U.S. General Services Administration

2005 *Annual Performance and Accountability Report*

Creating a Successful Future at GSA

How to use this report

This Performance and Accountability Report for fiscal year (FY) 2005 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 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 Performance and Accountability Reports 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 (MD&A)

This section provides an overview of the financial and performance information contained in the Performance Section, Financial Section and Appendices. The 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 2005. 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 2005. An introduction letter from GSA's Chief Financial Officer, followed by the Independent Auditor's Report, the Agency's audited financial statements and other supplemental financial information containing the Inspector General's Updated Assessment of GSA's Management Challenges, and information on the Agency's Debt Management, Payments Management, Erroneous Payments, and intra-government balances.

5 Appendices

A discussion of the data sources used in this report, summary chart of performance information, and a glossary of acronyms.

Mission Statement

GSA helps federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services, and management policies.

Strategic Goals

Provide best value for customer agencies and taxpayers

Achieve responsible asset management

Operate efficiently and effectively

Ensure financial accountability

Maintain a world-class workforce and a world-class workplace

Carry out social, environmental, and other responsibilities as a federal agency

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Letter from the Administrator

FY 2005 Performance and Accountability Report


David L. Bibb

The U.S. General Services Administration's (GSA) core mission is to help other Federal government agencies acquire, at best value, superior workplaces with the equipment, products and services they need to operate successfully. The GSA mission also includes the important role of enhancing public access to information about government programs and activities. I'm very proud to report that during fiscal year (FY) 2005, GSA associates continued to achieve high performance in meeting these requirements of our Federal government agency customers and the American people. Following this letter is a summary of GSA's FY 2005 accomplishments and highlights.

These accomplishments would not have been possible without the steadfast and innovative leadership of former Administrator Stephen A. Perry, whose resignation became effective October 31, 2005. Under Administrator Perry, GSA:

- Implemented a rigorous performance management process that was key to achieving results aligned with President Bush's Management Agenda;
- Helped GSA establish clear, customer-focused, measurable goals and detailed action plans for all areas;
- Initiated "One GSA" to foster greater collaboration and consistency among GSA divisions;
- Launched the "Get it Right" plan to achieve excellence in Federal acquisition;
- Initiated a major organizational design change in PBS;
- Helped maintain GSA's status as one of the best places to work in the Federal government;
- And created the new Federal Acquisition Service.

The past several years have been a time of enormous change and challenge at GSA. All GSA associates are strongly aligned and focused more than ever on achieving our Agency's mission, values and goals. As a result, GSA's customer satisfaction scores and our associate engagement scores are high and increasing. We are not resting on past achievements; rather we are aggressively carrying out President Bush's Management Agenda and making positive changes to achieve high performance and continuous improvements.

To ensure we have a strong foundation for the performance accountability process, GSA managers have reviewed their internal controls and the Management Control Oversight Council has reviewed internal control data for the year. With the exception of the qualifications of one material weakness and one system nonconformance in controls over monitoring, accounting and reporting of budgetary transactions, (discussed at length in the Management Assurances section of the Management Discussion and Analysis, the Chief Financial Officer's letter, and the Independent Auditor's report), I can provide reasonable assurance that the objectives of Section 2 (Internal Controls) and Section 4 (Financial Systems) of the Federal Managers' Financial Integrity Act (FMFIA) and Federal Financial Management Improvement Act (FFMIA) have been achieved.

GSA intends to build on the solid foundation built by Administrator Perry, making GSA more efficient, economical, and customer-centric as we continue helping our fellow Federal agencies better serve the public.

David L. Bibb

David L. Bibb
Acting Administrator

November 15, 2005

How GSA Benefits the Public

GSA's mission statement establishes how it supports government agencies with superior workplaces, equipment, and products and services they need to operate successfully. The benefit of these vital services is sometimes unclear to the American public. The following gives some examples of how GSA directly benefits the public.

Public Safety in Federal Buildings

GSA's Public Buildings Service (PBS) is the largest public real estate organization in the nation and provides services to over 100 Federal departments and agencies. PBS manages a diverse portfolio of real estate for the Federal government–over 340 million square feet of space–in office buildings, courthouses, border stations, warehouses, etc., used by 1.1 million Federal workers every day. In addition, PBS facilities balance the security needs of today's environment with the public access requirements required of public buildings.

Community Development

When carrying out its Federal real estate activities to meet Federal agencies' needs PBS supports community development and redevelopment efforts. PBS locates efficient and eye catching facilities in central business areas, historic districts, and in local redevelopment areas. These efforts foster community involvement and development opportunities.

For example, GSA is beginning a significant redesign of the border station at San Ysidro, CA, the world's busiest point of entry. The GSA project manager, site acquisition specialist, and National Environmental Policy Act (NEPA) expert are working with local stakeholders to meet Department of Homeland Security (DHS) needs for a secure, efficient, and effective facility while also supporting community goals as much as possible. The border station is positioned between the old and new sections of the San Ysidro community. GSA is currently working with community stakeholders to look at how the border station can unify the older community with the newer and revitalized downtown urban core.

Art in Architecture

One of the lasting legacies of any government is its buildings. The PBS Design Excellence Program allows GSA to attain top-quality design talent to design new Federal buildings and U.S. courthouses that will eventually become an integral part of a community for decades or even centuries. The Design Excellence Program includes a streamlined two-step architect/engineer selection process and the use of private-sector peers to provide feedback to the architect/engineer of record. This program defines project requirements in order to attract highly qualified and talented lead designer and design firm submissions that include emerging talent, women-owned, small, and small-disadvantaged businesses, in addition to well established firms.

An example of the design excellence program is the Wheeling, WV U.S. Courthouse Annex, dedicated in 2005. Today a 90,000 square foot annex joins the Federal building and U.S. Courthouse reinvigorating the city with a striking new civic landmark while preserving the city's historic art and architecture.

Competitive Purchasing for Federal Agencies

The Federal Supply Service (FSS) provides Federal agencies with supplies and procurements support, fleet, travel and transportation services, and disposal of excess personal property. Leveraging the government's buying power and its professional expertise, FSS assures substantial savings for its customers, who choose to purchase goods and services through its competitive non-mandatory programs.

Donations of Usable Surplus

FSS manages and operates the Utilization and Donation Program which serves the public by providing a channel for Federal agencies to donate usable surplus property to state or local governments or selected nonprofit organization. Once a Federal agency determines it has unneeded property, that property is declared excess property. It is available for transfer to any other Federal agency. If no agency wants the excess property, it is declared surplus to Federal needs. It may then be donated or 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 within FSS 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 equipment to schools and educational nonprofits. This results in (1) a benefit to schools who receive much needed computers, (2) organizations which no longer wastes space storing surplus computers, and (3) a public that is better served through deployment of surplus computers as a valuable learning tool.

Public Access to Federal Information

The Federal Technology Service (FTS) provides telecommunications, information technology (IT) products and services to Federal agencies in support of their mission to the public. In a nationwide effort to increase the public's access to telephone directory information regarding government service, the Blue Pages Program gathers, validates, and formats key Federal government information. This program establishes a standard, easy to read format for every citizen in the nation to access government services through a comprehensive set of listings in their local telephone directories that are accurate, service oriented, and very informative.

Citizens responded enthusiastically to Federal information promoted by the Office of Citizen Services and Communications, requesting more than 8.2 million publications from the well-known Pueblo, CO distribution center–the highest number since FY 1997. Citizen awareness of FirstGov.gov more than doubled in FY 2005, due in large part to "Always There," a nationwide public service advertising campaign that is expected to generate more than $8 million in donated television airtime.

E-Authentication Program

FTS manages the E-Authentication Program which addresses the special requirements relating to the secure delivery and integrity of online government information being exchanged in Internet-based business transactions. This program aims to enable quicker, more cost effective interaction between citizens, commercial businesses, and the Federal government.

Creation of Jobs and Economic Growth

GSA has procured more than $10 billion in goods and services from the private sector for Federal agencies through the third quarter of FY 2005. Of that amount, 36.07 percent–$3.6 billion–went to small businesses, with $739 million going to firms classified as "small, disadvantaged businesses;" in addition, $358 million in contracting went to small, women-owned businesses. GSA is also strengthening its programs to provide contracting opportunities to veteran owned businesses, service-disabled veteran owned businesses, and Native American owned businesses.

Support the Department of Defense (DoD) in the Global War on Terrorism:

GSA, through the FAS Office of Global Supply, directly supported U.S. military troops in Iraq with products valued at approximately $133 million. Some 70-80 percent of Global Supply's annual sales of slightly over $1 billion are shipped to DoD customers worldwide. Products include tools, industrial supplies, office and administrative supplies, bulk paper consumables, hospitality supplies, and Ford pickups and sport utility vehicles modified to run in the sand and weather conditions of Iraq.

Management's Discussion and Analysis

Mission, Values, and Goals

GSA has been carrying out its mission to acquire and provide goods, services, and facilities in support of the needs of Federal agencies for 55 years.

GSA MISSION STATEMENT

GSA helps federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services, and management policies.

The Agency's mission is strongly rooted in GSA's original authorizing legislation, the Property and Administrative Services Act of 1949. By consolidating the Federal government's real estate, supply, and other management support functions, agencies run more efficiently, thereby providing savings and other benefits to the taxpayers. GSA also works with all the Federal departments and agencies to establish management policies that will lead to greater success in the future. Today for the great majority of functions, agencies are able to determine for themselves whether GSA's centralized services are their best value as these have become "non-mandatory."

The mission of GSA comes to life as its associates are guided by GSA's values.

GSA VALUES

Ethics and integrity in everything we do

Respect for fellow associates

Results orientation

Teamwork

Professionalism

In order to better serve GSA's customers, the Federal Acquisition Service (FAS) has officially been established, effective September 9, 2005, through the Administrator's signing of the GSA Order - ADM 5440. This new service will be headed by a Commissioner reporting directly to the Administrator. The Commissioner has full responsibility, authority, and accountability for all programs currently in the Federal Technology Service (FTS) and the Federal Supply Service (FSS), and all programs developed to provide Federal customers with the acquisition services they need. This includes acquisition of products, services, and programs in the areas of information technology (IT), telecommunications, professional services, supplies, motor vehicles, travel and transportation, charge cards, and personal property utilization and disposal. Additionally, the Commissioner will be responsible for completing the organizational design of the new FAS and implementing the reorganization.

As reorganization plans are finalized, appropriate functions, positions, equipment, and other resources of FSS and FTS will transfer into the new FAS. The existing organizational structure of FSS and FTS will remain in place until such time that organization changes can be effectively implemented, as determined by the Administrator and the FAS Commissioner.

STRATEGIC GOALS

PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS

ACHIEVE RESPONSIBLE ASSET MANAGEMENT

OPERATE EFFICIENTLY AND EFFECTIVELY

ENSURE FINANCIAL ACCOUNTABILITY

MAINTAIN A WORLD-CLASS WORKFORCE AND A WORLD-CLASS WORKPLACE

CARRY OUT SOCIAL, ENVIRONMENTAL, AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY

GSA's path to a successful future is outlined by the six GSA-wide strategic goals. These goals were established to provide a broad framework from which to build a foundation for specific performance goals and provide a context for the long-term outcomes to which GSA is striving. In the Performance Section, GSA will report how well it is doing against each of these goals.

The strategic goals also provide a bridge from GSA's internal management to the President's Management Agenda (PMA) (page 20). For example, under the E-Gov initiative GSA is harnessing the power of the Internet to provide information to citizens and its customers and to process transactions. GSA manages FirstGov.gov, the award-winning official Web portal of the government. It pulls together more than 180 million Federal and state government pages. Here, the public can get easy-to-understand information and services from the government 24 hours a day, seven days a week.

The public can also use FirstGov.gov's Citizen Gateway to transact business with the government and to access information on topics such as Social Security, taxes, surplus government property, and more. Citizens can send e-mail via "Contact Us" by clicking on Uncle Sam on the FirstGov.gov home page. GSA works closely with other Federal agencies and state governments to ensure information can be easily navigated by the public. This means additional traffic for Agency Web sites. The journey continues toward global solutions.

ORGANIZATION

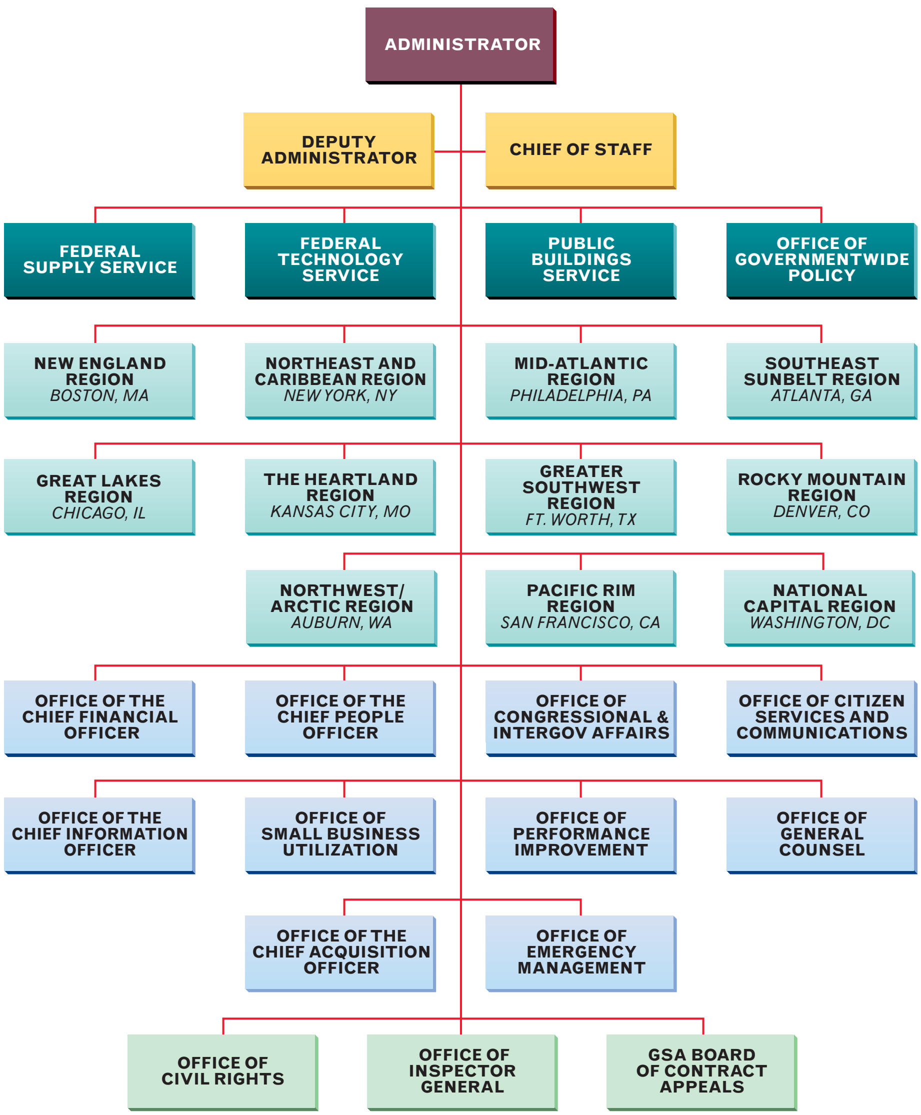
The basic foundation of any business or agency is its organizational structure. GSA provides goods and services and develops policy through a network of 11 regional offices and a central office in Washington, D.C. The Central Office consists of three services responsible for coordinating nationwide programs and an office that supports Federal agencies, as well as a citizen-oriented organization and 12 staff offices that support the GSA organization.

- **PUBLIC BUILDINGS SERVICE (PBS):** PBS's mission is to provide a superior workplace for the Federal worker and superior value for the U.S. taxpayer. The challenge of managing the dynamic tension between these two objectives is at the heart of GSA's business processes. PBS is the largest public real estate organization in the nation and a provider of workspace and workplace solutions to more than 100 Federal agencies.

PBS conducts two fundamental activities. The first is space acquisition, either by lease or construction. It translates needs into discrete requirements, marshals the necessary resources, and sees that the space is delivered. The second fundamental activity is life-cycle 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.

■ **FEDERAL SUPPLY SERVICE (FSS):** FSS manages a large, diverse marketplace in which hundreds of thousands of Federal customers are brought together with more than 9,000 contractors. FSS has five business lines. Commercial Acquisition provides Federal customers access to more than four million services and products. Travel and Transportation provides a broad range of services from discount airfares to express delivery of packages to freight. Vehicle Acquisition and Leasing Services buys more than 58,000 vehicles annually and manages a worldwide fleet of more than 185,000 vehicles. Personal Property Management reassigns or sells items such as furniture, computers, and equipment no longer needed by the government. Global Supply maintains an inventory of more than 7,000 items that can be shipped in large quantities at short notice.

■ **FEDERAL TECHNOLOGY SERVICE (FTS):** The mission of FTS is to deliver the best value and innovative solutions in IT, network services, and professional services to support government agency missions worldwide. FTS works with agency customers to understand their missions and requirements, and to help them choose, acquire, implement, and manage the funding for the best solutions to meet those needs. FTS-assisted services save taxpayer dollars, make it



possible for customer agencies to avoid doing costly, time-consuming technology acquisitions, and enable them to devote more of their own staffs directly to their agency missions and programs. FTS works closely with every major civilian and Federal government agency offering assisted acquisition services on a fee-for-service basis.

- **OFFICE OF GOVERNMENTWIDE POLICY (OGP):** OGP consolidates all of GSA's government-wide policy-making activities within one central office. These include the Federal government's strategies to acquire $200 billion a year in goods and services, the $8 billion a year spent on government travel, and the tens of billions of dollars spent each year on internal administrative management systems. OGP is working to re-engineer the traditional policy development model to emphasize collaborative development.

- **OFFICE OF CITIZEN SERVICES AND COMMUNICATIONS (OCSC):** OCSC is aimed at creating a more citizen-centric, results-oriented Federal government. OCSC has opened the way for 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 is aligned with the other GSA Staff Offices because of the in-house communication support it provides.

- The **OFFICE OF THE CHIEF PEOPLE OFFICER (OCPO)** develops and delivers human capital programs, policies, and services that promote GSA's strategic management of human capital. OCPO activities enhance GSA's capability to achieve its mission, strategic goals, and performance outcomes.

- The **OFFICE OF THE CHIEF INFORMATION OFFICER (OCIO)** provides high quality, enterprise IT services, and solutions at best value by leveraging IT resources to support GSA business needs. Additionally, the OCIO is GSA's lead for the five E-Gov projects (eAuthentication, eTravel, Integrated Acquisition, Federal Asset Sales, and USA Services).

- The **OFFICE OF THE CHIEF ACQUISITION OFFICER (OCAO)** is responsible for managing a broad range of acquisition activities, including ensuring compliance with applicable laws, regulations, and policies; fostering full and open competition for contract awards; developing the acquisition workforce; and ensuring accountability for acquisition decision-making.

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

- The **OFFICE OF THE GENERAL COUNSEL (OGC)** provides sound and timely 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 implementation of GSA's statutory responsibilities; and provides legal counsel to the Administrator, Deputy Administrator, and other officials of GSA (with the exception of certain legal activities of the Office of Inspector General (OIG) and the Board of Contract Appeals (BOCA)).

- The **OFFICE OF PERFORMANCE IMPROVEMENT (OPI)** provides advice to the Administrator and Deputy Administrator on major policies and procedures related to GSA performance. OPI is responsible for overseeing the development and execution of performance measurement programs and GSA's competitive sourcing.

- The **OFFICE OF EMERGENCY MANAGEMENT (OEM)** coordinates emergency management services throughout GSA. Emergency management includes all aspects of disaster and emergency program policy development and implementation, response operations, training, drills, exercises, continuity of operations, business continuity, recovery and resumption, and readiness assurance.

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

- The **OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS (OCIA)** serves as advisor to the Administrator and supervises and maintains Agency liaison with all members of Congress and congressional committees. OCIA prepares and coordinates GSA's annual legislative program; communicates GSA's legislative program to the Office of Management and Budget (OMB), Congress, and other interested parties; works closely with OMB in the coordination and clearance of all proposed legislation impacting GSA and its programs; and initiates, coordinates, and presents briefings to Members of Congress and their staffs on GSA program initiatives.

- The **OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO)** conducts the performance process, including strategic planning, budgeting, and the performance management cycle within GSA; manages GSA's core accounting system; prepares financial statements and reports; develops policies; and performs financial operations.

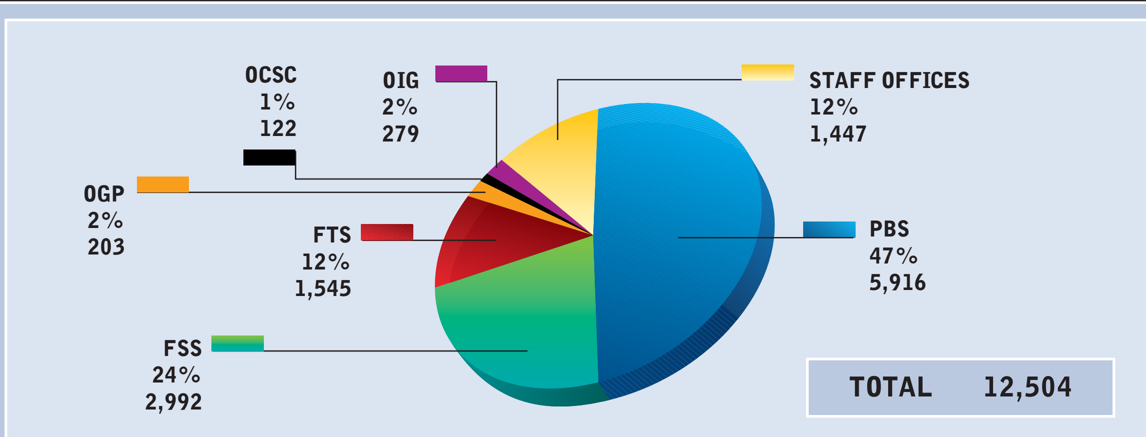
- The **OFFICE OF CIVIL RIGHTS (OCR)** is responsible for implementing both the internal and external civil rights programs at GSA. The internal civil rights program ensures equal employment opportunity (EEO) for all GSA associates and applicants for employment on the basis of sex, race, color, national origin, religion, disability, age (40 and over), and retaliation for protected EEO activity. The external civil rights program ensures nondiscrimination on the basis of race, color, sex, age (40 and over), national origin, and disability by recipients of GSA's Federal Financial Assistance and Federally conducted programs.

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

- The **OFFICE OF INSPECTOR GENERAL (OIG)** promotes economy, efficiency, and effectiveness within GSA, and prevents and detects fraud in the Agency's programs and operations.

In FY 2005, GSA had 12,504 full-time equivalent employees (FTE). Staffing levels have been consistent since 1998, adjusting for the FY 2003 transfer of the Federal Protective Service (FPS) and the Federal Computer Incident Response Center to the Department of Homeland Security (DHS).

FTE BREAKDOWN BY ORGANIZATION



Performance Summary and Highlights

During FY 2005, GSA performed its mission by pursuing its six Agency-wide strategic goals, listed on the title page, which reflect the breadth of the Agency's mission. The GSA FY 2005 Performance Plan outlines the specific performance goals undertaken to fulfill the strategic goals. Specific performance measures are established within each performance goal as a gauge for meeting these goals. The six strategic goals are inter-related and accordingly many of the performance goals apply to more than one strategic goal.

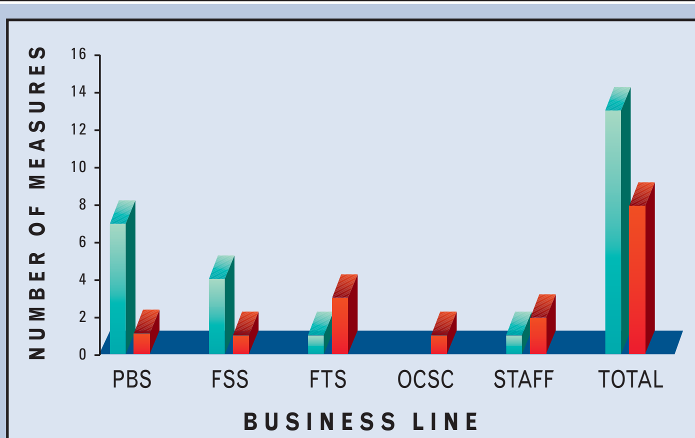
This section highlights the most significant GSA-wide FY 2005 performance measures identified by GSA management and related performance results. A chart of Key Performance Measures follows the discussion and detailed performance information is contained in the Performance Section.

The chart below of Key Performance Measures and the discussion that follows show that, in general, GSA met or exceeded expectations for 62 percent of its FY 2005 performance measures. GSA is becoming more sophisticated in its use of the Performance Measurement Tool (PMT) system to closely track results. In FY 2005, GSA enhanced its Performance Management Process (PMP) to integrate budget and performance and focus on long-term outcomes. In FY 2005, GSA fully incorporated performance measures into individual Associate Performance Planning and Appraisal System (APPAS) documents for each associate.

Additionally, the President's Management Agenda's (PMA) emphasis on results led to GSA's commitment to the Program Assessment Rating Tool (PART), which was used to critically evaluate the performance of GSA programs. By the end of FY 2005, 90 percent of GSA's program dollars have been rated. The PART process has helped GSA define long-term outcome goals that focus on how GSA meets customer agency needs quickly and has reinforced its efforts to link budget to performance, to set ambitious goals, and to improve its efficiency measures.

Additional information on all performance goals with past results can be found in the Performance Section beginning on page 41 and in Appendix II, the Summary Chart of Goals and Measures beginning on page 157.

FY 2005 GSA Key Performance Measures Summary



NUMBER OF PERFORMANCE MEASURES

	MET	NOT MET	TOTAL
PBS	7	1	8
FSS	4	1	5
FTS	1	3	4
OCSC	-	1	1
STAFF	1	2	3
TOTAL	13	8	21

FY 2005 Key Performance Measures within Strategic Goal

STRATEGIC GOAL/ SERVICE OR OFFICE	MEASURES	FY 2005 TARGET	FY 2005 ACTUAL	RESULTS
PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS				
Public Buildings Service	Cost of leased space relative to the market	≤8.3%	-9.2%	Met
Public Buildings Service	Customer satisfaction - tenants in leased space	70%	78%	Met
Public Buildings Service	Percentage of disposals completed within 320 days	80%	88%	Met
Federal Supply Service	Percentage discount to customers from invoice price	≥27.5%	40.6%	Met
Federal Supply Service	Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule	≥27%	43.1%	Met
Federal Technology Service	Savings provided to customers	780 mil	633 mil	Not Met
Office of Citizen Services and Communications	Total number of multi-channel contacts with the public (citizens, business, government) per year	250.3 mil	230.5 mil	Not Met
ACHIEVE RESPONSIBLE ASSET MANAGEMENTT				
Public Buildings Service	Percent of Repairs and Alterations (R&A) Projects on schedule	86%	95%	Met
Public Buildings Service	Percent of vacant space in leased inventory	≤1.5%	1.2%	Met
Public Buildings Service	Construction projects on schedule	85%	100%	Met
Federal Supply Service	Supply mark-up for stocked items (percent)	43.5%	42.9%	Met
OPERATE EFFICIENTLY AND EFFECTIVELY				
Public Buildings Service	Percent below private sector benchmarks for cleaning, maintenance and utility costs in office and similarly serviced space	-12%	-10.5%	Not Met
Federal Supply Service	Cycle time to process offers (days)	92	98	Not Met
Federal Supply Service	Cycle time for disposal process (days)	77	56	Met
Federal Technology Service	Percent of negotiated award dates for service and commodities that are met or bettered (IT Solutions)	>94%	85%	Not Met
ENSURE FINANCIAL ACCOUNTABILITY				
Office of Chief Financial Officer	Percent of vendor invoices received electronically by EDI through the Internet	56%	64%	Met
Office of Chief Financial Officer	Percent of electronic invoices paid by electronic means such as EFT and purchase cards	95%	94%	Not Met

Continued on following page

STRATEGIC GOAL/ SERVICE OR OFFICE	MEASURES	FY 2005 TARGET	FY 2005 ACTUAL	RESULTS
MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE				
Office of the Chief People Officer	Gallup Q12 Grand Mean Score	3.94	3.85	Not Met
CARRY OUT SOCIAL, ENVIRONMENTAL AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY				
Public Buildings Service	Percent reduction in energy consumption from FY 1985 baseline	-30%	-35.3%	Met
Federal Technology Service	Percentage of Government Wide Acquisition Contract (GWAC) task and delivery orders subject to the fair opportunity process	>95%	93%	Not Met
Federal Technology Service	Percentage of dollar value of eligible service orders awarded with performance-based statements of work (SOW)	40%	72%	Met

Through the Agency's internal PMP, GSA has made great strides in identifying long-term outcome goals and efficiency measures for its programs.

Performance Measurement Data Validation and Verification

The Government Performance and Results Act of 1993 (GPRA) and the Reports Consolidation Act of 2000 require that each agency certify the completeness and reliability of performance data and describe the means used to verify and validate this data. Over the last several years, to comply with these regulations and a finding of its OIG, GSA implemented a verification and validation process to ensure the validity of performance measurement data.

After completing the first series of reviews for all organization components last year, the Agency hired an independent contractor to analyze the Agency's verification and validation process in FY 2005. Based on this assessment, GSA is working to improve and institutionalize the process used to verify and validate all performance measurement data. A new verification and validation survey was developed to assess the validity, completeness, consistency, accountability, timeliness, and ease of use of performance measurement data. In FY 2006, GSA will work to further improve the verification and validation process by augmenting the process to include a method to assess data accuracy.

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 2005 financial statement audit, various tests and reviews of the core accounting system and internal controls were conducted as required by the Chief Financial Officers Act.

2. **DATA FROM LARGE COMPUTER SYSTEMS:** GSA has undertaken an extensive process of systems certification to ensure that its computer systems operate as intended. GSA increased the percent of IT systems certified and accredited from 89 percent in FY 2004 to 100 percent in FY 2005. Data quality is also maintained through ongoing training.

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.

4. **BENCHMARK DATA FROM EXTERNAL SOURCES**: Where there is a close correspondence between a GSA activity and a private sector counterpart, GSA utilizes external data as a benchmark. GSA strives to find highly reputable sources of data that are recognized as industry standards, including the Gallup Organization, Building Owners and Managers Association (BOMA), Society of Industrial and Office Realtors (SIOR), and the Logistics Management Institute.

5. **DATA OBTAINED UNDER CONTRACT:** GSA often contracts with outside polling firms, such as the Gallup Organization, to develop customer satisfaction or other survey data. Use of an outside contractor can make customers more willing to participate and add credibility to the results. In using such data, GSA always deals with reputable firms that are leaders in the industry. GSA's contract provisions require that sound business practices be followed and GSA follows up to ensure confidence in the results. All of these firms have their own validation and verification procedures.

Appendix I provides an in-depth report on GSA's data sources.

The President's Management Agenda

GSA'S STATUS AND PROGRESS

INITIATIVE	CURRENT STATUS	PROGRESS
Human Capital	🟡	🟢
Competitive Sourcing	🟢	🟡
Financial Performance	🟢	🟢
E-Government	🟡	🟢
Budget and Performance Integration	🟡	🟢
Real Property	🟡	🟢

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 time lines established for the five 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 maintained its "yellow" status through FY 2005 completing all but one critical success factor to get to "green." The Agency implemented a new performance management system for all non-Senior Executive Service (SES) associates. The Agency also engaged in restructuring activities in the Office of Governmentwide Policy (OGP) and in establishing the Federal Acquisition Service (FAS). GSA plans to submit documentation of mission critical workforce skills gap closures in the first quarter FY 2006, continue to implement the new FAS organization, and comply with newly created critical success standards.

PROGRESS: GSA continues to be "green" in progress for Strategic Management of Human Capital. Among the many accomplishments in FY 2005, GSA implemented a new five-tier performance management system for all non-SES associates replacing a prior pass-fail system. In rolling out this new system, GSA invested significant resources in training, guidance, and developing tools for managers and associates. A new policy order was issued covering performance recognition in light of the performance management system changes. A full accountability review of both the performance management and performance recognition systems will be undertaken in FY 2006. GSA established a new organization, FAS, and will be implementing effective human capital strategies to ensure organizational success and efficiency. GSA updated its Strategic Human Capital Plan and Human Resources Management and Accountability System to account for organizational changes, new organizational performance data, and to clarify human capital accountability roles and responsibilities. GSA established a plan to reduce hiring timelines for SES positions and will test hiring process improvements for non-SES positions. In regard to the SES, GSA continues to distinguish between levels of performance and maintaining certification. GSA is developing talent management strategies for mission critical workforces that include diversity recruitment efforts, strategic recruitment and retention efforts, skills assessment efforts, knowledge management, and training and development efforts. GSA will update its Executive Succession Plan.

PMA

Status — **Competitive Sourcing** — Progress

BACKGROUND: The goal of competitive sourcing, one of the PMA initiatives, is to improve agency performance by using the A-76 process to conduct public/private competitions of an agency's commercial activities or functions. GSA has established an infrastructure to accomplish this goal and continues to build on this infrastructure.

STATUS: Since the establishment of the competitive sourcing goals by the President in FY 2001, GSA has moved from "red" to "green" on the President's quarterly Executive scorecard for "Current Status." This score was achieved during the fourth quarter of FY 2004. Additionally, GSA has completed 57 Streamlined Competitions and one Standard Competition under the Revised Circular, and has completed one Standard Competition under the old Circular. In October 2004, GSA began to roll out an Agency-wide training program to prepare the Agency for a number of competitions scheduled for FY 2005. More than 200 GSA associates received this training. In January 2005, GSA announced the planned merger of the Federal Supply Service (FSS) and the Federal Technology Service (FTS) into one Federal Acquisition Services (FAS). Although the merger was going to be an extensive project, GSA felt the Agency-wide marketing and administrative support functions could be continued without a significant impact from the merger. It was in March 2005 that GSA realized the true impact of the merger and cancelled both the marketing and administrative support competitions. GSA is looking forward to rescheduling these competitions in FY 2006 through FY 2008. The Public Buildings Service (PBS) scheduled Streamlined Competitions and completed 25 competitions involving 125 full-time equivalent employees (FTE). The estimated savings and cost avoidance of these competitions is $11.7 million over five years. On June 28, 2005 GSA submitted its FY 2005 Federal Activities Inventory Reform (FAIR) Act Inventory to OMB, with justifications. and the Agency is also revising GSA's Competitive Sourcing Strategic "Green" plan covering planned competitions through FY 2008 and the FY 2005 Report to Congress covering GSA FY 2005 Competitive Sourcing accomplishments.

PROGRESS: GSA's PBS completed 25 Streamlined Competitions covering a total of 125 FTE throughout FY 2005. The Office of Performance Improvement (OPI) continues to provide training on Competitive Sourcing to GSA associates as needed. As a regular course of business, OPI maintains a quarterly report on all of GSA's Competitive Sourcing Competitions with detailed information on costing data, key milestone dates for study tracking, completion, and contact information.

PMA

Improved Financial Performance

Status | 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. The goal is to improve financial performance by ensuring that Federal financial systems produce accurate and timely information. This data is critical to Federal business line managers in their daily decision-making. Short-term objectives of the initiative include reducing erroneous payments and sustaining successful financial audits.

STATUS: GSA improved its status rating to "green" as a result of undertaking a revised plan which reflected financial data-driven business results. Previously, GSA had successfully met the criteria for yellow status, which included an unqualified audit opinion and meeting reporting deadlines, without incurring any material non-compliance with laws or regulations. In addition, it has improved financial performance and is proud of its accomplishments in the area of financial management. GSA has properly demonstrated that program and financial data is used on a daily basis to drive business results. The PMA status is as of September 30, 2005. The auditors opinion is issued after September 30, 2005. However, Acting Administrator Bibb states with qualified assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA) are being achieved in FY 2005.

PROGRESS: As of September 30, 2005, GSA continues to be "green" in progress. GSA's financial performance consistently produces a payment error rate well below government and industry standards, trained all managers on the proper use of internal controls resulting in an aggressive management control program in the Agency, and developed a corrective action plan to improve the reporting of intergovernmental accounting transactions. GSA is using integrated financial data to meet its challenges and future initiatives are underway to improve operations. GSA's online financial system and querying capabilities allow business line managers to view various levels of data at any point in time. There have been substantial gains in achieving progress toward goals and objectives, in particular in policy, financial analysis, financial systems life-cycle management, and management control process and procedures. The desired goal is to provide timely financial data so GSA can operate efficiently and effectively and provide the best value to customer agencies and taxpayers.

PMA

Expanded Electronic Government

Status | Progress

BACKGROUND: This initiative supports specific goals to reduce redundancy of IT investments, increase the effectiveness of outreach to citizens, and improve the efficiency of IT investment management. This initiative provides collaborative development of the expanded E-Government areas of E-Gov implementation, IT Capital Planning, Enterprise Architecture, Earned Value Management, and IT Security.

The Presidential E-Gov initiatives are entering the adoption, utilization, and institutionalization phase. One aspect of this is that the E-Gov initiatives should be integrated in the normal day-to-day operations of the Federal government, including business, IT, and budgetary processes. As the E-Gov programs continue to identify IT opportunities for collaboration and consolidation, increased agency adoption and customer utilization will be the primary measures of success.

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 24 E-Gov initiatives.

GSA's IT team will continue to identify redundant IT systems and determine when to retire them, 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." This was due to: GSA's Enterprise Architecture receiving an OMB assessment rating of "3"; having 28 acceptable major IT business cases performing within 10 percent of cost, schedule, and performance; GSA certifying and accrediting 100 percent of its systems; the Inspector General (IG) verifying the effectiveness of the Department-wide IT Security remediation process; and having an OMB approved and accepted E-Gov Implementation plan with a successful completion of all GSA's FY 2005 E-Gov milestones.

GSA continues to make progress toward improving its status rating to "green" by: (1) modifying its existing contracts to be compliant with the Earned Value Management (EVM) standard, and (2) demonstrating that all of its major IT business cases meet the standard for acceptable business cases based on the FY 2007 budget submissions

PROGRESS: GSA progress rating remains "green." GSA continues to deliver on the PMA goals and quarterly E-Gov planned actions. The progress rating is based on the submission of several Agency program plans such as: a GSA Preferred (GSAP) Action plan, a quarterly Federal Information Security Management Act (FISMA) plan of action and milestone report demonstrating GSA's IT system certification and accreditation percentage increased to above 90 percent, and a quarterly EVM variance report.

The electronic "front door" for the Federal government.

PMA

Budget and Performance Integration

Status | Progress

BACKGROUND: This initiative is aimed at providing a 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's status score is "yellow." The earliest that GSA can improve to "green" for status is the third quarter of FY 2006. Attaining a "green" status requires GSA have less than 10 percent of its Program Assessment Rating Tool (PART) programs with "Results Not Demonstrated" for more than two years in a row. This can be accomplished by aggressively rescoring those programs that were originally rated "Results Not Demonstrated." GSA is working closely with OMB to rescore those programs and achieve a status of "green."

PROGRESS: The Agency is "green" in progress. 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. GSA continues to work with OMB on establishing goals and measures for the remaining programs. GSA is also developing marginal cost analysis techniques and continuing to implement Activity Based Management. Finally, the Administrator continues to conduct quarterly reviews of each organization's financial and performance results. All these initiatives and measurement tools are great strides in integrating budget with performance.

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: GSA maintained "yellow" on the President's quarterly Executive scorecard for "Current Status." This score was achieved at the end of the fourth quarter of FY 2004 by completing an agency asset management plan, and by demonstrating GSA has an accurate real property inventory system and real property performance measures, both of which are used in daily decision-making. GSA is working closely with OMB to demonstrate results in implementing its approved asset management plan, specifically, that GSA is disposing of any surplus real property assets in its portfolio, reinvesting appropriately in core assets to improve building condition, and ensuring operating costs are competitive with market. Successful demonstration of implementing its approved asset management plan and using the performance measures established by the Federal Real Property Council is expected to be achieved in FY 2006 moving the Agency to "green."

PROGRESS: GSA maintained "green" in progress for real property. GSA reviewed and updated its asset level strategies for the government-owned inventory, developed a methodology to analyze the leased portfolio to formulate leasing strategies and to prioritize lease actions, and completed an analysis and issued a State of the Portfolio that reports GSA's FY 2004 real property performance and trend information. Finally, GSA worked to develop a protocol to map its existing inventory to the Federal Real Property Council's new 23 mandatory data elements to ensure full compliance with the council's inventory and performance measures requirements.

GSA will continue to play a leadership role in advancing real property asset management.

Management Assurances

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

GSA continued to develop new measures and techniques in order to meet accelerated reporting requirements while accomplishing internal and external Agency requirements in the financial, acquisition, human capital, emergency services, and Federal buildings programs while continually providing service to its customers and meeting the needs of the American taxpayer.

FY 2005 had distinct improvement and advancement for the Agency's internal control process. GSA managers addressed the mission and goals of the Agency; provided accountability for their operations; assessed and evaluated their internal control structure to assure that it was well designed, operated, and appropriately updated to meet changing conditions; and to provide reasonable assurance that the objectives of the Agency were being achieved.

In keeping with the Office of Management and Budget's (OMB) A-123 internal control requirements and accelerated reporting, GSA developed and launched the Agency's first Web-based Assurance Statement Questionnaire. Also, to assist managers in evaluating their internal controls, a Web-based scorecard checklist was also designed. The new electronic process enabled managers at all levels to compile and forward their statements to their next-level manager for review. Both the questionnaire and checklist proved to be successful paperless tools which expedited the Assurance Statement evaluation, review, and approval process for managers at all levels. Given the success of this new electronic process and the positive feedback from its managers, GSA will continue to improve and build upon the Web-based Assurance Statement Questionnaire process in the coming years. To ensure the daily guidance and monitoring of internal controls, the Internal Controls and Audit Followup Division in the Office of the Chief Financial Officer (OCFO) monitors and continually provides nationwide internal controls training to managers at all levels across the Agency.

An eagle located over the central entrance, was carved by Ernest S. Bairstow, a sculptor from Washington, DC, who also carved the speeches into the walls of the Lincoln Memorial.

The Management Control Oversight Council (MCOC), chaired by the Deputy Administrator, continued to provide senior management leadership and oversight of GSA internal controls. The MCOC convened quarterly and held special sessions to review Agency management challenges and address areas of concern from managers' assurance statements that included human capital, financial, acquisition, and the Federal buildings programs. The Federal Technology Service (FTS) brought to the attention of the MCOC a number of critical positions that needed to be filled in the supervisory contract specialist series and challenges that existed with their acquisition processes, policies, and procedures. Many of the issues identified have already been corrected in the newly formed Federal Acquisition Service (FAS) and progress continues in meeting the goal of acquisition excellence. New practices and procedures to ensure compliance with Federal Acquisition Regulations (FAR) have been adopted, and experienced and highly skilled contracting officers have been hired contributing to the continued improvement in acquisition.

The OCFO brought to the attention of the MCOC concerns over open items from the Agency's Services and Staff Offices. There were obligations and accruals that appeared to be invalid and should have been closed. Also, GSA's budgetary Standard General Ledger accounts needed improvement. The OCFO embarked on an initiative to review various aging reports and transmit them to key officials to obtain the proper amount of attention to ensure accurate data in a system of record with less lag time. The OCFO will aggressively continue its efforts to clean up the budgetary accounts and improve financial policy in the Agency.

With the transfer in FY 2003 of the Federal Protective Service (FPS) to the Department of Homeland Security (DHS), the Public Buildings Service (PBS) reported to the MCOC that no formal security oversight program exists in the Agency. In March 2005, PBS created an interim task force to review how GSA addresses security issues. The work of the task force enabled GSA to capture a variety of security issues confronting the Agency and is addressing them in a soon to be updated Memorandum of Agreement with DHS's FPS. In addition, and with the approval of the MCOC, PBS will establish a Director of Building Security Policy position. The Director of Building Security and Policy will serve as a liaison with GSA leadership, the FPS and GSA's tenant agencies, and will enhance GSA's ability to address security challenges in both owned and leased properties.

Material Weakness Identified

The FY 2005 management assurance process and financial statement audit identified issues related to budgetary controls and reporting processes. This condition was determined to be a Section 2 material weakness and a Section 4 system nonconformance. More specifically the associates in FTS, Federal Supply Service (FSS), and PBS did not properly monitor, track, and close out completed projects with residual balances or return unused budgetary authority. This is further discussed in the CFO letter in the Financial Section of this report and the audit report. A comprehensive action plan is currently being developed to correct this issue.

Statistical Summary of Performance

Section 2, Internal Control Systems - Material Weaknesses

GSA reported no material weaknesses at the end of FY 2004 and one has been added during FY 2005.

NUMBER OF MATERIAL WEAKNESSES

	Number at Beginning of Year	Number Corrected	Number Added	Number Remaining End of Fiscal Year
Prior Years	49	47	0	2
1998 Report	2	0	1	3
1999 Report	3	0	0	3
2000 Report	3	0	0	3
2001 Report	3	0	0	3
2002 Report	3	0	0	3
2003 Report	3	2	0	0[1]
2004 Report	0	0	0	0
2005 Report	0	0	1	1

[1] One Material Weakness was transferred to DHS and GSA no longer has reporting responsibility.

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 Standard General Ledger recording and reporting requirements at the transactional level.

During FY 2005, a new process was developed and implemented to more fully assess the adequacy of financial management systems controls and compliance with Federal Financial Management Improvement Act (FFMIA) requirements. This process involved utilizing a consolidated questionnaire to assess management controls, IT security assurance controls, and FFMIA compliance. As in prior years, additional compliance review steps included a review of pertinent audit reports issued during FY 2005, 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 the various systems-related review activities performed provide a sufficient basis for assessing Agency compliance with Section 4, FMFIA and FFMIA requirements for FY 2005.

Based on all review work performed during FY 2005, Agency management believes that except for certain internal control and system weaknesses pertaining to budgetary reporting, GSA is in substantial compliance with the requirements referred to in Section 4 of FMFIA. This conclusion is supported by actions completed during the past year to assess and review GSA's financial systems, and resolve and remediate prior year's audit findings relating to financial system and monitoring controls. These conditions related to network and application security controls, system development, implementation and change controls, and other financial systems' general and applications-related internal controls.

STATUS OF SYSTEM NON-CONFORMANCES

	NUMBER AT BEGINNING OF YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING END OF FISCAL YEAR
Prior Years	9	9	0	0
1998 Report	0	2	2	0
1999 Report	0	0	2	2
2000 Report	2	0	0	2
2001 Report	2	0	0	2
2002 Report	2	0	0	2
2003 Report	2	0	1	3
2004 Report	3	3	0	0
2005 Report	0	0	1	1

System Non-Conformance Identified

The FY 2005 management assurance process and financial statement audit identified system-related issues regarding budgetary controls and reporting processes reported in the Statement of Budgetary Resources and Statement of Financing. These issues involved an inability on the part of FTS, FSS, and PBS financial systems to adequately record and report detailed budgetary transactions throughout the year in accordance with Federal accounting standards and a continuing need to rely upon time-consuming manual procedures to compensate for these financial system deficiencies. More details regarding this issue are discussed in the CFO letter in the Financial Section of this report. However, a number of actions will need to be carefully planned, coordinated, and implemented to correct this system non-conformance, including the need to improve the recording of detailed budgetary transactions and develop and implement more effective and timely budgetary account reconciliations between Service financial systems and GSA's core accounting system. A comprehensive action plan is currently being developed to correct this issue.

Additional Improvements Planned for FY 2006

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 2006. Major initiatives will involve taking various actions to improve budgetary reporting; systems-related policies, procedures, and system life-cycle management for certain program and financial systems; and FMFIA, FFMIA, and Federal Information Security Management Act of 2002 (FISMA) compliance assessment and documentation activities.

During the past three years, several opportunities have been identified to improve the quality of financial systems reporting for certain budgetary accounts. Improvement areas will focus on improving the classification and reporting of certain budgetary transactions within GSA's core accounting system and devising a better means of more effectively and efficiently reconciling systems-generated information to final budgetary reports. Planned FY 2006 improvements should lead to significant process improvements and more reliable, timely, and accurate budgetary reporting for the future.

Additional actions are planned to improve the quality and documentation of systems-related policies, procedures, and system life-cycle management so that best practices can be more uniformly institutionalized and implemented within GSA. Further improvements are planned to strengthen existing management, operational, and technical systems controls for several legacy program and financial applications. Areas of focus for these systems will include: access controls, system change and configuration management controls, separation of duties, and technical systems controls.

Finally, action is planned during FY 2006 to more effectively integrate and more efficiently streamline GSA review and assessment activities pertaining to FMFIA, FFMIA, and FISMA compliance. During FY 2005, significant progress was achieved in integrating GSA's internal processes for assessing the sufficiency of management and systems-related internal controls via one survey instrument. This accomplishment resulted in a more fully integrated and streamlined internal controls assessment process for GSA. During FY 2006, the challenge will be to devise and implement an improved and more fully-integrated process for documenting self-assessment activities relating to internal controls, consistent with the requirements of revised OMB Circular No. A-123 and new National Institute of Standards and Technology (NIST) requirements pertaining to systems-related internal controls. Currently, these activities require considerable efforts on the part of several different groups within GSA. By more effectively coordinating and consolidating these review activities for the future, more comprehensive and meaningful reviews and assessments will be able to be completed in a more timely manner at less cost.

All planned FY 2006 improvement actions should serve to significantly improve systems-related 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: (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the U.S. Standard General Ledger 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 Office of Inspector General (OIG) and the Government Accountability Office (GAO) audit reports, annual financial statement audits, FISMA-related and other questionnaire results, FISMA compliance reviews, and other systems-related activities.

Based on all information assessed except for issues noted and discussed in the CFO's letter and the compliance section of the audit report, the GSA Administrator has determined that GSA's financial management systems are in substantial compliance with FFMIA for FY 2005.

Financial Management Systems Framework

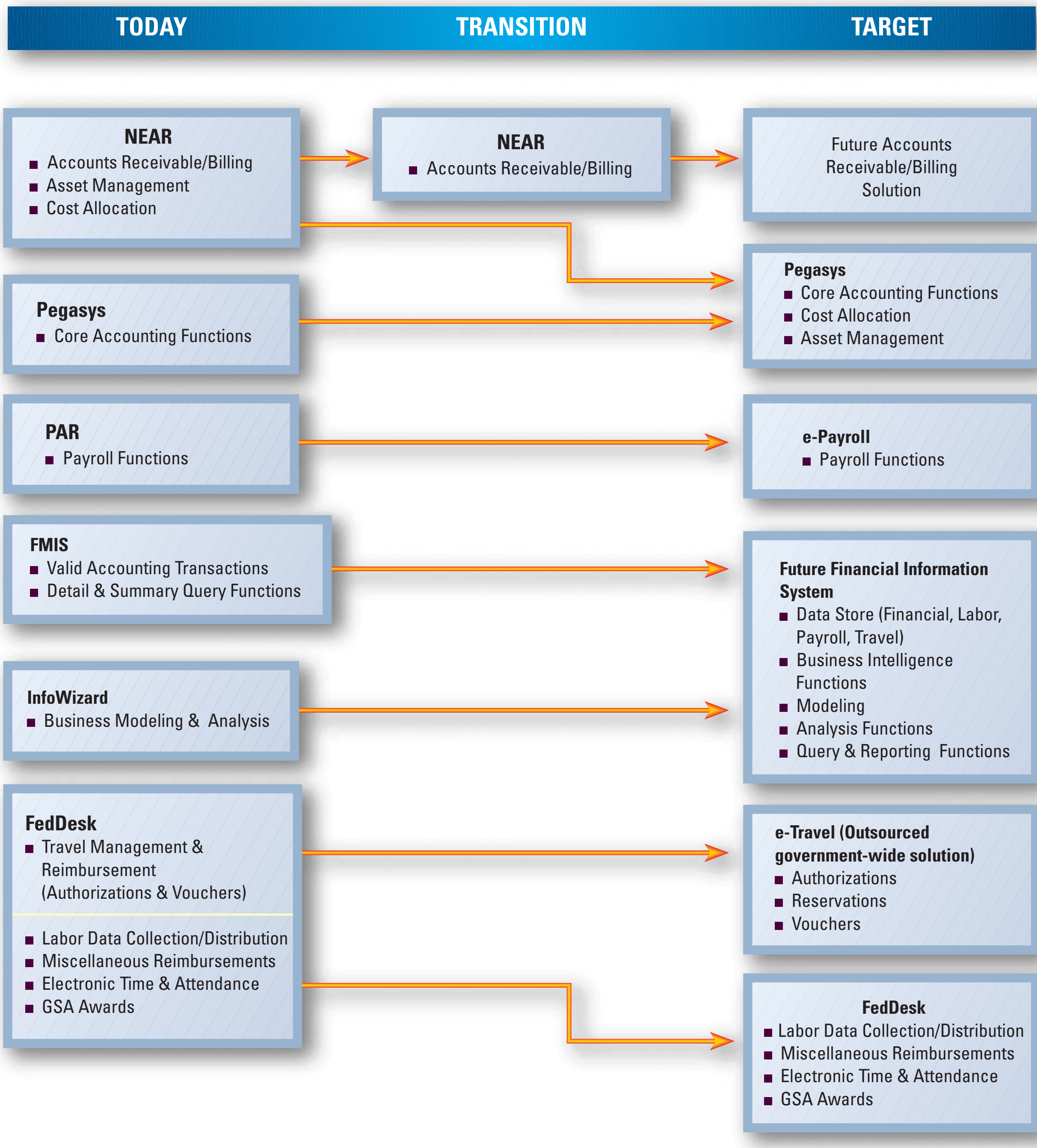
GSA's current financial management systems framework consists of a commercial-off-the-shelf (COTS), Joint Financial Management Improvement Act (JFMIP)-compliant and certified core financial system; Pegasys; and several other important financial systems applications (payroll, National Electronic Accounting and Reporting (NEAR), etc.) that provide for financial transaction processing and financial analysis for its three main business lines (FSS, PBS, and FTS) and General Management and Administration (GM&A) offices. GSA utilizes a shared-service operation to cross-service multiple external client agencies.

Plans to complete an integrated financial management systems infrastructure are underway and are based upon the "One GSA" enterprise architecture (EA). This "One GSA" EA will provide the foundation for more effective and efficient delivery of services by GSA in the future. The target architecture will result in reduced complexity in the systems environment and is intended to meet the following objectives:

- Reduce costs by eliminating duplicate systems
- Reduce the costs of maintaining legacy systems
- Ensure continual alignment of technology investments to business processes
- Improve GSA's service performance levels
- Promote the sharing of common services across the GSA and
- Provide a commonly understood point of departure for future strategic analyses.

GSA has adopted a value-chain analysis project to identify its "to-be" EA using a model-driven architecture approach that marries business processes with every layer of an EA, taking into account competitive alternatives in the market place. The value-chain work done to date confirms that GSA's financial management services are an integral, inseparable part of GSA's core mission of acquisition services. As such, plans to achieve GSA's targeted financial systems infrastructure are being developed using integrated project teams with cross-GSA representation.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK



To transition to this new EA, during FY 2005 a series of actions are planned, including:

1) Migrating cost allocation functionality from the NEAR system to Pegasys
2) Developing requirements for a comprehensive asset management solution
3) Significantly enhancing data warehousing functionality to provide more extensive data access and reporting capabilities
4) Partnering with the private sector to provide an innovative, cost-effective, e-enabled comprehensive accounts receivable and billing solution that will meet GSA's unique high-volume, highly complex revolving fund transaction needs and
5) Providing enhanced capabilities to streamline intragovernmental and vendor transaction processing.

ANTI-DEFICIENCY ACT

GSA reported in FY 2004 that procedures have been implemented to prevent reoccurrence of the cash shortfall in the Working Capital Fund (WCF). The new procedures were used in the FY 2005 and FY 2006 billing cycle and have been effective in ensuring the timely transfer of cash from the benefiting organizations to the WCF.

In FY 2004, GSA reported the steps FTS instituted as a result of the FY 2003 improper acquisition practices at the Customer Service Centers. New controls have been implemented in FAS in order to bring the Customer Service Centers into full compliance with procurement policies and regulations. GSA has in process several additional management efforts, especially the "Get It Right" plan, aimed at overcoming the deficiencies identified and enhancing the soundness of procurement programs going forward. These are positive steps in the right direction.

In a letter dated October 27, 2005, the GSA OIG communicated to GSA management three matters involving possible infractions on the part of GSA related to the Anti-deficiency Act (ADA) and Purpose Statute. In one instance, Customer Service Center (CSC) officials processed procurement transactions for real property services through the ITF and GSF that were well outside the fund's legislative authorized purposes, which are potentially in non-compliance with the Purpose Statute. In another instance, GSA contracted for services using client funds which may have been expired and unavailable for obligation, which may result in an ADA violation. An overarching issue was also identified pertaining inappropriate accounting for and misapplication of customer funds over the course of many prior financial reporting periods. There was no purpose of personal gain or benefit.

IMPROPER PAYMENTS INFORMATION ACT

GSA conducted the erroneous payment risk assessment review for FY 2004 in accordance with Public Law (PL) 107-300, The Improper Payments Information Act of 2002 (IPIA). The erroneous payment risk assessment is reported one year in arrears. The assessment consisted of reviewing all GSA business line/program erroneous payment information that was identified by the Regional Finance Centers and the Recovery Audit Contractor, as well as reviewing the Inspector General (IG) Audit Reports and other audit findings. The risk assessment included such factors as prior audit reports, internal control reviews, complexity of payment calculations, complexity of laws and regulations, and other risk factors. GSA does not have any programs previously identified in former Section 57 of OMB Circular A-11, and there are no statutory or regulatory barriers to limit any corrective actions that the Agency may develop to reduce improper payments.

The review indicated that no GSA program was highly susceptible to erroneous payments according to the threshold amounts ($10 million) established by OMB. GSA's recovery auditor continues to make valuable recommendations to GSA to strengthen internal controls over all programs. GSA is working to strengthen internal controls based upon these recommendations to decrease the occurrence of erroneous payments.

Some of the most important policies the OCFO develops include those for cash and credit management.

GSA continues to demonstrate a strong commitment to improving financial management and was at the forefront in the Federal government for operation of a recovery audit program. In 2001, prior to the National Defense Authorization Act of 2002 (PL 107-107), GSA entered into a contract for recovery audit services. The Act requires that agencies that enter into contracts with a total value in excess of $500 million in a fiscal year carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities.

Payments are only made to the recovery auditor upon identification and successful collection of erroneous payments. While GSA's payment error rate remains low at .8 percent, GSA has benefited substantially from the recovery audit contract. GSA has also benefited from the valuable recommendations made by the recovery audit contractor to strengthen internal controls to prevent and detect erroneous payments.

The GSA Administrator has delegated the authority for implementation of PL 107-300 to the Agency's Chief Financial Officer (CFO). The CFO has further delegated to Agency program officials the responsibility for reporting any program deemed highly susceptible to erroneous payments, developing a corrective action plan, estimating the annual amount of erroneous payments in programs and activities, and establishing goals to reduce them in accordance with the guidance provided by OMB.

AGENCY PLANS FOR FY 2006 – FY 2007

GSA is committed to the President's Management Agenda (PMA) to improve financial management in the Federal government. During FY 2006-2007, GSA will conduct the annual risk assessment as required by the IPIA and will continue to expand recovery audit services to other program activities. If any GSA program is found highly susceptible to erroneous payments, the responsible program official will develop a corrective action plan in accordance with PL 107-300.

Financial Summary

The Road to Accountability – Financial Highlights

The independent accounting firm of PricewaterhouseCoopers, LLP (PwC) expressed an unqualified (clean) opinion on GSA's proprietary financial statements, the Statements of Net Cost, Balance Sheets, and Statements of Changes in Net Position. For GSA's budgetary statements, the Statements of Budgetary Resources and Statements of Financing, PwC issued an unqualified opinion on the statements for the Federal Buildings Fund (FBF). However, due to errors found in prior year balances in the Information Technology Fund (ITF) and General Supply Fund (GSF) related to unfilled customer orders, PwC was not able to issue an opinion on the budgetary statements of the ITF, GSF, and GSA Consolidated, as noted in the FY 2005 audit report that can be found on page 87. Throughout FY 2004 and 2005 GSA's management significantly increased attention and control, regarding budgetary reporting, as part of its goal in ensuring 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

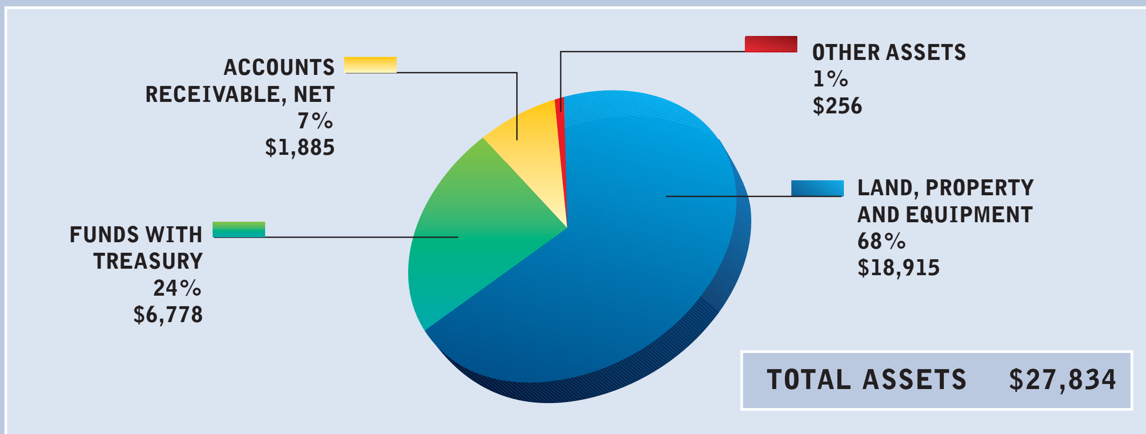
ASSETS: Total assets were $27,834 million at the end of FY 2005. This represents an increase of $1,089 million (4.07 percent) over the previous year's total assets of $26,745 million. This increase is largely attributable to continued growth in GSA's primary business operations, which is reflected in capital asset purchases and alterations and increases in earnings that provided cash (Funds with U.S. Treasury) from operations.

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

Taken together Property and Equipment combined with Funds with U.S. Treasury comprise 92.31 percent of the total assets for FY 2005. The $235 million increase in Funds with U.S. Treasury was primarily due to earnings exceeding cost of operations in the FBF and the GSF. The $6,778 million of Funds with U.S. Treasury is generally available to GSA to liquidate outstanding commitments and to provide working capital to the revolving fund programs, and contains balances that will fund future needs. While the majority of these balances ($6,136 million) are available for such future needs, $2,278 million of the available balance is committed to funding of building construction and alteration projects provided for in legislation. Amounts totaling $837 million were unavailable for spending as of September 30, 2005 and would require future authorization or even legislation to be used.

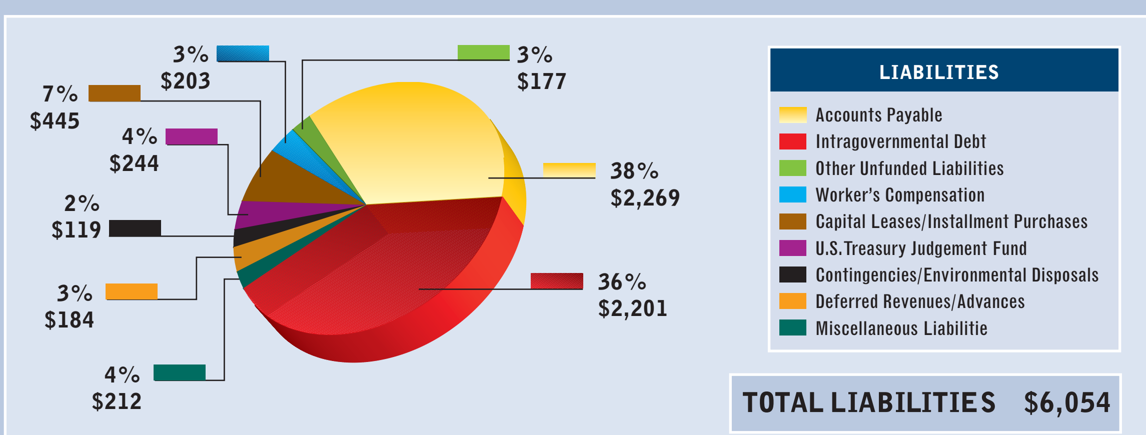
ASSETS *(Dollars in Millions)*	**FY 2004**	**FY 2005**
Land, Property and Equipment, Net	$ 17,966	$ 18,915
Funds with U.S. Treasury	6,543	6,778
Accounts Receivable, Net	1,990	1,885
Other Assets	246	256
Total Assets	$ 26,745	$ 27,834

ASSETS BY TYPE *(Dollars in Millions)*



LIABILITIES *(Dollars in Millions)*	FY 2004	FY 2005
Accounts Payable	$ 2,468	$ 2,269
Intragovernmental Debt	2,210	2,201
Other Unfunded Liabilities	117	177
Workers' Compensation	200	203
Capital Leases/Installment Purchases	422	445
U.S. Treasury Judgement Fund	227	244
Contingencies/Environmental Disposals	144	119
Deferred Revenues/Advances	192	184
Miscellaneous Liabilities	192	212
Total Liabilities	$ 6,172	$ 6,054

LIABILITIES BY TYPE *(Dollars in Millions)*



Property and Equipment increased by $949 million (5.02 percent) from FY 2004. Property acquisitions of $2,499 million during the year, net of the recorded depreciation expense of $1,198 million and $360 million in property disposals account for most of this increase. For the total amount of property acquisitions in FY 2005 $1,705 million were comprised of construction, modernization, and alterations to buildings.

LIABILITIES: In FY 2005, total Agency liabilities decreased by $118 million (1.91 percent) to $6,054 million from $6.172 million in FY 2004. Liabilities reported on the Consolidating Balance Sheet are summarized in the table on the adjoining page.

GSA's largest liability balances are accounts payable, making up 37.48 percent of the total. These balances decreasd $199 million (8.06 percent) in FY 2005 primarily due to the Information Technology Fund's ITF's decrease in business activity.

The $2,201 million of Intragovernmental Debt is 36.21 percent of total liabilities, of which $58 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. Treasury's Federal Financing Bank, with the expenditure of the funds amortized over a 30-year period. GSA has almost depleted its authority to borrow and is currently retiring more debt than it is taking on. In FY 2005 Intragovernmental Debt decreased by $9 million, mostly due to such debt retirements, which are covered by operating earnings in the FBF.

Liabilities totaling $1,217 million, or 20.10 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 OMB funding guidelines. The major elements of unfunded liabilities are $203 million for Workers' Compensation, $445 million for capital leases and installment purchases, $244 million for reimbursements due the U.S. Treasury Judgment Fund for costs from past litigation, and $119 million for contingencies and environmental/disposal liabilities.

ENDING NET POSITION: GSA's Net Position at the end of 2005 on the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position was $21,780 million, a $1,207 million (5.54 percent) increase from the prior fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations at the end of 2005.

The increase in Cumulative Results of Operations resulted primarily from strong earnings in GSA's revolving funds, particularly the FBF (earnings of $974 million) and GSF (earnings of $85 million) which mostly funds capital needs of those programs.

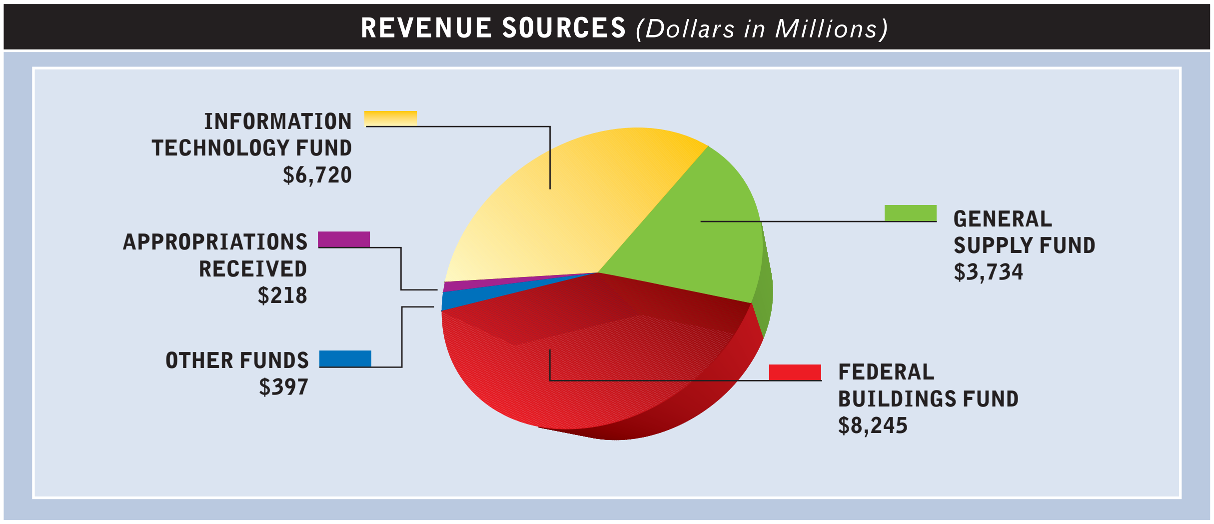
Results of Operations

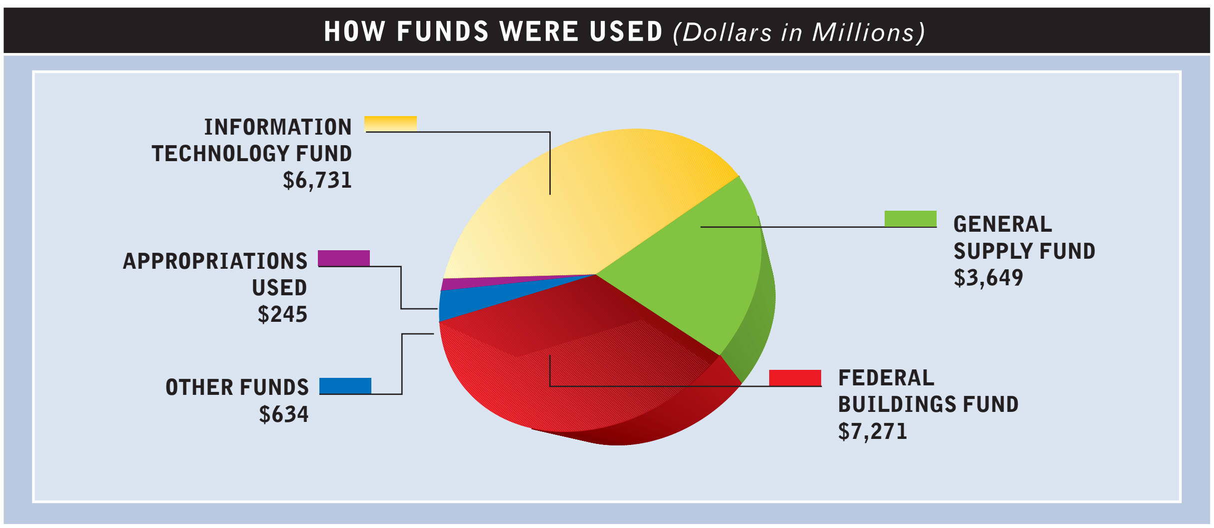
The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position, and in the Supplemental Consolidating Statement of Operations.

The Consolidated Statement of Net Cost presents the cost less any earned revenue of operating the Agency's three largest fund entities that support its three major business divisions, the GSA Working Capital Fund (WCF) and other operating funds, in reporting the Agency's Net Cost.

GSA's total Net Revenue from Cost of Operations at the end of FY 2005, after intra-agency eliminations, was $838 million, a $139 million (14.23 percent) decrease from the prior fiscal year. The Net Revenue from Cost of Operations is presented as Total Revenues less Total Expenses at the end of FY 2005. The decrease in Net Revenue from Cost of Operations is primarily due to contraction of ITF's IT Solutions and GSF's Global Supply Operations, Vehicle Acquisition and Leasing, and Commercial Acquisition which are discussed in the Performance Section of this report.

The charts on the following page summarizes the activity on GSA's Consolidated Statement of Net Cost and the Consolidated Statement of Net Position by showing the funds available to GSA in FY 2005 and how these funds were used.





Budgetary Issues

With the merger of the Federal Supply Service (FSS) and the Federal Technology Service (FTS) into the Federal Acquisition Service (FAS), FAS will have two revolving funds with varying legislative authorities. Under the new organization, it would be more efficient to operate with one revolving fund. Legislation has been introduced to merge the GSF and ITF from FSS and FTS, respectively. Absent approval of this legislation, the FAS will be operating with two separate revolving funds and will not fully realize the efficiencies and operational improvements of the reorganization.

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 billion backlog of building repair and maintenance work and providing quality space for our Federal customers and the visiting public.

Limitation of Financial Statements

Management prepares the accompanying financial statements to report the financial position and results of operations for the GSA, pursuant to the requirements of Chapter 31 of the United States Code section 3515(b). While these statements have been prepared from GSA's books and records, in accordance 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.

GSA associates are meeting the accelerated reporting dates while maintaining GSA's reputation for integrity and reliability in its accounting information.

Performance Section

INTRODUCTION TO PERFORMANCE

GSA focused on being a results-oriented organization during FY 2005, enhancing both the Performance Management Process (PMP) and the Performance Measurement Tool (PMT).

GSA AND THE PERFORMANCE MANAGEMENT PROCESS

The PMP is an on-going process intended to facilitate sound business and financial practices. Throughout the fiscal year, this approach encouraged collaborative decision-making among GSA senior leaders regarding strategic plans, budget priorities, and performance results.

In the broadest perspective, GSA's PMP is a systematic approach to achieving results by analyzing customer and taxpayer requirements, setting performance goals based upon those requirements, developing action plans, allocating resources in a manner that integrates budget and performance goals, and executing the plans as necessary to achieve desired results. The integration of strategic planning, budget development, and performance management will help GSA apply its financial resources strategically to deliver best value to its customers and meet all of its strategic goals.

As in previous years, the PMP required GSA's senior leadership to come together to discuss the organization's strategic assessments, and strategy and action plans. In FY 2005, GSA was able to start the discussions six weeks earlier than previous years. In January, a 'pre-strategic assessment' summit was held which allowed the GSA leadership to provide the strategic direction to the program areas before the individual organizations developed their strategic assessments. The direction provided as a result of this meeting allowed GSA organizations to produce more comprehensive environmental scans, and ultimately, stronger strategic assessments.

GSA AND THE PERFORMANCE MEASUREMENT TOOL

In support of the PMP, GSA has instituted a common Web-based user interface called the PMT. By linking resources and results, this financial and performance reporting tool allows all associates, including the Administrator, Regional Administrators, and other managers, to review quarterly results.

In FY 2005, new guidelines were established for data entry into the PMT. Actual data is required to be entered into the PMT by the tenth business day after the close of the month, targets established in GSA's Performance Budget must be used in the PMT, and the wording of the measures cannot be changed without prior approval. As a result of these new guidelines, the information is timely and there is increased consistency in the reporting of GSA's performance measures.

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 the American taxpayers. As part of the PMA, OMB has established the Program Assessment Rating Tool (PART), which is used to objectively evaluate program performance. GSA has 14 programs that have received PART reviews. Of the 14 programs reviewed, eight have received PART ratings ranging from "Adequate" to "Effective." For the remaining programs rated "Results Not Demonstrated," GSA is working with OMB to establish acceptable long-term outcome goals and efficiency measures necessary to have the programs successfully rated.

All programs that have undergone the PART process are required to complete a PART remediation plan based on the recommendations from OMB. This plan serves as an action plan, complete with milestones and dates, for accomplishing these recommendations. For those programs rated "Results Not Demonstrated" the primary concern is developing long-term outcome goals and efficiency measures, particularly measures that capture the savings GSA provides to its customers. For those programs that have been successfully rated, the remediation plans center around improving their PART score, specifically by instituting independent, recurring program evaluations of the program. Additional information about GSA's PART scores and remediation plans can be found on the OMB Web site, www.expectmore.gov. GSA is proactively working with those programs that will be rated in FY 2006 in order to develop long-term outcome goals and efficiency measures for the programs to ensure they are successfully rated.

GSA made a conscientious decision to reduce the number of measures reported in the Performance and Accountability Report (PAR) in order to focus attention on the key measures in support of GSA's strategic goals. The remainder of this section provides performance highlights, key measures, and results for the key measures from the Services and selected Staff Offices. The complete list of FY 2005 measures can be found in Appendix II, and the full performance report will be published on the GSA Web site (www.gsa.gov/annualreports) in December, 2005. Performance measures that GSA is no longer reporting externally can be found in Appendix III.

PART FISCAL YEAR SCHEDULE AND RESULTS

GSA PROGRAM	RATING
FY 2002	
FSS Commercial Acquisition	Results Not Demonstrated
FSS Global Supply	Adequate[1]
FSS Vehicle Acquisition	Adequate[1]
FSS Vehicle Leasing	Moderately Effective[1]
PBS Asset Management of Real Property	Effective[1]
FY 2003	
FSS Personal Property Management	Moderately Effective[2]
FTS Regional IT Solutions	Results Not Demonstrated
PBS Leasing Space	Moderately Effective[2]
PBS Real Property Disposal	Moderately Effective[2]
FY 2004	
FTS National IT Solutions	Results Not Demonstrated
OGP Office of Governmentwide Policy	Results Not Demonstrated
PBS Construction	Effective[2]
FY 2005	
FSS Travel	Results Not Demonstrated
FSS Transportation	Results Not Demonstrated
FY 2006[3]	
FTS Long Distance	Not Yet Evaluated
FTS Telecommunications	Not Yet Evaluated
FTS Professional Services	Not Yet Evaluated
OCSC Office of Citizen Services & Communications	Not Yet Evaluated

[1] Originally scored as *Results Not Demonstrated*, rescored in FY 2004.

[2] Originally scored as *Results Not Demonstrated*, rescored in FY 2005.

[3] Proposed FY 2006 PART Schedule. The reorganization of the Agency may affect the schedule.

PBS

PUBLIC BUILDINGS SERVICE

The Public Buildings Service (PBS), as landlord to the civilian Federal government, strives to provide a superior workplace for the Federal worker and superior value to the American taxpayer. By providing its customers with quality work environments, PBS enables Federal agencies to better serve the public. As one of the largest public real estate organizations in the nation, PBS provides workspace and workplace solutions to more than 100 Federal agencies.

PBS has undertaken a Portfolio Restructuring Initiative to better align the building portfolio with GSA's mission of delivering a high-quality workplace for the Federal worker and a superior value for the taxpayer. Increased focus has been placed on high performing assets. Other assets that are expensive to operate and maintain, produce little or no net income, require significant capital repairs, and do not adequately serve customer agencies will be disposed of if feasible and practical. The restructuring effort focuses GSA's attention on the financial and physical performance of each asset in the portfolio, prioritizes reinvestment dollars, provides quality workplaces, increases customer satisfaction, and increases the sustainability of historical and culturally significant landmarks.

PBS's Office of Real Property Disposal has disposed of 91 portfolio assets valued at approximately $53.9 million since the inception of the restructuring initiative. During FY 2005, proceeds in the amount of $12 million were retained from the disposal of 29 properties. Another 54 non-performing assets are in the disposal process. The FY 2005 disposals reduced the underutilized portion of GSA's inventory by approximately 1.8 million square feet and avoided $107 million in reinvestment liabilities.

PERFORMANCE HIGHLIGHTS

PBS has completed four PART Reviews of its major programs: (1) Asset Management of Real Property, (2) GSA Leasing, (3) Real Property Disposal, and (4) New Construction. Leasing and Disposal are rated by OMB as "moderately effective," while Asset Management and New Construction are rated "effective."

The paragraphs below summarize FY 2005 PBS major performance results by business line activity.

NEW CONSTRUCTION: In FY 2005, the new construction program's schedule performance improved from 80 percent in FY 2004 to 100 percent in FY 2005. PBS is involved in a $10 billion, multi-year program to build new Federal courthouses, border stations, Federal buildings, and to rehabilitate existing Federal courthouses and other facilities. These programs are necessary to accommodate new security requirements, enhanced prisoner security and handling measures, an increased number of Federal court cases, and an increased number of Federal judges, as well as to address the specialized space needs and functional requirements of other Federal agency customers. The President's FY 2005 Budget included site and design funding for eight new border station projects and construction funding for two new border station projects. PBS awarded design contracts for new courthouses in Springfield, MA and Richmond, VA. Through a contract with Georgia Institute of Technology, a secure Internet site has been established that provides documentation on completed courthouses. The site includes a compendium of "Lessons Learned." In addition, a guide for conducting helpful visits of existing courthouses has been developed. This guide will facilitate improvements in gathering information prior to starting the design of future courthouses. Also, PBS released a new Project Management Guide in FY 2005 to help improve project execution results and plans to develop a Border Station Design Guide in FY 2006.

GSA LEASING: PBS's objective is to lease space that provides customer agencies superior workplaces at the best value for taxpayer dollars. PBS's role is to acquire space that helps Federal agencies achieve their missions by balancing factors such as location, building amenities, special features, cost, and other productivity and value factors. PBS is committed to bringing coherent and consistent practices to the leasing program. It has instituted the Transaction Management Playbook to assist in identifying customer requirements and a National Commercial Broker Services Contract to allow PBS to leverage the size and the value of its leasing program while achieving cost savings and improving customer service. The National Commercial Broker Services contract was deemed as providing the greatest value to the government and mirrors the private sector by issuing a contract in which the broker will be paid on a commission basis by the lessor.

In addition, PBS has implemented "eLease", an effective information technology (IT) tool that will automate the leasing business flow, integrate components of existing databases of information, and manage a set of unified leasing templates in a single environment.

The target for FY 2005 for the cost of new leased space relative to market averages was 8.3 percent below market costs. In FY 2005, PBS cost was 9.2 percent below comparable leased market costs.

PBS's performance goals for its existing leased inventory included increasing the number of satisfied tenants (4's & 5's on a 5 point scale) to 70 percent, and maintaining a very low vacancy rate of less than or equal to 1.5 percent. PBS succeeded in achieving both of these objectives by increasing the percentage of satisfied tenants to 78 percent and limiting the vacancy rate in its total leased inventory to 1.3 percent.

ASSET MANAGEMENT OF REAL PROPERTY: PBS continues to achieve success in the management of its real property assets. Within the area of building operations, a Human Capital Strategy has been developed and implemented to address customer needs and to re-invigorate GSA's National Account Program with its major customer agencies. National Account Executives work closely with ordering officials from GSA's customer agencies to meet their expectations. PBS has had continued success at providing building operations services at levels comparable to the private sector, at below average market cost. In FY 2005 combined cleaning, maintenance, and energy costs stood at 10.5 percent below the private sector, slightly short of PBS's 12 percent goal.

PBS

PBS is also progressing toward meeting its long-term energy reduction goals. By the end of FY 2005, it has reduced energy consumption by 35.3 percent from the 1985 baseline, which exceeded its target of 30 percent. This reduction was achieved largely due to application of energy reduction credits for purchase of renewable power per Executive Order 13123. PBS renewable power contracts have subsidized renewable energy production at a critical time when fossil fuel generated energy sources are significantly damaged. These contracts offer long-term solutions to dependence on fossil fuel resources that are subject to constant hurricane disruption. This contributes to a more diversified mix of fuel sources for PBS's electricity supply which contributes to a more diverse energy industry.

PBS is also achieving its objective to keep GSA buildings in good repair and provide Federal tenants with quality workspace that enables them to carry out their missions. Workload changes over time as the buildings age and the composition of the inventory changes. PBS is focusing reinvestment capital on the most productive assets with long-term Federal purposes. These actions are part of PBS's Portfolio Strategy. Better scheduling and more aggressive tracking will improve the management of Repairs and Alterations (R&A) projects.

PBS has set specific goals and objectives to be accomplished in FY 2005 and beyond for the R&A program. For example, by FY 2005 PBS objectives were to have 86 percent of R&A projects completed on schedule, and PBS met its target. The FY 2005 R&A program's on-schedule performance was 95 percent, up from 78 percent in FY 2004. As the PBS Portfolio Strategy is implemented, PBS will reduce the total reinvestment needs of the owned portfolio. Nonperforming assets, which are unable to generate sufficient income for their reinvestment requirement, and assets for which there is no long term Federal need, are redeployed for disposal, exchange, or transfer.

Overall, GSA is able to maintain its buildings from income generated by the buildings. Budgets are formulated based upon this anticipated income. The Funds from Operations (FFO) shows how effectively and efficiently PBS is executing its budget. In FY 2005 FFO totaled $1.7 billion (unadjusted). Efforts will continue to restructure the PBS building portfolio to consist primarily of strong income producing properties

PBS Performance By GSA-Wide Goal

GSA-Wide Goal 1: Provide Best Value for Customer Agencies and Taxpayers

PERFORMANCE GOAL	RESULT
Award leases at an average rental rate of not less then 8.3% below industry averages for comparable office space by FY 2005.	Met
Achieve a "highly satisfied" overall customer satisfaction rating of 70% by FY 2005.	Met
Complete 80% of 49 Act disposals within 320 days by FY 2005.	Met

PERFORMANCE GOAL				
Award leases at an average rental rate of not less then 8.3 percent below industry averages for comparable office space by FY 2005				
MEASURE				
Cost of leased space relative to the market				
FY 2002 ACTUAL	**FY 2003 ACTUAL**	**FY 2004 ACTUAL**	**FY 2005 TARGET**	**FY 2005 ACTUAL**
-14.0%	-7.4%	-10.6%	≤-8.3%	-9.2%

DESCRIPTION OF THE MEASURE: PBS benchmarks its leasing costs in office space to the private sector. 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.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. PBS exceeded the FY 2005 target in part due to its successful negotiation of very reasonable rates for some large leases, and on replacement leases at existing locations which allowed PBS to benefit from lower tenant finish costs.

PBS

PERFORMANCE GOAL
Achieve a "highly satisfied" overall customer satisfaction rating of 70 percent by FY 2005.
MEASURE
Customer satisfaction - tenants in leased space.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
N/A	66%	70%	70%	78%

DESCRIPTION OF THE MEASURE: A high level of satisfaction with one's work environment is a key factor that promotes productivity, thus enhancing Federal workforce service to the public. PBS has partnered with the Gallup Organization to assess these satisfaction levels through a customer survey developed in collaboration with the International Facilities Management Association.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. In FY 2003, PBS altered its target methodology to allow a higher distinction on the level of satisfaction. Instead of a "yes/no" question format which did not provide any distinction in the level of satisfaction, PBS used a 1-5 rating and only counted 4's and 5's as satisfied tenants. As a result of the change in methodology, the goals for customer satisfaction were reduced but, according to the Gallup Organization, provide a better gauge of true 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.

PERFORMANCE GOAL
Complete 80 percent of 49 Act disposals within 320 days by FY 2005.
MEASURE
Percentage of disposals completed within 320 days.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
N/A	68%	89%	80%	88%

DESCRIPTION OF THE MEASURE: This measure evaluates PBS's efficiency in disposing properties for which it has received a report of excess from the real property holding agency. Timely disposal of excess and surplus property provides income to the Federal government and eliminates costs associated with operating and maintaining unneeded facilities.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. Nationwide increases in the real estate market have had a positive impact on all aspects of real property transactions, including disposal cycle time. This impact transcended other factors that influence the time required for the disposal of a property, including size, location, prior use, and individual property market value.

PBS

GSA-Wide Goal 2: Achieve Responsible Asset Management

Performance Goal	Result
86% of repairs and alterations (R&A) projects on schedule by FY 2005.	Met
Maintain the percentage of vacant space in leased buildings at less than or equal to 1.5% in FY 2005	Met
New construction projects on schedule 85% of the time by FY 2005.	Met

Performance Goal
86 percent of repairs and alterations (R&A) projects on schedule by FY 2005.
Measure
Percent of Repairs and Alterations (R&A) Projects on schedule.

FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Target	FY 2005 Actual
87%	78%	78%	86%	95%

DESCRIPTION OF THE MEASURE: PBS financial projections include rental income from newly repaired and altered space 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, weighted by cost. This measure uses an earned value technique to assess project performance on all prospectus level R&A projects.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. PBS has implemented several initiatives, such as quality assurance reviews of project scopes of work and cost estimate reviews of project budgets to improve the program's performance, as well as increased management reviews of performance metrics and program status. These initiatives, combined with PBS's ongoing efforts to enhance the tools and resources available to project management teams, such as the new Project Management Guide rolled out in FY 2005, led to improvements in the performance of the R&A program.

PBS

PERFORMANCE GOAL
Maintain the percentage of vacant space in leased buildings at less than or equal to 1.5 percent in FY 2005.
MEASURE
Percent of vacant space in leased inventory.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
2.0%	1.4%	1.2%	≤1.5%	1.2%

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

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. PBS has continued to improve in this area. PBS has concentrated its efforts on reducing vacant space due to the significant savings to the taxpayer that can be achieved from maintaining a high asset utilization rate. PBS successfully used multiple strategies, including buyout of lease contracts, backfill of space, and early termination rights in lease contracts to maintain vacancy rates at historically low averages.

PERFORMANCE GOAL
New construction projects on schedule 85 percent of the time by FY 2005.
MEASURE
Construction projects on schedule.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
78%	68%	80%	85%	100%

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, weighted by cost. This measure uses an earned value technique to assess construction project performance on all prospectus level new construction projects.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. PBS has implemented several initiatives, such as quality assurance reviews of project scopes of work and cost estimate reviews of project budgets to improve the program's performance, as well as increased management reviews of performance metrics and program status. These initiatives, combined with PBS's ongoing efforts to enhance the tools and resources available to project management teams, such as the new Project Management Guide rolled out in FY 2005, led to improvements in performance of the new construction program.

GSA-Wide Goal 3: Operate Efficiently And Effectively

PERFORMANCE GOAL	RESULT
Maintain operating service costs in office and similarly serviced space at 12% or more below private sector benchmarks in FY 2005.	Not Met

PERFORMANCE GOAL
Maintain operating service costs in office and similarly serviced space at 12 percent or more below private sector benchmarks in FY 2005.
MEASURE
Percent below private sector benchmarks for cleaning, maintenance, and utility costs in office and similarly serviced space.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
-17.0%	-14.8%	-14.5%	-12.0%	-10.5%

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.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was not met. PBS has been successful at managing building operations cost by negotiating cleaning and maintenance contract rates below BOMA benchmarks, and its continuing energy reduction efforts.

PBS costs have remained stable since FY 2004, while benchmark data showed dramatic decrease in private sector utility costs in two major markets in FY 2005. PBS is currently working to better understand the changes in the benchmark data to determine if additional savings for the government are possible in future years. Even with these data anomalies, PBS costs remained 10 percent below the private sector.

PBS

GSA-Wide Goal 6: Carry Out Social, Environmental, And Other Responsibilities As A Federal Agency

PERFORMANCE GOAL	RESULT
Reduce energy consumption in GSA Federal buildings by 30% (as measured in Btu/GSF) over the FY 1985 baseline by FY 2005.	Met

PERFORMANCE GOAL
Reduce energy consumption in GSA Federal buildings by 30 percent (as measured in Btu/GSF) over the FY 1985 baseline by FY 2005.
MEASURE
Percent reduction in energy consumption over the FY 1985 baseline.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
-22.5%	-18.6%	-22.4%	-30%	-35.3%

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.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. This measure was achieved in large part due to application of energy reduction credits for purchase of renewable power as allowed by guidance issued in compliance with Executive Order 13123.

FEDERAL SUPPLY SERVICE

The Federal Supply Service (FSS) provides a wide variety of services and products at competitive prices to the Federal agencies that serve the public.

GSA Administrator Perry announced the Agency-wide "Get It Right" campaign in July 2004. Excellence in acquisition remains a top priority at FSS. FSS strives to provide acquisition services to its Federal agency customers in a way that delivers best value to support the achievement of their missions of service to the American people, while adhering strictly to Federal acquisition policies, regulations, and best practices.

As GSA addressed internal problems with proper use of contracting vehicles, agencies reduced their use of GSA contracting vehicles in FY 2005. FSS has been working with other Federal agencies, particularly the Department of Defense (DoD), to identify actions necessary to ensure proper use of GSA contracting vehicles by customer agencies. FSS has also been working with the GSA Inspector General (IG) to expand the partnership established with DoD to enhance the value of FSS and Federal Technology Service (FTS) contracting practices and improve the reliability of assisted service support. These initiatives will carry forward in the Federal Acquisition Service (FAS), established by the Administrator in September 2005.

PERFORMANCE HIGHLIGHTS

FSS has completed seven PART Reviews of its major programs: (1) Global Supply, (2) Vehicle Acquisition, (3) Vehicle Leasing, (4) GSA Personal Property Management, (5) GSA Transportation, (6) GSA Travel, and (7) Commercial Acquisition. The Supply Depots program and the Vehicle Acquisition program are rated "Adequate" by the Office of Management and Budget (OMB), Vehicle Leasing and

Personal Property are rated "Moderately Effective," and the other three programs are rated "Results Not Demonstrated."

The paragraphs below summarize FY 2005 FSS major performance results by business-line activity.

GLOBAL SUPPLY:

- GSA Office of Global Supply has partnered with the Defense Logistics Agency (DLA) to forward position product at the Mina Abdullah Distribution center in Kuwait to support the war in Iraq. The distribution facility is strategically positioned in Kuwait to improve customer wait time, increase readiness, and reduce transportation costs. DLA reports that operations at the Kuwait depot have saved DoD nearly $106 million in FY 2005 in airlift and shipping costs by using less expensive surface transportation methods. Currently, GSA has generated more than $14 million in sales of products ranging from tools and hardware to office products and cleaning supplies. Total sales for FY 2005 are nearly $15 million.

- Utilizing prime contractor-like arrangements through the Expanded Direct Delivery (EDD) program has allowed Global Supply to continue to expand its product offerings and distribution channels without incurring major expenses. The current EDD contracts for office supplies and tools were awarded below Multiple Award Schedule (MAS) prices. In addition to providing the product, Global Supply is able to assure compliance with all acquisition policies and socioeconomic regulations as well as handle the government-to-government billing, discrepancy resolution, and delivery. Global Supply also performs all contracting services required to obtain any of these products, relieving the agencies from doing this contracting work. This in itself is a cost savings for any agency. Global Supply will expand EDD offerings in FY 2006 to include laptop and desktop computers, PC printers, and computer accessories.

COMMERCIAL ACQUISITION:

- From FY 2003 to FY 2004, Commercial Acquisition (MAS and Government Wide Acquisition Contract (GWAC) Programs) realized a 20 percent growth in business volume. During FY 2005, however, business volume for these programs increased by only 1.5 percent with sales totaling about $35 billion.

- The sluggish growth in sales during FY 2005 was due in large part to DoD acquisition policy changes and because of concerns raised about the proper use of GSA contracting vehicles and services. The DoD policy, which took effect in January 2005 required DoD officials to justify the use of non-DoD contracts and to use several quality-control steps when buying through GSA schedules and other non-DoD contracts. Concerns about the proper use of GSA contracting vehicles deterred Federal agencies, not only from using FSS contracts, but from using the FTS for acquisition support. Since GWACs were often used by FTS to expedite these acquisitions, GWAC growth has been seriously affected by the reduced sales and by the new procedures put in place by FTS to respond to customer and stakeholder concerns. These procedures have significantly slowed customer task order awards.

- Other factors affecting Commercial Acquisition sales include: (1) reduced hardware and appliance sales through the Global Supply business line, (2) cancellation of numerous office products under contract because they are no longer being produced domestically or in approved U.S. Trade Agreements Act countries, and (3) agency use of their own contract vehicles instead of MAS contracts for OMB-required strategic sourcing initiatives.

- Cycle times for processing contract offers improved and met the target due to increased use of automated systems and associate training. Cycle time to process offers decreased by 8 percent from FY 2003 cycle to FY 2004. FY 2005 performance shows improvement in this downward trend for reducing cycle time, with a 9 percent decrease in cycle time from FY 2004 performance.

VEHICLE ACQUISITION AND LEASING SERVICES:

- GSA Automotive, the vehicle acquisition service, is a mandatory source that leverages the buying power of the Federal government to obtain significant discounts for Federal agencies. In FY 2005 more than 58,000 vehicles were procured at discounts averaging 40 percent below commercial pricing.

- GSA Fleet, the leasing service, 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 2004 savings to taxpayers exceeding $82 million dollars. Savings through vehicle consolidations into the GSA Fleet will continue to reduce costs to customer agencies, eliminating their capital requirements for vehicles, and decreasing their need for personnel to manage fleets. GSA Fleet services traditionally cost at least 27 percent less than the private sector and continue to provide the best value to the Federal government. The majority of vehicles consolidated into GSA's Fleet save customers and taxpayers $680 per vehicle per year.

TRAVEL AND TRANSPORTATION:

- The eTravel Initiative, launched in response to the President's Management Agenda (PMA) to improve the internal efficiency of the Federal government, addresses the challenge of reengineering the government's travel function. It is a collaborative, interagency initiative whose purpose is to realize the efficiencies, cost-savings, and increased service associated with a common approach to managing civilian agencies' travel function.
- The eTravel Service (eTS) is commercially hosted to minimize technology costs to the government and guarantee refreshed functionality. From travel planning and authorization to reimbursement, this end-to-end service streamlines travel management and enables the government to gain insight into the buying choices of travelers. It assists agencies in optimizing their travel budgets while saving taxpayers money through leveraged buying.
- eTS is an important component of GSA's goal for world-class travel management. It will maximize the utilization of all GSA travel programs, including the airline City Pairs Program (CPP), the FedRooms lodging program, and other travel services available through the Travel Services Solution (TSS) schedule, while supporting government-wide travel policy.
- In FY 2005, the eTravel Initiative achieved an important milestone with 46 Executive branch agencies placing eTS task orders by December 31, 2004. This was the date specified in the Federal Travel Regulation for agencies to have placed eTS task orders. With the support of the eTravel Program Office, agencies were able to achieve this goal.
- As planned, numerous Executive branch agencies began using eTS in FY 2005 with others planning to complete deployment in FY 2006-2007. Memorandums of Understanding for the deployment and utilization of eTravel were signed between all 24 business reference model (BRM) agencies and GSA. eTS Executive Advisory Board and User Groups were established through formal charters and monthly meetings began. To drive performance, Service Level Agreements outlining performance goals were developed with the eTS vendors. Focus then turned to monitoring customer satisfaction and measuring eTS vendors' performance against the goals.
- GSA and DoD continued to collaborate in an effort to align government-wide travel business data. The aggregation, cleansing, and normalizing of this data will improve reporting, policy compliance, decision-making, and control of the government's travel spending.

PERSONAL PROPERTY MANAGEMENT:

- Since 2001, the Property Management Division has focused on reducing cycle time while still providing the full range of disposal support that agencies need and expect. Innovations such as XcessXpress, which reduced screening time by 50 percent, and GSA Auctions®, which reduces the time to process sales, have enabled significant reductions in this measure. Since 2001, cycle time has been reduced from approximately 132 days to complete disposal actions down to 56 days. This greatly reduces the cost for agencies to hold property as it undergoes disposal action.
- In coordination with the Food and Drug Administration, and the Center for Disease Control and Prevention—Vaccine for Children Program, GSA Property Management facilitated the donation of approximately four million doses, valued at more than $28 million, of flu vaccine to states and municipal health departments. The donation was distributed throughout 26 states.

FSS

- GSA Auctions® offers the general public the opportunity to bid electronically on a wide array of Federal assets. At year-end FY 2005 89.97 percent of GSA's public sales of personal property were done on-line via GSA Auctions®, up from zero just four years ago. GSA Auctions® has been a key tool in providing national exposure/access to Federal sales and in reducing the time it takes GSA and Federal agencies to sell property. GSA Auctions® has been chosen as the interim platform for Federal Asset Sales until evaluation of best alternatives is complete.

FSS Performance By GSA-Wide Goal

GSA-Wide Goal 1: Provide Best Value For Customer Agencies And Taxpayers

PERFORMANCE GOAL	RESULT
Maintain 27.5% or better discount from manufacturer's invoice price.	Met
Maintain the gap between GSA Fleet rates and commercial rates at 27% or more.	Met

PERFORMANCE GOAL
Maintain 27.5 percent or better discount from manufacturer's invoice price.
MEASURE
Percentage discount from invoice price.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
27.3%	26.3%	33.1%	≥27.5%	40.6%

DESCRIPTION OF THE MEASURE: The average percentage savings is calculated by the weighted average discount from vehicle manufacturer's invoice prices for GSA's seven top-selling vehicle types. Business projections show that 20 percent discount below invoice continues to be a reasonable long-term outcome goal for this business line.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. GSA Automotive tracks the discount from invoice for the top seven selling vehicles as a measure of internal efficiency to ensure that FSS receives the maximum discount from the manufacturer's invoice price. FSS has achieved a discount of 20 percent or more since 1999. Business projections show that 20 percent continues to be a reasonable annual target for this business line even though FSS set a more ambitious target of 27.5 percent in FY 2005. This translates to extremely effective pricing on the vehicles purchased for customer agencies, which keeps monthly and mileage charges well under commercial lease rates.

PERFORMANCE GOAL
Maintain the gap between GSA Fleet rates and commercial rates at 27 percent or more.
MEASURE
Percentage GSA fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
N/A	36.9%	31.7%	≥27%	43.1%

DESCRIPTION OF THE MEASURE: GSA Fleet annual rates are compared to the 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 continues to be a reasonable long-term goal for GSA Fleet.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. GSA Fleet has limited 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 due to vigilant monitoring of operation expenses, such as maintenance and repair costs, and overall reduction in program overhead through the consolidation of selected Fleet Management Center (FMC) 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.

GSA-Wide Goal 2: Achieve Responsible Asset Management

PERFORMANCE GOAL	RESULT
Reduce the mark-up for GSA stocked items from 45.9% to 43.5%—towards the goal of 33.5%.	Met

PERFORMANCE GOAL
Reduce the mark-up for GSA stocked items from 45.9 percent to 43.5 percent—towards the goal of 33.5 percent.
MEASURE
Supply mark-up for stocked items (percent).

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
48.5%	45.9%	42.8%	43.5%	42.9%

FSS

DESCRIPTION OF THE MEASURE: Mark-up is the additional fee that GSA Global Supply charges customers to cover its costs and is reflected in this measure as the average percentage. Stocked items are stored in GSA's Supply Distribution Centers. The long-term goal is to reduce mark-up from 48.5 percent in FY 2002 to 33.5 percent in FY 2010. This measure tracks the progress towards achieving this goal.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. GSA Global Supply performed successfully and achieved this target in FY 2005. The primary reason that this target was achieved is attributed to a 1.0 percent reduction that was implemented October 2004. It was estimated that the reduction would result in a savings of $2.9 million to the taxpayer for the FY 2005. This reduction represents continued progress towards lowering the overall blended mark-up, which will become the measure beginning in FY 2006.

GSA provided disaster support, in the form of temporary housing , after the 2004 hurricanes which caused widespread devastation from the Florida Keys to the Mississippi Gulf Coast.

GSA-Wide Goal 3: Operate Efficiently And Effectively

PERFORMANCE GOAL	RESULT
Reduce the time associated with processing contract offers to 92 days by FY 2005.	Not Met
Decrease the time it takes to complete disposal action for excess property from 83 days to 77 days by FY 2005.	Met

PERFORMANCE GOAL
Reduce the time associated with processing contract offers to 92 days by FY 2005.
MEASURE
Cycle time to process offers (days).

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
110	92	87	92	98

DESCRIPTION OF THE MEASURE: Cycle time is measured in days, from the time of receipt of contract offer to execution. The data source is the Offer Review System, an acquisition tracking system that is standard to all acquisition centers.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was not met. As part of the FY 2005 review of the target setting process, FSS reweighted FY 2004 data and created new cycle time performance baselines for each Acquisition Center. The new baselines were established by multiplying the number of offers processed by each Acquisition Center by the average days required by each Acquisition Center to process offers, totaling those numbers and dividing them by the total number of actions processed by all Acquisition Centers. Once the figures were adjusted, nationwide and individual Acquisition Center targets were projected for FY 2005. Using the new approach, the target would have been 98 days.

e-Offer and e-Mod, which are now being implemented, provide a means for the vendor community to submit proposals and contract modifications electronically. These electronic tools will improve GSA's contracting processes and decrease cycle times to process offers and modifications. These systems are new but their use is increasing as they become fully implemented and vendors become aware of them and are trained on use of the systems.

FSS

PERFORMANCE GOAL
Decrease the time it takes to complete disposal action for excess property from 83 days to 77 days by FY 2005.
MEASURE
Cycle time for disposal process (days).

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
99	83	72	77	56

DESCRIPTION OF THE MEASURE: The time from receipt of excess to disposition. This data is retrieved from GSAXcess® and Sales Automation System (SASy) Reports.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was met. Customers' main concerns are with the timeliness of disposal actions. Holding inventory costs money, and agencies are concerned with the length of time it takes for property to complete the disposal process. Personal Property provides an electronic system that moves property seamlessly through the entire disposal process from mandated utilization and donation (U & D) reporting to sales payment and reimbursement of funds. This reduces inventory holding time, cost, and administrative burden for customers.

FEDERAL TECHNOLOGY SERVICE

The Federal Technology Service (FTS) provides telecommunications, professional services, and information technology (IT) products and services to Federal agencies in support of their missions to the public. FTS adds value by providing technical, assisted acquisition, life-cycle project management, and other technology related support to Federal agencies. These services save taxpayer dollars by making it possible for customer agencies to devote more of their resources directly to agency missions and programs and avoid doing costly, time-consuming technology acquisitions.

PERFORMANCE HIGHLIGHTS

FTS has completed two PART Reviews of its major programs: (1) Regional IT Solutions, and (2) National IT Solutions. Both programs are rated by OMB as "Results Not Demonstrated." In FY 2006, FTS's PART program structure will be reviewed based on the Federal Acquisition Service (FAS) reorganization.

The paragraphs below summarize FY 2005 FTS major performance results by business-line activity.

NETWORK SERVICES: FTS Network Services provides low cost/high quality voice, data, and video services and expert acquisition management support to Federal agencies from its headquarters office and 11 regional offices. Customers come to FTS for access to a complete telecommunications service portfolio ranging from commodity equipment for their premises to value-added enterprise networking solutions, which can be provided to customers through a single national point of contact. FTS Network Services delivered services valued at more than $1.5 billion in FY 2005 to users at 135 Federal agencies and entities at 15,000 locations in more than 190 countries around the globe.

Throughout FY 2005, FTS Network Services has focused its efforts on delivering the same value in services to its customers today, while pressing forward with competitive acquisitions to better meet the customer needs of tomorrow. Some of the actions taken in FY 2005 are listed below.

- FTS Network Services is currently working on the Networx acquisition, consisting of Networx Universal and Networx Enterprise. In May 2005, FTS released the Requests for Proposal with contract awards scheduled for late FY 2006. This program will continue support to customers of the expiring FTS 2001 contracts, offering them an expanded portfolio of solutions related to quality voice, data, video, and emerging services. This program recognizes diverse customer buying trends and will use that knowledge to better fulfill customer requirements.
- In the regions, Network Services is actively competing local requirements and preparing to transition requirements to the new Networx contracts, where appropriate, depending on customer agency requirements, milestones, and funding.

FTS

The foundation for future success rests on FTS's proven ability to develop and deliver complex, customized solutions to meet customer agency needs by leveraging its expertise and acquisition vehicles that cover the full spectrum of network services, infrastructure, and equipment. In particular, FTS's value is based on:

- Strong knowledge of the telecommunications industry, its regulatory environment, and the technical skills needed to craft interoperable, secure, end-to-end solutions.
- Strong, long-term customer relationships and extensive knowledge of customers' current environments, including proximity to the customer base where needed—nationally and locally.
- Safe harbor solutions for customers that comply with applicable laws, regulations, and statutes.

FTS Network Services will leverage the strengths of its past success and new acquisitions moving into FY 2006 and take advantage of the new synergies resulting from the establishment of the FAS.

INFORMATION TECHNOLOGY (IT) SOLUTIONS: The IT Solutions program provides assisted acquisition services to help Federal agencies acquire and manage IT products and services, primarily through the use of contracts with industry partners. IT Solutions combined with Professional Services in the middle of FY 2005 to enhance the portfolio of assisted services. IT Solutions provides these assisted services through 11 regional and national client support centers.

IT Solutions uses its unique cross-government vantage point and expertise to develop, oversee, and maintain a government-wide enterprise software licensing agreement initiative known as SmartBUY. Program management of the SmartBUY program was established in IT Solutions in April 2004 to leverage the buying power of the Federal government and provide government-wide software licensing through enterprise agreements that provide best prices, terms, and conditions for commercial software. The aggregation of software requirements across the government will help to achieve savings through cost avoidance totaling millions of dollars annually. OMB is sponsoring this new program and has directed agencies to use this program when purchasing specified software.

During FY 2005, the SmartBUY program established government-wide agreements for antivirus software as well as for Oracle products and ProSight enterprise portfolio management software.

In an agreement established April 2005, Oracle discounted its price on GSA's Federal Supply Services (FSS) schedule by as much as 84 percent for the database product and as much as 16 percent for support and maintenance services. Agencies also can get up to 45 percent off other Oracle products, such as enterprise resource planning and Customer Relationship Management (CRM) applications.

In an agreement established in April 2005 with ProSight for enterprise portfolio management software, the discount negotiated for ProSight software is eight to 39 percent less than the GSA FSS Schedule prices.

During FY 2005, FTS continued to implement initiatives to improve the quality of its acquisition services, including nationwide standards, policies, and procedures. FTS has also established better review processes to ensure appropriate management controls.

PROFESSIONAL SERVICES: The Office of Professional Services (PS) was combined with IT Solutions in the middle of FY 2005. This joining of IT Solutions and Professional Services is intended to enhance the assisted acquisition services provided to Federal agencies and allow FTS to better assist customers in buying services available on eight GSA Schedules managed through two Acquisition Centers in the FSS.

FTS continues to build new partnerships among the existing business lines with the creation of a single IT and PS Office as well as the creation of the FAS by combining FTS and FSS. FAS will give FTS more flexibility in serving customers and will allow it to gain cost efficiencies that will be passed along to Federal clients and taxpayers.

FTS Performance By GSA-Wide Goal

GSA-Wide Goal 1: Provide Best Value For Customer Agencies And Taxpayers

PERFORMANCE GOAL	RESULT
Provide substantial savings to customer agencies.	Not Met

PERFORMANCE GOAL
Provide substantial savings to customer agencies.
MEASURE
Savings provided to customers.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
$32.8M	$574M	$705M	$780M	$633M

DESCRIPTION OF THE MEASURE: This measure indicates the savings in millions of dollars the government realizes by utilizing FTS Network Services offerings in lieu of commercial industry services. To gauge its performance, FTS computes the estimated cost savings between the comparable commercial price of services and the corresponding FTS 2001 price on a quarterly basis. The estimated savings are defined as the cost the government would have paid commercially to obtain the same services offered by FTS programs.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: This target was not met. FTS had an FY 2005 savings target of $780 million. The actual performance this year was a lower, but still substantial, estimated savings of $633 million. The variance from FTS target reflects four factors: (1) changes in the nature of customer expenditures from the plan, (2) improved benchmark pricing data, (3) adjustments made to FTS estimating methodology to improve the accuracy, and (4) the integrity of FTS savings estimates. Specifically, FTS customers this year continued the emerging trend of spending fewer dollars (in relative terms of total expenditures) on commodity services like switched services and spending more dollars on customized, valued-added services with lower comparative savings compared to managed network solutions. In addition, FTS strengthened its benchmark pricing and approach by using improved third party pricing data for select services, broadened the range of possible commercial unit prices considered in its benchmarks, and adjusted the treatment of some offered services based on a better understanding of the underlying service attributes. Further, FTS improved the basic estimating method used to compute savings to its customers.

FTS

GSA-WIDE GOAL 3: OPERATE EFFICIENTLY AND EFFECTIVELY

PERFORMANCE GOAL	RESULT
IMPROVE PERFORMANCE AGAINST BUSINESS PERFORMANCE METRICS, INCLUDING TIMELINESS, COST-EFFECTIVENESS, AND EFFICIENCY TO VERIFY BEST VALUE AND EFFECTIVE ACQUISITION MANAGEMENT ARE ACHIEVED.	NOT MET

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 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
93%	90%	88%	> 94%	85%

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

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was not met. Additional internal management control processes and procedures implemented during the past year have resulted in longer than anticipated acquisition processing timeframes and negotiated award dates that were not met as planned.

GSA-Wide Goal 6: Carry Out Social, Environmental, And Other Responsibilities As A Federal Agency

PERFORMANCE GOAL	RESULT
Provide quality IT solutions services through appropriate consistency in the acquisition management process from pre-award through closeout.	Not Met
Manage acquisitions to ensure industry provides solutions that meet client agencies' mission needs.	Met

PERFORMANCE GOAL
Provide quality IT solutions services through appropriate consistency in the acquisition management process from pre-award through closeout.
MEASURE
Percentage of Government Wide Acquisition Contract (GWAC) task and delivery orders subject to the fair opportunity process.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
N/A	86%	96%	>95%	93%

DESCRIPTION OF THE MEASURE: As an executive agent, GSA is authorized to award and administer task and delivery orders against GWACs on behalf of other Federal agencies. This performance metric measures the competition fostered by placing orders against these contracts. It tracks the percentage of task orders where all contract holders were afforded a fair opportunity to be considered for the award.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was not met. It is expected that a small percentage of task orders will require the use of authorized exceptions to meet customer needs. The sustained high level of task orders subject to fair opportunity during the past two years is the result of training on GWAC ordering procedures and continued management emphasis on limiting the use of exceptions to the process.

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PERFORMANCE GOAL
Manage acquisitions to ensure industry provides solutions that meet client agencies' mission needs.
MEASURE
Percentage of dollar value of eligible service orders awarded with performance-based Statements of Work (SOW).

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
N/A	N/A	47%	40%	72%

DESCRIPTION OF THE MEASURE: Clients obtain best value solutions through performance-based contracting, which allows the client to define intended objective(s) rather than developing specification requirements. In addition, performance-based contracting uses positive and negative incentives to ensure timely and cost-effective delivery of solutions. (This measure reflects the activity of the Regional Telecommunication Services program.)

DISCUSSION OF FY 2005 TARGET VS. RESULTS: Regional Telecommunications has met the FY 2005 target for this goal. Throughout FY 2005, the regional offices revised policies and educated customers on the importance of using performance based SOWs for task orders and acquisitions. This resulted in a better than expected use of performance-based SOWs.

OFFICE OF CITIZEN SERVICES AND COMMUNICATIONS

The Office of Citizen Services and Communications (OCSC) was created to be the nation's focal point for information and services offered by the Federal government. The primary goal of OCSC is to find new ways for citizens, businesses, other governments, and the media to easily obtain information and services from the government on the Web, via e-mail, in print, by fax, and over the telephone. OCSC interacts with the media, Federal agencies, the general pubic, and with GSA internal audiences to provide information on the activities of GSA and its associatess.

PERFORMANCE HIGHLIGHTS

1. Successfully transitioned to a new vendor for the National Contact Center.
2. Issued six task orders along with two task modifications under FirstContact.
3. Signed working agreements with 36 agencies regarding e-government initiatives.
4. Provided 24 hours a day, seven day as week support for hurricane relief efforts.

OCSC

GSA-Wide Goal 1: Provide Best Value For Customer Agencies and Taxpayers

PERFORMANCE GOAL	RESULT
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.	Not Met

PERFORMANCE GOAL
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.
MEASURE
Total number of multi-channel contacts with the public (citizen, business, and government) per year.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
59.1M	209.7M	241.9M	250.3 M	230.5 M

DESCRIPTION OF THE MEASURE: USA Services operates a variety of channels to provide citizens with Federal information. These channels include the FirstGov.gov Web site, several other Web sites (including pueblo.gsa.gov, kids.gov, consumeraction.gov, etc.), the National Contact Center, 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. The sum of all of these citizen touch points is reported as a measure of program performance.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: The target was not met. This was primarily due to a drop in the number of Federal agencies using the FirstGov search index to provide search on agency Web sites. When FirstGov search launched, it established a search affiliate program that allowed Federal agencies to filter the FirstGov index as a way of providing search on agency Web sites. This service has been available to agencies at no cost. Given the high cost of enterprise search engines, FirstGov provided an easy and cost-effective way for agencies to implement site search capabilities. As a result, the search affiliate program received a high number of public contacts.

Over the past few years, the cost of enterprise search has declined dramatically. At the same time, search requirements for individual agencies became increasingly sophisticated, extending beyond what a simple filter of the FirstGov index could provide. As a result, many agencies found they could afford to buy their own enterprise search service tailored to their unique requirements. The result has been very positive for agencies. However, with fewer agencies leveraging the FirstGov index, FirstGov has seen far fewer search queries. As a result in the decline of public contacts future targets will be adjusted.

OFFICE OF THE CHIEF PEOPLE OFFICER

The Office of the Chief People Officer (OCPO) contributes to GSA's business success by providing human capital management strategies, policies, advice, information, services, and solutions that are consistent with merit system principles. The OCPO is integral to GSA's business success and was reorganized in December 2003 to realign OCPO's organizational resources to provide greater support to developing and implementing the agency's Human Capital strategy, and providing human resources (HR) advisor support to GSA competitive sourcing activities. In addition, in July 2005, additional restructuring was completed to further clarify the roles and improve service delivery within the OCPO. Also, during this time, the Office of Human Resources Services instituted a Business Process Review (BPR) of its staffing acquisition function and will be reviewing how implementation of the BPR supports the President's Management Agenda (PMA).

Organizationally, the OCPO is divided into five major components, the Office of Human Capital Management, the Office of Human Resources Services, the Office of Information Management, the Office of Executive Resources, and the Office of Program Performance. In addition, the OCPO provides guidance and policy direction to GSA's regional HR offices in the following locations:

- Boston, MA
- New York, NY
- Philadelphia, PA
- Atlanta, GA
- Chicago, IL
- Kansas City, MO
- Ft. Worth, TX
- San Francisco, CA
- Washington, DC.

PERFORMANCE HIGHLIGHTS

The paragraphs below summarize the FY 2005 major performance results of the OCPO by program.

HUMAN CAPITAL MANAGEMENT: At the strategic level, the OCPO continued to work closely with its largest internal customers and within the OCPO itself to implement organization-specific human capital strategies. This "deep dive" into the human capital needs of each organization focused on the capabilities needed to achieve business goals, the "maturity" of those capabilities in their existing workforces, and specific strategies to transform each workforce from one stage to another. Strategies included assessing and enhancing the skills of associates, hiring new talent, organi-

OCPO

zational realignment, succession planning, and competitive sourcing. In support of realignment and competitive sourcing initiatives, the OCPO continued to assist its customers in the utilization of workforce-shaping tools such as Voluntary Separation Incentive Payment and Voluntary Early Retirement Authority.

At the policy and program level, the OCPO continued to revise GSA's associate performance management and recognition policies to more closely align with and reinforce the Agency's business goals and strategies. The new Associate Performance Planning and Appraisal System (APPAS) is a significant departure from the previous "pass/fail" system; it is designed to make meaningful distinctions among levels of performance based on organizational and individual objectives. Classroom training was provided to all managers and supervisors.

HUMAN RESOURCES SERVICES: Measuring OCPO success across key HR services was a major effort during the fiscal year. The goal of this process was to measure organizational efficiency and to align the measures to Agency strategic goals. It is believed that the development of these measures will facilitate appropriate human capital decisions, demonstrate results, support budget decisions, and drive continuous improvement. The following key HR services were identified with implementation of the measures to follow in FY 2006.

1. Staff Acquisition
2. Performance Management
3. Compensation Management
4. Employee Development
5. Employee Relations
6. Labor Relations
7. Benefits Management
8. Separation Management
9. Organization and Position Management (Classification)

BUSINESS PROCESS IMPROVEMENTS: At the same time that OCPO was looking outward towards its customers, it also took an intense look inward at its own capabilities for achieving future success. In addition to implementing its human capital strategy, it began a multi-year effort to examine, map, and reengineer its own business processes, with an eye towards greater efficiency and standardization. This effort was linked to the PMA E-Gov initiative "HR Line of Business" led by the Office of Personal Management (OPM) and the Office of Management and Budget (OMB). Business process reengineering will help position the OCPO to continue its successful leadership of GSA human capital management. During FY 2005, the focus for the OCPO was on the staffing acquisition process. As a result of this effort, the following steps are to be implemented during FY 2006.

- Establish the GSA hiring manager as the process owner
- Add two strategic process steps - workforce planning and strategy development
- Streamline remaining process steps to eliminate non-value added activities
- Implement the prototype to prove the concept of the TO BE model and train the OCPO associates in the new process
- Standardize processes across GSA.

OCPO Performance By GSA-Wide Goal

GSA-Wide Goal 5: Maintain A World-Class Workforce And World-Class Workplace

PERFORMANCE GOAL	RESULT
Enhance training, recruitment, and placement/outplacement programs to help GSA develop/acquire the needed skills/talents identified in organization-specific human capital strategies. Specific focus will be placed on improved diversity of workforce training/learning.	Not Met

PERFORMANCE GOAL
Enhance training, recruitment, and placement/outplacement programs to help GSA develop/acquire the needed skills/talents identified in organization-specific human capital strategies. Specific focus will be placed on improved diversity of workforce training/learning.
MEASURE
Gallup Q12 Grand Mean Score.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
3.76	3.83	3.89	3.94	3.85

DESCRIPTION OF THE MEASURE: The Gallup Q12 Survey of Associate Engagement is administered annually to all GSA associates. The grand mean score measures overall engagement or productivity at each organizational level, and discriminates top-performing workplaces from average and low-performing ones. A higher grand mean score is an indicator of a higher-performing organization. Each of the Q12 items is actionable. Tangible steps can be taken to increase scores. This is one of the most important qualities of the Q12 program.

DISCUSSION OF FY 2004 TARGET VS. RESULTS: The target was not met. GSA implemented the annual Q12 Survey of Associate Engagement Agency-wide in FY 2002. Over time scores have continued to increase from FY 2002 through FY 2004. Although GSA's grand mean score decreased by .04 during FY 2005, the Gallup Organization has informed the OCPO that this drop is not a statistically significant decline. Furthermore, GSA's scores have consistently rated at or above the top of scores reported by other Federal agencies. Based on the creation of the Federal Acquisition Services (FAS) and other internal re-alignment of Agency organizations, GSA's goal for FY 2006 will be to maintain the 3.85 level for the next administration of the survey. During this transition period, the Agency will continue to promote consistent and effective performance across GSA by employing the following strategies:

- Pursue a combined top-down and bottom-up strategy that will marry senior leadership commitment to drive associate engagement within each team, with training and support throughout GSA at the work-group level.
- Identify common issues and improvement opportunities across GSA for increased engagement and improved

OCPO

performance through leveraging the efforts of individual work teams.

- Support frequent sharing of best practices by studying OCPO best scoring organizations.
- Further investigate the link between improving Q12 scores and performance outcomes.
- Provide support to OCPO Q12 trainers and ensure that all managers are trained.

OFFICE OF THE CHIEF FINANCIAL OFFICER

The Office of the Chief Financial Officer (OCFO) is responsible for financial management within GSA. The OCFO develops overall Agency policies and procedures for budget administration, planning and performance measurement, financial reporting, and financial management systems. Some of the most important policies include those for cash and credit management. An overall summary of the accomplishments of the OCFO is presented in the OCFO's letter.

OCFO

OCFO Performance By GSA-Wide Goal

GSA-Wide Goal 4: Ensure Financial Accountability

PERFORMANCE GOAL	RESULT
Increase the percentage of vendor invoices received by Electronic Data Interchange (EDI)through the Internet.	Met
Increase the percentage of vendor payments made by electronic media such as Electronic Funds Transfer (EFT) and purchase cards.	Not Met

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

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
38%	44%	56%	56%	64%

DESCRIPTION OF THE MEASURE: By placing clauses in GSA contracts and orders the OCFO is encouraging electronic invoices via the Internet. Use of EDI is also encouraged by continued marketing to vendors.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: Target was met. At year-end, 64 percent of GSA's invoices were received electronically. The Customer Service Group has played a key role in FY 2005 in working with commercial vendors on electronic invoicing. During FY 2005, a new Webvendor page was implemented to enhance the capabilities of electronic invoicing for Greater Southwest Finance Center (GSFC) vendors. Customer Service served as the main point of contact for vendors to assist them with the transition to the new Web page and to relay any issues or problems identified with the implementation process to the Information Systems Group. Customer Service spent approximately 600 hours working with vendors to ensure that they fully understood the new process and that identified issues were quickly resolved.

GSA has continued to market Internet invoicing to vendors at conferences and GSA EXPO. They also inform vendors of this option when they call OCFO offices. The OCFO continues to encourage Contracting Officers to make electronic invoicing a requirement in new contracts.

PERFORMANCE GOAL
Increase the percentage of vendor payments made by electronic media such as Electronic Funds Transfer (EFT) and purchase cards.
MEASURE
Percent of electronic invoices paid by electronic means such as EFT and purchase cards.

FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL
79%	88%	92%	95%	94%

DESCRIPTION OF THE MEASURE: Encourage use of EFT by emphasizing the use of purchase cards to procurement officials when a purchase is less than $100,000.

DISCUSSION OF FY 2005 TARGET VS. RESULTS: Target was not met. During FY 2004 the OCFO surpassed its goal of 85 percent significantly, achieving 92 percent of its vendor payments paid electronically. Therefore the OCFO set an ambitious goal of 95 percent for FY 2005 that was missed by a fraction of one percent. The OCFO continues to work with vendors to sign up for EFT payments. The Payments Division proactively worked with the service's Regional offices to implement the new Central Contractor Registration (CCR) policy and to identify existing purchase orders that were not in compliance with the CCR guidelines. In the process, they identified approximately 14,000 purchase orders that did not contain valid Data Universal Numbering System (DUNS) information and provided the information to the Regional offices. The Payments Division continues to work closely with the services to resolve any CCR discrepancies and to provide guidance and direction on the implementation of the new policy. This has allowed vendors to be reimbursed via EFT and reduced the overall costs of disbursement processing. Initiative has been taken to inform both the Service office associates and vendors regarding the requirements for vendors to register in the CCR. Upon receipt of a request to establish new vendor numbers, if the vendor's banking information is not included in the request, it is returned it along with a letter explaining the CCR requirements.

Financial Section

CFO MISSION STATEMENT

Provide world-class financial management services, professional guidance, and innovative solutions to our customers.

LETTER FROM THE CHIEF FINANCIAL OFFICER

Kathleen Turco

In pursuit of our commitment to transparency and accountability, I am presenting the General Services Administration's fiscal year (FY) 2005 financial statements. In the Office of the Chief Financial Officer (OCFO), there have been substantial gains in achieving progress towards goals and objectives, in particular in policy, financial analysis, performance budgeting, financial systems life cycle management, and management control processes and procedures. These achievements reflect the dedication and hard work of GSA's financial community.

At the same time, I am disappointed not to have reached a "clean" opinion on our FY 2005 financial statements. The Federal Buildings Fund (FBF), the General Supply Fund (GSF) and the Information Technology Fund (ITF) all received unqualified (clean) opinions on their Proprietary Statements (Balance Sheet, Statement of Net Costs, and Change in Net Position). The FBF also received an unqualified opinion on their Budgetary Statements (Statement of Budgetary Resources and Statement of Financing). However, the ITF and the GSF received a disclaimer of opinion on the Budgetary Statements which caused the GSA Consolidated Statements to receive a disclaimer of opinion also.

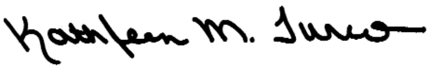
Throughout FY 2004 and FY 2005, GSA management significantly increased its attention and control over our customers' authority (i.e., unfilled customer orders). Nonetheless, our controls were not sufficient to provide confidence that these budgetary accounts were correct. Management was able to take appropriate steps to identify the extent of the issues at the end of FY 2005. However, we could not accurately adjust our FY 2004 statements to reflect the issues noted in FY 2005, because of system limitations and other constraints.

This was primarily due to Information Technology (IT) Service associates not properly closing out completed projects with residual balances or returning unused budgetary authority. Because the Federal Technology Service (FTS) maintains the Professional Services business unit, which is reported under the GSF, the GSF was impacted with a disclaimer of opinion as well. It is important to note that the customer's budgetary authority behind these issues is either expired or canceled and is therefore no longer useable.

Additionally, our auditor elevated our FY 2004 reportable condition, GSA's *budgetary reporting processes need improvement*, to a material weakness due to the issues noted above as well as issues surrounding our budgetary accounting controls and reporting processes.

Except as indicated in the preceding paragraphs and reiterated in the Management Assurances section of the Management's Discussion and Analysis and in the Independent Auditor's Report, we can provide reasonable assurance that the objectives of Federal Managers Financial Integrity Act, Sections 2 and 4, and the Federal Financial Management Improvement Act have been achieved. This demonstrates our integrity and commitment to identify and address management challenges. Because of the significant effort at the end of FY 2005 to quantify the issues noted above as well as the aggressive corrective actions we already have planned, we are optimistic we can again attain a "clean" opinion for FY 2006.

The OCFO directly supports GSA's overall mission of helping Federal agencies better serve the public. On the next page, you will find highlights of our performance improvement initiatives.



Kathleen M. Turco
Chief Financial Officer

November 15, 2005

OFFICE OF THE CHIEF FINANCIAL OFFICER ACCOMPLISHMENTS AT A GLANCE

During FY 2005, the OCFO associates took on additional management challenges and changes to improve their performance and accountability.

The GSA OCFO continues to provide full-service corporate financial management for all of GSA and more than 40 external customers. OCFO directly supports the GSA mission of helping Federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services, and management policies by providing transparent financial management services so the three major business lines can focus on delivery of their core goods and services. During FY 2005, the OCFO associates took on additional management challenges and changes to improve our performance and accountability. These include:

FINANCIAL MANAGEMENT LINE OF BUSINESS

GSA OCFO was selected by OMB to operate as a FM LOB Center of Excellence (COE) service provider. This initiative takes a shared services approach to reduce redundant financial system investments and improve financial business processes across the Federal Government. This will consolidate Information Technology (IT) platforms and standardize IT configurations as well as business processes. The GSA OCFO must demonstrate that it is a best value service provider and "competes" in the market with other Federal agencies and the private sector to attain and retain customers. The OCFO has been continuing to define its COE business model, service delivery offerings, and corresponding organizational structure to support the business model.

PERFORMANCE MANAGEMENT PROCESS

GSA has completed the second full cycle of the Performance Management Process (PMP). Analysis of customer and taxpayer requirements are achieved through the Performance Management Process (PMP cycle). Performance goals based upon those requirements were arranged along with the development of action plans and the allocation of resources. This detailed financial, budgetary, and performance data provides managers with a solid foundation on which to base day-to-day management decisions. The continual PMP cycle unites the GSA Strategic Plan, the PMA President's Management Agenda, the Program Assessment Rating Tool (PART), Business Line/Program Area Performance Goals and Measures and other management tools.

FINANCIAL MANAGEMENT SYSTEMS

During FY 2005, significant progress was achieved by GSA in continuing to develop and implement 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.

Considerable progress was achieved related to maintaining and expanding the use of GSA's core accounting system, Pegasys, which is a COTS (commercial off-the-shelf) system solution that integrates several of GSA's financial accounting applications; processes more than 40 million transactions per year; and complies fully with Federal accounting standards and external financial reporting requirements. Pegasys also holds the most current 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 new requirements to interface with the Central Contractor Registration component of the President's integrated acquisition environment e-Gov initiative as well as support the ongoing e-Payroll and e-Travel system initiatives. In keeping with plans to upgrade our core accounting system biennially, during FY 2006 Pegasys is scheduled to be upgraded to an html format. In addition, e-Travel, Vendor Self-Service and cost allocation functionality will be added to GSA's financial management system capabilities.

OCFO plays a crucial role in the executive direction on financial systems life cycle management for GSA Pegasys (payable, receivables, financial reporting and e-payroll), including implementation e-Travel services application, data warehouse management, automated labor forecasting models to project accurate cost, labor distribution model, and Activity Based Costing (ABC). Pegasys is GSA's official accounting system of record.

The Central Contractor Registration (CCR) Migration Project was developed to be the sole-source provider of vendor information for all of GSA. In direct support was also the CCR Connector Project which is an interface tool that connects the CCR with Pegasys, GSA's financial management system. It is a web-based application that populates CCR data, and serves as the government-wide central repository to store and maintain data for vendors that contract with the Federal Government. Any vendor awarded a FAR-based contract must register in CCR and renew yearly.

MANAGEMENT CONTROLS

Building upon GSA's efforts in FY 2004, GSA significantly improved the Assurance Statement process in FY 2005. In FY 2005, GSA developed and launched the agency's first web-based Assurance Statement questionnaire. The questionnaire consolidated various survey tools into one internal control questionnaire, helping pull together a varied mixture of surveys conducted throughout the year.

The new Assurance Statement included questions based on OMB and GAO internal control standards, a section on Federal Information Security Management Act (FISMA) related questions, and a supplemental questionnaire to assess compliance of GSA's financial management systems with the Federal Financial Management Improvement Act (FFMIA). In addition, the questionnaire allowed services such as FTS and PBS to ask specific, program-related internal control questions to the individual associates.

GSA plans to fully implement provisions of the new OMB Circular A-123 by introducing risk assessments and testing as key components of the A-123 internal control evaluations currently conducted on a regular basis at GSA. GSA also plans to completely revise its internal control handbook and develop an integrated database for tracking and reporting

A-123 internal control evaluations. Finally, GSA has developed procedures to review and test internal controls related to financial management in preparation of issuing the FY 2006 Assurance Statement on Internal Control for Financial Reporting.

PAYROLL AND STATEMENT ON AUDITING STANDARDS NO. 70 (SAS70)

SAS70 is an internationally recognized auditing standard and an in-depth audit of a service organization's control activities, which generally include controls over information technology and related processes. GSA provides payroll and financial management services and underwent two SAS70 efforts in FY 2005. The SAS70 efforts for both reports were successful as evidence by a “clean” opinion in both. The SAS70 completion on time required significant effort and provided documentation that controls are in place and are functioning by pulling hundreds of documents for the auditor’s review.

The Kansas City (KC) Financial Systems Division and the National Payroll Center (NPC) worked closely as a team on the development of the Report on Controls document for the Payroll, Accounting and Reporting system Information Technology Controls as well as the NPC Operational controls. This document was the basis used in the audit. The NPC reviewed the initial draft control document and worked in conjunction with the KC Financial Systems Division (HFSD) SAS70 Team to assess whether the controls were valid for our specific environment, ensure they could be substantiated, and prepare the appropriate documentation to complete the report for the Deputy CFO and GSA’s external auditors. Though both organizations have been subject to several prior audits and reviews, this was the first SAS70 audit to be conducted on the payroll system and the payroll operations environment.

INDEPENDENT AUDITOR'S REPORT

November 15, 2005

MEMORANDUM FOR DAVID L. BIBB
ACTING 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 2005 and 2004 Financial Statements

This memorandum transmits PricewaterhouseCoopers LLP's (PwC) report on its Fiscal Years 2005 and 2004 Financial Statement Audit of the General Services Administration (GSA), 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 Inspector General or an independent external auditor, as determined by the Inspector General, to audit the Agency's financial statements. Under a contract monitored by the OIG, PwC, an independent public accounting firm, performed the Fiscal Years 2005 and 2004 Financial Statement Audit of GSA. The contract required that the audits be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States, and the Office of Management and Budget's (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements," as amended.

RESULTS OF INDEPENDENT AUDIT

Balance Sheet and the Related Statements of Net Cost and Changes in Net Position

PwC issued unqualified opinions on the consolidating balance sheet of GSA, as well as the balance sheets of the Federal Buildings Fund (FBF), General Supply Fund (GSF), and the Information Technology Fund (ITF). In PwC's opinion, the balance sheets of GSA, the FBF, the GSF, and the ITF, as of September 30, 2005 and 2004, and the related statements of net cost and changes in net position of GSA, the FBF, the GSF, and the ITF presented fairly, in all material respects, the financial position of GSA, the GSF, and the ITF at September 30, 2005 and 2004.

Statements of Budgetary Resources and Financing

PwC issued an unqualified opinion on the statements of budgetary resources and financing for the FBF for Fiscal Years 2005 and 2004. However, PwC could not render an opinion on the Fiscal Years 2005 and 2004 statements of budgetary resources and financing for GSA, the ITF, and the GSF.

New controls instituted by GSA management, as well as the statistical sampling performed to establish year-end balances, found that unfilled customer orders were not closed out timely in the ITF. Management believes that these errors may have also existed in unfilled customer orders at the end of Fiscal Year 2004 and that these errors may have been material. However, the amounts required for adjusting Fiscal Year 2004 balances could not be readily determined. In addition, a year-end analysis performed by management determined that certain balances of unfilled customer orders were erroneously recorded to the ITF that should have been recorded to the GSF in both Fiscal Years 2005 and 2004. It is possible that material amounts were in error between the GSF and ITF at the end of Fiscal Year 2004. As a result, PwC was unable to satisfy itself as to the reported amounts related to unfilled customer orders and undelivered orders reported by the ITF and GSF as of September 30, 2004.

Independent Auditor's Report

Report on Internal Controls

In its report on internal controls over financial reporting, PwC identified a material weakness concerning inadequate controls over monitoring, accounting, and reporting of agency budgetary transactions. During their testing of internal controls, PwC noted insufficient ongoing compliance with control procedures instituted by management for specific GSA budgetary accounts. Additionally, PwC noted that as a result of insufficient monitoring controls over budgetary accounting, GSA did not return spending authority to customer agencies for expired obligations and for those instances in which bona fide needs for unfilled customer orders ceased to exist. Furthermore, PwC found that GSA did not adequately record budgetary transactions throughout the year, and the core financial system did not capture detailed transaction level information for certain material budgetary account balances.

In addition to the material weakness, PwC identified five reportable conditions concerning GSA's need to (1) improve development, implementation, and change controls over GSA's financial applications, (2) strengthen application security controls, (3) improve controls over transferring substantially complete construction in process projects within the Public Buildings Service, (4) improve contracting practices in the Federal Technology Service's Office of Information Technology Solutions, and (5) improve reconciliation of intragovernmental balances.

Compliance with Laws and Regulations

PwC also reported on two instances of non-compliance with laws and regulations. The first instance involves contracting practices, including three matters which may constitute breaches of the Anti-deficiency Act (ADA) or the Purpose Statute. In the second instance, PwC reported that GSA's financial management systems did not substantially comply with the Federal financial management systems 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 2005 and 2004 Financial Statement 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's report dated November 14, 2005, and the conclusions expressed therein. We do not express an opinion on GSA's financial statements or internal controls or on whether GSA's financial management systems substantially complied with FFMIA; or conclusions on compliance with laws and regulations.

Report on Internal Controls Over Performance Measures

In accordance with OMB Bulletin No. 01-02, 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 2005 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 have any questions, please contact me or Eugene L. Waszily, Assistant Inspector General for Auditing.

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Report of Independent Auditors

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

We were engaged to audit the United States General Services Administration (GSA) and its three primary revolving funds, the General Supply Fund (the GSF), the Information Technology Fund (the ITF), and the Federal Buildings Fund (the FBF). We found:

- The balance sheets of GSA, the GSF, and the ITF, as of September 30, 2005 and 2004, and the related statements of net cost and of changes in net position for the years then ended, present fairly, in all material respects, the financial position of GSA, the GSF, and the ITF at September 30, 2005 and 2004, and their net cost of operations and changes in net position for the years then ended in conformity with accounting principles generally accepted in the United States of America. We were unable to express an opinion on the consolidated and individual statements of financing, and the combined and individual statements of budgetary resources of GSA, the GSF, and the ITF for the years ended September 30, 2005 and 2004.

- The balance sheets of FBF as of September 30, 2005 and 2004, and the related statements of net cost, of changes in net position and of financing, and the 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 had a material weakness in internal control over monitoring, accounting, and reporting of budgetary transactions.

- Reportable instances of non-compliance with the laws and regulations we tested, including an instance in which GSA's financial management systems did not substantially comply with the requirements of the FFMIA, and non-compliance with other laws and regulations specified in OMB Bulletin No. 01-02.

Report on the Financial Statements of GSA, the GSF, and the ITF

We have audited the accompanying consolidated balance sheets of GSA and the individual balance sheets of the GSF and the ITF, as of September 30, 2005 and 2004, and the related consolidated and individual statements of

Independent Auditor's Report

PricewaterhouseCoopers

net cost and of changes in net position. We were engaged to audit the consolidated and individual statements of financing, and the combined and individual statements of budgetary resources of GSA, the GSF, and the ITF for the years ended September 30, 2005 and 2004. We have also audited the individual financial statements of the FBF included in GSA's consolidated and combined financial statements, and our report on those financial statements is included below under the heading "Report on the Financial Statements of the FBF". 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.

Except as described in the following paragraph, 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, except for the provisions of paragraph 6.f. relating to internal control over performance measures, Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. The work required by paragraph 6.f. 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. 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.

During fiscal year 2005, management identified material unfilled customer order and undelivered order balances of the ITF that were invalid or cancelled. Also during fiscal year 2005, management discovered that it had failed to identify and adjust certain unfilled customer orders recorded by the ITF that should be reported by the GSF. Adjustments to correct these known errors were recorded to ITF and GSF budgetary accounts. However, management has been unable to determine the amounts of potentially material errors in unfilled customer orders of the ITF and the GSF as of September 30, 2004, and continues to review current balances on an ongoing basis. The adjustments that may ultimately be determined to be necessary may impact reported balances and activity reported in GSA's, the GSF's, and the ITF's fiscal years 2005 and 2004, statements of budgetary resources and statements of financing. We were unable to obtain sufficient evidence to support any adjustments that might be required to correct the reported amounts.

In our report dated November 12, 2004, we expressed an opinion that the fiscal year 2004 financial statements of GSA, the GSF, and the ITF fairly presented the financial position, net cost of operations, changes in net position, budgetary resources and financing in conformity with accounting principles generally accepted in the United States of America. Because of the significance of the matters described in the preceding paragraph to the budgetary financial statements, our present opinion on the fiscal year 2004 financial statements, as presented herein, is different from that expressed in our previous report.

Because we were unable to satisfy ourselves as to the reported amounts related to unfilled customer orders recorded by the ITF and the GSF, the scope of our engagement to audit the fiscal years 2005 and 2004, statements of budgetary resources and statements of financing of GSA, the GSF, and the ITF was not sufficient to express, and we do not express opinions on those statements.

In our opinion, the consolidated balance sheets of GSA and the individual balance sheets of the GSF and the ITF, as of September 30, 2005 and 2004, and the related consolidated and individual statements of net cost and of changes in net position for the years then ended, present fairly, in all material respects, the financial position of GSA, the GSF, and the ITF at September 30, 2005 and 2004, and their net cost of operations and changes in net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We were engaged to audit the financial statements of GSA for the purpose of expressing an opinion on its consolidated and combined financial statements taken as a whole. The financial information for Other Funds and the Intra-GSA Eliminations, presented in the consolidating and combining financial statements, are presented for purposes of additional analysis of the GSA consolidated and combined financial statements, rather than to present the financial position, changes in net position, reconciliation of net cost to budgetary resources and budgetary resources of the other funds. Such information presented in the consolidated balance sheets and statements of net cost and of changes in net position has been subjected to the auditing procedures applied in our audits of the GSA balance sheets and statements of net cost and of changes in net position and, in our opinion, is fairly stated, in all material respects, in relation to those GSA statements. However, because of the limitations on the scope of our work described above, we express no opinion on such information presented in the combining statements of budgetary resources and the consolidating statements of financing.

Report on the Financial Statements of the FBF

We have audited the accompanying balance sheets of the FBF as of September 30, 2005 and 2004, and the related statements of net cost, of changes in net position and of financing, and the 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.

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, except for the provisions of paragraph 6.f. relating to internal control over performance measures, Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. The work required by paragraph 6.f. 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. 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.

Independent Auditor's Report

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In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the FBF at September 30, 2005 and 2004, and its net cost of operations, changes in net position, budgetary resources and financing 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 audits, we considered GSA's, the FBF's, the GSF's, and the ITF's internal control over financial reporting by obtaining an understanding of their internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of 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. We limited our control testing to those controls necessary to achieve the following OMB control objectives 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, other laws and regulations that could have a direct and material effect on the consolidated financial statements and any other laws, regulations, and government-wide policies identified in Appendix C of OMB Bulletin No. 01-02; 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. We did not test all internal controls relevant to the operating objectives broadly defined by the Federal Managers' Financial Integrity Act of 1982. Our purpose was not to provide an opinion on GSA's, the FBF's, the GSF's, and the ITF's internal control. Accordingly, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. Under standards issued by the American Institute of Certified Public Accountants (AICPA) and OMB, reportable conditions are matters coming to our attention, that in our judgment, should be communicated because they represent significant deficiencies in the design or operation of the internal control that could adversely affect GSA's, the FBF's, the GSF's, and the ITF's ability to meet the internal control objectives related to the reliability of financial reporting, compliance with laws and regulations, and the reliability of performance reporting previously noted. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors, fraud or noncompliance in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted certain matters involving the internal control and its operation that we consider to be reportable conditions, the first of which is considered a material weakness.

* * *

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Controls over monitoring, accounting, and reporting of budgetary transactions are inadequate

Material Weakness

PwC's November 12, 2004, Report of Independent Auditors on Internal Control noted significant weaknesses in GSA's financial management system, surrounding processes, and controls related to reporting of budgetary resources arising from the primary GSA service of customer agency order processing. These control weaknesses inhibit GSA management's timely prevention and detection of budgetary accounting and reporting misstatements, and increase risk that GSA's management may be unable to provide reasonable assurance over the assertions pertaining to the budgetary information reported in GSA's principal financial statements.

Weaknesses cited in the past included that GSA's financial management systems and feeder systems were not configured to support budgetary financial reporting. As a consequence, management was required to draw on information from proprietary accounts-based financial and business systems to produce and report periodic budgetary information for the Statement of Budgetary Resources (SBR) and follow processes -- not formally documented within GSA's policies -- of extensive manual workarounds, cumbersome reconciliations, and significant estimations and adjustments. As explained below, examples of these same conditions were observed to persist during fiscal year 2005 and evidence of new weaknesses was gathered during PwC's current year audit. PwC's findings merit the classification of these control weaknesses as material at this time.

Transaction Level Errors

The types of underlying transaction level errors observed by PwC during our interim control tests included instances of both overstatements and understatements of undelivered orders (UDOs), delivered orders (DOs), and unfilled customer orders (UFCOs). During PwC's interim control tests of the FBF and the ITF, we noted GSA's insufficient on-going compliance with control procedures, instituted by management in the prior year, for a GSA-wide quarterly review by all regions of all open items using a website established specifically for this purpose. We also noted GSA's failure to return spending authority to customer agencies for expired obligations and where bona fide needs for UFCOs ceased to exist, due to management's insufficient monitoring controls over budgetary accounting. The budgetary accounts affected by these control weaknesses related to:

- UDOs and DOs, representing GSA's commitments under obligations to vendors for goods and services ordered on behalf of customer agencies. GSA's internal controls over the management of obligations are not adequate to ensure recorded obligations are valid and complete, and to determine the timely removal of liquidated obligations and the accurate classification between undelivered orders and accounts payable at year-end. Our interim sample error rates were:

Fund	UDOs	DOs
FBF	51%	15%
GSF	11%	0%
ITF	42%	0%

- UFCOs represent spending authority that customer agencies have obligated to GSA. FTS management failed to validate their unassigned UFCOs, which included closing out orders and returning funds to

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customers, assigning vendors to unassigned orders, and filling assigned orders throughout the year. PwC reviewed selected Reimbursable Work Authorization agreements (RWAs) for FBF and noted that a significant number of RWAs did not have adequate documentation to support a valid UFCO balance. There were also instances of long outstanding and, in some cases, inactive RWAs. Our interim sample error rates were:

Fund	UFCOs
FBF	35%
ITF	7%

These error rates demonstrate that GSA did not have effective controls in place to prevent and detect misstatements in its budgetary account balances throughout the fiscal year in the normal course of financial processes and controls. GSA did not perform sufficient routine and mitigating financial analyses to identify and correct errors in recording its budgetary transactions. This condition places added importance on GSA's non-routine financial analysis and analytical review quality assurance procedures at the end of each quarter, and, particularly, at the end of the fiscal year, to detect and correct misstatements in the financial statements.

In response to the control weaknesses and accounting errors determined through PwC's interim audit testing, GSA's management developed a remediation plan that included selecting and reviewing statistical samples of UDOs, DOs and UFCOs as of August 31, 2005, to identify incorrect items and project the error rates to the September 30, 2005, FBF, GSF, and ITF UFCOs and UDOs, and the FBF DOs, account balances. As noted in the following table, management's statistical sampling results revealed significant transaction-level error amounts that materially misstated originally recorded balances. Based upon the extrapolation of the sampling error rates to the account balance, management recorded the following adjustments to the year-end UFCO, UDO and DO balances based on the results of these samples.

Population Sampled by Management	Adjustments Needed to Correct Errors in Budgetary Account Balances (dollars in millions)
FBF – UDOs	$68
FBF – DOs	$41
GSF – UDOs	$58
ITF – UDOs	$277
FBF – UFCOs	$320
GSF – UFCOs	$33
ITF – UFCOs	$700

Management's statistical sampling procedures determined significant incorrect balances of ITF UFCOs classified as "unassigned", meaning the customer agency orders had no corresponding contracts or obligations to third parties. FTS management had not monitored unassigned UFCO balances throughout the fiscal year. FTS did not have routine, detailed control processes to effectively monitor UFCOs to ensure that all its contracts or task orders were valid. These conditions increase GSA's risk of non-compliance with Federal financial management standards and procurement regulations, in addition to the risk of financial reporting errors.

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Financial Management and System Weaknesses

PwC's overall consideration of the design and function of management controls over budgetary reporting in combination with other fiscal year 2005 audit procedures performed revealed further weaknesses that gave rise to material errors in GSA's financial records that were not prevented or detected timely by management.

GSA did not adequately record budgetary transactions throughout the year in accordance with Federal accounting standards. Moreover, GSA's business feeder systems did not provide detailed transaction level information for certain material budgetary account balances. Time-consuming manual procedures were needed to compensate for financial system deficiencies; internal controls need improvement to ensure that financial reports can be prepared timely and accurately. For example:

- The FBF, the GSF, and the ITF relied substantially on their proprietary accounts to prepare the SBR. These account balances are crosswalked to the equivalent budgetary accounts to populate the majority of the SBR line items. The remaining line items and detail not produced from the proprietary accounts are obtained from subsidiary systems and through significant manual workarounds and adjustments. The SBR can only be prepared after GSA obtains comfort that the proprietary accounts are accurate and complete. As a result, the SBR is prepared well after each quarter-end due to the time required to prepare the manual workarounds and adjustments. During our interim tests, we found inaccuracies in those statements. The time constraints, inefficiencies and inaccuracies of management's current work-around processes increase the risk of possible misstatements on the SF-133 and SBR that are not detected before the statements are submitted.

- We understand that GSA's Pegasys financial management system has the capability to provide budgetary information on a timely basis; however, the full functionality is not utilized and surrounding business and control processes have not been duly structured for effective performance of essential activities.

- Management initiated new procedures in fiscal year 2005 in an attempt to derive ITF budgetary account balances for financial reporting at the June 30 and September 30 periods by relying on information in Pegasys budgetary accounts fed by its business feeder systems. However, we noted that differences between the budgetary account balances in the CODB, GSAP, and OMIS subsystems, and Pegasys, had not been reconciled, nor had budgetary account reconciliation procedures been developed. Such controls are important in view of the significant differences between Pegasys and the feeder systems that were found to result from systems and process issues such as:

    - Due to system logic error, certain types of UFCO transactions were incorrectly recorded within the GSAP system throughout the fiscal year.

    - With respect to inactive or invalid contracts, GSA analysts recorded de-obligations in Pegasys; however corresponding entries were not recorded in the related business feeder systems, nor were the affected GSA business line staff notified of the entry made in Pegasys.

    - Transactions in business feeder systems were not recognized in Pegasys, expanding and prolonging the volume of uncleared reconciling items among the various systems.

    - Certain operating expense transaction types (IX, TX) were input into both Pegasys and feeder systems, but were only monitored and updated in Pegasys.

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- o Due to year-end reporting cut-off procedures between subsystems and Pegasys, certain UFCO amounts were not included in the year-end UFCO balance. Management posted this amount after the year-end reporting period.

- o Adjustments to Pegasys UDO records that resulted from the system conversion in fiscal year 2003 were never posted to the FTS subsystems at the transaction level, which further contributed to the differences between the CODB and OMIS subsystems and the Pegasys balances.

- Necessary allocations of UFCOs between ITF and GSF were not calculated timely and with due precision due to lack of built-in system functionality within the business feeder systems. The CODB subsystem is used to record UFCO transactions by the Regional IT Services business line. However, CODB cannot separately track UFCOs related to IT Solutions (ITF Fund 299) and Professional Services (GSF Fund 295) until they are assigned to a corresponding UDO. As a result, UFCOs are initially recorded within the CODB system as ITF UFCOs until balances can be reclassified to GSF in Fund 295 using high-level estimates. Management posted an $89 million adjustment at year-end based on this high-level estimate.

- FTS had not performed an adequate review of the quarterly financial statements and, therefore, significant misstatements were identified during our interim audit procedures. The National IT Solutions business line did not have a prescribed quarterly methodology to determine its income and expense accruals. At year-end, these amounts were $202 million. The Local and Long Distance Telecommunications business line calculated their quarterly UFCO balance based upon an outdated methodology. As of March 31, 2005, the UFCO balance was materially understated by approximately $451 million.

Internal control activities as defined in General Accounting Office (GAO) guidance in GAO/AIMD-98-21.3.1, "Standards for Internal Control in the Federal Government" are to be effective and efficient in accomplishing the agency's control objectives. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives.

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 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 the agency's operations. If an

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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.

We understand GSA operations are characterized by a highly decentralized environment. Each of GSA's three services (PBS, FSS, and FTS) operates as an autonomous unit, with each maintaining its own separate computer environments. Each is headed by a commissioner and assisted by a chief financial officer who reports directly to the commissioner of that service. GSA's agency-level financial community consists of the Office of the Chief Financial Officer (OCFO). The agency-level CFO reports directly to the Administrator and oversees all agency-wide financial management activities.

Many operating processes and personnel involved in transaction initiation, processing and monitoring -- which ultimately affect the reliability of financial reporting -- do not fall within the direct control of the finance function at the OCFO level. For example, while the OCFO is responsible for compiling GSA's financial statements, it relies upon information that is submitted by the regions and service lines. Appropriate classification of the status of orders and obligations within the financial systems, budgetary accounts, and financial reports is largely dependent upon routine transaction-level review and ongoing, pro-active financial management of open contracts by contract officers. Accordingly, GSA's success in designing, implementing and achieving effective internal controls over financial reporting is dependent upon effective interactions and shared accountabilities among finance and operations managers and staff across the enterprise. PwC's control evaluation demonstrated that such procedures were not being performed by responsible contracting officers dispersed throughout GSA's operations, and also that adequate monitoring oversight of down-stream control processes was not performed by GSA's financial management community.

It is important to understand that GSA's current decentralized environment -- and consequent diffused authority, responsibility and accountability -- contributes to the root causes of material weaknesses cited in this report and serves as a barrier to their timely resolution. GSA's current lack of a central control assessment and remediation function aimed at solving agency-wide control weaknesses requires that widely dispersed managers, staff and business processes must coalesce in effecting change in addition to being pre-occupied with routine activities.

Implementation of enhanced information systems capabilities and related business processes, controls and accountabilities -- documented for consistent understanding and application -- would improve the completeness, accuracy and timeliness of budgetary financial reporting information required to meet Federal requirements. However, in the interim and until improvements are achieved, substantial work-arounds, cumbersome reconciliation processes, and significant adjustments to reported balances may continue to be necessary. Continuation of these practices, without the institution of sufficient routine and mitigating controls, will continue to heighten GSA's risk that material errors will not be prevented or detected in its budgetary accounts in interim and annual financial reports.

Recommendation

We recommend that GSA with OCFO oversight:

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- Eliminate dependency on obtaining, analyzing and adjusting financial information only at or near fiscal year end when staff resources are strained. Appropriate agency-wide processes and controls should be designed and implemented effectively so that budgetary and accrual-based accounting concepts must be applied continuously and consistently throughout the fiscal year when recording financial transactions.

- Develop and document policies and procedures to prepare and monitor budgetary accounting and reporting, which include supervisory reviews, analytical procedures, and data validation, and ensure that activities are in compliance with the applicable guidance.

- Fully implement the budgetary functionality of the current financial accounting system to ensure activity is recorded completely and accurately.

- Improve 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.

- Use the opportunity of implementing OMB Circular A-123 during fiscal year 2006 to identify 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 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.

Development, implementation and change controls over GSA's financial applications continue to need improvement

Reportable Condition

Since FY 1999, GSA has had a reportable condition regarding the need to improve development, implementation, and change controls over its financial applications. During FY 2005, GSA made progress in addressing the issues raised in prior years. Specifically, individual service lines had implemented a number of corrective actions including the implementation of a new configuration management tool that will assist in the tracking and documentation of all application change requests from initiation to completion. These efforts have enhanced the development, implementation, and change controls relative to future development and implementation efforts.

However, as part of our current year testing of application controls we noted a number of issues that indicate development, implementation, and change control procedures continue to need improvement. For example:

- System developers have access to the production environment for Pegasys.

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- Change control policies, procedures and practices are not being followed for Pegasys. In our sample, five approvals for changes had individuals in conflicting configuration management roles, and 15 test results were not documented.
- System software change procedures for GSAP are not being followed. Seven of the system software changes did not have the test plans and results documented.

GSA's financial system environment continues to be threatened by the following risks:

- A developer that has access to production files introduces the risk of unauthorized addition, deletion and modification of production data.
- Lack of formal test plans documented and conflicting authorization for program changes could result in the implementation of erroneous processing instructions, whether accidental or intentional.
- Not documenting the test plans and results for the operating system changes could result in the implementation of security weaknesses.

Recommendation

GSA management should:

- Limit developer's access to only the development environment.
- Ensure all program changes obtain proper documented approvals.
- Maintain all releases and significant program changes including documentation of the test plans executed.
- Ensure the documentation of test plans and test results is properly maintained.

GSA needs to strengthen security controls

Reportable Condition

In prior years we reported security weaknesses associated with FSS' FMS and FSS-19 applications. FSS was able to fully or partially resolve some of the issues by implementing the following corrective actions:

- Completed the FMS security plan.
- Authenticated users before resetting FMS user passwords.
- Restricted programmer and security administrators from production code for FMS and STAR.

However, based on our current year testing, we continued to note a number of security-related weaknesses in several GSA that when taken together, constitute a reportable condition for GSA. Specifically, weaknesses in the following areas were identified:

1. Completeness of security plan and certification and accreditation:
    - System security plan for NEAR and FSS-19 was not complete and current.
    - The certification and accreditation for FedPay was not completed.

2. Password and security controls configuration:

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- ACF2 for NEAR was not configured in accordance with GSA requirements and relies on additional security scripts outside of ACF2.
- Password parameters were not in compliance with the system security plan for GSAP.
- Concurrent user sessions were allowed for FSS-19.
- No forced change of the initial password for FSS-19.
- Controls over FSS-19 administrator passwords were weak.

3. Separation of user and administrator duties:
   - NEAR administrator duties were not in compliance with separation of duties policies.
   - GSAP and FEDPAY users were granted incompatible privileges.
   - User access privileges need to reinforce adequate separation of duties for FMS and STAR applications.

4. Documentation, approval, and recertification of user access:
   - Access request forms were missing for users accessing GSAP and FSS-19 and system administrator access to GSAP and NEAR.
   - Removal of Pegasys user access was not timely and documentation was not available.
   - No recertification procedures existed for GSAP system administrators.

5. Application audit trails and monitoring:
   - No monitoring of system software utilities occurred for GSAP.
   - The use of audit trails in FMS needs enhancement.

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

- Failure to document all of the application security policy and procedures will result in an incomplete and unenforceable plan that is not representative of operations and current risks. Exposing the application to a live environment (placed into production), without adequately addressing the risks and establishing safeguards, may expose the application to known vulnerabilities and ultimately impact the financial statements.
- Weak password and security parameters increases the risk that unauthorized access to the applications could be obtained and go undetected, which could affect the integrity of the data residing in the applications.
- 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) 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.
- Failure to maintain documentation of user authorizations and performing recertification procedures presents the risk that unauthorized users can have access to the applications that are not commensurate with their current job responsibilities and affect the integrity of the financial data in the applications.
- Without a timely and formal review of user activity logs, 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 risks noted in separation of user and administrator duties, documentation, approval, and recertification of user access, and application audit trails and monitoring, results in users having the capability of unauthorized access to the applications that support financial line items, and which process unauthorized transactions and updates, without being detected.

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Recommendations:

GSA's CIO should strengthen application security controls by taking actions to improve:

- Application security plans and certification and accreditation packages.
- Application password and security controls.
- Separation of duty controls over users and security administrators.
- Documentation, approval, recertification of user access.
- Application audit trail logging and monitoring.

PBS Controls over transferring substantially complete construction in process projects continue to need improvement

Reportable Condition

Since fiscal year 2001, we have identified a reportable condition related to PBS not performing timely transfer of construction, and major and minor repair 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, cancelled, or when the item does not meet the definition of a capital asset. The classification of projects as CIP or Property, Plant and Equipment (PP&E), is difficult and subjective, especially for multi-phased projects which, in some cases, may require the knowledge of an experienced Project Manager or specialist to make the determination. Furthermore, the terms "substantial completion" and "multi-phased projects" are not clearly defined, resulting in different interpretations for similar projects amongst regions.

In our previous reports, we recommended management address these areas. As a result, management implemented a series of management controls and processes to monitor substantial projects and ensure transactions are promptly recorded, properly classified and accounted for in order to prepare timely and reliable financial reporting. Management's actions included the following:

- Encouraged Regions to use established policies and procedures governing CIP
- Re-defined the definition of "substantial completion"
- Provided notification to Regions and Field Offices of forthcoming substantial completion dates
- Created a weekly CIP report to review and monitor actions taken by region
- Provided open items queries to determine potentially complete projects
- Provided training to assist the Regions in understanding IRIS interaction with the accounting system
- Proposed system enhancements in fiscal year 2006

During our fiscal year 2005 interim tests, we noted the following errors which indicate continued weaknesses in the underlying controls.

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- In Region 11 (National Capital Region), we reviewed 15 Minor Repair and Alteration (Budget Activity PG54) and 15 Constructions/ Major Repair and Alteration (Budget Activity PG51/55) projects files to ensure that substantially completed projects were properly transferred from CIP to the appropriate asset general ledger account timely. Our testing identified two PG54 and two PG51/55 substantially completed CIP projects (13%) that were not transferred timely to the proper asset account, or not transferred at all.
- Also in Region 9 (Pacific Rim), we reviewed 15 Minor Repair and Alteration (Budget Activity PG54) and 15 Constructions/ Major Repair and Alteration (Budget Activity PG51/55) projects files to ensure that substantially completed projects were properly transferred from CIP to the appropriate asset general ledger account timely. Our testing identified five PG54 and two PG51/55 substantially completed CIP projects (23%) that were not transferred timely to the proper asset account, or not transferred at all.

PBS implemented mitigating controls to address these findings, more specifically, performing a 100% review of all high-dollar CIP projects (70% of the outstanding CIP balance) and a statistical sample of the remaining population of CIP projects to determine the amounts to be reported in the financial statements. PBS records top-side adjustments to the financial statements based on the results of these high dollar and statistical sample reviews. Although improvements have been noted compared to prior years, the magnitude of errors identified and the amount of the required adjustment continues to indicate that the underlying processes contain significant weaknesses and need improvement.

The results of the FBF management's August 2005 statistical sample and 100% review of all high-dollar CIP projects indicated that 29% of the CIP projects reviewed were incorrectly classified as CIP, either because they were substantially complete or did not meet PBS's policy for capitalization and should be expensed, and resulted in a downward adjustment to the CIP year-end balance of over $232 million. The reasons for these misstatements included regional personnel not entering completion dates into the Inventory Reporting Information System (IRIS), regional personnel not expensing cancelled projects, problems with archived projects, and manual procedures performed by central office personnel not addressing all CIP issues.

In addition, IRIS does not allow multiple substantial completion dates for large projects with numerous sub-projects. This has caused PBS management to keep a separate record of substantially competed sub-projects and calculate depreciation accordingly. It is our understanding that the new version of IRIS, scheduled for deployment in fiscal year 2006 will significantly improve this capability.

When a new CIP project is established, regional personnel are expected to enter all necessary information, including the expected date of completion, into IRIS. This information allows PBS central office personnel to monitor the status of construction projects. Once a project is substantially complete, the project manager should enter the actual substantial completion date in IRIS to allow for the transferring of the project into the Real Property Accounting Depreciation System (RPADS), which serves as FBF's property subsidiary ledger. If a project is abandoned or cancelled, the project manager should transfer abandoned or cancelled project to expenses in a timely manner. The transfer from the CIP account to the appropriate asset or expense account is necessary for proper classification of the assets or expenses in the financial statement as well as accurate and

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complete reporting of depreciation expenses. Depreciation on substantially complete CIP projects are not calculated and recorded until the asset is transferred from CIP to the appropriate asset account.

PBS should implement effective preventative controls which detect and correct errors in individual transactions and balances. Maintaining accurate data in IRIS for CIP projects is necessary for PBS to generate accurate financial information on a routine basis.

Recommendation

PBS should proceed with its action plan to enhance the capabilities of IRIS in order to allow multiple completion dates for larger projects. This will reduce the number of top side adjustments made to the financial statements. In addition, PBS should 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. PBS needs to continue its efforts to review the definition of "substantial completion" with the regions and ensure that the project managers enter the expected completion date into IRIS at the beginning of the project as well as the substantial completion dates at the end of the project. PBS also needs to implement 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.

Contracting practices at the FTS continue to need improvement

Reportable Condition

In fiscal year 2003, the GSA Office of Inspector General (OIG) performed an audit of the procurement processes of FTS Client Support Centers (CSCs) to determine if procurements were made in accordance with the Federal Acquisition Regulations (FAR) and with the terms and conditions of the contract utilized. The audit focused on three of the eleven CSCs, and identified numerous instances of inappropriate contracting practices and two violations of the Anti-Deficiency Act, 31 U.S.C. §1341(a). We identified a reportable condition in our fiscal year 2004 Internal Control report based on the results of the OIG audit.

In response to the OIG findings and the requirements of the Act, FTS management implemented a series of actions and initiatives designed to improve acquisition quality and integrity across the Federal Technology Service, including pre-award legal reviews, a series of acquisition checklists, and an FTS Action Plan governing internal controls for task order acquisition activities. Furthermore, the GSA Administrator, in conjunction with DoD's Director of Defense Procurement and Acquisition Policy, launched the "Get it Right" initiative to reaffirm GSA's deep commitment to ensuring the proper use of GSA contracting vehicles and services.

At the request of the GSA Administrator and FTS Commissioner, during fiscal year 2004, the OIG performed additional analyses and reviews of task orders at all regional CSCs to provide GSA management a full assessment of the nature and scope of the weaknesses nationwide. As described in their report dated December

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limited analysis of 105 task orders awarded in fiscal year 2004. This extended review revealed that significant deficiencies and departures from procurement regulations occurred frequently, such as inadequate competition, lack of support for fair and reasonable pricing, improper task award modifications, and unjustified time-and-materials contracts.

In response to the Ronald W. Reagan National Defense Authorization Act (the Act) for Fiscal Year 2005 (Public Law 108-375), the OIG performed further audits of the FTS CSCs. In their report dated June 14, 2005, the OIG reported some improvement from new internal controls governing procurement activities put in place in the CSCs, although some regions continued to have the same issues as those identified in earlier reports. As a result of their review, eleven of twelve regional CSCs reviewed were determined to be non-compliant with procurement regulations but making significant progress toward becoming compliant under the Act. The OIG stated that the results indicated that management's implementation of the "Get it Right" plan is providing greater assurance that procurement actions are followed in accordance with the FAR.

As a result of this review, the GSA OIG will conduct a follow-up review of the remaining CSCs that were not compliant under the Act in the fiscal year 2006 timeframe. Once the audit is conducted, if any regions are not compliant, those regions will be prohibited from conducting procurements in excess of $100,000 for DOD agencies. At the time of this report, the OIG was determining the scope of the fiscal year 2006 audits and, therefore, results have not been finalized.

In a letter dated October 27, 2005, the GSA OIG communicated to GSA management three matters involving possible infractions on the part of GSA related to the Anti-deficiency Act (ADA) and Purpose Statute. In one instance, CSC officials processed procurement transactions for real property services through the ITF and the GSF that were well outside the funds' legislative authorized purposes, which are potentially in non-compliance with the Purpose Statute. In another instance, GSA contracted for services using client funds which may have been expired and unavailable for obligation, which may result in an ADA violation. An overarching issue was also identified pertaining to the inappropriate accounting for and misapplication of customer funds over the course of many prior financial reporting periods.

The OIG further reported that these potential ADA issues could be attributed to prior period weaknesses in internal control, and that their most recent audit results disclosed that FTS has made significant progress in the implementation of new controls governing procurement activities through programs such as the "Get it Right" plan. In our fiscal year 2005 audit, we selected a sample of 45 new acquisitions within the ITF to test for the specific management controls of 1) Legal Reviews, 2) Procurement Management Reviews, 3) Acquisition Checklists, and 4) Formal Contracting Officers List, as outlined in the "Get it Right" plan. We did not find any instances where new acquisitions did not comply with the new controls instituted by management.

Recommendation

FTS management should complete their action plans to strengthen the internal control environment to resolve the detailed findings in the OIG report on the Compendium of Audits of FTS Client Support Center Controls.

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Strengthening the internal controls across FTS will help to ensure that the current system will prevent and detect the occurrence of similar problems.

Reconciliation of intragovernmental balances needs improvement

Reportable Condition

In fiscal year 2004, we reported that GSA did not reconcile its non-fiduciary intra-governmental activities and balances because they were unable to fully perform reconciliations of intra-governmental activity and balances with their trading partners, for reasons such as: (1) trading partners not providing needed data; (2) limitations and incompatibility of agency and trading partner information systems; and (3) lack of human resources. We recommended that GSA develop and implement written policies and procedures to quarterly confirm and reconcile non-fiduciary transactions and balances with other Federal entities.

In our interim testing related to the fiscal year 2005 audit, we noted the following:

- Formal documented policies regarding the preparation and review of the intra-governmental reconciliation and IRAS reporting process had not been developed.
- GSA did not report all required USSGL intra-governmental accounts during quarterly IRAS reporting.
- GSA relies on the use of vendor codes and vendor code attributes to compile information relating to intra-governmental activity by trading partner. However, we noted that address files contained within a subsystem of Pegasys were not accurate and incorrectly assigned vendor codes to former Department of Justice component agencies which now currently make up the agencies within the Department of Homeland Security (DHS). When these agencies were merged to form the DHS, GSA did not update its subsystem to reflect the roll-up of these agencies to a new Department. The misclassified amount was approximately $102 million at June 30, 2005.
- Extensive manual workarounds and estimates are used to determine the breakout of revenue and receivables for the Department of Defense (DoD). Within the DoD, intra-governmental activity is broken out by trading partner activity related to the Department of the Army, Department of the Navy, and the Department of the Air Force. At June 30, 2005, there were $582 million in receivable transactions within the DoD and the DoD Departments which management could not assign to a specific department and therefore allocated this unidentified difference amongst the DoD entities.

During September 2005, GSA developed policies to quarterly confirm and reconcile non-fiduciary transactions and balances with other Federal entities as prescribed by Treasury guidance, and correctly reported all USSGL accounts. We noted that the reconciliation process entails significant effort on behalf of GSA to confirm and reconcile balances with trading partners. However, because of continuing limitations and incompatibility of agency and trading partner information systems, along with failure of trading partners to either provide needed data or to book entries agreed upon by GSA and the trading partners, differences remain unreconciled. At September 30, 2005, we found:

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

- The unidentified transactions unreconciled balances relating to the DoD and the DoD Departments was \$150 million, which was allocated among the DOD entities.
- The incorrect vendor codes had not been corrected within the subsystem address files. At year end, GSA had to make an adjustment to the financial records for \$105 million to correctly report intra-governmental activity related to DHS and DoJ.

GSA is required by Federal accounting and reporting guidelines to quarterly identify and reconcile intra-governmental balances and transactions with trading partners. This is required in accordance with OMB Circular No. A-136, Financial Reporting Requirements, and U.S. Department of the Treasury's Federal Intra-governmental Transactions Accounting and Policies Guide. Furthermore, the Treasury Financial Manual, Section 4706, Intra-governmental Activity/Balances, requires reporting agencies to reconcile/confirm intra-governmental activity and balances quarterly for specific reciprocal groupings.

Reconciling and confirming activity and balances quarterly with trading partners will help GSA to resolve unidentified transactions and ensure balances have been accurately and appropriately recorded. Additionally, this reconciliation process will identify material out-of-balance conditions between federal entities, help to support an accurate consolidation of GSA with the government-wide financial statements, and ensure that intra-governmental balances properly eliminate in the government-wide consolidated financial statements. The Government Accountability Office (GAO) has reported that Federal agencies' inability to account for these transactions properly is a major impediment to a clean audit opinion on the Consolidated Financial Report on the United States Government. Additionally, in their report entitled "*FINANCIAL AUDIT: Process for Preparing the Consolidated Financial Statements of the U.S. Government Continues to Need Improvement*", GAO states that "Lack of detailed explanations may hinder efforts to identify and correct problems that federal agencies are experiencing in reconciling with their trading partners."

Recommendation

We recommend that GSA continue to improve their process for identifying and reporting intra-governmental transactions by:

(1) Tracking and resolving unidentified reconciling differences through an analysis of individual transactions, and continuing to work with trading partners to identify such differences.

(2) Ceasing the practice of allocating unidentified differences to entities on an arbitrary basis in order to obtain valid confirmations of balances.

(3) Ensuring its vendor code attributes are accurately and completely identifying the agency to which the transaction should be assigned.

We also noted other less significant matters involving GSA's, the FBF's, the GSF's, and the ITF's internal controls that we will communicate to management in a separate letter.

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Report on Compliance and Other Matters

The management of GSA is responsible for compliance with laws and regulations. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations noncompliance with which could have a direct and material effect of the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to GSA, the FBF, the GSF and the ITF. However, 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 noncompliance 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. 01-02.

FTS contracting practices

As discussed in our "Report of Independent Auditors on Internal Control", regarding the reportable condition titled "Contracting practices at FTS continue to need improvement", the OIG reported in June 2005, on reviews of FTS contracting practices as a follow-up to their December 2004, report that cited instances in which FTS officials breached Government procurement laws and regulations, resulting in two violations of the Anti-deficiency Act (ADA), 31 U.S.C. § 1341(a). In their 2005 reporting, the OIG continued to note instances in which FTS officials breached Government procurement laws and regulations, and noted eleven of the twelve regional CSCs reviewed were determined to be "not compliant with procurement regulations but making significant progress toward becoming compliant".

In a letter dated October 27, 2005, the GSA OIG communicated to GSA management three matters involving possible infractions on the part of GSA related to the ADA and Purpose Statute. In one instance, CSC officials processed procurement transactions for real property services through the ITF and the GSF that were well outside the fund's legislative authorized purposes, which are potentially in non-compliance with the Purpose Statute. In another instance, GSA contracted for services using client funds which may have been expired and unavailable for obligation, which may result in an ADA violation. An overarching issue was also identified pertaining to the inappropriate accounting for and misapplication of customer funds over the course of many prior financial reporting periods.

Under FFMIA, we are required to report whether GSA's, the FBF's, the GSF's, and the ITF'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 section 803(a) requirements.

INDEPENDENT AUDITOR'S REPORT

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The results of our tests disclosed the following instance in which the GSA's financial management systems did not substantially comply with the Federal financial management systems requirements of FFMIA.

Material weakness in internal control

In our "Report on Internal Control", above, we report a material weakness in internal control over financial reporting titled, "Controls over monitoring, accounting, and reporting of budgetary transactions are inadequate". We believe that the failure to ensure the accurate status and validity of budgetary amounts throughout the year, and the failure to perform timely reconciliations and review of these balances is a condition that precludes the GSA from providing reasonable assurance that material misstatements in the financial statements will be prevented or detected on a timely basis. The FFMIA and related implementation guidance set forth requirements for agency financial management systems, including preparing financial statements and other required financial and budget reports and providing reliable and timely financial information for managing current operations in a way that is consistent with the Federal accounting standards and the Standard General Ledger. Further, "Financial Management System Requirements" in Section 7 of OMB Circular A-127 requires agency financial management systems to include a system of internal controls that ensure reliable data are obtained, maintained, and disclosed in reports.

In accordance with FFMIA, we report the following with respect to the instance of lack of substantial compliance:

1. GSA is the entity responsible for the systems found not to comply.
2. Relevant facts pertaining to the non-compliance are included in this report in our "Report on Internal Control" in the section titled "Controls over monitoring, accounting, and reporting of budgetary transactions are inadequate".
3. We recommend that management: (1) Eliminate dependency on obtaining, analyzing and adjusting financial information only at or near fiscal year end when staff resources are strained. Appropriate agency-wide processes and controls should be designed and implemented effectively so that budgetary and accrual-based accounting concepts are applied continuously and consistently throughout the fiscal year when recording financial transactions; (2) Develop and document policies and procedures to prepare and monitor budgetary accounting and reporting, which include supervisory reviews, analytical procedures, and data validation, and ensure that activities are in compliance with the applicable guidance; (3) Fully implement the budgetary functionality of the current financial accounting system to ensure activity is recorded completely and accurately; (4) Improve 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; (5) Use the opportunity of implementing OMB Circular A-123 during fiscal year 2006 to identify root causes of budgetary reporting control weaknesses across the breadth and depth of financial reporting process -- from the level of transaction initiation, through all processing activities, through the preparation of interim and annual financial reports.

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Other Information

The Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) are not required parts 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.

The other accompanying information included in this performance and accountability report, is presented for purposes of additional analysis and is not a required part of the consolidated and combined, and 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 it.

* * *

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 14, 2005

Independent Auditor's Report

November 15, 2004

MEMORANDUM FOR DAVID L. BIBB
ACTING 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: A050262/B/F/F06002

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 2005 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, PricewaterhouseCoopers LLP performed the audit of GSA's Fiscal Year 2005 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 systems 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 operational. Our procedures were not designed to provide assurance on internal controls over reported performance measures. Therefore, we do not provide an opinion on such controls.

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 Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, related to performance measures.

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 2005 Performance and Accountability Report are operating effectively.

In Fiscal Year 2005, GSA Order CFO 2170.1, "Performance Measurement Data Verification and Validation Procedures," became effective, requiring a cyclical review of the performance measure data reported by each Service and Staff Office. 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.

Furthermore, during our Fiscal Year 2004 *Report on Internal Controls Over Performance Measures* (A040226/B/F/F0002), we reported that the OCFO had hired a consultant to perform a review of the process used to verify and validate the data supporting the Agency's performance measures. The consultant's review was completed during Fiscal Year 2005, and a report detailing recommendations for improvement was provided to the OCFO. The OCFO has taken these recommendations into consideration and implemented them accordingly. This review represents an additional step taken to improve the adequacy of the internal controls over GSA's reported performance measures.

PRINCIPAL FINANCIAL STATEMENTS

CONSOLIDATING STATEMENTS OF NET COST

For the Fiscal Years Ended September 30, 2005 and 2004
(Dollars in Millions)

	2005	2004
FEDERAL BUILDINGS FUND:		
Revenues:		
Building Operations - Government-Owned	**$ 3,662**	$ 3,936
Building Operations - Leased	**4,583**	4,354
Expenses:		
Building Operations - Government-Owned	**2,830**	3,021
Building Operations - Leased	**4,441**	4,225
Net Revenues From (Cost of) Operations	**974**	1,044
GENERAL SUPPLY FUND:		
Revenues:		
Global Supply Operations	**1,028**	1,110
Vehicle Acquisition and Leasing	**1,454**	1,515
Commercial Acquisition	**452**	556
Professional Services	**732**	490
Other Programs	**68**	39
Expenses:		
Global Supply Operations	**1,056**	1,080
Vehicle Acquisition and Leasing	**1,403**	1,487
Commercial Acquisition	**395**	473
Professional Services	**729**	492
Other Programs	**66**	64
Net Revenues From (Cost of) Operations	**85**	114
INFORMATION TECHNOLOGY FUND:		
Revenues:		
Network Services	**1,247**	1,206
IT Solutions	**5,473**	7,195
Expenses:		
Network Services	**1,206**	1,175
IT Solutions	**5,525**	7,209
Net Revenues From (Cost of) Operations	**(11)**	17

Continued from previous page

	2005	2004
OTHER FUNDS:		
Revenues:		
Working Capital Fund	**378**	329
GSA OE and OGP Funds	**7**	24
Other Funds	**12**	6
Expenses:		
Working Capital Fund	**360**	340
GSA OE and OGP Funds	**171**	167
Other Funds	**103**	77
Net Revenues From (Cost of) Operations	**(237)**	(225)
LESS: INTRA-GSA ELIMINATIONS (NOTE 1-B):		
Revenues	**581**	541
Expenses	**608**	568
GSA CONSOLIDATED:		
Revenues	**18,515**	20,219
Expenses	**17,677**	19,242
Net Revenues From (Cost of) Operations	**$ 838**	$ 977

The accompanying notes are an integral part of these statements.

Principal Financial Statements

CONSOLIDATING BALANCE SHEETS

As of September 30, 2005 and 2004
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND	
	2005	**2004**	**2005**	**2004**
ASSETS				
Intragovernmental Assets:				
Funds with U.S. Treasury (Note 1-D,2)	**$ 5,449**	$ 5,355	**$ 492**	$ 423
Accounts Receivable - Federal, Net (Note 4)	**314**	259	**398**	376
Prepaid Expenses and Advances - Federal	**1**	2	**6**	2
Total Intragovernmental	**5,764**	5,616	**896**	801
Inventories (Note 1-E)	**5**	3	**224**	227
Accounts Receivable - Public, Net (Note 4)	**11**	12	**78**	68
Prepaid Expenses and Advances - Public	**18**	-	**-**	2
Other Assets	**14**	15	**6**	6
Property and Equipment (Notes 1-F,5):				
Buildings	**24,053**	23,700	**-**	-
Leasehold Improvements	**304**	333	**15**	9
Telecommunications and ADP Equipment	**-**	-	**-**	-
Motor Vehicles	**-**	-	**3,880**	3,782
Other Equipment	**68**	59	**140**	140
Less: Accumulated Depreciation and Amortization	**(11,991)**	(11,302)	**(1,307)**	(1,266)
Subtotal	**12,434**	12,790	**2,728**	2,665
Land	**1,273**	1,277	**-**	-
Construction in Process and Software in Development	**2,309**	1,077	**9**	4
Total Property and Equipment	**16,016**	15,144	**2,737**	2,669
Total Assets	**$ 21,828**	$ 20,790	**$ 3,941**	$ 3,773
LIABILITIES AND NET POSITION				
Intragovernmental Liabilities:				
Accounts Payable and Accrued Expenses - Federal	**$ 67**	$ 77	**$ 29**	$ 21
Deferred Revenue and Advances - Federal	**28**	24	**81**	72
Intragovernmental Debt (Note 6)	**2,201**	2,210	**-**	-
Other Intragovernmental Liabilities (Note 9)	**266**	249	**4**	6
Total Intragovernmental	**2,562**	2,560	**114**	99
Accounts Payable and Accrued Expenses - Public	**796**	801	**278**	267
Deferred Revenue and Advances - Public	**3**	9	**1**	-
Environmental and Disposals Liabilities (Notes 5,10)	**93**	103	**-**	-
Obligations Under Capital Leases (Note 8)	**296**	306	**-**	-
Workers' Compensation Actuarial Liability (Note 7)	**109**	113	**36**	30
Annual Leave Liability (Note 1-G)	**41**	39	**19**	18
Deposit Fund Liability	**-**	-	**-**	-
Earnings Payable to U.S. Treasury	**-**	-	**84**	84
Other Liabilities (Note 9)	**190**	143	**-**	-
Total Liabilities	**4,090**	4,074	**532**	498
NET POSITION (NOTE 14):				
Cumulative Results of Operations	**17,738**	16,686	**3,409**	3,275
Unexpended Appropriations	**-**	30	**-**	-
Total Net Position	**17,738**	16,716	**3,409**	3,275
Total Liabilities and Net Position	**$ 21,828**	$ 20,790	**$ 3,941**	$ 3,773

The accompanying notes are an integral part of these statements.

Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
2005	2004	2005	2004	2005	2004	2005	2004
$ 231	$ 288	**$ 606**	$ 477	**$ -**	$ -	**$ 6,778**	$ 6,543
1,083	1,260	**3**	2	**28**	19	**1,770**	1,878
-	-	**1**	9	**1**	2	**7**	11
1,314	1,548	**610**	488	**29**	21	**8,555**	8,432
-	-	**-**	-	**-**	-	**229**	230
10	10	**16**	22	**-**	-	**115**	112
-	-	**-**	-	**-**	-	**18**	2
7	9	**1**	2	**26**	29	**2**	3
-	-	**-**	-	**-**	-	**24,053**	23,700
-	-	**-**	-	**-**	-	**319**	342
159	168	**-**	-	**-**	-	**159**	168
-	-	**-**	-	**-**	-	**3,880**	3,782
94	93	**78**	74	**-**	-	**380**	366
(222)	(220)	**(32)**	(25)	**-**	-	**(13,552)**	(12,813)
31	41	**46**	49	**-**	-	**15,239**	15,545
-	-	**-**	-	**-**	-	**1,273**	1,277
85	63	**-**	-	**-**	-	**2,403**	1,144
116	104	**46**	49	**-**	-	**18,915**	17,966
$ 1,447	$ 1,671	**$ 673**	$ 561	**$ 55**	$ 50	**$27,834**	$ 26,745
$ 36	$ 44	**$ 13**	$ 12	**$ 28**	$ 19	**$ 117**	$ 135
44	78	**52**	40	**27**	31	**178**	183
-	-	**-**	-	**-**	-	**2,201**	2,210
1	2	**58**	54	**-**	-	**329**	311
81	124	**123**	106	**55**	50	**2,825**	2,839
1,049	1,233	**29**	32	**-**	-	**2,152**	2,333
2	-	**-**	-	**-**	-	**6**	9
-	-	**21**	35	**-**	-	**114**	138
-	-	**-**	-	**-**	-	**296**	306
5	9	**20**	15	**-**	-	**170**	167
13	12	**19**	19	**-**	-	**92**	88
-	-	**54**	29	**-**	-	**54**	29
-	-	**22**	28	**-**	-	**106**	112
-	-	**49**	8	**-**	-	**239**	151
1,150	1,378	**337**	272	**55**	50	**6,054**	6,172
297	293	**231**	179	**-**	-	**21,675**	20,433
-	-	**105**	110	**-**	-	**105**	140
297	293	**336**	289	**-**	-	**21,780**	20,573
$ 1,447	$ 1,671	**$ 673**	$ 561	**$ 55**	$ 50	**$27,834**	$ 26,745

Principal Financial Statements

CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION

For the Fiscal Years Ended September 30, 2005 and 2004
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND	
	2005	**2004**	**2005**	**2004**
BEGINNING BALANCE OF NET POSITION:				
Cumulative Results of Operations	**$16,686**	$ 15,599	**$ 3,275**	$ 3,370
Unexpended Appropriations	**30**	37	**-**	-
Net Position Beginning Balance	**16,716**	15,636	**3,275**	3,370
RESULTS OF OPERATIONS:				
Net Revenue From (Cost of) Operations	**974**	1,044	**85**	114
Appropriations Used (Note 1-C)	**30**	463	**-**	-
Non-Exchange Revenue (Notes 1-C, 1-G)	**-**	-	**-**	-
Imputed Financing Provided By Others	**55**	53	**28**	27
Transfer of Earnings Paid and Payable to U.S. Treasury	**-**	-	**-**	(246)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	**(7)**	(473)	**20**	10
Receipts Paid and Reclassified as Payable From (To) the Land and Water Conservation Fund	**-**	-	**-**	-
Other	**-**	-	**1**	-
Net Results of Operations	**1,052**	1,087	**134**	(95)
CHANGES IN UNEXPENDED APPROPRIATIONS:				
Appropriations Received	**-**	460	**-**	-
Appropriations Used	**(30)**	(463)	**-**	-
Appropriations Adjustments and Transfers From Other Agencies or Funds	**-**	(4)	**-**	-
Other	**-**	-	**-**	-
Net Change in Unexpended Appropriations	**(30)**	(7)	**-**	-
ENDING BALANCE OF NET POSITION:				
Cumulative Results of Operations	**17,738**	16,686	**3,409**	3,275
Unexpended Appropriations	**-**	30	**-**	-
Net Position Ending Balance	**$17,738**	$ 16,716	**$ 3,409**	$ 3,275

The accompanying notes are an integral part of these statements.

INFORMATION TECHNOLOGY FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
2005	2004	2005	2004	2005	2004	2005	2004
$ 293	$ 262	$ 179	$ 159	$ -	$ -	$20,433	$ 19,390
-	-	110	108	-	-	140	145
293	262	289	267	-	-	20,573	19,535
(11)	17	(237)	(225)	(27)	(27)	838	977
-	-	215	194	-	-	245	657
-	-	57	42	-	-	57	42
15	14	44	26	27	27	115	93
-	-	(28)	(19)	-	-	(28)	(265)
-	-	6	5	-	-	19	(458)
-	-	(5)	(2)	-	-	(5)	(2)
-	-	-	(1)	-	-	1	(1)
4	31	52	20	-	-	1,242	1,043
-	-	218	203	-	-	218	663
-	-	(215)	(194)	-	-	(245)	(657)
-	-	(8)	(7)	-	-	(8)	(11)
-	-	-	-	-	-	-	-
-	-	(5)	2	-	-	(35)	(5)
297	293	231	179	-	-	21,675	20,433
-	-	105	110	-	-	105	140
$ 297	$ 293	$ 336	$ 289	$ -	$ -	$21,780	$ 20,573

PRINCIPAL FINANCIAL STATEMENTS

CONSOLIDATING STATEMENTS OF BUDGETARY RESOURCES

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2005 AND 2004
(Dollars in Millions)

	FEDERAL BUILDINGS FUND	
	2005	**2004**
BUDGETARY RESOURCES:		
Budget Authority	$ -	$ 9
Unobligated Balance, Net - Beginning Balance	**4,293**	3,922
Spending Authority:		
Earned Revenue	**8,263**	8,293
Change in Unfilled Customer Orders	**(222)**	(67)
Prior Year Recoveries	**274**	175
Resources Temporarily Not Available	**(515)**	(647)
Capital Transfers	**(40)**	(57)
Total Budgetary Resources	**12,053**	11,628
STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred		
Direct	**-**	-
Reimbursable	**8,219**	7,982
Unobligated Balance - Available		
Apportioned	**3,737**	3,558
Exempt from Apportionment	**-**	-
Unobligated Balance - Not Available	**97**	88
Total Status of Budgetary Resources	**12,053**	11,628
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:		
Obligations Incurred	**8,219**	7,982
Less: Spending Authority from Offsetting Collections and Recoveries	**(8,315)**	(8,401)
Obligated Balance, Net - Beginning Balance	**1,216**	1,134
Less: Obligated Balance - Ending:		
Accounts Receivable	**303**	230
Unfilled Customer Orders	**1,428**	1,649
Undelivered Orders	**(2,063)**	(2,207)
Accounts Payable	**(879)**	(888)
Outlays	**(91)**	(501)
COMPONENTS OF OUTLAYS:		
Disbursements	**8,099**	7,791
Collections	**(8,190)**	(8,292)
Less: Offsetting Receipts	**-**	-
Net Outlays	**$ (91)**	$ (501)

The accompanying notes are an integral part of these statements.

GENERAL SUPPLY FUND		INFORMATION TECHNOLOGY FUND		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
$ -	$ -	**$ -**	$ -	**$ 238**	$ 230	**$ 238**	$ 239
594	535	**2,331**	2,180	**155**	108	**7,373**	6,745
4,720	4,566	**6,747**	8,476	**425**	361	**20,155**	21,696
(121)	436	**(2,073)**	(472)	**(4)**	2	**(2,420)**	(101)
98	78	**989**	748	**26**	22	**1,387**	1,023
-	-	**-**	-	**-**	-	**(515)**	(647)
-	(162)	**-**	-	**(5)**	(4)	**(45)**	(223)
5,291	5,453	**7,994**	10,932	**835**	719	**26,173**	28,732
-	-	**-**	-	**216**	240	**216**	240
4,577	4,859	**6,225**	8,601	**425**	365	**19,446**	21,807
614	594	**-**	-	**69**	69	**4,420**	4,221
-	-	**1,769**	2,331	**-**	-	**1,769**	2,331
100	-	**-**	-	**125**	45	**322**	133
5,291	5,453	**7,994**	10,932	**835**	719	**26,173**	28,732
4,577	4,859	**6,225**	8,601	**641**	605	**19,662**	22,047
(4,697)	(5,080)	**(5,663)**	(8,752)	**(447)**	(385)	**(19,122)**	(22,618)
(171)	(77)	**(2,043)**	(1,865)	**171**	153	**(827)**	(655)
409	385	**1,052**	1,226	**3**	3	**1,767**	1,844
947	1,074	**3,662**	5,704	**13**	3	**6,050**	8,430
(816)	(989)	**(2,122)**	(3,645)	**(154)**	(133)	**(5,155)**	(6,974)
(318)	(299)	**(1,055)**	(1,242)	**(41)**	(44)	**(2,293)**	(2,473)
(69)	(127)	**56**	27	**186**	202	**82**	(399)
4,633	4,436	**6,945**	8,635	**597**	566	**20,274**	21,428
(4,702)	(4,563)	**(6,889)**	(8,608)	**(411)**	(364)	**(20,192)**	(21,827)
-	-	**-**	-	**(21)**	(16)	**(21)**	(16)
$ (69)	$ (127)	**$ 56**	$ 27	**$ 165**	$ 186	**$ 61**	$ (415)

Principal Financial Statements

CONSOLIDATING STATEMENTS OF FINANCING

For the Fiscal Years Ended September 30, 2005 and 2004
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND	
	2005	**2004**	**2005**	**2004**
RESOURCES USED TO FINANCE ACTIVITIES:				
Obligations Incurred	**$ 8,219**	$ 7,982	**$ 4,577**	$ 4,859
Less: Spending Authority From Offsetting Collections and Adjustments	**(8,315)**	(8,401)	**(4,697)**	(5,080)
Financing Imputed for Cost Subsidies	**55**	53	**28**	27
Other	**5**	465	**(29)**	(64)
Total Resources Used to Finance Activities	**(36)**	99	**(121)**	(258)
RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS:				
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	**144**	(30)	**173**	(252)
Increase/(Decrease) in Unfilled Customer Orders	**(222)**	(67)	**(121)**	436
Costs Capitalized on the Balance Sheet	**(1,634)**	(1,500)	**(752)**	(719)
Financing Sources Funding Prior Year Costs	**(33)**	(35)	**-**	-
Other	**2**	(470)	**24**	32
Total Resources Used That Are Not Part of the Net Cost of Operations	**(1,743)**	(2,102)	**(676)**	(503)
COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS:				
Depreciation and Amortization	**788**	968	**385**	371
Net Book Value of Property Sold	**-**	-	**312**	278
Other	**41**	(2)	**9**	-
Total Costs Financed by Resources Received in Prior Periods	**829**	966	**706**	649
COSTS REQUIRING RESOURCES IN FUTURE PERIODS:				
Unfunded Capitalized Costs	**(19)**	(5)	**-**	-
Unfunded Current Expenses	**(5)**	(2)	**6**	(2)
Total Costs Requiring Resources in Future Periods	**(24)**	(7)	**6**	(2)
Net (Income From) Cost of Operations	**$ (974)**	$ (1,044)	**$ (85)**	$ (114)

The accompanying notes are an integral part of these statements.

Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
2005	2004	2005	2004	2005	2004	2005	2004
$ 6,225	$ 8,601	$ 641	$ 605	$ -	$ -	$19,662	$ 22,047
(5,663)	(8,752)	(447)	(385)	-	-	(19,122)	(22,618)
15	14	44	26	27	27	115	93
-	9	(3)	(7)	-	-	(27)	403
577	(128)	235	239	27	27	628	(75)
1,523	599	(21)	(7)	-	-	1,819	310
(2,073)	(472)	(4)	2	-	-	(2,420)	(101)
(27)	(37)	(13)	(11)	-	-	(2,426)	(2,267)
-	-	-	-	-	-	(33)	(35)
-	2	33	5	-	-	59	(431)
(577)	92	(5)	(11)	-	-	(3,001)	(2,524)
17	17	12	11	-	-	1,202	1,367
-	-	-	-	-	-	312	278
-	-	-	-	-	-	50	(2)
17	17	12	11	-	-	1,564	1,643
-	-	-	-	-	-	(19)	(5)
(6)	2	(5)	(14)	-	-	(10)	(16)
(6)	2	(5)	(14)	-	-	(29)	(21)
$ 11	$ (17)	$ 237	$ 225	$ 27	$ 27	$ (838)	$ (977)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED

SEPTEMBER 30, 2005 AND 2004

ORGANIZATION

The U.S. General Services Administration (GSA) was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended. The U.S. 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 three largest revolving funds: the Federal Buildings Fund (FBF), General Supply Fund (GSF), and Information Technology Fund (ITF). 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 GSF and the ITF are the primary funds used to record activities of the former Federal Supply Service (FSS) and Federal Technology Services (FTS), respectively. The FSS and FTS organizations were combined into one, the Federal Acquisition Service (FAS), in the fourth quarter of FY 2005.

In association with some of the primary purposes that led to creation of FAS (to modify GSA's operational and management structure to better serve the Federal community's procurement needs and gain efficiencies within those operations), GSA has submitted proposed legislation that would merge the GSF and ITF, to create 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 existing funding structure and authorities require segregation of technology from non-technology procurements, which can significantly hinder efficient management of procurements.

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 the U.S. Congress. The revolving funds in the Other Funds category consist of the following:

- Federal Consumer 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 10 General Fund accounts of which four are funded by current year appropriations, two by no-year appropriations, and four which cannot incur new obligations. The general funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Electronic Government Fund
- Excess and Surplus Real and Related Personal Property Holding Account

- Expenses, Presidential Transition
- Election Reform Payments
- Election Reform Reimbursements
- Office of Inspector General
- Operating Expenses, General Services Administration
- Policy and Citizen Services Fund
- 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. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property and for funding of the Transportation Audits 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 (Treasury) automatically transfers all cash balances in these receipt accounts to general funds of the 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:

- Budget Clearing Account
- Credits for Withholding and Contributions, Civil Service Retirement and Disability Fund
- 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
- Proceeds from Sale of Surplus Property
- Reserve for Purchase Contract Projects
- Suspense
- Suspense, Transportation Audits
- Unconditional Gifts of Real, Personal or Other Property
- Withheld State and Local Taxes

B. Basis of Accounting

The principal financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and 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 formats prescribed in OMB Circular A-136. These formats are considerably different from business-type formats. The Statements of Net Cost present the operating results of GSA by major programs and responsibilities. The Balance Sheets present the financial position of GSA using a format clearly segregating intra-governmental balances. The Statements of Changes in Net Position display the changes in equity accounts. The Statements of Budgetary Resources present

Notes to the Financial Statements

the sources, status, and uses of GSA's budgetary resources. Lastly, the Statements of Financing bridge the gap between the uses of budgetary resources with the operating results reported on the Statements of Net Cost.

GSA did not perform all reconciliations with trading partners required by Circular A-136, which requires agencies to reconcile intra-governmental income, expense, assets, and liabilities, with all of its trading partners. GSA did complete reconciliations related to fiduciary transactions activity, and has reconciled material differences reported by other agencies in conformance with U.S. Treasury intra-governmental reporting guidelines.

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

On the Statements of Net Cost, Balance Sheets, Statements of Changes in Net Position, Statements of Financing, all significant intra-agency balances and transactions have been eliminated in consolidation. No such eliminations have been made on the Combining Statements of Budgetary Resources. Certain amounts of expenses eliminated on the 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 Statements of Changes in Net Position. Accordingly, on the Statements of Net Cost the revenues and expense eliminations do not match. The Statement of Changes in Net Position displays 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 Statements of Net Cost are generated from intra-governmental sales of goods and services. Expenses are primarily incurred with non-Federal entities supplying the underlying goods and services being provided to GSA's Federal customers. 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 GSF, 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 $269 million in fees, constituting 7.2 percent of GSF revenues in FY 2005, and $255 million (6.9 percent of GSF revenues) in FY 2004. Professional Services revenues are recognized when goods and services are provided. In the ITF, 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 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 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 Balance Sheets.

D. Fund Balance with U.S. Treasury

This total represents all unexpended balances for GSA's accounts with the U.S. Treasury. Amounts in Funds with U.S. 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. See Note 2 for further details regarding such adjustments.

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 U.S. Department of the Interior

E. Inventories

Operating supplies, which will be consumed in operations, are valued at the lower of cost, determined principally on the first-in, first-out method, or market. In the Federal Buildings Fund (FBF), inventory balances consist of operating supplies.

Inventories held for sale to other Federal agencies consist primarily of GSF inventories, which are valued at the lower of cost, generally determined on a moving average basis, or market. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan.

In the GSF, $2.1 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.

F. Property and Equipment (See Note 5)

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.

Notes to the Financial Statements

Expenditures for major additions, replacements, and alterations 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 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. Upon completion, construction costs are capitalized in the Land and Buildings accounts. 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 FY 2001, GSA implemented FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 10, *Accounting for Internal Use Software.* This standard requires capitalization of software development costs incurred for systems having a useful life of two years or more. 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.

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 U.S. Treasury

A. Reconciliation to Treasury

There were no differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2005 and 2004.

B. Balances by Fund Type

Funds with U.S. Treasury are primarily components of revolving funds such as the FBF, GSF, and ITF. The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

	2005	2004
Revolving Funds	**$ 216**	$ 142
Appropriated and General Funds	185	165
Special Funds	154	147
Deposit Funds	51	23
Total Other Funds	**$ 606**	$ 477

C. Relationship to the Budget

In accordance with SFFAS Number 1, *Accounting for Selected Assets and Liabilities,* the following information is provided to further identify amounts in Funds with U.S.

Treasury as of September 30, 2005, 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 may not equal related amounts reported on the Combining Statements of Budgetary Resources (CSBR), particularly for Other Funds, as this schedule presents elements of Funds with U.S. Treasury, which excludes other authorities reportable in the CSBR and includes balances in Funds that are not reportable in the CSBR (dollars in millions):

	OBLIGATED BALANCE, NET	UNOBLIGATED BALANCE AVAILABLE	UNOBLIGATED BALANCE UNAVAILABLE	TOTAL
FY 2005				
FBF	$ 1,153	$ 3,684	$ 612	$5,449
GSF	(222)	614	100	492
ITF	(1,538)	1,769	-	231
Others	179	69	358	606
Total	$ (428)	$ 6,136	$ 1,070	$ 6,778
FY 2004				
FBF	$ 1,118	$ 3,501	$ 736	$ 5,355
GSF	(171)	594	-	423
ITF	(2,043)	2,331	-	288
Others	71	69	237	477
Total	$ (925)	$ 6,495	$ 973	$ 6,543

D. Availability of Funds

Included in GSA's accounts 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 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 $118 million and $119 million at September 30, 2005 and 2004, respectively, of which $21 million and $22 million, respectively, were recorded as liabilities in the Consolidating Balance Sheets. At both September 30, 2005 and 2004, the balance of Funds with Treasury that were no longer available for expenditure totaled $3 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.

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 are displayed on the Consolidated Statements of Budgetary Resources.

For the GSF and ITF, legislative authorities set certain limitations on the amount of earnings that may be retained in those funds. Amounts in excess of such limitations are returned to the Treasury General Fund. At the end of both FY 2005 and 2004, only the GSF had balances in this regard, totaling $84 million of excess amounts that are classified as Earnings Payable to Treasury.

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. This fund contains $41 million of balances being retained to liquidate any claims related to that Commission and its responsibilities. Any balances not needed to liquidate claims will be returned to the government of Panama.

3 NON-ENTITY ASSETS

As of September 30, 2005 and 2004, 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):

	2005	2004
Funds with U.S. Treasury	$ 106	$ 71
Accounts Receivable - Public	1	1
Prepaid Expenses - Federal	1	9
Total	$ 108	$ 81

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 writeoffs.

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 0.0 percent to 8.6 percent.

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

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND	
	2005	**2004**	**2005**	**2004**
CURRENT:				
Accounts Receivable - Billed	**$ 119**	$ 93	**$ 91**	$ 94
Accounts Receivable - Unbilled	**218**	188	**389**	354
Allowance for Doubtful Accounts	**(12)**	(10)	**(4)**	(4)
	325	271	**476**	444
Add: Current Notes Receivable	**-**	-	**-**	-
Subtotal Current Receivables	**325**	271	**476**	444
NONCURRENT NOTES RECEIVABLE				
(Net of Allowance of $45 million and $40 million in 2005 and 2004, respectively)	**-**	-	**-**	-
Total Accounts and Notes Receivable	**$ 325**	$ 271	**$ 476**	$ 444

INFORMATION TECHNOLOGY FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
2005	2004	2005	2004	2005	2004	2005	2004
$ 69	$ 102	**$ 21**	$ 27	**$ -**	$ -	**$ 300**	$ 316
1,024	1,168	**3**	2	**28**	19	**1,606**	1,693
-	-	**(5)**	(5)	**-**	-	**(21)**	(19)
1,093	1,270	**19**	24	**28**	19	**1,885**	1,990
-	-	**-**	-	**-**	-	**-**	-
1,093	1,270	**19**	24	**28**	19	**1,885**	1,990
-	-	**-**	-	**-**	-	**-**	-
$ 1,093	$ 1,270	**$ 19**	$ 24	**$ 28**	$ 19	**$ 1,885**	$ 1,990

5 PROPERTY AND EQUIPMENT

A. Summary of Balances

In FY 2004, GSA recorded capitalized interest costs of $2.6 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 2004 amounted to $1.1 million. Balances in GSA's Property and Equipment accounts subject to depreciation as of September 30, 2005, and 2004, are summarized below (dollars in millions):

	2005			2004		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	**$24,053**	**$11,682**	**$12,371**	$ 23,700	$ 10,980	$ 12,720
Leasehold Improvements	**319**	**285**	**34**	342	303	39
Telecom and ADP Equipment	**159**	**136**	**23**	168	143	25
Motor Vehicles	**3,880**	**1,219**	**2,661**	3,782	1,191	2,591
Other Equipment	**380**	**230**	**150**	366	196	170
Total	**$28,791**	**$13,552**	**$15,239**	$ 28,358	$ 12,813	$ 15,545

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 the FASAB's SFFAS Numbers 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 Number 2* 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 $93 million and $103 million for Environmental and Disposals costs as of September 30, 2005 and 2004, 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. 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.

6 DEBT FINANCING

A. Purchase Contract and Lease Purchase Debt

Purchase contract debt was borrowing authority employed to finance construction of Federal buildings. Under that authority, the Dual System provided monies via publicly issued Participation Certificates and Participation Certificates of the U.S. Treasury's Federal FFB. GSA is not authorized to obtain any additional purchase contract debt without congressional approval. During FY 2005, GSA retired the remaining balances of the purchase contract debt.

In FYs 1993 through 1995, GSA refinanced all outstanding publicly issued Participation Certificates with the FFB, and GSA has title to all purchase contract buildings.

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 FY 2005 and 2004, the FFB made advance payments on the behalf of GSA totaling $43 million and $48 million, respectively. As of September 30, 2005 and 2004, $103 million and $146 million, respectively, of borrowing authority under the lease purchase program remained available for obligation.

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities are as follows (dollars in millions): 2006 - $37; 2007 - $40; 2008 - $42; 2009 - $45; 2010 - $48; 2011 and beyond - $1,271.

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 are 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): 2006 - $16; 2007 - $17; 2008 - $18; 2009 - $19; 2010 - $20; 2011 and beyond - $628.

C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the FBF at September 30, 2005 and 2004 were as follows (dollars in millions):

	2005	2004
PURCHASE CONTRACT DEBT:		
Dual System: Participation certificates held by the Federal Financing Bank (FFB), due at various dates from June 26, 2004, through November 15, 2004, at interest rates ranging from 8.472 percent to 9.162 percent	**$ -**	$ 5
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	**1,483**	1,472
PENNSYLVANIA AVENUE DEBT:		
Ronald Reagan Building, mortgage loans due November 2, 2026, at interest rates ranging from 4.004 percent to 8.323 percent	**718**	733
TOTAL GSA DEBT	**$ 2,201**	$ 2,210

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 U.S. 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 2005 was calculated by DOL using a discount rate of 4.528 percent for FY 2005 and 5.020 percent for FY 2006 and thereafter. At the end of FY 2004, the discount rate used was 4.880 percent for FY 2004 and 5.245 percent for FY 2005 and thereafter. The actuarial liability recorded by GSA totaled $170 million and $167 million as of September 30, 2005 and 2004, respectively.

8 LEASING ARRANGEMENTS

As of September 30, 2005, GSA was committed to various noncancelable 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 GSF to fill demand for vehicles when sufficient owned vehicles are not available. The following are schedules of future minimum rental payments required under leases that have initial or remaining noncancelable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions):

FISCAL YEAR	TOTAL
OPERATING LEASES	
2006	$ 3,635
2007	3,084
2008	2,710
2009	2,399
2010	2,092
2011 and thereafter	8,856
Total minimum lease payments	$ 22,776
CAPITAL LEASES	
2006	$ 32
2007	32
2008	31
2009	31
2010	31
2011 and thereafter	336
Total minimum lease payments	493
Less: Amounts representing Interest	194
Executory Costs	3
Total obligations under capital leases	$ 296

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 $4.2 billion and $4.4 billion for the fiscal years ended September 30, 2005 and 2004, respectively. Rent expense under all operating leases, including short-term noncancelable leases, was approximately $3.9 billion and $3.7 billion in FY 2005 and 2004, respectively. The Consolidating Balance Sheets as of September 30, 2005 and 2004, include capital lease assets of $363 million in both years for buildings. Aggregate accumulated amortization on such structures totaled $116 million and $104 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, 2005 and 2004, amounts reported on the balance sheet as Other Intragovernmental Liabilities and Other Liabilities which are substantially all long-term in nature, consisted of the following (dollars in millions):

	FBF	GSF	ITF	OTHERS	TOTAL GSA CONSOLIDATED
2005					
Other Intragovernmental Liabilities:					
Workers' Compensation Due to DOL	$ 22	$ 4	$ 1	$ 6	$ 33
Deposits Held in Suspense	-	-	-	52	52
Payments Due to the Judgment Fund (Note 10)	244	-	-	-	244
Total	**$266**	**$ 4**	**$ 1**	**$ 58**	**$329**
Other Liabilities:					
Contingencies	$ 5	$ -	$ -	$ -	$ 5
Installment Purchase Liabilities	149	-	-	-	149
Pensions for Former Presidents	-	-	-	8	8
Liabilities of the Panama Canal Commission	-	-	-	41	41
Unamortized Rent Abatements	36	-		-	36
Total	**$190**	**$ -**	**$ -**	**$ 49**	**$239**
2004					
Other Intragovernmental Liabilities:					
Workers' Compensation Due to DOL	$ 22	$ 6	$ 2	$ 3	$ 33
Deposits Held in Suspense	-	-	-	51	51
Payments Due to the Judgment Fund (Note 10)	227	-	-	-	227
Total	**$249**	**$ 6**	**$ 2**	**$ 54**	**$311**
Other Liabilities:					
Contingencies	$ 6	$ -	$ -	$ -	$ 6
Installment Purchase Liabilities	116	-	-	-	116
Pensions for Former Presidents	-	-	-	8	8
Unamortized Rent Abatements	21	-	-	-	21
Total	**$143**	**$ -**	**$ -**	**$ 8**	**$151**

10 COMMITMENTS AND CONTINGENCIES

A. Commitments

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 amounted to $5.2 billion in FY 2005 and $7.0 billion in FY 2004.

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, 2005 and 2004, GSA recorded liabilities in total of $89 million and $100 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, for both of those years, $84 million related 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 $180 million and $179 million in contingencies at September 30, 2005 and 2004, 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 U.S. Department of Justice 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 Number 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 $22 million and $35 million in FY 2005 and 2004, respectively, of Environmental and Disposals and Other Liabilities for contingencies, which will require funding exclusively through the Judgment Fund. Of those amounts, almost $21 million and $35 million, result from several environmental cases outstanding at the end of FY 2005 and 2004, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with FASAB's Accounting and Auditing Policy Committee (AAPC) Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities of 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 $171 million to $3.5 billion on September 30, 2005 and ranged from $170 million to $3.5 billion on September 30, 2004.

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 $47 million and $34 million in FY 2005 and 2004, respectively. Of these amounts $23 million and $26 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 contacts 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, 2005 and 2004, budgetary resources were not yet available to fund certain liabilities reported on the balance sheet. For such liabilities, most are long-term in nature where funding is generally made available in the year payments are anticipated. These Unfunded Liabilities consist of amounts reported on the Consolidating Balance Sheets for FY 2005 and 2004, under the captions: Workers' Compensation Actuarial Liability, Other Intragovernmental Liabilities, Annual Leave Liability, Environmental and Disposals, and Other Liabilities. In addition, balances reported as Intragovernmental Debt for FY 2005 and 2004, include unfunded balances totaling $58 million and $68 million, respectively. Balances reported as Obligations Under Capital Lease included unfunded portions totaling $273 million and $282 million for FY 2005 and 2004, respectively. All balances reported in the Consolidating Balance Sheets under the captions: Deposit Fund Liability, and Earnings Payable to Treasury, as well as amounts shown as Deposits Held in Suspense in Note 9, while unfunded by definition, will be liquidated from resources outside of the traditional funding process.

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 verses those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget.

Differences between the Combining Statements of Budgetary Resources (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, 2004.

The basis of the CSBR is data reported to the U.S. Treasury on the Statements of 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 2004, the only significant adjustments of these items was due to the effect of timing/cutoff differences carried forward from adjustments made in FY 2003. Adjustments recorded in the ITF resulted in decreases to obligations incurred by $69 million, and decreases in budgetary resources of the same amount. In the GSF, errors in original estimates lead to significant adjustments which decreased obligations incurred and budgetary resources by $364 million.

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 appropriated funds but which are appropriately included in the CSBR in the Other Funds group. Such amounts totaled $41 million, $14 million and $27 million, respectively, in FY 2004.

In some instances the Office of Management and Budget (OMB) may require additional changes to actual reported results for pending or known changes in legislation that affect future presentations. For FY 2004, the one instance of this related to balances remaining in Panama Canal Commission funds which were transferred to GSA effective

October 1, 2004. While not part of GSA's financial reporting for FY 2004, the President's Budget aligned the balances of these funds under GSA. This resulted in reconciling differences of $40 million.

The most significant comparable amounts reported in the FY 2004 CSBR and FY 2006 President's Budget, and the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget are as follows (dollars in millions):

	FBF		GSF		ITF		OTHERS		TOTAL		
	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	DIFFERENCE
Budgetary Resources	$12,275	$12,272	$5,453	$5,817	$10,932	$11,001	$719	$706	$29,379	$29,796	$ (417)
Obligations Incurred	7,982	7,982	4,859	5,223	8,601	8,670	605	619	22,047	22,494	(447)
Unobligated Balance	4,293	4,290	594	594	2,331	2,331	114	88	7,332	7,303	29
Obligated Balance	1,216	1,218	(171)	(171)	(2,043)	(2,043)	171	212	(827)	(784)	(43)
Outlays	(501)	(501)	(127)	(121)	27	39	202	199	(399)	(384)	(15)

13 Statement Of Budgetary Resources

The CSBR present GSA's budgetary results in accordance with reporting requirements prescribed in OMB Circular No. 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, all ITF balances are classified as exempt from apportionment, while all other significant balances in GSA's funds are classified as Category A in accordance with OMB guidelines.

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 program or activity that it should be charged to. In managing and controlling spending in GSA's funds on a fund-by-fund basis, unique budget control levels (such as programs, 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 Anti-Deficiency Act (ADA). When an obligation from a prior year is modified to change the level or category of an obligation, a Prior Year Recovery would be recognized in the category that was initially charged, and Obligations Incurred would be recognized for the category that the obligation was changed to. While there may be no net change to total obligations in a particular fund, offsetting balances would be reported on these lines of the CSBR.

The basis of the CSBR is data reported to the U.S. Treasury on the SF 133s. However, as the CSBR is being developed, items may be identified that require adjustment to the data originally submitted on the SF 133s. 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 2005, the most significant differences were due to the effect of adjustments made to the CSBR as a result of statistical samples of Undelivered Orders, Unfilled Customer Orders, and Delivered Orders. Projections of such adjustments to particular funds, which are based on extrapolations of aggregate amounts, cannot readily be determined to the detailed levels that are required to accompany SF 133 reporting.

	FBF	GSF	ITF	TOTAL
Change in Unfilled Customer Orders	$ (303)	$ (34)	$ (701)	$ (1,038)
Prior Year Recoveries	62	47	227	336
Obligations Incurred	(41)	(12)	(102)	(155)
Unobligated Balance - Available	(262)	(22)	(372)	(656)
Unobligated Balance - Not Available	62	47	-	109
Unfilled Customer Orders - Uncollected	(303)	(34)	(701)	(1,038)
Undelivered Orders - Unpaid	(123)	(59)	(329)	(511)
Accounts Payable	20	-	-	20

The table above displays the differences between the CSBR and SF 133 reports due to increases (decreases) to CSBR balances caused primarily by the statistical sampling adjustments (dollars in millions):

For the ITF, due to the nature of the errors found in the statistical samples, potentially material amounts related to Unfilled Customer Orders are likely overstated in the FY 2004 CSBR. In connection with GSA's "Get It Right" program, FTS has been implementing new controls over customer orders and obligations. During FY 2005, FTS had begun to review unfilled order balances to close out amounts where projects had been completed, where the use of remaining unfilled order balances was not likely, or the original funding had expired. Both the new controls and the statistical sampling results indicated that closeout of unfilled customer orders in the past had not been timely. The sampling results helped quantify the remaining amount of unfilled orders that are no longer valid, however, determining a reasonable estimate of such overstatement for the end of FY 2004 has not been feasible due to system limitations and other constraints. Management believes that the errors that might exist in unfilled orders at the end of FY 2004 may be as large as the amounts found in FY 2005, or higher.

Additionally, year-end analysis determined that certain balances of unfilled orders had been erroneously recorded to the ITF that should have been recorded to the GSF in both FY 2005 and 2004. Such balances were adjusted by $89 million in the FY 2005 ending balances reported on the CSBR, however, the determination of amounts requiring adjustment at the end of FY 2004 could not be readily determined. It is possible that material amounts were in error between the GSF and ITF at the end of FY 2004.

Management continues to review current balances of unfilled customer orders on an ongoing basis. Accordingly, the balances and activity of unfilled customer orders and related budgetary amounts reported in the FYs 2004 and 2005 CSBR and the Consolidated Statements of Financing for the ITF, the GSF, and GSA may be affected by further adjustments.

14 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).

GSA's Federal Buildings Fund (FBF), General Supply Fund (GSF), Information Technology Fund (ITF), Working Capital Fund (WCF), and Federal Consumer Information Center Fund (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 GSF, earnings are retained to cover the cost of replacing the motor vehicle fleet and supply inventory. The ITF retains cumulative results 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.

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, 2005 and 2004, balances reported as unexpended appropriations were as follows (dollars in millions):

	2005	2004
Unobligated Balances:		
Available	$ 24	$ 55
Unavailable	22	19
Undelivered Orders	80	69
Unfilled Customer Orders, Net	(21)	(3)
Total Unexpended Appropriations	$ 105	$ 140

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 SFFAS Number 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 2005, 32.8 percent (down from 35.9 percent in FY 2004) of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (9.01 percent of base pay for law enforcement employees, and 8.51 percent for all others) to CSRS for all employees in FY 2005 and 2004 amounted to $25 million and $26 million, respectively.

C. Federal Employees Retirement System

On January 1, 1987, FERS, a defined contribution plan, 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, 2005, 66.9 percent (up from 63.7 percent in FY 2004) 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 FY 2005 and 2004, GSA (employer) contributions to FERS (23.3 percent of base pay for law enforcement employees and 10.7 percent for all others) totaled $65 million and $55 million, respectively. Additional GSA contributions to the TSP totaled $25 million and $23 million in those years, 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 $90,000 in calendar year 2005, and $87,500 in calendar year 2004) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2005. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2005. Only 0.3 percent (down from .04 percent in FY 2004) of GSA's employees are covered exclusively by these programs. Payments to these programs in FY 2005 and 2004 amounted to $50 million and $48 million, respectively.

E. Schedule of Unfunded Benefit Costs

Amounts recorded in FY 2005 and 2004, in accordance with SFFAS Number 5 for post-employment benefits are as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
2005			
FBF	$ 15	$ 26	$ 41
GSF	9	12	21
ITF	5	6	11
Other Funds	9	10	19
Total	$ 38	$ 54	$ 92
2004			
FBF	$ 16	$ 22	$ 38
GSF	9	11	20
ITF	5	5	10
Other Funds	9	9	18
Total	$ 39	$ 47	$ 86

16 FTS Contracting Irregularities

During the last three fiscal years, GSA's Office of Inspector General (OIG) performed audits of offices in the Federal Technology Service (FTS) that identified a variety of questionable and improper contracting practices, including the use of the ITF for non-IT purposes in violation of the Purpose Statute, 31 USC 1301(a). GSA did, however, have other funds that were properly available to contract for the services in question. All significant financial effects of such transactions applied to activities from FY 2003 and prior.

From the audit work performed in fiscal years 2005 and 2004, the OIG reported that FTS has made significant progress in the implementation of new controls governing procurement activities; that the current controls in place are sufficient to prevent chronic ADA violations from occurring; and that GSA's newly implemented controls provide greater assurance that future systemic breaches of contract, accounting, and appropriations law are unlikely to reoccur.

Even with these improvements, the OIG continued to find examples of failure to fully comply with internal control requirements in 11 of 12 program offices. Under provisions of the Ronald W. Reagan National Defense Authorization Act for FY 2005 (P.L. 108-375), further failures in compliance with internal controls , particularly related to the Department of Defense (DoD) procurement requirements could result in severe curtailment of future DoD procurements through FTS for any office that does not correct such weaknesses.

Inappropriate use of the ITF resulted in two violations of the Antideficiency Act, 31 USC 1341 (a). During FY 2005, these violations were reported to the President and the presiding officers of each House of Congress as required by law. It is possible that additional violations of the Anti-Deficiency Act could be identified and reported in connection with ongoing audits and management evaluations.

17 Effects of Natural Disasters

During FY 2005, GSA properties and assets sustained damages from the effects of Hurricanes Katrina and Rita. In GSA's building operations, damage was sustained in 16 government-owned buildings, and 67 leased buildings that GSA occupies. While no properties were destroyed by the hurricanes, there are expected to be significant clean-up costs, which have not yet been reliably estimated. As access to 78 of these buildings was significantly curtailed, GSA did not bill its customers at those locations for normal September rents. This foregone rent totaled approximately $3 million to the FBF.

In GSA's fleet management operations, an estimated 1,500 vehicles were damaged, and a charge of $9 million was recorded in the GSF to recognize the probable loss as most of these vehicles will likely be disposed of for nominal values.

Required Supplementary Information

Deferred Maintenance

As of the end of FY 2005, 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 25 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 $6.5 billion has not yet been addressed by an ongoing Public Buildings Service (PBS) R&A project. As this backlog is related to capitalizable improvements and modernization, they are not considered deferred maintenance in accordance with 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. For FY 2006, GSA has requested new obligational authority of approximately $961 million for the R&A program.

Intragovernmental Balances

Substantially all of GSA’s program operations and operating results are categorized as general government functions.

For FY 2005, the following schedule identifies major customers of GSA's intra-governmental revolving funds and the associated amount of sales representing more than 80 percent of GSA's total consolidated revenues (dollars in millions):

AGENCY	AMOUNT	AGENCY	AMOUNT
Department of the Army	$ 2,879	Department of Health and Human Services	731
Department of the Air Force	1,971	Social Security Administration	619
Department of the Navy	1,700	Department of the Interior	504
Department of Justice	1,545	Department of Agriculture	478
Department of Homeland Security	1,453	Department of State	443
Judiciary	1,017	Others	3,141
Department of the Treasury	830	**Total**	**$ 18,080**
Department of Defense	769		

The following schedule reflects accounts receivable balances owed to GSA as of September 30, 2005, from the major customers of GSA's intra-governmental revolving funds, representing over 80 percent of GSA's total consolidated accounts receivable (dollars in millions):

AGENCY	AMOUNT
Department of the Army	$ 480
Department of the Air Force	262
Department of the Navy	208
Department of Defense	199
Department of Homeland Security	85
Department of Justice	72
Department of Agriculture	67
Department of Health and Human Services	56
Others	341
Total	**$1,770**

GSA reported $2,825 million of intra-governmental liabilities on its Balance Sheet as of September 30, 2005. Of that balance, the significant elements included the following items:

AGENCY	AMOUNT
Department of the Treasury (Borrowings)	$ 2,201
Department of Treasury (Judgment Fund)	244
Department of Labor (Workers' Compensation)	33
Others	347
Total	**$2,825**

Supplemental Information and Other Reporting Requirements

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

ACQUISITION PROGRAMS

In August 2005, the GSA Administrator announced a major reorganization of GSA's acquisition services. Subsequently, steps have been taken to merge the Federal Supply Service (FSS) and Federal Technology Service (FTS) into the new Federal Acquisition Service (FAS). The goal of reorganization is to streamline organizational structures 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. FAS will operate on a cost recovery basis and will provide clear lines of accountability for business lines. Currently, there are approximately 3,000 full-time equivalent employees (FTE) in FSS and 1,500 in FTS. The annual value of contract actions is between $40 and $50 billion with revenues now exceeding $11 billion. The two Services have their own fee structures, information systems, policies, procedures, and management controls. Combining segments of FSS and FTS operations into a new organization will create management challenges in these areas.

At the same time GSA is attempting to combine 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.

As part of the reorganization, the Office of Chief Financial Officer (OCFO) is planning for the merging of the Information Technology Fund (ITF) and General Supply Fund (GSF) into the Acquisition Service Fund. This merger must receive congressional approval. 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. Throughout the FTS/FSS reorganization process, GSA has relied on Steering Teams to promote a seamless merger. The OCFO Steering Team is addressing the requirements for merging the ITF and the GSF utilizing a team comprised of employees with expertise in the areas of financial policy, financial systems, and budgetary policy. A discussion of the more significant issues follows.

ISSUE: GSA provides Federal agencies with products and services valued in the billions of dollars through various types of contracts it establishes and administers. Among other contracting programs and vehicles, GSA is responsible for the Multiple Award Schedule (MAS) program, a significant number of Multiple Award Contracts (MAC), Government Wide Acquisition Contracts (GWAC), and the City Pair Airline contracts. Although the Office of Inspector General's (OIG) specific concerns vary somewhat depending on the contracting program or vehicle, 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) implementation of statutory or regulatory compliance-type 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 the same generic types of items or services at varying prices for delivery within the same geographic areas. Federal agencies then simply order supplies or services from the schedules (or catalogs) at the pre-negotiated prices and pay the contractors directly for their purchase. GSA administers more than 50 schedules that produced sales of $31 billion in FY 2004, and the volume is expected to continue to grow.

The OIG 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, which are set out by regulation, 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 preaward audits to assist in negotiating contracts. 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. Preaward audits are the main tool by which a contracting officer can be assured that a vendor's pricing is appropriate. Such audits also provide contracting officers with additional details regarding a vendor's pricing and sales practices in anticipation of negotiations.

In past reviews, the OIG reported that FSS was not consistently negotiating 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. Contracting officials have expressed concern that because of an extremely heavy workload they often feel pressure to award contracts even though price analysis has not been done. In a February 2005 report, the Government Accountability Office (GAO) found that although FSS had developed a postaward quality review of contracts—a process that has identified deficiencies in contract file documentation—the underlying causes of these deficiencies or the actions needed to address them have not been determined. GAO concluded that as a result, GSA cannot be assured that fair and reasonable prices have been negotiated for its MAS contracts.

With the support and endorsement of OMB, GSA has provided to the OIG additional financial support enabling it to markedly increase the number of preaward contract reviews it performs. Acquisition officials have agreed to support the efforts of the OIG auditors by ensuring that vendors submit the data necessary for adequate evaluation so that the OIG's results can be reported timely. An MAS Working Group, comprised of Agency and the OIG representatives, has developed guidance for contracting officers regarding the performance and use of preaward MAS contract reviews. In addition, the Agency has established a program for pre-negotiation clearances to ensure the quality of its most significant contract negotiations. In this process, the contract negotiator presents to a panel a summary of his or her actions in developing negotiation objectives, including market research, contractor responsibilities, and price analysis. The panel may include individuals with substantial contracting experience, auditors, product or service experts, legal counsel, and other acquisition staff, and will provide comments or suggestions as necessary.

MACs are appropriate when the government cannot predetermine, above a specified minimum, the precise quantities of supplies or specific services that will be required during the contract period. Using source selection procedures, GSA competitively awards multiple contracts covering the same scope of work and then, as needs are identified for specific tasks and products, agencies compete the task/delivery orders among the contract holders. The use of MACs is encouraged by the Federal Acquisition Streamlining Act of 1994 to promote best value and the fair opportunity for contract awardees to compete among

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themselves. The competition is intended to lower prices, obtain better quality, reduce delivery time, and improve customer service. Each of GSA's three major Services has developed MACs. However, at times the opportunity to be considered for task orders has been unnecessarily limited, thus reducing the possibilities for lower prices, better quality, reduced delivery time, and improved customer service.

GWACs are MACs for information technology (IT). GSA is preparing to award two GWACs for IT services totaling $100 billion over 10 years. Based on experience with other GWACs, GSA can expect a significant drain on its acquisition resources. These contracts are coming into existence at the same time that GSA is reorganizing its acquisition services and responding to the deficiencies identified in its Client Support Center (CSC) audits, with special emphasis on 'Getting it Right'. GWACs are awarded to a limited number of vendors. Once the contract is awarded, solicitation of proposals for task orders, are limited to those vendors.

AIRLINE CITY PAIR contracts are awarded annually. The $1 billion program provides Federal travelers with below market fares and provides advantages over commercial restricted coach fares, including unrestricted and fully refundable fares, no penalties for cancellations or schedule changes, and stable fare prices. To ensure the best value possible for Federal agencies, FSS needs to consider applying private sector practices when evaluating offers, make travelers aware of benefits of using lower capacity controlled fares, and ensure that measurement data is received from the airlines, banks, and travel management centers.

CSCs. Over the past two years, the OIG has identified improper contracting practices at FTS CSCs in several regions, and it has several reviews in process. In making these contract awards, CSC officials breached government procurement laws and regulations, and on a number of occasions, processed procurement transactions totaling more than $100 million through the ITF for goods and services that were well outside the fund's legislatively authorized purposes. 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. Several factors contributed to these problems—an ineffective system of internal management controls, personnel sacrificing adherence to proper procurement procedures in order to accommodate customers' preferences, and a culture that emphasized revenue growth. The OIG reports have received the attention of senior management, several congressional committees, OMB, and the media. In addition, other Federal agencies, particularly the Department of Defense (DoD), have initiated analyses of contract actions since these questionable procurement actions were done on behalf of work requests from other agencies. Because of these concerns, Congress, in the 2005 Defense Authorization Act, directed that the GSA and DoD Inspector General (IG) offices review each CSC to determine if they are compliant with Federal and DoD specific procurement regulations. The OIG reported in its June 2005 reviews that GSA had made significant progress toward becoming compliant with procurement regulations, although more needs to be done. Another round of reviews is starting and is to be completed by March 2006. By this time, the CSCs must earn a fully compliant opinion. Otherwise their customers from DoD will be prohibited from using GSA contracts for many of their procurement needs—an action that would severely impact GSA's mission.

OTHER ISSUES: Ensuring competition under the GWACs will be a challenge. During the reviews of the CSCs, the OIG concluded that often bids are received from only one vendor, although the solicitation was sent to all the contract holders. This could be because of the incumbent having a competitive advantage in its knowledge of the task. GSA needs to focus on ensuring that the government receives competition and best value on its procurements.

Another challenge is ensuring that MAS's, GWACs, and other contract vehicles are used for their intended purposes. The OIG reviews of the depot modernization and the CSCs showed that service contracts were also being used to procure large quantities of products/materials. However, the price of products/materials is not pre-established and must be determined on a case-by-case basis. As a result, there is little assurance that the government receives best value for products/materials.

In addition, the broad scope of the Federal Acquisition Regulations (FAR) definition of a commercial item is a management challenge for GSA. 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. The MAS policy 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 could use market prices as a starting point in negotiations to establish a government price that was equal to a like buyer in the private sector.

Based on this expanded definition of a commercial item, it has been the OIG's experience that many MAS vendors have only Federal government sales and sometimes only MAS sales. There are also vendors who have commercial sales but who organizationally segregate units that do commercial business from those that do government business. The OIG has also seen commercial items that are actually special purpose items that are only purchased by specific government customers. An example is a weapon system tool kit. In addition, the OIG has 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 mainly doing business on a time & materials basis. All of these scenarios present difficult challenges in terms of comparability and impact a contracting officer's ability to do valid price analyses.

PROCUREMENT TEAM EXPERTISE: During audits of procurements made by GSA's CSCs, it seemed that frequently, neither GSA nor its customer agencies had the expertise to prepare statements of work (SOW), evaluate vendor proposals, or prepare independent government cost estimates for many service task orders.

The ordering contracting officers (OCO) who place orders for "commercial" items against the MASs, MACs, and GWACs are, in many cases at an even greater disadvantage than the contracting officers awarding MASs, MACs, 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. The OIG's 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.

In addition, OCOs frequently have to negotiate costs for items that are not included in a MAS, a MAC, or a GWAC, but are ancillary to accomplishing the purpose of the task/delivery order. Unfortunately, the OCOs don't often know if they are paying twice for some costs – costs that may already be included in a fully burdened labor rate.

Contracting officers usually establish commercial item prices and rates by comparing proposed prices and rates to those previously negotiated for other MAS vendors' contracts, which can result in price and rate creep. The FAR discourages contracting officers from analyzing vendor cost data underlying prices for commercial products and services.

E-TRAVEL CONTRACTS. GSA has awarded e-Travel contracts worth an estimated $450 million to three large businesses. All civilian agencies are expected to complete migration

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to e-Travel by September 30, 2006. It has been reported during the deployment testing that not all city-pair options are showing up in the booking engine. Unless corrected, inaccurate data will result in Federal travelers paying for fares higher than the city-pair fare. Management is currently working to address this issue. More importantly, both the House and Senate have placed restrictive language in the FY 2006 in-process appropriation bills that may require award of a significant portion of e-Travel to small businesses.

SMARTBUY, initiated in June 2003, is a government-wide software enterprise licensing program developed by GSA in coordination with OMB. SmartBuy enterprise software agreements consolidate the purchasing power of the Federal government by focusing these volume requirements to obtain optimal pricing and preferred terms and conditions for widely used commercial software. To ensure that goals of reducing duplication and schedule maintenance costs are met, management needs to closely coordinate the SmartBuy activities with the MAS program.

AGENCY ACTIONS - REORGANIZATION

The primary goal of the reorganization is to provide excellent acquisition services in order to meet the increasing needs of customer agencies. GSA is creating an organization model that is focused on achieving this goal, while at the same time seeking to create an efficient and effective FAS organization that provides value to the Federal government and taxpayers. The Administrator has tasked several teams with developing organizational approaches and a mission statement for each business line under the new FAS organization. GSA is reporting on the progress of each of these teams on the Agency's Web site.

The FAS Acquisition Management team, led by GSA's Chief Acquisition Officer (CAO), is working to create an organization that will partner with the CAO's office to enhance the GSA workforce by fostering acquisition excellence in training and work environments. The Acquisition Management 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 General Supplies & Services team is committed to developing an acquisition-focused organization. This business unit will deliver quality products and services to customers using non-IT schedules and GSA's Global Supply logistics experience. The team has defined what they believe are the core values in customers' overall expectations, and are looking for opportunities to do more large-scale or "strategic" buys.

The Travel, Vehicles, and Personal Property Disposal team is exploring ways to improve fleet operations to ensure that GSA has the right emphasis on travel and credit card programs.

The Customer Relationship Management (CRM) team is designing an organization that will develop strategic acquisition strategies with headquarters agency customers, while also providing customer intelligence to support the business portfolios. The CRM team seeks to optimize GSA's opportunity for creating solid customer solutions.

The Integrated Technology team is challenged with the task of integrating the IT and Professional Services Acquisition Centers with IT Solutions and Global Telecommunications. They have identified the majority of the contracts that fall under this portfolio and have sketched the outline of an organization design. They have combined the best practices from each of the former organizations to improve the overall strategy of delivering customer value.

AGENCY ACTIONS - OTHER

On July 13, 2004, GSA unveiled a comprehensive plan designed to ensure improved contracting operations and proper use of GSA's contracting vehicles. The "Get it

Right" plan aims to make acquisition policies, regulations, and procedures clear and explicit and improve the education/training of the Federal acquisition workforce on the proper use of GSA contracting vehicles and services. GSA worked closely with other Federal agencies, particularly DoD, in identifying actions necessary to ensure proper use of GSA contracting vehicles by GSA and other agencies. The plan is a work in progress that will be continuously refined and updated.

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 is also challenged with ensuring its overall contracts are properly used by OCOs. FSS GWAC centers have been incorporating OCO, vendor, and user agency requirements into their GWACs. In addition, the GWAC centers will train OCOs, delegate procurement authority to OCOs, and monitor use of the GWACs.

The OIG continues to participate with FSS on a working group to review current MAS procurement practices, and analyzes potential enhancements to program pricing activities. The group is comprised of representatives from the Office of Acquisition Policy, General Counsel, FSS acquisition, 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 PIB should help contracting officers take better advantage of the assistance that can be provided by the OIG.

FSS is supporting FAR changes that will require agencies acquiring services using the MAS services schedules to attempt to obtain better-than-negotiated pricing on large procurements. On June 18, 2004, the FAR Council issued a final ruling regarding ordering procedures under GSA's MAS contracting program. Among other things, the final rule requires ordering agencies to seek competition among MAS vendors, document their award decisions, and seek additional price reductions under Blanket Purchase Agreements (BPA).

GSA worked with an interagency committee to develop a best practices guide, *Seven Steps to Performance-Based Services Acquisition*. Additionally, a Center of Expertise has been established to gather sample SOWs and develop a template for performance-based service contracting solicitations.

In June 2004, GSA established a new Office of the Chief Acquisition Officer (OCAO), aimed at ensuring compliance with Federal contracting rules, fostering full and open competition for contracts, and strengthening accountability in contracting. The office absorbed many of the functions formerly in the Office of Governmentwide Policy (OGP).

CONTRACT MANAGEMENT

ISSUE: GSA increasingly accomplishes its mission by using contractors to provide client services and products. In recent years, GSA added new procurements valued at more than $13 billion to its active contract inventory. In October 2004, GSA awarded a new national broker contract with the intention of transitioning, over time, the majority of its lease acquisitions to four broker contractors. In FY 2004, the Public Buildings Service (PBS) had more than 8,200 private sector leases that generated more than $4 billion in direct revenue. While GSA gains tremendous advantage by leveraging its human capital to manage and arrange for work to be performed by 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, the OIG has observed certain trends that cause it to be concerned with contract management. Some points it has noted are:

- Weak selection criteria permit 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

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unauthorized 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 contract formats that offer no incentives to keep projects moving or control costs. Contractors often neglect to establish required quality control programs, or do not submit firm construction schedules meaning that delays are unknown until they become serious.
- GSA personnel providing limited project oversight, acting too slowly in making project-critical decisions, and at times not inspecting completed work projects prior to payment. Also, not all services paid for were provided, and other 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 ensuring required services are provided. The OIG also noted a lack of documentation supporting whether identified fire and other safety conditions in leased facilities were corrected.

In the OIG's briefings to GSA senior management, it has 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 important, assertive action to get wayward contracts promptly on track. There is a heightened need for improvement efforts as GSA's contracting workload continues to increase at a rapid rate. While many GSA contracts are well crafted and properly administered, the OIG is finding weaknesses more often.

In October 2004, GSA awarded the National Broker Contract to provide leasing services for up to 3.2 million square feet of space throughout the country. GSA predicts that much of the real property contracting process will be done by personnel from one of four national commercial property management firms, which will 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 is shrinking while the amount of space they are responsible for is growing. Turning over such a large part of the workload will create a new demand on PBS Realty specialists who will now have major contract oversight responsibilities. The OIG's 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 for 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 which is overseeing the award. This may lead to impaired competition. Moreover, the implementation of the broker contract is very dependent on post award oversight, which has been a weakness at GSA in the past.

AGENCY ACTIONS: GSA has provided training in source selection and related procurement issues for property development personnel. It has also established an online 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.

In developing the new national broker contract, the Agency took into consideration several of its concerns from the prior national broker contracts by including controls for oversight and follow up. PBS established a certification training plan for PBS Realty personnel involved with the broker contract. Key personnel will be required to hold a Leasing Warrant. PBS has put in place processes and procedures to ensure tight monitoring and control is administered over the contractor's negotiations and properties.

INFORMATION TECHNOLOGY

ISSUE: With the increased development and implementation of new IT systems within GSA to perform its mission and manage its operations, challenges in this area continue to increase. Many of GSA's systems store and process sensitive information, including personal employee data, financial data, and contractors' proprietary information. Management challenges related to systems requirements and performance are faced at all phases of development, implementation, and operation. Further, it is critical that the IT Security Program adequately manage all IT security risks. GSA is the lead agency for five E-Government initiatives; two of the initiatives address government-to-business or government-to-citizen services and three initiatives are to provide services to other government departments and agencies. These IT applications, developed to better manage operations and interface with the public, also give rise to complex integration and security issues that must be addressed. Success is dependent upon breaking development into short-term manageable segments with performance-based deliverables consistent with system objectives.

SYSTEMS DEVELOPMENT: GSA is in the process of replacing a number of its old systems, in keeping with technological advances and to meet current regulations. Many of the IT projects are designed to go beyond automating current business functions and create real change in the way that GSA does business. However, GSA has experienced recurring difficulty in deploying and maintaining structured system development practices that ensure the proper development of requirements as well as implementation of prescribed system processes. As a result, GSA systems commonly experience development schedule delays and cost overruns, need frequent redesign, and have difficulty providing all intended functions 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. COTS solutions offer agencies the ability to forgo lengthy development of core system functionality and the ability to adhere to industry information processing standards. However, the majority of COTS solutions require modifications to meet unique Federal requirements. Moreover, new systems require interfaces with existing systems that are difficult to implement. Reviews by the OIG have shown this to be the case with GSA's new accounting system, Pegasys, the foundation of which is a COTS financial management product. On October 1, 2002, Pegasys became the Agency's official system for accounting records. While this is a key accomplishment, numerous challenges remain before completing full implementation of an integrated financial management system. GSA also faces system development challenges with mission critical systems like GSA Preferred (GSAP). During FY 2004, FTS implemented GSAP, an enterprise resource planning solution, in two regions to replace four legacy systems and provide cradle-to-grave activities for a more efficient and effective process to identify and deliver technology solutions and services. GSAP was expected to provide FTS associates and Federal clients with real time access to acquisition, financial, project, program, and contracting information. However, the system and its interfaces have not functioned as intended, and the Agency continues to struggle with ensuring a successful system deployment and realization of expected benefits.

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GSA faces another critical systems development challenge as it moves towards an enterprise CRM (ECRM). Management considers this system crucial with its strategy for achieving GSA's mission of helping Federal agencies better serve their public by offering best value workplaces, expert solutions, and acquisition services. With ongoing reorganization efforts, evolving competitive alternatives for many of GSA's business lines, and increased budgetary pressures to reduce GSA's margin on purchased goods, services, and real estate, the need to ensure GSA's responsiveness to its customers has never been greater. Management attention with the following key success factors is critical in the development of the ECRM system:

- Ensuring that functional and user requirements from all Services and Staff Offices who will utilize the system are identified and met with the ECRM system.
- Demonstrating the value of the ECRM system to Associates to gain end user buy-in.
- Ensuring that effective change management processes are in place.
- Resolving data integrity concerns.
- Implementing effective programs for training users on the ECRM system.
- Establishing effective communication programs to guide ECRM in meeting established business objectives for the system.
- Building sufficient management, operational, and technical controls into the ECRM system.

IT SECURITY: The Federal Information Security Management Act (FISMA) requires Federal agencies to develop, document, and implement an agency-wide information security program to secure Federal information systems. The GSA IT Security Program provided by the GSA Chief Information Officer (CIO) has improved over the past year, but challenges remain and there is a need to establish Agency-wide program policies and procedures as an integral part of security practices for all Agency systems.

The Agency security program must continually address emerging threats, including phishing, spyware, malware, spam, peer-to-peer, and social engineering. Greater emphasis is required for security of privacy information and the use of unencrypted data stored outside GSA's secured facilities. 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. Completion of required background checks before contractors are granted access to GSA systems remains a challenge.

AGENCY ACTIONS: The GSA IT Security Program continued to mature over the past year. The GSA CIO has updated its inventory to include all exhibit 53 systems (systems identified in GSA's annual budget request). GSA Order CIO P 2100.1B - GSA IT Security Policy was updated November 4, 2004. Instructional Letter (IL) 05-03, containing training requirements for persons with significant security responsibilities was issued on April 21, 2005. The GSA CIO also updated a number of technical and procedural guides and added the Oracle technical guide. The CIO has added a number of contractors in support for:

- Procedural and Technical Guide development and maintenance
- Vulnerability scanning of more than 1,800 devices each quarter
- Incident handling response and investigation
- E-authentication risk assessment preparation
- Security training for persons with significant security responsibilities

- Certification & Accreditation and Plans of Actions & Milestones reviews for consistency with procedural and technical guides
- Annual FISMA reporting.

MANAGEMENT CONTROLS

ISSUE: Multiple management controls have been replaced through reinvention initiatives and by fewer and broader controls, making it essential that the remaining controls be emphasized and consistently followed. The matter of weak internal controls underlies several of the other management challenges discussed elsewhere in this paper.

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 Congress still look to GSA to take a leadership role in development of effective charge card program controls across the government. Within GSA, steps taken to strengthen controls over vehicle and travel cards appear to be effective since the OIG seldom finds instances of misuse by GSA cardholders. Although the key control over purchase cards, supervisory review of cardholders' transactions, is now more consistently followed, the OIG does occasionally identify problems.

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 is also challenged with ensuring its overall contracts are properly used. FSS GWAC centers have tried to develop OCO, vendor, and user agency requirements in their GWACs. In addition, these centers will train OCOs, delegate procurement authority to OCOs, and monitor use of the GWACs.

DATA INTEGRITY: In passing the Government Performance and Results Act of 1993 (GPRA), 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 the non-compliance with existing controls has resulted in poor quality data at the operational levels of many GSA programs.

SECURITY OF DATA: The GSA SmartPay® program provides Federal agencies with a streamlined approach to pay for commercial goods and services, as well as travel and fleet-related expenses. The program supports more than $24 billion in Federal spending. 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. Although the tapes remain missing, there have been no indications that the data has been used improperly. Since the incident, FSS has worked with the service providers to identify their security controls.

During FY 2005, OMB issued the revised Circular No. A-123, *Management's Responsibility for Internal Control*. The revised Circular becomes effective in FY 2006 and 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 will require GSA management to focus a much higher portion of their resources on internal controls, particularly in their efforts to assess and document these controls.

AGENCY ACTIONS: GSA's CFO has worked with the OIG to strengthen controls for charge card transactions. Processes are in place that require reviewing officials to

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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. In addition, the OCFO periodically issues e-mail reminders to cardholders stressing their responsibilities for proper use of the cards. As a result, the OIG has seen a substantial reduction of fraud stemming from card use. GSA is also a key participant in an OMB sponsored Federal committee working to identify ways to improve the overall charge card control systems government-wide.

The PBS Commissioner has taken action to improve the integrity of the data in the Inventory Reporting Information System (IRIS). Because this system is used to manage the Repairs and Alterations (R&A) program, it is imperative that data in IRIS be reliable since PBS management decisions regarding the investment, repair, or disposal of assets could be significantly impaired. An IRIS-based measure for the basic R&A program has been put in place and a contract was awarded for system modification to import key financial project data from the Financial Management System.

In an effort to rein in the cost growth and bid busts on new construction projects, the Commissioner has directed the national office to expand and strengthen its participation in the oversight of major projects and the development of the project teams working on them; develop a comprehensive project management manual; require senior management involvement where technical evaluation of project plans find unresolved deficiencies and missing requirements, before projects are advanced to OMB; and establish a design management evaluation process that includes an independent cost estimate at various design phase submissions.

Several steps have been taken within GSA 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 OCFO has developed internal control assessment documents for the major financial line items for each Service and Staff Office. The Management Control and Oversight Council (MCOC) also continues to be heavily involved in this process.

ACCELERATED REPORTING: In FY 2004, GSA met OMB's accelerated financial reporting deadline of November 15. However, this deadline was only met through a resource intensive process for the preparation and audit of the Agency financials. Accelerated reporting, therefore, remains a significant challenge, requiring the OCFO to continue to take steps to implement changes to the financial statement preparation process that will support on-going financial management and timely and reliable financial reporting.

In their efforts to address this challenge, the OCFO established, and continues to work with, its Accelerated Reporting Steering Committee. Additionally, the OCFO, IG, and independent public accounting firm hold regular status meetings throughout the financial statement audit process to ensure that the audit is meeting established time frames and is completed within OMB's accelerated due dates.

AGING FEDERAL BUILDINGS

ISSUE: GSA, as one of the core real estate agencies in the Federal government, faces challenges in providing quality space to Federal agencies with an aging, deteriorating inventory of buildings and critical budgetary limitations. The weighted average age of buildings in GSA's portfolio is 40 years, and many are facing functional obsolescence due to changing Agency mandates, new technology, and security requirements. With an average funding level of about $600 million during the past three years for prospectus level R&A and an estimated $6.5 billion in estimated projects, GSA is challenged to reduce the growing workload. This problem exists government-wide. Federal real property was designated a high risk area by GAO in January 2003 (and again in 2005) because of the many long-standing and complex issues surrounding it. As further recognition of the seriousness of these issues, the President signed Executive Order 13327 and added the Federal Asset Management Initiative to the President's Management Agenda (PMA) in February 2004.

GSA needs to determine which buildings represent the greatest risk from a safety and operational perspective, which buildings 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.

Prior reviews have shown a need for PBS to improve the administrative aspects of asbestos management, develop a more comprehensive fire safety management system that focuses on a national fire safety strategy, evaluate the formula used to measure a building's net income, and improve profit and loss information to facilitate better property management decisions.

AGENCY ACTIONS: 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. GSA 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 beginning this portfolio initiative, PBS has disposed of 62 assets valued at $45 million.

Management has developed a PBS-wide environmental system to become more proactive in how it views and acts on environmental issues and to address issues such as property contamination, compliance with Federal and state environmental laws and regulations, and liability for tenant activities. PBS also developed a more comprehensive fire safety strategy, which endeavors to provide a functional, safe, and healthful work environment; protect property; and promote client agency mission continuity.

PBS redesigned its policy for charging rent to customer agencies in FY 1997. The largest source of income to the Federal Buildings Fund (FBF) is the rent charged by PBS to its customer agencies for the space they occupy in GSA controlled space. In FY 2004 this amount was approximately $7.4 billion.

The construction excellence program was established to help PBS improve the management of its construction program and to complete new construction and major R&A projects timely and with minimal changes.

HUMAN CAPITAL

ISSUE: Like many Federal agencies, GSA has an aging workforce and faces significant potential loss of institutional knowledge in the coming years. Since 1993, GSA has been downsizing and has focused on restructuring its financial and business efforts. The Agency workforce was reduced from 20,000 to 14,000 between 1993 and 1999. Much of the downsizing was accomplished through early retirement and buyout

SUPPLEMENTAL INFORMATION AND OTHER REPORTING REQUIREMENTS

authority, and by filling job vacancies sparingly. In March 2003, a mass transfer of 1,268 employees to the Department of Homeland Security (DHS) further reduced the workforce to approximately 12,800.

Since 1998, the OIG has consistently cited human capital management as one of the major management challenges facing GSA. Additionally, Congress and GAO have identified human capital management policies as a missing link in the government's performance management framework. GAO added this issue to its list of major management challenges facing Federal agencies. Human capital planning and organizational alignment, leadership continuity and succession planning, and recruitment and retention of staff with the right skills were identified as key areas needing attention. Over the past year, GSA has seen a significant loss of key management staff. Coupled with the FSS/FTS reorganization and the ripple effect of changes, many staff find themselves in unfamiliar positions with confusion as to their reporting role in the organization.

The PMA identifies competitive sourcing as a major government-wide initiative. Procedures for conducting these competitive sourcing studies are contained in OMB Circular A-76. GSA faces a significant challenge in its efforts to determine the activities within the organization that should be studied to meet the goals of OMB. At the same time, GSA must maintain a stable work environment and address employees' concerns inherent to the competitive sourcing process.

With government procurement as GSA's primary mission and the act of issuing contracts "an inherent government responsibility," the OIG foresees a continuing need for competent contracting officers. The OIG is concerned that GSA is extensively contracting out for temporary services to support the contracting effort and not developing from within a sufficient number of talented people who can eventually become contracting officers.

AGENCY ACTIONS: GSA has moved 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 that were developed as part of the strategic plan in August 2002. The report will assist management in making informed human capital decisions. Identified mission critical occupations are particularly emphasized in recruitment and retention strategies. The Office of the Chief People Officer (OCPO) selectively uses Human Resources (HR) 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.

GSA has a number of initiatives regarding employee orientation, engaging existing employees, and developing leaders within GSA. 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, OCPO 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.

In its efforts to more accurately and consistently inventory its activities under the Federal Activities Inventory Reform (FAIR) Act, GSA's competitive sourcing team oversees each Service's inventory and reports on any discrepancies or variances, and established the Office of Performance Improvement (OPI) that oversees the competitive sourcing initiatives for GSA.

In order to address the PMA and comply with OMB Circular No. A-76, OPI is taking steps to review current methods of performing commercial activities in a variety of areas. The goal of these efforts is to assess the Agency's programs and activities to determine whether internal or external changes would yield a better value for GSA's customer agencies and the American taxpayer.

PROTECTION OF FEDERAL FACILITIES AND PERSONNEL

ISSUE: Providing a safe, healthful, and secure environment for more than a million workers and the visitors to about 8,900 owned and leased Federal facilities nationwide is a major multifaceted responsibility of GSA. The 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 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 concern of GSA.

An additional concern relates to how to pay for the upgrades and replacement of the security countermeasure equipment that was initially obtained with $140 million in funds provided 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.

AGENCY ACTIONS: As part of the FPS transition to the new department, the MOA sets forth the support services GSA will provide to DHS and the security services DHS will provide to GSA. Such services include the continuation of the Federal Security Risk Manager Program, a risk assessment methodology that addresses potential threats to Federal facilities. This methodology was designed to link threats, risk levels and countermeasure recommendations, and address vulnerabilities and the impact of a loss should an incident occur. The desired goal is to reduce threats at each facility through specific countermeasures to address the risks.

DHS and PBS are presently working toward developing a long-term comprehensive agreement that would clearly define the roles, responsibilities, and issues between the two agencies. The OIG's audit currently in process is analyzing the concern about funding for equipment replacement and upgrades.

In addition, as part of the increased focus on security, GSA is adopting a nationwide uniform credential based on Smart Card technology. A smart chip embedded in the credential will identify each employee visually and electronically for both identification and physical access purposes.

Supplemental Information and Other Reporting Requirements

Debt Management

GSA reported $155.9 million of outstanding debt from non-Federal sources and $29.7 million of delinquent debt at the end of FY 2005. The amount of delinquent debt decreased from $69.6 million to $29.7 million for the same period. 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 (Treasury) Financial Management Service (FMS) for collection cross servicing. From October 1, 2004, to September 30, 2005, the GSA Finance Centers referred approximately $3.1 million of delinquent non-Federal claims to the U.S Treasury Department for cross-servicing collection activities. Collections on non-Federal claims during this period exceeded $289 million. Administrative offsets resulted in additional collections of $17.3 million. GSA also collects non-Federal claims using Pre-Authorized Debits (PAD). From October 1, 2004, to September 30, 2005, 116 PADs totaling $159,710 were processed. Also, during this period, $1.6 million was received as a result of two GSA Multiple Award Schedules (MAS) program audit related claims collections.

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) and Federal Technology Service (FTS) Accounts Payable Division associates. 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. GSA also works diligently with its larger customers, such as the District of Columbia government and the National Institute for the Blind/National Institute for the Severely Handicapped (NIB/NISH), to discuss and arrange payment of outstanding bills.

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, if needed, its procedures continuously to ensure prompt payment utilizing EFT. The percentage of invoices paid on time remained the same as in FY 2004. GSA experienced a slight increase in interest penalties and interest paid per million disbursed due to problems encountered from the implementation of a new system. The statistics for the current and preceding two fiscal years are as follows:

	FY 2003	FY 2004	FY 2005
Total Number of Invoices Paid	1,298,134	1,390,406	1,483,040
Total Dollars Disbursed	$19.1 Billion	$20.8 Billion	$18.7 Billion
Total Dollars of Interest Penalties	$1,690,335	$779,835	$981,111.25
Interest Paid per Million Disbursed	$95.00	$39	$44.87
Percentage of Invoices Paid On Time	93%	98%	98%
Percentage of Invoices Paid Late	1%	1%	2%
Percentage of Invoices Paid Electronically	88%	92%	91%

Appendices

Appendix 1: Data Sources

Financial Data Systems

PEGASYS: In October 2002 Pegasys became GSA's official accounting system of record. A reliable, highly stable system, it currently processes 40 million transactions a year. Among many modern features that this commercial-off-the-shelf (COTS) solution provides GSA, the functionality of the new Standard General Ledger addresses external reporting requirements and assists in the consolidated Federal financial statements. Pegasys will be upgraded to version 6.1 in May 2006. In keeping with GSA's plan to upgrade every two years, this upgrade will introduce Pegasys in the html format and has several other features. In addition to the upgrade, GSA will implement eTravel, Vendor Self Service, and Cost Allocation within the next fiscal year.

Data From Large Computer Systems

GSA PROCUREMENT DATA SYSTEM (GPDS)

STAR (System for Tracking and Administering Real property) is the primary tool used by the Public Buildings Service (PBS) to track and manage the government's real property assets and to store inventory data, billing data, building data, customer data, and lease information. The STAR application assists PBS in supporting its business process and has been redesigned to more closely mirror that of commercial real estate business processes. STAR promotes responsible asset management, which in turn allows PBS to compete more effectively and efficiently in the Federal real estate market. Additionally, it provides direct access to business data supporting the management of space and customer billing records. STAR manages aspects of real property space management, including identification of all building space, daily management of 22,000 assignments, and monthly billing for all property to its client Federal agencies. The application is used to generate the annual billing and collection of more than $6 billion in rent from Federal agencies.

Data From Manual or Small Feeder Computer Systems

IRIS (Inventory Reporting Information System) documents and schedules all identified Repairs and Alterations (R&A) building needs. IRIS tracks the execution of construction projects through the design and construction phases, helps conduct long-range planning, and assists in developing the Budget Activity R&A programs annually. IRIS is a repository for fully-scoped projects and their associated detailed cost estimates. IRIS was redeveloped from a client-server application to a fully Web-enabled application. The IRIS Safety module was successfully deployed in March of 2004. The Work Items module is currently under development and is 85 percent complete. IRIS will allow the user to access the application from any authorized desktop, giving the user the ability to use IRIS while traveling or telecommuting.

EAS: The Electronic Acquisition System (EAS), or Comprizon, supports the daily business of acquisition for PBS associates nationwide. This system streamlines the flow of work within each business area by providing nationwide acquisition preparation, tracking, and reporting. This sophisticated system designed for government acquisition practices includes requisition tracking, acquisition planning, contract awarding, contract administration, payment transfers, and contract closeout functions. EAS has undergone many subsequent upgrades and is currently moving to the enhanced centralized Web-based version Comprizon suite which represents a major step towards more reliable, faster, and user friendly systems for PBS associates. Future improvements for EAS are targeted that will accelerate and simplify the way PBS does

Appendix 1: Data Sources

business by building a stronger tie to Pegasys and Electronic Posting Sites, such as FedBizOps and FedTeDs, thus improving the accuracy of data in support of E-Gov initiatives and offering "anywhere, anytime" access to users.

RENT ESTIMATE: Rent Estimate is a PBS enterprise application that uses source information from back-office systems and applications, such as STAR, Appraisal Data System, and Galaxy to estimate rent for Federal clients. To support Federal agencies in their budgeting process, PBS provides the rent estimate at least 18 months prior to the start of the fiscal year. Before the rent estimate can be distributed to Federal agencies, the Office of Management and Budget (OMB) must approve the rates. These estimates are used by GSA's customers and by GSA in the budget formulation process.

TOPS: The Telecommunications Ordering and Pricing System (TOPS) is a system which automates the local telecommunications service business process, including ordering, billing, and reconciliation of telecommunication services. The purpose of the system is for decreased paperwork, faster processing, and increased customer agency satisfaction. TOPS allows Federal agencies to order telephone equipment and services online on a nationwide basis. This automated system cuts order handling and processing time and cuts the cost of the entire process of delivering telecommunications products.

OMIS: Office of Information Technology Integration Management Information System (OMIS) is an operational system that provides an assortment of project financial capabilities that includes project tracking, employee timesheets, project billing, project expense tracking, project fiscal reporting, and management tools/reports. OMIS provides the Federal Systems Integration and Management Center (FEDSIM) with a means of maintaining basic financial transaction information along with individual time accounting and management reporting capability. In addition, OMIS provides an interface to the GSA financial system of record, Pegasys. OMIS institutionalizes financial standards and methodologies, and provides for the financial management of FEDSIM's increasing business base while providing support directly to FEDSIM's management team, and information for FEDSIM's industry partners and FEDSIM clients. OMIS, in conjunction with Tracking and Ordering System (TOS), provides a full suite of contracting, finance, and project management capabilities for FEDSIM management, clients, and industry partners.

TOS: The Tracking and Ordering System (TOS) is an operational system that was developed and implemented in multiple phases. TOS initially supported the creation and processing of Letter Orders, delivery order tracking, and electronic invoicing by one vendor. In subsequent phases/upgrades modules and functionality have been added to conform to the natural evolution of FEDSIM's business models. Specific examples include updates to allow for electronic bidding on commodities by vendors, electronic invoicing by all vendors, vendor notification that Delivery Orders have been issued, and electronic interfaces to other financial and accounting systems. In particular FEDSIM personnel have added interfaces with OMIS to facilitate more complete project management.

ITSS/ITOMS: IT Solutions Shop/Integrated Task Order Management System (ITSS/ITOMS) provides for electronic ordering and acceptance of commodities and services, and computes and posts financial transactions associated with order funding and order payment. ITSS is an online procurement system for IT products and services. ITSS electronically links Federal clients, vendors, and Federal Technology Service (FTS) customer service representatives; it is available 24 hours a day, seven days a week for geographically dispersed Federal clients' use in ordering IT products and services from their desktops. ITOMS is the financial management system for ITSS orders; it creates the financial transactions sent to the financial system of record, Pegasys. Both ITSS and ITOMS were developed in response to a critical need to move away from paper-intensive processes. Because of increasing business volume of the IT Solutions business line, the repetitive data entry and redundancy required unacceptable levels of time and effort to reconcile financial records of the regions and central office. Internet-based ITSS/ITOMS provides an end-to-end electronic order processing solution that supports FTS staff, customer agencies, and vendors. It provides an electronic path for defining, issuing, awarding, and monitoring tasks.

MAA STATUS TRACKING TOOL: The Metropolitan Area Acquisition (MAA) Tracking Tool is a Lotus-Notes application. It was designed originally to help with project management in implementing the MAA, a local telecommunications contract vehicle, which provides greatly reduced rates to Federal agencies in metropolitan areas. The tracking tool continues to be used to track new MAA business in the post-implementation environment as well as to generate various workload statistics such as MAA savings to date, the mean time from order issuance to order completion, etc.

COMMERCIAL ACQUISITION AND SUPPLY OPERATING AND MANAGEMENT INFORMATION SYSTEM (FSS-19): The Federal Supply Service (FSS) utilizes both systems for tracking sales data. They are password protected and conform to the GSA Information Security Policies and Procedures. Schedule data is reported quarterly and is verified by site visits to the contractors.

TARPS: The Transportation Accounts Receivable and Payable Systems (TARPS) provides performance data for measures aimed at cost recoveries resulting from audits of FSS transportation billings.

ROADS: The Requisitioning, Ordering and Documentation System (ROADS) captures contract pricing for vehicles for FSS. Security for this system is maintained by limited access and password protection.

FEDS: The Federal Disposal System (FEDS) provides data for FSS transferred and donated property.

FSS SALES AUTOMATION SYSTEM: Data for sales proceeds is obtained from this the Sales Automation System (SASy).

Benchmark Data From External Sources

BOMA: The industry benchmarks are from the Building Owners and Managers Association (BOMA). BOMA is an advocacy group for the real estate industry, a federation of 94 local associations whose members own or manage more than six billion square feet of downtown or commercial properties and facilities across the United States. BOMA is recognized for its expertise in the field of real property, frequently testifying before Congress and working with property holding agencies. The Experience Exchange Report is a database that contains building operations statistics on more than 4,000 buildings throughout the United States. It is used extensively in the private sector and it is an accurate source for industry operating data that is comparable to that of PBS.

SIOR: Industry benchmark data are obtained from the Society of Industrial and Office Realtors (SIOR). SIOR is a commercial network and its publications are valuable tools in determining current trends and market rates from which GSA can benchmark. Member professionals, who work in each reported market, develop the market information used by SIOR. However, the regions have the option to use other market sources if the SIOR data no longer reflects local market conditions, or is unavailable for a market.

Data Obtained Under Contract

GALLUP: Customer satisfaction measures for PBS are all compiled and processed by the Gallup Organization. The Gallup Organization has been the world leader in the measurement and analysis of people's attitudes, opinions, and behavior for more than 60 years. The statistical confidence level of the data obtained from Gallup is 95 percent. As a result of this professional assistance, the level of confidence in this data is very high. There is every assurance that the customer satisfaction information is credible and that it is verifiable and valid. Also, the customer satisfaction measures have been audited within the last three years.

APPENDIX 1: DATA SOURCES

Gallup also conducts employee engagement surveys for all of GSA. The Gallup Q12 survey measures associate attitudes to differentiate the top-performing workplaces from the average and low-performing ones. This is accomplished by the administration by an Agency-wide survey that has been professionally designed and validated and that asks associates to respond to questions that most closely capture their perceptions of their workplace environments, thereby deducing what is defined as associate engagement. Gallup is encouraging users of the Q12 survey to move away from percentile comparisons, and is no longer providing GSA with percentile information.

MITRETEK SYSTEMS: The periodic comparisons of commercial rates and those charged customers; the FTS 2001 telecommunications programs are performed by Mitretek. Mitretek has developed specialized computer models to analyze telecommunications costs.

Appendix 11: Summary Chart of Goals and 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 2005 and were reflected in the FY 2006 Congressional Justifications. The 21 Key Performance Measures are highlighted below. The results for the remaining performance measures will be published on GSA's Web site in December 2005. A list of measures reported in the FY 2004 Performance and Accountability Report (PAR) that are no longer reported externally can be found in Appendix III. Dollars in millions (M).

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	RESULTS
1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS							
PBS (Asset Management) Achieve an overall "highly satisfied" customer satisfaction rating of 73% on the ordering official survey by FY 2005.	Percent of highly satisfied customers on the ordering official survey.	66%	72%	68%	73%	TBD	TBD
PBS (Asset Management) Execute energy conservation goals while increasing GSA customer satisfaction scores to 72% by FY 2005.	Customer satisfaction - tenants in owned space.	N/A	67.6%	72%	72%	TBD	TBD
PBS (Leasing) Award leases at an average rental rate of not less then 8.3% below industry averages for comparable office space by FY 2005.	**Cost of leased space relative to the market.**	-14.0%	-7.4%	-10.6%	≤8.3%	-9.2%	Met
PBS (Leasing) Achieve a "highly satisfied" overall customer satisfaction rating of 70% by FY 2005.	**Customer satisfaction - tenants in leased space.**	N/A	66%	70%	70%	78%	Met
PBS(Leasing) Achieve an overall customer satisfaction score of 87% for the lease transaction process.	Overall customer satisfaction on the Realty Transaction Survey.	N/A	84.8%	86.7%	87%	TBD	TBD
PBS (Real Property Disposal) Maintain "highly satisfied" ratings of 93% on the Property Disposal Transaction Survey by FY 2005.	Percentage of customers indicating satisfaction on customer transactional surveys.	N/A	90%	94%	93%	TBD	TBD
PBS (Real Property Disposal) Complete 80% of 49 Act disposals within 320 days by FY 2005.	**Percentage of disposals completed within 320 days.**	N/A	68%	89%	80%	88%	Met
FSS (Commercial Acquisition) Reduce operating costs per $100 of business volume to $0.58 by FY 2005.	Operating cost per $100 business volume.	$0.68	$0.60	$0.50	$0.58	TBD	TBD
FSS (Global Supply) Maintain customer satisfaction, at the 75th percentile or greater (currently 79) for customer satisfaction in government.	GSA Global Supply external customer satisfaction survey score.	75	79.6	79	79.8	TBD	TBD

Appendix II: Summary Charts of Goals and Measures

Office Performance Goals	Performance Measures	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Target	FY 2005 Actual	Results
1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS *(continued)*							
FSS (Travel and Transportation) Increase the number of Federal agency customers through Transportation Management Services Solution (TMSS).	Number of TMSS users.	N/A	N/A	1,718	1,950	TBD	TBD
FSS (Travel and Transportation) Expand the number of vendors and services under the Travel Services Solution (TSS) Schedule.	Number of vendors participating on TSS Schedule.	N/A	N/A	28	35	TBD	TBD
FSS (Vehicle Acquisition) Maintain 27.5% or better discount from manufacturer's invoice price.	**Percentage discount from invoice price.**	27.3%	26.3%	33.1%	≥ 27.5%	40.6%	Met
FSS (Vehicle Leasing) Maintain the gap between GSA Fleet rates and commercial rates at 27% or more.	**Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.**	N/A	36.9%	31.7%	≥ 27%	43.1%	Met
FTS (Long Distance) Provide substantial savings to customer agencies.	Percentage of FTS Network Services prices that are below best commercial prices.	N/A	N/A	N/A	50%	TBD	TBD
FTS (Long Distance) Provide robust portfolio of telecommunications services and value added solutions to satisfy diverse customer requirements.	Customer satisfaction with value added solutions.	N/A	N/A	77%	79%	TBD	TBD
FTS (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 policies and procedures.	N/A	N/A	N/A	100%	TBD	TBD
FTS (Long Distance) Provide substantial savings to customer agencies.	**Savings provided to customers.**	$32.8M	$574M	$705M	$780M	$633M	Not Met
FTS (Long Distance) Grow customer base to increase market share and maximize savings to the government.	Percentage of agencies serviced by Networks Services.	N/A	N/A	N/A	80%	TBD	TBD
OGP Increase adoption of common business processes and/or key components enabling those processes.	Number of common business processes and/or key components adopted by Federal programs.	N/A	N/A	12	24	TBD	TBD
OGP Develop and issue effective guidance and policies in support of the Federal eAuthentication initiative.	Percentage of major agencies adopting cross-agency policy and uniform standards for Federal Identity Credentials.	N/A	N/A	25%	50%	TBD	TBD
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.	**Total number of multi-channel contacts with the public (citizen, business, government) per year.**	59.1M	209.7M	241.9M	250.3M	230.5M	Not Met

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	RESULTS
1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS *(continued)*							
OCSC Enable government Web sites to become more citizen-centric and user-friendly.	FirstGov.gov page view/ year.	N/A	176M	203M	210M	TBD	TBD
	Number of agencies using FirstGov infrastructure (hosting).	N/A	4	4	4	TBD	TBD
	Federal Web sites that use E-Gov Solutions' infrastructure (search services).	N/A	110	110	142	TBD	TBD
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.	Increase agency Working Agreements regarding citizen inquiry/responses.	N/A	Sign-up 10 & Service 10	Sign-up 15 & Service 25	Sign-up 11 & Service 36	TBD	TBD
	FirstContact and Tier-1 telephone and email services for agencies.	N/A	Sign-up 3 & Service 3	Sign-up 7 & Service 10	Sign-up 5 & Service 15	TBD	TBD
	Web self-help options for citizen inquires.	N/A	N/A	590,000	5% increase	TBD	TBD
OCSC Disseminate strategic information messages to all audiences by providing an integrated and coordinated message to GSA associates and news media.	Strategic messages (Favorable, Neutral, Unfavorable).	N/A	29% 66% 5%	50% 25% 25%	50% 25% 25%	TBD	TBD
OCSC Enable government Web sites to become more citizen-centric and user-friendly.	Total number of search queries answered with results from E-Gov Solutions' index (FirstGov).	N/A	N/A	N/A	3.6M	TBD	TBD
	Total number of search queries answered with results from E-Gov Solutions' index (Other).	N/A	26.2M	26.8M	26.2M	TBD	TBD
OCIO Align Business & IT Strategy using Enterprise Architecture & Capital Planning.	GSA Enterprise Architecture Assessment (score 3 on 1-5 scale on both maturity and degree of alignment).	N/A	N/A	2.25	3	TBD	TBD
2: ACHIEVE RESPONSIBLE ASSET MANAGEMENT							
PBS (Asset Management) Increase the percentage of government-owned assets with a positive Funds From Operations (FFO) to 80% by FY 2005.	Percentage of government-owned assets achieving a positive FFO.	74%	73%	78%	80%	TBD	TBD
PBS (Asset Management) 86% of Repairs and Alterations (R&A) projects on schedule by FY 2005.	**Percent of Repairs and Alterations (R&A) Projects on schedule.**	87%	78%	78%	86%	95%	Met
PBS (Asset Management) Obligate 75% of minor Repairs and Alterations (R&A) budget for planned projects by the end of FY 2005.	Percent of minor R&A budget obligated on planned projects by the end of the fiscal year.	N/A	N/A	87%	75%	TBD	TBD

APPENDIX II: SUMMARY CHARTS OF GOALS AND MEASURES

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	RESULTS
2: ACHIEVE RESPONSIBLE ASSET MANAGEMENT *(continued)*							
PBS (Asset Management) Decrease the vacant (available and committed) space to 7% of the owned inventory by FY 2005 and maintain thereafter.	Percentage of vacant and committed space in the government-owned inventory.	9.2%	8.3%	7.9%	7%	TBD	TBD
PBS (Asset Management) Maintain the percent of escalations on R&A projects at less than or equal to 1.0% by FY 2005.	Percent of escalations on R&A projects.	3.0%	0.5%	0.5%	″1.0%	TBD	TBD
PBS (Asset Management) Increase to 68% the percentage of government-owned assets with a Return on Equity (ROE) of at least 6% by FY 2005.	Percentage of government-owned assets with an ROE of at least 6%.	54%	64%	70%	68%	TBD	TBD
PBS (Leasing) Maintain the percentage of vacant space in leased buildings at less than or equal to 1.5% in FY 2005.	**Percent of vacant space in leased inventory.**	2.0%	1.4%	1.2%	″1.5%	1.2%	Met
PBS (Leasing) Maintain Funds from Operations (FFO) for leased space at 0% - 2% of leased inventory revenue in FY 2005.	Percent of FFO from total leased space inventory revenue.	2.26%	1.20%	1.90%	0% ″ 2%	TBD	TBD
PBS (New Construction) New construction projects on schedule 85% of the time by FY 2005.	**Construction projects on schedule.**	78%	68%	80%	85%	100%	Met
FSS (Global Supply) Reduce the mark-up for GSA stocked items from 45.9% to 43.5% — towards the goal of 33.5%.	**Supply mark-up for stocked items (percent).**	48.5%	45.9%	42.8%	43.5%	42.9%	Met
FTS (IT Solutions) Improve the financial condition of the IT Fund.	Total program expense as a percentage of gross margin.	N/A	48%	59%	78%	TBD	TBD
FTS (Long Distance) Improve the financial condition of the IT Fund.	Total program expense as a percentage of gross margin.	N/A	95%[1]	41%[2]	56%	TBD	TBD
FTS (Long Distance) Provide effective management of Network Services acquisitions.	Networx Program Milestones planned versus actual.	N/A	N/A	100%	100%	TBD	TBD
FTS (Regional Telecomm) Improve the financial condition of the IT Fund.	Total program expense as a percentage of gross margin.	N/A	59%	56%	64%	TBD	TBD
FTS (Professional Services) Improve the financial condition of the program.	Total program expense as a percentage of gross margin.	N/A	N/A	64%	82%	TBD	TBD

1. The FY 2003 ratio is skewed as a result of $18.6M prior year financial adjustment.
2. The FY 2004 ratio is skewed as a result of $22.1M refund related to prior year.

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	RESULTS
2: ACHIEVE RESPONSIBLE ASSET MANAGEMENT *(continued)*							
OGP Develop and implement more efficient Government-wide utilzation and disposal (U&D) processes and systems based on recommendations from the U&D study.	Number of agencies using Real Property Profile Internet application to report real property inventory.	N/A	N/A	30	32	TBD	TBD
OGP Improve software asset management in government.	Percentage of agencies with software asset management plans.	N/A	N/A	0%	5%	TBD	TBD
OGP Develop new policies to optimize Federal asset management.	Percentage of agencies implementing process improvements prescribed in asset management guidelines, policies, and regulations.	N/A	N/A	0	50%	TBD	TBD
OCIO Ensure that all IT systems have a full Certification and Accreditation.	Percentage of IT systems that have completed a full certification and accreditation.	N/A	N/A	97%	100%	TBD	TBD
3: OPERATE EFFICIENTLY AND EFFECTIVELY							
PBS (Asset Management) Maintain operating service costs in office and similarly serviced space at 12% or more below private sector benchmarks in FY 2005.	**Percent below private sector benchmarks for cleaning, maintenance, and utility costs in office and similarly serviced space.**	-17.0%	-15%	-14.5%	-12%	-10.5%	Not Met
PBS (New Construction) Reduce the percentage of escalations on construction projects to at or below 1% by FY 2005.	Percent of escalations on construction projects.	7%	0.6%	1.6%	≤1%	TBD	TBD
FSS (Commercial Acquisition) Reduce the time associated with processing contract offers to 92 days by FY 2005.	**Cycle time to process offers (days).**	110	94	87	92	98	Not Met
FSS (Commercial Acquisition) Reduce the time associated with processing contract modifications to 13 days by FY 2005.	Cycle time to process modifications (days).	23	16	14	13	TBD	TBD
FSS (Global Supply) Increase program efficiency and value to Global Supply customers by minimizing program operating costs.	Operating costs per $100 business volume.	$20.77	$18.13	$17.58	$17.63	TBD	TBD
FSS (Personal Property Management) Decrease the time it takes to complete disposal action for excess property from 83 days to 77 days by FY 2005.	**Cycle time for disposal process (days).**	99	83	72	77	56	Met
FSS (Personal Property Management) Increase the usage of on-line systems for reporting of surplus property by Federal civilian agencies.	Percent of property reported electronically by civilian agencies through FEDS.	N/A	86%	91%	89%	TBD	TBD
FSS (Personal Property Management) Align program operating costs relative to revenue generated by the sales program, and strive to maximize the return on these resources.	Direct cost as a percent of revenue.	58.2%	61.5%	48%	47%	TBD	TBD

APPENDIX II: SUMMARY CHARTS OF GOALS AND MEASURES

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	RESULTS
3: OPERATE EFFICIENTLY AND EFFECTIVELY *(continued)*							
FSS (Travel and Transportation) Maximize percentage discount savings from the City Pairs Program (CPP).	Percentage discount from walk-up fare.	72%	72%	74%	74%	TBD	TBD
FSS (Travel and Transportation) Reduce business line operating costs per $100 business volume of the program.	Direct cost as a percent of revenue.	N/A	40%	57%	65%	TBD	TBD
FSS (Travel and Transportation) Provide policy compliant, consolidated and fully integrated end-to-end travel services Governmentwide.	Percentage of agencies using eTS.	N/A	N/A	8%	62.5%	TBD	TBD
FSS (Travel and Transportation) ncrease the number of audits that are conducted electronically through streamlining and automating the Transportation Audits process.	Percent of audits performed electronically.	89.5%	93.2%	92.1%	94.5%	TBD	TBD
FSS (Travel and Transportation) Increase the number of audits that are conducted electronically through streamlining and automating the Transportation Audits process.	Percent of audits performed electronically.	89.5%	93.2%	92.1%	94.5%	TBD	TBD
FSS (Travel and Transportation) Increase the number of audits that are conducted electronically through streamlining and automating the Transportation Audits process.	Percent of claims processed within targeted timeframe of 120 days or less.	N/A	N/A	51.2%	40%	TBD	TBD
FSS (Vehicle Acquisition) Manage program resources to meet its future needs while maximizing program efficiency.	Number of vehicles purchased per FTE.	564	1,191	1,350	1,275	TBD	TBD
FSS (Vehicle Leasing) Maintain the gap between GSA Fleet rates and commercial rates at 27% or more.	Program support and operational expenses per vehicle year of operation.	$495	$507	$556	$482	TBD	TBD
FSS (Vehicle Leasing) Aggressively pursue consolidation opportunities at the regional level to reduce overall government expenses.	Number of vehicles managed per onboard associate.	262	271	275	322	TBD	TBD
FTS (IT Solutions) 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.**	93%	90%	88%	> 94%	85%	Not Met
FTS (IT Solutions) Provide quality IT solutions services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of schedule task orders solicited using e-Buy.	N/A	N/A	N/A	80%	TBD	TBD

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	RESULTS
3: OPERATE EFFICIENTLY AND EFFECTIVELY *(continued)*							
FTS (Regional Telecomm) 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.	N/A	N/A	89%	75%	TBD	TBD
FTS (Professional Services) Provide quality services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of schedule task orders solicited using e-Buy.	N/A	N/A	N/A	80%	TBD	TBD
FTS (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.	N/A	N/A	83%	> 93%	TBD	TBD
OGP Reduce redundant data collections and redundant electronic forms systems.	Percentage of agencies adopting Government-wide Forms Management guidance and implementation approach.	N/A	N/A	N/A	10%	TBD	TBD
OCIO Improve IT Investment Control & Project Management.	Cost and schedule variances for major IT investments. The IT Portfolio's Development, Modernization and Enhancement (DM&E) performance, as measured by earned value, should reflect actual cost and schedule variances that are within 10% of their planned cost and schedule.	N/A	N/A	N/A	10%	TBD	TBD
4: ENSURE FINANCIAL ACCOUNTABILITY							
OCFO Increase the percentage of vendor invoices received by Electronic Data Interchange (EDI) through the Internet.	**Percentage of vendor invoices received electronically by EDI through the Internet.**	38%	44%	56%	56%	64%	Met
OCFO Increase the percentage of vendor payments made by electronic media such as Electronic Funds Transfer (EFT) and purchase cards.	**Percent of electronic invoices paid by electronic means such as EFT and purchase cards.**	79%	88%	92%	95%	94%	Not Met
5: MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE							
OCPO Enhance training, recruitment, and placement/outplacement programs to help GSA develop/acquire the needed skills/talents identified in organization-specific human capital strategies. Specific focus will be place on improved diversity of workforce training/learning.	Gallup Q12 Grand Mean Score.	3.76	3.83	3.89	3.94	3.85	Not Met
	Number of days to full a vacancy.	N/A	N/A	N/A	45	TBD	TBD
OEM Support government-wide COOP in accordance with Federal Preparedness Circular #65.	OEM will conduct coop training sessions for Federal agencies.	N/A	N/A	N/A	10	TBD	TBD

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 TARGET	FY 2005 ACTUAL	RESULTS
6: CARRY OUT SOCIAL, ENVIRONMENTAL, AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY							
PBS (Asset Management) Reduce energy consumption in GSA Federal buildings by 30% (as measured in Btu/GSF) over the FY 1985 baseline by FY 2005.	**Percent reduction in energy consumption over the FY 1985 baseline.**	-22.5%	-18.6%	-22.4%	-30%	-35.3%	Met
FTS (IT Solutions) 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.	N/A	N/A	61%	50%	TBD	TBD
FTS (IT Solutions) Provide quality IT solutions services through appropriate consistency in the acquisition management process from pre-award through closeout.	**Percentage of Government Wide Acquisition Contract (GWAC) task and delivery orders subject to the fair opportunity process.**	N/A	86%	96%	> 95%	93%	Not Met
FTS (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.**	N/A	N/A	47%	40%	72%	Met
FTS (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 fair opportunity process.	N/A	N/A	96%	70%	TBD	TBD
FTS (Professional Services) 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.	N/A	N/A	43%	50%	TBD	TBD
FTS (Professional Services) Provide quality services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to fair opportunity process.	N/A	N/A	83%	> 85%	TBD	TBD

Appendix III: Performance Goals and Measures No Longer Reported

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES
1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS	
PBS (Real Property Disposal) Attain a highly satisfied customer satisfaction score of 76% on the quality of service delivered by FY 2005.	Percentage of customers indicating satisfaction on annual customer surveys.
FSS (Global Supply) Increase fill rate by 0.1% per year from 95.2% to 95.4% while maximizing inventory turns.	Fill rate for requisitions
FSS (Vehicle Acquisition) Increase customer satisfaction to the 75th percentile or better for customer satisfaction in the government.	GSA Automotive external customer satisfaction survey score
FSS (Vehicle Leasing) Increase customer satisfaction to the 75th percentile or better for customer satisfaction in the government.	GSA Fleet external customer satisfaction survey score
FSS (Personal Property Management) Increase customer satisfaction to the 75th percentile or better for customer satisfaction in the government.	Personal Property Management external customer satisfaction survey score
FSS (Travel and Transportation) Increase customer satisfaction to the 75th percentile or better for customer satisfaction in the government.	Travel Program external customer satisfaction survey score
Office of Governmentwide Policy Develop and issue effective guidance and policies in support of the Federal E-Authentication initiative.	**Number of agency applications meeting E-Authentication credentialing policy standards (out of universe of 24)**
Office of Citizen Services and Communications Leverage FirstGov technologies and solutions across the Federal government.	**Tax dollars saved as a result of agencies sharing FirstGov technologies**
Office of Citizen Services and Communications Government Web sites that are citizen-centric and user friendly.	Agencies adopting FirstGov common content model
Office of the Chief Acquisition Officer 80% of all changes to the Federal Acquisition Regulations (FAR) are accomplished within 40 weeks.	Percent of new FAR rules completed within 40 weeks
Office of the Chief Acquisition Officer Increase GSA performance based service contracting actions.	Percent of GSA eligible service contract dollars awarded as performance-based contracts
2: ACHIEVE RESPONSIBLE ASSET MANAGEMENT	
Office of Governmentwide Policy Implement eTravel Service (eTS).	Number of vouchers processed through eTS
3: OPERATE EFFICIENTLY AND EFFECTIVELY	
FSS (Vehicle Acquisition) Rationalize Government Wide Acquisition Contract's (GWAC) to reduce overlap and result in contract vehicles that are more complementary to MAS.	Percentage of new GWACs and GWACs with significant changes reviewed by Contract Vehicle Review Boar
FSS (Travel and Transportation) Implement transition of Federal agencies to e-Travel Service by December 31, 2004 and complete migration to eTS by September 30, 2006.	Number of agencies migrating to eTravel Service
FTS (Professional Services) Increase operational capacity for Professional Services.	Number of FSS Schedules for which FSS provide acquisition support
4: ENSURE FINANCIAL ACCOUNTABILITY	
FSS (Vehicle Leasing) Consolidate other agencies' vehicles to reduce the overall cost of fleet to the government.	Annual Savings to the government ($ millions) per cost benefit study
5: MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE	
Office of the Chief Acquisition Officer Increase the use of Federal Acquisition Institute Online training. (OCAO)	Number of FAI Online training instances completed
6: CARRY OUT SOCIAL, ENVIRONMENTAL, AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY	
Office of Small Business Utilization Meet or exceed goal of providing contracting opportunities to small businesses.	Percentage of contracting opportunities provided to small business

APPENDIX IV: IMPROPER PAYMENTS INFORMATION ACT (IPIA)

RECOVERY AUDIT PROGRAM

GSA's recovery audit contractor came on board in April 2001 and initially performed an audit of GSA's disbursement records and vendor statement of accounts for FY 2000. This process has continued through FY 2004. In addition, in FY 2003 the recovery audit activities were expanded to include a review of GSA's commodity and service contracts.

In FY 2004, a combined total of $26.6 million in payment errors was discovered through internal reviews and recovery audit activities. The original disbursements for the payment errors occurred in multiple fiscal years. Details regarding GSA's recovery audit program for FY 2004 are presented in the table below:

GSA's FY 2004 Recovery Audit Program Results (in dollars)

Total Agency Costs	**$**	**1,561,226**
Agency Salaries & Expenses	$	77,055
Total Contracted Expenses	$	1,531,292
Paid	$	1,127,346
Due	$	403,946
Total Payment Errors Identified	**$**	**26,638,654**
Discovered By Contractor	$	13,280,090
Amount Unrecoverable	$	0
Amount Recovered	$	7,574,918
Amount Outstanding	$	5,705,172
Discovered Internally By GSA	$	13,358,564
Amount Unrecoverable	$	0
Amount Recovered	$	742,269
Amount Outstanding	$	12,616,295

Since most of GSA's business dealings with vendors are of a recurring nature, it is anticipated that the vast majority of the outstanding balance will be successfully collected. Through the end of FY 2004, the contractor has identified $31.2 million in improper payments and GSA has collected $18.4 million of that amount.

The recovery audit contractor's overall findings are down slightly from the prior year. During FY 2004, GSA began to see a decline in traditional disbursement type recoveries. The make-up of findings has shifted significantly in favor of contract compliance. This shift is common during the life cycle of a post audit. GSA has incorporated several past recommendations made by the recovery audit contractor, and revised payment controls and procedures have been put in place to eliminate many common disbursement errors. An audit base of $1.625 billion in contracts was examined during this time.

Appendix V: Acronyms and Abbreviations

AAPC	Accounting and Auditing Policy Committee
ABC	Activity Based Costing
ADA	Anti-Deficiency Act
ADP	Automated Data Processing
AGA	Association of Government Accountants
AICPA	American Institute of Certified Public Accountants
APPAS	Associate Performance Planning and Appraisal System
BOCA	Board of Contract Appeals
BOMA	Building Owners and Managers Association
BPA	Blanket Purchase Agreement
BPR	Business Process Review
BRM	Business Reference Model
Btu	British Thermal Unit
CAO	Chief Acquisition Officer
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CIO	Chief Information Officer
COE	Center of Excellence
COTS	Commercial-Off-The-Shelf
CPP	City Pairs Program
CRM	Customer Relationship Management
CSBR	Combining Statement of Budgetary Resources
CSC	Client Support Center
CSRS	Civil Service Retirement System
DHS	Department of Homeland Security
DLA	Defense Logistics Agency
DOD	Department of Defense
DOL	Department of Labor
DUNS	Data Universal Numbering System
EA	Enterprise Architecture
EAS	Electronic Acquisition System
E-Authentication	Electronic identity proofing of individuals and businesses, based on risk of online services used
ECRM	Enterprise CRM
EDD	Expanded Direct Delivery
EDI	Electronic Data Interchange

APPENDIX V: ACRONYMS AND ABBREVIATIONS

EEO	Equal Employment Opportunity
EFT	Electronic Funds Transfer
eGov	Electronic Government
EO	Executive Order
eTravel	A Web-based service for travel planning and authorization of reimbursement
eTS	eTravel Service

FAI	Federal Acquisition Institute
FAIR	Federal Activities Inventory Reform
FAR	Federal Acquisition Regulations
FAS	Federal Asset Sales
FAS	Federal Acquisition Service
FASAB	Federal Accounting Standards Advisory Board
FBF	Federal Buildings Fund
FCICF	Federal Consumer Information Center Fund
FECA	Federal Employees Compensation Act
FEDS	Federal Disposal System
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
FISMA	Federal Information Security Management Act
FMC	Fleet Management Center
FMFIA	Federal Manager's Financial Integrity Act
FM LOB	Financial Management Line of Business
FMS	Financial Management Service
FPS	Federal Protective Service
FSS	Federal Supply Service
FSS-19	Commercial Acquisition and Supply Operating and Management Information System
FTE	Full-Time Equivalent
FTS	Federal Technology Service
FY	Fiscal Year

GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GM	General Motors
GM&A	General Management and Administration
GPRA	Government Performance and Results Act

GSA	General Services Administration
GSAP	GSA Preferred
GSF	General Supply Fund
GSFC	Greater Southwest Finance Center
GWAC	Governmentwide Acquisition Contract
HAVA	Help America Vote Act
HR	Human Resource
HUBZone	Historically Underutilized Business Zones
IG	Inspector General
IGTE	Intragovernmental Transaction Exchange
IPIA	Improper Payments Information Act
IRIS	Inventory Reporting Information System
IT	Information Technology
ITS	Information Technology Solutions
ITF	Information Technology Fund
ITOMS	Integrated Task Order Management System
ITSS	IT Solutions Shop
JFMIP	Joint Financial Management Improvement Program
LLP	Limited Liability Partnership
MAA	Metropolitan Area Acquisition
MAC	Multiple Award Contract
MAS	Multiple Award Schedule
MCOC	Management Control Oversight Council
MD&A	Management's Discussion and Analysis
MFC	Most-favored customer
MOA	Memorandum of Agreement
NCC	National Contact Center
NEAR	National Electronic Accounting and Reporting
NIB/NISH	National Institute for the Blind/National Institute for the Severely Handicapped
NIST	National Institute of Standards and Technology
NPC	National Payroll Center
OASDI	Old-Age, Survivors and Disability Insurance
OCAO	Office of Chief Acquisition Officer
OCFO	Office of Chief Financial Officer
OCIA	Office of Congressional and Intergovernmental Affairs

Appendix V: Acronyms and Abbreviations

OCIO	Office of Chief Information Officer
OCO	Ordering Contracting Officers
OCPO	Office of Chief People Officer
OCR	Office of Civil Rights
OCSC	Office of Citizen Services and Communications
OEM	Office of Emergency Management
OGC	Office of General Counsel
OGP	Office of Governmentwide Policy
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMIS	Office of Information Technology Integration Management Information System
OPI	Office of Performance Improvement
OPM	Office of Personnel Management
OSBU	Office of Small Business Utilization
PAD	Pre-Authorized Debits
PADC	Pennsylvania Avenue Development Corporation
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PBS	Public Building Service
PIB	Procurement Information Bulletin
PL	Public Law
PMA	President's Management Agenda
PMP	Performance Management Process
PMT	Performance Measurement Tool
PS	Office of Professional Services
PwC	PricewaterhouseCoopers
R&A	Repair and Alteration
ROADS	Requisitioning, Ordering and Documentation System
ROE	Return on Equity
RRB	Ronald Reagan Building
SAS	Statement on Auditing Standards
SASy	Sales Automation System
SBA	Small Business Administration
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
SOW	Statements of Work
SSA	Social Security Administration

STAR	System for Tracking and Administering Real Property
TARPS	Transportation, Accounts Receivable and Payable Systems
TBD	To Be Determined
TMSS	Transportation Management Services Solution
TOPS	Telecommunications Ordering and Pricing System
TOS	Tracking and Ordering System
TSP	Thrift Savings Plan
TSS	Travel Services Solution
U&D	Federal Personal Property Utilization, Donation, and Sales Program
USDA	United States Department of Agriculture
USPS	United States Postal Service
USSGL	United States Standard General Ledger
VA	Veterans Administration
VERA	Voluntary Early Retirement Authority
VoIP	Voice over Internet Protocol
VSIP	Voluntary Separation Incentive Payment
WCF	Working Capital Fund
XML	Extensible Markup Language

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Also linked to that site is our 2006 Performances Plan
and our past performance and accountability publications.

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