recovery. These responsibilities relate to both natural and manmade incidents that threaten lives and property before, during, and after a major emergency or disaster. In addition to making certain that GSA's operations respond to these crises, GSA provides other agencies with the space, supplies, telecommunications, and policies they need to do their jobs. This means, for example, going to the site of disasters and finding suitable space for the Federal Emergency Management Agency (FEMA) to set up operations or providing equipment and vehicles to the U.S. Forest Service to fight wildfires.

GSA VALUES

Integrity

Accountability and Transparency in Operations

Effective Leadership and Responsible Decision-Making

The use of the Internet and other new electronic tools touches every aspect of GSA's mission. GSA's primary Web site, GSA.gov (*www.GSA.gov*), is the electronic gateway to the Agency. GSA also maintains USA.gov (*www.USA.gov*), which provides citizens with a single point of access to the vast index of official government information, including more than 50 million Federal, state, local, tribal, and territorial documents. Through this initiative, GSA successfully meets the President's Electronic Government (E-Gov) initiative, which is to provide citizens with accurate, timely, and consistent information about government programs and services. USA.gov has been rated the number one Web site in the Federal government for quality and e-government readiness by Brown University in its annual e-Government report in 2007.

Organization

GSA delivers services directly to its Federal customers through its Central Office in Washington, D.C., a network of 11 regional offices, and other sites around the world. GSA is composed of the Public Buildings Service (PBS), Federal Acquisition Service (FAS), 12 staff offices that support the Agency, the Office of Inspector General (OIG), and the Civilian Board of Contract Appeals (CBCA).

■ **PUBLIC BUILDINGS SERVICE (PBS):** PBS is the largest public real estate organization in the United States, providing facilities and workspace solutions to more than 100 Federal agencies. PBS aims to provide a superior workplace for the Federal worker and superior value for the U.S. taxpayer. Balancing these two objectives is PBS's greatest management challenge.

PBS's activities fall into two broad areas. The first is space acquisition through both lease and construction. PBS translates general needs into discrete requirements, marshals the necessary resources, and delivers the space necessary to meet the respective missions of its Federal clients. The second area is management of space. This involves making decisions on maintenance, servicing tenants, and ultimately, deciding when and how to dispose of a property at the end of its useful life.

GSA STRATEGIC GOALS

Stewardship

Lead federal agencies in the economical and efficient management of federal assets by spearheading effective policy development and by the exemplary management of the buildings/workplaces, motor vehicles, and personal property provided by GSA.

Superior Workplaces

Deliver and maintain productive workplaces consisting of office space, furnishings, technology, supplies, and related services.

Best Value

Develop and deliver timely, accurate, and cost-effective acquisition services and business solutions.

Innovation

Develop new and better ways of conducting business that result in more productive and effective federal policies and administrative operations.

■ **FEDERAL ACQUISITION SERVICE (FAS):** FAS is the consolidation of the former FSS and the FTS. The new FAS organization allows GSA to better position itself in the market for acquiring products and services for Federal agencies. FAS business operations are organized into four business portfolios based on the product or service provided to customer agencies: Integrated Technology Services (ITS) portfolio; Assisted Acquisition Services (AAS) portfolio; General Supplies and Services (GSS) portfolio; and the Travel, Motor Vehicle and Card Services (TMVCS) portfolio.

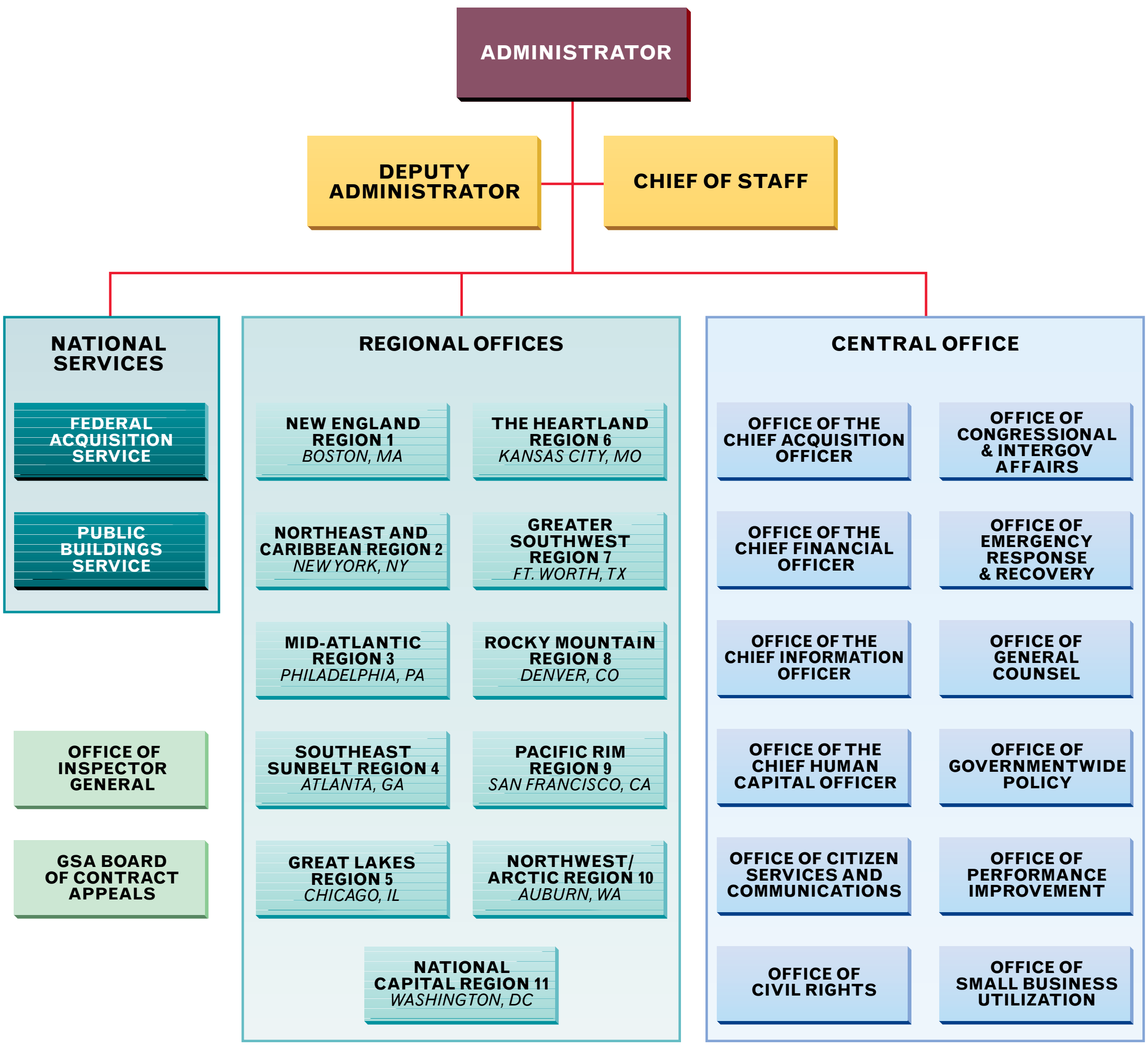
■ **OFFICE OF GOVERNMENTWIDE POLICY (OGP):** OGP improves government-wide management. OGP's responsibilities span personal and real property, travel and transportation, IT, regulatory information, and the use of Federal advisory committees. OGP accomplishes its mission through collaboration with Federal agencies and other stakeholders.

■ **OFFICE OF CITIZEN SERVICES AND COMMUNICATIONS (OCSC):** OCSC creates a more citizen-centric, results-oriented Federal government. OCSC helps citizens to interact with government by creating a single electronic front door to the services and information they require in the medium they prefer: the Web, e-mail, telephone, fax, or print. OCSC also provides in-house communications support to the rest of GSA.

■ **OFFICE OF THE CHIEF HUMAN CAPITAL OFFICER (OCHCO):** The OCHCO develops and delivers programs, policies, and services that promote GSA's strategic management of human capital. A capable and well-managed workforce is essential to GSA's success.

■ **OFFICE OF THE CHIEF INFORMATION OFFICER (OCIO):** The OCIO provides high quality, enterprise IT services and solutions at best value by leveraging IT resources that support GSA business needs and e-government.

■ **OFFICE OF THE CHIEF ACQUISITION OFFICER (OCAO):** The OCAO manages a broad range of acquisition activities for both GSA internal operations and the government as a whole. These include: ensuring compliance with applicable laws, regulations,



and policies; fostering full and open competition for contract awards; developing the acquisition workforce; and maintaining accountability for acquisition decision-making.

- **OFFICE OF EMERGENCY RESPONSE AND RECOVERY (OERR):** OERR is responsible for ensuring that GSA maintains a constant state of readiness to provide emergency acquisition support and emergency real property to Federal agencies in the event of a disaster or catastrophic event. OERR coordinates GSA's national continuity responsibilities by: developing Agency policies, plans, and procedures; developing and implementing GSA disaster readiness programs; and providing emergency acquisition support and serving as the on-the-ground liaison between GSA field organizations and Federal emergency response efforts during national disasters. OERR coordinates emergency management services throughout GSA, develops emergency preparedness procedures, shelter-in-place guidelines, and training to assist employees in the event of an emergency.

- **OFFICE OF GENERAL COUNSEL (OGC):** The OGC provides legal advice and representation to GSA clients to enhance their ability to help Federal agencies. The OGC carries out all legal activities of GSA, ensures full and proper execution of GSA's statutory responsibilities, and provides legal counsel to GSA officials except for the OIG and CBCA.

- **OFFICE OF PERFORMANCE IMPROVEMENT (OPI):** OPI provides advice to the Administrator and Deputy Administrator on major policies and procedures related to GSA performance. OPI is also responsible for coordinating GSA's efforts to accomplish the President's Management Agenda (PMA) and competitive sourcing activities.

- **OFFICE OF SMALL BUSINESS UTILIZATION (OSBU):** OSBU advocates for small, minority, veteran, HUBZone, and women business owners. OSBU promotes increased access to GSA's nationwide procurement opportunities by nurturing entrepreneurial opportunities, outreach, and training.

- **OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS (OCIA):** OCIA maintains Agency liaison with Congress. OCIA prepares and coordinates GSA's annual legislative program; communicates this program to the Office of Management and Budget (OMB), Congress, and other interested parties; and works closely with OMB in the coordination and clearance of all proposed legislation impacting GSA.

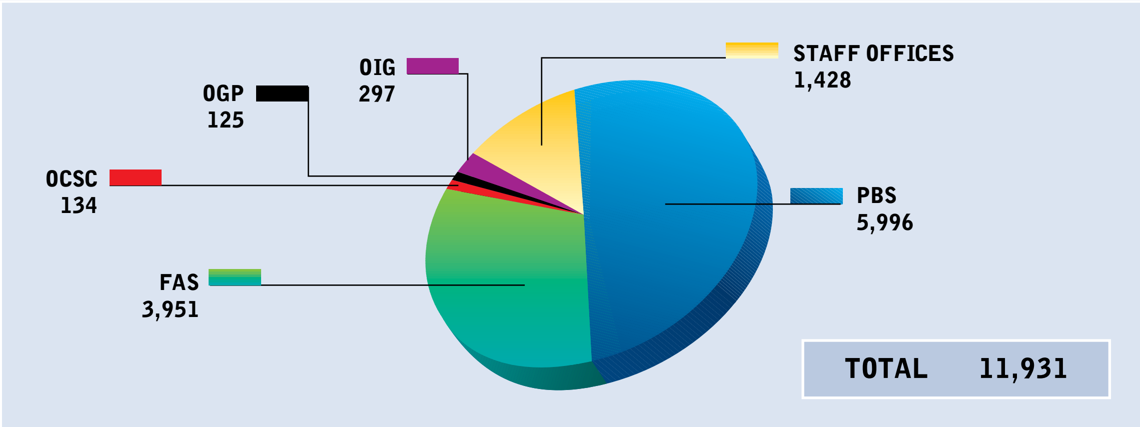
- **OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO):** The OCFO provides financial management services for all of GSA and more than 40 external customers. The OCFO manages strategic planning, budgeting, and the performance management cycle within GSA; manages GSA's core accounting system; and prepares financial statements and reports.

- **OFFICE OF CIVIL RIGHTS (OCR):** OCR ensures equal employment opportunity (EEO) for all GSA associates and applicants for employment on the basis of sex, race, color, national origin, religion, disability, and age, and protects associates from retaliation for protected EEO activity. OCR protects recipients of GSA's Federal Financial Assistance and participants in federally conducted programs from discrimination on the basis of race, color, sex, age, national origin, and disability.

- **CIVILIAN BOARD OF CONTRACT APPEALS (CBCA):** CBCA serves as an independent and objective tribunal in contract disputes between government contractors and GSA, and contractors and other Executive agencies. CBCA provides alternative dispute resolution services to all Federal agencies and contractors. CBCA also hears claims involving transportation rate determinations, Federal employee travel and relocation and expense claims, and a small number of other types of claims.

- **OFFICE OF INSPECTOR GENERAL (OIG):** The OIG conducts an independent nationwide audit and investigative program of GSA's internal operations, programs, and external contractors. The OIG promotes economy, efficiency, effectiveness, and prevents and detects fraud, waste, and mismanagement in the Agency's programs and operations.

FTE BREAKDOWN BY ORGANIZATION



In FY 2007, GSA had 11,931 full-time equivalent (FTE) employees. Staffing levels have steadily declined since 2003; this trend is largely driven by efficiency savings. GSA has a continuing commitment to its Federal customers and the U.S. taxpayers to provide services in the most cost-effective manner possible. GSA delivers on this promise by steadily improving organizational performance while staffing levels decline.

Ribbon cutting ceremony at the opening of the San Francisco Federal Building.

Performance Summary and Highlights

GSA's activities during FY 2007 advanced the Agency toward achievement of its four strategic goals. Specific long-term outcome and performance goals were set in the FY 2007 Performance Plan, which also serves as the Agency's Congressional Budget Justification. GSA uses performance measures extensively to chart its progress and establish accountability.

As part of its new strategic plan, GSA has adopted the phrase "One GSA–One Voice" to capture its strategic vision as the Federal government's premier acquisition agency. One GSA–One Voice is a state of mind. It translates into an approach to everything GSA does and means that whenever GSA undertakes a project, it automatically thinks about whether there are opportunities to partner with other parts of GSA. When such an opportunity becomes a reality, GSA works closely together so that the customer sees and hears only One GSA–One Voice.

This section highlights the most significant GSA FY 2007 performance measures and the related performance results. A chart of Key Performance Measures follows this discussion and detailed performance information is contained in the Performance Section.

Here are a few examples of performance strategies for each strategic goal that illustrate GSA's commitment to excellence in FY 2007.

Stewardship

Lead Federal agencies in the economical and efficient management of Federal assets by spearheading effective policy development and by exemplary management of the buildings/workplaces, motor vehicles, and personal property provided by GSA.

GSA is the steward of most civilian Federal government real estate holdings, an extensive fleet of owned and leased motor vehicles, and a broad spectrum of personal property. GSA manages, maintains, and secures these extensive holdings in trust for the Federal government and the U.S. taxpayer.

GSA helps agencies develop plans to continually review and drive well-managed inventories. The inventory system GSA is currently implementing lists all real property under the control and custody of all executive branch agencies. This database is the only centralized system of government-wide real property inventory information. Government agencies will be able to use the information in the database to measure the performance of assets, including comparing and benchmarking across various types of real property assets and identifying property for disposal.

The GSA Fleet currently provides 51 percent of Federal motor vehicles, excluding the U.S. Postal Service. Annual growth continues through customer consolidations and wide-ranging management support. Savings are generated through re-alignment of customer agency staff and economies of scale.

GSA regularly buys alternative fuel vehicles (AFV). These vehicles are concentrated in six major markets to encourage the development of infrastructure in the private sector—service stations, service, and resale markets.

Superior Workplaces

Deliver and maintain productive workplaces consisting of office space, furnishings, technology, supplies, and related services.

GSA provides owned or leased space for government facilities ranging from office headquarters to warehouses to laboratories. GSA constructs new special-purpose space, primarily courthouses for the Federal judiciary, and a growing number of land ports of entry. GSA preserves and restores historic buildings in its inventory. GSA explores the workplace of the future and puts its findings into practice.

A One GSA-One Voice approach means a more collaborative process between the customer agency and GSA's various program offices, and allows GSA to standardize and institutionalize these improved methods. This partnership between the customer and GSA's two Services promotes more integrated procedures and solutions, simplifies the customer experience, and leverages agency expertise in service delivery.

GSA is currently establishing a new process called Program of Requirements Plus (POR+), as a set of tools to deliver the requirements identified for its customers' workspaces. The goal is to develop a set of requirements that promote national consistency and quality across transactions, are professional in appearance, and have the ability to deliver innovative workplace solutions as appropriate. The spectrum of deliverables include a current assessment of the workplace, a determination of future workplace needs, space program scenarios, and space program and design briefs.

Through its National Broker Contract, GSA is increasingly using contract real estate brokers to perform lease acquisition services. The contract allows GSA to focus more on project management and the needs of the client agency. This new business model will reduce GSA's fixed costs and increase its ability to support a variable business volume. To date, customers have benefited from nearly $23.6 million in rent savings as a result of commission credits.

Best Value

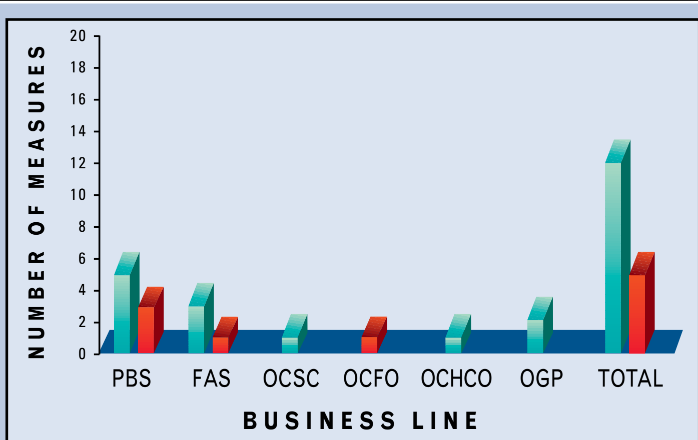
Develop and deliver timely, accurate, and cost-effective acquisition services and business solutions.

GSA is the Federal government's primary acquisition organization. From paperclips to integrated IT solutions, GSA meets the changing procurement needs of the Federal workforce. GSA has a responsibility to provide the greatest value to Federal customer agencies and cost-savings for the U.S. taxpayer.

From products, services, and technology to vehicles, travel, transportation, and property management solutions, GSA manages widely diverse offerings and many different methods for acquiring these offerings. GSA will need to provide efficient service delivery of overlapping product offerings and solutions, while continuing to promote competition, procurement integrity, and consistent pricing structures. GSA will assess the various financial models to determine which can best achieve full cost recovery and ensure rigorous fiscal discipline.

GSA is a leader in technology-related acquisition. One outstanding example is Alliant—GSA's new Multiple Award/Indefinite Quantity contract vehicle for providing worldwide IT solutions to Federal agencies. Alliant represents the next generation of Government Wide Acquisition Contracts (GWAC) for GSA. Alliant offers the greatest flexibility possible

FY 2007 GSA KEY PERFORMANCE MEASURES SUMMARY



NUMBER OF PERFORMANCE MEASURES

	MET	NOT MET	TOTAL
PBS	5	3	8
FAS	3	1	4
OCSC	1		1
OCFO		1	1
OCHCO	1		1
OGP	2		2
TOTAL	12	5	17

for efficiently and effectively supporting Federal government daily operations.

GSA's Networx program is another future-looking technology that provides comprehensive, best-value telecommunications and networking services and technical solutions to all Federal agencies. More specifically, it supports government-wide enterprise architecture and provides cross agency collaboration, transformation, and government-wide technology improvement. Networx will maximize the use of government resources by providing a common procurement infrastructure and a performance-based approach to encompass commercial, technical, and interface standards.

Innovation

Develop new and better ways of conducting business that result in more productive and effective Federal policies and administrative operations.

GSA is the Federal government's policy management leader for property and logistical support. As such, the Agency continually evaluates and develops innovative approaches to address emerging challenges and opportunities in Federal services and activities.

GSA facilitates government-wide reform by providing Federal managers with business-like tools. Examples of these tools are the Federal Automotive Statistics Tool and the Federal Aviation Interactive Reporting System. These two tools allow agencies to capture, analyze, and report operating costs for motor vehicles and aircraft.

Building Information Modeling (BIM) is a virtual design and construction technology that provides three dimensional (3D) visualization and 4D construction sequencing. These capabilities allow users to breakdown a project on computers in the actual sequence in which it will be built. GSA is currently using BIM for several active projects and is committed to adopting it more widely in its capital construction program.

GSA is a leader in sustainable design and has achieved certification for four government-owned buildings and six build-to-suit leased buildings. The certification represents external review and approval of the application of energy management techniques used in a building. GSA has also registered 50 buildings under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) building rating system. GSA will continue to lead in sustainable design by advocating for siting of Federal facilities with consideration for local transportation and enhancing sustainability in communities. The result will be a facility with an optimal balance of cost, environmental, societal, and human benefits, while meeting the mission and functional needs of the customer agency. GSA intends that sustainable design will be integrated as seamlessly as possible into the existing design and construction process.

GSA's Environmental Services (899) Multiple Award Schedule (MAS) offers a list of businesses approved to sell Federal agencies everything from environmental assessments and energy management programs to recycled paper, fluorescent lighting, paints, chemicals, and pollution-prevention systems to assist customer agencies in meeting their environmental requirements. GSA also helps agencies reduce petroleum consumption by offering AFVs and hybrid electric vehicles (HEV) for lease and purchase, reducing the Federal government's reliance on fossil fuels. One other way that GSA customers are able to buy green is through GSA Advantage's Environmental Aisle. Through the use of this tool, customers are able to search for products and services based on their environmental classification (i.e. recycled content, environmentally friendly, etc.). This tool provides direct access to the thousands of environmental products and services featured in GSA Advantage and enables customers to easily find environmentally friendly products and services offered by GSA.

FY 2007 Key Performance Measures within Strategic Goals

STRATEGIC GOAL/ SERVICE OR OFFICE	MEASURES	FY 2007 TARGET	FY 2007 ACTUAL	RESULT
STEWARDSHIP				
PBS-Asset Management	Percentage of available and committed space in government-owned inventory	7%	7.70%	Not Met
PBS-Asset Management	Customer Satisfaction - tenants in owned space	75%	78%	Met
PBS-Real Property	Percent of public sales awarded within 170 days	100%	100%	Met
FAS-Fleet	Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule	≥29.25%	42.38%	Met
OCFO	Percent of invoices received electronically	80%	73%	Not Met
OCHCO	Number of days to fill a vacancy	45	26.25	Met
SUPERIOR WORKPLACES				
PBS-Asset Management	Repairs and alterations (R&A) projects on schedule	88%	94.20%	Met
PBS-New Construction	Construction projects on schedule	87%	79.80%	Not Met
FAS-Fleet	External customer satisfaction survey score	83.10%	84.90%	Met
BEST VALUE				
PBS-Asset Management	Percent below private sector benchmarks for cleaning, maintenance and utility costs in office and similarly serviced space	-3%	-1.60%	Not Met
PBS-Leasing	Cost of leased space relative to industry market rates	-8.80%	-10.60%	Met
FAS-AAS-National IT Solutions	Percentage of negotiated award dates for services and commodities that are met or bettered	>95%	72%	Not Met
FAS-TMVCS-Vehicle Acquisition	Percentage discount from invoice price	≥28.50%	31.90%	Met
INNOVATION				
PBS-Asset Management	Percent reduction in energy consumption over the FY 2003 baseline	-4%	-8.30%	Met
OCSC	Citizen touchpoints	168.8M	222M	Met
OGP	Extent to which OGP policy initiatives achieve improvement targets	84%	98%	Met
OGP	Percentage of key policy stakeholders and agency users who rate OGP policy initiatives effective	57%	70%	Met

The President's Management Agenda

GSA's Status and Progress

Initiative	Current Status	Progress
Human Capital	🟢	🟢
Competitive Sourcing	🟡	🟡
Financial Performance	🟢	🟢
E-Government	🟡	🔴
Performance Improvement	🟢	🟢
Real Property	🟢	🟢
Transportation	🔴	🟢
Environmental Stewardship	🟡	🟡
Energy Management	🟢	🟡

The President's Management Agenda (PMA) has helped GSA focus on achieving results based upon clear goals and challenging expectations. GSA is pleased with its progress in each of the initiatives under the PMA. The following pages provide a brief description of each initiative, provide the current status of the management program, and describe GSA's progress to "get to green" as GSA implements the PMA with the ultimate goal of improving government performance and providing better service to citizens.

What Progress Indicates

The Office of Management and Budget (OMB) assesses agency progress on a case-by-case basis against the deliverables and timelines established for the nine initiatives that are agreed upon with each agency as follows:

🟢

GREEN

Implementation is proceeding according to plans agreed upon with the agencies.

🟡

YELLOW

Some slippage or other issues requiring adjustment by the agency in order to achieve the initiative objectives on a timely basis.

🔴

RED

Initiative in serious jeopardy. Unlikely to realize objectives absent significant management intervention.

PMA

Status — **Strategic Management of Human Capital** — Progress

BACKGROUND: The Human Capital Initiative requires Federal agencies to develop both a vision and a roadmap for strategically managing their workforces so they can better accomplish their missions on behalf of the American people. Agencies are required to build, sustain, and effectively deploy a skilled, knowledgeable, diverse workforce to meet the current and emerging needs of the Federal government.

STATUS: GSA achieved "green" status in FY 2007, completing all critical success factors. GSA demonstrated significant workforce planning and analysis in its efforts to support GSA's strategic assessment and budget process, organizational structure and workforce restructuring efforts, requests for personnel flexibilities, and documenting progress with human capital initiatives. GSA continued the restructuring of the Federal Acquisition Service (FAS), which resulted in realigning one-third of GSA's workforce. GSA's senior leaders worked closely with union officials to ensure an effective transition. GSA continued to focus on efforts to address mission critical workforce needs. Talent management strategies were implemented to improve hiring process results, expand the use of diverse recruitment sources and hiring flexibilities, address employee development and training needs, and address retention issues. The Office of Personnel Management (OPM) ranked GSA's Associate Performance Plan and Appraisal System (APPAS) as an "effective strategy" which is the highest performing category. OPM approved GSA's human capital accountability system. Based on employee survey results, OPM ranked GSA in the top 10 of 36 agencies in talent management, leadership and knowledge management, and job satisfaction.

PROGRESS: GSA continued to be "green" in progress for Strategic Management of Human Capital, completing all deliverables effectively and efficiently. GSA verified its current human capital strategic goals and updated its Human Capital Strategic Plan (HCSP) to align with GSA's new Strategic Plan. Strategic workforce planning efforts supported GSA's Performance Management Process (PMP) in the Strategic Assessment and Budget assessment and analysis phases. Workforce planning and analysis also supported effective talent management strategies for GSA's mission critical workforce. GSA used personnel flexibilities to drive organizational alignment and performance improvement. The Agency implemented effective actions to improve mission critical workforce competency levels through targeted hiring, training, development, and retention strategies. Recruitment, Workforce Development, and Retention Tools displaying historical workforce data, trends, and available flexibilities were established in an effort to centralize information for mission critical workforce hiring managers. GSA continued to improve its hiring process and outcomes by implementing recommendations from the Staff Acquisition Business Process Re-engineering (BPR) effort. Extensive workforce planning, standardized processes, and increased employee expertise have reduced processing time and improved hiring manager satisfaction to above 80 percent. GSA's hiring process averaged 30 and 75 days for General Schedule and Senior Executive Service (SES) hires, respectively. To support its existing leadership programs, GSA implemented a national mentoring program as a means of providing additional leadership development to employees. GSA piloted the use of OPM Federal Competency Assessment Tool for Managers (FCAT-M) to assess leadership competencies. Under the Learning/Knowledge Management category, GSA was ranked third of 36 agencies for employees having electronic access to learning and training programs readily available at their desk. GSA ranked sixth of 36 agencies for employee satisfaction with the training received for their present job. In addition to the availability of training, GSA posts policy and guidance on the Web, uses online job tools and desk guides, and has a work environment that supports knowledge sharing.

PMA

Status — **Competitive Sourcing** — Progress

BACKGROUND: The goal of competitive sourcing is to improve agency performance by using the A-76 process to create processes that are more efficient. Public/private competitions, as described in OMB Circular A-76, are used to evaluate the efficiency of performing commercial activities with government personnel versus contract employees.

STATUS: GSA received a status score of "yellow" on OMB's Quarterly Scorecard for the fourth quarter of FY 2007. This was the first time GSA scored less than green since the fourth quarter of FY 2004. During the last half of FY 2007, GSA revised its long-term competitive sourcing plan to reschedule some of its competitive sourcing initiatives from FY 2007 to FY 2008. This revision required that some competitive sourcing initiatives be rescheduled later in FY 2008. The delay of these initiatives resulted in the downgrade on the OMB fourth quarter scorecard.

GSA has completed more than 80 competitions through FY 2006. Although there were no additional competitions completed in FY 2007, GSA spent FY 2007 implementing the competitions completed in the fourth quarter of FY 2006 and improving internally developed tools designed to facilitate the reporting requirements of OMB Circular A-76. GSA's Federal Activities Inventory Reform (FAIR) Inventory Tool (FIT) consolidated all GSA service and staff offices into one database. The improved FIT, a Web-based tool, allows for greater analysis and review at all levels within GSA and provided the first FAIR Act Inventory "upload" in FY 2007 as required by OMB. GSA also made progress in developing an automated post-competition accountability process utilizing the Activity Cost Tracking Tool (ACTT) System developed by the U.S. Air Force. Although still in the development stages, GSA has developed a process to provide the necessary data to OMB during the first quarter of FY 2008 as required. As discussed above, an update to GSA's Competitive Sourcing Green Plan for FY 2008 - FY 2012 was sent to OMB as well as the FY 2007 FAIR Act Inventory, the GSA "Proud to Be as of July 1, 2009 Report" and the GSA "Report to Congress on Competitive Sourcing for FY 2006" in accordance with OMB requirements.

PROGRESS: Although GSA did not complete any competitions in FY 2007, feasibility studies were conducted on the FAS maintenance control center function and the Office of the Chief Financial Officer's (OCFO) financial operations function. Results of these studies were not available in time for this report. As GSA moves forward in the evaluation of functions to be subject to an A-76 competition, more and more attention must be paid to the residual impact a competition has on GSA. Line of Business (LoB) initiatives, Shared Service Provider (SSP) status, and internal restructuring of various organizations have placed a strain on the resources available for competitive sourcing activities. GSA continues to constantly reevaluate its priorities to insure it is focusing on its core mission, as well as striving towards the development of more efficient processes. Recognizing this dilemma, GSA revised future deliverables on its fourth quarter scorecard resulting in a downgrade from "green" to "yellow" in progress.

PMA

Status | **Improved Financial Performance** | Progress

BACKGROUND: This initiative is intended to improve the quality of the Federal government's financial information so agencies can improve the integrity and efficiency of their operations as well as improve financial performance by ensuring that Federal financial systems produce accurate and timely information critical to Federal managers for managing cost and making decisions.

STATUS: GSA successfully met the criteria for "green" status and is continuing to strengthen its internal control structure wherever it is cost beneficial to do so. GSA views strong internal control as another form of customer service. Given the facts that GSA has again received an unqualified audit opinion, has no repeat material weaknesses, is "green" in all but one Metric Tracking System performance measure, and, fully implemented OMB Circular A-123, GSA is confident that it is heading in the right direction. In addition, GSA submitted its Performance and Accountability Reports (PAR) in record time, once again received the CEAR award and has no material intragovernmental differences. These noteworthy accomplishments were successfully achieved while reducing overhead.

PROGRESS: GSA's progress rating is "green." GSA has a number of initiatives underway to further strengthen its internal control environment and structure. GSA looks forward to realizing the benefits of these efforts through increased efficiency and timelier availability of financial information for decision-making and customer support. GSA's goal is to ensure accurate data for reporting and greater flexibility to respond to information requests.

PMA

Status — **Expanded Electronic Government** — Progress

BACKGROUND: The E-Gov initiatives and LoBs support specific goals to reduce redundancy of information technology (IT) investments, increase the effectiveness of outreach to citizens, and improve the efficiency and effectiveness of IT investment management. As the E-Gov initiatives and LoBs continue to be integrated into the normal day-to-day operations of the Federal government, more opportunities for consolidation, increased maturity, and customer utilization will come.

GSA's goals include helping the government become more citizen-centric, assisting individuals and businesses to complete government transactions online, and working with other agencies on government-wide initiatives. GSA is also focused on its internal IT management to ensure the projects are well managed and that IT spending is not duplicative of the initiatives.

GSA's IT team will continue to identify and retire redundant IT systems and ensure GSA associates have the technology needed to do their jobs and that GSA systems are secure.

STATUS: GSA's status rating is "yellow." Major accomplishments include GSA's enterprise architecture receiving an OMB assessment rating of "4"; GSA's 28 major IT programs have acceptable business cases; and an overall IT portfolio performance within 10 percent of planned cost, schedule, and performance. GSA continues to make progress toward improving its status rating to "green" through strengthening its earned value management practices along with ensuring that all major E-Gov milestones are completed and delivered on time.

PROGRESS: GSA's progress rating is "red." GSA continues to deliver on the vast majority of the PMA goals and quarterly E-Gov planned actions. For FY 2007, GSA completed 31 out of 34 major E-Gov implementation milestones, a 91 percent overall performance rating, but missed a few of the major milestones, resulting in a "red" progress rating. GSA remains committed to ensure that all major milestones are completed in the future.

Key GSA E-Gov accomplishments include:

- Federal Asset Sales – Posting 100 percent of all GSA assets to the govsales.gov portal, the official site to buy US property. In addition, agencies such as the Departments of Housing and Urban Development (HUD) and Agriculture (USDA) have 100 percent of their assets posted to the portal.
- E-Travel – All major agencies have issued task orders through the e-Travel program helping the Federal government get closer to the promise of fully optimizing agency travel budgets while saving taxpayer dollars.
- USA Services – Partnered with the Departments of State to provide information to citizens regarding new passport regulations (Western Hemisphere Initiative). USA Services also completed a customer satisfaction survey with the overall rating result of 94 percent.
- USA.GOV – *Time* magazine honored usa.gov as one of the "25 Sites We Can't Live Without."

PMA

Status — **Performance Improvement** — **Progress**

BACKGROUND: This initiative is aimed at providing greater focus on performance. It is enhancing the quality of information on program results so that the government can make better-informed resource allocation decisions. The outcome will be better control over resources and accountability for results by program managers.

STATUS: GSA has remained "green" on the President's quarterly scorecard for "current status." The Agency has continued to work hard at completing all outstanding criteria for "green," specifically by developing a new Strategic Plan, successfully removing the final program from the Results Not Demonstrated list, having Long-Term Outcome Goals and efficiency measures for all Program Assessment Rating Tool (PART) participating programs, reporting marginal costs that are satisfactory to OMB, and reporting success stories in the Results.gov Web site.

The new five-year Strategic Plan outlines the actions to be taken to improve customer service delivery and to better integrate the offerings of the Public Buildings Service (PBS) and the Federal Acquisition Services (FAS). It reflects the vision of One GSA—One Voice. The plan serves as a roadmap to acquisition excellence and provides direction for creatively moving forward. It serves as a guide for integrating performance and budget according to GSA's Mission, Vision, and Strategic Goals.

In this year's PART process, GSA rescored the Assisted Acquisition Services (AAS) Portfolio (previously scored as Regional IT and National IT). The program area developed long-term goals with attainable targets and efficiency measures and received an "adequate" rating. The Agency reassessed two programs: General Supplies and Services (GSS) portfolio, rated "adequate"; and Asset Management of Owned Real Property, rated "effective." GSA completed the last remaining program to be included in the PART process, the Integrated Technology Services (ITS) Portfolio, and received a "moderately effective" rating. GSA now maintains a "green" status by having all of its programs successfully rated by the PART process.

PROGRESS: The Agency continues to be "green" in progress. GSA successfully completed all of its fourth quarter deliverables. Through the Agency's internal Performance Management Process (PMP), GSA has made great strides in identifying long-term outcome goals and efficiency measures for its programs. The Administrator continues to conduct quarterly reviews of each organization's financial and performance results. GSA has also developed a Green Plan that includes specific actions the Agency will complete to maintain its "green" rating.

PMA

Real Property

Status | Progress

BACKGROUND: On February 4, 2004, the President signed Executive Order 13227 addressing Federal Real Property Asset Management. Real Property was added to the PMA in August 2004. The goal of the Executive Order and this initiative is to promote the efficient and economical use of U.S. real property assets and to assure management accountability for implementing Federal real property management reforms.

STATUS: In the last quarter of FY 2006, GSA was the first agency to achieve "green" on the President's quarterly Executive scorecard for "current status." Through its continued progress in rightsizing its portfolio, GSA has continued to maintain its "green" status throughout FY 2007.

In FY 2007, GSA continued to demonstrate to OMB results in implementing the right-sizing goals of utilization, disposal, operation and maintenance, and physical condition. GSA has maintained a utilization rate in government-owned assets of over 90 percent for the past six years, disposed of 281 underutilized assets since FY 2002, and maintained operating costs below the private sector.

PROGRESS: GSA maintained "green" in progress for real property throughout the entirety of FY 2007 by completing all deliverables and all milestones identified in the three-year timeline and the "Proud to Be" document.

Specifically in FY 2007, GSA reviewed and updated its asset level strategies to identify opportunities for improvement, reported excess over 250,000 rentable square feet (RSF) reducing GSA's reinvestment liability by over $24 million, received proceeds from the sale of vacant and underutilized property in excess of $69 million, and targeted seven percent of capital investment dollars on energy projects.

GSA will continue to play a leadership role in advancing real property asset management through both its example and its leadership on the Federal Real Property Council (FRPC).

PMA

Status | **Transportation Management** | Progress

BACKGROUND: The Transportation Management Initiative requires Federal agencies to develop a strategy and long-term plan to improve the efficiency and performance of their motor vehicle fleets. Executive Order 13423, dated January 24, 2007, "Strengthening Federal Environmental, Energy and Transportation Management," provides that agencies with 20 or more motor vehicles, relative to their FY 2005 baseline, reduce the total consumption of petroleum products by two percent annually through the end of FY 2015; increase the total fuel consumption that is non-petroleum based by 10 percent annually; and use plug-in hybrid (PIH) vehicles when they are commercially available at a cost reasonably comparable, on the basis of life-cycle cost, to non-PIH vehicles.

STATUS: GSA continued to achieve an overall "red" status through the end of FY 2007, but moved from "red" to "green" in progress for the management of its internal nationwide motor vehicle fleet on the President's Executive scorecard for "current status."

This dramatic improvement is due to the development of internal and government-wide partnerships to address obstacles impeding the collection and analysis of information underpinning performance data on GSA's internal nationwide vehicle fleet.

PROGRESS: Continuing actions since January 1, 2007 by GSA to improve transportation management include:

- Development of an Automated Fuel Reporting System. GSA developed an internal Agency-wide Fuel Information System (FIS) to track the use of petroleum and non-petroleum fuels. Beginning in FY 2008, all motor vehicle operators will be required to report fuel usage data contemporaneously using either a telephone/cell phone, or Internet-based application. The deployment of the FIS addresses the most significant obstacle facing GSA in the collection of credible data to document its progress in achieving the goals established by Executive Order 13423.

- Identification of Opportunities for Increased Use of Non-Petroleum Fuels. GSA has consistently scored "green" in its efforts to acquire alternative fuel vehicles (AFV). During FY 2007, GSA analyzed its internal fleet to identify the proximity of AFVs to fueling stations offering E-85 (mixture of 85 percent ethanol and 15 percent gasoline) products. The results of this analysis were submitted to the Department of Energy (DOE).

- Development of a vehicle allocation methodology. GSA's Office of Governmentwide Policy (OGP), in partnership with the Agency's internal fleet manager, issued a contract to develop a vehicle allocation methodology. The new vehicle allocation methodology tool will be deployed in FY 2008 to match future vehicle acquisitions with the long-term goals established by Executive Order 13423. Supported by data generated by the new FIS, the vehicle allocation methodology will help match vehicle requirements with environmentally preferable transportation management options.

PMA

Status — Environmental Stewardship — Progress

BACKGROUND: On January 25, 2006, OMB introduced the Executive Management Scorecard (EMS) for Environmental Stewardship. This scorecard covers five areas: Environmental Management System implementation, green purchasing, sustainable design, electronic product stewardship, and compliance management. The scorecard tracks the progress and status of departments and major agencies in implementing statutory and Executive Order requirements in each area.

STATUS: GSA maintained its "yellow" status for FY 2007. Fewer than 20 percent of the EMS facility metrics were rated "red" on the EMS (incorporated into the Environmental Stewardship Scorecard in FY 2007). PBS's EMS continues to improve and is being expanded to two regions with a third planned for FY 2008. A draft Green Purchasing Policy is undergoing review and will replace the existing Affirmative Procurement Policy. GSA continues its long-standing commitment to designing green buildings. It has completed new green language to strengthen GSA leases, and new build-to-suit leases will require Leadership in Energy and Environmental Design (LEED) "silver" certification. GSA has also developed optional language for tenants wishing to pursue LEED for commercial interiors. As signatories of the Memorandum of Understanding on Electronics Stewardship, GSA is committed to reducing the environmental impact of its electronic product management practices. A draft Electronics Stewardship Action Plan is under review. The Office of the Chief Information Officer (OCIO) also issued a new hardware shutdown policy that will help reduce energy usage of GSA computers. The GSA Compliance Management Plan and implementation strategy has been developed, and is actively managed by PBS. As part of this strategy, 21 federally owned buildings have completed environmental compliance audits.

PROGRESS: GSA's progress fell from "green" to "yellow." According to the Office of the Federal Environmental Executive, this is primarily due to insufficient progress in finalizing the Green Procurement Policy and Electronics Stewardship Action Plan. It is expected that this review will be complete by November 2007. Strong progress continues in all other areas. EMS implementation in GSA's Region 11 and Region 9 is nearly complete, hazardous waste compliance training was provided to over 1,000 building managers, GSA has developed a dashboard for reporting LEED certification progress, 40 additional compliance audits are scheduled for FY 2008, and "green language" has been fully integrated into the national operations and maintenance and janitorial services contracts.

PMA

Status	Energy Management	Progress

BACKGROUND: This initiative supports specific goals to reduce energy consumption in Federal buildings mandated by the Energy Policy Act of 2005 and Executive Order 13423. The goal is to ensure GSA utilizes cost effective energy management strategies that will result in a reduction of energy and water consumption, increase use of renewable energy, and utilize advanced metering technology in the buildings GSA operates.

STATUS: GSA maintained its "green" status by successfully meeting all criteria for the energy management scorecard in FY 2007. Specifically, GSA was successful in reducing energy intensity by 3.76 percent over the FY 2003 baseline without incorporating any renewable purchase Btu reduction credits. This reduction increases to 8.3 percent with the application of the purchased renewable energy credit. GSA increased its use of renewable energy equivalent to 7.49 percent of its purchased electricity used in FY 2007, so GSA is on track to meet renewable purchase goals. Additionally, GSA is implementing its approved metering plan in appropriate facilities and met 100 percent of current milestones in its approved plan. GSA distributed advanced metering funding to the regional level to move the Agency metering plan forward. GSA upgraded an advanced metering analytical software program to a newer version with better reporting tools to enable users to share template analysis giving GSA enhanced ability to monitor all advanced meters in its inventory from an enterprise-wide Web-based tool.

PROGRESS: GSA previously received a "green" score on progress but dropped to "yellow" because it did not submit required information identifying new design starts for FY 2007, and is striving to demonstrate that 100 percent of new building designs started after October 1, 2006, are 30 percent more efficient than the 2004 International Energy Conservation Code (residential buildings) or the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004 (non-residential buildings).

Financial Statements Analysis and Summary

For FY 2007, the independent accounting firm of PricewaterhouseCoopers, LLP (PwC) expressed an unqualified (clean) opinion on GSA's comparative FYs 2007 and 2006, proprietary financial statements, the Consolidating Statements of Net Cost, Balance Sheets, and Statements of Changes in Net Position, as well as the budgetary Combining Statements of Budgetary Resources. Throughout FY 2007 GSA's management significantly increased attention and internal controls over budgetary reporting as part of its duties to ensure accountability over resources that are entrusted to it, as well as to provide accurate and reliable information. Agency management is accountable for the integrity of the financial information presented in the financial statements.

The financial statements and financial data presented in this report have been prepared from GSA's accounting records in conformity with generally accepted accounting principles (GAAP) in the United States. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

Overview of Financial Position

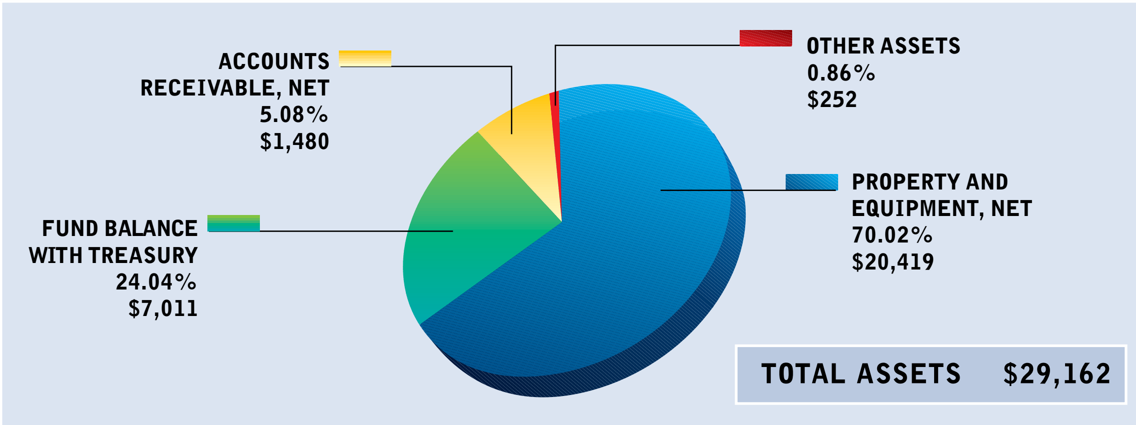
ASSETS: Total assets were $29,162 million at the end of FY 2007. This represents an increase of $692 million (2.4 percent) over the previous year's total assets of $28,470 million. This increase is largely attributable to continued growth in GSA's Federal Buildings Fund (FBF) primary business operations, which is reflected in capital asset purchases and alterations and increases in earnings that provided cash (Fund Balance with Treasury) from operations.

Taken together, Property and Equipment combined with Fund Balance with Treasury comprise 94.1 percent of the total assets for FY 2007. The $132 million increase in Fund Balance with Treasury was primarily due to overall profits in the Acquisition Services Fund (ASF) that are used to maintain sufficient working capital, as well as to provide sufficient resources for capital investments in fleet vehicles and unique program requirements, such as conversion costs associated with the government-wide Networx telecommunications contract. The $7,011 million of Fund Balance with Treasury is generally available to GSA to liquidate outstanding commitments ($884 million of net obligations), to provide working capital to the revolving fund programs, and contains balances that will fund future needs. While the majority of these balances ($5,670 million) are available for such future needs, $2,262 million of the available balance is committed to the funding of building construction and alteration projects provided for in legislation. Amounts totaling $474 million were unavailable for spending as of September 30, 2007 and would require future authorization or legislation to be used.

GSA's assets reflected in the Consolidating Balance Sheets are summarized in the table below:

ASSETS *(Dollars in Millions)*	FY 2007	FY 2006
Property and Equipment, Net	$ 20,419	$ 19,699
Fund Balance with Treasury	7,011	6,879
Accounts Receivable, Net	1,480	1,609
Other Assets	252	283
Total Assets	**$ 29,162**	**$ 28,470**

ASSETS BY TYPE *(Dollars in Millions)*



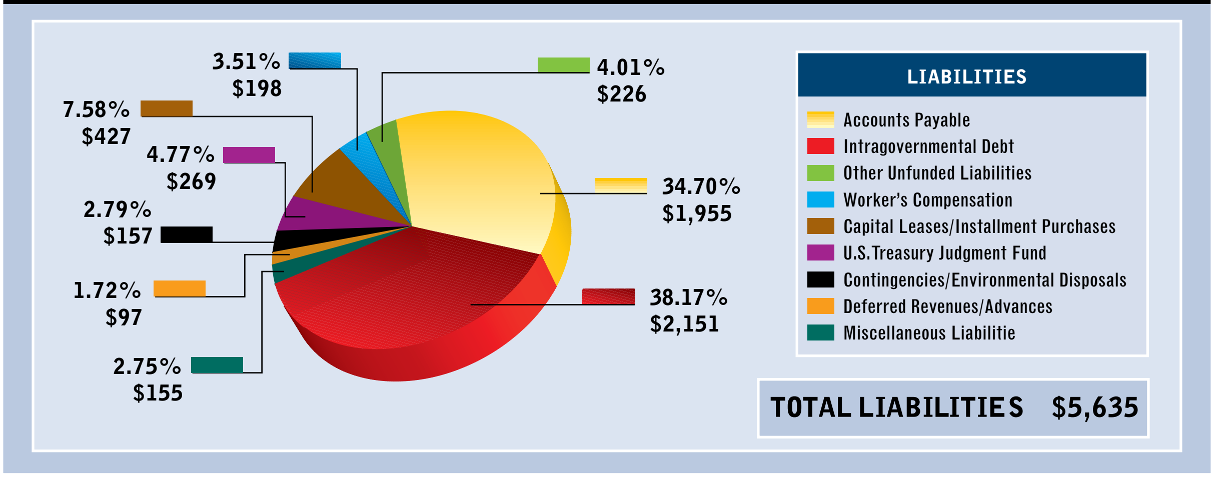
Property and Equipment increased by $720 million (3.7 percent) from FY 2006. Property acquisitions of $2,493 million during the year, net of the recorded depreciation expense of $1,455 million and $307 million in property disposals and write-offs, account for most of this increase. For the total amount of property acquisitions in FY 2007, $1,640 million were comprised of construction, modernization, and alterations to buildings.

LIABILITIES: In FY 2007, total Agency liabilities decreased by $324 million (5.4 percent) to $5,635 million from $5,959 million in FY 2006. Liabilities reported on the Consolidating Balance Sheet are summarized in the table below.

For FY 2007 GSA's largest liability balance is Intragovernmental Debt. The $2,151 million of Intragovernmental Debt is 38.2 percent of total liabilities, of which $31 million is unfunded. Periodically, in lieu of direct appropriations, GSA receives authority in its FBF to finance construction of buildings. Borrowings have been obtained from the U.S. Department of the Treasury's (U.S. Treasury) Federal Financing Bank (FFB), with the expenditure of the funds amortized over a 30-year period. GSA has almost depleted its authority to borrow and is currently paying off more debt than it is currently borrowing.

LIABILITIES *(Dollars in Millions)*	**FY 2007**	**FY 2006**
Accounts Payable	$ 1,955	$ 2,134
Intragovernmental Debt	2,151	2,192
Other Unfunded Liabilities	226	176
Workers' Compensation	198	197
Capital Leases/Installment Purchases	427	451
U.S. Treasury Judgment Fund	269	238
Contingencies/Environmental Disposals	157	156
Deferred Revenues/Advances	97	145
Miscellaneous Liabilities	155	270
Total Liabilities	$ 5,635	$ 5,959

LIABILITIES BY TYPE *(Dollars in Millions)*



Accounts payable makes up 34.7 percent of total liabilities. These balances decreased $179 million (3.0 percent) in FY 2007 primarily due to continued decline in the ASF in the business activity of IT Solutions. The decrease in business activity for the ASF is further explained in the section on Results of Operations.

Liabilities totaling $1,345 million, or 23.9 percent of total liabilities, were unfunded, (i.e., budgetary resources are not yet available). For most unfunded liabilities, budgetary resources will be made available in the years balances are due, in accordance with Office of Management and Budget (OMB) funding guidelines. The major elements of unfunded liabilities are $198 million for Workers' Compensation, $427 million for capital leases and installment purchases, $269 million for reimbursements due the U.S. Treasury Judgment Fund for costs from past litigation, and $157 million for contingencies and environmental/disposal liabilities.

ENDING NET POSITION: GSA's Net Position at the end of FY 2007 on the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position was $23,527 million, a $1,016 million (4.5 percent) increase from the prior fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

The increase in Cumulative Results of Operations resulted primarily from the Net Results of Operations in GSA's FBF (results of $655 million) which mostly funds the capital needs for building construction and alterations. The Acquisition Services Fund (ASF) Net Results of Operations also increased significantly with solid earnings and other changes totaling $330 million.

Results of Operations

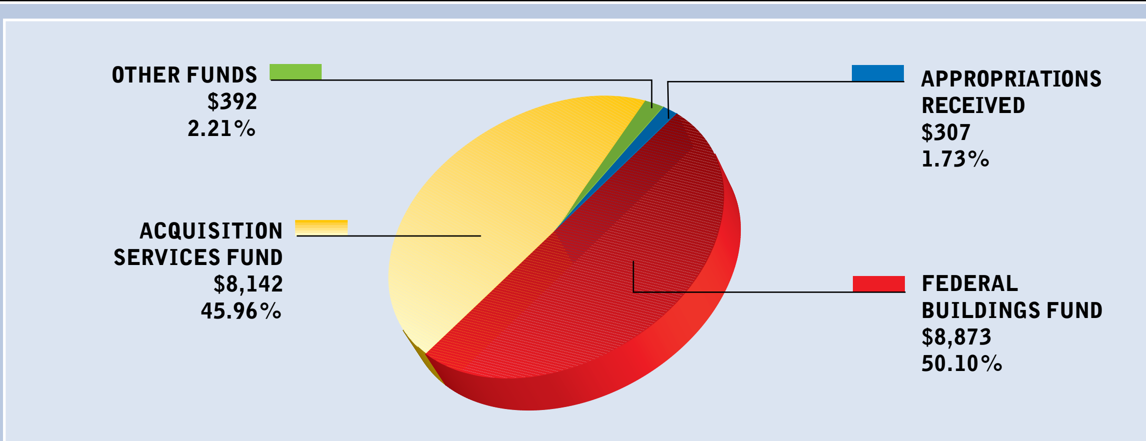
The results of operations are reported in the Consolidated Statements of Net Cost and the Consolidated Statements of Changes in Net Position.

The Consolidated Statements of Net Cost presents the cost (net of any earned revenue) of operating the FBF, ASF, the GSA Working Capital Fund (WCF) and other operating funds in reporting the Agency's Net Cost.

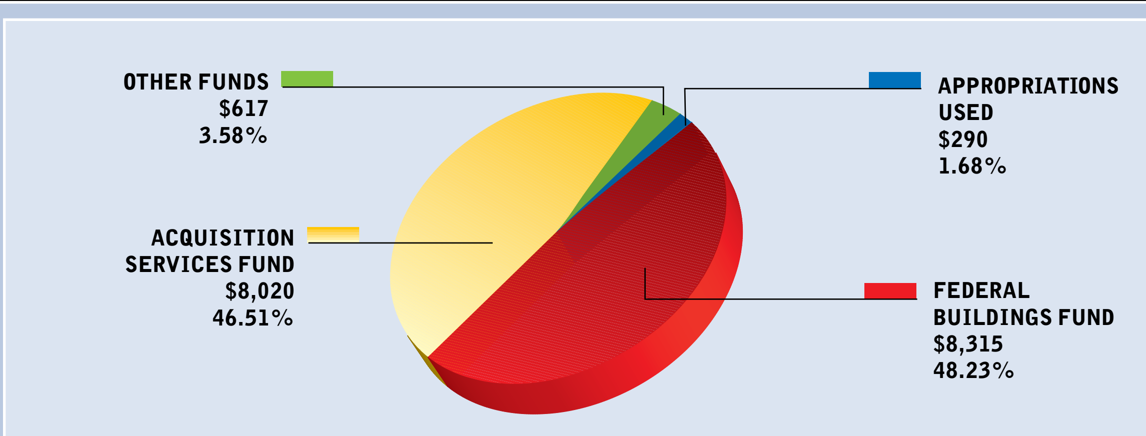
GSA's total Net Revenue from Operations at the end of FY 2007, after intra-agency eliminations, was $488 million, a $79 million (19.3 percent) increase from the prior fiscal year. The Net Revenue from Operations is presented as Total Revenues less Total Expenses at the end of FY 2007. The most significant reason for this increase in GSA's Net Operating Results is attributable to ASF net revenue of $122 million at the end of FY 2007, compared to $12 million in FY 2006. This significant change reflects a return to results closer to expectations. Results from FY 2006 were significantly lower than normal following the write-off of a major IT development project, which reduced earnings by approximately $80 million. In addition, losses from normal operations in the IT Solutions program in FY 2006 totaled $75 million. Despite reductions in business demand that continued into FY 2007, cost containment actions reduced losses from IT Solutions operations to $57 million in FY 2007. Management has taken significant actions to restructure business processes and further reduce operating costs to stop the recurring losses in FY 2008.

The charts below summarize the activity on GSA's Consolidated Statements of Net Cost (before intra-GSA eliminations) and the Consolidated Statements of Changes in Net Position by showing the funds available to GSA in FY 2007 and how these funds were used.

REVENUE SOURCES *(Dollars in Millions)*



HOW FUNDS WERE USED *(Dollars in Millions)*



Budgetary Issues

The decline in certain ASF business volume discussed in the sections above also had a significant effect on the budgetary statements, as Unfilled Customer Orders decreased by $786 million and Obligations incurred decreased by $308 million. In addition, Accounts Receivable from Federal customers decreased by $179 million and Collections decreased by a total of $460 million. Total Budgetary Resources in the ASF declined $959 million (8.4 percent).

Funding for capital investment in real property remains a significant challenge. The current funding level of the FBF is inadequate to meet the demand for new construction, particularly new courthouses and facilities with stringent security requirements, and the need to reinvest in the existing inventory of government-owned buildings. Public Buildings Service's (PBS) Strategy for Restructuring and Reinvesting in the Owned Inventory has brought new emphasis to addressing the non-performing assets in the PBS inventory. This effort, along with asset management reform legislation and continued support for repairs and alterations (R&A) funding, is essential to reducing the $6.3 billion backlog of building R&A work and providing quality space for GSA's Federal customers and the visiting public.

Systems, Controls, and Legal Compliance

Introduction to Management Assurances

GSA is pleased to provide the following assurances as to the status and effectiveness of the internal control and management systems in place at GSA. For FY 2007, GSA's Administrator provides her unqualified Statement of Assurance on overall internal controls, as well as internal control over financial reporting. GSA continues to make progress in strengthening its management practices and internal control to assure the integrity of its programs, operations, and business and financial management systems. GSA has fully embraced the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibilities for Internal Control;* the Federal Managers' Financial Integrity Act (FMFIA); OMB Circular A-127, *Financial Management Systems;* and the Federal Financial Management Improvement Act (FFMIA) as the foundation of effective internal control essential to timely and reliable financial management operations. The FMFIA requires agencies to establish management controls over their programs and financial systems. GSA's internal control and audit follow-up programs ensure all internal control reviews are conducted for program components and audit findings are responded to in a timely and accurate manner.

Internal Control

Throughout the fiscal year, GSA managers monitor and improve the effectiveness of internal management control associated with their programs and systems. Effective internal control and management systems go hand in hand with GSA's well-trained program experts, customer satisfaction, and innovative solutions to ensure GSA meets the ever-changing needs and challenges within the Federal community.

Audit Follow-up

During the fiscal year, the Office of Inspector General (OIG) and the Government Accountability Office (GAO) audit specific GSA programs, systems, and operations. As an agreement is reached between GSA and the auditors through a management decision process, a written plan for corrective action is developed. GSA then submits this plan to the auditors for their concurrence. When the auditors and GSA reach concurrence and the recommendations are met through corrective action, the audit is considered resolved. The audit follow-up program ensures that prompt and responsive action is taken. GSA's Office of the Chief Financial Officer (OCFO) oversees audit follow-up for the Agency, ensuring all corrective actions are completed and submitted for closure, determining if final action has been completed sufficiently to close the audit.

GSA's management is confident that the Agency's systems, controls, and legal compliance will ensure that it meets its responsibility of providing outstanding services at the best value for the U.S. taxpayer.

Statement of Assurance

GSA management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). In accordance with the Office of Management and Budget (OMB) Circular A-123, GSA conducted its annual assessment of internal controls over program operations, which includes compliance with applicable laws and regulations, and conformance with financial management systems requirements. Based on the results of the assessment for the fiscal year ended September 30, 2007, GSA provides an unqualified statement of assurance. The internal controls over program operations and financial management systems meet the objectives of FMFIA. The controls were operating effectively, and no material weaknesses or non-conformances were found in the design or operation of the controls.

In accordance with Appendix A of OMB Circular A-123, GSA conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. Based on the results of the assessment, GSA can provide reasonable assurance that internal control over financial reporting as of June 30, 2007, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

To identify management issues and monitor progress in addressing them, GSA's senior leaders use a system of internal program evaluations and independent audit reviews conducted by the Government Accountability Office (GAO) and GSA's Office of Inspector General (OIG), to assess program effectiveness. In FY 2007, GSA has no material weaknesses or systems non-conformances to report under FMFIA. In addition, GSA is continuing to enhance our controls in areas involving budgetary accounting and system access and monitoring.

GSA is strongly committed to the high performance and continuous improvement necessary to achieve its mission. In addition, we are dedicated to improving internal control and look forward to further progress in this important area.

Lurita Doan
Administrator

November 9, 2007

Management's Responsibility for Internal Control (A-123)

GSA fulfilled the requirements of the OMB Circular A-123, Appendix A, during FY 2007. The Circular serves to emphasize management's focus on ensuring that effective internal control over financial reporting is established and maintained throughout the Agency. Under the leadership of the Chief Financial Officer (CFO), GSA's management plan includes a comprehensive program to complete the assessment of internal control over financial reporting. The CFO established the Senior Assessment Team (SAT) comprised of senior executives who provide leadership, oversight, and accountability for GSA's internal control over financial reporting. The SAT conducted its assessment based on the five-step process used in the Implementation Guide developed by the CFO's Council. The five steps are: Planning; Evaluate Internal Control at the Entity Level; Evaluate Internal Control at the Process Level; Testing at the Transaction Level; and Concluding, Reporting, and Correcting Deficiencies and Weaknesses.

GSA determined the scope of financial reports to be included in the assessment and established materiality. The scope included all material line items on the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, Notes to the Financial Statements and the SF 133, Report on Budget Execution, and Budgetary Resources.

GSA management identified the key processes feeding into material line items by reviewing financial statements and related disclosures, cycle memoranda, flowcharts, and other information for the two major revolving funds and other combined funds. Key processes feeding into the financial statement line items include Unfilled Customer Orders, Obligations, Fund Balance with Treasury, Cash Receipts, Cash Disbursements, Financial Reporting, Budget (Administrative Control of Funds), Revenue Accruals, and Estimates.

Using a risk-based approach, a rotational plan was developed for financial and information technology (IT) controls to ensure that controls are assessed in each location throughout GSA within a three-year period. As part of the rotation plan, some systems will undergo full general and application controls testing in a given year and the others will undergo limited general and application controls testing for the year. FY 2007 was the second year of the three-year period, and IT and financial controls were tested in accordance with the plan.

The SAT conducted a comprehensive review of test results considering the likelihood and degree of the potential for misstatements and determined whether the consolidations of deficiencies are incidental, create a significant deficiency, or rise to the level of material weakness for reporting in the assurance statement. Based on the exceptions noted and the impact on the financial statements, the SAT concluded no material weakness existed as of June 30, 2007.

GSA has made significant progress in validating balances in its budgetary accounts. Although vast improvement has been made in resolving unfilled customer orders and un-liquidated obligations, incidences of invalid amounts still remain. Improvement of these processes continue, and management is monitoring corrective actions.

Despite the above deficiencies, GSA can provide reasonable assurance that its internal control over financial reporting as of September 30, 2007, was operating effectively and no material weakness existed in the design or operation of internal control over financial reporting.

Federal Managers' Financial Integrity Act (FMFIA) — Section 2

The FMFIA provides the statutory basis for management's responsibility for internal control.The FMFIA requires Federal agencies to establish controls that reasonably ensure that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over assets. Guidance for implementing the FMFIA is provided through OMB Circulars A-123 and A-127. The FMFIA also requires the Agency head to annually assess and report on the effectiveness of internal controls that protect the integrity of Federal programs (FMFIA Section 2) and financial management systems (Section 4), providing assurance on programmatic internal controls and financial management systems, and effectiveness of internal control over financial reporting.

GSA has met all of the requirements of FMFIA and OMB Circulars A-123 and A-127. In FY 2007, GSA improved its Agency-wide internal control program, which holds managers accountable for the performance, productivity, operations, and integrity of their programs. Annually, senior managers at GSA are responsible for evaluating the adequacy of the internal controls surrounding their activities and determining whether they conform to these requirements. In support of these efforts, GSA introduced a new Agency-wide Web-based internal control database system to perform assurance statements and internal control reviews.

During the year, extensive internal control training was provided to employees and managers throughout GSA. Training sessions were held for all Regional and Central Office internal control liaisons focusing on internal control at GSA, implementation of OMB Circular A-123, and procedures to complete internal control reviews. Following the liaison training, additional training was provided to employees and managers. For example, over 30 managers and employees in the Northwest/Artic Region were provided on-site training and assistance on internal controls and reviews. In addition, training was provided to Public Buildings Service (PBS) Regional and Central Office managers and employees to ensure PBS properly completed the numerous reviews scheduled throughout the year.

During FY 2007, PBS hosted the first annual internal controls conference at which PBS discussed improving internal controls in its organization. At the conference, training was provided by the OCFO concerning internal control policies and procedures.

Finally, in an effort to reach managers and employees who did not attend training sessions, GSA updated and re-distributed the Executive Guide and Desk Guide on Internal Controls that were developed last year. Moving forward in 2008, GSA will develop training modules that will provide managers the ability to take internal control training at the GSA Online University. GSA Online University houses several learning functions, such as online courses, e-books, and links to other reference sources, testing, and performance planning. GSA Online University also offers a variety of communication tools to foster the exchange of knowledge and information for GSA employees.

Federal Managers' Financial Integrity Act (FMFIA) — Section 4

As required by law, GSA evaluates its financial management systems annually for compliance with Federal financial management systems requirements, applicable Federal accounting standards, and U.S. Standard General Ledger (USSGL) recording and reporting requirements. GSA evaluated its financial management system controls and compliance using a consolidated A-123 and A-127 questionnaire and by completing independent systems certification and accreditation (C&A) reviews, Statement on Auditing Standards (SAS) 70 reviews, A-123 reviews, and other systems assessments. As in prior years, additional compliance review steps included a review of pertinent audit reports issued during FY 2007, a review of the current status of prior year systems-related issues, and discussions with senior managers and auditors regarding the details of pertinent systems-related control issues. Taken as a whole, GSA is confident that these systems-related review activities provide a sufficient basis for assessing Agency compliance with Section 4, FMFIA, and FFMIA requirements for FY 2007.

Based on all review work performed during FY 2007, Agency management believes that GSA substantially conforms to the requirements referred to in Section 4 of FMFIA. This conclusion is supported by actions completed during the past year to enhance financial reporting controls for budgetary accounting and to resolve prior year audit findings relating to system access and monitoring controls. For example, during FY 2007 more than 70 action steps were completed to fully or partially resolve financial systems-related issues and findings. These conditions related primarily to financial system general and applications-related internal control.

No Entity-wide System Non-Conformances Noted

No entity-wide system non-conformances are reported for GSA systems in FY 2007. GSA management is proud of this accomplishment and attributes it to a renewed emphasis on the importance of systems-related internal controls and the collective set of actions successfully completed by managers and associates to improve the systems control environment at GSA. These completed actions served to significantly enhance managerial, operational, and technical systems controls for many of GSA's critical program and financial management systems.

Significant Systems Deficiency

During FY 2007, substantial progress was achieved in addressing the prior year reportable condition relating to the need for improved system access, separation of duties, and system monitoring controls involving certain GSA systems. However, in FY 2007, the independent auditors have determined that a significant deficiency exists over certain GSA applications that require strengthened system access, separation of duties, and monitoring controls. Appropriate actions will be taken by GSA management officials to effectively address these new findings in FY 2008.

In addition, an OIG audit found that access to sensitive information and certain processing capabilities on OCFO-managed applications should be more fully restricted. In light of these findings, the OCFO took two immediate actions. These actions involved further restricting access to sensitive information, and conducting a comprehensive systems review of all OCFO-managed systems to identify any additional information and/or systems access vulnerabilities. Also, longer-term actions were initiated to redesign and strengthen system access controls for the affected applications. These actions will include improving authorization, authentication, and access controls to further restrict the ability of authorized users to access sensitive information on a least-privileged basis, thereby improving GSA's IT security controls.

Additional Improvements Planned for FY 2008

To ensure that GSA remains properly focused on being proactive in improving the effectiveness of its financial reporting and systems controls, several initiatives are planned for FY 2008. Major initiatives will involve taking various actions to improve financial reporting and strengthening systems-related life-cycle management controls for program and financial systems.

During FY 2007, significant progress was achieved in integrating GSA's internal processes for assessing the sufficiency of management and systems-related internal control via one survey instrument. During FY 2008, the challenge will be to devise and implement an improved and more fully integrated process to streamline and document the conduct of various reviews relating to internal controls and compliance with OMB Circular A-123 and National Institute of Standards and Technology (NIST) requirements pertaining to system-related internal controls. Currently, these activities require considerable effort on the part of several different groups within GSA. By more effectively coordinating and consolidating these review activities, more meaningful reviews and assessments will be able to be completed in a more timely and cost-effective manner. All planned improvement actions should serve to significantly improve systems controls and thereby improve the extent of GSA's overall compliance with pertinent laws and regulations.

Federal Financial Management Improvement Act (FFMIA)

The FFMIA of 1996 requires Federal agencies to implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the USSGL at the transaction level. Under law, agency heads are required to assess and report on whether these systems comply with FFMIA on an annual basis.

In assessing compliance with FFMIA, GSA adheres to the revised FFMIA implementation guidance provided by OMB and considers the results of the GSA OIG and GAO audit reports, annual financial statement audits, Federal Information Security Management Act (FISMA)-related and other questionnaire results, FISMA compliance reviews, and other systems-related review and monitoring activities.

Based on all information assessed, GSA's Administrator has determined that GSA's financial management systems are in substantial compliance with FFMIA for FY 2007.

Federal Information Security Management Act (FISMA)

The FISMA of 2002 requires Federal agencies to implement a mandatory set of processes and system controls in order to ensure the confidentiality, integrity, and availability of system-related information and information resources. Processes implemented within each Federal agency must follow a set of established Federal Information Processing Standards (FIPS), NIST and other legislative requirements pertaining to Federal information systems, such as the Privacy Act of 1974.

To ensure compliance with FISMA requirements, GSA maintains a formalized program for information security management that is focused on meeting FISMA requirements, protecting GSA's information resources, and supporting GSA's mission.

This program is supported by a set of established policies, procedures, and processes to mitigate new threats and anticipate risks posed by new technologies. Designated GSA information security managers and system security officers ensure that information security requirements are being implemented in accordance with FISMA requirements and GSA's policies.

During FY 2007, GSA continued to strengthen its security posture by addressing weakness identified in its Plan of Action and Milestones (POA&M) and completing all FISMA-related system control initiatives. For example, GSA reported that C&A, Annual Testing, and Contingency Plan Testing were completed for all of its 78 information systems. In addition, more than 14,800 Agency employees and contractors completed IT security awareness training and 99.6 percent of Agency employees with significant security responsibilities completed specialized role based training. Also, Privacy Impact Assessments (PIA) were completed on all applicable systems and the Agency continues to implement the provisions in OMB M-06-15, *Safeguarding Personally Identifiable Information*.

No major system control findings were identified as a result of all FISMA compliance efforts. Accordingly, management believes that GSA remains compliant with FISMA requirements and will earn another high OMB scorecard grade for FISMA compliance and IT security for FY 2007.

Financial Management Systems Framework

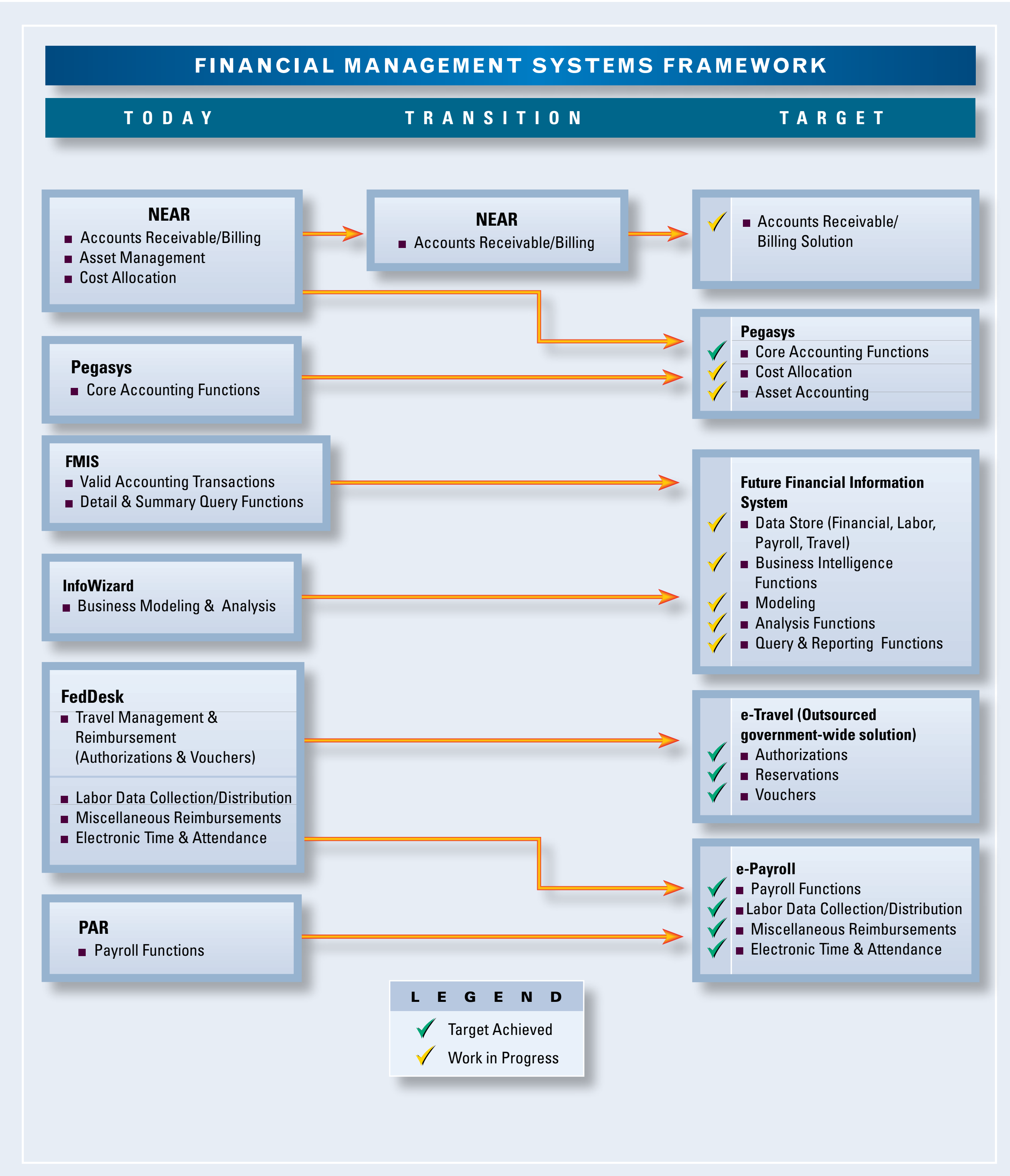
Financial Management Systems

The CFO Act assigns clear responsibilities for planning, developing, maintaining, and integrating all accounting and financial management systems within an agency. During FY 2007, significant progress was achieved by GSA in developing and implementing its planned "to be" financial systems framework. This framework is designed to fully integrate and streamline all of GSA's financial system applications in accordance with applicable systems requirements, Federal accounting standards, and other related mandates.

GSA expanded the core accounting system, Pegasys. Pegasys is a commercial-off-the-shelf (COTS) system solution that integrates several of GSA's financial accounting applications, processes more than 35 million transactions per year, and complies fully with Federal accounting standards and external financial reporting requirements. Pegasys also holds the most current Financial Systems Integration Office (FSIO) certification concerning its functional design and performance capabilities. In addition to serving as GSA's current financial accounting system of record, Pegasys currently provides GSA with the functionality to meet requirements to interface with the Central Contractor Registration (CCR) component of the President's integrated acquisition environment E-Gov initiative, supports the e-Payroll and e-Travel system initiatives, and provides a user friendly HTML format.

Substantial progress was also made in FY 2007 to improve internal controls of GSA financial systems. For the second consecutive year, SAS 70 reviews were completed for both GSA's Payroll and Pegasys systems and for the first time ever, the review results for both systems were unqualified, meaning that no significant internal control design or implementation exceptions were noted. These reviews provide needed feedback to the client agencies on GSA's internal accounting and system control in relation to established internal control objectives. The conduct of these reviews helps to ensure that GSA maintains an effective system of internal control and saves GSA's client agencies and their auditors the additional costs of having to periodically test and review GSA's financial systems.

Due in part to the effectiveness and efficiency of GSA's financial management system and its related internal control environment, GSA continues to function as one of four Federal agencies selected by OMB to cross-service other Federal agencies as a Financial Management Line of Business (FMLoB). During FY 2008, GSA will continue with its ongoing efforts to refine its existing financial management system capabilities so that it remains well positioned to service others as a leading and cost-effective service provider of choice for financial management services.


FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK
TODAY
TRANSITION
TARGET
NEAR
Accounts Receivable/Billing
Asset Management
Cost Allocation
NEAR
Accounts Receivable/Billing
Accounts Receivable/ Billing Solution
Pegasys
Core Accounting Functions
Pegasys
Core Accounting Functions
Cost Allocation
Asset Accounting
FMIS
Valid Accounting Transactions
Detail & Summary Query Functions
Future Financial Information System
Data Store (Financial, Labor, Payroll, Travel)
Business Intelligence Functions
Modeling
Analysis Functions
Query & Reporting Functions
InfoWizard
Business Modeling & Analysis
FedDesk
Travel Management & Reimbursement (Authorizations & Vouchers)
Labor Data Collection/Distribution
Miscellaneous Reimbursements
Electronic Time & Attendance
e-Travel (Outsourced government-wide solution)
Authorizations
Reservations
Vouchers
e-Payroll
Payroll Functions
Labor Data Collection/Distribution
Miscellaneous Reimbursements
Electronic Time & Attendance
PAR
Payroll Functions
LEGEND
Target Achieved
Work in Progress

Improper Payments Information Act

FY 2007 Annual Risk Assessment

OMB Circular A-123, *Management's Responsibility for Internal Control,* Appendix C, updated the requirement for an annual risk assessment. According to Part I, Section E, a risk assessment is required every three years if agency programs are not deemed risk susceptible. GSA does not have any programs deemed risk susceptible, therefore, is not required to perform a full risk assessment until FY 2008, and will report results in the FY 2009 Performance and Accountability Report (PAR). In the interim years, GSA will perform simplified risk assessments to review whether any significant legislative, programmatic, funding, and/or other changes that have occurred which would result in substantial program impacts. The Improper Payments Information Act Reporting Detail section under Other Accompanying Information contains detailed information on GSA's recovery audit program.

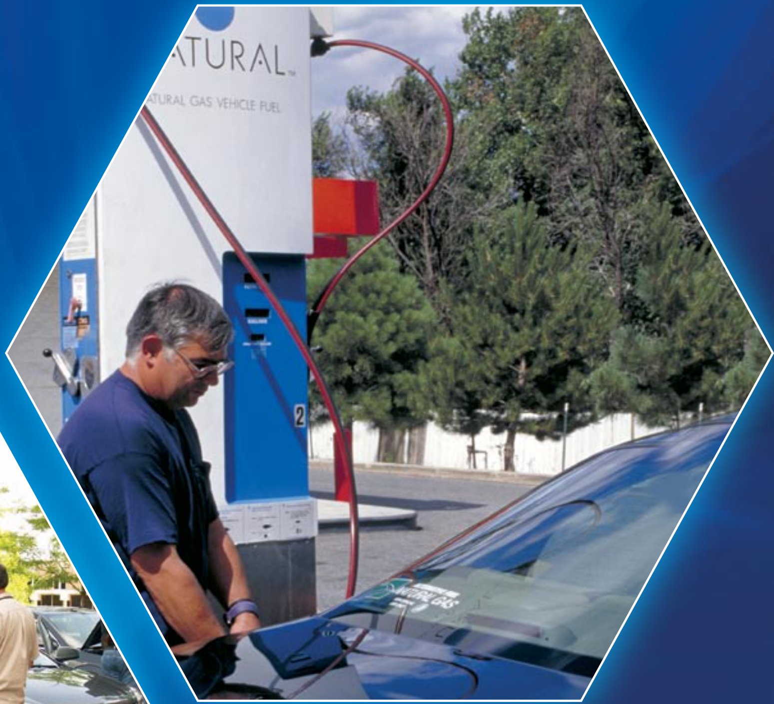
Carl B. Stokes Federal Courthouse in Cleveland, OH. Photo by Robert Benson

Limitations of Financial Statements

Management prepares the accompanying financial statements to report the financial position and results of operations for GSA, pursuant to the requirements of Chapter 31 of the U.S. Code section 3515(b). While these statements have been prepared from GSA's books and records, in compliance with the formats prescribed in OMB Circular A-136, *Financial Reporting Requirements,* these statements are in addition to the financial reports used to monitor and control the budgetary resources that are prepared from the same books and records. These statements should be read with the understanding that they are for a component of the U.S. government, a sovereign entity. One implication of this is that unfunded liabilities reported in the statements cannot be liquidated without legislation that provides resources to the Agency.

Performance Section

GSA helps Federal agencies reduce petroleum consumption by offering alternative fuel vehicles (AFV) and hybrid electric vehicles for lease and purchase.



GSA purchased over 24,000 AFVs this year, bringing GSA's total AFVs purchased since 1991 to more than 140,000, more than any single organization in the United States.

www.GSA.gov/green

Introduction to Performance

GSA focused on being a results-oriented organization committed to delivering excellence in the business of government during FY 2007, through the use of performance based tools and techniques.

GSA and the Performance Management Process

The Performance Management Process (PMP) is GSA's decision-making process for developing strategic plans, budget priorities, and performance results. The PMP integrates strategic planning, budget development, monitoring performance management, and targeting financial resources to deliver best value to GSA customers and meet performance goals. By addressing these issues on an enterprise-wide basis, the PMP furthers the vision of One GSA—One Voice.

GSA and the Program Assessment Rating Tool

Within the PMP, GSA has used the President's Management Agenda (PMA) as a guide to establish business practices that enabled GSA to achieve quantifiable results and a workplace that has been rated one of the best in the Federal government by the Partnership for Public Service.

GSA is committed to ongoing improvement and expects to continue adapting the PMA initiatives to provide best value to its customer agencies and U.S. taxpayers. As part of the PMA, the Office of Management and Budget (OMB) has established the Program Assessment Rating Tool (PART), which is used to objectively evaluate program performance.

GSA's efforts focused on removing the last remaining program from the Results Not Demonstrated list. Key to this effort was developing acceptable long-term outcome goals and efficiency measures capturing the savings GSA provides to its customers.

GSA is a performance-driven agency. The use of, and dependence on, good performance metrics and data is prevalent and growing in importance throughout the Agency.

Through dedication and effort, GSA is pleased to report that all of its programs have been successfully rated by the PART. The resulting scores of the programs are: four were rated "effective," eight were rated "moderately effective," and four were rated "adequate." Additional information about GSA's PART scores and results can be found on the OMB Web site, *www.expectmore.gov*. The following programs will be rated with the PART in FY 2008 (all are rescores): Real Property Disposal, Real Property Leasing, Vehicle Acquisition, and Vehicle Leasing. GSA's goal is to improve its ratings in the FY 2008 process.

GSA realigned the measures reported in the Performance and Accountability Report (PAR) to support GSA's new strategic goals. The remainder of this section provides performance highlights, key measures, and results for the key measures from the Services and Staff Offices. The complete list of FY 2007 measures can be found in the Other Accompanying Information section of this report, and the full performance report will be published on the GSA Web site (*www.gsa.gov/annualreport*) in December 2007.

GSA PART RESULTS

GSA PROGRAM	RATING
PBS Asset Management of Government-Owned Real Property	Effective
FAS Charge Card Services	Effective
OCSC USA Services	Effective
PBS New Construction	Effective
FAS Vehicle Leasing	Moderately Effective
PBS Real Property Leasing	Moderately Effective
FAS Personal Property Management	Moderately Effective
PBS Real Property Disposal	Moderately Effective
OGP Office of Governmentwide Policy	Moderately Effective
FAS Transportation Management	Moderately Effective
FAS National Furniture Center	Moderately Effective
FAS Integrated Technology Services Portfolio	Moderately Effective
FAS Travel Management	Adequate
FAS General Supplies and Services Portfolio	Adequate
FAS Vehicle Acquisition	Adequate
FAS Assisted Acquisition Services Portfolio	Adequate

PERFORMANCE BY SERVICE/STAFF OFFICE

PUBLIC BUILDINGS SERVICE

The Public Buildings Service (PBS), as landlord to the Federal government, provides a superior workplace for the Federal employee and superior value to the U.S. taxpayer. By providing its customers with quality work environments, PBS enables Federal agencies to better serve the public. As the largest public real estate organization in the nation, PBS provides workspace and workplace solutions to over 100 Federal agencies.

GSA continues to be a leader in asset management and sets Federal asset management standards through its leadership on the Federal Real Property Council (FRPC). In the first quarter of FY 2006, GSA was recognized as the first Federal agency to achieve "green" status on the Federal Real Property Asset Management initiative of the PMA. Throughout FY 2007, GSA has maintained this green rating in both progress and status by continuing to achieve the PMA right-sizing goals of utilization, disposal, operation and maintenance, and physical condition. In FY 2007, GSA improved asset utilization in leased assets by reducing the vacancy rate to 1.1 percent, maintained an asset utilization rate in government-owned assets of over 90 percent, disposed of 23 vacant or under-utilized properties, maintained operating costs in office and similarly serviced space below private sector levels, and targeted reinvestment dollars toward core assets in the portfolio in order to improve the physical condition of the portfolio. GSA's asset management practices and its progress towards rightsizing its portfolio of assets were commended when the asset management program maintained its "effective" rating and improved its score to 96 percent on the OMB PART in FY 2007.

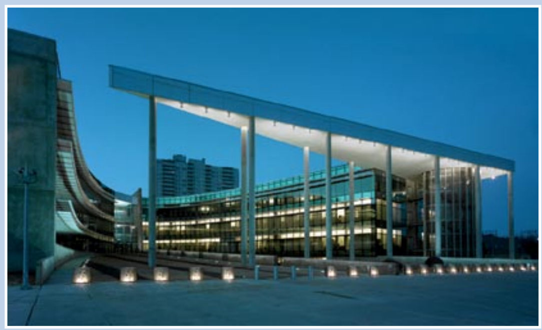


Photo by Timothy Hursley

PERFORMANCE HIGHLIGHTS

PBS completed four PART reviews of its major programs: New Construction, Space Acquisition by Lease, Asset Management of Real Property, and Real Property Disposal. Leasing and Disposal are rated by OMB as "moderately effective," while Asset Management and New Construction are rated "effective."

The asset management program was re-evaluated via an OMB PART review in FY 2007. As a result, the program retained its "effective" rating and increased its overall score since its FY 2004 review. PBS received this outstanding rating by continuing to make progress in achieving its two long-term outcome goals—achieving a viable self-sustaining inventory and reducing energy consumption.

The following paragraphs summarize FY 2007 PBS major performance results by business line activity.

PBS

NEW CONSTRUCTION:

PBS manages an $11 billion, multi-year capital investment program to build new Federal buildings, courthouses, and land ports of entry; and to renovate and modernize existing Federal facilities including courthouses, agency headquarters, office buildings, laboratories, and infrastructure. The program includes over 337 capital projects in the pre-planning, site acquisition, design, and construction phases. In FY 2007, PBS delivered four new courthouses, two Federal buildings, and one new land ports of entry construction project. PBS awarded design contracts for seven new land ports of entry, one new courthouse, eight new Federal buildings, and 23 major repairs and alterations (R&A) projects. In FY 2007, PBS awarded construction contracts for five new land ports of entry, four new courthouses, two new Federal buildings, and 29 major R&A projects.

PBS continues to set the example for the government and the private sector in making sustainable design and energy efficiency integral in all of its new facilities and major renovations. To date, PBS has earned a Leadership in Energy and Environmental Design (LEED) rating for 20 new buildings: nine are government-owned; 11 are build-to-suit leased projects. Of these, five achieved "silver" and eight achieved "gold" level recognition. PBS has registered another 70 buildings under the LEED system.

PBS continued to develop and implement business process improvements to enhance the performance of the capital construction program, and made significant progress on its initiative to develop and implement standard scope of work/ contract template tools, drafting 14 standard scope of work templates for use in the delivery of major capital construction projects. This effort will lead to improved national consistency in Architect/Engineer contracts and construction services, as well as construction management services, feasibility studies, and prospectus development studies; and to capitalize on best practices, lessons learned, institutional knowledge, and collective project expertise. PBS also updated the Project Managers Handbook and the Facilities Standards for PBS, and developed a variance tracking report as a management tool to assess capital project performance.

The PBS Office of the Chief Architect (OCA) provided national peer professionals for 16 Architect/Engineer Design Excellence selections, as well as 33 Design Peer Reviews of ongoing capital projects—27 Art in Architecture Peer Reviews—and arranged nine Design Concept Presentations for capital projects to the PBS Commissioner. The OCA developed and produced three new videos in FY 2007: *San Francisco Federal Building: Creating an Extraordinary Place; 2006 Design Awards*; and a video to open the national forum on Federal courthouse design, *Function, Form, and Meaning: Design Excellence in Federal Courthouses*. The OCA also developed a National Building Information Guide in support of PBS's mission to improve capital project delivery.

In May 2007, the American Institute of Architects acknowledged the distinguished work of GSA's OCA and the Design Excellence Program with the 2007 Institute Honors for Collaborative Achievement. PBS also recently received an Urban Land Institute award for excellence for the Courthouse in Erie, PA; and CoreNet Global honored the new San Francisco Federal Building.

SPACE ACQUISITION BY LEASE:

PBS introduced new efficiencies to its leasing program to make PBS a more customer-driven organization and to enhance the role of the realty specialist to become a project manager and strategic partner with the customer. The implementation of the National Broker Contract program is having a major impact on PBS's ability to deliver high-quality, reasonably-priced workplace solutions to its customers. Under the newly created Office of Real Estate Acquisition, PBS is developing consistent enterprise-wide operations and enhancing communications with brokers and customers while stressing both rents achieved and savings accrued. Today, almost half of the portfolio is leased space, and customers find leasing an attractive alternative when it is consistent with their mission achievements. PBS has lowered the fee that it charges customer agencies to acquire and administer their leased space from eight to seven percent for cancelable space and from six to five percent for non-cancelable space. This change will be effective for FY 2008.

ASSET MANAGEMENT OF REAL PROPERTY:

PBS continues to be a leader in asset management. Through its unceasing attention to rightsizing its portfolio, PBS is progressing towards its long-term goal of achieving a viable, self-sustaining inventory with an average return on equity (ROE) of at least six percent for 80 percent of its government-owned assets.

PBS is also progressing toward meeting its long-term energy goal of reducing energy consumption in GSA Federal buildings by two percent per year for a cumulative reduction of 20 percent by FY 2015. GSA surpassed its FY 2007 goal of a two percent reduction, and is working on continuing this trend for future years. Currently, there are $19.86 million in efficiency investments underway in GSA buildings nationwide. These investments are expected to deliver an additional 171,377 million Btu and $2.82 million in savings each year. These achievements underscore PBS's commitment to energy management and the resulting savings of taxpayer dollars.

REAL PROPERTY DISPOSAL:

In FY 2007, the Office of Real Property Disposal was instrumental in the disposal of 23 GSA properties valued at approximately $105 million. These disposals have already provided revenues of $69 million for the Federal Buildings Fund (FBF). As the service provider of choice for real property disposal, an additional 355 properties valued at approximately $146 million were disposed of for other Federal agencies. In its mission of assisting other agencies, PBS also provided 30 targeted asset reviews to help agencies in their compliance with Executive Order 13327, *Federal Real Property Asset Management.*

PBS

PBS Performance By GSA Strategic Goals

Stewardship

Lead Federal agencies in the economical and efficient management of Federal assets by spearheading effective policy development and by the exemplary management of the buildings/ workplaces, motor vehicles, and personal property provided by GSA.

PROGRAM	PERFORMANCE MEASURE	RESULT
PBS (Asset Management)	Percentage of available and committed space in government-owned inventory.	Not Met
PBS (Asset Management)	Customer Satisfaction—tenants in owned space.	Met
PBS (Real Property)	The percent of public sales awarded within 170 days.	Met

PBS (Asset Management)

PERFORMANCE GOAL
Decrease the vacant (available and committed) space to seven percent of the owned inventory by FY 2005 and maintain thereafter.
MEASURE
Percentage of available and committed space in government-owned inventory.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
7.9%	6.8%	7.0%	7.0%	7.7%

DESCRIPTION OF THE MEASURE: This measure evaluates PBS's effectiveness at maximizing the use of the government-owned buildings in its inventory. Vacant space includes any space for which PBS currently has no tenant, including space that it has committed to a customer, but is not yet occupied.

DATA SOURCE: Vacant Space Report—extracted from System for Tracking and Administering Real Property (STAR).

DISCUSSION OF FY 2007 TARGET VS. RESULTS: In FY 2007, GSA did not meet its target for vacant owned space. GSA uses various strategies to reduce the amount of vacant space in its inventory, including decommissioning and disposing of underutilized assets, actively backfilling and outleasing vacant space, and completing current renovation projects on schedule to minimize the vacancy duration.

PBS (Asset Management)

PERFORMANCE GOAL
Execute energy conservation goals while increasing GSA's Customer Satisfaction scores to 75 percent by FY 2007.
MEASURE
Customer Satisfaction—tenants in owned space.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
72.0%	77.6%	83.0%	75.0%	78.0%

DESCRIPTION OF THE MEASURE: Assessing customer satisfaction levels is a direct measure of how well PBS is meeting its goal to provide best value for customer agencies and taxpayers. The survey assists PBS managers with targeting problem areas within individual buildings.

DATA SOURCE: The data source is a customer survey of PBS's tenants in space owned by the Federal government, which is conducted for GSA by the Gallup Organization.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: According to the Gallup Organization, PBS's survey provides a true gauge of customer satisfaction. Major factors contributing to the high customer satisfaction level include the quality of leased space and proactive responses by PBS to previous tenant survey issues. PBS continues to make a concentrated, organization-wide effort to increase the level of satisfaction for its tenants. Many regions have already published newsletters for tenants and have developed cross-functional teams or "ambassadors" in an effort to address customer satisfaction issues.

PBS (Real Property)

PERFORMANCE GOAL
Award 100 percent of public sales within 170 days for FY 2007.
MEASURE
The percent of public sales awarded within 170 days.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
73.0%	92.0%	100.0%	100.0%	100.0%

DESCRIPTION OF THE MEASURE: This performance measure evaluates the percent of public sales awarded within 170 days. The 170 days is based on data obtained from the CoStar Group that shows the commercial sales sector averages about 170 days to complete a sale.

DATA SOURCE: Net Real Estate Activity Locator (NETREAL) database, the system used by PBS to track real property sales.

PBS

DISCUSSION OF FY 2007 TARGET VS. RESULTS: Real Property Disposal met the goal of awarding all public sales within 170 days through efficient project management methods established by the Regional offices. Property sales are managed to meet the best interests of the government by combining assertive marketing techniques and working closely with potential purchasers. The increase in the number of online auctions from 10 percent in FY 2005 to over 15 percent in FY 2007 has also enabled the office to complete sales in a more efficient manner.

Superior Workplaces

Deliver and maintain productive workplaces consisting of office space, furnishings, technology, supplies, and related services.

PROGRAM	PERFORMANCE MEASURE	RESULT
PBS (New Construction)	Construction projects on schedule.	Not Met
PBS (Asset Management)	Repairs and alterations (R&A) projects on schedule.	Met

PBS (New Construction)

PERFORMANCE GOAL
New construction projects on schedule 87 percent of the time by FY 2007.
MEASURE
Construction projects on schedule.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
80.2%	100.0%	84.0%	87.0%	79.8%

DESCRIPTION OF THE MEASURE: PBS financial projections include rental income from new construction projects as of the anticipated date of occupancy. It is, therefore, critical that projects be completed on time so that they can begin to generate expected revenue. This measure tracks the actual value of work in place on projects against projected schedule performance by comparing the planned schedule of spending for prospectus level New Construction (budget activity 51) projects, with the actual value of the work in place (funds paid to the contractor). This measure uses an earned value technique to assess construction project performance on all prospectus level New Construction projects.

DATA SOURCE: PBS Project Information Portal (PIP).

DISCUSSION OF FY 2007 TARGET VS. RESULTS: There were three new construction projects off schedule at the end of FY 2007: Miami, FL Federal Building/Courthouse; Cape Girardeau, MO Phase three tenant improvements; and Washington, DC Department of Homeland Security's Bureau of Alcohol, Tobacco, Firearms and Explosives headquarters. Of the 24 individual projects in the FY 2007 measure, 21 or 87.5 percent of them were on schedule. The total value of new construction work in place on schedule in FY 2007 was just over $1 billion, compared to $254 million of work off the schedule pace, which drives the FY 2007 actual result of 79.80%.

The Washington, DC project was delivered late due to many factors, including: the need to redesign a curtain wall system for blast resistance, an overly aggressive and optimistic construction schedule, and contractor failure to adhere to submitted recovery schedules. The new Miami Courthouse project was delayed due to continuous contractor labor shortages for many of the trades, especially electrical; quality control issues on the site causing rework of several major building elements; and contractor nonperformance. The Phase III (Tenant Improvements) of the Cape Girardeau Courthouse project was delivered late due to the need for redesign of the ceiling structure systems to meet building codes after contract award, and errors in door hardware schedules, which required reordering of access hardware to meet facility requirements.

PBS will continue to undertake construction peer reviews on major capital construction projects at 15 percent, 35 percent, and 90-95 percent of construction completion, to monitor construction progress against major milestones and to identify correction strategies.

PBS (Asset Management)

PERFORMANCE GOAL
88 percent of repairs and alterations (R&A) projects on schedule by FY 2007.
MEASURE
Repairs and alterations (R&A) projects on schedule.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
78.0%	95.0%	83.0%	88.0%	94.2%

DESCRIPTION OF THE MEASURE: PBS financial projections include rental income from new construction projects as of the anticipated date of occupancy. It is, therefore, critical that projects be completed on time so that they can begin to generate expected revenue. This measure tracks the actual value of work in place on projects against projected schedule performance by comparing the planned schedule of spending for prospectus level R&A (budget activity 55) projects, with the actual value of the work in place (funds paid to the contractor). This measure uses an earned value technique to assess construction project performance on all prospectus level R&A projects.

DATA SOURCE: PBS PIP

DISCUSSION OF FY 2007 TARGET VS. RESULTS: There were two R&A projects off schedule at the end of FY 2007: Atlanta, GA M.L. King Federal Building R&A; and Omaha, NE Zorinsky Federal Building R&A. Of the 41 R&A projects in the measure, 39 or 95 percent of them were on schedule. The value of R&A work in place on schedule in FY 2007 was over $852 million, compared to $49 million of work off the schedule pace.

PBS

Best Value

Develop and deliver timely, accurate, and cost-effective acquisition services and business solutions,supplies, and related services.

PROGRAM	PERFORMANCE MEASURE	RESULT
PBS (Asset Management)	Percent below private sector benchmarks for cleaning, maintenance and utility costs in office and similarly serviced space.	Not Met
PBS (Leasing)	Cost of leased space relative to industry market rates.	Met

PBS (Asset Management)

PERFORMANCE GOAL
Maintain operating service costs in office and similarly serviced space at three percent or more below private sector benchmarks by FY 2007.
MEASURE
Percent below private sector benchmarks for cleaning, maintenance and utility costs in office and similarly serviced space.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
-14.5%	-11.0%	-4.2%	-3.0%	-1.6%

DESCRIPTION OF THE MEASURE: PBS uses several sophisticated benchmarks to monitor operating costs (maintenance, utilities, and cleaning) in comparison with those in equivalent private sector buildings. The Building Owners and Managers Association (BOMA), an advocacy group for the real estate industry, is PBS's primary source for private sector operating cost information. In FY 2006, OMB approved a restructuring of this measure to reflect the performance of the Agency. The methodology of calculating the measure was changed to include only those assets that are located in markets for which BOMA has direct data. GSA previously contracted for a regression analysis to proxy data for the markets for which no industry data was available. However, this regression did not accurately reflect the market conditions of these locations. The new methodology provides a more accurate comparison to private sector performance.

DATA SOURCE: BOMA Experience Exchange Report, Consumer Price Indices (CPI), Energy Information Administration, Pegasys, and STAR.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: GSA employs private sector benchmarks to measure performance in all comparable instances to ensure that GSA is operating and maintaining its assets as efficiently as the private sector. However, the unique mission and operating environment of GSA makes comparisons difficult. PBS is subject to restrictions and regulations that negatively affect operating costs, when compared to the private sector. Homeland Security Presidential Directive-12 (HSPD-12) requirements; socio-economic considerations, such as the National Industries for the Severely Handicapped (NISH) and small businesses; and Department of Labor (DOL) Service Contract Act wage determinations that exceed the minimum wage offered by the private sector all increase operating costs. Despite these considerations, PBS was able to continue to operate at a cost below the private sector; however, it did not operate at the level of cost efficiency for which it strived. PBS is committed to providing cost savings to the U.S. taxpayer without compromising its service to its client agencies. The Agency will continue to leverage the government's buying power and concentrate on achieving cost-efficient operations.

PBS (Leasing)

PERFORMANCE GOAL
Award leases at an average rental rate of not less than 8.8 percent below industry averages for comparable office space by FY 2007.
MEASURE
Cost of leased space relative to industry market rates.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
-10.6%	-9.2%	-9.2%	-8.8%	-10.6%

DESCRIPTION OF THE MEASURE: PBS benchmarks its leasing rates in office space to the commercial market. By consistently paying lease rates at or below comparable market rates, PBS ensures that it is achieving the best value for the taxpayer. When calculated by contract, this measure also provides information as to the effectiveness of PBS's negotiation of favorable contract rates.

DATA SOURCE: STAR—primary tool used by PBS to track and manage the government's real property assets and to store inventory, billing, building, and customer data, and lease information. Society of Industrial and Office Realtors (SIOR) publications—to determine current trends and market rates from which GSA establishes benchmarks.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: PBS's success at exceeding the FY 2007 target for lease cost relative to market illustrates the understanding of real estate and the market dynamics that PBS associates bring to the customer. GSA has the highest credit rating possible, which provides security to lessors that the rent will be paid. During the lease process, PBS actively seeks competition, and that drives competitive pricing. Extensive market research prior to going out for a solicitation allows PBS to set aggressive negotiation objectives. PBS has been very successful in negotiating below market rates for many of its large new leases, as well as negotiating below market rates for new follow-on leases at existing locations, which allows PBS to benefit from lower tenant finish costs.

PBS

Innovation

Develop new and better ways of conducting business that result in more productive and effective Federal policies and administrative operations.

PROGRAM	PERFORMANCE MEASURE	RESULT
PBS (Asset Management)	Percent reduction in energy consumption over the FY 2003 baseline.	Met

PBS (Asset Management)

PERFORMANCE GOAL
Reduce energy consumption in GSA Federal building by four percent (as measured by Btu/GSF) over the FY 2003 baseline by FY 2007.
MEASURE
Percent reduction in energy consumption over the FY 2003 baseline.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
-22.4%	-35.3%	-4.4%	-4.0%	-8.3%

DESCRIPTION OF THE MEASURE: PBS is a responsible steward of the environment and is committed to implementing energy-saving solutions that improve the energy efficiency of operations and save taxpayer dollars.

DATA SOURCE: Energy Usage and Analysis System (EUAS) and STAR.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: GSA exceeded the goal for this measure primarily due to the application of the renewable energy Btu reduction credit in accordance with guidance issued from the Department of Energy (DOE) Federal Energy Management Program. Under Section 102 of the Energy Policy Act of 2005, (42 U.S.C. 8253(a)(1)), and Executive Order 13423, on-site, renewable energy generation projects do not incur fuel costs, are generally unmetered, and are located on the customer side of a facility's energy meter. This impacts purchased energy in the same manner as an energy conservation project; therefore, energy consumption will not be included in the total Btu /GSF calculations used for energy efficiency goals. Without application of this reduction credit, GSA's performance would be -3.76 percent. The results stated above are based on a rolling 12-month report through August 2007.

FEDERAL ACQUISITION SERVICE

In response to changes in the marketplace and in order to better serve GSA's customers, the Federal Acquisition Service (FAS) was established through the consolidation of the Federal Technology Service (FTS) and the Federal Supply Service (FSS). FAS is organized around four business portfolios that deliver total solutions to customer agencies. These portfolios are: Integrated Technology Services (ITS); Assisted Acquisition Services (AAS); General Supplies and Services (GSS); and Travel, Motor Vehicle, and Card Services (TMVCS). The new organization is aimed to provide the best value at the best price through strategic sourcing, faster contracting services, greater efficiency and flexibility in procurement processes, lower transaction costs, and smarter ways of doing business. The result of the restructuring will yield significant organizational efficiencies, and increase Agency savings.

FAS is the premier acquisition source in the areas of supplies, services, technology, and fleet management. It manages the largest, most diverse, and innovative Federal marketplace in the world and has nearly 18,000 Multiple Award Schedule (MAS) contracts. FAS offers approximately 12 million supplies and services to customer agencies, more than any commercial enterprise in the world, and is located throughout the United States as well as strategically aligned with U.S. military customers around the globe.

FAS's high priority is its Federal customer. FAS continues to:

- look for ways to streamline its procurement processes and tools to increase its value to customers;
- leverage the government's buying power while enhancing its central role in Federal procurement;
- meet unique support requirements of global customers;
- outreach and increase customer education efforts and improve market research capabilities;
- participate in multiple interagency groups as well as industry forums;
- work within the changing GSA structure (maintain flexibility as the reorganization is finalized; balance organizational needs against the customer needs).

In FY 2007, ITS demonstrated GSA's commitment to increasing contracting opportunities for small firms owned by service-disabled veterans, while also completing a major acquisition of integrated information technology (IT) solutions. Specifically, more than $47 million in obligated sales accrued for IT services available from service-disabled veteran-owned firms on the Veterans Technology Services (VETS) Government Wide Acquisition Contract (GWAC).

FAS

Performance Highlights

FAS completed PART reviews for all of its major program areas. The ratings are as follows: GSS, Vehicle Acquisition, Travel Management, and AAS are rated "adequate"; Vehicle Leasing (Fleet), Personal Property, Transportation Management, National Furniture Center, and ITS are rated "moderately effective"; and Charge Card Services is rated "effective."

Program improvements, as recommended by OMB, were implemented for each major area of FAS. For example, GSS instituted Procurement Management Reviews (PMR) in each Acquisition Center. PMRs ensure compliance with Federal acquisition policies, regulations, and procedures. Personal Property is currently working on a process improvement initiative to develop an electronic approval process for utilization and donation (U&D) transfers and plans to implement the process in FY 2008. The National Furniture Center conducted an extensive review of its business practice and began implementation of the first phase of a new business model that will streamline operations and achieve greater organizational efficiency. Fleet continues to work with U.S. Army representatives to pilot a fleet management database for Army's non-GSA vehicles. Travel Management acquired a Travel Management Data Reporting Service (TMDRS) contract. The TMDRS ensures better government-wide data collection and improved travel management. Transportation Management developed Transportation Management Services Solution (TMSS) to meet customers' needs for a fully integrated end-to-end system that provides all transportation needs, including auditing and payment. The Charge Card Services (SmartPay2®) program office is updating and refining its training materials, and developing guidance for government cardholders on the appropriate use of charge cards in emergencies. Four transition training sessions were held to include customer agencies such as the Department of Defense (DoD), the Department of State, and the Central Intelligence Agency (CIA). An acquisition is now underway to bring in outside expertise to support portfolio management within AAS.

AAS developed an aggressive improvement strategy to address design flaws and increase efficiency and effectiveness. In July 2007, AAS implemented a nationwide pricing policy that ensured a consistent fee for services among all regional AAS offices.

Independent evaluations were conducted for Fleet's Loss Prevention Program. Fleet developed a database to record Voyager charges. The result of the audit indicates that the database has greatly enhanced Fleet's ability to monitor transactions and track expenditures. No other independent evaluations were held this fiscal year.

The paragraphs below summarize FY 2007 FAS major performance results by portfolio.

GENERAL SUPPLIES AND SERVICES:

- The Global Supply product line was expanded to include Expanded Direct Delivery (EDD) of IT products in several categories: desktops, notebooks, servers, printers, accessories, memory, modems, monitors, network products, scanners, and storage devices. EDD allows agencies to order through a single point of sale. It also gives them a real-time capability to see the products offered and available inventory, as well as check order status and track orders. Orders are then shipped directly from the vendor to the customer. Global Supply deployed IT EDD in the first quarter of FY 2007. The program generated an average of $750,000 in sales per month and totaled $6.7 million for the year.

PERSONAL PROPERTY:

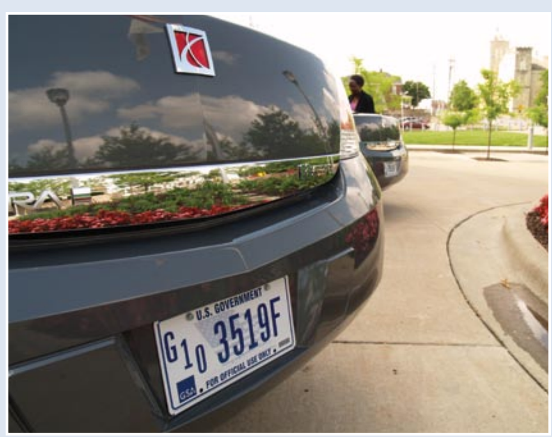
- In April 2007, GSA's Office of Personal Property Management implemented a re-engineered Computers for Learning (CFL) Web application that allows Federal agencies to report excess computers to GSAXcess® —the in-place computer system for the disposal processing of all excess property, including computers. By placing the CFL database on the GSAXcess® platform, GSA has reduced internal costs of operations. The new Web site is designed to make it easier to increase the number of excess computers and peripherals transferred by Federal agencies to schools as well as expand the number of schools that receive computer equipment through the CFL program. Since its implementation, the re-engineered system added 101 new schools and educational non-profit organizations and transferred computer equipment valued at $32 million. Using the re-engineered system, schools are now able to view available computers and related peripherals and request these items virtually. It enables school principles to be closer to fulfilling their vision of having a computer in every classroom. Used consistently, the CFL program reduces the administrative burden of managing a Federal computer donation program and is an efficient way for agencies to track and report statistics that highlight the value of Federal computer donations to eligible schools and educational non-profit organizations. In addition, it was awarded the Office of Governmentwide Policy's (OGP) Gold Star Award for Excellence. The Gold Star Award recognizes a Federal agency's innovative implementation of Executive Order 12999 that, in part, allows Federal agencies to transfer excess computer equipment to schools from pre-kindergarten through grade 12.

VEHICLE ACQUISITION:

- GSA Automotive purchases vehicles for all Federal agencies. Over 60 percent of the purchases have been made by GSA Fleet. GSA is able to leverage the Federal government's vehicle requirements resulting in discounts exceeding 30 percent below dealer invoice on many of the top selling models, creating huge savings for customer agencies and ultimately the taxpayer.
- In FY 2007, GSA Automotive announced a new sales record. As of September 15, 2007, orders for 65,295 vehicles were processed valued at $1.3 billion. Of the orders placed, over 24,000 were for flexfuel vehicles that are capable of running on a combination of E-85 and gasoline. GSA Automotive has purchased over 140,000 alternative fuel vehicles (AFV) and hybrid electric vehicles (HEV) for Federal agencies since 1991, of which 120,000 have been for GSA Fleet.
- The program area is also working with the Department of the Interior's (DOI) National Park Service to procure alternative fueled mass transportation systems in order to reduce vehicular congestion and subsequent pollution within the parks. GSA Automotive awarded a contract for 20 liquid compressed natural gas powered low floor shuttle buses for Grand Canyon National Park. The buses are scheduled to be delivered to the South Rim in the summer of 2008. In addition, GSA Automotive has made recent awards covering hybrid electric buses for Yosemite National Park and buses for Glacier National Park that will be powered by biodiesel.

VEHICLE LEASING:

- GSA Fleet grows through transferring vehicle ownership and management responsibilities of other Federal agencies' fleets to GSA. Since 1985, Fleet consolidations have been a smart solution for the Federal government, with FY 2007 savings to taxpayers exceeding $1.2 billion. Customer agencies are finding it more difficult to own and operate a fleet. GSA is able to provide significant savings to customer agencies by offering full service fleet operations at competitive prices with superior service. GSA consistently delivers fleet services at discounts at least 27 percent less than the private sector and, in FY 2007, exceeded this standard by achieving a discount rate of 42 percent. The majority of vehicles consolidated into GSA Fleet save customers and taxpayers over $810 per vehicle, per year.
- At year-end FY 2007, the GSA fleet stands at 209,051 vehicles. Almost one-third consists of AFVs and HEVs.



FAS

Since 1991, GSA has purchased more than 140,000 of these vehicles, including more than 21,000 AFVs and HEVs ordered in FY 2007. AFVs make up 57 percent of Fleet's acquisitions versus a government-wide average of 29 percent. According to the *2007 Automotive Fleet: Alternative-Fuel Supplement,* GSA Fleet ranked number one out of the Top 100 Alternative-Fueled Fleets in 2007.

TRAVEL:

- To standardize, ensure compliance, and reduce operating costs, the E-Gov Travel System's government-wide utilization of end-to-end travel management solutions continued to increase. By the end of FY 2007, over 82 Executive branch agencies entered into agreements to acquire E-Gov Travel System services. As of the end of FY 2007, 41 agencies processed all of their travel transactions through the E-Gov Travel System. In addition, online booking exceeded original projections, with multiple agencies exceeding 70 percent of all transactions being booked online.

- This year GSA negotiated City Pairs program contracts to more than 4,900 destinations at an average cost of 67 percent below full commercial airline fares. The City Pairs program offers discounted airfares to Federal travelers with flexible benefits. A few of the benefits the City Pairs program offers include: no advance purchase required, no minimum or maximum stay required, tickets fully refundable, and stable prices that enable travel budgeting. GSA has estimated savings for FY 2007 at $4 billion. The number of Federal trips was between five million and 10 million a year and the use of City Pairs program increased from 60 percent to approximately 90 percent.

TRANSPORTATION:

- To reduce costs to Federal agencies for shipping services, GSA announced the first Federal Strategic Sourcing Initiative (FSSI) award for express and ground domestic delivery services (ExGDDS), a blanket purchase agreement off the Transportation Delivery Relocation Solutions Schedule. FSSI ExGDDS was awarded with a procurement value of over $100 million and estimated government-wide savings of $10 million. This award will enable the Federal government to realize significant savings and incur no fuel surcharges on their domestic shipments. The award also provides management information reports to enable agencies to manage shipments more efficiently and implement commercial best practices for additional cost reductions.

CHARGE CARD SERVICES:

- GSA SmartPay2® is the largest government charge card program in the world. It makes it easier and faster for GSA customers to purchase and pay for goods and services. Using the cards also saves significant administrative time and money. Studies show that customers avoid administrative costs of $54 to $92 per transaction with a GSA SmartPay2® purchase card instead of a written purchase order. This equates to an estimated savings to the government of more than $1.8 billion per year.

INTEGRATED TECHNOLOGY SERVICES:

The FAS's ITS organization provides acquisition services that deliver timely, quality, best value information technology (IT) solutions to customer agencies. The organization integrates GSA's comprehensive IT and telecommunications programs into a single FAS business portfolio that unifies planning and development of all technology acquisitions. This portfolio integrates major elements of the legacy FTS, with the IT MAS Schedule 70 segment of the legacy FSS, and GWAC Centers.

ITS awarded several new contracts for network services to support government-wide telecommunications needs well into the future. Specifically:

- In March 2007, ITS awarded Networx Universal contracts to meet the Federal government's telecommunications and networking requirements for the next decade. National and regional support will be available to customers to help transition to the new flagship GSA Networx contracts, while continuing to deliver services valued at almost $1.4 billion in FY 2007 to users at 135 Federal agencies and entities at 15,000 locations in more than 190 countries.

- In May 2007, ITS awarded Networx Enterprise contracts for its customers with additional flexibility and choice for voice, Internet protocol, wireless, satellite, and net-centric communications services. In addition, ITS awarded SATCOM-II contracts to provide Federal and defense agencies with the next generation of high quality, worldwide satellite communications solutions.

- In July 2007, ITS awarded a new Federal Relay Service support contract to provide intermediary assistance between hearing individuals and those who are speech and/or hearing-impaired through telephonic and Internet-based support services. These important services broaden employment and advancement opportunities for individuals who are deaf, hard of hearing, deaf-blind, and/or have speech disabilities by providing reasonable accommodations to employees with disabilities in the workplace, while also making the services of Federal departments and agencies fully accessible to those Americans who are speech and/or hearing-impaired.

- The IT MASs expanded and now offer many standards-compliant products and supporting services packaged to meet agency requirements supporting the HSPD-12. In April 2007, ITS awarded a new Shared Services Provider contract that delivered a substantial cost savings to its Managed Service Office (MSO) customers—reducing customer costs to $82 per HSPD-12 compliant card. With commitments from 63 Federal departments, agencies, and commissions, this new acquisition will generate millions of dollars in cost savings for GSA's customers as they implement HSPD-12.

- Several new strategic sourcing agreements executed through the ITS SmartBUY program office offer tremendous opportunities for agencies to reduce IT security threats at reduced costs to users. An agreement reached this year, in collaboration with DoD, delivered improved desktop and critical "data at rest" security solutions at great discounts. The "data at rest" agreements in particular have been very well received as a solution to a growing information security threat open to all levels of government nationwide. Also in FY 2007, collective purchases by the Social Services Administration and the Internal Revenue Service (IRS) of more than 350 thousand "data at rest" product licenses are estimated to yield aggregate savings across those agencies of more than $8.7 million. In addition, agreements completed in December were the first awards made within the Federal government for antivirus software that meets the Federal Information Processing Standards (FIPS) 140-2 standard for software encryption. A recent DoD purchase through SmartBUY for the entire Department (4 million seats) offers discounted pricing at 90 percent off GSA Schedule prices.

ASSISTED ACQUISITION SERVICES:

- In FY 2007, the FAS Federal Systems Integration and Management Center (FEDSIM) awarded a $90.5 million contract to provide the U.S. Department of Agriculture (USDA) with a new Web-based supply chain management system. This system involves over $2.4 billion in commodity purchases and will manage food distribution programs such as the school lunch program.The different programs using this system will take part in serving over 30 million Americans and 280 million people overseas. Replacing an antiquated system, the new system will let USDA, its customers, and suppliers electronically bid, award, and pay for commodities, and dramatically improve the management of their inventory and distribution through the Internet.

- The FEDSIM team was a recipient of DOE's 2007 Secretarial Small Business Award. An integrated team of DOE, National Nuclear Security Administration, and FAS FEDSIM team won the Federal Small Business Innovation Award. The team awarded a $142 million Blanket Purchase Agreement (BPA), of which a significant sum was transferred from large businesses to small businesses in the first 60 days of the BPA. One of the major initiatives for the Federal government is to support small business infrastructure in the United States.

FAS

FAS Performance By GSA Strategic Goals

Stewardship

Lead Federal agencies in the economical and efficient management of Federal assets by spearheading effective policy development and by the exemplary management of the buildings/workplaces, motor vehicles, and personal property provided by GSA.

PROGRAM	PERFORMANCE MEASURE	RESULT
FAS (Fleet)	Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.	Met

FAS (Fleet)

PERFORMANCE GOAL
Maintain the gap between GSA Fleet rates and commercial rates at 20 percent or more.
MEASURE
Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
32%	43.13%	39.06%	≥29.25%	42.38%

DESCRIPTION OF THE MEASURE: This measure compares GSA Fleet annual rates to private sector companies on schedule with the GSA Automotive Division. Market conditions and business projections indicate that leasing vehicles at a savings of 20 percent or better over the private sector rates continue to be a reasonable long-term goal for GSA Fleet.

DATA SOURCE: GSA Fleet rate.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: GSA Fleet exceeded its target for FY 2007 by limiting rate increases for customer agencies and controlled costs through numerous initiatives. Performance towards program goals is tracked through several performance indicators. GSA Fleet maintains low rates through vigilant monitoring of capital requirements (vehicle acquisition cost) and operational expenses (such as fuel, maintenance, and repair costs) and by the reduction of program overhead through the consolidation of selected Fleet Management Center locations. GSA Fleet continues to reduce costs while maintaining superior, world-class levels of customer satisfaction and retention, resulting in significant savings and benefits over the private sector.

Superior Workplaces

Deliver and maintain productive workplaces consisting of office space, furnishings, technology, supplies, and related services.

PROGRAM	PERFORMANCE MEASURE	RESULT
FAS (FLEET)	EXTERNAL CUSTOMER SATISFACTION SURVEY SCORE.	MET

FAS (Fleet)

PERFORMANCE GOAL
Maintain the Vehicle Leasing program's current level of world-class customer satisfaction in government.
MEASURE
External customer satisfaction survey score.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
84.9	85.9	84.5	83.1	84.9

DESCRIPTION OF THE MEASURE: Annual survey that is designed, administered, and reported using the American Customer Satisfaction Index (ACSI) methodology. Questions and results are reported using the ACSI format. ACSI has demonstrated strong relationships to customer spending, corporate earnings, and shareholder value, and thus sets a standard for customer satisfaction measurement throughout the world. The score is calculated by the average score of three survey questions regarding overall satisfaction, customer expectations, and satisfaction versus ideal.

DATA SOURCE: ACSI External Customer Satisfaction Survey.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: Fleet continued to maintain a very high customer satisfaction score and exceeded its target for FY 2007. Fleet saw customer satisfaction improvements in the areas of ordering, customer service, vehicle quality, maintenance control, and the Fleet Services Card. In fact, every aspect of Fleet's operation enjoys a score above 79.0, the standard for World Class Satisfaction according to ACSI.

Best Value

Develop and deliver timely, accurate, and cost-effective acquisition services and business solutions.

PROGRAM	PERFORMANCE MEASURE	RESULT
FAS (IT SOLUTIONS-NATIONAL)	PERCENTAGE OF NEGOTIATED AWARD DATES FOR SERVICES AND COMMODITIES THAT ARE MET OR BETTERED.	NOT MET
FAS (VEHICLE ACQUISITION)	PERCENTAGE DISCOUNT FROM INVOICE PRICE.	MET

FAS

FAS (IT Solutions-National)

PERFORMANCE GOAL
Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency to verify best value and effective acquisition management are achieved.
MEASURE
Percentage of negotiated award dates for services and commodities that are met or bettered.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
95.0%	87.0%	89.0%	>95.0%	72.0%[1]

[1] *Results include National IT Solutions and Professional Services. AAS has merged the Professional Services and IT Solutions business lines to create one entity (Regional IT/PS and National IT/PS). The PART measures and reporting for AAS have been aligned to this structure.*

DESCRIPTION OF THE MEASURE: To improve customer communications concerning task order requirements and service expectation, Client Support Centers (CSC) will track and report actual task order award dates for services and commodities against task order award dates that are negotiated with customers.

DATA SOURCE: Tracking and Ordering System (TOS) and IT Solutions Shop (ITSS).

DISCUSSION OF FY 2007 TARGET VS. RESULTS: The target was not met. FY 2007 was a year of significant organizational change, as it was the first year of operations of the new FAS. As a part of this reorganization, the IT Solutions-National program was merged with two other business lines that had—to that date—operated independently, and with different policies and procedures. Management and staff at all levels put forth considerable effort to complete the organizational re-design, stand-up the new organization, and standardize processes and procedures. The legacy organizations that merged into FAS had high standards for performance, and FAS will maintain those standards in the future; however, they were not able to meet such aggressive targets in the midst of such a major organizational change.

FAS (Vehicle Acquisition)

PERFORMANCE GOAL
Maintain 28 percent or better discount from manufacturer's invoice price.
MEASURE
Percentage discount from invoice price.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
33.0%	40.6%	39.0%	≥28.5%	31.9%

DESCRIPTION OF THE MEASURE: The average percent savings is calculated by the weighted average discount from vehicle manufacturer's invoice prices for seven of GSA's top-selling vehicle types. Business projections show that 28 percent discount below invoice continues to be a reasonable long-term outcome goal for this business line.

DATA SOURCE: The Requisitioning, Ordering, and Documentation System (ROADS) contains contract pricing for vehicles.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: GSA Automotive exceeded the target. Automotive tracks the discount from invoice for seven of the top ten selling vehicles as a measure of internal efficiency to ensure that customers receive the maximum discount from the manufacturer's invoice price. Business projections show that 28 percent continues to be a reasonable annual target for this business line. This translates to extremely effective pricing on the vehicles purchased for customer agencies, as well as those in the GSA Fleet, which keeps monthly and mileage charges well under commercial lease rates. In FYs 2005 and 2006, a major automobile manufacturer discontinued one of their models and offered GSA unusually large discounts in order to clear their inventory. FY 2007 results are more consistent with historical performance and current market condition.

OCSC

OFFICE OF CITIZEN SERVICES AND COMMUNICATIONS

The Office of Citizen Services and Communications (OCSC) helps citizens, businesses, and other governments to easily obtain information and services from the government on the Web, via e-mail, in print, and over the telephone. OCSC also provides information to the media, Federal agencies, the general public, and GSA internal audiences on the activities of GSA and its associates. OCSC manages USA Services (one of 24 Presidential E-Gov initiatives) and is responsible for one of the 17 key measures tracked by GSA. USA Services' mission is to help make the government more citizen-centric by providing citizens with easy access to accurate, consistent, and timely government information. OCSC provides citizens direct information about and from all levels of their government through an array of integrated information channels, including USA.gov (the U.S. government's official Web portal) telephone and e-mail inquiry response from the National Contact Center (NCC), and print materials distributed from Pueblo, CO. USA Services is also responsible for helping agencies government-wide improve their interactions with citizens. Through USA Services' national network of state and local officials, they are expanding GSA and USA Services' outreach to other governments. USA Services is also working closely with state and local officials to use GSA schedules to acquire IT products and services when their jurisdictions have been deemed a disaster area. It also provides agencies with easy and cost-effective access to contact center services through the FirstContact contract and soon the USA Contact contract will include Web hosting and professional services through the Web Solutions contract.

The paragraphs below summarize major performance results during FY 2007.

Performance Highlights

USA Services achieved the rating of "effective" in the OMB PART process. In FY 2007, USA Services completed the first quarterly scheduled comprehensive, independent evaluation of USA Services.

The paragraphs below summarize OCSC USA Services' major performance results during FY 2007.

- Achieved 222 million citizen touch points, an increase of 67 percent over the 133 million in FY 2006, by providing accurate, consistent, and timely information to citizens through a variety of channels in both English and Spanish. These include online information via USA.gov (the official portal of the U.S. government), telephone response via 1-800 FED INFO, email, and print publications from Pueblo, CO.
- To improve name recognition, OCSC revised the name and redesigned the site to USA.gov and GobiernoUSA.gov. In January 2007, after a great deal of market research and analysis on the name recognition of FirstGov.gov and FirstGov en Espanol, and testing of alternate names, OCSC

renamed the portals USA.gov and GobiernoUSA.gov. USA.gov and GobiernoUSA.gov ("gobierno" is Spanish for "government") very clearly speaks to what the sites are—the official Web portal of the U.S. government, in both English and Spanish. Both USA.gov and GobiernoUSA.gov follow the naming conventions of most other national portals. The name changes have been extremely successful, and traffic to both sites has continued to increase since the name changes. In April 2007, USA Services launched redesigns of USA.gov and GobiernoUSA.gov, which resulted from usability testing with citizens, analyses of Web metrics and survey data, and Web best practices. Making the site more citizen-centric, USA Services reduced the clutter on each page, made content and image changes requested by the public, added new features to change the text size when the site is viewed, and strengthened the branding and recognition of the site as the official U.S. government Web portal.

- Brown University once again designated USA.gov as the #1 Web site in the Federal government. The United Nations also rated FirstGov.gov as the #1 Web site for quality and e-government readiness. In July 2007, *Time* magazine named USA.gov among the "25 Sites We Can't Live Without."

- OCSC continued to expand the capabilities of USASearch.gov. Visitors can now search for government news from over 190 agency Web feeds as well as approximately 60,000 images contained in government image libraries. Additional robust search features allow the citizen to search for weather at specific locations, search for specific automobiles, and get results from many government sources on crash test ratings and fuel estimates. In addition, search results now include results for frequently asked questions from 26 agencies.

- USA Services continued to provide telecommunications and interactive voice response (IVR) support to the Department of State's National Passport Information Center (NPIC). Due to new requirements that passports were needed to travel by air outside of the country, call volumes at the NPIC increased by more than 340 percent in FY 2007 as compared to the same period in FY 2006. USA Services worked closely with NPIC to provide additional telecommunications capacity and to make the IVR call flow more efficient to handle increased volumes of callers. Additionally, during the summer of FY 2007, NPIC requested that the NCC provide direct telephone support in answering the volume of calls. From June through its completion in September, USA Services handled 240,000 passport calls.

- OCSC provided training for 3,400 Web managers from 75 Federal agencies and 25 state and local agencies in 37 courses, workshops, and Webinars on Web best practices through Web Manager University

- Since FY 1997, USA Services has published the annual *Consumer Action Handbook*, a how-to guide for citizens to use to protect themselves in the marketplace, before, during, and after a consumer purchase or transaction. The *Handbook* has consistently been the most popular publication listed in the *Consumer Information Catalog,* and consumer protection officials across the country refer to it as the gold standard for Federal publications. In response to the needs of the large and growing Hispanic population, in FY 2007 USA Services produced the first annual edition of the *Guia del Consumidor* and distributed copies to organizations, government agencies, and educational institutions serving the Spanish-speaking community, as well as to individuals.

OCSC

OCSC Performance By GSA Strategic Goals

Innovation

Develop new and better ways of conducting business that result in more productive and effective Federal policies and administrative operations.

PROGRAM	PERFORMANCE MEASURE	RESULT
OCSC (USA Services)	Citizen touchpoints.	Met

OCSC (USA Services)

PERFORMANCE GOAL
Public acceptance and increased usage of all public information channels.
MEASURE
Citizen touchpoints.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
101.5M	122.7M	133.0M	168.6M	222M

DESCRIPTION OF THE MEASURE: USA Services operates a variety of channels to provide citizens with Federal information. These channels include the USA.gov Web site, several other Web sites (including pueblo.gsa.gov, kids.gov, consumeraction.gov, etc.), the NCC, and a publication distribution facility in Pueblo, CO. Additionally, USA Services provides a variety of agencies with reimbursable services, which directly assist them in meeting the information needs of citizens. Citizen touchpoints provides an overview of citizen awareness and usage of all of USA Services information channels. It is measured by direct and assisted Web site visits, direct and assisted telephone contacts, e-mails and Web chats processed, publications distributed, subscriber e-mailings, and telephone, e-mail, and Web activity conducted through task orders awarded under USA Services Indefinite Delivery/Indefinite Quantity (IDIQ) support contracts (FirstContact, USA Contact, and Web Solutions).

DATA SOURCE: Data is gathered on a monthly basis from a wide variety of automated and manual systems used by in-house and contractor staffs to produce reports showing activity in the different categories of citizen touchpoints. Reports on Web activity come from industry standard WebTrends tracking reports; information on calls and e-mails comes from both the NCC and FirstContact Contractor reports along with automated reports produced by Verizon, which supplies telecommunications support. Publication distribution information is maintained and reported through the automated inventory system used at OCSC's Pueblo, CO distribution facility. Subscription e-mail data is provided through separate online tracking systems maintained by GSA and contractors and some of the smallest numbers are done by individual counts.

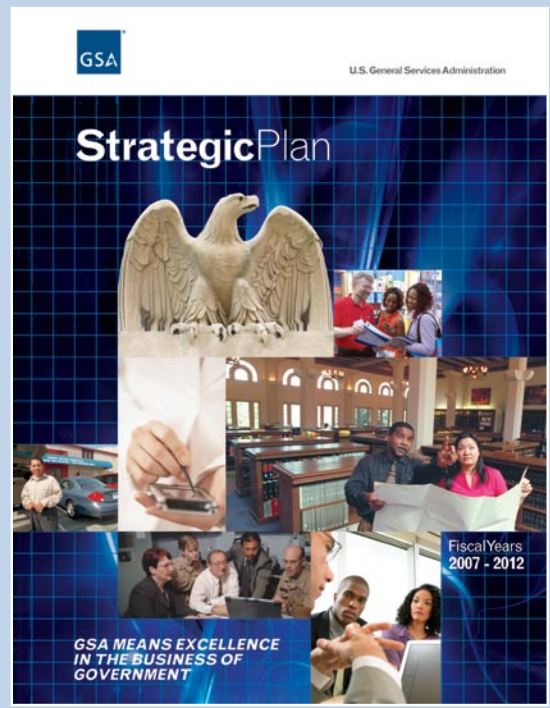
DISCUSSION OF FY 2007 TARGET VS. RESULTS: USA Services met and, with a citizen touchpoint total of 222.3 million, significantly exceeded its FY 2007 target goal of 168.6 million. This strong performance was the result of two factors:

- The first was strong growth in many of the previously existing channels. The biggest contribution of touchpoints resulted through USA Services telecommunications support to the NPIC. As a direct result of new legal requirements that Americans flying to destinations in Canada, Mexico, or the Caribbean would have to have a Passport to get back in to the country, calls poured into the NPIC. Calls increased by 326 percent from 7.85 million in FY 2006, to 33.45 million in FY 2007. Also, visits to USA.gov increased 15.1 percent to 97 million, while visits to USA Services other Web sites increased 13.5 percent to 21.6 million. Publication distribution also continued to increase in FY 2007 to 21.3 million, a 32.1 percent increase over FY 2006 and the highest distribution total since FY 1980. There was also a 126.1 percent increase in subscriber e-mailings with the success of the service to notify interested individuals when specific pages of our Web sites are updated. Increases in these areas were fueled by an extensive outreach effort coupled with increased public service advertising which netted more than $10 million in free broadcast time and advertising space.
- The second factor contributing to the increase in touchpoints was that FY 2007 touchpoint counts included four additional channels beyond what was counted in FY 2006. These four channels accounted for 40.65 million touchpoints that were not in the FY 2006 counts. These channels are Web chat (a new service in FY 2007), Web Solutions Agency Support (hosting support provided to other agency Web sites), Affiliate Assisted Web visits (search support provided to other agency Web sites), and Consumer Information Catalog distribution (this catalog supports USA Services print distribution efforts). However, even without these additional channels, USA Services touchpoints would still have exceeded the target by over 13 million with a total of 181.6 million.

OCFO

OFFICE OF THE CHIEF FINANCIAL OFFICER

The Office of the Chief Financial Officer (OCFO) provides professional financial management services, guidance, and innovative solutions to its customers. The OCFO's primary purpose is to support and enhance GSA's ability to achieve its objectives and improve Agency-wide financial management performance. The OCFO's efforts focus on creating and optimizing value at least cost by combining and interpreting financial and program data to assist managers in making sound business decisions. The OCFO develops overall Agency policies and procedures for budget administration, planning and performance measurement, financial reporting, management and internal controls, and financial management systems.



Performance Highlights

GSA BUDGET DEVELOPMENT:

The OCFO made major improvements to the GSA Performance Management Process (PMP) in FY 2007, significantly improving its utility in formulating the FY 2009 GSA Budget Submission. Most notably, the OCFO required that all proposed FY 2009 budget initiatives have a positive return on investment and deliver a quantifiable performance. Using the improved PMP process, the OCFO provided the GSA Administrator with comprehensive, data driven financial and performance analysis, allowing her to make informed budget decisions. As a result, GSA delivered an FY 2009 budget submission to OMB that was both within OMB's guidance and fully consistent with the Administrator's policy and fiscal goals.

In its role as the Controller for GSA's General Management and Administration (GM&A) functions, the OCFO worked hard to support the Administrator's goal of reducing the cost of services provided to GSA's customers. Providing common support functions such as human resources, financial management, and information management, centrally to all GSA organizations significantly reduces their total cost to the Agency. Through aggressive application of the PMP and extensive, cooperative interaction with the GM&A service providers, the OCFO was able to reduce GM&A costs in the FY 2007 budget by over $15 million from FY 2006.

ORGANIZATION AND PROCESS IMPROVEMENTS:

In FY 2007, the OCFO continued to evolve as a shared service provider of financial management services to customer agencies and commissions. The OCFO's Federal Integrated Solutions Center (FISC) provides integrated shared services that enhance effectiveness, improve efficiency, and reduce risk for Federal government agencies, enabling them to focus on their core missions. The OCFO's FY 2007 focus was on standing up FISC services and establishing partnerships with

OCFO

small to mid-sized agencies to deliver these services. The OCFO's long-term goal is for the FISC to become the leading provider of expert, integrated process, technology, and management solutions to Federal government agencies.

Financial transaction and system operations are at the core of the services that the OCFO delivers. The OCFO delivers these services both internally to GSA and externally to other governmental agencies and commissions. Pursuant to its goal to be a government-wide leader in these business offerings, the OCFO is working to achieve efficiencies by streamlining financial transaction processing at its OCFO financial operation centers. During FY 2007, the OCFO completed an initiative to map out all of the processes required to perform account receivable, account payable, asset management, cash and disbursement operations, and financial reporting services. This initiative identified a number of potential process improvements for study and implementation during FY 2008.

Another key financial initiative was the creation of the OCFO's Executive Scorecard. To ensure that GSA is managing its customer's money in full compliance with all statutory requirements, the OCFO began producing aging reports on Unfilled Customer Orders, Accounts Receivable, Accounts Payable, Obligations, and Charge Card logging. These reports were consolidated into a monthly Executive Scorecard that helps focus GSA senior management on older and possibly invalid data residing in GSA systems. The scorecard provides managers with an unambiguous snapshot on current organization performance and indicates where management attention should be focused to prevent future problems. The Executive Scorecard has successfully focused GSA management resources on identifying errant data and purging it from GSA, helping to ensure the financial integrity of GSA and its customers.

In the area of financial management systems, the OCFO is working to implement a world-class shared services financial system enterprise that meets customer needs and positions GSA to provide efficient and effective IT services, today and for the long term. Throughout FY 2007, the OCFO worked to unify GSA financial management systems operations through Financial Management Enterprise Architecture (FMEA), replace its remaining legacy financial systems modules, simplify financial management information access, and offer a high-quality delivery of services that meets GSA customer requirements. As part of its continuing effort to modernize GSA's financial applications, the OCFO implemented cost-allocation, vendor self-service, and e-Travel modules, with implementation of E-Authentication planned for the near future. In addition, final planning and acquisitions are underway for two major functional areas—billing and accounts receivable, and asset management. Much of the required development and planning work was completed in FY 2007, positioning GSA to begin implementation in FY 2008. The OCFO also worked diligently to ensure that GSA was in full compliance with all Federal financial management systems requirements. A significant step was implementation of a major version upgrade to GSA's financial management commercial-off-the-shelf (COTS) application to help maintain Financial System Integration Office (FSIO) compliance.

INTERNAL CONTROLS AND AUDITS:

The OCFO made a major effort in FY 2007 to implement the latest OMB Circular A-123 policy management and internal control requirements throughout GSA's nationwide programs. To achieve these new mandatory government-wide requirements, the OCFO expanded the process of conducting risk assessments for all GSA programs, incorporating risk-based testing into internal control reviews, and tracking implementation of internal control review recommendations. In addition, the OCFO established a fully functional internal control database, providing all GSA employees with a central location to electronically complete assurance statements, risk assessments, and internal control reviews. The OCFO also significantly improved its automated system for tracking audits and required follow-up actions. As a result, GSA was able to meet all of its audit deadlines on time in FY 2007.

OCFO

OCFO Performance By GSA Strategic Goals

Stewardship

Lead Federal agencies in the economical and efficient management of Federal assets by spearheading effective policy development and by the exemplary management of the buildings/ workplaces, motor vehicles, and personal property provided by GSA.

PROGRAM	PERFORMANCE MEASURE	RESULT
OCFO	Percent of invoices received electronically.	Not Met

OCFO

PERFORMANCE GOAL
Increase the percentage of vendor invoices received electronically by Electronic Data Interchange (EDI) or through the Internet.
MEASURE
Percent of invoices received electronically.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
56.0%	64.0%	71.0%	80.0%	73.0%

DESCRIPTION OF THE MEASURE: Electronic invoicing increases the efficiency and reduces associated costs of financial transaction processing operations. The OCFO continues to market electronic invoicing options to GSA's vendors. By placing clauses in GSA contracts and orders, the OCFO is encouraging electronic invoices via the Internet.

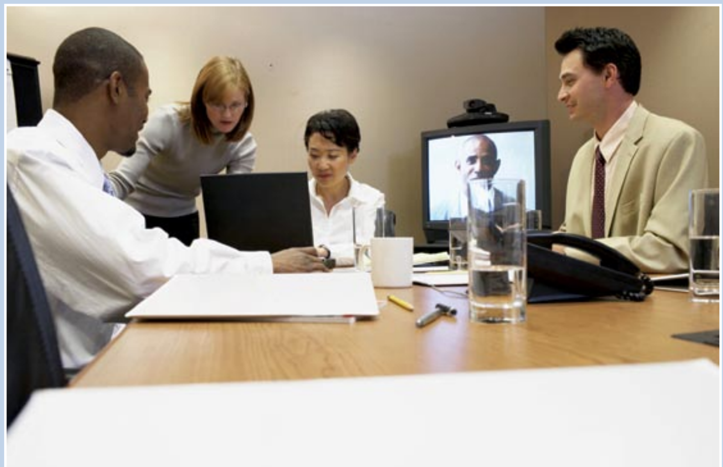
DATA SOURCE: Pegasys—GSA's official accounting system of record.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: The target was not met. At year-end, 73 percent of GSA's invoices were received electronically. While this represents an improvement over the previous fiscal year, GSA continues to experience challenges in convincing large and small vendors to participate in electronic invoicing. In the case of large vendors, they typically have their own invoicing systems and are reluctant to modify business processes to meet GSA requirements. Conversely, small vendors face impediments in the cost of technological equipment to enable them to submit invoices electronically. GSA continues to explore incentives to increase electronic invoicing from its vendor community. One example is that GSA now offers 10-day quick payment terms to eligible vendors who submit their invoices via the Internet. The OCFO also encourages contracting officers to make electronic invoicing a requirement in new contracts. Electronic invoicing has proven to be more efficient, reducing costs and errors in the invoicing process for both GSA and its customers.

OCHCO

OFFICE OF THE CHIEF HUMAN CAPITAL OFFICER

The mission of the Office of the Chief Human Capital Officer (OCHCO) is to contribute to GSA's business success by providing human capital management strategies, policies, advice, information, services, and solutions consistent with merit system principles. In order to remain focused on this mission, the OCHCO will continue to lead the implementation of the Strategic Management of Human Capital in support of the PMA, as well as other Agency-specific objectives in GSA's Human Capital Strategic Plan (HCSP).



At GSA, human capital is integral to the Agency's ability to achieve its mission. Recognizing the strategic importance of human capital, the Agency is committed to maintaining a world-class workforce and a world-class workplace.

GSA's HCSP established seven goals to support GSA's business and performance objectives and meet PMA requirements.

Performance Highlights

The following summarizes key OCHCO accomplishments in these areas during FY 2007:

- **STRATEGIC AND ORGANIZATIONAL ALIGNMENT:** During FY 2007, the OCHCO provided workforce information and met strategic human capital needs with GSA Heads of Services and Staff Offices and Regional Administrators to ensure organizational and strategic alignment and focus. Furthermore, the OCHCO worked closely with its largest internal customers to implement organization-specific human capital strategies. One of the primary areas of focus for this fiscal year was the establishment of the Federal Acquisition Service (FAS). The OCHCO provided the human capital tools necessary to establish this worldwide organization of over 4,000 employees. Strategies included assessing and enhancing the skills of employees, hiring new talent, organizational realignment, succession planning, and competitive sourcing. In support of realignment and competitive sourcing initiatives, the OCHCO continued to assist its customers in the utilization of workforce-shaping tools such as Voluntary Separation Incentive Payment and Voluntary Early Retirement Authority. The OCHCO was also involved in a number of other major reorganization efforts, including the Office of the Chief Information Officer (OCIO) and the Board of Contract Appeals.

- **EXECUTIVE LEADERSHIP:** GSA's internal leadership talent pipeline continues to replenish supervisory vacancies effectively. During FY 2007, GSA hired 30 Senior Executive Service (SES) employees, which represents 26 percent of the SES cadre at GSA. Over 85 percent of GSA's supervisory

OCHCO

vacancies were filled with internal GSA employees. GSA's Leadership Institute is used to enhance the effectiveness of current and future leaders. The Advanced Leadership Development Program (ALDP) is an intensive and highly selective program designed to prepare employees for executive careers, and the Leadership for New Supervisors (LNS) course provides new supervisors with the tools and information to effectively manage their organization. During FY 2007, 30 GSA employees participated in the ALDP and 141 participated in the LNS program, which was a significant increase from last year's program.

- **MENTORING PROGRAM:** GSA launched a mentoring program to foster future leadership and compliment its succession planning work. The mentoring program pairs talented, experienced employees (mentors) with employees (protégés) who need to enhance their leadership and other business skills. A mentoring relationship benefits both participants. Protégés have a chance to learn from a seasoned professional and mentors get a chance to see things from a new perspective.

- **TALENT:** During FY 2007, the OCHCO completed its skill gap analysis for mission critical workforces and is developing strategies to close gaps. This analysis used competency-based models to target training, recruitment, and selection efforts to respond to current and emerging organizational needs. GSA continues to implement improvements in the hiring process to improve effectiveness and efficiency outcomes. GSA established a talent center to work on mission critical workforce announcements and hiring process improvements. GSA is achieving more efficient hiring timelines, using both the Office of Personnel Management (OPM) and GSA models. GSA is also receiving increased satisfaction rates from hiring managers on the quality of applicants.

- **DIVERSITY:** During FY 2007, the OCHCO worked to establish a more robust liaison with community groups and organizations representing diverse backgrounds. The OCHCO further developed plans to address under-representation of women and minorities in SES positions and wants to focus on increased percentages of representation among people with disabilities.

- **PERFORMANCE CULTURE:** The OCHCO continued to revise GSA's employee performance management and recognition policies to reinforce GSA's business goals and strategies. As a result, there was an increased ability to hold managers accountable for their performance management responsibilities, enhanced data capture, and the ability to link employee performance to GSA's recognition program. The automation of the Performance Management Process (PMP) allows employees to access their performance plans and completed appraisals through the Internet, and enables GSA Human Resources offices to generate reports on activity at each stage, and use that information to drive behavior. GSA's first full year of implementation of the awards processing program from FEDdesk to the Comprehensive Human Resources Integrated System (CHRIS) was very successful. The new custom-built awards process is easier for managers and administrative staff to use and supports an increased level of accountability, data retention, and compliance. This ensures fairness in the program and recognizes high-performance throughout the Agency. OPM rated GSA's performance management and recognition system as an "effective strategy," the top category in their ranking methodology.

- **LEARNING AND KNOWLEDGE SHARING:** During FY 2007, the OCHCO promoted Online University as a cost effective distance learning method to deliver training. During the fiscal year, there were 37,941 course completions. GSA also migrated to a new Learning Management System provider (Learn.com) that offers a number of additional features, which are currently being reviewed for possible implementation. These include Individual Development Plan Module; Competency Management System Module; Instructor Led Training/Classroom Scheduler Module; Learning Content Management System Module; and the SF 182, *Authorization, Agreement and Certification of Training Module*. Additionally, this new contract will enable GSA to have one Learning Management System for the Agency, which will lead to a complete training dataset for each GSA employee.

OCHCO

- **WORKPLACE AND ENVIRONMENT:** GSA continued to enjoy the recognition of being named in the top ten agencies in the Federal government by the *Best Places to Work* organization. This recognition is based on employee survey feedback to which employees scored GSA in the top ten agencies for Talent Management, Leadership and Knowledge Management, and Job Satisfaction. GSA implemented a Workforce Engagement Survey in FY 2007 to comply with the new annual employee survey requirement.

OCHCO Performance By GSA Strategic Goals

Stewardship

Lead Federal agencies in the economical and efficient management of Federal assets by spearheading effective policy development and by the exemplary management of the buildings/ workplaces, motor vehicles, and personal property provided by GSA.

PROGRAM	PERFORMANCE MEASURE	RESULT
OCHCO	Number of days to fill a vacancy.	Met

OCHCO

PERFORMANCE GOAL
Enhance ability to attract talent to GSA.
MEASURE
Number of days to fill a vacancy.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
Not Measured	26.3	30.1	45.0	26.25

DESCRIPTION OF THE MEASURE: This goal measures GSA's ability to fill a vacancy from the time that the announcement is posted until a selection is made. This goal is established by OPM.

DATA SOURCE: Manual spreadsheet extracted from GSAjobs.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: The OCHCO achieved its target in this area for FY 2007. The target, 45 days, was established by OPM to measure how much time was needed to make a selection once a particular job announcement closes. GSA was able to exceed this goal, while at the same time it was undergoing the Business Process Re-engineering effort to improve the hiring process and worked closely with customers in major reorganization efforts, such as FAS and the OCIO organizations.

OGP

OFFICE OF GOVERNMENTWIDE POLICY

The Office of Governmentwide Policy (OGP) provides a policy and best practices framework for more effective and efficient use of Federal resources and improved performance in real and personal property, automotive and aviation fleet management, travel, transportation, mail management, IT, financial management, alternative workplaces, telework, committee management, and the regulatory process. Under the direction of OMB and Congress, OGP provides leadership and program support in the development of a policy environment that encourages the adoption of innovative solutions toward more productive work environments, and coordinates major government-wide management improvement initiatives. OGP actively helps agencies understand and implement new ways of doing business, effectively align with common standards, and adopt government-wide solutions that increase efficiencies. OGP accomplishes this through collaboration, communication, performance measurement, monitoring compliance, and managing essential government-wide databases and Web-based applications. OGP ensures the involvement and buy-in of Federal agencies, the private sector, and other stakeholders in these processes. OGP also serves as an incubator for new programs or business opportunities created by Administration policies or by law, and ensures that opportunities that prove viable are migrated to GSA services or other suitable government or private organizations for operational implementation.

Performance Highlights

OGP achieved the rating "moderately effective" in the PART process for FY 2007. The continued implementation of OGP's innovative Policy Portfolio Performance System (3PS) continues to be the primary mechanism OGP employs to demonstrate its effectiveness under PART. To increase its PART score, OGP finalized the development of its policy compliance assessment methodologies, which will serve to fulfill the PART requirement that OGP holds Agency partners accountable for their performance.

The following reflects the performance highlights of each of the initiatives that comprised OGP's FY 2007 3PS portfolio:

- OGP vastly improved its performance rating under the 3PS interagency survey. OGP's effectiveness rating increased from 53 percent in FY 2006 to 70 percent in FY 2007. This increase represents a combined effort by OGP leadership to improve communication and collaboration with its stakeholders and partners in the Federal community.
- OGP's Office of Technology Strategy (OTS) successfully worked to meet the deadline imposed by the HSPD-12 to begin issuing the new Personal Identity Verification (PIV) card no later than October 27, 2006 and to meet all subsequent milestones. In FY 2007, the Identity Management Division established the HSPD-12 interagency Architecture Working Group and together

developed interface specifications for the exchange of data across all HSPD-12 systems and system components. With this in place, compliant systems interoperated on a government-wide basis. The architecture was designed to be implemented with the approved products from the FIPS 201 evaluation program, an integral part of the program; the evaluation program ensures products meet the FIPS 201 requirements. Identity Management targeted the completion of six of 11 interface specifications and successfully issued 10 of the 11 interface specifications. Currently there are 26 schedule providers with multiple HSPD-12 products and services available for government-wide use. Through standardization, competition, and aggregate buying power, the seat price of a PIV identity account was reduced to under $50.

- The Financial Management Line of Business (FMLoB) improved the cost, quality, and performance of financial management by standardizing financial system data, expanding shared service solutions, and implementing other government-wide reforms that foster efficiencies in Federal financial operations. In order to mitigate the risk of moving to shared services solutions, common standards and processes must first be established. FMLoB met its improvement target to issue four of 10 (40 percent) data or process standards. The Common Government-wide Accounting Classification issued in June is an extremely important standard; it defines a uniform way to capture information when classifying the financial effects of government business activities. The structure facilitates seamless data exchange among agencies' financial systems.

- OGP's Office of Real Property Management met five of the six[1] Federal Real Property Profile (FRPP) business needs on schedule. The business needs were developed to support the Federal Real Property Council (FRPC) goals to improve real property managers' decision-making abilities by providing accurate and reliable data and to increase Agency accountability for asset management. In support of this effort, OGP has:
    - Continued to improve and enhance the FRPP and Performance Assessment Tool in order to maximize the effectiveness of the FRPP for its users.
    - In just over three years, the FRPP has helped agencies track the disposal of more than $4.5 billion in unneeded Federal real property.
    - Successfully completed two years of inventory data collection, enabling the capacity to generate delta and variance reports from year to year.
    - Provided the new ability to track annual inventory changes to improve the reliability and accuracy of Agency data in the coming years.
    - Performed extensive data analyses and answered numerous requests by external constituents to prove the benefits of a centralized database and how it leads to more responsible asset management.
    - Remained proactive in customer service to GSA's FRPP user community by developing annual guidance and convening training.

- OGP's Alternative Workplace Arrangements (AWA) initiative increased the knowledge of Federal government managers and employees regarding AWA policies and practices. This initiative aided in the support of more efficient real property asset management:
    - OGP provided guidance, program promotion, and technical assistance resulting in at least four agencies (Environmental Protection Agency, Department of Defense, National Institutes of Health, and Equal Employment Opportunity Commission) planning and/or implementing AWA initiatives for space and facility cost savings.
    - OGP worked with GSA's Region 10 to reconfigure underutilized space into a telework center, which began operation in September 2007.

[1] The sixth and final business need for FY 2007, titled "Deliver a final FRPP Data Security Plan to the FRPC," is currently delayed and awaiting security requirements from the FRPC.

OGP

- OGP developed and issued Federal Management Regulation (FMR) Bulletin 2007-B1, *Information Technology and Telecommunications and Other Alternative Workplace Arrangement Programs*, which provided:

  (1) a much-needed, management-oriented, easy-to-read overview of AWA technology information, policies, and practices;

  (2) a tool to assist in effective management of agency technology assets. This policy bulletin has been heralded by agencies, the media, and technology experts for improving awareness of, and offering the first-ever guidance on, key AWA technology issues.

- OGP outreach activities included collaborating with Congressional staff, which helped to guide development of telework bills introduced by both the House and Senate to further increase and steer Federal telework participation.

■ The Federal Asset Sales initiative has enjoyed great success during FY 2007. A few of these key accomplishments are outlined below:

- OGP successfully worked with all scorecard agencies to migrate to selected sales centers for both real and personal property. Each agency, as a result, provided OGP with a completed migration plan as evidence of this success.

- A FY 2008 and beyond funding model for the Federal Asset Sales initiative was approved by the initiative's Executive Steering Committee.

- In July 2007, the Executive Steering Committee approved two new sales centers at IRS and DOI.

- The GovSales.gov portal was updated and improved to include a section focused on selling international property owned by the U.S. government.

■ The Federal Asset Sales Program Office contracted to conduct an online customer satisfaction survey of GovSales.gov customers. The survey, intended to capture customer feedback and satisfaction with the portal, was posted in May 2007. Preliminary results showed that there were areas that needed improvement; overall, the results indicated that customer satisfaction with GovSales.gov is high. The portal was consistently given a customer service score of 70 out of a possible 100; the benchmark score for government sites, as described by ForeSee Results, was 71. Thus, the GovSales portal scored on par with other government Web sites, many of which have been in operation longer than GovSales.gov. To further enhance the customer experience, the initiative also sponsored ongoing usability tests to ensure that the Govsales.gov portal adheres to best practices with regard to organization, content, presentation, navigation, and other measurement areas.

■ After 14 months of development, the newly redesigned Federal Aviation Interactive Reporting System (FAIRS) v2.0 was made operational in February 2007. In the new version, OGP embedded an interactive training system that allows each user to learn and be certified in the system functions they need to know, rather than conducting costly traditional classroom instruction nationwide. Issues and problems that surfaced prior to implementation were rapidly resolved and, where necessary, enhancements were prioritized and immediately implemented. One of the major goals of the redevelopment was to reduce operating costs for the entire application. Throughout the year, system reliability was consistently over 99 percent. Implementing FAIRS v2.0 not only improved the quality and accuracy of data reported by Federal agencies on all aircraft program costs, but also improved system accessibility and reliability for GSA's Federal agency customers.

OGP PERFORMANCE BY GSA STRATEGIC GOALS

Innovation

Develop new and better ways of conducting business that result in more productive and effective Federal policies and administrative operations.

PROGRAM	PERFORMANCE MEASURE	RESULT
OGP	EXTENT TO WHICH POLICY INITIATIVES ACHIEVE IMPROVEMENT TARGETS.	MET
OGP	PERCENTAGE OF KEY POLICY STAKEHOLDERS AND AGENCY USERS WHO RATE POLICY INITIATIVES EFFECTIVE.	MET

OGP

PERFORMANCE GOAL
Ensure OGP policy initiatives achieve improvement targets.
MEASURE
Extent to which policy initiatives achieve improvement targets.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
66%	71%	100%	84%	98%

DESCRIPTION OF THE MEASURE: This measure is a composite of eight component measures that represent the progress of programs and initiatives that comprise OGP's Performance Portfolio.

DATA SOURCE: For FY 2007, the data sources associated with this measure include: FAIRS; the Regulatory Information Service Center (RISC)/Office of Information and Regulatory Affairs (OIRA) Consolidated Information System (ROCIS); the Financial Systems Integration Office publications and Web site; publication of PIV interface specifications; executive assessments of OGP by the FRPC in regards to the FRPP; and analytical assessments of Business Reference Model (BRM) agencies migrating to approved sales centers under the Federal Asset Sales initiative.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: OGP set a target to achieve an 84 percent rating for this measure for FY 2007. Seven of the eight component measures fulfilled or exceeded their targets. In one case, five of the six business needs (83 percent) required by the FRPC were met. The sixth and final business need for FY 2007 requires OGP to deliver a final FRPP data security plan to the FRPC. However, this is currently delayed and awaiting security requirements to be issued from the FRPC. The 83 percent result for this one component averaged with the six other initiatives in the portfolio which each achieved 100 percent results in a final score of 98 percent.

OGP

Component measures that exceeded their FY 2007 target include:

- 91 percent of PIV interface specifications for major HSPD-12 architecture components were issued, which was 31 percent above target.
- Nine major agencies are reporting real estate cost saving from telework programs, which was five agencies above target.

All of the 24 BRM agencies are migrating to OMB-approved sales centers under the Federal Asset Sales initiative, which is six agencies above target.

OGP

PERFORMANCE GOAL
Ensure OGP policy initiatives are effective.
MEASURE
Percentage of key policy stakeholders and agency users who rate policy initiatives effective.

FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL
Not Measured	Not Measured	54%	57%	70%

DESCRIPTION OF THE MEASURE: This measure is a survey of how many stakeholders and agency users rate policy initiatives effective.

DATA SOURCE: The data is collected by a third-party contractor via Web surveys and focus group sessions which yield a composite performance rating from OGP's key policy stakeholders and agency points of contact involved in a specified set of programs and initiatives that comprise OGP's Performance Portfolio.

DISCUSSION OF FY 2007 TARGET VS. RESULTS: The 2006 overall effectiveness rating was 54 percent, which was a baseline because it represented the first year OGP conducted this type of study. The goal for 2007 was set at 57 percent. For 2007, the average rating across all the programs/policies was 70 percent. This was a significant improvement, up 16 percent, since 2006. OGP was rated highest on keeping users and stakeholders informed about matters that affect GSA, responding in a timely manner to inquiries, and knowledge and expertise. Also, nearly one-half of respondents believe that OGP's performance has improved over the past year.

Linking Strategic Goals and Performance Measures to Budget

The results presented in the following table linking strategic goals and performance measures to budget are preliminary. The purpose of this table is to show the financial impact of each performance measure and the corresponding strategic goal. The final results will be presented in the FY 2007 Performance and Accountability Report (PAR) addendum to be available online by January 2008.

LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET
(Dollars in Thousands)

StrategicGoals

Business Line Activity	Performance Goals	Performance Measures	FY 2006 Target	FY 2006 Actual	FY 2006 Dollars	FY 2007 Projected Target	FY 2007 Projected Dollars[1]
Stewardship							
PBS (Asset Management)	Increase to 74% the percentage of government-owned assets with are turn one quity (ROE) of at least 6% by FY 2007.	Percentage of government-owned assets with an ROE of at least 6%. [2]	71%	76.4%	$ 111,998	75.6%	$ 88,788
	Increase the percentage of government-owned assets with a positive Funds From Operations (FFO) to 90% by FY 2007.	Percentage of government-owned assets achieving a positive FFO. [2]	85%	82.7%	$ 2,665	84%	$ 2,721
	Decrease the vacant (available and committed) space to 7% of the owned inventory by FY 2005 and maintain thereafter.	Percentage of available and committed space in government-owned inventory.	7%	7%	$ 43,270	7%	$ 50,257
	Execute energy conservation goals while increasing GSA's Customer Satisfaction scores to 75% by FY 2007.	Customer Satisfaction - tenants in owned space.	73%	83%	$ 773,988	75%	$1,017,973
PBS (Leasing)	Maintain percent of vacant space in leased buildings at less than or equal to 1.5% by FY 2007.	Percent of vacant space in leased inventory.	≤1.50%	1.50%	$ 51,851	<1.50%	$ 52,906
	Manage the costs of administering leased space so that leased FFO is greater than 0% and no more than 2% of the leased inventory revenue.	Percent of leased revenue available after administering the leased program.	0%-2%	1.50%	$3,925,020	0%-2%	$4,068,118
PBS (New Construction)	By FY 2007, certify 25% of the New Construction program for Leadership in Energy and Environmental Design (LEED) within 18 months of substantial construction completion.	Percent of New Construction program that is certified for LEED.	20%	0%	$ 11,564	25%	$ 12,982
	Verify 35% of newly constructed buildings for achievement of established operational requirements by FY 2007.	Percent of newly constructed buildings independently verified for achievement of established operational requirements.	30%	100%	$ 216,574	35%	$ 145,066
PBS (Real Property)	Award 100% of public sales within 170 days for FY 2007.	The percent of public sales awarded within 170 days.	95%	100%	$ 11,626	100%	$ 11,483

[1] The source of the FY 2007 dollars is the FY 2009 Budget Request; because the request was submitted to OMB prior to year-end, the dollars are projections.

[2] The targets and actuals for these measures do not match the FY 2008 Congressional Justifications. In the FY 2007 PART review of this program, GSA and OMB jointly revised the calculation of both measures to include land ports of entry, which had previously been excluded.

[3] These performance measures do not have numbers for FY 2007, because they have since been changed or phased out, but they are reflected in the FY 2008 Congressional Justifications.

[4] These performance measures do not have dollar amounts associated with them.

LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*							
StrategicGoals							
			FY 2006			FY 2007 Projected	
Business Line Activity	**Performance Goals**	**Performance Measures**	**Target**	**Actual**	**Dollars**	**Target**	**Dollars[1]**
Stewardship *(continued)*							
FAS (Long Distance)	Award and effectively manage the Network Services contracts.	Complete the Networx Transition Planning versus actual.[3]	Not Measured	Not Measured	$ 5,482	0%	$ -
FAS (Vehicle Acquisition)	Manage program resources to meet its future needs while maximizing program efficiency.	Number of vehicles purchased per full-time equivalent (FTE).	1,300	1,676	$ 2,399	1,310	$ 2,446
FAS (Fleet)	Maintain the gap between GSA Fleet rates and commercial rates at 20% or more.	Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.	>29%	39.06%	$ 38,479	≥29.25%	$ 45,363
	Aggressively pursue consolidation opportunities to reduce overall government expenses.	Number of vehicles managed per onboard associate.	335	352	$ 19,188	340	$ 6,038
FAS (Regional Telecommunications)	Provide quality telecommunications services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.[4]	80%	86.84%	$ 18,977	80%	$ -
		Percentage of schedule task orders solicited using e-Buy.[4]	Not Measured	Not Measured	$ 18,218	80%	$ -
FAS (Card Services-SmartPay)	Maximize program-operating efficiency.	Government-wide spend per GSA SmartPay contract administration FTE.	$5B	$5.31B	$ 2,339	$5.05B	$1,825
OCFO	Increase the percentage of vendor invoices received electronically by Electronic Data Interchange (EDI) or through the Internet.	Percent of invoices received electronically.[4]	68%	71%	$ -	80%	$ -
OCHCO	Enhance ability to attract talent to GSA.	Number of days to fill a vacancy.[4]	45	30.1	$ -	45	$ -
	Enhance performance culture by the successful implementation for all employees of associate performance plans that are linked to the Performance Management Process (PMP).	Percentage of employees that have individual performance plans and receive ratings at end of rating cycle.[4]	95%	96%	$ -	95%	$ -
OCIO	Provide a secure IT environment.	Percentage of IT systems that have a current certification and accreditation.[3]	100%	100%	$ -	100%	$ -
OCIO	Obtain a high rating of major IT initiatives by OMB for Enterprise Architecture-FY 2005 Exhibit 300 Submission.	Percent of major IT initiatives by OMB for Enterprise Architecture-FY 2005 Exhibit 300 Submission.[3]	100%	100%	$ -	100%	$ -
OGP	Ensure OGP policy initiatives meet their scheduled development milestones.	Percentage of OGP initiatives meeting their scheduled development milestones.	80%	100%	$ 3,056	84%	$ 3,171
OGP	Ensure all OGP initiatives meet their cost targets.	Percentage of OGP initiatives meeting their scheduled cost targets.	100%	80%	$ 2,496	100%	$ 3,406
OCSC	Disseminate strategic information messages to all audiences by providing integrated and coordinated communications to GSA associates and news media.	Strategic Messages (Favorable, Neutral, and Unfavorable).	26%, 67%, 7%	35%, 51%, 14%	$ 2,299	30%, 60%, 10%	$ 1,416
		Stewardship Total	-	-	$5,261,489	-	$5,513,959

[1] *The source of the FY 2007 dollars is the FY 2009 Budget Request; because the request was submitted to OMB prior to year-end, the dollars are projections.*

[2] *The targets and actuals for these measures do not match the FY 2008 Congressional Justifications. In the FY 2007 PART review of this program, GSA and OMB jointly revised the calculation of both measures to include land ports of entry, which had previously been excluded.*

[3] *These performance measures do not have numbers for FY 2007, because they have since been changed or phased out, but they are reflected in the FY 2008 Congressional Justifications.*

[4] *These performance measures do not have dollar amounts associated with them.*

LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*							
StrategicGoals							
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006**			**FY 2007 Projected**	
			Target	**Actual**	**Dollars**	**Target**	**Dollars[1]**
Superior Workplaces							
PBS (Asset Management)	88% of repairs and alterations (R&A) projects on schedule by FY 2007.	R&A projects on schedule.[3]	88%	83%	$ 623,529	88%	$ -
	Obligate 75% of the minor R&A budget for planned projects by the end of FY 2007.	Percent of minor R&A budget obligated on planned projects by the end of the fiscal year.	75%	85%	$ 340,046	75%	$ 326,170
	Maintain the percent of escalations on R&A projects at less than or equal to 1% by FY 2007.	Percent of escalations on R&A projects.[3]	≤1%	3.20%	$ 77,258	<1%	$ -
PBS (Leasing)	Achieve a satisfied customer satisfaction rating (4's and 5's) 74% of the time by FY 2007.	Satisfied tenant customer satisfaction rating (4 and 5 responses) in leased space surveyed.	72%	78%	$ 45,732	74%	$ 48,176
	Analyze 100% of leases expiring within three years for market opportunities to reduce rental payments where market data is available.	Percent of existing lease inventory reviewed for beneficial opportunities.[4]	100%	100%	$ -	100%	$ -
PBS (New Construction)	New construction projects on schedule 87% of the time by FY 2007.	Construction projects on schedule.	86%	84%	$ 477,915	87%	$ 366,121
FAS (Fleet)	Maintain the Vehicle Leasing program's current level of world-class customer satisfaction in government.	External customer satisfaction survey score.	83	84.5	$ 10,703	83.1	$ 26,496
		Superior Workplaces Total	-	-	$1,575,183	-	$ 766,963
Best Value							
PBS (Asset Management)	Maintain operating service costs in office and similarly serviced space at 3% or more below private sector benchmarks by FY 2007.	Percent below private sector benchmarks for cleaning, maintenance and utility costs in office and similarly serviced space.	-3%	-4.20%	$ 877,203	-3%	$ 663,574
PBS (Leasing)	Award leases at an average rental rate of not less than 8.8% below industry averages for comparable office space by FY 2007.	Cost of leased space relative to industry market rates.	-8.50%	-9.20%	$ 267,878	-8.80%	$ 307,085
	Deliver leased space when the customer needs it 84% of the time or better by FY 2007.	Percent of customers surveyed who say they received their leased space when needed.	82%	67%	$ 57,472	84%	$ 59,547
	Use National Broker Contract for at least 70% of expiring leases by FY 2007.	Percent of expiring leases using the National Broker Contract.[3]	60%	48%	$ -	70%	$ -
PBS (New Construction)	Average cycle time on new courthouse construction projects is 3,100 days or less by FY 2007.	Number of days to complete new courthouse construction projects.	≤3,100	3,458	$ 301,984	≤3,100	$ 307,417

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LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*							
StrategicGoals							
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006**			**FY 2007 Projected**	
			Target	**Actual**	**Dollars**	**Target**	**Dollars[1]**
Best Value *(continued)*							
PBS (Real Property)	Award 95% of utilization and donation (U&D) property within 240 days for fiscal year 2007.	Percentage of U&D property awarded within 240 days.	90%	97%	$ 22,305	95%	$ 21,729
	Maintain "highly satisfied" ratings of 93% or higher on the Customer Transaction Satisfaction Survey by FY 2007.	The percent of disposal transactions that "exceed" or "greatly exceed" customer expectations.	93%	97%	$ 275	93%	$ 275
	Attain 1.08% cost of sales as a percentage of sales proceeds for reimbursable sales for fiscal year 2007.	Cost of reimbursable sales as a percentage of sales proceeds.	1.08%	0.12%	$ 6,050	1.08%	$ 6,050
FAS (Global Supply)	Reduce Supply blended mark-up from 31% to 29% toward goal of 28%.	Percentage of supply blended mark-up.	31%	32.71%	$ 56,100	30.50%	$ 56,255
	Achieve timely delivery for customers orders.	Compliance rate with DoD Time Definite Delivery shipment processing standards.[2]	21.20%	22.20%	$ 54,105	10%>VBL	$ -
	Increase customer satisfaction toward the 75th percentile for customer satisfaction in Government.	External customer satisfaction survey score.	79.9	80.3	$ 30,999	80	$ 30,475
	Increase program efficiency and value to Global Supply customers by minimizing program operating costs.	Direct cost as a percent of revenue.	10.50%	10.50%	$ 24,092	10.40%	$ 24,157
FAS (Personal Property)	Decrease the time it takes to complete disposal action for excess property to 55 days by FY 2007.	Cycle time for disposal process (days).	76	52	$ 7,217	55	$ 6,665
	Maintain a customer satisfaction score higher than the Federal government ACSI reflecting customer satisfaction in government in FY 2007 and each year thereafter.	External customer satisfaction survey score.	79	82.30	$ 2,860	79	$ 3,324
	Align program-operating costs relative to revenue generated by the Sales Program, and strive to maximize the return on these resources.	Direct cost of Sales Program as a percent of revenue.	46%	47.49%	$ 1,443	45%	$ 1,594
		Operating cost per $100 business volume.	$22.00	$18.77	$ 1,443	$21.50	$ 1,594

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LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*							
Strategic Goals							
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006**			**FY 2007 Projected**	
			Target	**Actual**	**Dollars**	**Target**	**Dollars[1]**
Best Value *(continued)*							
FAS (National Furniture Center)	Reduce the time required to award new contracts and modify existing contracts.	Timeliness to award new contracts (days).	84	73.50	$ 12,363	80	$ 11,249
		Timeliness to award contract modifications to add products and services (days).	13	18.10	$ 12,363	12	$ 11,249
	Enable customers to capitalize on cost savings and improved services through competition in the vendor community.	Number of schedule task orders solicited using GSA e-Buy.	7,700	8,207	$ 5,890	8,200	$ 5,297
	Align program operations to support efficiency of operations and reduce operating costs.	Direct operating expenses as a percentage of gross margin.	49.52%	52.09%	$ 3,858	48.20%	$ 2,518
		Ratio of full-time equivalents (FTE) to business volume.	0.0057%	0.0056%	$ 3,858	0.0052%	$ 2,518
FAS (Long Distance)	Provide robust portfolio of telecommunications services and value-added solutions to satisfy diverse customer requirements.	Percentage of solutions reviewed compliant with policy and regulations, internal polices and procedures.[3]	100%	100%	$ 13,915	100%	$ -
		Overall customer satisfaction.[3]	Not Measured	Not Measured	$ -	80%	$ -
	Provide substantially lower cost service to customer agencies.	Savings provided to customers.[3]	$550M	$620M	$ 7,590	$500M	$ -
		Percentage of Network Service prices are below best commercial prices.[3]	35%	41.40%	$ 7,590	35%	$ -
	Award and effectively manage the Network Services contracts.	Complete the Networx Transition Planning versus actual.[3]	Not Measured	Not Measured	$ 5,482	0%	$ -
	Improve the financial condition of the Fund.	Total Long Distance program expenses as a percentage of gross margin.[3]	55%	43%	$ 3,795	55%	$ -
FAS (Professional Services)	Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency to verify best value and effective acquisition management are achieved.	Percentage of negotiated award dates for services and commodities that are met or bettered.[3]	>95%	93%	$ 6,695	>95%	$ -
	Provide quality services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.[3]	>86%	Not Measured	$ 6,447	>86%	$ -
		Percentage of schedule task orders solicited using e-Buy.[3]	90%	93%	$ 5,208	90%	$ -
	Manage acquisitions to ensure industry provides solutions that meet client agencies' mission needs.	Percentage of dollar value of eligible service orders awarded with performance-based statements of work.[3]	50%	66%	$ 5,704	52%	$ -
FAS (Professional Services)	Improve the financial condition of the Fund.	Total program expenses as a percentage of gross margin.[3]	66%	86%	$ 744	65%	$ -

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LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*							
StrategicGoals							
			FY 2006			**FY 2007 Projected**	
Business Line Activity	**Performance Goals**	**Performance Measures**	**Target**	**Actual**	**Dollars**	**Target**	**Dollars[1]**
Best Value *(continued)*							
FAS (Regional Telecommunications)	Manage acquisitions to ensure industry provides solutions that meet client agencies mission needs.	Percentage of dollar value of eligible service orders awarded with performance-based SOWs.[3]	50%	89%	$ 7,591	60%	$ -
		Percentage of projects meeting agreed performance according to the Quality Assurance Surveillance Plan (QASP).[3]	75%	Not Measured	$ 5,313	76%	$ -
	Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency to verify best value and effective acquisition management are achieved.	Percentage of negotiated award dates for services and commodities that are met or bettered.[3]	76%	94%	$ 7,591	77%	$ -
	Provide cost management for solutions delivery.	Percentage of solutions that are met at or below initial cost estimates.[3]	80%	Not Measured	$ 6,832	90%	$ -
	Improve the financial condition of the Fund.	Total Regional Telecommunications program expense as a percentage of gross margin.[3]	66%	52%	$ 11,386	66%	$ -
FAS (IT Solutions-National)	Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency to verify best value and effective acquisition management are achieved.	Percentage of negotiated award dates for services and commodities that are met or bettered.	>95%	89%	$ 15,201	>95%	$ -
	Manage acquisitions to ensure industry provides solutions that meet client agencies mission needs.	Percentage of dollar value of eligible service orders awarded with performance-based SOWs.	>50%	4.56%	$ 12,966	>50%	$ -
	Provide quality IT solutions services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.	>95%	90%	$ 14,754	>95%	$ -
	Improve the financial condition of the Fund.	Total program expenses as a percentage of gross margin.[3]	80%	89.40%	$ 1,788	79%	$ -

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LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*							
Strategic Goals							
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006**			**FY 2007 Projected**	
			Target	**Actual**	**Dollars**	**Target**	**Dollars[1]**
Best Value *(continued)*							
FAS (IT Solutions-Regional)	Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency to verify best value and effective acquisition management are achieved.	Percentage of negotiated award dates for services and commodities that are met or bettered.[2]	>95%	95%	$ 42,328	>95%	$ -
	Provide cost management for solutions delivery.	Percentage of solutions that are met at or below initial cost estimates.[3]	Not Measured	Not Measured	$ 23,392	83%	$ -
	Provide quality IT solutions services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.[2]	>95%	92%	$ 41,214	>95%	$ -
	Improve the financial condition of the Fund.	Total program expenses as a percentage of gross margin.[3]	95%	148.50%	$ 4,456	94%	$ -
FAS (Vehicle Acquisition)	Maintain 28% or better discount from manufacturer's invoice price.	Percentage discount from invoice price.	28%	39%	$ 5,491	>28.50%	$ 5,265
	Maintain the Vehicle Acquisition program's customer satisfaction at or above the 75th percentile for customer satisfaction in government.	External customer satisfaction score.	79	77.90	$ 1,433	80	$ 1,659
FAS (Fleet)	Maintain the gap between GSA Fleet rates and commercial rates at 20% or more.	Program support and operational expenses per vehicle year of operation.	$504	$496	$ 19,188	$500	$ 6,038
FAS (Travel)	Increase the program's customer satisfaction toward the 75th percentile for customer satisfaction in government.	External customer satisfaction score.	74.0	75.4	$ 965	75.5	$ 956
	Provide policy-compliant, consolidated and fully integrated end-to-end travel services government-wide.	Percentage of vouchers serviced through the E-Gov Travel (percent of total voucher population).	5.25%	6.70%	$ 5,489	18.41%	$ 5,872
		Percentage of Business Reference Model (BRM) agencies migrating to E-Gov Travel.	58.30%	54.17%	$ 4,476	70.83%	$ 4,803
	Provide programs that enable customer agencies to realize discounts off of commercially available rates.	FedRooms percentage off consortia rate.	33%	29%	$ 417	28%	$ 393
		City Pairs Program (CPP) percentage off the lowest published full economy fare.	Not Measured	Not Measured	$ -	67%	$ 499
FAS (Travel)	Reduce program operating costs.	Direct cost as a percent of revenue.	64%	38%	$ 933	63%	$ 905

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LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*							
Strategic Goals							
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006**			**FY 2007 Projected**	
			Target	**Actual**	**Dollars**	**Target**	**Dollars[1]**
Best Value *(continued)*							
FAS (Transportation)	Increase the program's customer satisfaction toward the 75th percentile for customer satisfaction in government.	External customer satisfaction score.	77.3	78.8	$ 725	77.4	$ 866
	Maximize customer savings through the use of GSA Transportation programs.	Freight savings.	Tracking Only	40%	$ 897	40.50%	$ 932
		Household goods savings.	Tracking Only	58%	$ 897	59%	$ 932
		Domestic Delivery Services Savings.	Tracking Only	69%	$ 897	70%	$ 932
	Incorporate automation in the audits process to ensure claims are processed in a timely manner.	Percent of audits performed electronically.	96%	92.40%	$ 8,991	96.50%	$ 5,694
		Percent of claims processed within 120 days.	75%	78.90%	$ 5,994	80%	$ 5,694
FAS (Transportation)	Reduce program operating costs.	Direct cost as a percent of revenue.	52%	48%	$ 2,616	51.50%	$ 2,565
FAS (Card Services -SmartPay)	Provide quality services to GSA customers as determined by satisfaction scores.	Overall customer satisfaction of GSA SmartPay Program.	Not Measured	Not Measured	$ -	63%	$ 3,833
		GSA SmartPay Conference Satisfaction as determined by attendee survey results.	92.5	91.2	$ 1,071	93	$ 982
	Provide timely information to customers as requested to meet their needs.	Timeliness of report submission.	Not Measured	Not Measured	$ -	>85%	$ 802
OCSC	Federal agencies and E-Gov initiatives using USA Services contact center services contract (FirstContract) to meet citizen information needs.	FirstContact and Web solutions task orders.	6 new, 12 total	14	$ 1,150	5 new, 19 total	$ 160
		Best Value Total	-	-	$2,069,370	-	$1,572,195.6

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Strategic Goals							
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006**			**FY 2007 Projected**	
			Target	**Actual**	**Dollars**	**Target**	**Dollars[1]**
Innovation							
PBS (Asset Management)	Reduce energy consumption in GSA Federal buildings by 4% (as measured by Btu/GSF) over the FY 2003 baseline by FY 2007.	Percent reduction in energy consumption over the FY 2003 baseline.	-2%	-4.40%	$ 35,941	-4%	$ 25,108
PBS (New Construction)	By FY 2007, register 50% of the New Construction program for LEED in the same fiscal year design funding is authorized.	Percent of New Construction program registered for LEED.	25%	100%	$ 17,346	50%	$ 19,473
OCSC	Enable a citizen-centric government by sharing the FirstGov infrastructure and e-Gov expertise with the President's E-Gov initiatives.	Citizen visits to USA.Gov Web sites.[4]	Not Measured	84.3M	$ 4,383	88M	$ -
		Uptime for FirstGov.[4]	99%	100%	$ 3,941	99.20%	$ -
		Number of search queries through FirstGov and FirstGov search.[4]	7.6M	10.8M	$ 6,239	11.3M	$ -
	Public acceptance and increased usage of all public information channels.	Citizen touchpoints.	128.8M	133M	$ 14,850	168.6M	$ 4,640
	Improvement in the quality of citizen web interactions across the government.	Government-wide Web site ASCI satisfaction benchmark.	73	73.7	$ 1,354	74	$ 50
OGP	Ensure OGP policy initiatives achieve improvement targets.	Extent to which OGP policy initiatives achieve improvement targets.	80%	100%	$ 9,638	84%	$ 12,969
	Ensure OGP policy initiatives are effective.	Percentage of key policy stakeholders and agency users who rate OGP policy initiatives effective.	80%	54%	$ 9,173	57%	$ 5,383
		Innovation Total	-	-	$ 102,865	-	$ 62,980
		Total	-	-	$ 9,008,907	-	$ 7,916,098

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Performance Measurement Data Validation and Verification

Each agency is required by the Government Performance and Results Act of 1993 (GPRA) and the Reports Consolidation Act of 2000 to certify the completeness and reliability of performance data and describe the method used to verify and validate this data. GSA accomplishes this requirement through the use of a survey.

The survey is issued to the Services and major Staff Offices on a rotating schedule. The survey is designed to ensure that each office has the proper procedures and processes in place to verify the validity and accuracy of the corresponding performance measurement data. A review of this method was conducted by the Office of Inspector General (OIG). The OIG found that GSA's system of internal controls over the performance measurement data was effective.

The survey focuses on seven specific areas:

- *Validity* – the extent to which the data adequately represents actual performance.
- *Completeness* – the extent to which enough of the data is collected from a sufficient portion of the target population.
- *Consistency* – the extent to which data is collected using the same procedures and definition across collectors and times.
- *Accuracy* – the extent to which data is free from significant error.
- *Timeliness* – whether data about performance is available when needed to improve program management and to report to Congress.
- *Ease of Use* – measures how easily information is obtainable.
- *Independent Evaluations* – were also reviewed to determine the accountability of the program.

GSA major systems are certified and accredited. Most data originates from one of the major systems. Reviews are conducted for the manually inputted data to identify any inconsistencies in the data. External data sources are reputable and backup data records are available. Periodic quality assurance reviews are conducted to ensure accuracy. Each organization has its own approach to checking for accuracy. The Federal Acquisition Service (FAS) has established Performance Management teams in addition to planning champions that check for accuracy. The Public Buildings Service (PBS) has national and regional points of contact that ensure the accuracy of the data. The Staff Offices have Regional and internal staff reviewing to check for accuracy. All performance data is available for viewing by all GSA associates in the Performance Measurement Tool (PMT), an Agency-wide used tool that displays all performance measures. This tool provides targets and results and is updated monthly, quarterly, and/or annually.

GSA uses a broad range of performance goals and measures. The data and the means to verify and validate the measures are also diverse. A general discussion of the verification and validation of each of those sources follows.

Controls and Procedures

GSA's performance measurement data can be divided into five types. The controls and procedures used to validate and verify each type are outlined below.

1. **FINANCIAL DATA:** During the FY 2007 financial statement audit, various tests and reviews of the core accounting system and internal controls were conducted as required by the Chief Financial Officers (CFO) Act. GSA's primary financial system is PEGASYS. This is GSA's official accounting system and is a reliable, highly stable system that processes over 40 million transactions a year. It also serves as the primary system for other feeder systems used throughout GSA.

2. **DATA FROM LARGE COMPUTER SYSTEMS:** GSA has undertaken an extensive process of systems certification to ensure that its computer systems operate as intended. Data quality is maintained through ongoing training. The Federal Procurement Data System (FPDS) and the System for Tracking and Administering Real Property (STAR) are the major large computer systems.

3. **DATA FROM MANUAL OR SMALL FEEDER COMPUTER SYSTEMS:** For these systems, GSA stresses confirmation that more than one person is responsible for data and written policy and procedures. There are a variety of manual and feeder systems such as: Transportation Accounts Receivable and Payable Systems; Requisitioning, Ordering, and Documentation System (ROADS); Sales Automation System (SASy); Rent Estimate (RentEst); Telecommunications Ordering and Pricing System (TOPS); Office of IT Integration Management Information System (OMIS);Tracking and Ordering System (TOS); IT Solutions Shop/Integrated Task Order Management System (ITSS/ITOMS): and Commercial Acquisition and Supply Operating and Management Information System (FSS-19).

4. **BENCHMARK DATA FROM EXTERNAL SOURCES:** GSA uses external data as a benchmark for those activities that are similar to the private sector. Highly reputable sources of data are used as industry benchmarks such as: the Gallup Organization, Building Owners and Managers Association (BOMA), Society of Industrial and Office Realtors (SIOR), and Logistics Management Institute (LMI).

5. **DATA OBTAINED UNDER CONTRACT:** Highly reputable outside polling firms are often contracted to develop customer satisfaction or other survey data. GSA's contract provisions require that sound business practices be followed and GSA follows up to ensure confidence in the results. The Gallup Organization is most often used because there is every assurance that the customer satisfaction information is credible, verifiable, and valid.

In accordance with the approved cycle, a second round of reviews has now been conducted for all Service and Staff Offices. Surveys have found that the controls are adequate to ensure the validity of the performance measurement data. Accuracy and reliability are determined through review of the underlying systems and procedures.

Financial Section

GSA's Federal Acquisition Service (FAS) has added an "Environmental Isle" to its GSA Advantage online store. (www.GSAadvantage.gov)

GSA's FAS provides contracts for environmentally friendly products and services like:

- *Waste management*
- *Reclamation, recycling, and disposal*
- *Energy Star products*
- *Compact fluorescent light bulbs*
- *Environmental planning services*
- *Recycled products*
- *Environmental compliance services*
- *Safer paints, cleaning, and other chemical products*

www.GSA.gov/green

Letter from the Chief Financial Officer

Last year I began by noting that regaining our unqualified "clean" opinion in fiscal year (FY) 2006 had imbued the General Services Administration (GSA) financial management community with a renewed sense of purpose and optimism. In FY 2007, the Office of the Chief Financial Officer (OCFO) worked hard to build on that success, making steady progress and laying the ground work for sustained excellence. I am happy to be able to report that GSA received another unqualified opinion on its 2007 financial statements. In addition, our Performance and Financial Performance Improvement initiatives under the President's Management Agenda (PMA) were rated by the Office of Management and Budget (OMB) as "green" for both status and progress.

Kathleen Turco

A major accomplishment this past year was the publication of the new GSA Strategic Plan. The plan establishes a new mission, new goals, and re-affirms our core values. The plan fulfills requirements of the Chief Financial Officers (CFO) Act and the Government Performance and Results Act (GPRA) related to the integration of performance management and budgets. The plan guides GSA operations, including financial services, and provides meaning and significance to the financial statements.

GSA made significant progress in FY 2007 toward full integration of performance management into our budget process. Such integration provides the Agency's senior leaders with the robust financial analysis required to support timely and effective strategic planning and decision-making.

Throughout the GSA financial management community, we are continuing to further improve internal control. For example, two years ago the Federal Acquisition Service (FAS) was required to adjust its books by hundreds of millions of dollars from statistical sampling efforts. In FY 2007, our financial statement auditors concluded that they could rely on FAS internal control and no statistical samples were necessary. In addition, we pursued a variety of financial management and systems initiatives designed to improve our ability to provide professional, value-added financial services to our customers at the lowest possible cost.

As the OCFO becomes increasingly reliant on its Information Technology (IT) systems, it needs to ensure that system controls are designed and implemented effectively. Recently, IT system control requirements have increased without increases in staffing or financial resources. To address this challenge, the OCFO has endeavored to work closely with others to ensure that IT system controls are managed in a risk-based and cost-effective manner. During FY 2007, certain vulnerabilities were noted with respect to information and system access controls. Actions were initiated to effectively limit information and systems access on a need-to-know basis, thereby improving IT security controls.

Our commitment to providing transparency and accountability in budget, financial management, policy, and operations remains strong.

Kathleen M. Turco

Kathleen M. Turco

Chief Financial Officer

November 9, 2007

Office of the Chief Financial Officer Major Accomplishments

GSA associates' time, efforts, and dedication are reflected in GSA's success.

GSA BUDGET DEVELOPMENT

Major improvements were made to the GSA Performance Management Process (PMP) in FY 2007, significantly improving its utility in formulating the FY 2009 GSA budget submission. Most notably, the improved process required that all proposed FY 2009 budget initiatives include quantifiable estimates of the associated return on investment and/or increase in performance. Using the improved PMP process, the GSA Administrator was provided with comprehensive, data driven financial and performance analysis, allowing her to make informed budget decisions. As a result, GSA delivered an FY 2009 budget submission to OMB that was both within OMB's guidance and fully consistent with the Administrator's policy and fiscal goals.

In its role as the Controller for GSA's General Management and Administration (GM&A) functions, the OCFO worked hard to support the Administrator's goal of reducing the cost of services provided to GSA's customers. Providing common support functions such as human resources, financial management, and information management centrally to all GSA organizations significantly reduces their total cost to the Agency. Through aggressive application of the Performance Management Process (PMP) and extensive, cooperative interaction with the GM&A service providers, the OCFO was able to reduce GM&A costs in the FY 2007 budget by nine percent, a saving of over $15 million from FY 2006.

ORGANIZATION AND PROCESS IMPROVEMENTS

In FY 2007, the OCFO continued the development and implementation of the Federal Integrated Solutions Center (FISC) as a means to facilitate GSA's role as a financial management shared service provider. The FISC provides integrated shared services that enhance effectiveness, improve efficiency, and reduce risk for Federal government agencies, enabling them to focus on their core missions. The OCFO's FY 2007 focus was on standing up FISC services and establishing partnerships with small to mid-sized agencies to deliver these services. GSA's long-term goal is for the FISC to become the leading provider of expert, integrated process, technology, and management solutions to Federal government agencies.

Financial transaction and system operations are at the core of the services provided by the GSA financial management community. The OCFO delivers these services both internally to GSA and externally to other governmental agencies and commissions. Pursuant to GSA's goal to be a government-wide leader in these business offerings, GSA is working to achieve efficiencies by streamlining financial transaction processing. During FY 2007, the OCFO completed an initiative to map out all of the processes required to perform accounts receivable, accounts payable, asset management, cash and disbursement operations, and financial reporting services. This initiative identified a number of potential process improvements for study and improvement during FY 2008.

Another key financial initiative was the creation of the OCFO Executive Scorecard. To ensure that GSA is managing its customer's money in full compliance with all statutory requirements, the OCFO began producing aging reports on unfilled customer orders, accounts receivable, accounts payable, obligations, and Charge Card logging. These reports were consolidated into a monthly OCFO Executive Scorecard which helps focus GSA financial staff and senior management on older and possibly invalid data residing in its systems. The scorecard provides managers with an unambiguous snapshot of current organization performance and indicates where management attention should be focused to prevent future problems. The OCFO Executive Scorecard has successfully focused GSA financial management resources on identifying errant data and purging it from GSA financial systems, helping to ensure the financial integrity of GSA and its customers. .

In the area of financial management systems, GSA is working to implement a world class shared services financial system enterprise that meets customer needs and positions GSA to provide efficient and effective IT services, today and for the long term. Throughout FY 2007, the OCFO worked to unify GSA financial management systems operations through Financial Management Enterprise Architecture (FMEA), replace GSA's remaining legacy financial system modules, simplify financial management information access, and offer a high-quality delivery of services that meet GSA customer requirements. As part of its continuing effort to modernize GSA's financial applications, GSA implemented cost allocation, vendor self-service, and E-Gov Travel modules, with implementation of E-authentication planned for the near future. In addition, final planning and acquisitions are underway for two major functional areas—billing and accounts receivable, and asset management. Much of the required development and planning work was completed in FY 2007, positioning GSA to begin implementation in FY 2008. The OCFO also works diligently to ensure that GSA was in full compliance with all Federal financial management systems requirements. A significant step was implementation of a major version upgrade to GSA's financial management commercial-off-the-shelf (COTS) application to help maintain Financial System Integration Office (FSIO) compliance.

INTERNAL CONTROLS AND AUDITS

GSA made a major effort in FY 2007 to further implement the latest A-123 policy management and internal control requirements throughout GSA's nationwide programs. To achieve these new mandatory government-wide requirements, the OCFO expanded the process of conducting risk assessments for all GSA programs, incorporating risk-based testing into internal control reviews, and tracking implementation of internal control review recommendations. In addition, the OCFO established a fully functional internal control database, providing all GSA employees with a central location to electronically complete assurance statements, risk assessments, and internal control reviews. The OCFO also significantly improved its automated system for tracking audits and required follow-up actions. As a result, GSA was able to meet all of its audit deadlines on time in FY 2007.

INDEPENDENT AUDITOR'S REPORT

U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

November 8, 2007

MEMORANDUM FOR LURITA DOAN
ADMINISTRATOR (A)

KATHLEEN M. TURCO
CHIEF FINANCIAL OFFICER (B)

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: Audit of the General Services Administration's Fiscal Years 2007 and 2006 Financial Statements

This memorandum transmits PricewaterhouseCoopers, LLP's (PwC), an independent certified public accounting firm, report on its audit of the General Services Administration's (GSA) financial statements as of September 30, 2007 and 2006, and for years then ended, and the Office of Inspector General's (OIG) Report on Internal Controls over Performance Measures.

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires GSA's OIG or an independent external auditor, as determined by the OIG, to audit the Agency's financial statements. Under a contract monitored by the OIG, PwC performed the Fiscal Years 2007 and 2006 Financial Statements Audit of GSA. The contract required that the audit be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

Results of Independent Audit

Report on the Financial Statements of GSA, the Federal Buildings Fund, and the Acquisition Services Fund

In PwC's opinion, the financial statements of GSA, the Federal Buildings Fund, and the Acquisition Services Fund presented fairly, in all material respects, the balance sheets, as of September 30, 2007 and 2006, the related consolidated and individual statements of net cost, changes in net position, and the combined statement of budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

1800 F Street, NW, Washington, DC 20405-0002

Report on Internal Controls

In its report on internal controls over financial reporting, PwC determined that GSA, the Federal Buildings Fund, and the Acquisition Services Fund had no material weaknesses. However, PwC identified two significant deficiencies concerning GSA's need to (1) improve the controls over monitoring, accounting, and reporting of budgetary transactions and (2) strengthen system access, separation of duties, and monitoring controls.

Compliance with Laws and Regulations

PwC also reported no reportable instances of GSA non-compliance with applicable laws and regulations specified in Appendix E of OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. In addition, PwC found no reportable instances of non-compliance in which GSA's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act (FFMIA).

OIG Evaluation of PwC's Audit Performance

To ensure the quality of the audit work performed, we conducted a review of PwC's Fiscal Years 2007 and 2006 Financial Statements Audit of GSA. Specifically, we:

- Reviewed and accepted PwC's approach and planning of the audit;
- Ensured the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Reviewed and accepted PwC's audit report; and
- Performed other procedures we deemed necessary.

PwC is responsible for the attached auditor report dated November 8, 2007, and the conclusions expressed therein. We do not express an opinion on GSA's financial statements; internal controls; or on whether GSA's financial management systems substantially complied with FFMIA; or compliance with laws and regulations.

Independent Auditor's Report

Report on Internal Controls Over Performance Measures

In accordance with OMB Bulletin No. 07-04, the OIG performed the necessary audit procedures to obtain an understanding of the design and operation of internal controls over the reliability of data supporting the performance measures reported in the Management Discussion and Analysis section of GSA's Fiscal Year 2007 Annual Performance and Accountability Report. Our review found that these internal controls as designed by the Office of the Chief Financial Officer (OCFO) are operating effectively.

The Office of Inspector General appreciates the courtesies and cooperation extended to PwC and to our audit staff during the audit and review. If you or your staff has any questions, please contact Andrew Patchan Jr., Assistant Inspector General for Auditing at (202) 501-0374.

Attachments

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To Mr. Brian Miller
Inspector General of the United States General Services Administration

In our audits of the United States General Services Administration (GSA) and its two primary revolving funds, the Federal Buildings Fund (the FBF), and the Acquisition Services Fund (the ASF) we found:

- The balance sheets of GSA, the FBF, and the ASF, as of September 30, 2007 and 2006, and the related consolidated and individual statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

- GSA, the FBF, and the ASF had no material weaknesses in internal control over financial reporting.

- No reportable instances of non-compliance with the applicable laws and regulations we tested, as specified in Appendix E of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

- No reportable instances of non-compliance in which GSA's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act (FFMIA).

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of the GSA and the individual balance sheets of the FBF, and the ASF as of September 30, 2007 and 2006, and the related consolidated and individual statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended. These financial statements are the responsibility of GSA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Bulletin No. 07-04. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of GSA, the FBF, and the ASF at September 30, 2007 and 2006, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control

In planning and performing our audit, we considered GSA's, the FBF's, and the ASF's internal control over financial reporting by obtaining an understanding of the design effectiveness of GSA's, the FBF's and the ASF's internal control, determining whether these controls had been placed in operation, assessing control risk, and performing tests of the GSA's, the FBF's, and the ASF's controls in order to determine our auditing procedures for the purpose of expressing our opinions on the consolidated, combined, and individual financial statements, where applicable, and not to provide an opinion on the internal controls. Accordingly, we do not express an opinion on the effectiveness of the GSA's, the FBF's and the ASF's internal control over financial reporting.

We limited our control testing to those controls necessary to achieve the following OMB control objectives, except for the provisions of paragraph 6.11 of OMB Bulletin No. 07-04, relating to internal control over performance measures, that provide reasonable, but not absolute assurance, that: (1) transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated, combined, and individual financial statements in accordance with accounting principles generally accepted in the United States of America, and to safeguard assets against loss from unauthorized acquisition, use, or disposition; (2) transactions are executed in compliance with laws governing the use of budget authority, government-wide policies and laws identified in Appendix E of OMB Bulletin No. 07-04, and other laws and regulations that could have a direct and material effect on the consolidated and combined financial statements; and (3) transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management. The work required by the provisions of paragraph 6.11 relating to internal control over performance measures was performed by the GSA Office of Inspector General, and the objective of that work was to gain an understanding of and report deficiencies in the design of internal control over performance measures, rather than to plan the financial statement audit.

We did not test all internal controls relevant to the operating objectives broadly defined by the Federal Managers' Financial Integrity Act of 1982.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the GSA's, the FBF's, and the ASF's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the GSA's, the FBF's, and the ASF's financial statements that is more than inconsequential will not be prevented or detected by the GSA's, the FBF's, and the ASF's internal control.

We identified certain deficiencies in internal control that we consider to be significant deficiencies. These deficiencies are:

The Public Buildings Service (PBS) controls over monitoring, accounting, and reporting of budgetary transactions need improvement

Significant Deficiency

In prior fiscal years, PricewaterhouseCoopers LLP (PwC) has reported in its Report of Independent Auditors on Internal Control, reportable conditions surrounding GSA's financial management systems, its processes, and substantial transaction errors resulting from insufficient controls related to reporting of budgetary accounts and balances. During fiscal year 2007, the GSA Office of the Chief Financial Officer (OCFO) issued policies to each GSA Service (PBS and Federal Acquisition Service) to address the need to strengthen internal controls over budgetary balances to mitigate known weaknesses in the transaction level controls. These policies require semi-annual reviews and certifications of Undelivered Orders (UDOs), Delivered Orders (DOs), and unfilled customer orders (UFCOs); performing reconciliations of subsystems and business systems to the general ledger; developing policies and procedures to identify invalid contracts based on procurement regulations; performing reviews of budgetary entries at the transaction level; and maintaining quarterly performance data by region.

While tangible progress was made by management, control weaknesses continued to exist. These control weaknesses exist in both the design and operating effectiveness of management's controls. We performed tests of controls related to the processing, recording, reporting, and monitoring of budgetary transactions. We observed the following continued weaknesses in the FBF during fiscal year 2007:

Financial Management Weaknesses

During fiscal year 2007, PBS and Federal Acquisition Service (FAS) management instituted the OCFO policy. However, we noted that the design of the mitigating control over obligations is not extensive enough to ensure that all material populations of transactions are addressed. The current control is a review of UDO, DO, and UFCO transactions based on predefined percentages, dollar thresholds, and the number of days since last activity. The design of this control results in a material population of transactions that is not reviewed by management during each semi-annual review process.

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We noted differences in the implementation of the policy described above by PBS and FAS. While both PBS and FAS executed upon the required policy, FAS management proactively implemented additional controls to aggressively address the risk related to the transactions not covered via the original OCFO guidance. In addition to performing the semi-annual review required by the OCFO, FAS management performs a more detailed monthly review that targets testing of the high risk items to mitigate the risk of potential invalid UDO, DO, and UFCO transactions that are included in the initial not reviewed balance. PwC's tests of ASF controls did not evidence the need to expand testing over its budgetary accounts.

However, as part of PBS management's review of its November 2006, balances, we noted that a material balance of $1.8 billion dollars in open obligations and $600 million of UFCOs was not reviewed by management, which increases the risk that material misstatements may occur and not be detected by management throughout their normal course of business. In our interim test of controls, we noted errors in the population of transactions that were not reviewed by management, as well as errors in the population of transactions that were part of management's semi-annual review. We also noted PBS' failure to return spending authority to customer agencies for expired obligations and where bona fide needs for UFCOs ceased to exist, due to continued weaknesses in controls over these budgetary transactions. In July 2007, PBS management subsequently performed a minimal review of 70 obligations that were in their previously not reviewed population.

Transaction Level Errors

Underlying transaction level errors during our interim controls tests included instances of both overstatements and understatements of: 1) UDOs, which represent GSA's obligations to vendors for goods and services ordered on behalf of customer agencies; and 2) DOs, which represent GSA's obligations to vendors for goods and services received. The design of GSA's internal control over the management of obligations are not adequate to ensure recorded obligations are valid and complete to determine the timely removal of liquidated obligations and the accurate classification between undelivered orders and accounts payable at year-end. In our interim sample of 45 obligation transactions, we noted 14 errors.

PwC also reviewed Reimbursable Work Authorization agreements (RWAs) for FBF and noted instances in which RWAs did not have adequate documentation to support a valid UFCO balance. There were also instances of long outstanding and inactive RWAs. In our interim sample of 45 UFCO transactions, we noted four errors.

In response to the design weakness and accounting errors determined through PwC's interim audit tests, PBS management developed a remediation plan to conduct a full management review of a statistical sample of its UDO, DO, and UFCO transactions as of July 31, 2007, and a second statistical sample of September transactions. The sampling was undertaken to identify incorrect transactions and correct the September 30, 2007, UDO, DO, and UFCO account balances.

As described in the following table, management's statistical sampling revealed significant transaction-level errors that misstated the originally recorded balances. Based upon the extrapolation of the sampling error

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rates to the September 30, 2007, balances, as well as transactions assumed to be 100% in error for statistical sampling purposes, management recorded the following adjustments.

Population Sampled by Management	Adjustments Needed to Correct Errors in Budgetary Account Balances (dollars in millions)
UDOs	$74
DOs	$37
UFCOs	$165

PwC tested a subset of 45 transactions that were subject to management's statistical sampling process and noted one error in this test of 45 transactions which was subject to the additional level of scrutiny by FBF management. Furthermore, PwC also performed tests of controls over the cut-off of UDOs reported at year end. In the sample of UDOs we tested, we noted two out of six UDO transactions were executed in fiscal year 2007, but not entered into the financial system until fiscal year 2008. Corrections were made for these items as a result of our review.

Our control evaluation demonstrated that while policies and processes have been implemented, and monitoring of down-stream control processes was performed by PBS' financial management community, there exists a need for further evaluation and improvement of FBF's controls over UDOs, DOs, and UFCOs. PBS needs to continue to drive financial management and reporting initiatives and improvements throughout the various regional offices and districts. Continuation of these practices, without the institution of sufficient routine and mitigating controls, will continue to heighten PBS' risk that material errors will not be prevented or detected in its budgetary accounts in interim and annual financial reports.

According to OMB Circular No. A-123, *Management's Responsibility for Internal Control*:

- The control environment is the organizational structure and culture created by management and employees to sustain organizational support for effective internal control. Within the organizational structure, management must clearly: define areas of authority and responsibility; appropriately delegate the authority and responsibility throughout the agency; and establish a suitable hierarchy for reporting. Management's commitment to establishing and maintaining effective internal control should cascade down and permeate the organization's control environment which will aid in the successful implementation of internal control systems.

- Control activities include policies, procedures and mechanisms in place to help ensure that agency objectives are met. Several examples include: proper segregation of duties (separate personnel with authority to authorize a transaction, process the transaction, and review the transaction); physical controls over assets (limited access to inventories or equipment); proper authorization; and appropriate documentation and access to that documentation. Application control should be

INDEPENDENT AUDITOR'S REPORT

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designed to ensure that transactions are properly authorized and processed accurately and that the data is valid and complete.

- Monitoring the effectiveness of internal control should occur in the normal course of business. In addition, periodic reviews, reconciliations or comparisons of data should be included as part of the regular assigned duties of personnel. Periodic assessments should be integrated as part of management's continuous monitoring of internal control, which should be ingrained in PBS' operations. If an effective continuous monitoring program is in place, it can level the resources needed to maintain effective internal controls throughout the year.

- Deficiencies identified whether through internal review or by an external audit should be evaluated and corrected. A systematic process should be in place for addressing deficiencies.

A goal of the Chief Financial Officers (CFO) Act is to improve accounting and financial management practices by providing management with the full range of information needed for day-to-day management. The Federal Financial Management Improvement Act of 1996 (FFMIA) builds on the foundation laid by the CFO Act by emphasizing the need for agencies to have financial management systems that can generate reliable, useful, and timely information with which to make fully informed decisions and to ensure accountability on an ongoing basis. Specifically, section 803(a) of the FFMIA requires each agency to implement and maintain systems that comply substantially with: (1) the Federal financial management systems requirements; (2) the applicable Federal accounting standards; and (3) the United States Standard General Ledger at the transaction level.

Recommendation:

We recommend that PBS:

- Perform a critical analysis of the transaction level control activities and monitoring controls used for substantiating FBF's budgetary transactions. This analysis should include a variety of criteria, including dollar thresholds, risk, type, complexity, activity, and populations of transactions not subject to management review.

- If changes to underlying transaction level or monitoring controls are not implemented, PBS should perform ongoing statistical sampling of its budgetary transactions to address the identified control weaknesses.

- Ensure compliance with policies and procedures to prepare and monitor budgetary accounting and reporting on a routine basis, which includes supervisory reviews, analytical procedures, and data validation, and ensure that activities are in compliance with the applicable guidance.

- Expand upon the implementation of OMB Circular A-123 to address root causes of budgetary reporting control weaknesses across the breadth and depth of the financial reporting process -- from the level of transaction initiation, through all processing and monitoring activities, through

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the preparation of interim and annual financial reports. Effective remediation should be instituted to implement needed reforms to the control environment, risk assessment processes, control activities, information and communication, and monitoring elements of GSA's integrated internal control system. GSA's assessment and remediation should encompass operating activities that may occur indirectly or outside of the finance function -- such as contract management -- but which have a direct and fundamental impact upon the complete, accurate, and reliable reporting of transaction-level information.

Management's Response:

We are encouraged by the fact that the Federal Acquisition Service has successfully addressed the recommendations noted in the prior year's reportable condition and is not noted in this year's significant deficiency. Additionally, the Public Building Service has declining statistical error projections over budgetary populations in prior year samplings. However, more work remains. We plan to review our existing corrective action plans on this subject as well as our auditor's recommendations and develop revised corrective action plans to further improve our internal control in this area.

GSA needs to strengthen system access, separation of duties, and monitoring controls

Significant Deficiency

During fiscal year 2007, testing evidenced security weaknesses across the Office of the Chief Information Officer (OCIO) and the PBS. Specifically, control deficiencies were identified that indicate the need for continued progress to address weaknesses within GSA's logical access controls, segregation of duties, and monitoring of user actions. These control deficiencies create exposure risks and vulnerability to financial data and OCFO system operations. Similar weaknesses were identified and subsequently corrected in different applications and Service Lines in prior year audits. Our testing indicated the following:

1. Inadequate procedures for granting access and maintaining completed access authorizations:
   - Policies and procedures did not exist for performing periodic user recertification for the Inventory Reporting Information System (IRIS) and the RWA Entry and Tracking Application (RETA).
   - Accounts for separated users were not removed in a timely manner from IRIS and the Region 6 Local Area Network (LAN).
   - Access authorizations were not properly completed for operating system and standard user logical access to the Region 6 LAN.

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2. Weak segregation of user and administrator duties:
   - Administrator accounts with access to the Oracle environment in IRIS were shared by multiple individuals with little accountability for user actions.
   - Administrator accounts in IRIS were not restricted from accessing production data.
3. Weak monitoring of application and system audit trails and violation reports of user actions:
   - The logging capability and review process for IRIS and the System for Tracking and Administering Real Property (STAR) logs needs enhancement.
   - Procedures did not exist for performing a periodic, documented review of user security monitoring and violation reports for the Region 6 LAN.
   - Monitoring of administrator security logs and violation reports were not performed and documented for the Region 6 LAN.
4. Documentation provided to support that controls over Access Controls, System Software, Service Continuity, and Segregation of Duties for the OCIO Enterprise Infrastructure Operations (EIO) LAN were operating effectively was incomplete and did not provide evidence on the operational effectiveness of all EIO controls. Controls within Security Planning were tested with no noted deficiencies.

These weaknesses expose GSA's financial management systems and resources to the following risks:

- Failure to maintain documentation of user authorizations and performance of recertification procedures presents the risk that unauthorized users can have access to the applications that is not commensurate with their current job responsibilities, and potentially affect the integrity of the financial data.
- Failure to remove accounts upon separation presents the risk that unauthorized users can have access to the applications, and potentially affect the confidentiality and integrity of the financial data.
- Lack of enforcement of separation of duties policies and procedures exposes the applications to the risk that certain users (IT management staff and end users) could obtain the ability to perform multiple critical system maintenance tasks and initiate and approve transactions without adequate oversight and limitations. This violation of the concept of "least privilege" may lead to an environment more conducive to fraudulent activity and/or inaccurate processing of financial data, ultimately affecting the integrity of the financial statements.
- Allowing administrator accounts with shared passwords creates an environment where malicious or inadvertent activity could occur with little or no individual accountability or audit trail.

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Multiple users accessing sensitive system functions under the same user account detracts from the ability to trace system events and actions to specific users. This creates a risk from a financial reporting perspective if the application feeds financial data to the general ledger, and ultimately the financial statements.

- Without a timely and formal review of user activity logs and violation reports, critical financial data may be corrupted, potentially affecting the financial statements. Furthermore, the lack of formal review of these logs invites the possibility of improper user activity going undetected or uncorrected.

The combination of these risks results in users having potentially unauthorized and unmonitored access to the applications that support financial line items, and potentially having the ability to perform unauthorized transactions and updates without being detected.

Recommendation:

The OCIO, OCFO, and PBS management should coordinate an implementation plan Agency-wide to strengthen general and application security controls by taking actions to improve:

- Procedures for performing user access recertification;
- Completion and maintenance of access authorizations;
- Procedures for removing user access for separated individuals;
- Access role structures to ensure compliance with separation of duties and least privilege policies; and
- Monitoring and review of user and administrator security logs and violation reports.

Management's Response:

GSA Management is currently reviewing the details and findings supporting this significant deficiency and will have detailed corrective action plans drafted by calendar year-end. As noted in the Follow-up on Previous Report section of this report, we have closed similar issues in other systems that were reviewed in prior year audits and anticipate employing those procedures for the systems noted in this year's significant deficiency.

* * *

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the GSA's, the FBF's, and the ASF's internal control.

Independent Auditor's Report

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Our consideration of internal control was for the limited purpose described in the Internal Control section of this report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

As required by *Government Auditing Standards*, our discussion of significant deficiencies within this report includes management's response to our recommendations. Management describes corrective actions it has taken subsequent to our performance of internal control testing. We have not performed additional procedures to validate the corrective actions management has described.

Follow-up on Previous Report

As required by Government Auditing Standards and OMB Bulletin No. 07-04, we have reviewed the status of the GSA's corrective actions with respect to findings and recommendations from our prior audits. The analysis below provides our assessment of the progress GSA, the FBF, and the ASF have made in correcting the reportable conditions identified during our prior year audits. We also provide the year where this condition was last reported, our recommendation for improvement, and the status of the condition as of the end of fiscal year 2007:

Report	Reportable Condition	Status
2006	Reportable Condition: Controls over monitoring, accounting, and reporting of budgetary transactions need improvement. Recommendation: GSA with OCFO oversight should: • Ensure compliance with policies and procedures to prepare and monitor budgetary accounting and reporting on a routine basis, which include supervisory reviews, analytical procedures, and data validation, and ensure that activities are in compliance with the applicable guidance. • Enhance service line business system capabilities to enable the timely and accurate transmission of budgetary reporting requirements to Pegasys. • Continue its internal quality reviews and maintain evidence of monitoring controls, specifically supervisory reviews on a quarterly basis, to ensure compliance with laws and regulations and to validate the presentation of the statement of budgetary resources and the financial statements. • Expand upon the implementation of OMB Circular A-123 to address root causes of budgetary reporting control weaknesses across the breadth and depth of the financial reporting process, from the level of transaction initiation, through all processing activities, through the preparation of interim and annual financial reports. Effective remediation should be instituted to implement needed reforms to the control environment, risk assessment	Partially Resolved

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Report	Reportable Condition	Status
	processes, control activities, information and communication, and monitoring elements of GSA's integrated internal control system. GSA's assessment and remediation should encompass operating activities that may occur indirectly or outside of the finance function -- such as contract management -- but which have a direct and fundamental impact upon the complete, accurate, and reliable reporting of transaction-level information.	
2006	Reportable Condition: GSA needs to strengthen system access, separation of duties, and monitoring controls. Recommendation: GSA management should strengthen network and application security controls by taking actions to improve: • Completion and maintenance of access authorizations; • Procedures for performing user access recertification; • Procedures for requesting and granting access to applications; • Access role structures to ensure compliance with separation of duties and least privilege policies; and • Monitoring and review of user security logs and violation reports.	Closed
2006	Reportable Condition: Controls over accounting, reporting, and monitoring of construction in process projects continue to need improvement. Recommendation: PBS should: • Work with the GSA OCFO on replacing RPADS with an Asset Management Module integrated with Pegasys that enables the reporting of CIP transactions at the individual asset level. This will reduce the number of summary adjustments made to the financial statements for financial reporting purposes. • Enhance the capabilities of IRIS to include budgetary and proprietary accounting related information at the asset level within an ASID. • Continue its efforts to communicate the definition of “substantial completion” to its Regional offices. • Continue to enforce its control procedures at the project level, to ensure that substantially complete CIP projects are transferred to the appropriate asset account in a timely manner. • Implement Regional procedures that require expensing items from CIP when a project is cancelled or when the item does not meet the definition of a capital asset. • As enhancements are implemented, management should perform compensating detective controls aimed at resolving potential financial reporting errors.	Partially Resolved Remaining matters have been communicated in a separate letter to management.

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We noted other matters involving the GSA's, the FBF's, and the ASF's internal control that we will communicate to management in a separate letter.

Report on Compliance with Applicable Laws and Regulations

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the compliance with laws and regulations including laws governing the use of budgetary authority, laws, regulations, and government-wide policies identified in Appendix E of OMB Bulletin No. 07-04 and other laws, non-compliance with which could have a direct and material effect on the determination of consolidated and combined financial statements. Under FFMIA, we are required to report whether the GSA's, the FBF's, and the ASF's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

We limited our tests of compliance to the provisions of laws and regulations referred to in the preceding paragraph. Providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed the following instance of possible non-compliance with laws and regulations discussed in the preceding paragraph exclusive of FFMIA or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04.

FAS contracting practices

In a letter dated October 27, 2006, the GSA Office of General Counsel (OGC) communicated to GSA management 14 matters involving possible infractions on the part of GSA related to the Anti Deficiency Act and Purpose Statute. Of the 14 matters, ten were fixed during the fiscal year as a result of corrective funding provided by the Department of Defense (DoD). Of the remaining four matters, the GSA OGC determined that these can be fixed provided that the DoD can supply corrective funding.

Management's response: We are continuing to work with our respective trading partner for allowable funding and are confident we can ultimately remedy the four remaining matters.

Under FFMIA, we are required to report whether GSA's, the FBF's, and the ASF's financial management systems substantially comply with: (1) the Federal financial management systems requirements; (2) the applicable Federal accounting standards; and (3) the United States Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA.

The results of our tests disclosed no instances in which GSA's, the FBF's, and the ASF's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

PRICEWATERHOUSECOOPERS

Other Information

The Management's Discussion and Analysis (MD&A), and Required Supplementary Information (RSI) are not a required part of the financial statements but are supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements.* We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and RSI. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated and combined, and individual financial statements of the GSA taken as a whole. The other accompanying information included in this performance and accountability report is presented for purposes of additional analysis and are not a required part of the consolidated and combined, or individual financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated and combined, and individual financial statements and, accordingly, we express no opinion on them.

* * *

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

PricewaterhouseCoopers LLP

November 8, 2007

INDEPENDENT AUDITOR'S REPORT

U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

October 22, 2007

MEMORANDUM FOR LURITA DOAN
ADMINISTRATOR (A)

KATHLEEN M. TURCO
CHIEF FINANCIAL OFFICER (B)

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: Report on Internal Controls Over Performance Measures
Report Number: A070214/B/F/F08002

This report presents the results of the Office of Inspector General's (OIG) review regarding the design and operation of the system of internal controls over performance measures reported in the Management Discussion and Analysis section of the General Services Administration's (GSA) Fiscal Year 2007 Performance and Accountability Report. This report also describes our audit responsibilities for conducting the performance measure review.

Scope and Methodology

Under a contract monitored by the OIG, PricewaterhouseCooopers, LLP performed the audit of GSA's Fiscal Year 2007 Financial Statements. However, the portion of the audit related to internal controls over performance measures was performed by the OIG. During our review, we made an assessment of whether the data and procedures supporting the performance measures exist and are complete to ensure reliable reporting of GSA's performance measures. To obtain an understanding of the controls in place, we examined current GSA Government Performance and Results Act reporting policy and met with officials from the Office of the Chief Financial Officer (OCFO) regarding compliance with the policy. We also reviewed documentation provided by OCFO officials and performed tests that demonstrated that internal controls were in place and operating effectively. Specifically, we obtained and reviewed responses to the Verification and Validation questionnaire prepared by the OCFO and submitted to the designated officials of Federal Acquisition Service's legacy Federal Technology Service. Our procedures were not designed to provide an opinion on internal controls over reported performance measures. Accordingly, we do not express an opinion on such controls.

1800 F Street, NW, Washington, DC 20405-0002

We conducted this review in accordance with generally accepted government auditing standards, as well as the provisions set forth in the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, related to performance measures. Starting in Fiscal Year 2008, OMB Bulletin No. 07-04 rescinds the requirement for this review.

Results of Audit

The internal controls designed by the OCFO over GSA's performance measure data reported in the Management Discussion and Analysis Section of the Agency's Fiscal Year 2007 Performance and Accountability Report are operating effectively.

In accordance with GSA Order CFO 2170.1, "Performance Measurement Data Verification and Validation Procedures," a cyclical review of the performance measure data reported by each Service and Staff Office is required. Our review found that in accordance with this Order, the OCFO performed and documented the required review of performance measure data, and that the conclusions therein were adequately supported.

We would like to thank the staff of the Office of the Chief Financial Officer for the assistance provided during our review. Should you or your staff have any questions, please feel free to contact me directly or the audit manager for this review, Anthony Mitchell, on (202) 501-0006.

Principal Financial Statements

CONSOLIDATING STATEMENTS OF NET COST

For the Fiscal Years Ended September 30, 2007 and 2006
(Dollars in Millions)

	2007	2006
FEDERAL BUILDINGS FUND		
Revenues:		
Building Operations - Government-Owned	**$ 3,822**	$ 3,740
Building Operations - Leased	**5,051**	4,769
Expenses:		
Building Operations - Government-Owned	**3,182**	3,188
Building Operations - Leased	**5,133**	4,714
Net Revenues From (Cost of) Operations	**558**	607
ACQUISITION SERVICES FUND		
Revenues:		
IT Solutions	**3,136**	3,700
Network Services	**1,132**	1,208
Global Supply Operations	**1,085**	1,029
Vehicle Acquisition and Leasing	**1,717**	1,526
Commercial Acquisition	**396**	424
Professional Services	**572**	661
Other Programs	**104**	62
Revenues Subtotal	**8,142**	8,610
Expenses:		
IT Solutions	**3,202**	3,852
Network Services	**1,114**	1,167
Global Supply Operations	**1,062**	1,005
Vehicle Acquisition and Leasing	**1,625**	1,465
Commercial Acquisition	**356**	368
Professional Services	**573**	675
Other Programs	**88**	66
Expenses Subtotal	**8,020**	8,598
Net Revenues From (Cost of) Operations	**122**	12

Continued from previous page

	2007	2006
OTHER FUNDS		
Revenues:		
Working Capital Fund	**356**	367
GSA OE and OGP Funds	**17**	20
Other Funds	**19**	13
Expenses:		
Working Capital Fund	**358**	372
GSA OE and OGP Funds	**156**	160
Other Funds	**103**	110
Net Revenues From (Cost of) Operations	**(225)**	(242)
LESS: INTRA-GSA ELIMINATIONS (NOTE 1-B)		
Revenues	**534**	579
Expenses	**567**	611
GSA CONSOLIDATED		
Revenues	**16,873**	16,940
Expenses	**16,385**	16,531
Net Revenues From (Cost of) Operations	**$ 488**	$ 409

The accompanying notes are an integral part of these statements.

Principal Financial Statements

CONSOLIDATING BALANCE SHEETS

As of September 30, 2007 and 2006
(Dollars in Millions)

	Federal Buildings Fund 2007	Federal Buildings Fund 2006	Acquisition Services Fund 2007	Acquisition Services Fund 2006
ASSETS				
Intragovernmental Assets:				
Funds with U.S. Treasury (Notes 1-D,2)	$ 5,620	$ 5,606	$ 782	$ 678
Accounts Receivable - Federal, Net (Note 4)	334	295	1,032	1,206
Prepaid Expenses and Advances - Federal	-	6	4	4
Total Intragovernmental	5,954	5,907	1,818	1,888
Inventories (Note 1-E)	6	6	219	246
Accounts Receivable - Public, Net (Note 4)	22	11	78	90
Prepaid Expenses and Advances - Public	1	20	-	-
Other Assets	27	12	8	10
Property and Equipment (Notes 1-F,5):				
Buildings	27,656	25,764	-	-
Leasehold Improvements	263	207	25	24
Telecommunications and ADP Equipment	-	-	100	104
Motor Vehicles	-	-	4,086	3,935
Other Equipment	88	76	163	157
Less: Accumulated Depreciation and Amortization	(13,743)	(12,760)	(1,465)	(1,421)
Subtotal	14,264	13,287	2,909	2,799
Land	1,485	1,438	-	-
Construction in Process and Software in Development	1,723	2,118	6	16
Total Property and Equipment	17,472	16,843	2,915	2,815
Total Assets	$ 23,482	$ 22,799	$ 5,038	$ 5,049
LIABILITIES AND NET POSITION				
Intragovernmental Liabilities:				
Accounts Payable and Accrued Expenses - Federal	$ 61	$ 75	$ 21	$ 21
Deferred Revenue and Advances - Federal	10	13	68	112
Intragovernmental Debt (Note 6)	2,151	2,192	-	-
Other Intragovernmental Liabilities (Note 9)	291	259	7	164
Total Intragovernmental	2,513	2,539	96	297
Accounts Payable and Accrued Expenses - Public	921	944	940	1,077
Deferred Revenue and Advances - Public	3	4	1	1
Environmental and Disposal Liabilities (Notes 5,10)	105	94	-	-
Obligations Under Capital Leases (Note 8)	273	285	-	-
Workers' Compensation Actuarial Liability (Note 7)	108	106	37	39
Annual Leave Liability (Note 1-G)	43	43	29	30
Deposit Fund Liability	-	-	-	-
Other Liabilities (Note 9)	309	232	-	-
Total Liabilities	4,275	4,247	1,103	1,444
NET POSITION (NOTE 14)				
Cumulative Results of Operations	19,207	18,552	3,935	3,605
Unexpended Appropriations	-	-	-	-
Total Net Position	19,207	18,552	3,935	3,605
Total Liabilities and Net Position	$ 23,482	$ 22,799	$ 5,038	$ 5,049

The accompanying notes are an integral part of these statements.

OTHER FUNDS 2007	OTHER FUNDS 2006	LESS: INTRA-GSA ELIMINATIONS 2007	LESS: INTRA-GSA ELIMINATIONS 2006	GSA CONSOLIDATED TOTALS 2007	GSA CONSOLIDATED TOTALS 2006
$ 609	$ 595	$ -	$ -	$ 7,011	$ 6,879
3	3	21	22	1,348	1,482
3	2	3	4	4	8
615	600	24	26	8,363	8,369
-	-	-	-	225	252
32	26	-	-	132	127
-	-	-	-	1	20
2	1	15	20	22	3
-	-	-	-	27,656	25,764
-	-	-	-	288	231
-	-	-	-	100	104
-	-	-	-	4,086	3,935
83	80	-	-	334	313
(51)	(40)	-	-	(15,259)	(14,221)
32	40	-	-	17,205	16,126
-	-	-	-	1,485	1,438
-	1	-	-	1,729	2,135
32	41	-	-	20,419	19,699
$ 681	$ 668	$ 39	$ 46	$ 29,162	$ 28,470
$ 5	$ 6	$ 21	$ 22	$ 66	$ 80
33	39	18	24	93	140
-	-	-	-	2,151	2,192
62	61	-	-	360	484
100	106	39	46	2,670	2,896
28	33	-	-	1,889	2,054
-	-	-	-	4	5
24	31	-	-	129	125
-	-	-	-	273	285
20	20	-	-	165	165
20	19	-	-	92	92
97	56	-	-	97	56
7	49	-	-	316	281
296	314	39	46	5,635	5,959
264	243	-	-	23,406	22,400
121	111	-	-	121	111
385	354	-	-	23,527	22,511
$ 681	$ 668	$ 39	$ 46	$ 29,162	$ 28,470

Principal Financial Statements

CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION

For the Fiscal Years Ended September 30, 2007 and 2006
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND	
	2007	**2006**	**2007**	**2006**
BEGINNING BALANCE OF NET POSITION				
Cumulative Results of Operations	**$ 18,552**	$ 17,738	**$ 3,605**	$ 3,706
Unexpended Appropriations	**-**	-	**-**	-
Net Position Beginning Balance	**18,552**	17,738	**3,605**	3,706
RESULTS OF OPERATIONS				
Net Revenue From (Cost of) Operations	**558**	607	**122**	12
Appropriations Used (Note 1-C)	**94**	75	**-**	-
Non-Exchange Revenue (Notes 1-C, 1-G)	**5**	2	**-**	-
Imputed Financing Provided By Others	**56**	57	**47**	45
Transfer of Earnings Paid and Payable to U.S.Treasury	**-**	-	**-**	-
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	**(59)**	73	**161**	(159)
Receipts Paid and Reclassified as Payable From (To) the Land and Water Conservation Fund	**-**	-	**-**	-
Other	**1**	-	**-**	1
Net Results of Operations	**655**	814	**330**	(101)
CHANGES IN UNEXPENDED APPROPRIATIONS				
Appropriations Received	**94**	75	**-**	-
Appropriations Used	**(94)**	(75)	**-**	-
Appropriations Adjustments and Transfers From Other Agencies or Funds	**-**	-	**-**	-
Other	**-**	-	**-**	-
Net Change in Unexpended Appropriations	**-**	-	**-**	-
ENDING BALANCE OF NET POSITION				
Cumulative Results of Operations	**19,207**	18,552	**3,935**	3,605
Unexpended Appropriations	**-**	-	**-**	-
Net Position Ending Balance	**$ 19,207**	$ 18,552	**$ 3,935**	$ 3,605

The accompanying notes are an integral part of these statements.

Other Funds 2007	Other Funds 2006	Less: Intra-GSA Eliminations 2007	Less: Intra-GSA Eliminations 2006	GSA Consolidated Totals 2007	GSA Consolidated Totals 2006
$ 243	$ 231	**$ -**	$ -	**$ 22,400**	$ 21,675
111	105	**-**	-	**111**	105
354	336	**-**	-	**22,511**	21,780
(225)	(242)	**(33)**	(32)	**488**	409
196	197	**-**	-	**290**	272
132	94	**-**	-	**137**	96
24	26	**33**	32	**94**	96
(107)	(68)	**-**	-	**(107)**	(68)
6	11	**-**	-	**108**	(75)
(3)	(6)	**-**	-	**(3)**	(6)
(2)	-	**-**	-	**(1)**	1
21	12	**-**	-	**1,006**	725
213	217	**-**	-	**307**	292
(196)	(197)	**-**	-	**(290)**	(272)
(7)	(14)	**-**	-	**(7)**	(14)
-	-	**-**	-	**-**	-
10	6	**-**	-	**10**	6
264	243	**-**	-	**23,406**	22,400
121	111	**-**	-	**121**	111
$ 385	$ 354	**$ -**	$ -	**$ 23,527**	$ 22,511

Principal Financial Statements

COMBINING STATEMENTS OF BUDGETARY RESOURCES

For the Fiscal Years Ended September 30, 2007 and 2006
(Dollars in Millions)

	FEDERAL BUILDINGS FUND 2007	FEDERAL BUILDINGS FUND 2006
BUDGETARY RESOURCES		
Unobligated Balance, Net - Beginning Balance	**$ 4,028**	$ 3,834
Prior Year Recoveries	**237**	65
Budget Authority		
Appropriations	**94**	75
Spending Authority:		
Earned Revenue	**8,858**	8,546
Change in Unfilled Customer Orders	**478**	165
Previously Unavailable	**56**	515
Resources Temporarily Not Available	**(141)**	(56)
Transfers	**(102)**	(41)
Total Budgetary Resources	**13,508**	13,103
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred		
Direct	**-**	-
Reimbursable	**9,083**	9,075
Unobligated Balance - Available		
Apportioned	**4,425**	4,028
Exempt from Apportionment	**-**	-
Unobligated Balance - Not Available	**-**	-
Total Status of Budgetary Resources	**13,508**	13,103
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net - Beginning Balance		
Unpaid Obligations, Oct 1	**3,476**	2,942
Less: Uncollected Customer Payments, Oct 1	**(1,887)**	(1,731)
Obligations Incurred	**9,083**	9,075
Less: Gross Outlays	**(8,797)**	(8,476)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	**(237)**	(65)
Change in Uncollected Customer Payments (Increase)/Decrease	**(534)**	(156)
Obligated Balance, Net - End of Period:		
Unpaid Obligations	**3,525**	3,476
Less: Uncollected Customer Payments	**(2,421)**	(1,887)
NET OUTLAYS		
Gross Outlays	**8,797**	8,476
Less: Offsetting Collections	**(8,802)**	(8,555)
Less: Offsetting Receipts	**-**	-
Net Outlays	**$ (5)**	$ (79)

The accompanying notes are an integral part of these statements.

Acquisition Services Fund 2007	Acquisition Services Fund 2006	Other Funds 2007	Other Funds 2006	GSA Consolidated Totals 2007	GSA Consolidated Totals 2006
$ 1,822	$ 2,483	**$ 235**	$ 194	**$ 6,085**	$ 6,511
253	450	**13**	25	**503**	540
-	-	**249**	260	**343**	335
9,185	9,574	**387**	396	**18,430**	18,516
(786)	(982)	**5**	(17)	**(303)**	(834)
-	-	**-**	-	**56**	515
-	-	**-**	-	**(141)**	(56)
-	(92)	**(13)**	(13)	**(115)**	(146)
10,474	11,433	**876**	845	**24,858**	25,381
-	-	**246**	206	**246**	206
9,304	9,611	**414**	404	**18,801**	19,090
1,170	588	**108**	108	**5,703**	4,724
-	1,234	**-**	-	**-**	1,234
-	-	**108**	127	**108**	127
10,474	11,433	**876**	845	**24,858**	25,381
3,721	4,309	**166**	195	**7,363**	**7,446**
(4,864)	(6,070)	**(5)**	(16)	**(6,756)**	**(7,817)**
9,304	9,611	**660**	610	**19,047**	**19,296**
(9,233)	(9,749)	**(635)**	(614)	**(18,665)**	**(18,839)**
(254)	(450)	**(13)**	(25)	**(504)**	**(540)**
938	1,206	**(5)**	11	**399**	**1,061**
3,538	3,721	**178**	166	**7,241**	**7,363**
(3,926)	(4,864)	**(10)**	(5)	**(6,357)**	**(6,756)**
9,233	9,749	**635**	614	**18,665**	18,839
(9,337)	(9,797)	**(387)**	(390)	**(18,526)**	(18,742)
-	-	**(108)**	(76)	**(108)**	(76)
$ (104)	$ (48)	**$ 140**	$ 148	**$ 31**	$ 21

Notes to the Financial Statements

For the Fiscal Years Ended
September 30, 2007 and 2006

Organization

The U.S. General Services Administration (GSA) was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended. Congress enacted this legislation to provide for the Federal government an economic and efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of General Services, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

1 Significant Accounting Policies

A. Reporting Entity

For its principal financial statements, GSA uses consolidating and combining formats to display its two largest components: the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF). All other funds have been combined under Other Funds.

The FBF is the primary fund used to record activities of the Public Buildings Service (PBS). The ASF, created by law in fiscal year (FY) 2007 from the merging of GSA's former Information Technology Fund (ITF) and General Supply Fund (GSF), is the primary fund used to record activities of the Federal Acquisition Service (FAS). See Note 17 for further information on the ASF.

The accompanying financial statements of GSA include the accounts of all funds which have been established and maintained to account for resources under the control of GSA management. The entities included in the Other Funds category are described below, together with a discussion of the different fund types.

REVOLVING FUNDS are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress. The revolving funds in the Other Funds category consist of the following:

- Federal Citizen Information Center Fund (FCICF)
- Panama Canal Revolving Fund
- Working Capital Fund (WCF)

GENERAL FUNDS are accounts used to record financial transactions arising under Congressional appropriations or other authorizations to spend general revenues. GSA manages 12 General Fund accounts of which four are funded by current year appropriations, two by no-year appropriations, and six which cannot incur new obligations. The general funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Budget Clearing Account
- Undistributed Intragovernmental Payments
- Election Reform Payments
- Election Reform Reimbursements
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Electronic Government Fund
- Expenses, Presidential Transition
- Office of Inspector General
- Operating Expenses, General Services Administration
- Operating Expenses, Government-wide Policy
- Real Property Relocation

SPECIAL FUNDS are accounts established for receipts earmarked by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. In accordance with Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, these Special Funds are classified as earmarked funds. Although immaterial, earmarked fund balances are displayed in Note 2-B. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property, for funding of the Transportation Audits program, and to fund the Acquisition Workforce Training program. GSA's Special Funds consist of the following:

- Expenses, Disposal of Real and Related Personal Property
- Expenses, Transportation Audits
- Expenses, Acquisition Workforce Training Fund
- Operating Expenses, Disposal of Real and Related Personal Property
- Other Receipts, Surplus Real and Related Personal Property
- Receipts of Rent, Leases and Lease Payments for Government-Owned Real Property
- Receipts, Transportation Audits
- Receipts, Acquisition Workforce Training Fund
- Transfer of Surplus Real and Related Personal Property

MISCELLANEOUS RECEIPT AND DEPOSIT FUND accounts are considered non-entity funds since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury (U.S. Treasury) automatically transfers all cash balances in these receipt accounts to general funds of the U.S. Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit. These accounts include (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received, and (4) monies whose distribution awaits a legal determination or investigation. The receipt and deposit funds in the Other Funds category consist of the following:

- Advances Without Orders from Non-Federal Sources
- Employees' Payroll Allotment Account, U.S. Savings Bonds
- Fines, Penalties, and Forfeitures, Not Otherwise Classified
- Forfeitures of Unclaimed Money and Property
- General Fund Proprietary Interest, Not Otherwise Classified
- General Fund Proprietary Receipts, Not Otherwise Classified, All Other
- Other Earnings From Business Operations and Intragovernmental Revolving Funds
- Proceeds from Sale of Surplus Property
- Reserve for Purchase Contract Projects
- Unconditional Gifts of Real, Personal, or Other Property
- Withheld State and Local Taxes

In the FBF, Electronic Government Fund, Allowances and Staff for Former Presidents fund, and Real Property Relocation fund, GSA has delegated certain program and financial operations of a portion of these funds to other Federal agencies to execute on GSA's behalf. Unique sub-accounts, also known as allocation accounts (child), of GSA's funds (parent) are created in the U.S. Treasury to provide for the reporting of obligations and outlays incurred by such other agencies. Generally, all child allocation account financial activity is reportable in combination with the results of the parent fund, from which the underlying legislative authority, appropriations, and budget apportionments are derived. GSA has allocation accounts in this regard with the following Federal entities: the Departments of Treasury, Defense, Commerce, Homeland Security, and Interior, the Office of Personnel Management, and the Small Business Administration.

Notes to the Financial Statements

B. Basis of Accounting

The principal financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the FASAB, and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements.* The American Institute of Certified Public Accountant's (AICPA) Statement on Auditing Standards No. 91, *Federal GAAP Hierarchy*, established a hierarchy of GAAP for Federal financial statements. GSA's financial statements are prepared in accordance with requirements prescribed in OMB Circular A-136, in all material respects. These formats are considerably different from business-type formats. The Consolidating Statements of Net Cost present the operating results of GSA by major programs and responsibilities. The Consolidating Balance Sheets present the financial position of GSA using a format clearly segregating intragovernmental balances. The Consolidating Statements of Changes in Net Position display the changes in equity accounts. The Combining Statements of Budgetary Resources (CSBR) present the sources, status, and uses of GSA's budgetary resources.

GSA reconciles all intragovernmental fiduciary transactions activity, and works with agency partners to reduce significant or material differences reported by other agencies in conformance with U.S. Treasury intragovernmental reporting guidelines and requirements of OMB Circular A-136.

Certain prior year balances have been reclassified to conform with the current year's presentation.

On the Consolidating Statements of Net Cost, Consolidating Balance Sheets, and Consolidating Statements of Changes in Net Position, all significant intra-agency balances and transactions have been eliminated in consolidation. No such eliminations have been made on the CSBR. Certain amounts of expenses eliminated on the Consolidating Statements of Net Cost are imputed costs for which the matching resource is not revenue on this statement, but imputed resources provided by others, displayed on the Consolidating Statements of Changes in Net Position. Accordingly, on the Consolidating Statements of Net Cost the revenues and expense eliminations do not match. The Consolidating Statements of Changes in Net Position display the offsetting balances between these categories.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

C. Revenue Recognition and Appropriations Used

Substantially all revenues reported by GSA's funds on the Consolidating Statements of Net Cost are generated from intragovernmental sales of goods and services. With the exception of ASF Schedules programs revenues noted below, GSA earns 97 percent of revenues from other Federal customers. Expenses are primarily incurred with non-Federal entities supplying the underlying goods and services being provided to GSA's Federal customers, with only two percent of operating expenses resulting from purchases from Federal agencies. Each fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that the funds will pay to provide such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover costs covered by other funds or entities of the U.S. government, such as for post-employment and other inter-entity costs. Revenues from non-Federal entities make up an immaterial portion of GSA's total sales. Accordingly, where not otherwise governed by law, unique rates for non-Federal customers have generally not been established.

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered.

- In the FBF, rent revenues are earned based on occupancy agreements with customers, as space and services are provided. Generally, agencies are billed for space at rent based upon commercial rates for comparable space. In some instances special rates are arranged in accordance with Congressional guidance or other authorized purposes. Most agencies using funding from Trust Funds have rent rates set to recover full cost. Revenue under nonrecurring reimbursable building repairs and alterations (R&A) projects is recognized under the percentage-of-completion method.

- In the ASF, Global Supply revenues are recognized as goods are provided to customers. Vehicle Acquisition and Leasing revenues are recognized when goods are provided and based on rental agreements over the period vehicles are dispatched. Commercial Acquisitions revenues are recognized when goods are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and actual usage of GSA's contracting vehicles by other agencies. The Schedules programs generated $267 million in fees, constituting three percent of ASF revenues in FY 2007, and $276 million (three percent of ASF revenues) in FY 2006. Professional Services revenues are recognized when goods and services are provided. Telecommunications service revenues are generally recognized based on customer usage or on fixed line rates. IT Solutions revenues are earned when goods or services are provided or as reimbursable project costs are incurred.
- In the WCF, revenues are generally recognized as general management and administrative services are provided to the Service components of GSA and to external customers. Such WCF revenues are earned in accordance with agreements that recover the direct cost and an allocation of indirect costs from the components of GSA receiving those services.

Non-Exchange Revenues are recognized on an accrual basis on the Consolidating Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA's operations where ultimate collections must be deposited in miscellaneous receipt accounts of the U.S. Treasury. Non-Exchange Revenues are reported net of associated bad debt expense on uncollectible accounts.

Appropriations for General Fund and Special Fund activities are recorded as a financing source on the Consolidating Statements of Changes in Net Position when expended. Unexpended appropriations are reported as an element of Net Position on the Consolidating Balance Sheets.

D. Fund Balance with Treasury

This total represents all unexpended balances for GSA's accounts with the U.S. Treasury. Amounts in Fund Balance with Treasury are based on the balances reported on the books of the U.S. Treasury, as the official record of the Federal government. Adjustments are only made to those amounts when significant errors are identified.

GSA acts as a disposal agent for surplus Federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA's legislative authorities, the gross proceeds from some sales are deposited in GSA's Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidating Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the Department of the Interior (DOI).

E. Inventories

Inventories held for sale to other Federal agencies consist primarily of ASF inventories, which are valued at historical cost, generally determined on a moving average basis. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan. In the ASF, $5.4 million of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another Federal agency, sold, or donated to state or local governments.

Notes to the Financial Statements

In the FBF, inventory balances consist of operating supplies and materials that will be consumed in operations. In accordance with FASAB SFFAS No. 3, *Accounting for Inventory and Related Property,* as balances of these supplies are immaterial and in the hands of end users for use in normal operations, they are accounted for using the purchases method. Amounts on hand at the end of the reporting period are valued at market for presentation on the Consolidating Balance Sheets.

F. Property and Equipment (See Note 5)

Generally, property and equipment purchases and additions of $10,000 or more and having a useful life of two or more years are capitalized and valued at cost. Property and equipment transferred to GSA from other Federal agencies on the date GSA was established is stated at the transfer value, which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value, and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value.

Expenditures for major additions, replacements, and alterations to real property of $50,000 or more are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of R&A and of leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA's financial statements as such amounts are transferred to the other agencies upon completion of the project. Substantially all land, buildings, and leasehold improvements are leased to other Federal agencies under short-term cancellable agreements.

Depreciation and amortization of property and equipment are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold improvements are amortized over the lesser of their useful lives, generally five years, or the unexpired lease term. Buildings capitalized by the FBF at its inception in 1974 were assigned remaining useful lives of 30 years. Prior to 1974, no depreciation was recorded by GSA. It is GSA policy to capitalize construction costs in the Land and Buildings accounts upon project completion. Buildings acquired under capital lease agreements are also depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years and 10 years, respectively.

Telecommunications equipment and automated data processing equipment are used in operations to perform services for other Federal agencies for which billings are rendered. Most of the assets comprising Other Equipment are used internally by GSA. Telecommunications and other equipment is depreciated over periods generally ranging from three to 10 years. Automated data processing equipment is depreciated over periods generally ranging from three to five years.

Motor vehicles are generally depreciated over four to six years.

In accordance with FASAB SFFAS No. 10, *Accounting for Internal Use Software,* capitalization of software development costs incurred for systems having a useful life of two years or more is required. With implementation of this standard, GSA adopted minimum dollar thresholds per system that would be required before capitalization would be warranted. For the FBF, this minimum threshold is $1 million. For all other funds, it is $250,000. Once completed, software applications are depreciated over an estimated useful life determined on a case-by-case basis, ranging from three to 10 years.

G. Annual, Sick, and Other Types of Leave

Annual leave liability is accrued as it is earned and the accrual is relieved as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of nonvested leave are expensed as taken.

2 Fund Balance With Treasury

A. Reconciliation to U.S. Treasury

There were only negligible differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2007 and 2006.

B. Balances by Fund Type

GSA's most significant amounts in Fund Balance with Treasury are found in its revolving funds such as the FBF and ASF. Within the Other Funds category, Special Receipt and Special and Trust Expenditure Funds are classified as earmarked funds in accordance with FASAB SFFAS No. 27, *Identifying and Reporting Earmarked Funds.* The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

	2007	2006
Revolving Funds	**$ 195**	$ 218
Appropriated and General Funds	**173**	181
Special Receipt Funds	**114**	113
Special and Trust Expenditure Funds	**48**	45
Deposit Funds	**79**	38
Total Other Funds	**$ 609**	$ 595

C. Relationship to the Budget

In accordance with FASAB SFFAS No. 1, *Accounting for Selected Assets and Liabilities,* the following information is provided to further identify amounts in Fund Balance with Treasury as of September 30, 2007 and 2006, against which obligations have been made, and for unobligated balances, to identify amounts available for future expenditures and those only available to liquidate prior obligations. Unobligated balances presented below will not equal related amounts reported on the CSBR. In the FBF, the CSBR includes balances associated with borrowing authority for which actual funds have not yet been realized (see Note 6). In the Other Funds group, the schedule below includes unavailable unobligated balances of Special Receipt and Deposit Funds, shown above in Note 2-B, which are not reportable for purposes of the CSBR. The following schedule presents elements of Fund Balance with Treasury (dollars in millions):

	Obligated Balance, Net	Unobligated Balance		Total
		Available	Unavailable	
FY 2007				
FBF	$ 1,087	$ 4,392	$ 141	$5,620
ASF	(388)	1,170	-	782
Others	168	108	333	609
Total	$ 867	$ 5,670	$ 474	$7,011
FY 2006				
FBF	$ 1,560	$ 3,990	$ 56	$5,606
ASF	(1,144)	1,822	-	678
Others	161	108	326	595
Total	$ 577	$ 5,920	$ 382	$6,879

D. Availability of Funds

In GSA's earmarked Special Receipt Funds, included in balances of Fund Balance with Treasury, are certain amounts that may be transferred to either the U.S. Treasury or the Land and Water Conservation Fund (see Note 1-D). These amounts, related to the Transportation Audits program, Acquisition Workforce Training program, and surplus real property disposals, are subject to transfer subsequent to GSA's determination of the internal working capital needs of these programs. Such amounts totaled $114 million and $113 million at September 30, 2007 and 2006, respectively, of which $43 million and $32 million, respectively, were recorded as liabilities in the Consolidating Balance Sheets.

At both September 30, 2007 and 2006, the amounts in Fund Balance with Treasury that were no longer available for expenditure and for which related authorities were cancelled, totaled $4 million. Of these amounts, substantially all balances were transferred back to the Special Fund Receipt Accounts from which they were appropriated, with minor amounts returned to the Treasury General Fund.

Notes to the Financial Statements

A portion of Fund Balance with Treasury also includes amounts where authority to incur new obligations has expired, but are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled $40 million and $38 million at September 30, 2007 and 2006, respectively.

The FBF has balances that are temporarily not available in accordance with annual appropriation acts that limit the amount of reimbursable resources that are available for spending each year. Such amounts totaled $141 million and $56 million at September 30, 2007 and 2006, respectively, and will not be available for expenditure except as authorized in future appropriation acts.

Before the GSF and ITF were merged into the ASF, legislative authorities set certain limitations on the amount of earnings that may have been retained in those funds. Amounts in excess of such limitations were returned to the Treasury General Fund. At the end of FY 2006, only the GSF had estimated excess balances in this regard, totaling $157 million classified as Earnings Payable to Treasury. Under ASF legislative authorities, more similar to those of the ITF, GSA is allowed to retain earnings to ensure the fund has sufficient resources to support operations in association with a cost and capital planning process as approved by the Administrator of GSA. At the end of FY 2007, management has determined that all earnings will be retained in accordance with this process.

Effective on October 1, 2004, Public Law 108-309 transferred the balances of the Panama Canal Revolving Fund to GSA as the Panama Canal Commission was abolished. At September 30, 2006, this fund contained $41 million of balances being retained to liquidate claims related to that commission and its responsibilities. In FY 2007, all remaining legal issues were resolved and the remaining balance was returned to the government of Panama.

3 Non-Entity Assets

As of September 30, 2007 and 2006, certain amounts reported on the balance sheet are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1-A). These balances consisted of the following (dollars in millions):

	2007	2006
Funds Balance with Treasury	$ **111**	$ 85
Accounts Receivable - Public	-	1
Total	$ **111**	$ 86

4 Accounts and Notes Receivable

Substantially all accounts receivable are from other Federal agencies. Unbilled accounts receivable result from the delivery of goods or performance of services for which bills have not yet been rendered. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and write-offs.

Notes receivable are from the sale of surplus real and related personal property, from motor vehicle damage claims, and from contract claims. Interest rates range from 0.001 percent to 12.6 percent.

A summary of Accounts and Notes Receivable is as follows (dollars in millions):

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
CURRENT										
Accounts Receivable - Billed	**$ 112**	$ 110	**$ 113**	$ 115	**$ 36**	$ 30	**$ -**	$ -	**$ 261**	$ 255
Accounts Receivable - Unbilled	**251**	200	**1,000**	1,185	**2**	3	**21**	22	**1,232**	1,366
Allowance for Doubtful Accounts	**(7)**	(4)	**(3)**	(4)	**(3)**	(4)	**-**	-	**(13)**	(12)
Subtotal Current Receivables	**356**	306	**1,110**	1,296	**35**	29	**21**	22	**1,480**	1,609
NONCURRENT NOTES RECEIVABLE										
(Net of Allowance of $58 million and $51 million in 2007 and 2006, respectively)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total Accounts and Notes Receivable	**$ 356**	$ 306	**$1,110**	$1,296	**$ 35**	$ 29	**$ 21**	$ 22	**$1,480**	$1,609

Notes to the Financial Statements

5 Property and Equipment

A. Summary of Balances

In FY 2007, GSA recorded capitalized interest costs of $3.1 million in the Construction in Process account associated with debt provided by the U.S.Treasury's Federal Financing Bank (FFB), as discussed in Note 6. Interest capitalized in FY 2006 amounted to $6.7 million. Balances in GSA's Property and Equipment accounts subject to depreciation as of September 30, 2007 and 2006 are summarized below (dollars in millions):

	2007			2006		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	**$27,656**	**$ 13,506**	**$14,150**	$ 25,764	$ 12,534	$ 13,230
Leasehold Improvements	**288**	**206**	**82**	231	197	34
Telecom and ADP Equipment	**100**	**92**	**8**	104	88	16
Motor Vehicles	**4,086**	**1,260**	**2,826**	3,935	1,224	2,711
Other Equipment	**334**	**195**	**139**	313	178	135
Total	**$32,464**	**$15,259**	**$17,205**	$ 30,347	$ 14,221	$ 16,126

B. Cleanup Costs

In GSA's FBF, certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. Cleanup of such hazards is governed by various Federal and state laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Clean Air Act, and the Resource Conservation and Recovery Act.

In accordance with FASAB SFFAS Nos. 5 and 6, *Accounting for Liabilities of the Federal Government* and *Accounting for Property Plant and Equipment,* respectively, and interpretive guidance in Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, issued by the Accounting and Auditing Policy Committee, if an agency is required by law to clean up such hazard, the estimated amount of cleanup cost must be reported in the financial statements. Accordingly, GSA recognized liabilities totaling $105 million and $94 million for Environmental and Disposal costs as of September 30, 2007 and 2006, respectively, for properties currently in GSA's property inventory. In instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized the estimated costs for related environmental studies as is prescribed in the guidance noted above. Management has estimated an additional $15 million in both FYs 2007 and 2006 of potential cleanup costs where it is only possible that GSA could incur additional costs. In some instances, GSA has been named as a party in certain environmental cases where the subject property is no longer in the GSA or Federal property inventory. GSA's liability for such cases is further discussed in Note 10.

C. Heritage Assets

With an average age of GSA's buildings being over 44 years old, many buildings have historical, cultural, and/or architectural significance. While GSA uses these buildings to meet the office space and other needs of the Federal government, maintaining and preservation of historical elements is a significant priority.

In accordance with FASAB SSFAS No. 29, *Heritage Assets and Stewardship Land,* these buildings meet the definition of Multi-use Heritage Assets, and are reportable within general property, plant, and equipment on the Consolidating Balance Sheets.

GSA define its Historic Buildings as those buildings that are either listed on the National Register of Historic Places, have formally been determined eligible, or appear to meet eligibility criteria to be listed. GSA has 254 buildings on the National Register, of which 63 are designated as National Historical Landmarks. An additional 86 buildings are, or appear, eligible for listing on the National Register. Under the National Historic Preservation Act, GSA is required to give these buildings special consideration, including first preference for Federal use, and rehabilitation in accordance with standards established by DOI.

6 Intragovernmental Debt

A. Lease Purchase Debt

Starting in FY 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the FBF lease purchase authority. Under these agreements, the FBF borrows monies (as advance payments) through the FFB or executes lease-to-own contracts to finance the lease purchases. The program authorizes total expenditures of $1,945 million for 11 projects. In FYs 2007 and 2006, the FFB made advance payments on behalf of GSA totaling $18 million and $44 million, respectively. As of September 30, 2007 and 2006, $49 million and $67 million, respectively, of borrowing authority under the lease purchase program remained available for additional advance payments.

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities are as follows (dollars in millions): 2008 - $43; 2009 - $47; 2010 - $50; 2011 - $53; 2012 - $57; 2013 and beyond - $1,215.

B. Pennsylvania Avenue Debt

The former Pennsylvania Avenue Development Corporation (PADC) originally received authority to borrow from the FFB to finance construction of the Ronald Reagan Building (RRB) in Washington, D.C., with a project budget of $738 million. Effective March 31, 1996, the PADC was dissolved, with portions of its functions, assets, and liabilities being transferred to GSA, including the RRB.

Subsequent legislation consolidated GSA's portion of these assets and liabilities into the FBF, in which the cost and associated debt for the RRB is now recorded.

No additional amounts are anticipated to be borrowed under this authority.

Aggregate maturities on debt related to the RRB are as follows (dollars in millions): 2008 - $18; 2009 - $19; 2010 - $20; 2011 - $22; 2012 - $23; 2013 and beyond - $584.

C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the FBF at September 30, 2007 and 2006 were as follows (dollars in millions):

	2007	2006
LEASE PURCHASE DEBT		
Mortgage loans and construction advances held by the FFB, due at various dates from June 28, 2021, through August 1, 2035, at interest rates ranging from 3.935 percent to 8.561 percent	**$ 1,465**	$ 1,489
PENNSYLVANIA AVENUE DEBT		
Ronald Reagan Building, mortgage loans due November 2, 2026, at interest rates ranging from 4.004 percent to 8.323 percent	**686**	703
TOTAL GSA DEBT	**$ 2,151**	$ 2,192

Notes to the Financial Statements

7 Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' compensation, and medical and miscellaneous costs for approved compensation cases. The present value of these estimates at the end of FY 2007 was calculated by DOL using a discount rate of 4.930 percent for FY 2007, and 5.078 percent for FY 2008 and thereafter. At the end of FY 2006, the discount rate used was 5.170 percent for FY 2006, and 5.313 percent for FY 2007 and thereafter. At both September 30, 2007 and 2006, GSA's actuarial liability totaled $165 million.

8 Leasing Arrangements

As of September 30, 2007, GSA was committed to various non-cancellable operating leases primarily covering administrative office space and storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options. GSA also uses a small volume of operating leases of vehicles in the ASF to fill demand when sufficient owned vehicles are not available. The following are schedules of future minimum rental payments required under leases that have initial or remaining non-cancellable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions):

OPERATING LEASES

FISCAL YEAR	TOTAL
2008	$ 3,913
2009	3,285
2010	2,881
2011	2,547
2012	2,217
2013 and thereafter	8,190
Total future minimum lease payments	$ 23,033

CAPITAL LEASES

FISCAL YEAR	FBF
2008	$ 32
2009	32
2010	31
2011	31
2012	32
2013 and thereafter	272
Total future minimum lease payments	430
Less: Amounts representing–	
Interest	154
Executory Costs	3
Total obligations under capital leases	$ 273

Substantially all leased space maintained by the FBF is sublet to other Federal agencies at rent charges based upon approximate commercial rates for comparable space. The agreements covering the sublease arrangements allow customer agencies to terminate the sublease at any time. In most cases, however, GSA believes the subleases will continue without interruption. Rental income under subleasing agreements approximated $5.0 billion and $4.4 billion for the fiscal years ended September 30, 2007 and 2006, respectively. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately $4.4 billion and $4.1 billion in FYs 2007 and 2006, respectively. The Consolidating Balance Sheets as of September 30, 2007 and

2006, include capital lease assets of $362 million in both years for buildings. Aggregate accumulated amortization on such structures totaled $140 million and $129 million in those years, respectively. For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

9 Other Liabilities

As of September 30, 2007 and 2006, amounts reported on the Consolidating Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, which are substantially all long-term in nature, consisted of the following (dollars in millions):

	FBF	ASF	OTHERS	TOTAL GSA
2007				
Other Intragovernmental Liabilities:				
Workers' Compensation Due to DOL	$ 22	$ 7	$ 4	$ 33
Deposits Held in Suspense	-	-	14	14
Earnings Payable to Treasury	-	-	44	44
Payments Due to the Judgment Fund (Note 10)	269	-	-	269
Total	**$ 291**	**$ 7**	**$ 62**	**$ 360**
Other Liabilities:				
Contingencies	$ 28	$ -	$ -	$ 28
Installment Purchase Liabilities	154	-	-	154
Pensions for Former Presidents	-	-	7	7
Unamortized Rent Abatements	127	-	-	127
Total	**$ 309**	**$ -**	**$ 7**	**$ 316**
2006				
Other Intragovernmental Liabilities:				
Workers' Compensation Due to DOL	$ 21	$ 7	$ 4	$ 32
Deposits Held in Suspense	-	-	25	25
Earnings Payable to Treasury	-	157	32	189
Payments Due to the Judgment Fund (Note 10)	238	-	-	238
Total	**$ 259**	**$ 164**	**$ 61**	**$ 484**
Other Liabilities:				
Contingencies	$ 31	$ -	$ -	$ 31
Installment Purchase Liabilities	166	-	-	166
Pensions for Former Presidents	-	-	8	8
Liabilities of the Panama Canal Commission	-	-	41	41
Unamortized Rent Abatements	35	-	-	35
Total	**$ 232**	**$ -**	**$ 49**	**$ 281**

Notes to the Financial Statements

10 Commitments and Contingencies

A. Commitments and Undelivered Orders

In addition to future lease commitments discussed in Note 8, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities at September 30, 2007 and 2006, were as follows (dollars in millions):

	2007	2006
FBF	**$ 2,524**	$ 2,459
ASF	**2,569**	2,610
Other Funds	**145**	132
Total Undelivered Orders	**$ 5,238**	$ 5,201

B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of GSA.

C. Contingencies Covered by GSA Funds

As of September 30, 2007 and 2006, GSA recorded liabilities in total of $116 million and $122 million, respectively, for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, GSA funds will probably incur losses. Of these amounts, $86 million and $88 million, respectively, relate to environmental claims. Environmental claims are included in Environmental and Disposal Liabilities, and the balance of possible contingent liabilities are reported within Other Liabilities on the Consolidating Balance Sheets.

In addition, GSA had another $48 million and $130 million in contingencies at September 30, 2007 and 2006, respectively, where it is reasonably possible, but not probable, that GSA funds will incur some cost. Accordingly, no balances have been recorded in the financial statements for these contingencies.

In most cases, legal matters which directly involve GSA relate to contractual arrangements GSA has entered into either for property and services it has obtained or procured on behalf of other Federal agencies. The costs of administering, litigating, and resolving these actions are generally borne by GSA unless it can recover the cost from another Federal agency. Certain legal matters in which GSA may be named party are administered and, in some instances, litigated by other Federal agencies. Amounts to be paid under any decision, settlement, or award pertaining thereto are sometimes funded by those agencies.

D. Contingencies Covered by the Judgment Fund

In many cases, tort and environmental claims are administered and resolved by the Department of Justice (DOJ) and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Treasury. In accordance with the FASAB's Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, costs incurred by the Federal government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, GSA reported $24 million and $31 million in FYs 2007 and 2006, respectively, of Environmental and Disposal and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Of those amounts, almost $24 million and $31 million result from several environmental cases outstanding at the end of FYs 2007 and 2006, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with the FASAB Accounting and Auditing Policy Committee's Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government.*

Additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible but not probable ranged from $159 million to $3.5 billion at September 30, 2007 and ranged from $149 million to $3.5 billion at September 30, 2006.

The recognition of claims to be funded through the Judgment Fund on GSA's Consolidating Statements of Net Cost and Consolidating Balance Sheets is, in effect, recognition of these liabilities against the Federal government as a whole, and should not be interpreted as claims against the assets or resources of any GSA fund, nor will any future resources of GSA be required to liquidate any resulting losses. Further, for most environmental claims, GSA has no managerial responsibility other than as custodian and successor on claims made against former Federal entities, particularly former World War II defense related activities.

Amounts paid from the Judgment Fund on behalf of GSA were $34 million and $12 million in FYs 2007 and 2006, respectively. Of these amounts, $30 million and $5 million, respectively, related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds liable under the contracts in dispute. The balance of claims paid on behalf of GSA does not require reimbursement to the Judgment Fund.

11 UNFUNDED LIABILITIES

As of September 30, 2007 and 2006, budgetary resources were not yet available to fund certain liabilities reported on the Consolidating Balance Sheets. For such liabilities, most are long-term in nature where funding is generally made available in the year payments are due or anticipated. The portion of liabilities reported on the Consolidating Balance Sheets that are not covered by budgetary resources consists of the following (dollars in millions):

	2007	2006
Intragovernmental Debt	**$ 31**	$ 48
Other Intragovernmental Liabilities	**360**	270
Obligations Under Capital Lease	**252**	263
Workers' Compensation Actuarial Liabilities	**165**	165
Environmental and Disposal	**129**	125
Annual Leave Liability	**92**	92
Other Liabilities	**316**	281
Total Liabilities Not Covered By Budgetary Resources	**$ 1,345**	$ 1,244

In addition, all balances reported in the Consolidating Balance Sheets under the caption Deposit Fund Liability, as well as amounts shown as Other Intragovernmental Liabilities - Deposits Held in Suspense and Earnings Payable to Treasury in Note 9, while also unfunded by definition (as no budgetary resources have been applied), will be liquidated from resources outside of the traditional budgeting process and require no further Congressional action to do so.

12 RECONCILIATION TO THE PRESIDENT'S BUDGET

In accordance with FASAB SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,* if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. With the President's Budget generally released in February each year, the most current comparable data is the FY 2008 President's Budget, which contains FY 2006 financial statement results. The FY 2009 President's Budget, containing FY 2007 actual results is expected to be released in February 2008 on OMB's Web site. The portion of the President's Budget relating specifically to GSA can be found in the appendix. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget.

Notes to the Financial Statements

Differences between the CSBR and the President's Budget can be due to adjustments identified by GSA during the preparation of the CSBR, which occurred after the U.S. Treasury's deadline for reporting of fund balances and budget execution results. Such adjustments to the balances reported to the U.S. Treasury were made on the CSBR to more fully reflect the activity for the fiscal year ended, and for balances as of September 30, 2006.

The basis of the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (SF 133's). However, as the CSBR is being developed, items may be identified that require adjustment to the data originally submitted on the SF 133's, which would create differences between the CSBR and the President's Budget. Generally, such items are identified after the deadlines for reporting to the U.S. Treasury, and reflect reclassifications of balances to report the proper status of obligations or budgetary resources. For FY 2006, the only significant differences were due to the effect of adjustments recorded in the FBF, based on statistical sampling techniques which were not sufficiently detailed for SF 133 reporting.

Additional reconciling differences are caused by the presentation style of the President's Budget, which excludes Budgetary Resources, Obligations Incurred, and Unobligated Balances in expired annual funds, as well as offsetting collections, which are required for reporting on the CSBR.

In some instances OMB may require additional changes to actual reported results for pending or known changes in legislation that affect future presentations. Small rounding differences also exist due to differences in display of the CSBR versus the President's Budget.

Below are two schedules highlighting the most significant comparable amounts reported in the FY 2006 CSBR and FY 2008 President's Budget (dollars in millions). The first schedule shows the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget by fund. Following this is a second schedule displaying the components of each difference at the consolidated level.

	FBF		ASF		OTHERS		TOTAL		
	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	DIFFERENCE
Budgetary Resources	$13,159	$13,166	$11,433	$11,433	$845	$ 813	**$25,437**	**$25,412**	**$ 25**
Obligations Incurred	9,075	9,084	9,611	9,611	610	610	**19,296**	**19,305**	**(9)**
Unobligated Balances	4,084	4,082	1,822	1,822	235	203	**6,141**	**6,107**	**34**
Balance of Obligations	1,589	1,591	(1,142)	(1,144)	161	167	**608**	**614**	**(6)**
Outlays	(79)	(79)	(48)	(47)	148	226	**21**	**100**	**(79)**

	BUDGETARY RESOURCES	OBLIGATIONS INCURRED	UNOBLIGATED BALANCE	OBLIGATED BALANCE	NET OUTLAYS
Combined Statement of Budgetary Resources	$ 25,437	$ 19,296	$ 6,141	$ 608	$ 21
Expired Funds, Not Reflected in the Budget	(39)	-	(37)	(2)	-
Amounts Cancelled in Other Funds, Not Reflected in the Budget	7	-	-	-	-
FBF Statistical Sampling, Not Reflected in the Budget	6	9	3	3	-
Offsetting Receipts Not Reflected in the Budget	-	-	-	-	76
Rounding	1	-	-	5	3
Budget of the U.S. Government	$ 25,412	$ 19,305	$ 6,107	$ 614	$ 100

⓭ Combining Statements of Budgetary Resources

The CSBR presents GSA's budgetary results in accordance with reporting requirements prescribed in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget,* which identifies budgetary resources available for spending, the status of those resources, and the relationship between obligated balances and outlays (see Note 12). For balances reported as obligations incurred, the ASF includes amounts from the former ITF (shown also in Note 17) that were classified as exempt from apportionment, while all other significant balances in the ASF and the rest of GSA's funds are classified as Category A in accordance with OMB guidelines. In consolidated reporting by OMB and the U.S. Treasury, for the U.S. government as a whole, substantially all of GSA's program operations and operating results are categorized as general government functions.

Balances reported on the CSBR as Prior Year Recoveries generally reflect the downward adjustment of obligations that originated in prior fiscal years which have been cancelled or reduced in the current fiscal year. These balances may also include the effect of adjustments caused when an obligation is modified to change the applicable program, or budget activity. In managing and controlling spending in GSA's funds on a fund-by-fund basis, unique budget control levels (such as programs, budget activities, or projects) are established. These levels are based on legislative limitations, OMB apportionment limitations, as well as management-defined allotment control limitations, in order to track and monitor amounts available for spending and obligations incurred against such amounts, as is required under the Antideficiency Act. When an obligation from a prior year is modified to change the budget control level of an obligation, a Prior Year Recovery would be credited to the level that was initially charged, and Obligations Incurred would be charged to the new level. While there may be no net change to total obligations in a particular fund, offsetting balances from the upward and downward adjustments would be reported on the corresponding lines of the CSBR.

The basis of the CSBR is data reported to the U.S. Treasury on the SF 133's. However, as the CSBR is being developed, items may be identified that require adjustment to the data originally submitted on the SF 133's. Generally, such items are identified after the deadlines for reporting to the U.S. Treasury, and reflect reclassifications of balances to reflect the proper status of obligations or budgetary resources. For FY 2007, the most significant differences were due to the effect of adjustments made to the CSBR as a result of statistical samples used to validate balances reportable as Undelivered Orders and Delivered Orders in the FBF. Projections of such adjustments are based on extrapolations of aggregate amounts which could not readily be determined to the detailed levels that are required to accompany SF 133 reporting. The following differences existed between the CSBR and SF 133's of the FBF for FY 2007 due to increases (decreases) to the CSBR (dollars in millions):

Unobligated Balance, Net – Ending Balance	$	92
Prior Year Recoveries	$	53
Obligated Balance – Ending	$	(92)
Obligations Incurred	$	(36)

⓮ Consolidating Statements of Changes in Net Position

A. Cumulative Results of Operations

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, by Congressional rescissions, and by transfers to other Federal agencies, in addition to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process, and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

Notes to the Financial Statements

GSA's FBF, ASF, WCF, and FCICF have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the ASF, earnings are retained to cover the cost of replacing the motor vehicle fleet and supply inventory as well as to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains earnings to finance future operations. The FCICF retains cumulative results to finance future operations, subject to appropriation by Congress.

Cumulative Results of Operations on the Consolidating Balance Sheets include immaterial balances of earmarked funds as defined in FASAB SFFAS No. 27. As further discussed in Notes 1 and 2, earmarked balances are those reported in GSA's Special Funds, within the Other Funds display on the Consolidating Balance Sheets.

B. Unexpended Appropriations

Unexpended Appropriations consist of unobligated balances and undelivered orders, net of unfilled customer orders in General Funds that receive appropriations. Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds or from the public where GSA has yet to provide the good or service requested. At September 30, 2007 and 2006, balances reported as unexpended appropriations were as follows (dollars in millions):

	2007	2006
Unobligated Balances:		
Available	**$ 35**	$ 35
Unavailable	**40**	26
Undelivered Orders	**64**	68
Unfilled Customer Orders	**(18)**	(18)
Total Unexpended Appropriations	**$ 121**	$ 111

15 Employee Benefit Plans

A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) and makes the necessary payroll withholdings from them, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the Office of Personnel Management (OPM). Reporting of health care benefits for retired employees is also the direct responsibility of OPM.

In accordance with FASAB SFFAS No. 5, *Accounting for Liabilities of the Federal Government,* GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidating Statements of Net Cost. While these costs will ultimately be funded out of direct appropriations made to OPM and do not require funding by GSA activities, they are an element of government-wide costs incurred as a result of GSA's operations.

B. Civil Service Retirement System

At the end of FY 2007, 27.9 percent (down from 30.4 percent in FY 2006) of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (7.5 percent of base pay for law enforcement employees, and 7.0 percent for all others) to CSRS for all employees amounted to $22 million and $24 million in FYs 2007 and 2006, respectively.

C. Federal Employees Retirement System

On January 1, 1987, the FERS, a mixed system of defined benefit and defined contribution plans, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2007, 71.7 percent (up from 69.1 percent in FY 2006) of GSA's employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the Federal government's Thrift Savings Plan (TSP) for each employee. Under CSRS, employees can invest up to 10 percent of their base pay in the TSP. Employees under FERS can invest up to 15 percent of base pay, plus GSA will automatically contribute one percent of base pay and then match employee contributions up to an additional four percent of base pay. During FYs 2007 and 2006, GSA (employer) contributions to FERS (23.8 percent of base pay for law enforcement employees and 11.2 percent for all others) totaled $73 million and $69 million, respectively. Additional GSA contributions to the TSP totaled $28 million and $27 million in FYs 2007 and 2006, respectively.

D. Social Security System

GSA also makes matching contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GSA contributed matching amounts of 6.2 percent of gross pay (up to $97,500 in calendar year 2007, and $94,200 in calendar year 2006) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2007. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2007. In both FYs 2007 and 2006, only 0.5 percent of GSA's employees are covered exclusively by these programs. Payments to these programs in FYs 2007 and 2006, amounted to $55 million and $53 million, respectively.

E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2007 and 2006, in accordance with FASAB SFFAS No. 5 for imputed post-employment benefits are as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
2007			
FBF	$ 13	$ 29	$ 42
ASF	12	18	30
Other Funds	8	11	19
Total	$ 33	$ 58	$ 91
2006			
FBF	$ 14	$ 27	$ 41
ASF	13	19	32
Other Funds	8	10	18
Total	$ 35	$ 56	$ 91

Notes to the Financial Statements

16 Reconciliation of Net Costs of Operations to Budget

The recognition of earning reimbursable budgetary resources and spending budgetary resources on the CSBR generally has a direct or causal relationship to revenues and expenses recognized on the Consolidating Statements of Net Cost. The reconciliation schedules below bridge the gap between these sources and uses of budgetary resources with the operating results reported on the Consolidating Statements of Net Cost for the fiscal years ending on September 30, 2007 and 2006 (dollars in millions):

Reconciliation of Net Costs of Operations to Budget

	Federal Buildings Fund		Acquisition Services Fund	
	2007	2006	2007	2006
RESOURCES USED TO FINANCE ACTIVITIES				
Obligations Incurred	**$ 9,083**	$ 9,075	**$ 9,304**	$ 9,611
Less: Spending Authority From Offsetting Collections and Adjustments	**(9,573)**	(8,776)	**(8,652)**	(9,042)
Financing Imputed for Cost Subsidies	**56**	57	**47**	45
Other	**39**	(82)	**9**	81
Total Resources Used to Finance Activities	**(395)**	274	**708**	695
RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS				
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	**(42)**	(394)	**42**	329
Increase/(Decrease) in Unfilled Customer Orders	**478**	165	**(787)**	(982)
Costs Capitalized on the Balance Sheet	**(1,665)**	(1,655)	**(775)**	(749)
Financing Sources Funding Prior Year Costs	**(97)**	48	**4**	(84)
Other	**(5)**	-	**(173)**	73
Total Resources Used That Are Not Part of the Net Cost of Operations	**(1,331)**	(1,836)	**(1,689)**	(1,413)
COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS				
Depreciation and Amortization	**1,029**	940	**417**	407
Net Book Value of Property Sold	**12**	12	**288**	285
Other	**10**	22	**158**	11
Total Costs Financed by Resources Received in Prior Periods	**1,051**	974	**863**	703
COSTS REQUIRING RESOURCES IN FUTURE PERIODS				
Unfunded Capitalized Costs	**118**	(33)	**-**	-
Unfunded Current Expenses	**(1)**	14	**(4)**	3
Total Costs Requiring Resources in Future Periods	**117**	(19)	**(4)**	3
Net (Income From) Cost of Operations	**$ (558)**	$ (607)	**$ (122)**	$ (12)

Other Funds 2007	Other Funds 2006	Less: Intra-GSA Eliminations 2007	Less: Intra-GSA Eliminations 2006	GSA Consolidated Totals 2007	GSA Consolidated Totals 2006
$ 660	$ 610	$ -	$ -	$ 19,047	$ 19,296
(405)	(404)	-	-	(18,630)	(18,222)
24	26	33	32	94	96
(111)	(76)	-	-	(63)	(77)
168	156	33	32	448	1,093
(15)	20	-	-	(15)	(45)
5	(17)	-	-	(304)	(834)
(5)	(9)	-	-	(2,445)	(2,413)
3	-	-	-	(90)	(36)
61	69	-	-	(117)	142
49	63	-	-	(2,971)	(3,186)
15	14	-	-	1,461	1,361
-	-	-	-	300	297
-	-	-	-	168	33
15	14	-	-	1,929	1,691
-	-	-	-	118	(33)
(7)	9	-	-	(12)	26
(7)	9	-	-	106	(7)
$ 225	$ 242	$ 33	$ 32	$ (488)	$ (409)

Notes to the Financial Statements

17 Acquisition Services Fund

The GSA Modernization Act was signed into law on October 6, 2006. This law merged the General Supply Fund (GSF) and Information Technology Fund (ITF) into one new fund, the Acquisition Services Fund (ASF). Implementation of the ASF, effective January 1, 2007, created a funding structure that allows greater efficiencies in operations and more focused financial management. In the current operating environment, elements of technology are highly integrated into most significant procurements. The separate funding structures and authorities of the GSF and ITF required segregation of technology from non-technology procurements, which significantly hindered the efficient management of procurements.

Displayed below is an unaudited summary schedule of the closing balances for the GSF and ITF as of December 31, 2006 (dollars in millions):

(Unaudited)	GSF	ITF	TOTAL
ASSETS			
Fund Balance with Treasury	$ 541	$ 206	$ 747
Accounts Receivable, Net	414	709	1,123
Property and Equipment	2,751	16	2,767
Other Assets	277	6	283
Total Assets	**$ 3,983**	**$ 937**	**$ 4,920**
LIABILITIES AND NET POSITION			
Accounts Payable and Accrued Expenses	$ 220	$ 707	$ 927
Deferred Revenue and Advances	75	25	100
Other Liabilities	233	15	248
Total Liabilities	**528**	**747**	**1,275**
Net Position			
Total Net Position	3,455	190	3,645
Total Liabilities and Net Position	**$ 3,983**	**$ 937**	**$ 4,920**
NET COST			
Total Revenues:	$ 826	$ 1,056	$ 1,882
Total Expenses:	772	1,071	1,843
Net Revenues From (Cost of) Operations	**$ 54**	**$ (15)**	**$ 39**

(continued on next page)

	GSF	ITF	TOTAL
BUDGETARY RESOURCES			
Unobligated Balance, Net - Beginning Balance	$ 588	$ 1,234	$ 1,822
Prior Year Recoveries	15	93	108
Spending Authority	4,239	4,529	8,768
Total Budgetary Resources	**$ 4,842**	**$ 5,856**	**$ 10,698**
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred	973	1,918	2,891
Unobligated Balance - Available	3,869	3,938	7,807
Total Status of Budgetary Resources	**$ 4,842**	**$ 5,856**	**$ 10,698**
OBLIGATED BALANCE			
Unpaid Obligations	1,159	3,260	4,419
Less: Uncollected Customer Payments	(1,861)	(3,914)	(5,775)
Obligated Balance, Net - Ended December 31	**$ (702)**	**$ (654)**	**$ (1,356)**
NET OUTLAYS			
Gross Outlays	913	1,171	2,084
Less: Offsetting Collections	(965)	(1,189)	(2,154)
Net Outlays	**$ (52)**	**$ (18)**	**$ (70)**

Required Supplementary Information

Deferred Maintenance

As of the end of FY 2007, GSA had no material amounts of deferred maintenance cost to report. GSA administers the Building Maintenance Management Program that, on an ongoing basis, maintains the Building Class inventory in acceptable condition, as defined by GSA management. GSA utilizes a condition assessment survey methodology, applied at the overall portfolio level, for determining reportable levels of deferred maintenance. Under this methodology, GSA defines "acceptable condition" and "acceptable level of service" in terms of certain National Performance Measures, formulated under the provisions of the Government Performance and Results Act (GPRA) of 1993.

GSA expenses normal repair and maintenance costs as incurred. Although GSA has no substantive backlog of deferred maintenance tasks, the average building in the GSA inventory is 44 years old, and only 29 percent of these buildings have had extensive modernization. This has led to a large inventory of capital repairs and alterations (R&A) work items of which approximately $6.3 billion has not yet been addressed by an ongoing PBS R&A project. As this backlog is related to capitalizable improvements and modernization, they are not considered deferred maintenance in accordance with FASAB SFFAS No. 6, *Accounting for Property, Plant, and Equipment,* which is intended to report only maintenance items that would be expensed through the normal course of business.

U.S. Border Patrol Station, Murrieta, CA

Other Accompanying Information

GSA manages the Federal government's Web portal USA.gov, providing Americans with environmental information through our 235 million contacts with the public each year.

USA.gov Government Made Easy

GobiernoUSA.gov Información oficial en español

Through USA.gov and GobiernoUSA.gov, GSA provides the American public with information on everything from clean power, gas prices, and recycling, to information on the nation's forests and fisheries.

www.GSA.gov/green

Performance Measures

As GSA moves towards complete integration of budget and performance, it has replaced our stand alone Performance Plan with a Performance Budget. The following measures and targets were used in FY 2007 and were reflected in the FY 2008 Congressional Justifications. The 17 Key Performance Measures are highlighted in the Summary Chart of Goals and Measures below. The results for the remaining performance measures will be published on GSA's Web site in December 2007. A list of measures reported in the FY 2006 Performance and Accountability Report (PAR) that are no longer externally reported can be found in the next section, Performance Goals and Measures No Longer Reported.

Summary Chart of Goals and Measures

PROGRAM	PERFORMANCE MEASURES	FY 2004 TARGET	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL	RESULT
STEWARDSHIP										
PBS (Asset Management)	Percentage of government-owned assets with an ROE of at least 6%.[1]	65%	70%	68%	74%	71%	76.4%	75.6%	Not Available	
PBS (Asset Management)	Percentage of government-owned assets achieving a positive FFO. [1]	75%	78%	80%	84.3%	85%	82.7%	84%	Not Available	
PBS (Asset Management)	Percentage of available and committed space in government-owned inventory.	7.60%	7.90%	7.00%	6.80%	7%	7%	7%	7.70%	Not Met
PBS (Asset Management)	Customer Satisfaction - tenants in owned space.	69%	72%	72%	77.60%	73%	83%	75%	78%	Met
PBS (Leasing)	Percent of vacant space in leased inventory.	1.50%	1.20%	1.50%	1.20%	<1.50%	1.50%	<1.50%	Not Available	
PBS (Leasing)	Percent of leased revenue available after administering the leased program.	0% - 2%	1.90%	0% - 2%	2.20%	0% - 2%	1.50%	0% - 2%	Not Available	
PBS (New Construction)	Percent of New Construction program that is certified for LEED.	10%	0%	15%	17%	20%	0%	25%	Not Available	
PBS (New Construction)	Percent of newly constructed buildings independently verified for achievement of established operational requirements.	15.00%	13.80%	20%	21.90%	30%	100%	35%	Not Available	
PBS (Real Property)	The percent of public sales awarded within 170 days.	N/A	73%	N/A	92%	95%	100%	100%	100%	Met
FAS (Long Distance)	Complete the Networx Transition Planning versus actual.	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	0%	Not Measured	
FAS (Vehicle Acquisition)	Number of vehicles purchased per full-time equivalent (FTE).	1,250	1,350	1,275	1,498	1,300	1,676	1,310	Not Available	
FAS (Fleet)	Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.	25%	32%	27%	43.13%	≥ 29%	39.06%	≥29.25%	42.38%	Met
FAS (Fleet)	Number of vehicles managed per onboard associate.	277	275	322	329	335	352	340	Not Available	
FAS (Regional Telecommunications)	Percentage of task and delivery orders subject to the fair opportunity process.	>60%	96%	>65%	90.60%	80%	86.84%	80%	Not Measured	
FAS (Regional Telecommunications)	Percentage of schedule task orders solicited using e-Buy.	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	80%	Not Measured	
FAS (Card Services-SmartPay)	Government-wide spend per GSA SmartPay contract administration FTE.	N/A	$4.92B	N/A	$4.99B	$5B	$5.31B	$5.05B	Not Available	
OCFO	Percent of invoices received electronically.	85%	56%	56%	64%	68%	71%	80%	73%	Not Met
OCHCO	Number of days to fill a vacancy.	Not Measured	Not Measured	45	26.3	45	30.1	45	26.25	Met

(continued on next page)

[1] *The targets and actuals for these measures do not match the FY 2008 Congressional Justifications. In the FY 2007 PART review of this program, GSA and OMB jointly revised the calculation of both measures to include land ports of entry, which had previously been excluded.*

Performance Measures

PROGRAM	PERFORMANCE MEASURES	FY 2004 TARGET	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL	RESULT
STEWARDSHIP *(continued)*										
OCHCO	Percentage of employees that have individual performance plans and receive ratings at end of rating cycle.	Not Measured	Not Measured	Not Measured	95%	95%	96%	95%	Not Available	
OCIO	Percentage of IT systems that have a current certification and accreditation.	100%	97%	100%	100%	100%	100%	100%	Not Available	
OCIO	Percent of major IT initiatives by OMB for Enterprise Architecture-FY 2005 Exhibit 300 Submission.	100%	97%	100%	100%	100%	100%	100%	Not Available	
OGP	Percentage of OGP initiatives meeting their scheduled development milestones.	Baseline	50%	75%	75%	80%	100%	84%	Not Available	
OGP	Percentage of OGP initiatives meeting their scheduled cost targets.	Baseline	100%	100%	100%	100%	80%	100%	Not Available	
OCSC	Strategic Messages (Favorable, Neutral, and Unfavorable).	N/A	37%, 56%, 7%	50%, 25%, 25%	27.54%, 65.17%, 7.29%	26%, 67%, 7%	35%, 51%, 14%	30%, 60%, 10%	Not Available	
SUPERIOR WORKPLACES										
PBS (Asset Management)	R&A projects on schedule.	86%	78%	86%	95%	88%	83%	88%	94.20%	Met
PBS (Asset Management)	Percent of minor R&A budget obligated on planned projects by the end of the fiscal year.	Baseline	87%	75%	87%	75%	85%	75%	Not Available	
PBS (Asset Management)	Percent of escalations on R&A projects.	1.50%	0.50%	1%	0.40%	<1%	3.20%	<1%	Not Available	
PBS (Leasing)	Satisfied tenant customer satisfaction rating (4 and 5 responses) in leased space surveyed.	68%	70%	70%	78%	72%	78%	74%	Not Available	
PBS (Leasing)	Percent of existing lease inventory reviewed for beneficial opportunities.	Not Measured	Not Measured	Not Measured	Not Measured	100%	100%	100%	Not Available	
PBS (New Construction)	Construction projects on schedule.	84%	80.20%	85%	100%	86%	84%	87%	79.80%	Not Met
FAS (Fleet)	External customer satisfaction survey score.	83	84.9	83	85.9	83	84.5	83.1	84.9	Met
BEST VALUE										
PBS (Asset Management)	Percent below private sector benchmarks for cleaning, maintenance and utility costs in office and similarly serviced space.	-13.40%	-14.50%	-12%	-11%	-3%	-4.20%	-3%	-1.60%	Not Met
PBS (Leasing)	Cost of leased space relative to industry market rates.	-8.00%	-10.60%	-8.30%	-9.20%	-8.50%	-9.20%	-8.80%	-10.60%	Met
PBS (Leasing)	Percent of customers surveyed who say they received their leased space when needed.	74%	86.70%	75%	82%	82%	67%	84%	Not Available	
PBS (Leasing)	Percent of expiring leases using the National Broker Contract.	Not Measured	Not Measured	Not Measured	Not Measured	60%	48%	70%	Not Available	
PBS (New Construction)	Number of days to complete new courthouse construction projects.	2,900	2,988	2,900	2,928	<3,100	3,458	<3,100	Not Available	
PBS (Real Property)	Percentage of U&D property awarded within 240 days.	N/A	75%	N/A	39%	90%	97%	95%	Not Available	
PBS (Real Property)	The percent of disposal transactions that "exceed" or "greatly exceed" customer expectations.	93%	94%	93%	93%	93%	97%	93%	Not Available	

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PROGRAM	PERFORMANCE MEASURES	FY 2004 TARGET	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL	RESULT
BEST VALUE *(continued)*										
PBS (Real Property)	Cost of reimbursable sales as a percentage of sales proceeds.	4.00%	0.18%	1.00%	0.13%	1.08%	0.12%	1.08%	Not Available	
FAS (Global Supply)	Percentage of supply blended mark-up.	N/A	N/A	N/A	31.60%	31%	32.71%	30.50%	Not Available	
FAS (Global Supply)	Compliance rate with DoD Time Definite Delivery shipment processing standards.	Not Measured	Not Measured	21.20%	18.80%	21.20%	22.20%	10%>VBL	Not Measured	
FAS (Global Supply)	External customer satisfaction survey score.	84.1	79.3	79.80	77.3	79.9	80.3	80	Not Available	
FAS (Global Supply)	Direct cost as a percent of revenue.	10.2%	9.9%	9.0%	10.60%	10.50%	10.50%	10.40%	Not Available	
FAS (Personal Property)	Cycle time for disposal process (days).	76	72	77	56	76	52	55	Not Available	
FAS (Personal Property)	External customer satisfaction survey score.	77	75.6	78	74.6	79	82.3	79	Not Available	
FAS (Personal Property)	Direct cost of Sales Program as a percent of revenue.	57.60%	47.90%	47%	34.70%	46%	47.49%	45%	Not Available	
FAS (Personal Property)	Operating cost per $100 business volume.	$33.76	$24.88	$22.95	$15.23	$22.00	$18.77	$21.50	Not Available	
FAS (National Furniture Center)	Timeliness to award new contracts (days).	105	87	99	97.8	84	73.50	80	Not Available	
FAS (National Furniture Center)	Timeliness to award contract modifications to add products and services (days).	22	14	20	19.8	13	18.1	12	Not Available	
FAS (National Furniture Center)	Number of schedule task orders solicited using GSA e-Buy.	40,000	25,585	40,000	41,179	7,700	8,207	8,200	Not Available	
FAS (National Furniture Center)	Direct operating expenses as a percentage of gross margin.	N/A	41.96%	N/A	51.34%	49.52%	52.09%	48.20%	Not Available	
FAS (National Furniture Center)	Ratio of FTE to business volume.	N/A	0.01%	N/A	0.01%	0.0057%	0.0056%	0.0052%	Not Available	
FAS (Long Distance)	Percentage of solutions reviewed compliant with policy and regulations, internal polices and procedures.	Not Measured	Not Measured	100%	100%	100%	100%	100%	Not Measured	
FAS (Long Distance)	Overall customer satisfaction.	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	80%	Not Measured	
FAS (Long Distance)	Savings provided to customers.	Not Measured	$705M	$780M	$633 M	$550M	$620M	$500M	Not Measured	
FAS (Long Distance)	Percentage of Network Service prices are below best commercial prices.	Not Measured	Not Measured	Not Measured	41.50%	35%	41.40%	35%	Not Measured	
FAS (Long Distance)	Complete the Networx Transition Planning versus actual.	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	0%	Not Measured	
FAS (Long Distance)	Total Long Distance program expenses as a percentage of gross margin.	52%	41%	56%	41.30%	55%	43%	55%	Not Measured	
FAS (Professional Services)	Percentage of negotiated award dates for services and commodities that are met or bettered.	N/A	83%	>93%	88%	>95%	93%	>95%	Not Measured	
FAS (Professional Services)	Percentage of task and delivery orders subject to the fair opportunity process.	N/A	83%	>85%	81%	>86%	Not Measured	>86%	Not Measured	
FAS (Professional Services)	Percentage of schedule task orders solicited using e-Buy.	Not Measured	Not Measured	Not Measured	Not Measured	90%	93%	90%	Not Measured	

(continued on next page)

Performance Measures

PROGRAM	PERFORMANCE MEASURES	FY 2004 TARGET	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL	RESULT
BEST VALUE *(continued)*										
FAS (Professional Services)	Percentage of dollar value of eligible service orders awarded with performance-based statements of work.	Not Measured	43%	50%	64%	50%	66%	52%	Not Measured	
FAS (Professional Services)	Total program expenses as a percentage of gross margin.	52%	64%	82%	50%	66%	86%	65%	Not Measured	
FAS (Regional Telecommunications)	Percentage of dollar value of eligible service orders awarded with performance based SOWs.	40%	47%	40%	72%	50%	89%	60%	Not Measured	
FAS (Regional Telecommunications)	Percentage of projects meeting agreed performance according to the Quality Assurance Surveillance Plan (QASP).	Not Measured	Not Measured	Not Measured	Not Measured	75%	Not Measured	76%	Not Measured	
FAS (Regional Telecommunications)	Percentage of negotiated award dates for services and commodities that are met or bettered.	>93%	89%	75%	96%	76%	94%	77%	Not Measured	
FAS (Regional Telecommunications)	Percentage of solutions that are met at or below initial cost estimates.	Not Measured	Not Measured	Not Measured	Not Measured	80%	Not Measured	90%	Not Measured	
FAS (Regional Telecommunications)	Total Regional Telecommunications program expense as a percentage of gross margin.	67%	56%	70%	52%	66%	52%	66%	Not Measured	
FAS (IT Solutions-National)	Percentage of negotiated award dates for services and commodities that are met or bettered.	93%	95%	94%	87%	>95%	89%	>95%	72%	Not Met
FAS (IT Solutions-National)	Percentage of dollar value of eligible service orders awarded with performance-based SOWs.	40%	58%	50%	26%	>50%	4.56%	>50%	Not Measured	
FAS (IT Solutions-National)	Percentage of task and delivery orders subject to the fair opportunity process.	95%	98%	95%	94%	>95%	90%	>95%	Not Measured	
FAS (IT Solutions-National)	Total program expenses as a percentage of gross margin.	67%	78.4%	62%	80%	62%	89.40%	79%	Not Measured	
FAS (IT Solutions-Regional)	Percentage of negotiated award dates for services and commodities that are met or bettered.	93%	88%	94%	84%	>95%	95%	>95%	Not Measured	
FAS (IT Solutions-Regional)	Percentage of solutions that are met at or below initial cost estimates.	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	83%	Not Measured	
FAS (IT Solutions-Regional)	Percentage of task and delivery orders subject to the fair opportunity process.	85%	96%	95%	92%	>95%	92%	>95%	Not Measured	
FAS (IT Solutions-Regional)	Total program expenses as a percentage of gross margin.	48%	52.3%	48%	96%	76%	148.50%	94%	Not Measured	
FAS (Vehicle Acquisition)	Percentage discount from invoice price.	27%	33%	28%	40.60%	28%	39%	>28.50%	31.90%	Met
FAS (Vehicle Acquisition)	External customer satisfaction score.	78	77	79	79.3	79	77.9	80	Not Available	
FAS (Fleet)	Program support and operational expenses per vehicle year of operation.	$530	$556	$482	$508	$504	$496	$500	Not Available	
FAS (Travel)	External customer satisfaction score.	74.3	73.6	74	73.6	74	75.4	75.5	Not Available	
FAS (Travel)	Percentage of vouchers serviced through the E-Gov Travel (percent of total voucher population).	2%	0%	3.00%	1.10%	5.25%	6.70%	18.41%	Not Available	
FAS (Travel)	Percentage of Business Reference Model (BRM) agencies migrating to E-Gov Travel.	33.00%	8.33%	62.50%	29.20%	58.30%	54.17%	70.83%	Not Available	

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PROGRAM	PERFORMANCE MEASURES	FY 2004 TARGET	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL	RESULT
BEST VALUE *(continued)*										
FAS (Travel)	FedRooms percentage off consortia rate.	Not Measured	Not Measured	Not Measured	Not Measured	33%	29%	28%	Not Available	
FAS (Travel)	City Pair Program (CPP) percentage off the lowest published full economy fare.	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	67%	Not Available	
FAS (Travel)	Direct cost as a percent of revenue.	52.00%	55.00%	65.00%	66.00%	64%	38%	63%	Not Available	
FAS (Transportation)	External customer satisfaction score.	76	74.1	77	73.3	77.3	78.8	77.4	Not Available	
FAS (Transportation)	Freight savings.	Not Measured	Not Measured	Not Measured	Not Measured	Tracking Only	40%	40.50%	Not Available	
FAS (Transportation)	Household goods savings.	Not Measured	Not Measured	Not Measured	Not Measured	Tracking Only	58%	59%	Not Available	
FAS (Transportation)	Domestic Delivery Services Savings.	Not Measured	Not Measured	Not Measured	69%	Tracking Only	69%	70%	Not Available	
FAS (Transportation)	Percent of audits performed electronically.	94%	92.10%	94.50%	94%	96%	92.40%	96.50%	Not Available	
FAS (Transportation)	Percent of claims processed within 120 days.	N/A	N/A	40%	69.30%	75%	78.90%	80%	Not Available	
FAS (Transportation)	Direct cost as a percent of revenue.	52.00%	57.20%	65.00%	51.60%	52%	48%	51.50%	Not Available	
FAS (Card Services-SmartPay)	Overall customer satisfaction of GSA SmartPay Program.	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	63%	Not Available	
FAS (Card Services-SmartPay)	GSA SmartPay Conference Satisfaction as determined by attendee survey results.	90	93	92	95	92.5	91.2	93	Not Available	
FAS (Card Services-SmartPay)	Timeliness of report submission.	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	>85	Not Available	
OCSC	FirstContact and Web solutions task orders.	Contract Awarded	N/A	5 new	6	6 new, 12 total	14	5 new, 19 total	Not Available	
INNOVATION										
PBS (Asset Management)	Percent reduction in energy consumption over the FY 2003 baseline.	22.60%	-22.40%	-30.00%	-35.30%	-2%	-4.40%	-4%	-8.30%	Met
PBS (New Construction)	Percent of New Construction program registered for LEED.	10%	0%	10%	9.10%	25%	100%	50%	Not Available	
OCSC	Citizen visits to USA.Gov Web sites.	Not Measured	Not Measured	Not Measured	Not Measured	Not Measured	84.3M	88M	Not Measured	
OCSC	Uptime for FirstGov.	Not Measured	Not Measured	Not Measured	Not Measured	99%	100%	99.20%	Not Measured	
OCSC	Number of search queries through FirstGov and FirstGov search.	Not Measured	Not Measured	Not Measured	Not Measured	7.6M	10.8M	11.3M	Not Measured	
OCSC	Citizen touchpoints.	Baseline	101.5M	106.5M	122.7M	128.8M	133M	168.6M	222M	Met
OCSC	Government-wide Web site ASCI satisfaction benchmark.	Baseline	70.3	71	72	73	73.7	74	Not Available	
OGP	Extent to which OGP policy initiatives achieve improvement targets.	Baseline	66%	70%	71%	80%	100%	84%	98%	Met
OGP	Percentage of key policy stakeholders and agency users who rate OGP policy initiatives effective.	Not Measured	Not Measured	Not Measured	Not Measured	80%	54%	57%	70%	Met

Performance Measures

Performance Goals and Measures No Longer Reported

PROGRAM	PERFORMANCE GOALS	PERFORMANCE MEASURES
STEWARDSHIP		
FAS (Travel and Transportation)	Reduce program operating costs.	Operating cost per $100 business volume.
OGP	Assist agencies in the re-engineering of the identity management process for external e-government online services and for physical and logical access to federal facilities and systems.	Percentage of Authentication service lines with three or more providers to achieve competition.
OGP	Improve the compliance with Section 508 government-wide by improving the compliance of GSA contracts and programs.	Percentage of agencies whose work demonstrates the use of 508 tools.
OGP	Federal Enterprise Architecture/Component Organization and Registration Environment (FEA/CORE) - Increase adoption of common business processes and/or key components enabling those processes.	Number of components submitted for approval to IAC Component Organization and Registration Environment (CORE) steering committee registered at CORE.
SUPERIOR WORKPLACES		
FAS (Global Supply)	Achieve timely delivery for all customer orders.	Percent of domestic, non-hazardous orders shipped within 24 hours.
FAS (Global Supply)	Increase program efficiency and value to Global Supply customers by minimizing program operating costs.	Operating costs per $100 business volume.
FAS (Global Supply)	Reduce Global Supply mark-up on stocked items.	Percentage of Global Supply mark-up on stocked items.
BEST VALUE		
FAS (Network Services)	Provide robust portfolio of telecommunications services and value added solutions to satisfy diverse customer requirements.	Customer satisfaction with value added solutions.
FAS (IT Solutions-Professional Services)	Provide cost management for solutions delivery.	Percentage of solutions that are met or below initial cost estimates.
FAS (IT Solutions-Regional)	Provide cost management for solutions delivery.	Percent of dollar savings between independent government cost estimates (IGCEs) and award amounts.
OCSC	Help the Federal government become more citizen-centric by increasing the magnitude, quality and outreach of Federal information via various channels and enable Federal agencies to become more citizen-centric by providing answers to citizens that are timely, accurate and responsive via the channel of their choice.	Public contact derived as a result of citizen interaction with USA Services channels.
FAS (Network Services)	Grow customer base to increase market share and maximize savings to the government.	Percentage of agencies serviced by Network Services.
FAS (Network Services)	Provide effective management of Network Services acquisitions.	Network Program Milestones planned vs. actual.
INNOVATION		
OGP	Develop and issue effective guidance and implementation policies in support of the Federal Identity Credentials.	Percentage of major agencies adopting cross-agency policy and uniform standards for Federal Identity Credentials.
OGP	Provide tools and incentives to improve the effectiveness of property management operations.	Percentage of agencies reporting real property performance measures tracked by OGP.
OCIO	Improve IT Investment Control & Project Management.	Percentage of the IT Portfolios DM&E Projects that have a schedule variance within 10% of plan.

Management Challenges

U.S. General Services Administration
Office of Inspector General

OCT 12 2007

MEMORANDUM FOR LURITA DOAN
ADMINISTRATOR (A)

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: GSA's Major Challenges

Attached is a copy of our office's updated assessment of the major challenges currently facing GSA. The Reports Consolidation Act of 2000, Public Law 106-531, requires that each Office of Inspector General (OIG), prepare, for inclusion in agency Performance and Accountability Reports, a statement summarizing what the Inspector General considers to be the most significant management and performance challenges facing the agency and briefly assessing the agency's progress in addressing those challenges. The Act requires the OIG to provide the assessment to the head of the agency 30 days before the due date of the Performance and Accountability Report.

We are hereby providing you with our assessment to afford you the opportunity to review and prepare any comments you wish to append.

If you have any questions or wish to discuss this, please call me at 202-501-0450. If your staff needs any additional information, they may contact Andrew Patchan, Jr., Assistant Inspector General for Auditing, at 202-501-0374.

Attachment

1800 F Street, NW, Washington, DC 20405-0002

Management Challenges

Office of Inspector General's Updated Assessment of GSA's Major Management Challenges

October 2007

Acquisition Programs

Contract Management

Information Technology

Management Controls

Stewardship of Federal Real Property

Human Capital

Protection of Federal Facilities and Personnel

OFFICE OF INSPECTOR GENERAL'S UPDATED ASSESSMENT OF GSA'S MAJOR MANAGEMENT CHALLENGES

OCTOBER 2007

ACQUISITION PROGRAMS

The General Services Administration (GSA) plays a lead role in interagency contracting, providing Federal agencies with products and services valued in the billions of dollars through various types of contracts it establishes and administers. To streamline the structure and strengthen GSA's capability to provide excellent acquisition services to customer agencies at the best value, and to make it easier for contractors to understand and participate in GSA's acquisition processes, GSA merged the Federal Supply Service (FSS) and the Federal Technology Service (FTS) to form the new Federal Acquisition Service (FAS). Both the specific contracting programs and the reorganization give rise to management challenges. Further, the Government Accountability Office (GAO) added management of interagency contracting to its High Risk list in 2005.

External factors also are affecting how the new organization will do business. At the same time GSA is combining its two procurement organizations, cash-strapped customer agencies are following the advice of the Office of Management and Budget (OMB) and are developing strategic sourcing procurement programs. Under this approach, agencies amass their common goods and services, consolidating their requirements into one or a few awards, with the expectation of suppliers substantially lowering prices. This practice is being used more frequently and presents a new dynamic that GSA must factor into its business lines. Also, the Department of Defense (DoD), GSA's largest customer, is moving toward doing more of its own contracting.

ISSUE: Among other contracting programs and vehicles, GSA is responsible for the Multiple Award Schedules (MAS) program and many Governmentwide Acquisition Contracts (GWACs). Management challenges in this area generally center on the contract evaluation and award process and involve the often-related issues of 1) competition, 2) pricing, and 3) compliance with statutory or regulatory requirements.

The MAS Program provides Federal agencies with a simplified procurement process for the purchase of a diverse range of commercial supplies and services from multiple vendors at prices associated with volume buying. MAS contracts are awarded to contractors supplying items or services at prenegotiated prices for delivery within the same geographic areas. Federal agencies then simply order supplies or services from the schedules (or catalogs) at the prenegotiated prices and pay the contractors directly for their purchases. GSA administers over 40 schedules that produced $34.8 billion in sales in Fiscal Year (FY) 2006, and the business volume continues to grow.

Our Office is concerned that, as the MAS program has grown, the importance of certain program fundamentals – including pricing objectives and other pricing tools – has diminished. These fundamentals include the mandate for most-favored customer (MFC) pricing, the requirement to perform meaningful price analysis when awarding or extending contracts, and the use of Office of Inspector General (OIG) preaward reviews to assist contracting officers in negotiating the best value in awarding these contracts.

Management Challenges

MFC pricing ensures that MAS contract pricing harnesses the Federal Government's collective buying power for pricing purposes. Price analysis is the key substantive step a contracting officer performs for the purpose of arriving at fair and reasonable prices. OIG preaward reviews are the main analytical tool by which a contracting officer can be assured that a vendor's pricing is appropriate. These reviews also provide contracting officers with additional detailed analyses regarding a vendor's pricing and sales practices in anticipation of negotiations.

In past reviews, we reported that FSS did not consistently negotiate most favored customer prices, many MAS contract extensions were accomplished without adequate price analysis, and available tools were not being used effectively to negotiate better MAS prices. Moreover, in a February 2005 report, GAO concluded that, despite GSA's recent initiative to perform quality reviews of contract awards and documentation, GSA cannot be assured that fair and reasonable prices have been negotiated for its MAS contracts.

Since 2004, with the support and endorsement of OMB, GSA has provided us with additional financial support enabling us to markedly increase the number of these preaward contract reviews. These reviews have successfully provided contracting officers with information to help establish fair and reasonable pricing. Over the past three years, the OIG has found material flaws in about 75 percent of the proposals audited that amounted to over $2 billion in proposed contract price savings. Additionally, our reviews of MAS contracts have yielded millions in recoveries, including a recent $98.5 million settlement with Oracle Corporation for PeopleSoft's defective pricing of sales, the largest recovery for false statements in the history of the MAS Program. Despite these results, in 2006 the Administrator endeavored to withdraw financial support for the preaward reviews performed by the OIG, but was not successful. We believe that the results of our work demonstrate a very tangible positive impact on the integrity, economy, and efficiency of an important GSA program. We believe that other GSA stakeholders see this as well, as demonstrated by Senate Report 110-129 Financial Services and General Government Appropriations Bill, 2008, that directed GSA to provide $5 million in reimbursable funding to the OIG for preaward audits and surveys. We will continue to work with FAS to assist contracting officers in negotiating the best value in awarding these contracts.

A concern related to pricing is the funding mechanism for the MAS Program. A .75 percent fee is included in the price of a product or service on the schedules. When the vendor is paid by the agency placing the order, the vendor remits the portion of the price that represents this fee to GSA. This methodology can have the unintended result of reducing the incentive to negotiate the best price possible, since lowering prices or not awarding a contract adversely impacts revenue. Further, the operating expenses that the MAS fee funds are not restricted to the MAS Program. Strong controls are needed to ensure that the contracting officers have sufficient information and incentives to negotiate fair and reasonable pricing and that the fee and operating expenses are balanced.

Also, the broad definition of a commercial item in the Federal Acquisition Regulation (FAR) presents challenges to a contracting officer's ability to perform a valid price analysis. The MAS Program operates under the premise that: (1) GSA vendors would routinely sell their commercial products and services to the general public in a competitive open market; (2) this competitive process would establish "market prices" (fair and reasonable prices); and, (3) GSA contracting officers (COs) could use market prices as a starting point in negotiations to establish a government price that was equal to a comparable buyer in the private sector. However, under the current definition, a commercial item is any item and many services "of a type" customarily used by the general public. Thus, the current FAR definition of a commercial item does not require a vendor to have any commercial, competitive sales of a product or service. There are vendors who have commercial sales but organizationally segregate units that do commercial business from those that do government business. We have also seen commercial items that are actually special purpose items that are only purchased by specific government customers, such as a weapon system tool kit. In addition, we have found that, although a commercial market exists for a vendor's services, its commercial contracts are typically awarded on a firm fixed-price basis, while its GSA schedule clients have been doing business mainly on a time-and-materials basis.

GWACs are multiple award contracts for information technology (IT). GWACs are openly competed and then awarded to a pool of specific vendors. Once the contract is awarded, solicitations of proposals for task orders are limited to those vendors. GSA recently awarded two GWACs for IT services with a total ceiling of $65 billion over 10 years. Based on experience with awarding past GWACs, GSA can expect a significant workload for its acquisition resources. These contracts are coming into existence at the same time that GSA is reorganizing its acquisition services. Also, ensuring competition under the GWACs will be a challenge. During past reviews of the Client Support Centers (CSCs) and other contracting reviews, we concluded that often task order bids are received from only one vendor although the solicitation was sent to all of the contract holders. This can occur because the incumbent has a competitive advantage in its knowledge of the task, or due to vendors dropping out of the GWAC over time thereby decreasing potential competitors. GSA needs to focus on ensuring that the government receives competition and best value on its procurements.

Client Support Centers: In recent years, we identified improper contracting practices at the CSCs (formerly part of FTS) in several regions. CSC officials breached government procurement laws and regulations, and, on a number of occasions, processed procurement transactions totaling more than $100 million through the Information Technology Fund for goods and services that were well outside the fund's legislatively authorized purposes. Many of these issues were related to DoD procurements. Inappropriate contracting practices included: improper sole source awards, misuse of small business contracts, allowing work outside the contract scope, improper order modifications, frequent inappropriate use of time-and-materials task orders, and not enforcing contract provisions. Because of these concerns, Congress, in the 2005 Defense Authorization Act, directed that the GSA and DoD IG offices review each CSC to determine if they are compliant with Federal and DoD specific procurement regulations. In our 2006 review of the CSCs, we determined the CSCs are now compliant with procurement regulations although some minor procurement deficiencies in several of the CSCs did exist. GSA and DoD procurement officials are continuing to work on the development of consistent policies and procedures for GSA and DoD interagency contracting, including the use of funds across fiscal years and the format for interagency agreements.

Another issue brought out by the CSC reviews was the lack of procurement expertise. We found that, frequently, neither GSA nor its customer agencies had the expertise to prepare statements of work, evaluate vendor proposals, or prepare independent

Management Challenges

government cost estimates for many service task orders. The ordering contracting officers (OCOs) who place orders for “commercial” items against the MAS and GWACs are, in many cases, at an even greater disadvantage than the COs awarding MAS and GWACs. OCOs are expected to get even better prices and rates on large orders and are to obtain competition for the orders they award. Our experience has been that many of the largest tasks are awarded to the same vendor time after time and, often, no other vendors bid on the task.

AGENCY ACTIONS: We continue to participate with FAS on a working group to review current MAS procurement practices and analyze potential enhancements to program pricing activities. The group is comprised of representatives from the Office of the Chief Acquisition Officer (OCAO), General Counsel, FAS, and the OIG. On April 29, 2005, FSS issued a revised Procurement Information Bulletin (PIB) to update guidance and instructions to contracting officers in requesting audit assistance from the OIG when exercising options to extend the term of a contract. The principles in the PIB also apply to audits of new MAS offers. The guidance in the PIB was reinforced in a Procurement Information Notice issued on September 22, 2006.

Many of the problems identified in the CSC audits related to OCO, vendor, and user agency misuse of GSA contract vehicles. As a result, GSA was challenged to ensure its overall contracts are properly used. GSA continues to work closely with other Federal agencies, particularly the DoD, in identifying actions necessary to clarify guidance and ensure proper use of GSA contracting vehicles. In December 2006, DoD and GSA entered into an agreement specifying steps the GSA will take to alleviate DoD concerns about interagency contracting. The agreement defines some ambiguous aspects of existing acquisition policy regarding interagency contracting. In addition, it establishes responsibility and clarifies rules applying to acquisitions conducted on DoD’s behalf. GSA and DoD procurement officials are continuing to work on the development of consistent policies and procedures for GSA and DoD interagency contracting.

Emergency Contracting: Under the National Response Plan, GSA provides procurement support to the Federal Emergency Management Agency (FEMA) during national emergencies. In responding to Hurricane Katrina, issues in GSA’s emergency contracting processes were exposed. As reported by GAO, GSA contracting personnel needed better coordination with FEMA personnel who were responsible for monitoring contractor performance. In our review of over 200 contracts and orders with an aggregate value of $741 million, we found that contracting personnel did not always award contracts that adequately protected the government’s interest. Sixty-one of the contracts reviewed did not contain evidence of any form of contractor responsibility determination. Further, contracting personnel failed to perform adequate price reasonableness determinations for nearly half of the contract actions reviewed. As a result, GSA awarded some contracts that did not provide fair and reasonable pricing. For example, GSA awarded two contracts to one vendor for the same products and services but pricing for one was triple that of the other. In addition, many GSA contracting personnel did not have emergency contracting guidance or training and many did not have knowledge of the products and services or the sourcing capabilities needed to ensure price reasonableness. Finally, the manual tracking of contract information led to inaccurate and incomplete reporting.

AGENCY ACTIONS: GSA concurred with our recommendations and has taken a number of actions to address this situation. To improve coordination with FEMA personnel, GSA has been working to update the memorandum of understanding with FEMA and revising its emergency policies and procedures. GSA is also working with FEMA to put contract vehicles in place in advance of future disasters.

Reorganization: GSA is in the midst of a major reorganization of its acquisition programs that will affect staffing levels, morale, revenue and fee structures, information systems, and the number and type of programs offered. FAS, which will operate on a cost recovery basis, has an estimated annual value of contract actions between $40 and $50 billion and a staff of approximately 3,900 employees. As part of the FAS structure, the Office of the Chief Financial Officer has merged the Information Technology and General Supply Funds into the Acquisition Services Fund. In merging these two revolving funds, management will be faced with the significant challenge of ensuring that the transition process does not impact operations and that sufficient controls are in place over the new fund.

AGENCY ACTIONS: The FAS reorganization is underway and on December 5, 2006, the Administrator signed a GSA Order that officially established the full organizational substructure of the regional offices. Further, the FAS Acquisition Management team, led by GSA's Chief Acquisition Officer, has been working to create an organization that will partner with the OCAO to enhance the GSA workforce by fostering acquisition excellence in training and work environments. The team is also focused on ensuring consistency among the GSA schedules contracts. This team must create an organization that optimizes GSA processes, while ensuring that customers and suppliers have a positive and consistent FAS experience. The OCAO also established a process for improving acquisition programs in Public Buildings Service (PBS) and FAS by evaluating the quality of contracts awarded in each business line. Each year, the OCAO selects GSA buying activities to analyze, evaluate, and validate their acquisition processes through Procurement Management Reviews.

CONTRACT MANAGEMENT

ISSUE: GSA increasingly accomplishes its mission by using contractors to provide client services and products. For example, in April 2005, GSA initiated a new National Broker Contract with the intention of transitioning, over time, the majority of its lease acquisitions to four broker contractors. In FY 2005, PBS had over 7,300 private sector leases that generated more than $4.1 billion in direct revenue. While GSA gains tremendous advantage by leveraging its human capital through the use of contractors, the corporate skill base necessary to effectively manage contracts is not keeping pace with the growth and complexity of this important activity.

Through various audits performed over recent years, we have observed certain trends that cause us to be concerned with contract management. Some points we have noted are:

- Weak selection criteria permitted poor performing contractors to win awards or projects were awarded to contractors with no expertise in the services needed. Task objectives were poorly crafted, milestone plans were missing, and unauthorized

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personnel issued some task orders. In addition, contracts were awarded without appropriate clauses to hold contractors responsible for protecting sensitive data from unauthorized release.

- Use of certain contract formats offered no incentives to keep projects moving or control costs. Contractors neglected to establish required quality control programs or did not submit firm construction schedules meaning that delays were unknown until they became significant.

- GSA personnel provided limited project oversight, acted too slowly in making project-critical decisions and, at times, failed to inspect completed work projects prior to payment. Also, not all services paid for were provided, and approvals to pay for services invoiced often lacked supporting documentation.

- GSA leasing officials did not monitor receipt of services required under leases and relied on tenant complaints for identifying service deficiencies rather than taking a proactive approach to ensure required services were provided. We also noted a lack of documentation supporting whether identified fire and other safety conditions in leased facilities were corrected.

- Leasing project files lacked strong support for the price reasonableness of tenant improvements, contained limited documentation of active project management during the build-out process, and the level of project cost tracking and reconciliation varied significantly.

In our briefings to GSA senior management, we have emphasized that effective contract management starts with complete acquisition planning; relies on sound source selection criteria to select only the best contractors; requires clear and concise contract language; demands well trained contract administrators; and needs well defined work or task order requirements, including milestone plans with positive and negative incentives and, more importantly, assertive action to get wayward contracts promptly on track. There is a heightened need for improvement as GSA's contracting workload continues to increase at a rapid rate. While many GSA contracts are well crafted and properly administered, we continue to find weaknesses.

In October 2004, GSA awarded the National Broker Services Contract to provide leasing services for up to 3.2 million square feet of space throughout the country. GSA predicted that much of the real property contracting process would be done by personnel from one of four national commercial property management firms, which would handle about 50 percent of the new leasing workload in the first year of the contract. PBS found it necessary to contract for these services because the number of realty specialists was shrinking while the amount of space they were responsible for was growing. Turning over such a large part of the workload created a new demand on PBS realty specialists who now have major contract oversight responsibilities. Our greatest concern is turning over such an important part of PBS workload (both in size and dollars) to contractors who will be paid by the lessor. The 'no cost' aspect of the contracts allows the brokers to collect payment from landlords in the form of commissions. Consequently, the incentives to keep costs down and the controls to prevent collusion or (in cases where they may have a relationship with the potential lessor) to prevent steering the award to a preferred lessor are key to the success of the contract. There may also be proprietary data issues where one GSA contractor seeking a lease award may be required to provide proprietary data to a competitor that is overseeing the award. This may lead to impaired competition. Moreover, the implementation of the Broker contract is highly dependent on post award oversight, which has been a GSA weakness in the past.

On January 31, 2007, GAO issued a report on the Broker contract entitled, “Initial Implementation of the National Broker Services Contracts Demonstrates Need for Improvements,” to the Committee on Transportation and Infrastructure, House of Representatives. The report focused on GSA’s administration of the leasing contracts for the first contract year, ending March 31, 2006, and addresses, among other matters, (1) how GSA is attempting to prevent conflicts of interest in the National Broker Service (NBS) leasing program and to safeguard its information; (2) what, if any, savings have accrued to the government; and (3) how GSA is distributing its leasing workload among the brokers.

GAO found that GSA has developed controls to help prevent conflicts of interest in the NBS leasing program, but has not fully mitigated potential conflicts of interest, as it has not modified the contracts to ensure that each contains all of the requirements applicable to the brokers’ disclosure of potential or actual conflicts of interest. Further, GSA has not assessed the risk and magnitude of harm that could arise from the brokers’ unauthorized access to, or disclosure of, GSA’s proprietary information. GSA also has not adequately mitigated the inherent conflict created by allowing the brokers to represent the government while negotiating their commission payments with building owners. Absent additional controls, GSA has insufficient assurance that the brokers will select the best value regardless of offered commissions.

GAO also noted that GSA expected the contracts to result in savings based on lower rents using the brokers’ expert knowledge of the commercial real estate market and from reduced administrative expenses. However, GSA does not know what, if any, savings result from the NBS contracts, mainly because – except for the commission credits – it has not developed procedures for quantifying most of its expected savings. GSA distributed its initial leasing workload fairly equally among the brokers during the first year but program delays, insufficient data, and a lack of procedures have slowed the transition to performance-based distributions.

AGENCY ACTIONS: GSA has provided training in source selection and related procurement issues for property development personnel. It has also established an on-line folder to post source selection best practices. Contracting officers are receiving classes in advanced source selection and refresher training on aspects of construction project administration such as critical path analysis, enforcement of clauses and scheduling, claims management, processing change orders, and linking the indirect costs of client directed changes back to clients.

GSA also issued, in August 2006, the Lease Management Guide to “promote proactive lease management as the primary driver to Real Property Asset Management principles, customer-driven positioning, consistent customer experiences, and the Administrator’s Acquisition Excellence program (formerly referred to as the “Get it Right” acquisition process initiative) for our contracts and financial transactions.” The Guide provides the minimum areas of responsibility to effectively conduct lease management oversight.

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In developing the new National Broker Services Contract, the Agency took into consideration several of our concerns from the prior national broker contracts by including controls for oversight and follow up. PBS established a certification training plan for realty personnel involved with the Broker Contract. Key personnel will be required to hold a Leasing Warrant. PBS is currently responding to the GAO recommendations to the National Broker Service Contract.

Further, GSA and DoD have begun implementing the action items outlined in their mutual Memorandum of Agreement signed in December 2006, defining the operational relationship between the two agencies in acquisition policies. Completed tasks include developing standardized content for interagency agreements, providing online and video training for all GSA contract specialists, and determining requirements for data reported in the Federal Procurement Data System-Next Generation. Both agencies are continuing efforts toward completing the remaining action items in achieving Acquisition Excellence.

INFORMATION TECHNOLOGY SYSTEMS IMPLEMENTATION AND SECURITY

ISSUE: Planning, building, and implementing cost-effective, customer-focused, and secure information technology in support of GSA's evolving business lines and various missions have never been more important. GSA is reorganizing its Acquisition Program area, modernizing its systems, and leading five E-Government initiatives. GSA faces challenges related to system requirements, performance, and development. Many of its Information Technology (IT) applications, particularly in the E-Government initiatives, that were developed to better manage operations and interface with the public, also give rise to complex integration and security issues that must be addressed. Additionally, many of the Agency's systems also store and process sensitive data, including personally identifiable information, financial data, and contractors' proprietary information. It is critical that the IT Security Program adequately manage all IT security risks.

Information Technology Implementation: GSA's IT budget for FY 2007 was $553 million. It is critical that GSA have a sound capital planning and investment control process to manage project risk with major investments for information systems and information technology. Crucial to this control process is the Agency's ability to deploy and maintain structured system development practices that ensure the proper development of requirements. However, GSA systems commonly experience development schedule delays and cost overruns, need frequent redesign, and have difficulty providing basic functionality and sharing usable data between systems.

Many GSA IT projects attempt to minimize development cost and deployment schedules by developing systems based on existing commercial-off-the-shelf (COTS) software packages. The majority of COTS solutions require modifications to meet unique Federal requirements. Moreover, new systems require interfaces that are difficult to implement with existing systems. Reviews by our office have shown this to be the case with GSA's accounting system, Pegasys, and with the former GSA Preferred (GSAP), both of which are based on COTS products. It is important to adhere to the required structured practices. For example, the Federal Technology Service (now Federal Acquisition Service) attempted implementation of GSAP in two regions to replace four legacy systems. GSAP was intended to provide “cradle to grave” activities to identify and deliver more effective technology solutions and services. GSA expected to provide employees and Federal clients with real time access to acquisition, financial, project, program, and contracting information. However, the system and its interfaces did not function as intended, and the project faced budget and schedule overruns. GSAP was terminated and FAS is reverting to the legacy systems that GSAP was intended to replace, but these systems lack a number of important controls. Another example of GSA’s modification of a COTS product was the Enterprise Customer Relationship Management (ECRM) system. ECRM was planned to facilitate information sharing among GSA Services about its customers in order to provide better acquisition solutions and workplaces. In July 2006, the Administrator recognized that, although significant effort and funds had been committed to the project, it was no longer economical to pursue.

GSA is moving toward agency-wide enterprise architecture (EA) because of its recognized benefits such as reduced redundancies, improved interoperability between processes and systems, and realization of economies of scale. However, progress is slow and the lack of effective enterprise governance and executive accountability for IT decisions has resulted in stove-piped business processes and systems. Consequently, duplicative systems develop across the Agency, lacking the necessary technical compatibility to share information. The need for business-driven EA was raised as a concern by numerous IT officials during the budgeting cycle as the Chief Information Officer (CIO) and Chief Financial Officer (CFO) attempted to weigh the cost and benefits for GSA’s major IT investments.

GSA also faces systems development challenges in aligning its applications, IT infrastructure, and services to government-wide goals and new Lines of Business. Specific system-related risk areas for E-Government include: (1) managerial and technical controls, (2) application interfaces and data standards, and (3) security controls, including access controls, patch management, and contingency planning. Beyond the five E-Government initiatives, GSA manages other IT systems that provide critical administrative support to both GSA Service and Staff Offices and to Federal customers, such as GSA’s Comprehensive Human Resources Information System personnel system and the E^2 Solutions travel application. Close attention to the controls for systems that provide cross-services to other Federal Agencies is also needed with the new financial management and Human Resource Management centers that GSA is moving to under the E-Government lines of business initiatives. GSA business owners need to document how their business operations and supporting IT systems align with agency-wide business architecture to provide a base for completing enterprise architecture.

An important initiative is to consolidate the Agency’s IT infrastructure services under the GSA IT Infrastructure Technology Global Operations (GITGO) task order, expected to cost about $200 million, that was awarded in 2007. The GITGO initiative is intended to provide a number of improvements including combining 40 disparate contracts into one consolidated contract; enhancing efficiency by aligning functions now performed by multiple organizations and locations; establishing consistent IT infrastructure levels of service throughout GSA; and improving management controls over funding for IT infrastructure. However, challenges with the new GITGO strategy include the need to manage technical and management risks in such areas as the development of standard operating procedures and continuity of operations plan, prime and subcontractor

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performance, alignment of GITGO to evolving requirements for OMB's IT Infrastructure Optimization Initiative Line of Business, and adequacy of general and application controls including security and privacy controls in GITGO operations.

Security: GSA has over 90 systems, 500 servers, 660,000 Web pages, and an array of database systems. Annually, we review GSA's Information Technology Security Program as required by the Federal Information Security Management Act (FISMA). The audit includes tests of network and application controls, including vulnerability scanning. While the GSA's overall IT Security Program is improving in a number of areas, we continue to identify deficiencies similar to those reported in prior years resulting from ineffective implementation by system security officials. As in previous years, we found weaknesses with the implementation of GSA's Certification and Accreditation process, contractor background checks, and contractor provided solutions. Completion of required background checks before contractors are granted access to GSA systems remains a challenge. The GSA IT Security Program must incorporate requirements for contractor provided data system solutions where GSA owns, and is responsible for, the data but does not own the hardware, software, facility, or provide system security. Shortfalls in these areas demonstrate the need for improved component accountability since many of the staff with key IT security responsibilities report to their individual organizations and not to the CIO. This condition also stresses the importance of more specific guidance for those in IT security roles and the need to establish standardized performance goals and measures across organizations for a more effective agency-wide IT Security Program.

Attention must also be placed on the completeness of applications addressed in the Agency's inventory of systems, which are managed under the IT Security Program. For example, a recent audit found that GSA's Electronic Messaging Services and National Notes Infrastructure had not been adequately analyzed through GSA's IT Security Program and certification and accreditation processes. Significant weaknesses exist that put information, systems and services at risk. This underscores the need to consider security related agency-wide initiatives such as e-Authentication, Active Directory, GITGO, and Enterprise Architecture to better direct priorities and set Agency security improvement goals through a more comprehensive implementation plan for the IT Security Program.

The importance of application security is increasing as applications move to this expanded form of connectivity. Over 70 percent of attacks against sites or applications come at the application layer, not the network or system layer. Attacks on applications, both internal and external, bypass traditional network firewall and password access controls and may not be monitored. Attackers are increasingly targeting applications that have traditionally not been secured as well as network perimeters. As part of the annual FY 2007 FISMA technical control review, we tested security controls for several of GSA's public facing and intranet applications and found significant areas of risk that need to be more comprehensively addressed. There is a need to strengthen configuration settings affecting confidentiality, integrity, and system availability, and to address conflicting configuration policy for handling unsuccessful login attempts and warning banners.

Greater emphasis is also required for security of privacy information and the use of unencrypted data stored outside GSA's secured facilities. In FY 2006, several significant incidents of loss of privacy data were reported across the government and private industry, and such incidents have continued in 2007. This emphasized the need for protecting personally identifiable information, particularly since identity theft is a rapidly growing category of crime facilitated by use of the Internet. Poor physical security and a lack of training and enforcement of current security policies and procedures caused most of the reported incidents. GSA encountered this type of difficulty when, in FY 2005, the Bank of America lost computer tapes on the GSA SmartPay® program affecting 1.2 million account holders. Data lost included social security numbers, addresses, and account numbers. Since the incident, FAS has worked with the service providers to strengthen their security controls. To stress the importance of strengthening controls in this area, the OIG conducted two reviews and made recommendations to management to improve controls for Privacy Act systems, including close collaboration across the Agency. OMB has also recommended Federal agencies take specific actions to improve awareness and overall controls for sensitive data, including personally identifiable information. An emerging area where these issues are of concern is in the formulation of telework procedures as they relate to the protection of personally identifiable information. The press has repeatedly highlighted this area of concern. Establishing procedures and training for protecting privacy data while teleworking is especially significant for GSA since GSA is the lead agency for the telework program.

AGENCY ACTIONS: The CIO has updated the GSA Information Technology Security Policy, GSA Order CIO P 2100.1C, issued February 17, 2006. This order issues and transmits the GSA Information Technology Security Handbook. Instructional Letter 05-03, containing training requirements for persons with significant security responsibilities was issued on April 21, 2005. The CIO also updated a number of technical and procedural guides and added the Oracle technical guide. Further, the CIO is maintaining contractor support for:

- Procedural and Technical Guide development and maintenance.
- Vulnerability scanning of over 1,800 devices each quarter.
- Incident handling response and investigation.
- E-authentication risk assessment preparation.
- Security training for persons with significant security responsibilities.
- Certification and Accreditation and Plans of Actions and Milestones reviews for consistency with procedural and technical guides.
- Annual FISMA reporting.

The Agency issued GSA Order ADM 5440.601 on January 29, 2007, that realigned many of the IT duties performed by services and staff office personnel staff under the CIO.

MANAGEMENT CONTROLS

ISSUE: As GSA has continued reinvention initiatives, along with its reorganization efforts, to replace multiple management controls with fewer and broader controls, it has become increasingly essential that the remaining controls be emphasized and consistently followed in conjunction with streamlining the processes. The matter of weak

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internal controls in business practices will impact GSA's credibility to its customers, and underlies several of the other management challenges discussed elsewhere in this document. We have also found that inconsistencies among operating groups damage GSA's credibility with its customers.

Merger of the Federal Supply Service and the Federal Technology Service: The General Services Administration Modernization Act authorized the creation of the Federal Acquisition Service (FAS) from the merger of the Federal Supply Service (FSS) and Federal Technology Service (FTS). Management will face new challenges as it streamlines organizational structures and strengthens GSA's capability to provide excellent acquisition services to customer agencies.

Budgetary Accounting: Customer agencies place orders through GSA for some goods and services. This is particularly true for work performed by the former FTS and the Public Buildings Service (PBS). During FY 2005, GSA management identified material unfilled customer orders and undelivered orders of the Information Technology Fund (for FTS) that were either invalid and/or cancelled. Consequently, the Independent Public Accountant (IPA) issued a disclaimer on the GSA's, the General Supply Fund's, and the Information Technology Fund's FY 2005 and 2004 statements of budgetary resources and statements of financing. Management placed reliance on regions and national customer service centers to monitor outstanding orders and initiate the close-out of invalid and long outstanding customer orders through the use of the open items review, the contract close-out process, and return of customer funds. However, due to improper monitoring controls, monthly reviews of open items did not work efficiently and effectively. During the past three fiscal years (FY 2005, 2006, and 2007), management has been reviewing and addressing budgetary account issues. Nevertheless, as noted by the IPA during the FY 2006 financial statement audit, the following issues continue to need attention:

- Undelivered Orders (UDOs) – represent GSA's commitment under obligations to vendors for goods and services ordered on behalf of customer agencies. During FY 2006, the IPA found instances where the Federal Buildings Fund and General Supply Fund management were unable to properly identify and record obligations as valid or complete.

- Unfilled Customer Orders (UFCOs) – represent spending authority that customer agencies have obligated to GSA. During the FY 2006 period, the IPA noted that the Federal Buildings Fund, the General Supply Fund, and the Information Technology Fund management were unable to properly identify, classify, and record its UFCOs.

- Prior Year Recoveries (PYRs) – represent de-obligations or downward adjustments to obligations incurred in prior years. GSA's business feeder systems for the General Supply and Information Technology Funds did not provide detailed transaction level information to correctly recognize PYRs within Pegasys. As a result, time-consuming manual procedures were needed to compensate for the financial systems limitations.

Accounting for Capital Projects: Since 2001, the Federal Buildings Fund has experienced problems related to cost transfers of construction, major and minor repairs, and alteration projects out of the construction in process (CIP) general ledger accounts to the appropriate asset general ledger accounts upon substantial completion, as well as not expensing items from CIP when a project is abandoned, or cancelled, or when the item does not meet the definition of a capital asset. Additionally, for some projects that were transferred from the CIP account to the fixed asset account, the substantial completion date per the Real Property Accounting and Depreciation System did not agree with the external support provided by management. Although management had knowledge that the assets were substantially complete, this discrepancy occurred because management lacked sufficient external support to conclude on the accuracy of the substantial completion date used to depreciate fixed assets.

Data Integrity: In passing the Government Performance and Results Act of 1993, Congress emphasized that the usefulness of agencies' performance data depends, to a large degree, on the reliability and validity of those data. Past audit work has shown that the absence of controls or non-compliance with existing controls has resulted in poor quality data at the operational levels of many GSA programs, negatively affecting customer expectations.

Managers need to consider the impact of bad data since poor data quality affects all reporting, including to Congress and the public. Inaccurate, incomplete, and untimely information can result in bad decisions making. There is a temptation to dismiss the data quality problem as consisting of only a series of anecdotes, but the anecdotes are far too numerous. There are frequent examples of data problems.

In FY 2006 and 2007, PBS was challenged with the data integrity of its rental rates. According to PBS'S pricing policy, the rental rates for GSA-owned buildings should be based on independent appraisals of the buildings. However, OIG and PBS reviews indicated problems with courthouse appraisals; GSA personnel were extensively modifying some appraisals and, as a result, rental rates were being questioned. Due to these and other issues, PBS is putting controls in place to ensure the data integrity of appraisals as well as for lease and other building information.

Further, the Federal Procurement Data System-Next Generation (FPDS-NG) was challenged to provide timely and accurate data for procurements related to the response and recovery efforts for Hurricane Katrina. The magnitude of spending for the disaster efforts highlighted the importance of timely, accurate, and reliable data in FPDS-NG. Data reliability is dependent on agencies having a vested interest in ensuring reliable data, and that data will likely be used to meet the Federal Funding Accountability and Transparency Act of 2006.

Our concern is that GSA needs to create an awareness of the problem and its impact, which is the first step toward the resolution of a problem. Data quality cannot be improved unless the poor data problem is first recognized.

Charge Cards: Many agencies have availed themselves of the services available under GSA's government-wide charge card program, yet some have failed to adequately implement controls over the use of the cards by their employees. While it is the responsibility of individual agencies to establish controls for their own cardholders, OMB and the Congress still look to GSA to take a leadership role in the development of effective charge card program controls across the government. There are currently over 350 agencies/organizations participating in the GSA SmartPay® program, spending more than $26 billion in FY 2006, through 98 million transactions on approximately three million charge cards. Within GSA, the key control over purchase cards is supervisory review of cardholders' transactions that is now more consistently followed; however, we

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do occasionally identify problems. In fact, GSA recently ranked ninth in net bad debt write-offs of 25 agencies tracked under the SmartPay® contract, which is attributable to poor spending and vouchering habits related to the travel cards.

The Fleet is very concerned about misuse of Voyager charge cards. These cards are primarily used to charge for gas. It is a management challenge to filter through the thousands of transactions to identify potential misuse of cards.

AGENCY ACTIONS: The revised OMB Circular No. A-123, *Management's Responsibility for Internal Control* became effective in FY 2006. It requires Federal agencies and individual managers to develop and implement internal controls sufficient for results-oriented management, assess the adequacy of those internal controls, separately assess and document the internal controls over financial reporting consistent with Appendix A of the Circular, identify needed improvements and take corrective action to address them, and report annually on internal control through the management assurance statements. These changes require management to focus a much higher portion of its resources on internal controls, particularly in its efforts to assess and document these controls. GSA has taken several steps to address the revised requirements of A-123. The Controller's office has worked to address the revised Circular by extending training to GSA's Services and Staff Offices nationwide on the Management Control Improvement Program. Additionally, the CFO has developed internal control assessment documents for the major financial line items for each Service and Staff Office. The Management Control and Oversight Council also continues to be heavily involved in this process.

One aspect of management controls is common business models to promote consistent cost efficiencies and effective service delivery. GSA needs to incorporate standardization of processes across all business lines that will enhance management controls, and has begun to do so. For example, PBS is in the process of implementing the Rent Bill Management Program. PBS'S goal is to have a national standardized process to: apply policy consistently; implement standard billing practices across regions; ensure all billing inputs are based on source documents; implement stringent checks before every billing input; use one contractor as a central control point for billing input; and implement quality control at every level. Further, to address customer concerns regarding the accuracy and consistency of the rent bills, in May 2006, PBS began a national review to verify that the rates on the customers' rent bills are supported by the appropriate source document. The intent of the review is to identify financial inaccuracies on rent bills as well as administrative issues related to the Occupancy Agreements that PBS has with its customers. PBS is also taking action to improve the overall effectiveness of the appraisal program, including eliminating the regional appraiser's ability to adjust appraisal value conclusions, adding additional management oversight, and adjusting its policy on customer access to appraisal information.

Additionally, to address data reliability in FPDS-NG, OMB established requirements on March 9, 2007, for agencies to verify and validate the accuracy and timeliness of their data being entered into the database. GSA concurred with the recommendation in the audit report on *GSA's Response to Hurricane Katrina,* issued February 26, 2007, to coordinate with FEMA to explore the use of a centralized information system that automatically captures procurement data.

GSA's CFO has worked with our office to strengthen controls for charge card transactions. Processes are in place that require reviewing officials to examine purchase transactions monthly. Cards are withdrawn from those who do not comply. GSA purchase cardholders and approving officials are required to complete refresher training every two years. As a result, we have seen a substantial reduction of fraud stemming from card use. Additionally, although the current GSA SmartPay® contract expires in November 2008, its successor program, GSA SmartPay® 2, is set to include several improvements such as increased security requirements, strategic sourcing support, and transaction modeling to better detect misuse, fraud, and abuse.

The Fleet is working to improve the controls over Voyager charge cards. In the past year, GSA provided us additional funding support to markedly increase the number of reviews of questionable Voyager charge card transactions. Further, we identified additional ways to enhance the Fleet's national loss prevention program and decentralized processes that produced inconsistent results weakening the program's effectiveness. GSA is also a key participant in an OMB sponsored Federal committee on identifying ways to improve the overall charge card control systems government-wide.

STEWARDSHIP OF FEDERAL REAL PROPERTY

ISSUE: PBS, as one of the core real estate organizations in the Federal Government, faces challenges in providing quality space to Federal agencies with an aging, deteriorating inventory of buildings and critical budgetary limitations. Its building inventory consists of over 8,600 assets, generally buildings and leases, with 347 million square feet of rentable space that house over a million Federal employees. Although PBS has substantial growth in its leased inventory, it requires funding for its capital program of major new construction and repair and alteration projects. To meet the Federal government needs, PBS needs funding to construct new courthouses, border stations, and Federal buildings. Further, PBS's owned building inventory has an average age of 45 years and requires approximately $6.6 billion for repair and alteration projects over the next five years for these assets.

PBS funds its real property operations through the Federal Buildings Fund (FBF). The FBF is a revolving fund; rents collected by PBS are deposited into the fund and those funds are then used not only to operate and maintain building assets, but also for investment in the capital program to repair and modernize facilities and construct new buildings in support of customer agency missions. However, as part of the annual appropriation process, limits are placed on how much of the fund can be used in a given fiscal year and how much can be used to support the major real property functions. This includes approval of the capital program's major new construction and major repair and alteration projects as well as the funds needed for these projects. In FY 2006, the funding for the capital program included $792,056,000 for major new construction, $861,376,000 for major repairs and alterations, $434,992,000 for basic repairs and alterations, and $21,915,000 for the design program.

As agencies face increasing budget constraints, some are examining their rental payments as a means to lower their costs. For example, in 2004, the Administrative Office of the U.S. Courts requested a $483 million annual rent exemption, which GSA

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denied. Reduced rental payments would decrease funding within FBF, thereby reducing the funds available to repair and restore Federal buildings.

In recent history, the capital program has been subject to cost escalations in excess of the approved funding on its major new construction and major repair and alteration projects. GSA has authority to fund cost escalations up to ten percent of the approved funds using savings from past projects without seeking Congressional approval. If the cost escalation is greater than ten percent, Congressional approval is needed. However, because of project cost overruns, the cost savings available for new construction projects has been depleted. A recent GAO audit[1] found $31 million in cost savings available for renovation projects, but most were used soon after being identified. As new appropriations to fund escalations have not been forthcoming, PBS has had to reprogram funds from other FBF functions, such as leasing and basic repairs and alterations budgets to fund the cost of escalations. In FY 2006, PBS reprogrammed approximately $279 million for the capital program. As a result, the funds are invested in the capital asset and no longer revolve through the FBF as a source to fund operating expenses.

PBS is heavily reliant on its operations to replenish the FBF and provide funds for the capital program. PBS's primary measure for tracking the incoming funds from operations, known as Funds from Operations (FFO), is essentially net income before depreciation is deducted (or total revenue less all expenses except depreciation). In FY 2006, PBS's total revenues increased by over $200 million, mostly due to growth in the leased inventory. However, PBS's FFO decreased due to increases in operating costs, which offset the increased revenue. PBS is also projecting that revenues will remain flat in FY 2007 and 2008, resulting in tighter budgets and a focus on reducing costs. This will also curtail the funding that PBS can use to invest in its capital program. At the same time, PBS has reduced the administrative fee it charges for leased space beginning in FY 2008 to recognize new efficiencies achieved, in part, from the National Broker Contracts. Yet a recent GAO audit report[2] stated that GSA does not know what, if any, savings have been achieved through the National Broker Contracts because it has not developed procedures for quantifying most of its expected savings.

To make the best use of the funds that are available, PBS needs to determine which buildings represent the greatest risk from a safety and operational perspective, which will yield the best return on investment, what the Government's future space requirements are, and how to fund the highest priority projects in a timely manner. PBS needs a comprehensive strategy to enable an evaluation of its building projects nationwide.

This problem exists government-wide. Federal real property was designated a high-risk area by the GAO because of the many long-standing and complex issues surrounding it. As further recognition of the significance of these issues, the President signed Executive Order 13327 and added the Federal Asset Management Initiative to the President's Management Agenda in February 2004.

[1]"General Services Administration Could Better Manage Unexpended Construction Balances and Make Its Budget More Transparent", Report Number GAO-07-409R, (May 2007).
[2] "GSA Leasing: Initial Implementation of the National Broker Services Contracts Demonstrates Need for Improvement" Report Number GAO-07-17 (Jan. 2007).

AGENCY ACTIONS: To address this challenge, PBS is taking action in several different ways. In the short term, PBS has requested $344,450,000 in new appropriations in its FY 2008 budget request. These funds are needed to ensure PBS's capital program stays on plan in the near term. In the long term, PBS has implemented a portfolio strategy to maximize income-producing properties and identify underperforming assets. PBS has also adjusted its priorities to address these issues.

PBS has developed a strategy for restructuring the owned building inventory. The strategy envisions a combination of actions including disposals, exchanges, public/private partnerships, outleases, and new construction. With the Portfolio Restructuring Initiative, PBS has proposed a three-tiered approach in prioritizing the inventory, using a series of asset diagnostic tests or measures, each with a performance target or threshold that will assist in categorizing individual buildings. The first test simply seeks to determine whether the property produces sufficient income to meet both operating expenses and a reserve for replacement. The second test measures an asset's financial performance in terms of return on investment. Other tests address operating efficiency, customer satisfaction, rental rate and vacancy levels, and current repair and replacement needs. After this performance review, each asset will be categorized as either performing, under-performing, or non-performing. PBS will consult with affected agencies on appropriate resolution strategies for each troubled asset. GSA has briefed congressional subcommittees with jurisdiction over GSA, and they are very supportive of this effort, as are OMB and GAO. Since FY 2002, PBS has reported 258 assets as excess. Of these, 119 have left the inventory through exchange, transfer or sale. In addition, 53 assets have been demolished.

In FY 2007, the PBS Commissioner also identified PBS's priority areas, several of which affect the capital program. Priorities include improving PBS's real property capital project planning and delivery. To achieve this, PBS is developing project monitoring and mitigation tracking tools, and establishing national program standards for ownership of project data accuracy. PBS is also executing a national training strategy and action plan for project managers, as well as developing future leadership in the Office of Chief Architect. The primary goal of these efforts is to deliver projects on time, on budget, and within scope.

PBS's priorities also include exploring ways to leverage funding of real property capital projects to help offset the growing burden of capital funds. PBS is examining increased investment in real property through the use of alternative financing options as an opportunity to support further investment and reinvestment in its portfolio. To do this, PBS is seeking to use authorities identified under Section 412 of the FY 2005 appropriation law. Under this authority, PBS was given the right not only to deposit proceeds from the disposal of GSA owned property into the FBF, but also the ability to out-lease GSA owned property and then lease it back. With these authorities, PBS would like to out-lease properties in need of reinvestment to an entity that would perform the needed repairs and alterations and then leaseback the renovated property from that entity. Thus, the reinvestment costs will be financed through a lease arrangement, rather than being funded directly through the FBF.

Management Challenges

HUMAN CAPITAL

ISSUE: Since 1998, the OIG has consistently cited human capital management as one of the major management challenges facing GSA resulting from a loss of both knowledge and critical skills. GAO added this issue in 2001 to its high-risk series of issues facing Federal agencies. Strategic human capital planning and organizational alignment, leadership continuity and succession planning, recruitment and retention of staff with the right skills, and results-oriented organizational cultures were identified as key areas needing attention.

GSA is undergoing a major transformation in its workforce. In 1999, the workforce was approximately 14,000 and today it is around 12,100. As with many Federal agencies, a large portion of the staff has reached or is nearing retirement age. In fact, according to GSA's 2006 Workforce Analysis, 18.56 percent of GSA employees are eligible to retire by the end of 2007. For the Senior Executive Service (SES) workforce, there was a 33 percent attrition rate in 2006, and within this analysis, approximately 52 percent are eligible to retire within five years. GSA has recently seen a significant loss of key management staff, such as the General Counsel, Budget Director, Chief Acquisition Officer, and Chief Information Officer, and Deputy Commissioner of FAS, creating vacancies to be filled. Newly filled positions include those vacancies along with several management appointments in FAS, the Office of Governmentwide Policy, the Office of Citizen Services and Communications, and the Office of Emergency Response and Recovery; however, there remains a 25 percent vacancy rate in SES positions. Hard-to-fill positions and retention issues continue to be human capital concerns. Coupled with the FAS reorganization and the ripple effect of changes related to Assisted Acquisition Services reassignments, many staff will find themselves in unfamiliar positions and uncertain as to their reporting role in the organization.

With Government procurement as GSA's primary mission and the act of issuing contracts "an inherent government responsibility," we foresee a continuing need for competent contracting officers. There is a question as to whether GSA has enough qualified trained contracting officers with the knowledge, education, and negotiating skills to deal with the complex MAS contracts in place, especially service contracts pricing. Although staffing has recently increased to some extent, FAS noted in its October 2006 Business Plan for the Schedules program that hiring experienced contracting personnel remains a challenge as the number of offers and modifications continue to increase. Further, a fairly high percentage of FAS personnel are eligible for retirement within the next five years.

Another related challenge is that many contracting officers currently have responsibility for over 100 contracts, many of which are in the services area. Some contracts, especially in the computer equipment and supplies area, require substantial effort to administer due to constant changes to products and prices that have to be added or deleted to the contract via contract modifications, which for some contracts number in the hundreds. Our recent review of the MAS program's contract workload management reported that, although management endeavors to ensure that workload is fairly balanced, FAS could facilitate workload distribution by improving the quality and accuracy of data used to manage MAS work, and could further adopt a more strategic approach in managing the Schedules program to more effectively utilize its resources to enhance customer and vendor satisfaction. Also, FAS could improve consistency and effectiveness in achieving best value for customer agencies and taxpayers by improving guidance for contracting personnel and enhancing performance measures related to increased emphasis on costs.

In an effort to more accurately and consistently inventory its activities under the Federal Activities Inventory Reform Act, GSA's competitive sourcing team oversees each Service's inventory and reports on any discrepancies or variances. The Office of Performance Improvement oversees the competitive sourcing initiatives in GSA. The President's Management Agenda identifies competitive sourcing as a major Government-wide initiative. As the competitive sourcing process focus shifts from PBS to FAS and other parts of the Agency, GSA will be challenged in responding, given the ongoing human capital issues resulting from its reorganization of FAS and realignment of business line resources.

Top agency management presents a special category of management challenges. The tone that top management sets for an agency has an important impact on performance at all levels. We will continue to carefully monitor how top management conveys the importance of respect for the law, good stewardship of taxpayer funds, and recognition of the need for independent scrutiny of government operations and accountability.

AGENCY ACTIONS: GSA has moved out on several fronts to meet identified human capital challenges. The Agency completed an agency-level workforce analysis that parallels GSA's Human Capital Strategic Goals developed as part of its strategic plan in August 2002, updated in November 2005. The report has assisted management in making informed human capital decisions. Identified mission critical occupations are particularly emphasized in recruitment and retention strategies. The Office of the Chief Human Capital Officer selectively uses human resource flexibilities to compete for employees. It has developed recruitment and retention strategies with the help of the Office of Personnel Management (OPM) and employee focus groups, and uses the compelling job offer technique to convince potential employees of the importance of the position. In OPM's FY 2006 Federal Human Capital Survey, employees ranked GSA among the top ten federal workplaces in three of four broad categories.

GSA has a number of initiatives regarding employee orientation, engaging existing employees, and developing leaders within GSA, along with a commitment to provide a workplace and work environment to meet current and future needs of its employees. New employees are provided the opportunity to attend an intensive introduction to the Agency and orientation to the individual's specific organization. As part of its human capital strategy, and to address planning needs, the Office of the Chief Human Capital Officer launched the GSA Leadership Institute in February 2002, and has continued to add programs and training opportunities to develop new supervisors and managers, and equip them for senior-level positions in the Agency. Additionally, GSA's Online University continues to provide a learning environment for employees to enhance their skills and competencies.

GSA has also implemented a Telework Program as an innovative family-friendly workplace solution, and provided security and safety measures for emergency preparedness, through its Continuity of Operations Plan and Pandemic Influenza Plan. An audit of the Telework Program, however, reported that GSA needs improvement in implementing a consistently administered agency-wide training program, monitoring

MANAGEMENT CHALLENGES

controls, current guidance, and determining official duty stations of full time participants. The Administrator recently set a telework challenge for 50 percent of GSA employees who are eligible to telework one or more days per week by 2010, phased in with interim goals.

In order to address the President's Management Agenda and comply with OMB's Circular No. A-76, the Office of Performance Improvement is taking steps to review current methods of performing commercial activities in a variety of areas. The goal of these efforts is to assess programs and activities to determine whether internal or external changes would yield a better value for customer agencies and the taxpayer.

PROTECTION OF FEDERAL FACILITIES AND PERSONNEL

ISSUE: Providing a safe, healthful, and secure environment for over one million workers and visitors to approximately 8,600 owned and leased Federal facilities nationwide is a major multifaceted responsibility of GSA. Increased risks from terrorism have greatly expanded the range of vulnerabilities traditionally faced by building operations personnel. In March 2003, the Federal Protective Service (FPS) was transferred from GSA to the Department of Homeland Security (DHS). While FPS is no longer part of GSA, the Agency will have a continual need to closely interact with security personnel due to GSA's mission of housing Federal agencies. GSA and FPS/DHS operate under a Memorandum of Agreement (MOA) for obtaining services, such as basic security for buildings, contract guards, law enforcement, background suitability determinations for contractors (including Child Care), pre-lease security checks, occupant emergency plan support, and continuity of operations plan activation support. Ensuring that Federal employees have a secure work environment and that building assets are adequately safeguarded must remain a primary consideration for GSA.

One concern relates to the future funding for upgrades and replacement of the security countermeasure equipment initially authorized directly by Congress. As equipment ages and technology advances, the cost to maintain the security of GSA's buildings could significantly impact availability of funds for other building needs, and could result in higher rent costs to tenants resulting from upgraded security. Under the new MOA, with the exception of prospectus-level equipment or projects, security equipment determined by FPS to be a mandatory countermeasure will be funded by DHS or tenant agencies through Security Work Authorizations, on a prioritized, funds-available basis. FPS had experienced major funding shortfalls and was reevaluating its structure and mission, which could affect the services it provides to GSA. Security fixtures and mandatory security equipment countermeasures valued above the prospectus-level, or installed in prospectus-level projects, will be purchased and installed by GSA on a prioritized, funds available basis, with PBS Assistant Regional Administrators (ARA) reserving the right not to implement mandatory measures, after consulting with DHS. To date, however, the ARAs have implemented mandatory measures. In view of the many issues facing PBS, we are concerned about the level of security under the current MOA and will be monitoring the situation closely

Additionally, a recent audit identified that GSA will not complete the next phase of Homeland Security Presidential 12 (HSPD-12) implementation by OMB's original milestone date of October 27, 2007, due to the late award of a Managed Service Office

(MSO) contractor and the limited Personal Identity Verification (PIV) card production capability of that contractor. By this date, all contractors and employees with15 years or less of service were required to be issued PIV II compliant cards. Instead, the report identified that GSA is focusing on issuing the cards to all employees and contractors by October 27, 2008. In addition to issues with the MSO contractor, GSA is faced with other obstacles affecting its ability to implement HSPD-12. These include the lack of a detailed HSPD-12 implementation plan and the absence of a centralized database capturing GSA-wide contractor information with access to GSA systems. This makes it difficult to identify those contractors who do not have completed background investigations.

AGENCY ACTIONS: Effective June 1, 2006, GSA and FPS entered into a new, more comprehensive, MOA that clearly addresses the roles, responsibilities, and operational relationships between FPS and GSA concerning the security of GSA-controlled space. FPS continues to provide law enforcement services, conduct Building Security Assessments, and identify security countermeasures that can be implemented to reduce vulnerabilities and potential threats to Federal facilities. Building specific security measures include contract guards, security equipment, and security fixtures. Further, GSA has formed a Building Security & Policy Division within the PBS and a Regional Security Network, while taking an active role on Interagency Security Committee working groups.

While it has experienced some setbacks, GSA is moving forward to adopt a credential as part of the Federal Government's implementation of HSPD-12, which mandates a common identification standard for Federal employees and contractors. The credential, with an embedded smart chip, will identify each employee visually and electronically for both identification and physical access purposes. GSA has met OMB's first two deadlines requiring issuance of operating procedures by October 27, 2005, and the production of a PIV II compliant card by October 27, 2006. GSA is also continuing to move forward in such aspects of HSPD-12 implementation as processing employee and contractor background investigations, developing plans for logical and physical access, and updating its general HSPD-12 policies.

Management Challenges

MEMORANDUM FOR BRIAN D. MILLER
INSPECTOR GENERAL (J)

FROM: LURITA DOAN
ADMINISTRATOR (A) 

SUBJECT: INSPECTOR GENERAL'S ASSESSMENT OF THE GENERAL SERVICES ADMINISTRATION'S MAJOR CHALLENGES

Thank you for providing me with the opportunity to review your assessment of the major challenges currently facing the General Services Administration (GSA) and the Agency's progress in addressing those challenges. I will append my comments to your document before it is included in GSA's Performance and Accountability Report (PAR). My comments refer to the assessment that you sent to me on October 12, 2007.

FY 2007 has been a year characterized by GSA's leaders and employees who have increased their accountability to their government customers and to the American taxpayer. The past year has seen management efforts to increase the effectiveness of management controls in longstanding business lines such as acquisition and real property management as well as evolving areas such as e-government, information technology (IT), and physical security and privacy—and we have succeeded.

The past year also witnessed the stand up of the Federal Acquisition Service (FAS). That initiative provided us the opportunity to analyze and, where needed, strengthen management controls in our acquisition programs. As noted in your report, GSA has instituted significant changes in its acquisition practices to more effectively serve our customers. In the area of real property, your report extensively documents the measures and initiatives put in place to address the continuing challenges in real property management and construction. I am confident that GSA will meet the challenges. The Office of Inspector General (OIG) report also notes challenges in human capital management. As evidenced by our most recent President's Management Agenda (PMA) green scores in both status and progress for the strategic management of human capital, I believe that, contrary to the OIG report's assertion, GSA continues to be effective in our management of human resources.

As I observed last year in my statement on your assessment in the FY 2006 PAR, the major challenges and issues identified in this year's assessment, as well as the language used to describe those challenges are, to a large extent, identical to those reported by you in past years. How disappointing that most of your narrative of GSA's challenges is simply a rehash of the same assessments the OIG made a year ago. Since these challenges are nearly identical to the challenges outlined in a similar report last year, I would, at a minimum, have expected a more thorough analysis of the effectiveness of GSA's efforts over the past year. How effective were GSA's many initiatives and efforts to reduce risks and meet these challenges? What did GSA divisions do that worked? Which efforts had the most success? Why? What initiatives failed? Why did they fail? Perhaps most importantly, what new ideas would the OIG suggest or recommend to increase our effectiveness in serving our government customers and saving taxpayer dollars? Unfortunately, there is no practical discussion of our efforts or, indeed, any substantive discussion of how GSA could better meet these challenges.

You have also failed to undertake the more difficult but important task of looking forward to help GSA better anticipate future challenges and opportunities. Such an analysis would be of value to senior GSA management and would help us to better understand several troubling and disturbing trends, to name but two: (1) our difficulties attracting and retaining Federal contracting officers along with (2) the increased tendency for contract bundling which is freezing out participation of innovative small, minority, HubZone, and service-disabled veteran companies in Federal procurements. These are but two of the pressing and significant challenges facing Federal procurement and yet, there is no discussion of either in your report. The OIG missed an opportunity to help shape, guide, and propel Agency-wide improvement.

Over the past year, GSA management has launched an unprecedented effort to fundamentally improve GSA performance and has completed the most significant reorganization in the history of the Agency. We have eliminated redundant services and combined many different functions impacting almost 4,000 GSA employees, and yet there is little discussion in your document regarding the effectiveness of these efforts. From lessons painfully learned from GSA's performance during Hurricane Katrina, we have organized a new Office of Emergency Response and Recovery (OERR), with new powers to coordinate the full range of GSA operations and efforts during periods of national emergency. Somehow, a thoughtful analysis of the effectiveness of these new initiatives has yet to be made. GSA could use a thoughtful, fact-based appraisal of our programs and efforts, and so I repeat that the Inspector General (IG) Assessment report is a significant disappointment and an opportunity missed.

The OIG analysis provided on GSA programs and challenges is too superficial to be of substantive use to GSA's management team. In your report, you state that there are inherent risks that must be carefully managed. Such a statement is of little use, for a certain element of risk is unavoidable and inherent in every new undertaking. What would be useful to GSA managers is not a statement of the obvious, but rather a careful and thoughtful analysis of each specific risk factor and, above all else, recommended steps that could be taken to minimize the inherent risks. For example, in your report you note that during the last year GSA awarded two new Government Wide Acquisition Contracts (GWAC) valued at $65 billion, and then tell us that "based on your experience" GSA can "expect a significant workload for its acquisition resources." I can assure you that everyone in GSA understands that $65 billion in contracts generates a good deal of work for our procurement professionals. Instead of stating the obvious, it would have been useful for you to provide your assessment of how effectively we are organized, trained, prepared, and motivated to meet these challenges, and of course, what specific recommendations you would make to improve our abilities to serve our government customers better and to provide provable savings for the American taxpayers.

GSA managers need recommendations and analyses that can form the basis of action. An OIG report that can identify areas requiring improvements and identify the steps to achieve that improvement would be valuable indeed, for it will shape and guide actions and help to create a culture in which we fix the problem rather than fix the blame.

Management Challenges

Acquisition Programs

The OIG reports continue to rely on seemingly outlandish estimates of potential savings and cost avoidance that have yet to be substantiated. I have asked for a quantitative analysis of your assertions of savings of $2 billion as a result of pre-award audits. What are the metrics that you use to calculate these "savings?" If, indeed, these numbers are accurate, the methodology and estimates that determine how these alleged "savings" are calculated should be transparent to all within GSA. In that way, all GSA managers at all levels could benefit from such knowledge. On the other hand, if these statements cannot withstand outside scrutiny and are not based upon a verifiable methodology, they should be dropped from all future reports. Uncorroborated claims of "savings" should not be considered a credible basis for any management decision or assessment.

In the OIG management assessment, there are other misleading statements. For example, you note that "pre-award reviews are the main analytic tool with which a contracting officer can be assured that a vendor's pricing is appropriate." That statement is exaggerated. Contracting officers have many different tools. Moreover, contracting officers are responsible for direct discussions, negotiations, and reviews of past performance and they are ultimately, solely responsible for agreements on price. Certainly, OIG auditors play an important supporting but independent role. But, it is misleading to suggest that contracting officers are solely dependent upon the advice received from the OIG auditor. These pre-award audits should provide recommendations, but they are not a substitute for the exercise of sound, business judgment by the contracting officer. Any disagreement with such judgments does not establish that best value has not been obtained.

For example, the OIG Management Report discusses the funding mechanism for the GSA Multiple Award Schedule (MAS) program. The OIG report states that the present methodology for the funding fee can reduce the incentive to negotiate the best price possible. I am disturbed that you appear to be impugning the integrity of our contracting officials. Only contracting officers have been provided special training and warrants, giving them the responsibility to negotiate contracts.

The OIG report could also have profited from an honest assessment of the limits and special problems with pre-award audits which often take several years to complete, which in turn often delay and extend the procurement cycle, driving up both government and vendor costs. That alternative methods may exist and should be explored and considered does not diminish the authority of the OIG, nor demean the value of pre-award audits. While it is unfortunate that we cannot come to agreement on this, our staffs continue to work together effectively in many other areas.

Lastly, your management report fails because it avoids discussion of one of the most difficult challenges that GSA faces; that is simply the strained relationship between the OIG and the rest of the GSA organization. While we all might have different views regarding the best ways to solve this problem, there can be little doubt that it does exist. I believe that facing a problem is the first step to solving a problem, and that there is no constructive purpose in avoiding the difficult.

This report does not meet the high standard of critical analysis that GSA needs to address the many different challenges we face. It is my hope that you will focus your staff on finding ways that the OIG can provide meaningful and innovative recommendations to help GSA management improve all of our programs and efforts. I am confident that your office will continue to assist GSA's business lines, as well as its staff and policy offices, in our stewardship of taxpayer funds and in continuing improvement of our programs in service to our customers.

Recommendations

I believe that the independence of the OIG can be a valuable tool to assist GSA management. To that end, I have included several recommendations for consideration by the OIG leadership team to assist in successfully focusing its efforts in this upcoming year.

First, in this upcoming year, I believe that the OIG and GSA management can work together more effectively if your office reports alleged contract violations to the Administrator early on, and recommends appropriate corrective action to resolve any such issues. In addition, the OIG should keep the Administrator fully and currently informed concerning fraud and other serious problems. In cases such as these, the OIG should recommend corrective action concerning such problems.

It is clearly the intent of the IG Act of 1978 that the OIG should function in an advisory role. This requires that the OIG avoid the perception of involvement in the programmatic and decision-making process at the negotiating table.

The relationship between the GSA Suspension and Debarment official and the OIG should be a close working relationship of shared data and shared recommendations and should work collaboratively to achieve the required actions.

Lastly, I encourage you to provide all members of the OIG with refresher training to help your auditors better understand exactly where the fine line between oversight and management actually lies in contract negotiations. Oversight and Management are the checks and balances that ensure proper running of programs and proper and effective use of taxpayer funds. We have an obligation to the American people as stewards of their hard earned funds and as the leaders of the government's premiere procurement agency to do better. I urge you to work collaboratively with me to ensure that we hold ourselves and the Agency accountable to this important trust.

Attachment

Management Challenges

Agency Management Comments on the Inspector General's Assessment of GSA's Major Management Challenges

Acquisition Programs

The Multiple Award Schedule Program

The assessment suggests that as the MAS program has grown, the importance of certain program fundamentals—including pricing objectives and other pricing tools—has diminished. Citing past OIG reviews and a dated Government Accountability Office (GAO) report, the assessment observes that GSA did not consistently negotiate most favored customer pricing; many contract extensions were accomplished without adequate price analysis; and that available tools were not being effectively used to negotiate better MAS prices. Standing behind these asserted deficiencies is the often repeated criticism that contracting officers frequently fail to request and use OIG pre-award reviews. The Agency has responded to this criticism extensively in a variety of forums. Pre-award audits can be a useful tool. The results of such audits are not, however, a substitute for the exercise of business judgment by the contracting officer, and disagreement with such judgments does not establish that best value has not been obtained.

Most favored customer pricing remains a central tenet of the MAS program. Determination of most favored customer pricing is committed to the business judgment of the contracting officer. The OIG working group will continue to improve the relationships between the OIG audit staff and the Agency contracting staff, thereby providing contracting officers with timely, appropriate, and useful information to better enable the achievement of MAS program goals.

The assessment also suggests that the Industrial Funding Fee collection and remittance methodology could have the unintended consequence of reducing the incentive to negotiate the best price possible. This suggestion has no place in the OIG assessment document as it is not based upon any demonstrable evidence but rather a concern about the integrity of the contracting officials. The Agency does not view the integrity of its professional staff as a management challenge. Moreover, the fee structure and corresponding program operating expenses are wholly separate matters from the negotiation and award of contracts.

The assessment questions the appropriateness of the current Federal Acquisition Regulation (FAR) definition of commercial items and suggests that that definition impedes the ability of contracting officers to obtain the best price. While the OIG may be competent to opine on the impact of this definition in its audit work, the definition is consistent with existing statute and was duly promulgated. Compliance with the definition has not been demonstrated to be a management challenge. Moreover, the issue is a government-wide issue. Since the appropriateness of the current definition is a matter of current legislative interest, the Agency comments on that matter are in that context.

Proactively, the Agency has issued a request for quotes for research, analysis, benchmarking, and management consulting services related to MAS pricing. Award is expected in October 2008. Analysis conducted under the task orders will assist us in determining if MAS prices reflect competitive market prices, and in proposing new operational plans and strategic directions for improving MAS contract pricing.

Government Wide Acquisition Contracts

The assessment raises the concern that sufficient competition may not occur under Agency GWACs. The Agency is unaware of any specific findings by the OIG or GAO that GSA-managed GWACs have failed to comply with the requirements of fair opportunity under FAR Part 16. In FY 2007, 92 percent of FAS awarded task orders were competitively awarded. The Agency has designated a senior official as the task and delivery order ombudsman, and historically, that official has reported few instances of challenges to the fair opportunity requirements. Notwithstanding the absence of any evidence indicating lack of competition or fair opportunity, the Agency GWAC program office has greatly expanded the pool of contractors under GSA-managed GWACs and monitors the amount of bids received on task orders. Clauses have been included in the most recently awarded GWACs requiring contractors to periodically report reasons they did not bid on pending task orders. In addition, the GWAC program office is preparing and will disseminate ordering guides to promote fair opportunity.

Emergency Contracting

No responsible organization can deny the need to continually improve its emergency response and recovery functions. In response to lessons learned analysis as well as OIG recommendations, GSA signed a Memorandum of Understanding with the Federal Emergency Management Agency (FEMA) in June 2007. The Agreement is intended to improve emergency and disaster response efforts in the areas of (1) ordering and provisioning of supplies, services, and space; (2) contract administration and support; (3) payment and reimbursement; (4) delineation and coordination of responsibilities; and (5) dispute resolution. In addition, the GSA OERR in conjunction with the Office of the Chief Acquisition Officer (OCAO) is identifying and training a volunteer cadre of contracting officers capable of being deployed to affected areas for disaster support. GSA will utilize this group during the Agency participation in the Top Officials exercise sponsored by the Departments of Justice and State and FEMA. GSA is also continually revising and updating its emergency policies and procedures and is working on pre-positioning contracts for emergency supplies and services.

The supplies, space, or services to be provided by GSA include, but are not limited to, the following:

- Delivery of existing and available supplies and services from GSA's General Supplies and Services (GSS) portfolio;
- Access to GSA-managed GWACs;
- Establishment of blanket purchase agreements;
- Provide assisted acquisition services to procure supplies or services through open market procurements or competitive MAS purchases;
- Lease/purchase of motor vehicles;
- Other assisted acquisition services to procure supplies and services from existing contract vehicles;
- Assignment of existing Federally-owned or controlled space; and
- Acquisition of leasehold or other interests in real property.

Contract Management

The leasing management program and particularly the National Broker Services contract are specifically addressed. In that regard, the assessment highlights matters previously raised in a January 2007 GAO report. The GAO concerns are being addressed initially in that context. Nonetheless, a comment is required on one point. Contrary to your assertion, GSA has quantified savings resulting from the use of the National Broker Services contract. The government has realized an 11.93 percent below market reduction based on 67 leases assessed with a total square footage of 1,279,432 since the contract began. For rent credits, based on 1,014 task orders issued through July 2007, we estimate receipt of $72,084,304 in rent credits from projected commissions earned that will be passed through to our customers. These figures are evidence that the results of the program are quantifiable, the program is meeting its objectives, and that the program management concerns that had been raised have been recognized and

Management Challenges

addressed in contract and program management. The Agency has also been diligent in its oversight of delegations of leasing acquisition authority. We are limiting the net rentable square footage of space available under these delegations and are preparing a Federal Management Regulation (FMR) Bulletin on Revised Implementation Requirements for this program to reflect additional oversight of the Lease Acquisition Program.

Information Technology

The assessment largely duplicates the FY 2006 assessment. As a consequence, it contains many references to issues that have been resolved, completed, or are otherwise no longer applicable. I am quite proud of how much has been accomplished in FY 2007. In the area of Information Technology (IT) implementation, internal Office of Management and Budget (OMB) Exhibit 300 reviews have been initiated, significantly improving the exhibits and providing greater visibility of IT initiatives in the context of the One GSA enterprise architecture. The enterprise architecture policy has been updated and resources increased. Moreover, enterprise architecture metrics have been developed and are reported quarterly. GSA is "yellow" in status for E-Government. In the area of information security, we have published a number of technical security guides. GSA's IT security program now includes both Web application security scanning and database security scanning in addition to traditional OS vulnerability scanning. We have purchased and have begun deployment of Credant laptop encryption in compliance with OMB Memorandum 06-16 requiring encryption of mobile data.

Management Controls

GSA continues to refine and implement management controls into all of its major data systems. The Agency provides leadership in supporting the PMA and OMB in the implementation of various E-Gov initiatives to standardize and streamline Federal lines of business.

We must address an inaccurate statement made in the assessment. Contrary to the OIG statement, GSA does not rank ninth in bad debt write-off of the 25 agencies tracked under the SmartPay contract. In fact, GSA ranks ninth in terms of spending but only accounts for .06 percent of the total write-off and is ranked as 22 out of 25 in terms of contribution to the total write-off. These numbers confirm that GSA properly manages its SmartPay spending and vouchering.

GSA's Office of the Chief Financial Officer (OCFO) currently produces monthly reports on our Charge Card activities that specifically identify several categories of questionable charges. In addition, the OCFO also produces and monitors delinquent charge card balances.

Protection of Federal Facilities and Personnel

With the signing of Homeland Security Presidential Directive-12 (HSPD-12) in 2004, the Office of Governmentwide Policy (OGP) has spearheaded policy efforts for rapid implementation of a government-wide standard for secure and reliable forms of identification for Federal employees and contractors. OGP personnel chair the Federal Identity Credentialing Committee (FICC), which provides a forum to Federal agencies to establish government-wide policy guidance. OGP continues to be a major driving force in all FICC activities such as the FICC Architecture Working Group's efforts to develop the major standards interfaces required to ensure interoperability across Federal systems and efforts to establish governance and trust frameworks needed to ensure government-wide reliability.

With OMB's designation of GSA as executive agent for government-wide acquisitions of IT, OGP established the Federal Information Processing Standards (FIPS) 201 evaluation program in 2005 to test commercial products for conformance to FIPS 201. The National Institute of Standards and Technology (NIST) FIPS 201 and FIPS 140 Conformance Testing and Certification are a component of the evaluation process for those categories of products designated to require conformance testing. OGP continues to work closely with

NIST to ensure rapid technological advancements and policy enhancements are seamlessly translated into future available products and services.

OGP also continues to work closely with FAS personnel on the FAS Managed Services Office (MSO), which offers participating Federal agencies credential issuance and maintenance services. OGP continues to assist MSO in establishing interface standards with the Office of Personnel Management (OPM) and the Federal Bureau of Investigation for background checks. As MSO progresses with its work, OGP will initiate the development of government-wide interface standards needed for physical and logical access systems, which allow entry into Federal facilities and computer networks, respectively.

MSO re-engaged in April 2007 with a new contract award and an attractive pricing structure. Since May, the MSO customer base has doubled from 420,000 to 850,000 and the number of serviced agencies and commissions has grown from 42 to 67.

In addition, the GSA team has overcome a GAO protest, conducted a Certification and Accreditation, tested interfaces with OPM and customer agencies, and placed a very sophisticated identity management system in operation in mid-September 2007. Agencies are currently loading their configuration data into the MSO system and credentialing has commenced.

The MSO customer base has doubled within five months and appears to offer customer agencies a viable approach to meeting the HSPD-12 mandate. Meeting full compliance in October 2008 will be a major challenge with this growth and will depend much upon engagement by customer agencies to install enrollment centers and provide the data to MSO to support their employees.

Given the high priority of HSPD-12, technical complexity of the government-wide system, tight OMB milestones, and limited OGP staff, the biggest challenge facing OGP in this area is sufficient staffing to meet programmatic demand. Succession planning for subject matter experts and executives eligible to retire is also a major concern.

While OGP and FAS have achieved significant results helping other agencies through their government-wide HSPD-12 role, the Office of the Chief Information Officer (OCIO) is working closely with these agencies to deploy over 60,000 cards to all of GSA's employees and embedded contractors by October 27, 2008. As one of the MSO's 67 customers, we are working closely with MSO to deploy enrollment and activation stations across the country and have identified six potential GSA locations for their use. Stations are already operational in GSA's National Capital Region and Central Office, and the Crystal City station will come online within the next week. The OCIO is also working closely with the Office of the Chief Human Capital Officer (OCHCO), the Public Buildings Service (PBS), and regional credentialing officials to make our badge issuing procedures compliant with the new HSPD-12 standards. As part of this effort, the OCHCO has already verified that approximately 97 percent of our employees with less than 15 years of service have the necessary background investigation to obtain HSPD-12-compliant badges. The OCIO has also completed a detailed implementation plan and has completed the first version of a contractor database, which are key recommendations from the recently completed HSPD-12 IG audit. The value of HSPD-12 will come from using the cards to access our facilities and computer systems. The OCIO delivered GSA's strategy to OMB on October 1, 2007 for using the strong authentication features of HSPD-12 cards to access physical and logical facilities.

Improper Payments Information Act (IPIA) Reporting Details

GSA continues to have low risk programs according to the threshold amounts established by the Office of Management and Budget (OMB) ($10 million and 2.5 percent of program disbursements). Since GSA does not have any programs deemed risk susceptible, the next full risk assessment is not required until FY 2008. In the interim years, GSA will perform simplified risk assessments to review whether any significant legislative, programmatic, funding, and/or other changes that have occurred which would result in substantial program impacts. All improper payments information is reported one year in arrears.

Recovery Audit Program

Agency Component	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amount Recovered PY(s)	Cumulative Amounts Identified for Recover (CY+PYs)	Cumulative Amounts Recovered (CY+PYs)
N/A	$14.0B	$11.0B	$11.2M	$9.4M	$163.0M	$68.8M	$174.2M	$78.2M

In FY 2006, a total of $11,165,987 in payment errors was discovered through internal reviews and recovery audit activities. The original disbursement date for the payment errors occurred in multiple fiscal years. An audit base of $11 billion was examined during this fiscal year (see table above).

Details regarding GSA's recovery audit program for FY 2006 are presented in the table to the right. The $1,027,733 in total Agency costs represent the total costs to GSA to recover the $11,165,987 in total payment errors identified. GSA does not reimburse itself for these costs. All amounts recovered are returned to the original program, excluding the contingency fee of 20.15 percent due to the recovery audit contractor upon successful collection.

GSA's FY 2006 Recovery Audit Program Results (in dollars)

Total Agency Costs	**$**	**1,027,733**
Agency Salaries & Expenses	$	214,354
Total Contracted Expenses	$	813,379
Paid	$	520,208
Due	$	293,171
Total Payment Errors Identified	**$**	**11,165,987**
Discovered By Contractor	$	5,098,540
Amount Unrecoverable	$	-
Amount Recovered	$	4,026,629
Amount Outstanding	$	1,071,911
Discovered Internally By GSA	$	6,067,447
Amount Unrecoverable	$	-
Amount Recovered	$	5,356,351
Amount Outstanding	$	711,096

Most of GSA's business dealings with vendors are of recurring nature, therefore, it is anticipated that the outstanding balance will be successfully collected. Through FY 2007, the recovery audit contractor has identified $53 million in improper payments, and GSA has recovered $35 million of that amount. Payments are made to the recovery audit contractor upon identification and successful collection of erroneous payments. GSA continues to strengthen internal controls and improve its business processes to prevent and detect erroneous payments. As a result, GSA's erroneous payments have declined from $46.7 million in FY 2005 to $11.2 million in FY 2006. GSA's progress demonstrates a strong commitment to improving financial management.

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit

Table 1. Summary of Financial Statement Audit

Audit Opinion: **Unqualified**

Restatement: **No**

MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
None	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	**Unqualified**					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	**Unqualified**					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	**Systems conform to financial management system requirements**					
NON-CONFORMANCES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
	AGENCY	AUDITOR
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

Other, Agency-specific Statutorily Required Reports

Debt Management

GSA reported $145.2 million of outstanding debt from non-Federal sources and $11.1 million of delinquent debt at the end of FY 2007. The amount of delinquent debt decreased from $16.6 million in FY 2006 to $11.1 million. Non-Federal receivables consist of debts owed on third-party claims, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the U.S. Department of the Treasury (U.S. Treasury) Financial Management Service (FMS) for collection cross-servicing. From October 1, 2006 to September 30, 2007, the Office of the Chief Financial Officer (OCFO) referred over $2 million of delinquent non-Federal claims to U.S. Treasury for cross-servicing collection activities. Collections on non-Federal claims during this period exceeded $60.1 million. Administrative offsets resulted in additional collections of $9.8 million. GSA collected 265 Pre-Authorized Debits (PAD) totaling $87,162 of non-Federal claims from October 1, 2006 to September 30, 2007. Additionally, $100,000 was collected as a result of a fraud claim.

GSA actively pursues delinquent non-Federal claims using installment agreements, salary offset, administrative wage garnishment, and any other statutory requirement or authority that is applicable. Through an outside contract arrangement, GSA actively reviews and pursues overpayments in conjunction with its Public Buildings Service (PBS), Federal Acquisition Service (FAS), and the OCFO. GSA is continuing to remove all non-paying claims over two-years-old from its accounts receivable subsidiaries. All two-year-old claims without collection activity are researched and either collected or written off.

Cash and Payments Management

The Prompt Payment Act, along with the Debt Collection Improvement Act of 1996, requires the timely payment of commercial obligations for supplies and services using electronic funds transfer (EFT). GSA reviews and modifies its procedures as necessary to ensure prompt payment utilizing EFT. The percentage of invoices paid on time increased slightly from FY 2006. GSA paid significantly less in interest penalties during FY 2007. The statistics for the current and preceding two fiscal years are as follows:

	FY 2005	FY 2006	FY 2007
Total Number of Invoices Paid	1,483,040	1,285,710	1,136,760
Total Dollars Disbursed	$18.7 Billion	$16.2 Billion	$14.8 Billion
Total Dollars of Interest Penalties	$981,111	$575,461	$452,014
Interest Paid per Million Disbursed	$44.87	$30.84	$26.80
Percentage of Invoices Paid On Time	98.0%	98.7%	99.0%
Percentage of Invoices Paid Late	2.0%	1.3%	1.0%
Percentage of Invoices Paid Electronically	91.0%	94.0%	95.5%

Acronyms and Abbreviations

AAS	Assisted Acquisition Service
ACSI	American Customer Satisfaction Index
ACTT	Activity Cost Tracking Tool
ADA	Anti-Deficiency Act
AFV	Alternative Fuel Vehicle
AICPA	American Institute of Certified Public Accountants
ALDP	Advanced Leadership Development Program
AMFA	Alternative Motor Fuels Act
APPAS	Associate Performance Plan and Appraisal System
ASF	Acquisition Services Fund
ASHRAE	American Society of Heating, Refrigerating, and Air-Conditioning Engineers
AWA	Alternative Workplace Arrangements
AWTF	Acquisition Workforce Training Fund
BIM	Building Information Modeling
BLM	Bureau of Land Management
BOMA	Building Owners and Managers Association
BPA	Blanket Purchase Agreement
BPR	Business Process Re-engineering
BRM	Business Reference Model
Btu	British Thermal Unit
Btu/GSF	British Thermal Units per Gross Square Foot
C&A	Certification and Accreditation
CAO	Chief Acquisition Officer
CBCA	Civilian Board of Contract Appeals
CCR	Central Contractor Registration
CFL	Computers For Learning
CFO	Chief Financial Officer
CHRIS	Comprehensive Human Resources Integrated System
CIA	Central Intelligence Agency
CIO	Chief Information Officer
CIP	Construction in Process
COs	Contracting Officers
COOP	Continuity of Operations Plan
COTS	Commercial-Off-The-Shelf
CPI	Consumer Price Index
CSBR	Combining Statement of Budgetary Resources
CSC	Client Support Center
CSRS	Civil Service Retirement System
DHS	Department of Homeland Security
DOD	Department of Defense
DOE	Department of Energy
DOI	Department of the Interior
DOJ	Department of Justice
DOL	Department of Labor

Acronyms And Abbreviations

E-85	A mixture of 85 percent ethanol and 15 percent gasoline
EDD	Expanded Direct Delivery
EDI	Electronic Data Interchange
EFT	Electronic Funds Transfer
E-Gov	Electronic Government
EMS	Executive Management Scorecard
EPA	Environmental Protection Agency
EUAS	Energy Usage and Analysis System
ExGDDS	Express and Ground Domestic Delivery Services
FAIR	Federal Activities Inventory Reform
FAIRS	Federal Aviation Interactive Reporting System
FAR	Federal Acquisition Regulations
FAS	Federal Acquisition Service
FASAB	Federal Accounting Standards Advisory Board
FBF	Federal Buildings Fund
FCAT-M	Federal Competency Assessment Tool for Managers
FCICF	Federal Citizen Information Center Fund
FEA/CORE	Federal Enterprise Architecture / Component Organization & Registration Environment
FECA	Federal Employees Compensation Act
FEDSIM	Federal Systems Integration and Management Center
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FFO	Funds From Operations
FICA	Federal Insurance Contribution Act
FICC	Federal Identity Credentialing Committee
FIPS	Federal Information Processing Standards
FIS	Fuel Information System
FISC	Federal Integrated Solutions Center
FISMA	Federal Information Security Management Act
FIT	FAIR Act Inventory Tool
FMEA	Financial Management Enterprise Architecture
FMFIA	Federal Manager's Financial Integrity Act
FM LoB	Financial Management Line of Business
FMR	Federal Management Regulation
FPDS	Federal Procurement Data System
FPDS-NG	Federal Procurement Data System-Next Generation
FPS	Federal Protective Service
FRPC	Federal Real Property Council
FRPP	Federal Real Property Profile
FSIO	Financial Systems Integration Office
FSS	Federal Supply Service
FSSI	Federal Strategic Sourcing Initiative
FTE	Full-Time Equivalent

FTS	Federal Technology Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GITGO	GSA IT Infrastructure Technology Global Operations
GM&A	General Management and Administration
GPDS	GSA Procurement Data System
GPRA	Government Performance and Results Act
GSA	General Services Administration
GSAP	GSA Preferred
GSF	General Supply Fund
GSS	General Supplies and Services
GWAC	Government Wide Acquisition Contract
HCSP	Human Capital Strategic Plan
HEV	Hybrid Electric Vehicle
HSPD-12	Homeland Security Presidential Directive 12
HUD	Housing and Urban Development
IDIQ	Indefinite Delivery/Indefinite Quantity
IG	Inspector General
IPA	Independent Public Accountant
IPIA	Improper Payments Information Act
IRS	Internal Revenue Service
IT	Information Technology
ITF	Information Technology Fund
ITS	Integrated Technology Services
ITSS	IT Solutions Shop
IVR	Interactive Voice Response
LEED	Leadership in Energy and Environmental Design
LMI	Logistics Management Institute
LoB	Line of Business
MAS	Multiple Award Schedule
MD&A	Management's Discussion and Analysis
MFC	Most-Favored Customer
MOA	Memorandum of Agreement
MSO	Managed Service Office
NCC	National Contact Center
NETREAL	Net Real Estate Activity Locator
NISH	National Industries for the Severely Handicapped
NIST	National Institute of Standards and Technology
NOAA	National Oceanic & Atmospheric Administration
NPIC	National Passport Information Center (Department of State)
OASDI	Old-Age, Survivors, and Disability Insurance
OCAO	Office of Chief Acquisition Officer
OCFO	Office of Chief Financial Officer
OCHCO	Office of the Chief Human Capital Officer

Acronyms And Abbreviations

OCIA	Office of Congressional and Intergovernmental Affairs
OCIO	Office of Chief Information Officer
OCO	Ordering Contracting Officers
OCR	Office of Civil Rights
OCSC	Office of Citizen Services and Communications
OERR	Office of Emergency Response and Recovery
OGC	Office of General Counsel
OGP	Office of Governmentwide Policy
OIG	Office of Inspector General
OIRA	Office of Information and Regulatory Affairs
OMB	Office of Management and Budget
OPI	Office of Performance Improvement
OPM	Office of Personnel Management
OSBU	Office of Small Business Utilization
OTS	Office of Technology Strategy
PAD	Pre-Authorized Debits
PADC	Pennsylvania Avenue Development Corporation
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PBS	Public Buildings Service
PIA	Privacy Impact Assessments
PIB	Procurement Information Bulletin
PIP	Project Information Portal
PIV	Personal Identity Verification
PMA	President's Management Agenda
PMP	Performance Management Process
PMR	Program Management Review
PMT	Performance Measurement Tool
POA&M	Plan of Action & Milestones
POR+	Program of Requirements Plus
PwC	PricewaterhouseCoopers
PYRs	Prior Year Recoveries
QASP	Quality Assurance Surveillance Plan
R&A	Repairs and Alterations
RentEst	Rent Estimate
RFQ/RFP	Request for Quotes / Request for Proposals
RISC	Regulatory Information Service Center
ROADS	Requisitioning, Ordering and Documentation System
ROCIS	RISC/OIRA Consolidated Information System
ROE	Return on Equity
RRB	Ronald Reagan Building
RSF	Rentable Square Feet
SAS	Statement on Auditing Standards
SAT	Senior Assessment Team
SES	Senior Executive Service
SF133	Standard Form 133: Statement of Budget Execution and Budgetary Resources

SFFAS	Statement of Federal Financial Accounting Standards
SIOR	Society of Industrial and Office Realtors
SSA	Social Security Administration
SSP	Shared Service Providers
STAR	System for Tracking and Administering Real Property
TMDRS	Travel Management Data Reporting Service
TMSS	Transportation Management Services Solution
TMVCS	Travel, Motor Vehicles, and Card Services
TOPS	Telecommunications Ordering and Pricing System
TOS	Tracking and Ordering System
TSP	Thrift Savings Plan
U&D	Federal Personal Property Utilization, Donation, and Sales Program
UDO	Un-Delivered Orders
U.S.	United States
U.S.C.	United States Code
UFCO	Unfilled Customer Order
USDA	United States Department of Agriculture
USSGL	United States Standard General Ledger
VETS	Veterans Technology Service
WCF	Working Capital Fund

The FY 2007 Performance and Accountability Report is a collaborative endeavor on the part of many GSA employees and contractors. We would like to acknowledge and thank them for their hard work and commitment in successfully preparing this report and supporting the audit effort of the financial statements.

This report is available through our Web site at *www.gsa.gov/annualreport.*
Also. linked to that site is our 2008 Congressional Performance Budget Justification and our past performance and accountability publications.

For additional copies contact
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Other GSA Web pages of possible interest:

www.USA.gov

GSA Homepage: www.gsa.gov

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