U.S. General Services Administration

FY 2006 ANNUAL PERFORMANCE AND ACCOUNTABILITY REPORT

2006

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

How to use this report

This Performance and Accountability Report (PAR) for fiscal year (FY) 2006 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 PARs are available on GSA's Web site at www.gsa.gov/annualreport. GSA welcomes feedback on the form and content of this report. If you wish to provide feedback please choose a contact from the annual report Web page.

This report is organized into the following major components:

1 Letter from the Administrator of GSA

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

2 Management's Discussion and Analysis (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 2006. 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 2006. An introduction letter from GSA's Chief Financial Officer (CFO), followed by the Independent Auditor's Report; the Agency's audited financial statements and other supplemental financial information containing the Inspector General's (IG) Updated Assessment of GSA's Major Management Challenges with Management's comments; and information on the Agency's Debt Management and Payments Management.

5 Appendices

Summary chart of performance information, Improper Payments Improvement Act (IPIA) 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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FINANCIAL SECTION

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Letter from the Administrator

FY 2006 Performance and Accountability Report

I am pleased to present the Fiscal Year (FY) 2006 Annual Performance and Accountability Report (PAR) for the U.S. General Services Administration (GSA). This report details the Agency's accomplishments and challenges in upholding our mission to help other agencies better serve the public by meeting, at best value, their needs for products and services, and to simplify citizen access to government information.


Lurita Doan

GSA is committed to delivering products and services in an effective and efficient manner while ensuring accountability to the U.S. taxpayer through superior performance and prudent financial and budget management. GSA is the premier source for cost-effective, timely, and compliant property management and government procurement. GSA procurements offer the Federal government products and services at lower costs, more quality, and with greater compliance. This vision requires us to improve all of our customer services and better understand and anticipate the requirements of our customers. As Administrator, I am committed to doing this through rekindling the entrepreneurial spirit within GSA and developing sound metrics that demonstrate our performance. Moreover, GSA is now taking on a leadership role in reducing wasteful government spending associated with buying the goods and services that are required by the Federal government.

Unqualified "Clean" Opinion

During FY 2006, we continued our emphasis on ensuring that GSA has strong internal controls in place to minimize the risk of waste, fraud, and erroneous payments. We also intensified our efforts toward addressing the six reportable conditions, including the material weakness, "Controls over monitoring, accounting, and reporting of budgetary transactions, are inadequate," identified in FY 2005. The outcome of this effort resulted in an unqualified "clean" opinion for the FY 2006 audit. Moreover, the material weakness was reduced to a reportable condition, and three of the other five previous reportable conditions were resolved.

With the attainment of the unqualified financial statement opinion, we are committed to moving forward during FY 2007 to continue improving our internal control processes and fulfilling the financial management improvement goals of the President's Management Agenda (PMA). While our auditor's disclaimer of opinion last year ended a long string of clean opinions, it strengthened our determination to educate the Agency in the proper closeout of completed projects and returning unused budgetary authority, regardless of whether it is expired or canceled, and therefore, no longer available. These actions have resulted in more accurate financial accounting and reporting and eliminated the prior year material weakness.

GSA Priorities

President Bush has challenged all Federal agencies to find new and smarter ways to do business and move toward a government that is citizen-centered and results-oriented. There are important changes underway at GSA that will help us to meet the President's directive, meet the needs of our customers, and at the same time provide savings to the taxpayers. Under my tenure, my top priorities in meeting the President's call for leadership are:

- Rededicating the mission of GSA as the pre-eminent procurement agency for the Federal government
- Ensuring the Agency's financial stability and returning GSA's technology offerings to a full cost recovery basis
- Enforcing sound financial management practices through transparency, integrity, and accountability
- Successful implementation of the Federal Acquisition Service (FAS)
- Improving employee morale and confidence
- Providing best value for GSA customers and cost-savings for the U.S. taxpayer
- Restoring and enhancing customer satisfaction and service by putting the customer at the center of all GSA business transactions
- Making GSA the premier platform for goods and services to support emergency response and recovery
- Facilitating opportunities for small businesses to participate in government contracting.

Federal Acquisition Service

GSA has now embarked upon the boldest and most comprehensive restructuring and reorganization in the Agency's 50-year history. Once fully implemented, the restructuring will bring transformational changes to GSA resulting in significant savings to taxpayers on all goods and services procured through GSA. As a direct result of the GSA Reorganization Bill signed into law by President Bush in October 2006, we have taken the following actions:

- FAS has been created which consolidates the Federal Supply Service (FSS) and Federal Technology Service (FTS) into one department. In this way, disparate services have been combined, management strengthened, redundant and duplicative efforts eliminated, and policies standardized.
- Financial controls, accountability, and oversight have been strengthened. Two different GSA funds, requiring separate controls and budgetary oversight, have been combined into a single Acquisition Fund.

The new reorganization has brought significant improvements to GSA and given us the necessary authorities to reduce and eliminate redundant efforts that once only confused our stakeholders, delayed our procurements, and frustrated our employees. Perhaps more importantly, it has given us a fresh opportunity to rethink all of our business processes with the goal of eliminating needless bureaucratic actions that no longer serve our stakeholders. In particular, I am happy to highlight just two of the many examples of new entrepreneurial energy from GSA employees:

- Small businesses reported excessive delays and time required to apply for and be awarded a simple GSA Schedule. GSA Schedules are particularly important to the small business community, and it was taking far too long to navigate this cumbersome process. GSA employees have recently found ways to speed the process and the average time it takes a small business to apply for and receive a GSA Schedule, and we are committed to achieving an average of 30 days to award a basic GSA Schedule by the end of the 2007 calendar year.
- A GSA employee came up with a great idea to save taxpayer money by reducing the amount of expensive warehouse space needed to stockpile large amounts of office supplies. After calculating that it was costing the government more to store these supplies than the supplies were worth, he then came up with the inspired

idea that GSA could donate these supplies to schools and libraries in the Gulf region that is still recovering from Hurricane Katrina and save taxpayer money at the same time.

We have recently made some difficult choices to tighten fiscal discipline and manage all of our operations to budget. One of my first actions as Administrator was to revise the FY 2007 financial plans and cut approximately nine percent from GSA operations. These cuts allowed us to trim wasteful spending and programs that were underperforming. I also placed limitations on spending across GSA, including reducing funding for non-essential travel of senior executives, service support contracts, and hiring for only critical positions. Interestingly enough, GSA managers at all levels of the organization (with only one exception) were eager to confront the many programs and policies that had outlived their usefulness and were wasting taxpayer money.

While it might be counterintuitive, morale throughout the organization has soared. GSA is suddenly an exciting place, doing exciting things. Yes, we still face a number of challenges (which will be outlined shortly), but the future of GSA is bright and getting better everyday. Today, GSA is now leaner and meaner and ready to take on new challenges.

As this report describes, GSA has taken specific new steps over the past year to further these objectives and improve performance across the Agency. While GSA saw a decline in revenue and a loss of customers, particularly in our technology offerings during the past fiscal year, we are working aggressively to correct that situation. GSA has clarified and standardized the basic internal rules to improve procurement activities. GSA customers can expect consolidated, enterprise-wide, efficient solutions for their procurement needs. We have also taken steps to ensure procurement professionals in GSA and other government agencies have the knowledge and training they need. Additionally, I am meeting individually with my counterparts at our client agencies to assure them that GSA is the best source for all of their workplace needs. The new organization will strive for the best value at the best prices through strategic sourcing, faster contracting services, greater efficiency and flexibility in procurement processes, lower transaction costs, and smarter ways of doing business.

Second, FAS continues to face a downturn of business and revenue shortfalls. We analyzed and revised the FY 2007 financial plans and cut approximately nine percent from non-performing programs. In order to help offset losses in FAS and free up funds in the Public Buildings Service (PBS) for additional project-related work, limitations have been placed on spending across GSA, including reducing funding for non-essential travel, service support contracts, and hiring for critical positions only. We are working aggressively to regain old business and seize new business opportunities.

Third, GSA has taken the necessary steps to address a small number of past contracting irregularities, and we are confident that GSA contract awards are compliant with the Federal Acquisition Regulation (FAR). A review by the GSA Inspector General (IG) reflected that 12 Customer Service Centers are now conforming to procurement regulations. Additionally, our FY 2005 reportable condition on contracting practices no longer exists. GSA continues to work on the development of consistent policies and procedures for GSA and Department of Defense (DoD) interagency contracting.

Fourth, the bill authorizing the reorganization and consolidation of two GSA funds into a single Acquisition Fund was approved by Congress at the end of FY 2006 and signed by President Bush at the beginning of FY 2007. This legislative change will streamline the financial process, improve accountability and oversight, and is consistent with GSA's acquisition excellence efforts.

Public Buildings Service

GSA's PBS has made great progress improving asset management of GSA's real property and successfully delivering large, complex construction projects, including land border ports of entry, government buildings, and Federal courthouses.

Finally, PBS has maintained a steady course in FY 2006. PBS's extraordinary efforts led GSA in becoming the first agency to achieve the Green rating for Real Property, and it has consistently maintained this high standard.

Over the past few years, PBS has been working to restructure and introduce new efficiencies to its leasing program. In August 2006, PBS announced that beginning in FY 2008, the leasing fees it charges Federal customer agencies will be reduced. The fee for most leased space will decrease from eight to seven percent. Unique space will see a drop from six to five percent. GSA currently leases over 166 million rentable square feet of space in 7,300 buildings nationwide. New online leasing tools and other technologies, as well as a restructured PBS workforce, have provided greater efficiencies for GSA, enabling the Agency to reduce its fees and save additional monies for taxpayers.

I look to FY 2007 with optimism, confidence, and a renewed sense of purpose to meet the management challenges set out by President Bush and a return to GSA's core function: helping other agencies perform their missions of service on behalf of the American people. I am proud and honored to serve as the 18th Administrator.

President's Management Agenda

The PMA Scorecard as of the end of FY 2006 shows solid accomplishments for GSA as well as continued work to be done to push us further and further toward improving performance. GSA is rated Green for status and progress for both Budget and Performance Integration and Real Property. This is the first time GSA has earned a Green-Green rating on the Budget and Performance Integration Scorecard. The rating for Human Capital and E-Gov was Yellow for status and Green for progress with the reverse for Competitive Sourcing, Green status and Yellow progress. It is anticipated that with the completion of key deliverables early in FY 2007, these will be elevated to Green-Green. Financial Performance has a rating of Red for status and Green for progress largely related to last year's financial audit. This year's successful audit should improve that rating to Green. These results indicate, through the efforts and willingness to go the extra mile by GSA's employees, our performance is improving across the board.

Financial Performance and Program Data

The ability of GSA financial management to respond to the disclaimer of opinion on the FY 2005 financial statements demonstrates the determination and motivation to promote and support first-class financial management. In FY 2006, GSA addressed the identified material weakness and system nonconformance related to budgetary controls and reporting. Agency managers made significant progress in remediation of the audit findings.

GSA obtained a clean audit opinion on our FY 2006 financial statements. As outlined in the Management Assurance section of this report, GSA conducted its assessment of the effectiveness of internal control over financial reporting. GSA can provide reasonable assurance that its internal control over financial reporting is operating effectively and no new material weaknesses were found. We are extremely proud of this accomplishment, but more work needs to be done. GSA is aggressively making continued improvements to its financial systems and operations. Throughout the year, our senior managers assessed the efficiency and effectiveness of their organizations by analyzing financial and performance data. Management relies on this data to identify material inadequacies in financial and program performance areas and to identify corrective tasks needed to resolve them.

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

Management Challenges

During the coming months GSA faces a number of challenges that will test our abilities and stress our new organizational structure:

- We have several billion dollar, high risk, high priority contracts to award, including Networx, HSPD-12, Alliant Small Business, and IT Infrastructure Support (GITGO); and the President is counting on GSA to roll out these services on time and at a fair price to taxpayers.
- We face challenges in managing public buildings. We must reduce the time required to build public buildings. We must not be afraid to think creatively about how we could build the different public buildings, court houses, and ports of entry faster and at a lower cost to taxpayers.
- GSA has made great progress in creating a culture of excellence, but that task is not complete. Senior management must create a climate that fosters and rewards better and innovative ideas. Programs and processes that are no longer serving their intended purposes must be identified and eliminated.
- GSA has a difficult responsibility to press all agencies to make better use of GSA contracting expertise. In particular, the widespread proliferation of Government Wide Acquisition Contracts (GWAC) has resulted in wasted taxpayer money, but these contracts are deeply entrenched throughout the Federal government. GSA will put forth a determined effort to help our colleagues throughout the Federal government understand that these GWACs are duplicative and expensive to maintain.
- GSA's IG is unsupportive of recent changes, including my decision to deny the request for additional reimbursable spending authority. The IG budget and staff have grown annually and substantially over the past five years and future unrestrained growth cannot be justified or afforded. A more serious challenge is how to engage the Office of Inspector General (OIG) to be a full participant in GSA's efforts to modernize and improve operations. GSA stakeholders and contracting officers report that there is undue pressure and intimidation from the OIG, and it is vital that we work together to find a balance between proper and independent oversight without intimidating our work force. This will prove to be our most serious challenge.

Last, and most importantly, during the past few months, GSA has made an important transformation into a world class organization and the leader in Federal procurement. Our task now is to keep moving forward and to leverage all of our talents, abilities, and energy to provide direct and meaningful savings to taxpayers. To be sure, good things are happening and our customers are starting to realize the savings possible from GSA services. One such customer, when discussing how best to meet the requirements for new government-wide ID cards, said, "The most efficient and cost-effective way (to comply) is to go with GSA. If you don't come to GSA or you do your own thing, you will pay higher prices."

A great start, but only a start. Over the next 12 months, it will be the task of every GSA employee from the Administrator down to the newest and most junior hire to build on this hard won progress. If we do, we can change the way the government procures goods and services and bring significant savings to taxpayers.

This is our goal. This is our challenge. This is GSA.

Lurita Doan
Administrator

November 10, 2006

How GSA Benefits the Public

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

Recovery from Hurricane Katrina

When Hurricane Katrina hit the United States, GSA and its associates moved quickly to deliver critical information, supplies and other services to millions of hurricane victims. The week before Katrina made landfall, GSA's Public Buildings Service (PBS) prepared buildings for the anticipated destruction and established information hotlines and Web sites to communicate with customers. In the days, weeks and months following the storm, GSA provided more than $1 billion in supplies and services, answered more than 1.5 million hurricane related inquiries, and dispatched more than 700 Agency experts to help citizens who, in many cases, lost all their material possessions in the hurricane. Additionally, the Federal Acquisition Services' (FAS) National Furniture Center provided the Federal Emergency Management Agency (FEMA) with furniture and office equipment in a matter of days, thus allowing FEMA to continue assisting people in the Gulf Region who were in need of food, clothing, and shelter.

GSA's Office of Citizen Services and Communications (OCSC) provided $54 million worth of contact center services to FEMA and provided hurricane victims and their families with real time information 24 hours a day. FirstGov.gov, which is managed by GSA's OCSC, served as the government's leading source for information on "Finding Family and Friends." The Greater Southwest Region also contributed greatly in the recovery efforts of Hurricane Katrina. In the first 70 days following the storm, the region awarded 43 temporary leases to displaced Federal agencies.

Nationally, the GSA Property Management Program facilitated over $21 million in transfers and donations of excess and surplus property to support State Agencies for Surplus Property (SASP) and Federal activities in emergency disaster areas. GSA Fleet worked closely with Federal agencies and provided over 700 vehicles. The vehicles were assigned on an immediate, short-term basis and supported relief work in the affected areas.

GSA disaster preparations have further improved for the 2006 hurricane season. Since the summer of 2005, the GSA Office of Emergency Management (OEM) has standardized emergency operating procedures, updated the emergency management program handbook, and participated in exercises/discussions with Department of Homeland Security (DHS/FEMA) and other support agencies. Because GSA plays a critical role in emergency response and disaster recovery, it is GSA's responsibility to ensure that its emergency response procedures are exemplary.

War on Terrorism

The Army and the GSA Fleet partnered to provide non-tactical vehicles to support Operation Iraqi Freedom. GSA Fleet leased the U.S. Army 520 vehicles for use in the Green Zone in Baghdad. These vehicles replaced commercially leased vehicles at a cost savings of $19,842 per vehicle, saving the Army and the U.S. public over $10 million dollars annually.

GSA Fleet continues to provide vehicles to assist the Army in its expanded recruiting efforts. This past year, GSA supplied 50 H3 Hummers for use as a recruiting asset at special events. These H3s are mobile theaters with the intent to educate the U.S. public and future recruits on the opportunities offered by the Army.

The Eastern Distribution Center located in GSA's Mid Atlantic Region 3 continues to provide Global Supply support for Operation Enduring Freedom and Operation Iraqi Freedom. It supplies U.S. troops with anything they need ranging from tools and hardware, safety items, industrial supplies, as well as office supplies and furniture.

Commitment to Small Businesses

The strength and viability of small businesses are important to the nation's economy and the public, particularly since they account for over 45 percent of total retail sales and 40 percent of Federal tax revenues. GSA is committed to increasing contracting opportunities for small businesses. Since Hurricane Katrina hit the Gulf Coast over a year ago, 76 percent ($478 million) of GSA's contracting dollars, in response to Katrina, have been awarded to small businesses. GSA continues to reach out to small businesses by simplifying the process of finding Federal contracting opportunities through its Web site, GSA.gov. A Disaster and Emergency Operations Vendor Profile form is now online so that small businesses do not miss out on Federal contract opportunities in a time of disaster.

In FY 2006, the Heartland Region added a new government wide acquisition contract (GWAC) to their portfolio with the creation of Veterans Technology Services (VETS). As a result of VETS, there are now three GWACs dedicated exclusively to small businesses.

The Southeast Sunbelt Region continues to be a champion of small businesses by organizing numerous Small Business Outreach events and conferences throughout the region. This past year they hosted five small business events and over 1,100 small businesses participated. GSA hopes to leverage more opportunities in the Federal contracting process by increasing support to the Historically Under-utilized Business Zone (HUBZone) Program, the Women Owned Small Business Program, the GSA Native American Business Center (NABC); and creating a new business development task force. This will be done by providing extensive national and regional outreach. Additionally, GSA's Office of Small Business Utilization (OSBU) makes it possible for the small business community to meet key contracting experts and be counseled on the procurement process.

E-Government

FirstGov.gov is the U.S. government's official Web portal. It is the only Web site that provides information and services from Federal, state, and local government all "under one roof." FirstGov.gov helps citizens find and do business with government online, on the phone, by mail, or in person. The site is clear, simple, user friendly, and connects citizens to a wide array of topics, such as education, health, taxes, housing, driver's licenses, Federal benefits, and many other online government resources. It is easy to navigate and uses a clustering technology that organizes thousands of search results into categories that allow citizens to zero in on topics of interest. From finding out what services and assistance the government has to offer, to getting news updates, this Web site is the U.S. public's gateway to government services. Brown University designated FirstGov.gov as the number one Web site in the Federal government. Additionally, the United Nations rated FirstGov.gov as the number one Web site for quality and e-government readiness.

Rapid Response Efforts

In June 2006, a severe storm that hit the Washington, D.C. metropolitan region caused severe flooding in several Federal buildings and steam tunnels, which resulted in loss of power and air conditioning as well as an interruption of hot water service. The National Capital Region (NCR) PBS employees and contractors responded immediately and worked with Federal tenants to remove water, restore power, and correct damage caused by the storm. Through their efforts, only five of the 189 GSA-owned buildings in the NCR were closed immediately following the floods. Because of the GSA employees' leadership, dedication, and extraordinary efforts, only the Internal Revenue Service (IRS) building is still undergoing repairs, and is expected to be ready for occupancy in January 2007.

In FY 2006, the U.S. Department of Agriculture (USDA) requested GSA's assistance in a project to assemble and store "Strike Kits." These kits can be used to disinfect areas infected by avian influenza. Each kit consists of items such as gloves, protective suits, disinfectant, and brushes, and is designed to support as many as 31 users for up to three days. The initial purchase of over $2 million worth of kits is being properly stored and will be readily accessible if ever needed.

Partner in Wildfire Protection

GSA furnishes wildfire protection equipment and supplies to Federal agencies through formal agreements with USDA, the

U.S. Forest Service, and the U.S. Department of the Interior (DOI) Bureau of Land Management (BLM). During an active fire season, orders in excess of 1,600 tons are received, processed, and shipped to support ongoing firefighting and replenishment efforts. GSA, through FAS, manages and coordinates the various functions necessary for support of wildland firefighting operations and includes fire item specifications, purchasing, order processing, stocking, inventory management, and transportation.

On March 23, 2006, the GSA's Denver Federal Center Campus was notified by the Colorado State Health Department that it was awarded the ***2006 Bronze Environmental Achievement Award.*** *The Bronze tier of the Health Department's Environmental Leadership Program is the entry-level tier that recognizes the voluntary and significant environmental achievements of Colorado businesses and organizations. The award was made in recognition of the significant achievements made by GSA to improve environmental management practices and ultimately develop a more sustainable campus.*

In FY 2006, the Northwest/Arctic Region significantly improved its lead times in providing critical items during the fire season to fire personnel in Alaska. GSA worked with BLM in Alaska and agreed to stock certain critical supplies for BLM, as well as state and local fire departments directly in the BLM Fire Cache in Fairbanks, AK. As a result, supplies can now arrive within 24 hours from the time they are ordered. GSA is committed to actively assisting and participating in the national wildfire suppression effort.

Energy Conservation and Alternative Fuel

GSA has taken great strides over the years to reduce energy consumption in buildings and comply with related executive orders and mandates. Since 1985, GSA has achieved an overall energy reduction of 35 percent in its facilities. Through its Energy and Water Conservation Programs, GSA has reduced Federal utility costs by promoting optimal energy use and offering organizations strategic energy management programs. These resources are available to all Federal agencies and nonprofit organizations. Furthermore, Federal and non-Federal customers look to GSA's energy program to procure green and non-green power that is cost effective and environmentally responsible. GSA won the Energy Star Building Award for Superior Performance. Energy Star is a symbol of energy efficiency established by the Environmental Protection Agency (EPA) and the Department of Energy (DOE).

The Mid-Atlantic Region also realizes the importance of energy consumption in buildings. The region has recently reduced gas consumption in two of its courthouses by seven percent and installed energy-saving lighting and motion sensors, which translate to an annual savings of $716,000 for U.S. taxpayers. Additionally, through PBS and the Energy Center of Expertise, GSA conducts Energy Awareness programs for its tenants in an effort to build awareness of conservation methods.

GSA Fleet has been involved in the Federal government's alternative fuel program since the enactment of the Alternative Motor Fuels Act of 1988 (AMFA). By purchasing over 100,000 Alternative Fuel Vehicles (AFV), cars and trucks that operate on fuels other than gasoline and diesel, GSA leads the government in fuel conservation efforts. AFVs can enhance GSA's energy security by reducing the need for imported fuels, and can improve air quality by reducing the emissions associated with many vehicles that use traditional transportation fuels. More than half of the gasoline GSA puts in its cars comes from oil imported from other countries.

Donations of Usable Surplus

GSA serves the public by providing a channel for Federal agencies to donate usable surplus property to state and local governments or selected nonprofit organizations. Once a Federal agency determines it has unneeded property, that property is declared excess and is available for transfer to any other Federal agency. If no agency wants the excess property, it is declared surplus for Federal needs and may be donated or sold through public auctions.

In an effort to make modern computer technology an integral part in classrooms across the nation, the Computers For Learning (CFL) Program provides schools and educational nonprofit organizations a place to request excess computer equipment. It also provides a quick and easy way for government agencies and the private sector to donate that equipment to schools and educational nonprofits. This results in (1) a benefit to schools who receive much needed computers, (2) organizations which no longer waste space storing surplus computers, and (3) a public that is better served through the deployment of surplus computers as valuable learning tools.

Historical Preservation

GSA is responsible for the stewardship of over 400 historic properties. These properties represent the work of prominent architects and are valued for their significance in U.S. history, architecture, art, archaeology, engineering, and culture. GSA takes great pride in its inventory and strives to preserve, protect, and utilize historic properties as established in the National Historic Preservation Act of 1966. Currently over 200 properties are listed in the National Register of Historic Places. GSA continues to preserve historic properties by providing redevelopment in urban areas. For example, one of the properties listed on the register, the Denver Federal Center (DFC) in GSA's Rocky Mount Region is located in the city of Lakewood six miles west of Denver. GSA is selling 65 acres of vacant land to the city of Lakewood with the intent that a major level one trauma hospital and a bus and light rail station will be built on the site. The hospital will be a first in the city of Lakewood and will bring a host of services to the community that they currently don't enjoy.

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

The year 2006 brought more recognition for GSA's innovative renovation of the century-old Howard M. Metzenbaum U.S. Courthouse in Cleveland, OH.

Management's Discussion and Analysis

Awards GSA Has Won in 2006

Knoxville-Knox Commission Honors Baker Courthouse With 2006 Silver Excellence Award

On August 18, the Howard H. Baker Jr. U.S. Courthouse received the 2006 Silver Anniversary Excellence Award from the Knoxville-Knox County Metropolitan Planning Commission. As part of their Silver Anniversary celebration, the Commission reviewed over 180 projects, each having a significant impact within the City of Knoxville or Knox County over the past 25 years. The Commission then selected 12 projects as being the "best of the best." The U.S. Courthouse was cited has having a significant impact on the downtown economy, for its architectural design and its contribution to the revitalization of downtown. The Courthouse is managed by the Knoxville Office of the Nashville TN Service Center

Southeast Sunbelt Region Receives Safety Award from Protecting People First Foundation

The Southeast Sunbelt Region accepted a Safety Award from the Protecting People First Foundation May 10, in Miami, FL. The award was presented for use of blast-resistant glass, which was installed in Miami's new Wilkie D. Ferguson Courthouse. Regional Administrator accepted the award from Aren Almon-Kok, the mother of a child killed in the Oklahoma City bombing.

Great Lakes Region Receives Presidential Award

The Great Lakes Region won its first Presidential Award for Leadership in Federal Energy Management for a 2004 conservation program that cut consumption nearly 107 billion Btus and saved taxpayers an estimated $460,000. The program included purchasing renewable energy contracts, conducting facility energy audits, accomplishing energy conservation projects, and partnering with the Department of Energy (DOE) for training and technical assistance. GSA was the only civilian agency to receive the award this year.

Mission, Values, and Goals

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

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

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

GSA VALUES

Ethics and integrity in everything we do

Respect for fellow associates

Results orientation

Teamwork

Professionalism

The reorganization of the FSS and FTS is the best opportunity that GSA has to significantly improve, simplify, and facilitate the way agencies buy products and services. The new Federal Acquisition Service (FAS) will generate value to the taxpayer by lowering the cost of government by efficiently leveraging the government's buying power to obtain the best value in products and services from suppliers at the lowest total transaction cost. One means of doing this will be the strategic sourcing approach through which FAS will concentrate its buying of a commodity through the most advantageous suppliers. The new organization will also strive to better serve government agency customers by creating efficient and effective processes to save customers' time, help them negotiate better terms and prices, offer easy and manageable access to thousands of suppliers, and enable them to focus on their own core missions. And lastly, the new FAS will increase value to commercial suppliers of all types and sizes by creating consistent and innovative processes to offer their products and services to the government more efficiently.

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

The use of the Internet and other new electronic tools touches every aspect of GSA's mission. GSA's primary Web site GSA.gov *(www.gsa.gov)* is the electronic gateway to the Agency. Recently, GSA launched the improved FirstGov.gov Search *(www.firstgovsearch.gov/)* which provides citizens with a single point of access to the vast index of official government information, including more than 50 million Federal, state, local, tribal, and territorial documents. Through this initiative, GSA successfully meets the President's E-Gov directive, which is to provide citizens with accurate, timely, and consistent information about government programs and services. FirstGov.gov has been rated the number one Web site in the Federal government for quality and e-government readiness.

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

The GSA OCHCO's focus is to attract, motivate, develop, retain, and reward its most valuable asset: GSA's employees.

Organization

The basic framework of any enterprise is its organizational structure. GSA has a network of 11 regional offices, including a central office in Washington, D.C. The central office consists of two services responsible for coordinating nationwide programs, 11 staff offices that support the Agency, and the Office of Inspector General (OIG) and the Board of Contract Appeals (BOCA).

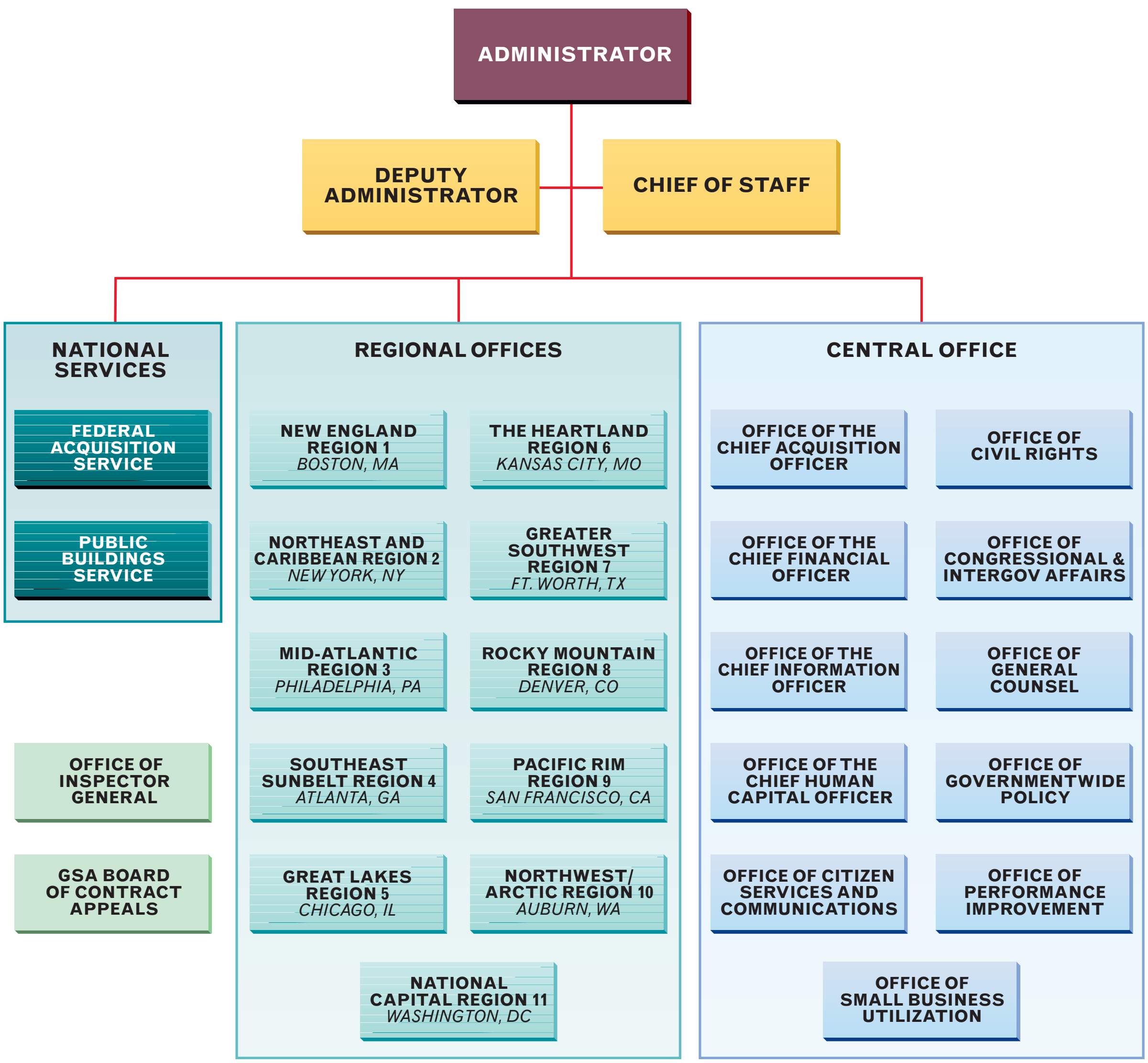
The Agency's regional and staff offices are critical to GSA's ability to deliver services to customers in a cost-effective manner. GSA's 11 geographic regions acquire office space, equipment, supplies, telecommunications, and IT to support Federal agencies throughout the 50 states, U.S. territories, and overseas.

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

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

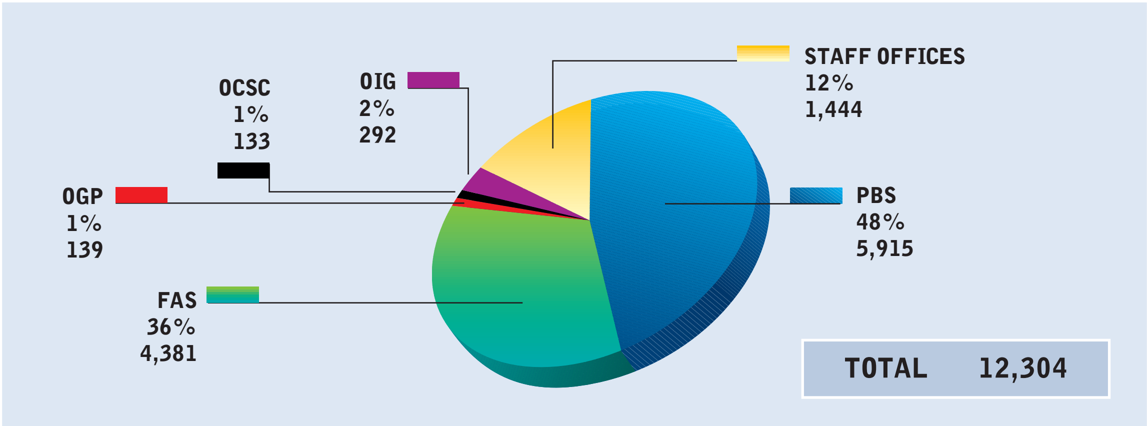
Within PBS, the **OFFICE OF EMERGENCY MANAGEMENT (OEM)**[1] coordinates emergency management services throughout GSA. Emergency management includes all aspects of disaster and emergency program development and implementation, such as response operations, training, drills, exercises, continuity, and recovery.

- **FEDERAL ACQUISITION SERVICE (FAS):** The new FAS resulted from the consolidation of the former Federal Supply Service (FSS) and the Federal Technology Service (FTS). Many factors led to this reorganization, including shifting customer needs, an evolution in how agencies acquire technology products and services, and a greater emphasis on GSA's role in Federal procurement. The new organization will be a premier acquisition corps in the areas of contracting, technology, and program management. FAS is organized into three major business portfolios: Integrated Technology Services (ITS); General Supplies and Services (GSS); and Travel, Motor Vehicles, and Card Services (TMVCS).



[1] *During FY 2007, GSA will reemphasize the importance of these functions by establishing the Office of Emergency Response and Recovery.*

FTE BREAKDOWN BY ORGANIZATION



■ The **OFFICE OF GOVERNMENTWIDE POLICY (OGP)** improves government-wide management. Its responsibilities span personal and real property, travel and transportation, IT, regulatory information, and the use of Federal advisory committees. The work of OGP is accomplished through collaboration with Federal agencies and other stakeholders.

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

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

■ 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 seven President's Management Agenda (PMA) E-Gov and Line of Business (LoB) initiatives (eAuthentication, ETravel, Integrated Acquisition, Federal Asset Sales, USA Services, Financial Management LoB (FMLoB), and Infrastructure Optimization Initiative LoB).

■ The **OFFICE OF THE CHIEF ACQUISITION OFFICER (OCAO)** manages a broad range of acquisition activities for both GSA internal operations and the government as a whole. These include ensuring compliance with applicable laws, regulations, and policies; fostering full and open competition for contract awards; developing the acquisition workforce; and maintaining accountability for acquisition decision-making.

■ The **OFFICE OF THE GENERAL COUNSEL (OGC)** provides legal advice and representation to GSA clients to enhance their ability to help Federal agencies. The OGC carries out all legal activities of GSA, ensures full and proper implementation of GSA's statutory responsibilities, and provides legal counsel to GSA officials except for the OIG and 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 also responsible for coordinating GSA's efforts to accomplish the PMA and competitive sourcing activities.

■ The **OFFICE OF SMALL BUSINESS UTILIZATION (OSBU)** advocates 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)** maintains Agency liaison with Congress. OCIA prepares and coordinates GSA's annual legislative program; communicates this program to the Office of Management and Budget (OMB), Congress, and other interested parties; and works closely with OMB in the coordination and clearance of all proposed legislation impacting GSA.

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

- The **OFFICE OF CIVIL RIGHTS (OCR)** implements 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, and age, and retaliation for protected EEO activity. The external civil rights program ensures nondiscrimination on the basis of race, color, sex, age, 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 and 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 2006, GSA had 12,304 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). The chart on page 18 reflects the FTE breakdown by organization.

African Burial Ground Memorial.

In 1991, the remains of more than 400 17th and 18th century Africans were discovered during pre-construction work for a Federal building in New York City. The finding deeply impacted the descendants and broader community and, at the same time, renewed awareness in cultural significance and historic preservation. The African Burial Ground was designated a National Monument in February 2006.

Performance Summary and Highlights

During FY 2006, GSA's activities advanced the Agency towards achievement of the six strategic goals. Specific long-term outcome and performance goals were set in the FY 2006 Performance Plan which also serves as the Agency's Congressional Budget Justification. GSA uses performance measures extensively to chart its progress and establish accountability.

This section highlights the most significant GSA-wide FY 2006 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.

Here are a few accomplishments for each strategic goal that illustrate GSA's commitment to excellence in FY 2006:

Provide Best Value for Customer Agencies and Taxpayers

With GSA's diverse mission, "best value" can take many forms. For example, GSA rededicated the Pioneer Courthouse in Portland, OR in FY 2006. That ceremony capped over 15 years of planning and a two-year construction effort for the complete seismic upgrade, rehabilitation, and renovation project of this National Landmark historic property. Pioneer Courthouse is the oldest surviving Federal structure in the Pacific Northwest and the second oldest courthouse west of the Mississippi River. Constructed between 1869 and 1875, for the last 35 years it has been home to the U.S. Court of Appeals. The project for seismic base isolation and historic preservation was awarded the "Platinum Reconstruction/Renovation Award" from Building Design and Construction Magazine.

"Best value" can be responding to a disaster. In addition, GSA successfully responded to the flooding caused by a severe storm in the Washington, DC area. The floods affected several Federal buildings and the connected steam tunnels which resulted in lost power and air conditioning and interruption of hot water service. Teams of employees and contractors responded immediately and worked with tenants to remove water, restore power, and correct damage caused by the horrific storm. Through their efforts, only 15 of the 189 GSA-owned buildings were closed after the floods.

"Best value" can also mean providing steady reliable service. GSA is continuing to rebuild relationships with former IT assisted-service customers located at major Department of Defense (DoD) installations. These include Scott Air Force Base in Illinois and Wright-Patterson Air Force Base in Ohio. By providing these customers needed acquisition support, they in turn can focus their human capital on their core missions.

Achieve Responsible Asset Management

Creativity and innovation are crucial to GSA's management of billions of dollars worth of real property and other assets. GSA operates the Denver Federal Center (DFC), a 630 acre campus located in the city of Lakewood six miles west of Denver with four million square feet of office, laboratory, and warehouse space, and home to approximately 6,000 tenants from 28 different government agencies. The DFC faces significant challenges with a portfolio of industrial buildings constructed during World War II that are in need of major repair and replacement. Currently, GSA is selling 65 acres of vacant land to the city of Lakewood with the intent that a major level one trauma hospital and a bus and light rail station will be built on the site. The hospital will be the first in Lakewood and will bring a host of services to the community. The station will improve public transportation for both DFC tenants and the surrounding community. The proceeds from this sale will be used to repair and replace failing water and sewer lines on the Federal Center and reduce the needed funding for infrastructure.

In 2006, GSA worked with the Air Force to accomplish one of the most complicated real estate and environmental transactions in a timely manner. The National Imagery and Mapping Agency team conveyed 39.1 acres of environmentally contaminated and formerly flooded property to the St. Louis County Port Authority. The productive use of this property is projected to result in an initial investment of approximately $375 million in entertainment and retail economic development and clean up of contamination ahead of schedule.

Operate Efficiently and Effectively

GSA is constantly striving to improve its operations. For example, GSA, working cooperatively with U.S. and Canadian border inspection agencies and others, significantly reduced transit times at two of the busiest border crossings in North America. These crossings are the Ambassador Bridge in Detroit, MI and the Blue Water Bridge in Port Huron, MI. GSA took the lead on developing, designing, and implementing infrastructure improvements that contributed to reduction of transit times by 62 percent at the Ambassador Bridge and over 25 percent at the Port Huron Bridge.

Improvements often help agencies better achieve their own missions. GSA's Eastern Distribution Center in New Jersey continues to provide the primary Global Supply support for Operation Enduring Freedom and Operation Iraqi Freedom. For FY 2006, shipped sales were over $145 million. The Eastern Distribution Center provides the troops many items that they need to fulfill their missions, including tools and hardware, safety items, industrial supplies, as well as office supplies and furniture.

Ensure Financial Accountability

GSA fully implemented OMB Circular A-123, "Management's Responsibility for Internal Control" by promoting and ensuring Agency-wide responsibility for management and internal controls. This effort included documenting, evaluating, and testing key GSA's financial controls.

The GSA core financial system was successfully upgraded in FY 2006 and now includes a cost allocation module. This module provides GSA services with a tool to distribute centrally charged costs or centrally collected revenues to the object (i.e., program, organization, or activity) that benefits from or drives the particular cost or revenue.

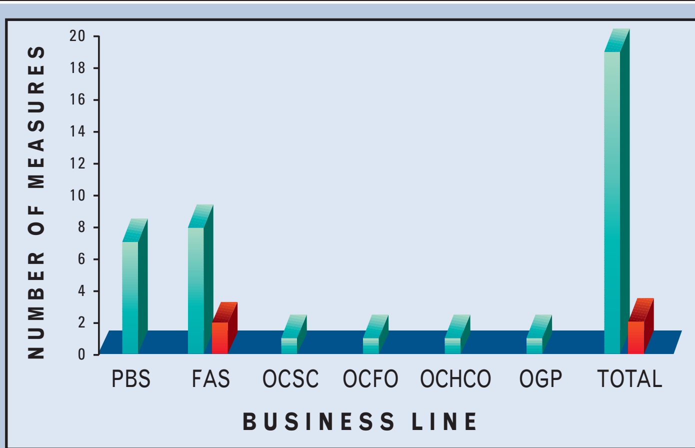
Maintain a World-Class Workforce and a World-Class Workplace

The Office of Personnel Management (OPM) rated GSA as one of the ten best places to work in the Federal government during FY 2006. The Partnership for Public Service and the Institute for the Study of Public Policy Implementation at American University compiled the rankings based on OPM's Federal Human Capital Survey of 150,000 Executive branch employees. The good results indicate that in GSA, good leaders are the linchpins of a successful work environment. Good managers provide open lines of communication with employees, offer honest feedback in an ongoing fashion, clearly outline performance goals and rewards, and empower employees to make key decisions.

Carry Out Social, Environmental, and Other Responsibilities as a Federal Agency

This goal covers a broad range of activities ranging from energy conservation to fine art. For example, GSA successfully completed two build-to-suit leased buildings for the Environmental Protection Agency (EPA) in 2006. One and Two Potomac Yard in Northern Virginia with over 400,000 square feet of office space is the new home for EPA's Office of Solid Waste and Emergency Response and the Office of Pollution Prevention and Toxic Substances. These buildings have been designed to reflect EPA's mission to protect human health and the environment. They represent 20 percent energy savings and 40 percent water use reduction. Their features demonstrate several environmental sensitivities, including a "green roof" building connector, environmentally friendly fixtures and finishes, and the use of recycled content. Through "daylight harvesting" the perimeter overhead lighting will dim automatically based on ambient daylight. The buildings have achieved Leadership in Energy and Environmental Design (LEED) Gold Certification, the first new construction in the Washington, DC metro area to do so.

FY 2006 GSA KEY PERFORMANCE MEASURES SUMMARY



NUMBER OF PERFORMANCE MEASURES

	MET	NOT MET	TOTAL
PBS	7	0	7
FAS	7	3	10
OCSC	1	0	1
OCFO	1	0	1
OCHCO	1	0	1
OGP	1	0	1
TOTAL	18	3	21

As part of the Art-in-Architecture program, GSA included significant artwork in the recently completed repairs and alterations (R&A) project at the Pittsburgh Post Office and U.S. Courthouse during 2006. Lia Cook's oversized woven tapestries of childhood snapshots convey a shared emotional experience, capturing fleeting human expressions. Brian Shure's three oil on linen paintings capture the essence of the city's past and present, revealing the diverse urban fabric of Pittsburgh.

Overview of Key Performance Measures

The chart above demonstrates that overall GSA met or exceeded expectations for 86 percent of its FY 2006 Key Performance Measures. A detailed discussion regarding the unmet targets and alternative plans for accomplishing them can be found in the Performance Section. The use of the Performance Measurement Tool (PMT) and greater experience with the Performance Management Process (PMP) has contributed to this sustained level of success. GSA fully incorporates performance measures into the individual Associate Performance Plan and Appraisal Process (APPAS) documents for each associate.

Program Assessment Rating Tool

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 2006, 92 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.

Photo Courtesy of Timothy Hursley

A joint U.S.-Canadian port of entry, the design of the 100,000-square-foot facility, which process more than one million travelers and more than 400,000 commercial shipments annually, evokes the materials and forms of the silos and barns that rise across the northern prairie.

FY 2006 Key Performance Measures within Strategic Goals

STRATEGIC GOAL/ SERVICE OR OFFICE	MEASURES	FY 2006 TARGET	FY 2006 ACTUAL	RESULT
PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS				
PBS – Leasing	Cost of leased space relative to industry market	-8.5%	-9.2%	Met
FAS – Vehicle Acquisition	Percentage discount from invoice price	≥ 28%	39%	Met
FAS – Vehicle Leasing (Fleet)	Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule	≥ 29%	39%	Met
FAS – Travel Management and Transportation Management	Percentage of vouchers serviced through the E-Gov Travel system (percent of total voucher population)	12.9%	6.7%	Not Met
FAS – IT Solutions (National)	Percentage of negotiated award dates for services and commodities that are met or bettered	> 95%	89%	Not Met
FAS – Network Services	Savings provided to customers	$550M	$620M	Met
FAS – Regional Telecommunications	Percentage (by dollar value) of eligible service orders awarded with performance-based statements of work	50%	89%	Met
Office of Citizen Services and Communications	Total number of multi-channel contacts with the public (citizens, business, government) per year	235M	235.1M	Met
ACHIEVE RESPONSIBLE ASSET MANAGEMENT				
PBS – Asset Management	Percentage of vacant and committed space in the government-owned inventory	7.0%	7.0%	Met
PBS – Real Property Disposal	Percentage of U&D property awarded with 240 days	90%	97%	Met
PBS – Real Property Disposal	Percent of public sales awarded within 170 days	95%	100%	Met
OPERATE EFFICIENTLY AND EFFECTIVELY				
PBS – Asset Management	Percent below private sector benchmarks for cleaning, maintenance and utility costs in office and similarly serviced space	-3.0%	-4.2%	Met
PBS – New Construction	Percent of newly constructed buildings independently verified for achievement of established operational requirements (Commissioning)	30%	100%	Met
FAS – Global Supply	Percentage of global supply mark-up on stocked items	40.1%	44.23%	Not Met
FAS – Personal Property	Cycle time for disposal process (days)	56	52	Met
FAS – IT Solutions (Professional Services)	Percentage of schedule task orders solicited using e-Buy	90%	93%	Met

Continued on following page

STRATEGIC GOAL/ SERVICE OR OFFICE	MEASURES	FY 2006 TARGET	FY 2006 ACTUAL	RESULT
ENSURE FINANCIAL ACCOUNTABILITY				
Office of Chief Financial Officer	Percent of vendor invoices received electronically	68%	71%	Met
FAS – Travel management and Transportation management	Direct cost as a percentage of revenue	52%	48%	Met
MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE				
Office of the Chief Human Capital Officer	Number of days to fill a vacancy	45	30.1	Met
CARRY OUT SOCIAL, ENVIRONMENTAL, AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY				
PBS – Asset Management	Percent reduction in energy consumption over the FY 2003 baseline	-2%	-4.4%	Met
Office of Governmentwide Policy	Percentage of agencies whose work demonstrates the use of Section 508 tools	30%	42%	Met

Photo Courtesy of Regina Kosicki

Administrator Doan (blue sweater) joined FBI Director Robert S. Mueller (immediately right of lectern) along with Chicago Mayor Richard M. Daley (next to Mueller) and other officials to snip a 20-foot-long blue ribbon on September 12, 2006, at the dedication of the FBI field office in Chicago. The new facility, developed at a cost of $125 million, has a gross area of 800,000 square feet and is the largest complex thus far built in GSA's lease-construction program to provide the FBI with new field offices in major cities nationwide.

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 2006 completing all but one critical success factor to "get to green." The Agency continued to implement improvements to its performance management system for all employees. The Agency also engaged in restructuring activities in establishing the Federal Acquisition Service (FAS). In the second quarter of FY 2007, GSA plans to submit documentation of FAS mapping results to secure Office of Personnel Management/Office of Management and Budget (OPM/OMB) approval of mission critical workforce skills gap closures. FY 2007 priorities include the stand up of FAS to comply with newly created critical success standards and to continue to address GSA's short and longer term business needs.

PROGRESS: GSA continues to be "green" in progress for Strategic Management of Human Capital. GSA verified its current human capital strategic goals and developed the FY 2006 – 2007 Action Plan through improvements made in the FY 2008 Strategic Assessment and Budget Process. GSA continued to work with internal stakeholders to implement the FAS Human Capital Implementation Plan to facilitate a successful transition to the new organization. GSA updated its Executive Leadership Succession Plan and received approval for its overall Leadership Succession Plan, as well as its identification of Leadership Bench Strength targets. GSA continues to deploy efforts to improve GSA's results-oriented performance culture. Several managerial and employee guides were developed to reinforce performance management policy and objectives. Improvements were made to GSA's Comprehensive Human Resources Integrated System (CHRIS) to improve user input and access to a fully automated performance management and recognition system. The performance recognition system was moved from FedDesk to CHRIS with an enhanced automated system of checks and balances designed to conform to GSA performance management and recognition policy. GSA's Southwest Region received OPM's highest government score for its performance management efforts and results. An accountability review of GSA's first year of the performance management system was completed and improvement strategies were identified and implemented. Talent management strategies and skills gap reduction reports were completed for GSA's mission critical workforces. OMB noted that GSA had resolved all high risk information technology (IT) skill gaps. GSA successfully demonstrated continuous skill and competency gap progress for these workforces. In addition to skills and competency efforts, GSA reviewed recruitment and hiring strategies within mission critical workforces to improve overall effectiveness and diversity. GSA continued to improve its hiring process through the Staff Acquisition Business Process Re-engineering effort. A GSA-wide review on Delegated Examining (DE), which assessed effectiveness, efficiency, and regulatory compliance, was completed and GSA completed 100 percent of its DE reviews. GSA also achieved both Senior Executive Service (SES) and non-SES hiring timeline targets. GSA received OPM approval for its Human Resources Management Accountability System (HRMAS).

PMA

Status — Competitive Sourcing — Progress

Competitive Sourcing

BACKGROUND: The goal of competitive sourcing, one of President Bush's Management Agenda 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 84 Streamlined Competitions and one Standard Competition under the revised Circular, and has completed one Standard Competition under the old Circular. During FY 2006, GSA conducted 12 Streamlined Competitions on the Agency's Administrative Support Function encompassing 178 full-time equivalent employees (FTE) in the Public Buildings Service (PBS) and the General Management and Administration (GM&A) organizations. Of the 12 competitions, nine were awarded to the Most Efficient Organization (MEO), two were awarded to the "as is" organization, and one was awarded to the private sector. PBS completed six Streamlined Competitions of their Craft and Trade Functions involving 69 FTE. Four of the competitions were announced in FY 2005 and completed during the first quarter of FY 2006. The Performance Decision for all of the PBS Competitions was to award the function to the Agency Provider. The estimated savings and cost avoidance of these competitions is in excess of $40 million over five years. Finally, GSA submitted its FY 2006 Federal Activities Inventory Reform (FAIR) Act Inventory to OMB, with justifications, on June 30, 2006, and is also currently revising GSA's Competitive Sourcing Strategic "Green" Plan that covers planned competitions through FY 2011 and the FY 2006 Report to Congress covering GSA FY 2006 Competitive Sourcing accomplishments.

PROGRESS: GSA completed 18 Streamlined Competitions in FY 2006. There were 12 Competitions of the Agency's Administrative Support Function involving 178 FTE and another six Competitions of the PBS Craft and Trade Functions covering a total of 69 FTE throughout FY 2006. The Office of Performance Improvement (OPI) continues to provide training on Competitive Sourcing to GSA associates as needed. During FY 2006, GSA completed the transition to a Web-based FAIR Act Inventory Tool (FIT) with the implementation of the Federal Supply Service (FSS) (now part of the Federal Acquisition Service [FAS]) and the GM&A organizations. GSA also began the development of a post-competition accountability system. GSA is modifying the Activity Cost Tracking Tool (ACTT) System developed by the Air Force to be used in conjunction with GSA's Competitive Sourcing reporting requirements

PMA

Status	Improved Financial Performance	Progress

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

STATUS: Previously GSA had successfully met the criteria for "green" status. As a result of the GSA FY 2005 material weakness concerning inadequate controls over the monitoring, accounting, and reporting of budgetary transactions, and the loss of an unqualified audit opinion, the GSA status rating moved to "red" for FY 2006. The Office of the Chief Financial Officer (OCFO) has led a successful GSA-wide effort to address the weakness in internal control and issues in financial performance as evidenced by the unqualified opinion on GSA's FY 2006 financial statements. Although the PMA status as of September 30 is "red," GSA is confident that the clean opinion and removal of its material weakness will result in "green" status in FY 2007.

PROGRESS: As of September 30, 2006, GSA continues to be "green" in progress. GSA's financial performance consistently produces a payment error rate below government standards. The Agency implemented a comprehensive program of the assessment of internal control over financial reporting, and continues to improve the reporting of intragovernmental accounting transactions. GSA has resolved its material weakness by establishing policies and procedures, creating and monitoring aging reports, as well as effectively monitoring and reducing unfilled customer orders and undelivered obligations. There have been substantial gains in achieving progress toward goals and objectives in policy, financial analysis, financial systems lifecycle management, and the management control process. GSA continues to progress toward its goal of providing accurate and timely financial data so programs can operate efficiently and effectively and provide the best value to customer agencies and taxpayers.

PMA

Status — **Expanded Electronic Government** — **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 (EA), Earned Value Management, and IT Security.

The Presidential E-Gov initiatives have entered 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 and IT acquisitions are not duplicative of the President's 24 E-Gov and Lines of Business (LoB) 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 maintained its "yellow" status in FY 2006. The Agency's EA received a satisfaction assessment from OMB in Completion and Results. All 27 IT business cases were rated by OMB as acceptable. GSA's IT investment portfolio remained within the 10 percent cost and schedule variance meeting the ANSI/EIA (American National Standards Institute/Electronics Industry Alliance) Standard 748A for Earned Value Management. GSA certified and accredited 100 percent of its IT systems and the Inspector General (IG) verified the effectiveness of the Department-wide IT Security remediation process. The Agency has an OMB approved and accepted E-Gov Implementation plan and has successfully completed all the FY 2006 milestones.

GSA continues to make progress toward a status rating of "green" by continuing to work with OMB to demonstrate its use of Earned Value Management data and analysis to make IT portfolio management decisions.

PROGRESS: GSA progress rating remains "green." GSA continues to deliver on the PMA goals, quarterly E-Gov implementation milestones, and scorecard planned actions. The progress rating is based on the submission of several Agency program plans such as the EA milestone plan; a quarterly Federal Information Security Management Act (FISMA) plan of action; milestone report demonstrating that GSA's IT system certification and accreditation (C&A) percentage increased to about 100 percent; updated and tested IT contingency plans; and a quarterly Earned Value Management (EVM) variance and high risk report.

The electronic "front door" for the Federal government.

PMA

Budget and Performance Integration

Status | Progress

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

STATUS: GSA has moved from "yellow" to "green" on the President's quarterly scorecard for "current status." This score was achieved during the fourth quarter of FY 2006. GSA worked hard to complete all outstanding criteria for green, specifically removing all but one program from the Results Not Demonstrated (RND) list, having efficiency measures for all PARTed programs, and reporting marginal costs that were satisfactory to OMB.

In this year's rescores, the Travel Management Program, Transportation Management Program, and the Office of Governmentwide Policy (OGP) Program were all rated "Moderately Effective." The Charge Card Service Program was rated "Effective," which is the highest rating that a program can receive. Each program area developed long-term outcome goals with attainable targets and efficiency measures. Most notably, OGP developed the Policy Portfolio Performance System (3PS), which measures and reports on the effectiveness of policy-related activities.

The Agency also PARTed two new programs this year; the National Furniture Center Program, rated "Moderately Effective" and USA Services rated "Effective". The USA Services, managed by the Office of Citizens Services and Communications (OCSC), serves as a model program for other government agencies desiring to become more citizen-centric. This rating is achieved by only a small percentage of programs government-wide. GSA now maintains a "green" status by having over 90 percent of its programs successfully PARTed.

PROGRESS: The Agency continues to be "green" in progress. GSA successfully completed all of its fourth quarter deliverables. Through the Agency's internal Performance Management Process (PMP), GSA has made great strides in identifying long-term outcome goals and efficiency measures for its programs. GSA continues to work with OMB on establishing goals and measures for the remaining programs. Quarterly reviews of each organization's financial and performance results continue to be conducted. GSA is developing a Green Plan that includes specific actions the Agency will complete to achieve performance and efficiency improvements.

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 was the first agency to achieve "green" on the President's quarterly Executive scorecard for "Current Status." This score was attained at the end of the first quarter of FY 2006 by providing evidence that GSA's asset management plan is being implemented to achieve improved real property asset management.

GSA was able to demonstrate to OMB results in implementing the right-sizing initiatives:

- Improved utilization by increasing occupancy by 3.2 percent over the past seven years
- Over 75 percent of GSA's inventory meets or exceeds Federal Real Property Council (FRPC) standards for facility condition
- Maintained operating costs at approximately 4.2 percent below market
- Since FY 2002, 245 assets have been accepted into the disposal process.

PROGRESS: GSA maintained "green" in progress for real property. GSA completed all deliverables and all milestones identified in the three-year timeline. Specifically of note, GSA reviewed and updated its asset level strategies, completed 21 major capital reinvestment projects reoccupying over 586,000 rentable square feet (RSF), disposed of over 495,000 RSF reducing GSA's reinvestment liability by over $26 million, received proceeds from the sale of vacant and underutilized property in excess of $51 million, and targeted 4.2 percent of capital investment dollars on energy projects.

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

The Census Bureau Headquarters Building was dedicated in 2006.

Financial Statements Analysis and Summary

The Road to Accountability – Financial Highlights

For FY 2006, the independent accounting firm of PricewaterhouseCoopers, LLP (PwC) expressed an unqualified (clean) opinion on GSA's comparative proprietary financial statements, the Statements of Net Cost, Balance Sheets, and Statements of Changes in Net Position. GSA has regained an unqualified opinion on the budgetary statements, the Statements of Budgetary Resources, and Statements of Financing for the FY 2006 financial statements. The Federal Buildings Fund (FBF) received a clean opinion on the comparative FY 2005 budgetary statements. For the Information Technology Fund (ITF), General Supply Fund (GSF), and the GSA Consolidated FY 2005 budgetary statements, PwC was not able to express an opinion due to material weaknesses found in reporting unfilled customer orders and undelivered orders in the ITF and GSF. Throughout FY 2006 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

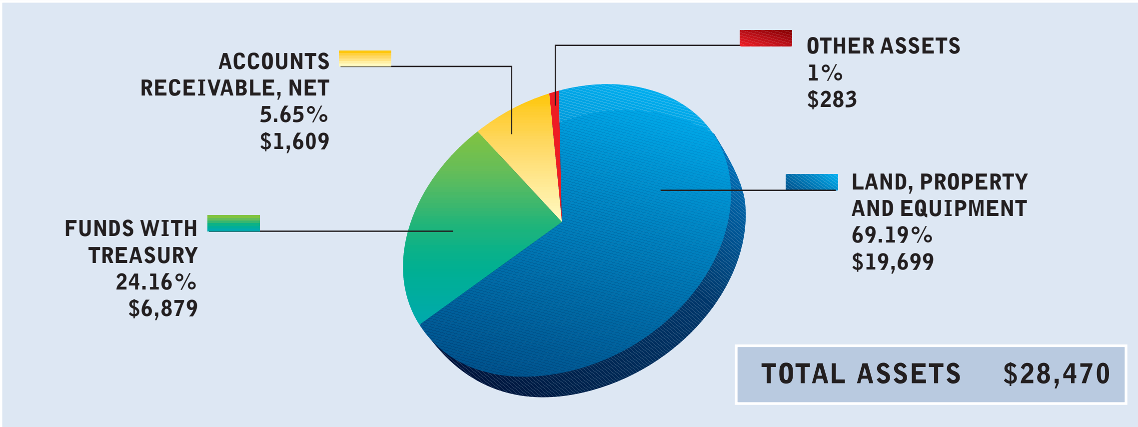
ASSETS: Total assets were $28,470 million at the end of FY 2006. This represents an increase of $636 million (2.28 percent) over the previous year's total assets of $27,834 million. This increase is largely attributable to continued growth in GSA's FBF primary business operations, which is reflected in capital asset purchases and alterations and increases in earnings that provided cash (Funds with U.S. Treasury) from operations.

Taken together, Property and Equipment combined with Funds with U.S. Treasury comprise 93.35 percent of the total assets for FY 2006. The $101 million increase in Funds with U.S. Treasury was primarily due to resources exceeding the capital needs of the program in the FBF. The $6,879 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 ($5,920 million) are available for such future needs, $2,407 million of the available balance is committed to funding of building construction and alteration projects provided for in legislation. Amounts totaling $382 million were unavailable for spending as of September 30, 2006 and would require future authorization or even legislation to be used.

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

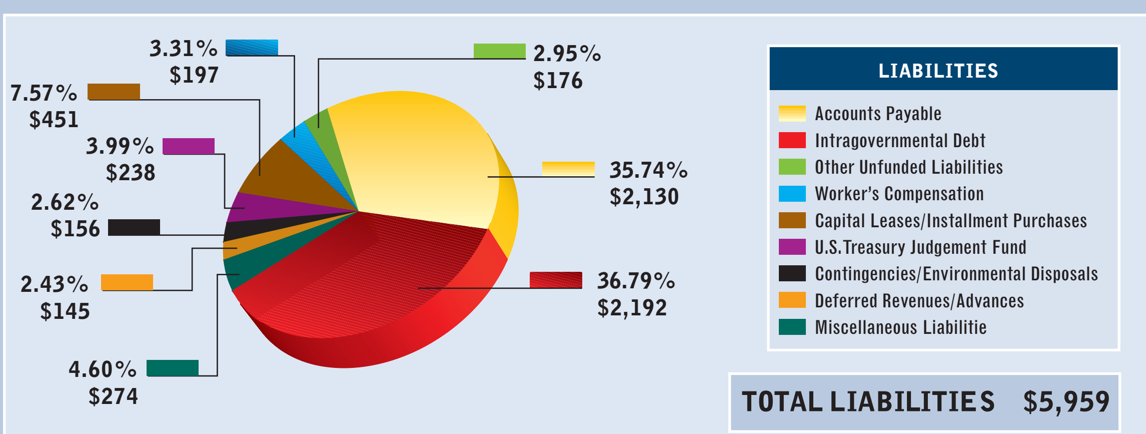
ASSETS *(Dollars in Millions)*	**FY 2005**	**FY 2006**
Land, Property and Equipment, Net	$ 18,915	$ 19,699
Funds with U.S. Treasury	6,778	6,879
Accounts Receivable, Net	1,885	1,609
Other Assets	256	283
Total Assets	**$ 27,834**	**$ 28,470**

ASSETS BY TYPE *(Dollars in Millions)*



LIABILITIES *(Dollars in Millions)*	FY 2005	FY 2006
Accounts Payable	$ 2,269	$ 2,130
Intragovernmental Debt	2,201	2,192
Other Unfunded Liabilities	177	176
Workers' Compensation	203	197
Capital Leases/Installment Purchases	445	451
U.S. Treasury Judgement Fund	244	238
Contingencies/Environmental Disposals	119	156
Deferred Revenues/Advances	184	145
Miscellaneous Liabilities	212	274
Total Liabilities	$ 6,054	$ 5,959

LIABILITIES BY TYPE *(Dollars in Millions)*



Property and Equipment increased by $784 million (four percent) from FY 2005. Property acquisitions of $2,548 million during the year, net of the recorded depreciation expense of $1,356 million and $408 million in property disposals and write-offs, account for most of this increase. For the total amount of property acquisitions in FY 2006 $1,690 million were comprised of construction, modernization, and alterations to buildings.

LIABILITIES: In FY 2006, total Agency liabilities decreased by $95 million (1.57 percent) to $5,959 million from $6,054 million in FY 2005. Liabilities reported on the Consolidating Balance Sheet are summarized in the table on the adjoining page.

For FY 2006 GSA's largest liability balance is Intragovernmental Debt. The $2,192 million of Intragovernmental Debt is 36.78 percent of total liabilities, of which $48 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 paying off more debt than it is taking on.

Accounts payable makes up 35.74 percent of total liabilities. These balances decreased $139 million (6.13 percent) in FY 2006 primarily due to the ITF's decrease in business activity. The decrease in business activity for the ITF is further explained in the section on Results of Operations.

Liabilities totaling $1,244 million, or 20.88 percent of total liabilities, were unfunded, i.e., budgetary resources are not yet available. For most unfunded liabilities, budgetary resources will be made available in the years balances are due, in accordance with Office of Management and Budget (OMB) funding guidelines. The major elements of unfunded liabilities are $197 million for Workers' Compensation, $451 million for capital leases and installment purchases, $238 million for reimbursements due the U.S. Treasury Judgment Fund for costs from past litigation, and $156 million for contingencies and environmental/disposal liabilities.

ENDING NET POSITION: GSA's Net Position at the end of 2006 on the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position was $22,511 million, a $731 million (3.36 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 2006.

The increase in Cumulative Results of Operations resulted primarily from the Net Results of Operations in GSA's FBF (results of $814 million) which mostly funds the capital needs of those programs. The FBF's Net Results of Operations is offset by decreases in earnings of the GSF and ITF totaling $101 million.

Results of Operations

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

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

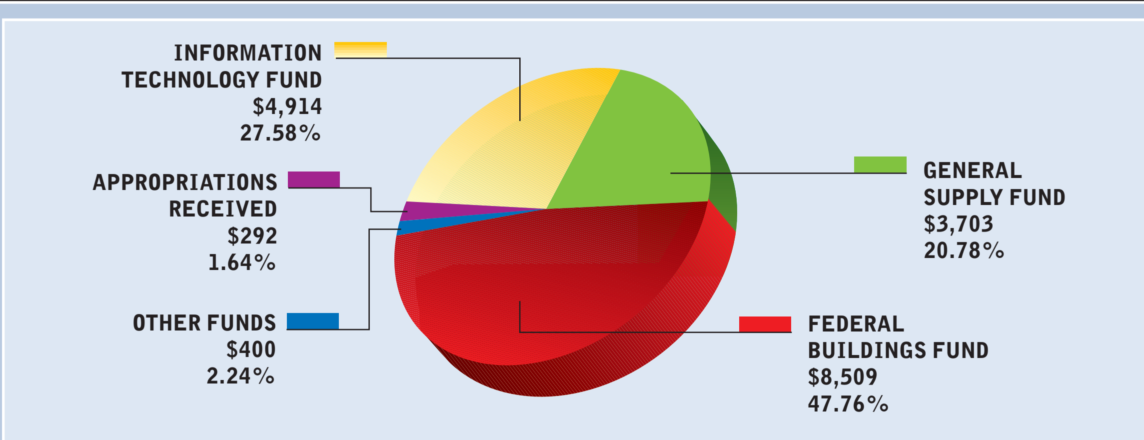
GSA's total Net Revenue from Operations at the end of FY 2006, after intra-agency eliminations, was $409 million, a $429 million (51.19 percent) decrease from the prior fiscal year. The Net Revenue from Operations is presented as Total Revenues less Total Expenses at the end of FY 2006. The decrease in Net Revenue from Operations is primarily due to the activity of the FBF. The FBF reported a decrease in net results of operations of $367 million for FY 2006, representing a 37.68 percent decline. While total FBF revenue increased by $264 million (3.2 percent), total expenses for the FBF increased by $631 million (8.68 percent), mainly due to rising utility costs and inflation in rent costs.

Other significant declines in GSA's Net Operating Results pertain to the decrease in ITF net revenue of $100 million by the end of FY 2006 compared to FY 2005. This extreme drop in ITF's net operating results is due to management's decision to discontinue a major information system development project, referred to as GSA Preferred (GSAP), which was initially implemented in FY 2004. Serious deficiencies in the new system could not be corrected without considerable additional investment, which would not have been in the best interest of the government. As a result, a loss of $71 million was charged to the ITF.

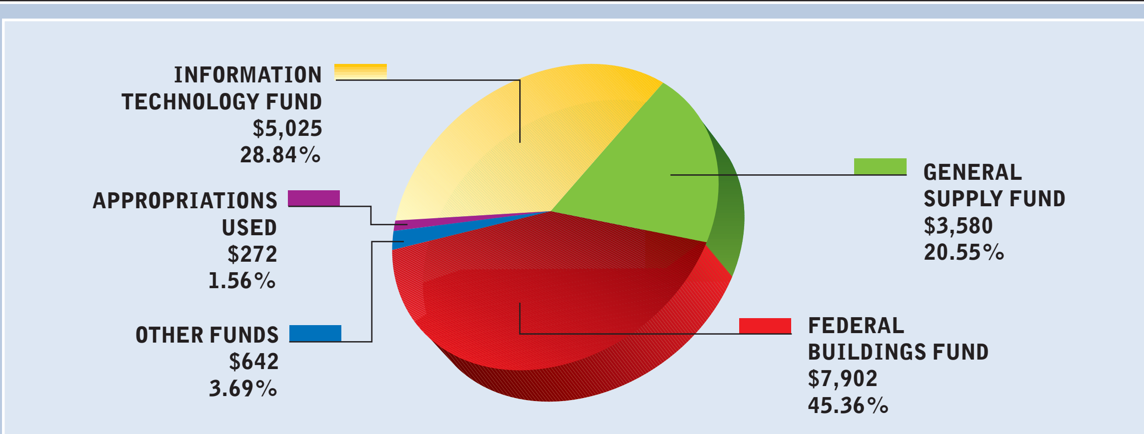
In addition to the write-off of GSAP, the ITF experienced a decline in business volume as GSA's larger customers chose other procurement sources outside of GSA, some of which was related to internal control weaknesses found in prior audits. Current OIG audits show that GSA has made great strides strengthening the procurement process and correcting internal control weaknesses.

The charts below summarize the activity on GSA's Consolidated Statements of Net Cost (before intra-GSA eliminations) and the Consolidated Statements of Changes in Net Position by showing the funds available to GSA in FY 2006 and how these funds were used.

REVENUE SOURCES *(Dollars in Millions)*



HOW FUNDS WERE USED *(Dollars in Millions)*



Budgetary Issues

The decline in ITF business volume discussed in the sections above also had a large effect on the budgetary statements, as Unfilled Customer Orders decreased by $861 million and Obligations incurred decreased by $1,238 million. In addition, Uncollected Customer Payments decreased by $1,062 million and Collections decreased by a total of $1,742 million. Total Budgetary Resources in the ITF declined $1,773 million (22.18 percent).

With the merger of the Federal Supply Service (FSS) and the Federal Technology Service (FTS) into the Federal Acquisition Service (FAS), FAS has been operating under two revolving funds with varying legislative authorities. In October of 2006, the President signed passed the funding legislation for FAS allowing the new organization to operate under one revolving fund, the Acquisition Services Fund (ASF). GSA expects the merger to allow FAS to operate more efficiently and effectively under the new legislation.

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 $6.6 billion backlog of building R&A work and providing quality space for GSA's Federal customers and the visiting public.

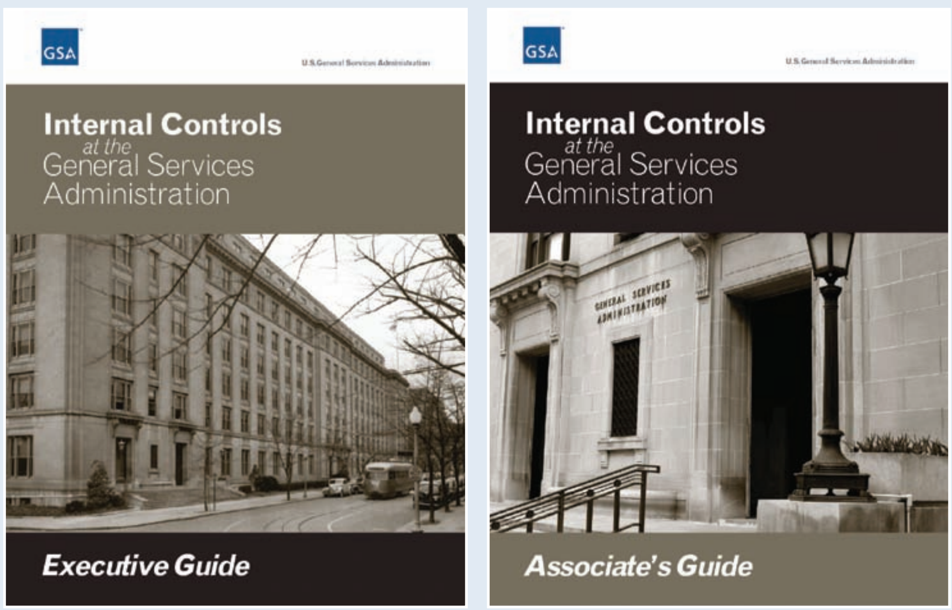
Photo Courtesy of Tim Griffith

Fresno, CA's richly textured character finds its eloquent expression in the new U.S. Courthouse. The building is at once rational and rugged, responding gracefully to its urban context while telling a story about the natural history of the region.

Systems, Controls, and Legal Compliance

Introduction to Management Assurances

GSA is pleased to provide the following assurances as to the status and effectiveness of the internal controls and management systems that support the preparation of the financial statements. GSA exceeded expectations by reaching its overarching goal in delivering excellent service to its customers while maintaining internal control as a result of the passion and dedication of Agency employees. GSA balanced its focus on well-trained Agency experts and customer satisfaction and developing customized solutions to meet the ever-changing needs and challenges within the Federal community. GSA continued to build strong relationships and improve service to retain its customers.



GSA distributed Executive and Associate's Guides, to provide associates a quick reference to internal controls and to assist managers in completing internal control reviews.

Statement of Assurance

GSA management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). GSA conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, GSA can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

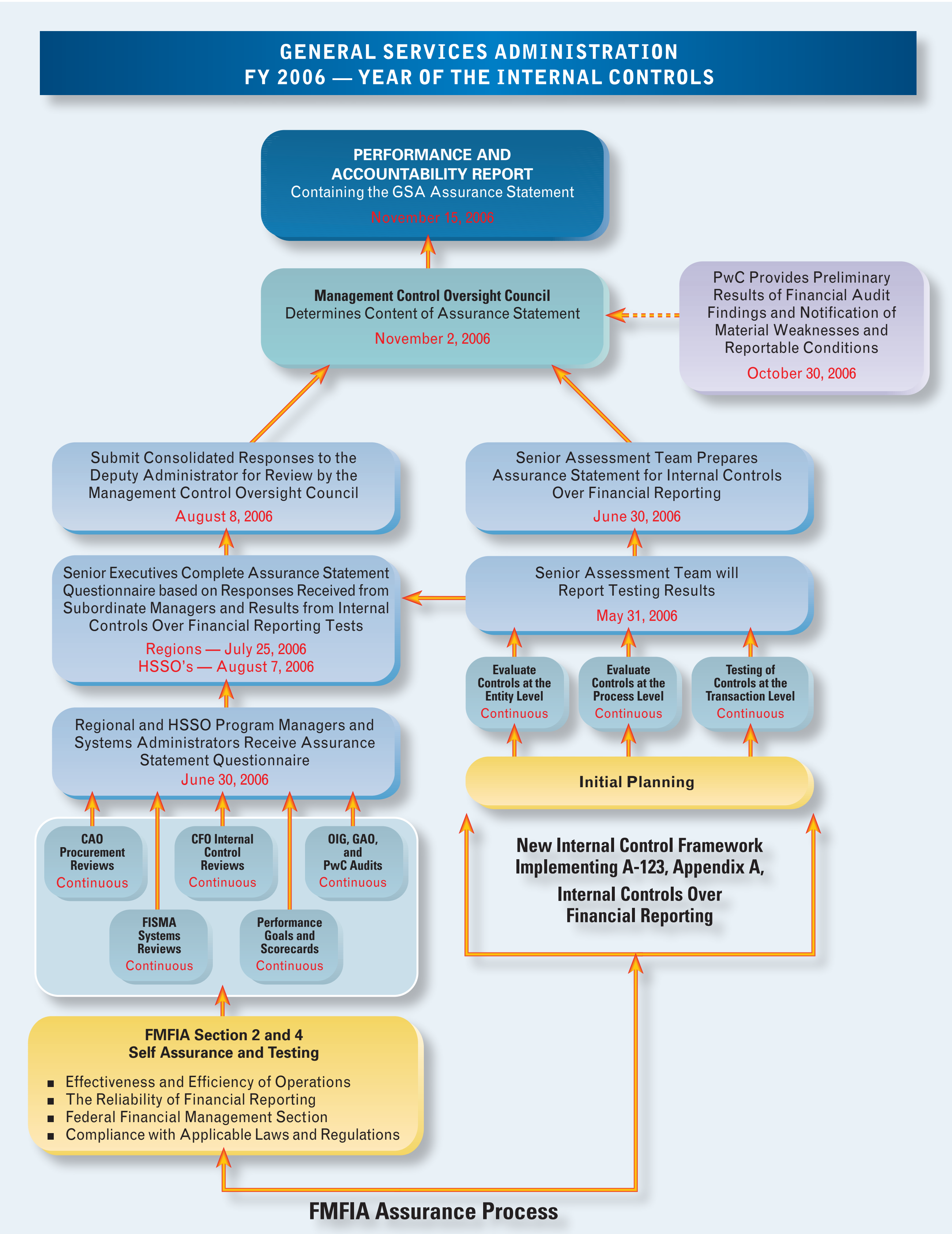
In addition, GSA conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, GSA identified one material weakness and a related system non-conformance in its internal control over financial reporting as of June 30, 2006. The material weakness related to reporting of unfilled customer orders and obligations. The related system non-conformance pertained to the lack of reconciling certain business systems to the Agency general ledger and primary accounting system.

Corrective actions were taken during FY 2006 to resolve these conditions as follows:

1. Substantially implemented the budgetary functionality of the current financial accounting system to ensure financial activity was completed and accurately recorded.
2. Designed processes and controls effectively so that budgetary and accrual-based accounting concepts were applied continuously and consistently throughout the year when recording financial transactions.
3. Developed and documented policies and procedures to prepare and monitor the Statement of Budgetary Resources (SBR) reporting, which included supervisory review, analytical procedures, data validation, and ensured that activities were in compliance with applicable guidance.
4. Improved internal control quality reviews and maintained documentary 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 SBR and the financial statements.
5. Tested the design and operating effectiveness of corrective actions during the annual assessment of internal controls over financial reporting in accordance with OMB Circular A-123, Appendix A.

Based on a review of the corrective actions completed, GSA can provide reasonable assurance that its internal control over financial reporting as of September 30, 2006, was operating effectively and no material weaknesses and non-conformance were found in the design or operation of the internal control over financial reporting.

Lurita Doan
Administrator
November 10, 2006


GENERAL SERVICES ADMINISTRATION
FY 2006 — YEAR OF THE INTERNAL CONTROLS
PERFORMANCE AND ACCOUNTABILITY REPORT
Containing the GSA Assurance Statement
November 15, 2006
Management Control Oversight Council
Determines Content of Assurance Statement
November 2, 2006
PwC Provides Preliminary Results of Financial Audit Findings and Notification of Material Weaknesses and Reportable Conditions
October 30, 2006
Submit Consolidated Responses to the Deputy Administrator for Review by the Management Control Oversight Council
August 8, 2006
Senior Assessment Team Prepares Assurance Statement for Internal Controls Over Financial Reporting
June 30, 2006
Senior Executives Complete Assurance Statement Questionnaire based on Responses Received from Subordinate Managers and Results from Internal Controls Over Financial Reporting Tests
Regions — July 25, 2006
HSSO's — August 7, 2006
Senior Assessment Team will Report Testing Results
May 31, 2006
Evaluate Controls at the Entity Level
Continuous
Evaluate Controls at the Process Level
Continuous
Testing of Controls at the Transaction Level
Continuous
Regional and HSSO Program Managers and Systems Administrators Receive Assurance Statement Questionnaire
June 30, 2006
Initial Planning
CAO Procurement Reviews
Continuous
CFO Internal Control Reviews
Continuous
OIG, GAO, and PwC Audits
Continuous
FISMA Systems Reviews
Continuous
Performance Goals and Scorecards
Continuous
New Internal Control Framework Implementing A-123, Appendix A, Internal Controls Over Financial Reporting
FMFIA Section 2 and 4
Self Assurance and Testing
Effectiveness and Efficiency of Operations
The Reliability of Financial Reporting
Federal Financial Management Section
Compliance with Applicable Laws and Regulations
FMFIA Assurance Process

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

GSA successfully implemented the requirements of revised Office of Management and Budget (OMB) Circular A-123, Appendix A, during FY 2006. The revisions to the circular serve to emphasize management's focus on ensuring that effective internal control over financial reporting is established and maintained throughout the Agency. Under the leadership of the Chief Financial Officer (CFO), GSA implemented a comprehensive program to complete its assessment of internal control over financial reporting. The CFO established the Senior Assessment Team (SAT) comprised of senior executives to provide leadership, oversight, and accountability for GSA's internal control over financial reporting. The SAT conducted its assessment based on the five-step process used in the Implementation Guide developed by the CFO's Council. The five steps are: Planning; Evaluate Internal Control at the Entity Level; Evaluate Internal Control at the Process Level; Testing at the Transaction Level; and Concluding, Reporting, and Correcting Deficiencies and Weaknesses.

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

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

Using a risk-based approach, a rotational plan was developed for financial and information technology (IT) controls to ensure that controls are assessed in each Region within GSA, including the central offices, within a three-year period. As part of the rotation plan, some systems will undergo full general and application controls testing in a given year and the others will undergo limited general and application controls testing for the year.

The SAT conducted a comprehensive review of test results considering the likelihood and degree of the potential for misstatements and determined whether the consolidations of deficiencies are incidental, create a reportable condition, or rise to the level of material weakness for reporting in the assurance statement. Based on the exceptions noted and the impact on the financial statements, the SAT concluded that one material weakness related to monitoring, accounting, and reporting of budgetary transactions existed as of June 30, 2006. Specifically, the material weakness existed in the controls over monitoring, accounting, and reporting of budgetary transactions, which includes unfilled customer orders as well as undelivered and delivered orders. Corrective actions were taken throughout the fiscal year but were not fully implemented as of June 30, 2006. Corrective actions have now been implemented and the material weakness has been resolved. Based upon the results of its corrective actions, GSA can provide reasonable assurance that its internal control over financial reporting as of September 30, 2006, was operating effectively and no material weaknesses existed in the design or operation of the internal control over financial reporting.

In addition, during GSA's testing of internal controls over financial reporting, it noted that one of its business feeder systems, FSS-19, does not transmit budget year information to FEDPAY; therefore, when an order that has been established with prior year funds is cancelled or modified, FEDPAY does not generate a prior year recovery as required by the U.S. Standard General Ledger (USSGL). FEDPAY is a financial system used by the Office of the Chief Financial Officer (OCFO) that transmits information to Pegasys. In response to this issue, management developed manual processes and controls that prevented any material misstatement in its FY 2006 financial statements. Through further inquiries, management was able to determine that this problem exists in other business feeder systems. However, mitigating controls exist which reduce the risk to a low level and ensure the integrity of the financial statements. Action plans will be developed during the next fiscal year to correct the deficiencies in GSA's business feeder systems so that GSA is in conformance with the USSGL.

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

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 requires that agencies establish management control and financial systems to provide reasonable assurance that the integrity of Federal programs and operations are protected. Furthermore, it requires that the head of the agency provide an annual assurance statement on whether the agency has met this requirement and whether any material weaknesses exist.

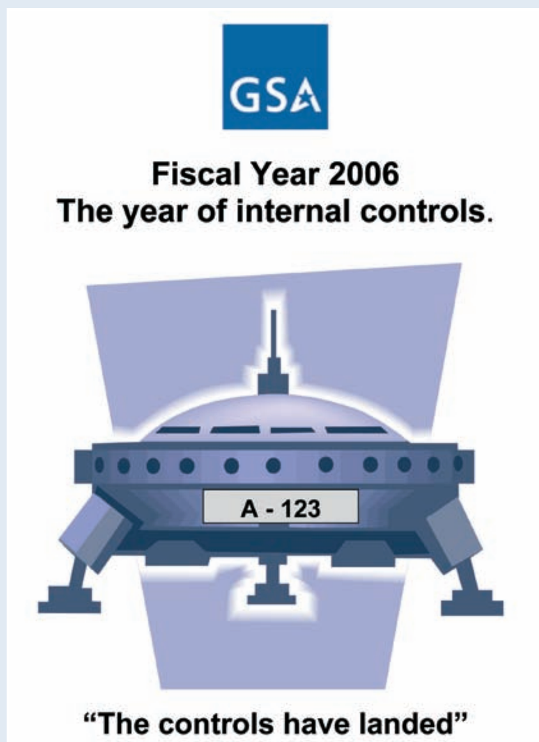
In response to the FMFIA, GSA developed an internal control program which holds managers accountable for the performance, productivity, operations, and integrity of their programs through the use of internal controls. Annually, senior managers at the Agency are responsible for evaluating the adequacy of the internal controls surrounding their activities and determining whether they conform to the principles and standards established by OMB and the Government Accountability Office (GAO). The results of these evaluations and other senior management information are used to determine whether there are any internal control problems to be reported as material weaknesses. The Agency's Management Control Oversight Council, the organization responsible for oversight of the Internal Control Program, makes the final assessment and decision for the Agency.

Accomplishments

GSA continues to provide updated OMB Circular A-123 guidance and training to Agency managers at all levels to ensure awareness of management's responsibility for establishing and maintaining internal control. Significant effort was directed at informing and training Agency managers on the impact and effect of the new OMB Circular A-123, with a focus on financial controls, system controls and system certification, and accreditation reviews. Additionally, Agency managers performed risk assessments and internal control reviews for their program areas and conducted evaluations.

In FY 2006, GSA improved the Web-based Assurance Statement Questionnaire that was launched in FY 2005. Managers at all levels were able to enter, update, and view assurance statement information and electronically forward completed statements to the next level supervisor.

In FY 2006, GSA addressed the FY 2005 identified Section 2 material weakness and Section 4 system nonconformance related to budgetary controls and reporting processing. Agency managers completed the actions addressing the material weakness by developing aging reports, implementing A-123 requirements, issuing policy on review and certification, and reconciling business systems to Pegasys.



GSA increased employee awareness of the Internal Control effort by displaying posters throughout the Service and Staff Office workplace.

In addition to the above improvements, the SAT reviewed internal control over financial reporting. The review identified the proper fund for each unassigned funding citation, reconciled monthly business systems, implemented a successful income and expense accruals national program, developed business system enhancements to ensure the validity of assigned funding and undelivered orders moving forward, and archiving historical open orders.

GSA is committed to ongoing efforts to integrate and improve the Agency's financial systems and will continue to work with external auditors to strengthen fiscal management and accountability.

Statistical Summary of Performance

Section 2, Internal Control Systems — Material Weaknesses

GSA reported one in FY 2005. No new material weakness identified in FY 2006.

NUMBER OF MATERIAL WEAKNESSES

	NUMBER AT BEGINNING OF FISCAL YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING END OF FISCAL YEAR
2002 Report	0	0	0	0
2003 Report	3	2	0	0
2004 Report	0	0	0	0
2005 Report	0	0	1	1
2006 Report	1	1	0	0

Material Weakness Remediation

GSA completed all of the milestones related to the material weakness.

Photo Courtesy of Frank Ooms

Traditions that have long distinguished Federal courthouse design emerge in fresh and unexpected ways along with new metaphors for a 21st century Federal courthouse in Eugene, OR.

REMEDIATION OF MATERIAL WEAKNESS AND SYSTEM NON-CONFORMANCE				
MATERIAL WEAKNESS	MILESTONES	ORIGINAL TARGET CORRECTION DATE	REVISED TARGET DATE	ACTUAL DATE OF COMPLETION
Controls over monitoring, accounting, and reporting of budgetary transactions are inadequate.	Summary of the action plans from OCFO operations divisions and Service offices.			
OCFO – OFFICE OF THE CHIEF FINANCIAL OFFICER				
	(1) Develop and document policies and procedures for open items cancellation, streamlined closeout and setting thresholds on unfilled customer orders.	May 2006		May 2006
	(2) Implement the A-123 process.	September 2006		June 2006
	(3) Resolve issues encountered during reconciliation.	October 2006		August 2006
FAS – FEDERAL TECHNOLOGY SERVICE				
	(1) Reconcile OMIS, GSAP, and CODB to Pegasys.	October 2006		September 2006
	(2) Define process and validate unassigned funds.	October 2006		September 2006
	(3) Define process and validate undelivered orders for Assisted Acquisition Services.	October 2006		September 2006
FAS – FEDERAL SUPPLY SERVICE				
	(1) FAS/FSS and the OCFO will reconcile the UDO and DO in the FAS/FSS feeder systems to the OCFO payment system, FEDPAY. The FSS-19 systems included orders originating in FSS-19, ROADS, and Customer Service Center including Expanded Direct Delivery (EDD), Inventory Replenishment, and CPSA.	July 2006		September 2006
	(2) Develop aging reports.	July 2006	August 2006	June 2006
PBS – PUBLIC BUILDINGS SERVICE				
	(1) Obtain certifications, including certifications for 75 percent of open items, excluding orders with known comfort levels, including statistical sample to validate accuracy.	October 2006		September 2006
	(2) Ensure that unfilled customer orders for projects, contracts and RWA balances are periodically monitored and reviewed for validity, including statistical samples.	October 2006		September 2006

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 USSGL recording and reporting requirements at the transactional level. GSA evaluated its financial management systems controls and compliance by using a consolidated A-123 and A-127 questionnaire and by completing independent systems certification and accreditation reviews, Statement on Auditing Standards (SAS) 70 reviews, A-123 reviews, and other systems assessments. As in prior years, additional compliance review steps included a review of pertinent audit reports issued during FY 2006, a review of the current status of prior year systems-related issues, and discussions with senior managers and auditors regarding the details of pertinent systems-related control issues. Taken as a whole, GSA is confident that these systems-related review activities provide a sufficient basis for assessing Agency compliance with Section 4, FMFIA and FFMIA requirements for FY 2006.

Based on all review work performed during FY 2006, Agency management believes that 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 enhance financial reporting controls for budgetary accounting and resolve and remediate prior year audit findings relating to system change management controls. For example, during FY 2006 more than 100 action steps were completed to fully or partially resolve financial systems-related issues and findings. These conditions related to network and application security controls, system change controls, and other financial systems' general and applications-related internal controls.

No Entity-wide System Non-Conformances Noted

No entity-wide system non-conformances are reported for GSA systems in FY 2006 (see page 43). GSA management is proud of this accomplishment and attributes it to a renewed emphasis on the importance of systems-related internal controls and the collective set of actions successfully completed by managers and associates to improve the systems control environment at GSA.These completed actions served to significantly enhance managerial, operational, and technical systems controls for many of GSA's critical program and financial management systems.

Reportable Conditions

During FY 2006, significant progress was achieved in addressing both prior year reportable conditions related to systems. These conditions involved system change controls for GSA's financial applications and technical information security controls. As a result of actions taken, the independent auditors have determined one of these issues is no longer considered to be a reportable condition. The remaining reportable condition is related to the need to improve certain system controls.

Improvements needed include access controls, segregation of duties, and systems monitoring. To address these findings, new corrective action plans will be developed to ensure management takes appropriate corrective actions.

STATUS OF SYSTEM NON-CONFORMANCES

	NUMBER AT BEGINNING OF FISCAL YEAR	NUMBER CORRECTED	NUMBER ADDED	NUMBER REMAINING END OF FISCAL YEAR
2003 Report	2	0	1	3
2004 Report	3	3	0	0
2005 Report	0	0	1	1
2006 Report	1	1	0	0

Additional Improvements Planned for FY 2007

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 2007. Major initiatives will involve taking various actions to improve financial reporting; strengthening systems-related policies, procedures, and system life-cycle management for program and financial systems.

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. Areas of focus for these efforts will include access, configuration management, separation of duties, and technical systems controls.

Finally, action is planned during FY 2007 to more effectively integrate and streamline GSA review and assessment activities pertaining to FMFIA, FFMIA, FISMA, and OMB Circular A-123 and OMB Circular A-127 compliance. During the past two years, significant progress has been achieved in integrating GSA's internal processes for assessing the sufficiency of management and systems-related internal controls via one survey instrument. During FY 2007, the challenge will be to devise and implement an improved and more fully-integrated process to streamline and document the conduct of various reviews relating to internal controls and compliance with OMB Circular A-123 and the new National Institute of Standards and Technology (NIST) requirements pertaining to system-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, more comprehensive and meaningful reviews and assessments will be able to be completed in a more timely manner at less cost.

All planned FY 2007 improvement actions should serve to significantly improve systems controls and thereby improve the extent of GSA's overall compliance with pertinent laws and regulations.

Federal Financial Management Improvement Act (FFMIA)

The FFMIA of 1996 requires Federal agencies to implement and maintain financial management systems that comply substantially with: (1) Federal financial management systems requirements; (2) applicable Federal accounting standards; and (3) the USSGL at the transaction level. Under law, Agency heads are required to assess and report on whether these systems comply with FFMIA on an annual basis.

In assessing compliance with FFMIA, GSA adheres to the revised FFMIA implementation guidance provided by OMB and considers the results of the Office of Inspector General (OIG) and 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, the GSA Administrator has determined that GSA's financial management systems are in substantial compliance with FFMIA for FY 2006.

Federal Information Security Management Act (FISMA)

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

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

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

During FY 2006, GSA continued to strengthen its system controls by addressing weaknesses identified within its Plan of Action and Milestones (POA&M) and completing many FISMA-related system control initiatives. Significant accomplishments included completing system certifications and accreditations (C&A), planned systems tests, and contingency plan tests for all of GSA's 79 systems during FY 2006. More than 15,000 Agency employees and contractors completed IT security awareness training and 99.7 percent of Agency employees with significant security responsibilities also completed specialized role based training during the past year. Privacy Impact Assessments (PIA) were completed on all applicable systems. Additionally, GSA completed the required OMB privacy review of its systems pursuant to OMB's memorandum pertaining to the safeguarding of personally identifiable information.

U.S. Courthouse in Seattle, WA.

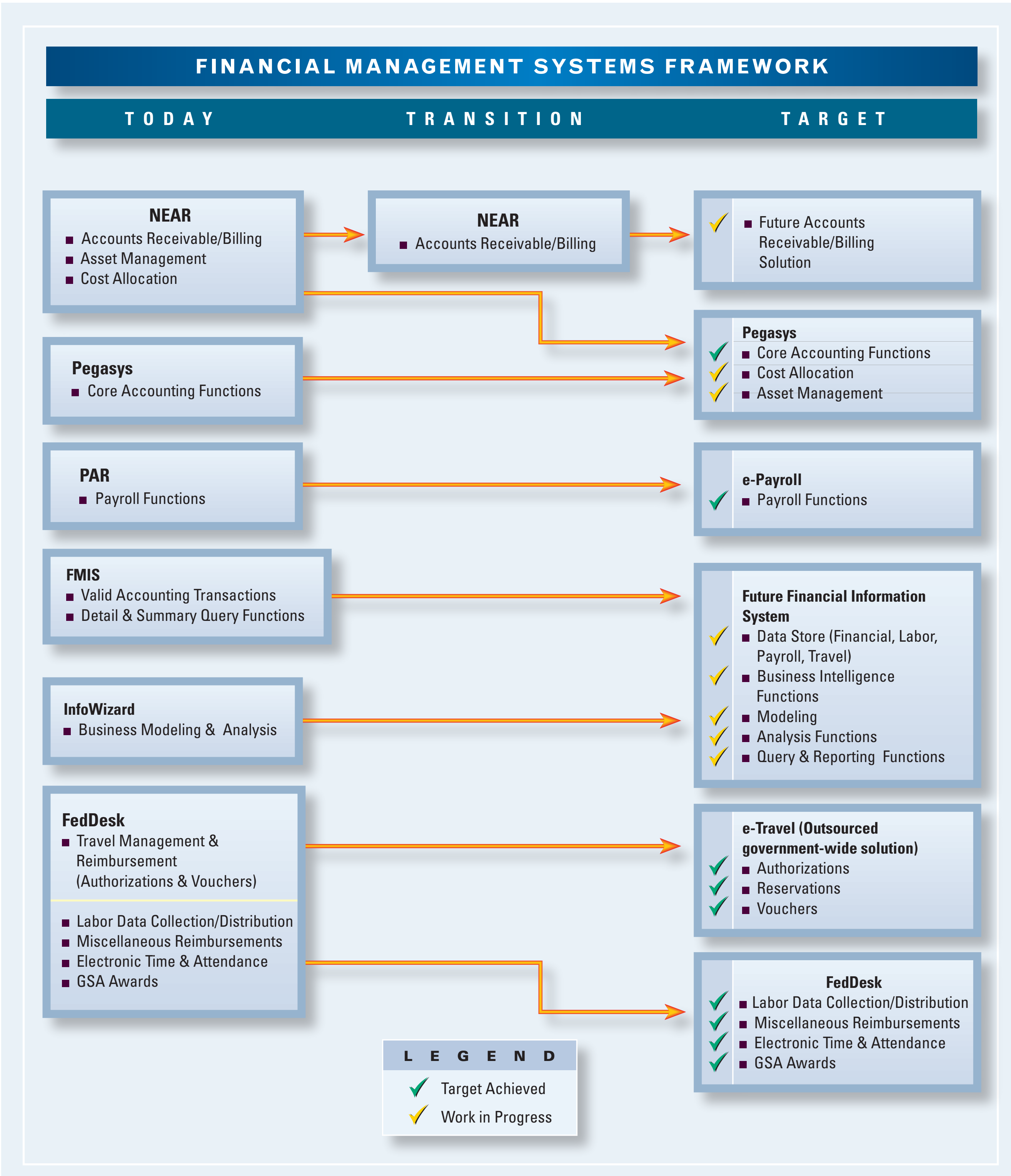
No major system control findings were identified as a result of all FISMA compliance efforts. Accordingly, management believes that GSA remains compliant with FISMA requirements and will maintain or improve upon its OMB scorecard grade of A- for 2006.

Financial Management Systems Framework

Financial Management Systems

The Chief Financial Officers (CFO) Act assigns clear responsibilities for planning, developing, maintaining, and integrating all accounting and financial management systems within an agency. During FY 2006, significant progress was achieved by GSA in developing and implementing its planned "to be" financial systems framework. This framework is designed to fully integrate and streamline all of GSA's financial system applications in accordance with applicable systems requirements, Federal accounting standards, and other related mandates.

Considerable progress was achieved related to maintaining and expanding the use of GSA's core accounting system, Pegasys. Pegasys is a commercial off-the-shelf (COTS) system solution that integrates several of GSA's financial accounting applications, processes more than 40 million transactions per year, and complies fully with Federal accounting standards and external financial reporting requirements. Pegasys also holds the most current Joint Financial Management Improvement Program (JFMIP) 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 (CCR) component of the President's integrated acquisition environment E-Gov initiative, as well as support the e-Payroll and e-Travel system initiatives. In keeping with plans to upgrade GSA's core accounting system biennially, during FY 2006 Pegasys was upgraded to an HTML format. In addition, E-Gov Travel, Vendor Self-Service, and cost allocation functionality have been or are being added to GSA's financial management system capabilities.


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

Significant progress was also made in FY 2006 to review and improve internal controls regarding GSA financial systems (see page 46). For the second consecutive year, SAS 70 reviews were completed for both GSA's Payroll and Pegasys systems. These reviews provide needed feedback to the client agencies on GSA's internal accounting and system controls in relation to established internal control objectives. The conduct of these reviews helps to ensure that GSA maintains an effective system of internal controls and saves GSA's client agencies and their auditors the additional costs of having to periodically test and review GSA's financial systems.

Due in part to the effectiveness and efficiency of GSA's financial management system and its related internal controls environment, GSA was one of four Federal agencies selected by OMB to cross-service other Federal agencies as a Financial Management Line of Business (FMLoB). During FY 2007, GSA will continue with its ongoing efforts to refine its existing financial management system capabilities so that it remains well-positioned to service others as a leading and cost-effective service provider of choice for financial management services.

Anti-Deficiency Act

In their FY 2005 and FY 2006 reports, the Department of Defense (DoD) OIG identified potential Anti-Deficiency Act violations in DoD purchases made through GSA. GSA's Office of General Counsel (OGC) reviewed the circumstances of these procurements and determined there were fourteen actions that potentially pose an Anti-Deficiency Act violation at GSA.

Since that time, GSA officials have taken aggressive action to work with DoD in order to resolve each of these actions. GSA is are currently determining whether appropriate funds are available within other DoD projects at GSA that could be used to correct these potential violations. The IT Solutions Regional Service Center, working with the IT Solutions Financial Services Center, the Office of Budget, and the OGC will make that determination. If proper funds are found within other projects, customer service representatives from the Regions will contact DoD, and with their permission, GSA would use that budget authority to correct the potential violation(s). If GSA cannot find sufficient budget authority associated with other DoD projects on its books, GSA will request DoD assistance in ascertaining whether they have other proper budget authority that could be applied. These reviews are currently underway and depending on the results, will assist GSA in further enhancing and improving acquisition quality and integrity across the organization. GSA is highly confident that, working together, DoD and GSA will correct this problem and no Anti-Deficiency Act violations will be reported.

Improper Payments Information Act

FY 2006 Annual Risk Assessment

GSA conducted the erroneous payment risk assessment review during FY 2006 in accordance with Public Law 107-300, The Improper Payments Information Act (IPIA) of 2002. 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 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.

The review indicates that no GSA program was highly susceptible to erroneous payments according to the threshold amounts established by OMB ($10 million and 2.5 percent of program disbursements)[1].

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 (Public Law 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 0.2384 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 Public Law 107-300 to the Agency's 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 2007 – FY 2008

Effective for FY 2006, Circular A-123, Appendix C, updated the requirement for an annual risk assessment. According to Part I, Section E, a risk assessment is required every three years if agency programs are deemed not risk susceptible. Since GSA does not have any programs deemed risk susceptible, GSA will perform the next risk assessment in FY 2008. If a program in GSA experiences a significant change in legislation and/or a significant increase in funding level, GSA will reassess the program's risk susceptibility during the next annual cycle, even if it is less than three years from the last risk assessment.

[1] *Erroneous or improper payments are any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, and administrative or other legally applicable requirement. These involve overpayments, underpayments, payments to ineligible recipients, payments for ineligible service, duplicate payments, payments for services not received, and payments made without accounting for applicable discounts or credits.*

Limitations of Financial Statements

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

FAS furnishes wildfire protection equipment to Federal agencies through formal agreements with the Department of Agriculture, Forest Service, and Bureau of Land Management.

Performance Section

Awards GSA Has Won in 2006

"Partner in Excellence" award

The Federal Acquisition Service (FAS), Global Supply was given a "Partner in Excellence" award by National Industries for the Blind (NIB) for outstanding distribution of Skilcraft and other Javits-Wagner-O'Day Act (JWOD) products. "In grateful appreciation of your support in creating jobs for people who are blind employed through the JWOD program." This award is for continuing efforts to promote, market, and sell Skilcraft and other JWOD products creating jobs for people who are blind or severely handicapped and employed by the program. The theme "TEAMWORK makes our DREAMWORK," holds true for the continuing growth of the GSA/NIB partnership.

Personal Property Management

The Furniture for Schools (F4S) initiative was recognized as the winner of the 2006 Miles Romney Achievement Award for Innovation in Personal Property Management for its outstanding efforts to help rebuild the Gulf Coast schools. In conjunction with the Department of Education and the Department of Defense (DoD), GSA Personal Property Management began the F4S program to make excess and surplus property available to help rebuild and reestablish schools in the areas devastated by Hurricane Katrina. This program is ongoing and largely operated by GSA's Mid Atlantic Region Property Management Office. It is a good complement to GSA's Computers for Learning program which helps make excess computers available for pre-K through Grade 12 educational. For F4S, GSA has also worked to coordinate transportation of equipment to these schools. During FY 2006, almost 13,000 pieces of furniture and computers were provided under the F4S program, totaling $5,199,175 in original acquisition value.

Introduction to Performance

GSA focused on being a results-oriented organization during FY 2006, through the use of performance based tools and techniques.

GSA and the Performance Management Process

The Performance Management Process (PMP) is GSA's decision-making process for developing strategic plans, budget priorities, and performance results. The PMP integrates strategic planning, budget development, monitoring performance management, and targeting financial resources to deliver best value to GSA customers and meet performance goals. As an improvement to this year's PMP, the information technology (IT) capital planning process was more closely synchronized with the overall PMP cycle.

GSA and the Program Assessment Rating Tool

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

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

GSA worked hard this past year and removed all but one program from the Results Not Demonstrated (RND) list. Key to this effort was developing acceptable long-term outcome goals and efficiency measures necessary to have the programs successfully rated.

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

GSA has 15 programs that have received PART reviews. Of the 15 programs reviewed, four were rated Effective—Asset Management, Charge Card Services, New Construction, and USA Services; eight were rated Moderately Effective—Vehicle Leasing (Fleet), Real Property Leasing, Personal Property Management, Real Property Disposal, Office of Governmentwide Policy (OGP), Transportation Management, Travel Management, and National Furniture Center; and two were rated Adequate—Global Supply and Vehicle Acquisition. IT Solutions was rated RND.

Additional information about GSA's PART scores and results can be found on the OMB Web site, *www.expectmore.gov.* GSA is proactively working with those programs that will be rated in FY 2007 in order to develop long-term outcome goals and efficiency measures for the programs to ensure that they are successfully rated. The following programs will be PARTed in FY 2007: Integrated Technology Solutions (Rescore of Regional and National IT Solutions) and Network Services.

GSA streamlined 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 Staff Offices. The complete list of FY 2006 measures can be found in Appendix I, and the full performance report will be published on the GSA Web site (*www.gsa.gov/annualreports*) in December 2006. No program evaluations were completed this year. Program evaluations are planned for future years in conjunction with PART improvement plans.

After the Gulf region was devastated by hurricanes in the fall of 2005, GSA provided more than $1 billion in supplies and services to the hardest-hit areas, answered more than 1.3 million hurricane-related inquiries, and dispatched more than 700 Agency experts to help citizens who, in many cases, lost all their material positions to killer winds, rain, or the subsequent flooding.

GSA PART RESULTS

GSA PROGRAM	RATING
PBS Asset Management of Real Property	Effective
PBS Construction	Effective
FAS Charge Card Services	Effective
OCSC USA Services	Effective
PBS Real Property Leasing	Moderately effective
PBS Real Property Disposal	Moderately effective
FAS Vehicle Leasing (Fleet)	Moderately effective
FAS Personal Property Management	Moderately effective
FAS Travel Management	Moderately effective
FAS Transportation Management	Moderately effective
FAS National Furniture Center	Moderately effective
OGP Office of Governmentwide Policy	Moderately effective
FAS Global Supply	Adequate
FAS Vehicle Acquisition	Adequate
FAS Commercial Acquisition [1]	Results not demonstrated
FAS Regional IT Solutions [2]	Results not demonstrated
FAS National IT Solutions [2]	Results not demonstrated

1 FAS Commercial Acquisition is no longer a stand alone PART program. Charge Card Services is the successor program (in terms of the PART).

2 FAS Integrated Technology Solutions now replaces the FAS Regional and National IT Solutions.

PBS

PERFORMANCE BY SERVICE/STAFF OFFICE

PUBLIC BUILDINGS SERVICE

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

GSA continues to be a leader in asset management. In the first quarter of FY 2006, GSA was recognized as the first Federal agency to achieve "green" status on the Federal Real Property Asset Management initiative of the PMA. GSA earned its green rating by meeting the PMA right-sizing goals of utilization and disposal, operation and maintenance, and physical condition. GSA disposed of 27 vacant or underutilized properties through portfolio restructuring efforts; improved asset utilization to 93.0 percent in government owned assets and 98.5 percent in leased assets by reducing vacant space; and improved the physical condition of its inventory by targeting reinvestment dollars toward core assets in the portfolio, among other achievements. Throughout FY 2006, GSA continued to provide leadership on the Federal Real Property Council (FRPC) and achieve the PMA goals, as evidenced by its continued green rating in both status and progress.

Federal Asset Sales is an E-Gov initiative supporting the PMA. This program will consolidate all Federal property for sale through a single Web site making it easier for citizens to review property sales. Federal Asset Sales will provide agencies with an economical e-marketplace to increase exposure of properties in the marketplace. This focused enlarging of the marketplace promotes competition and increases the potential value of the properties. PBS launched the Value Added Services contracts for Federal Asset Sales. Value Added Services is a contract vehicle that will provide agencies an easy, economical means to acquire *a la carte* realty services necessary to dispose of properties efficiently at reduced costs.

Performance Highlights

PBS has completed four PART reviews of its major programs: (1) Asset Management of Real Property, (2) Real Property Leasing, (3) Real Property Disposal, and (4) New Construction. Leasing and Disposal are rated by the Office of Management and Budget (OMB) as "Moderately Effective," and Asset Management and New Construction are rated "Effective." Improvement plans were developed based on recommendations from OMB. The plan to study the PBS fee structure and incorporate it in the FY 2008 rent estimate submission was completed and a reduction in the PBS fee is scheduled to commence in FY 2008. An independent evaluation process to assess program performance and its effectiveness in achieving results has begun and will be concluded in FY 2007.

The paragraphs below summarize FY 2006 PBS major performance results by business line activity.

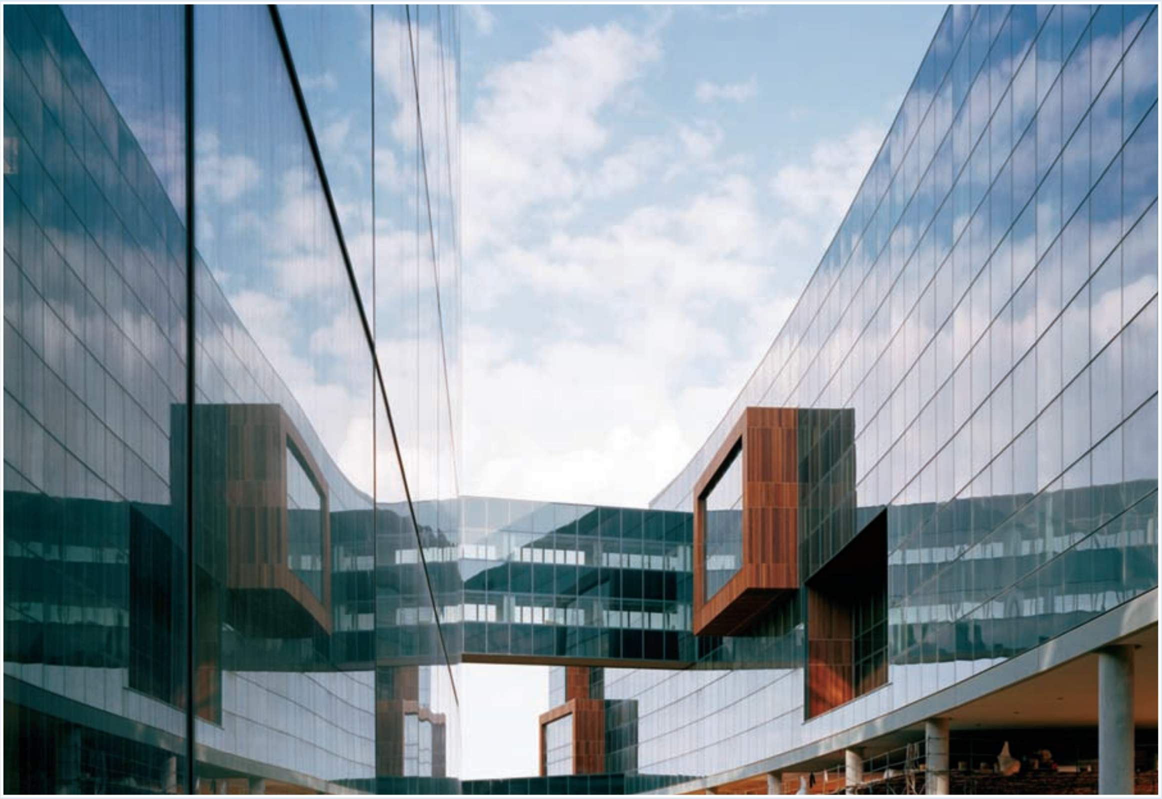
NEW CONSTRUCTION:

- PBS is involved in an $11 billion, multi-year program to build new Federal courthouses, border stations, and Federal buildings; and to renovate and modernize existing Federal facilities, including courthouses, agency headquarters, office buildings, laboratories, and infrastructure. The program includes over 200 active capital projects in the various phases of pre-planning, site acquisition and design, and construction stages. In FY 2006, PBS completed three new courthouse projects (Brooklyn, NY; Fresno, CA; and Eugene, OR); a new annex to the Prettyman Courthouse in Washington, D.C.; the National Oceanic and Atmospheric Administration (NOAA) Satellite Operations facility; and several buildings at the U.S. Census Bureau Headquarters, in Suitland, MD and at the Food and Drug Administration (FDA) campus in White Oak, MD. PBS also completed two new border station projects (Sault Ste. Marie, MI and Phase 1 of Ambassador Bridge in Detroit, MI). PBS awarded a design contract for a new Border Station (Warroad, MN) and one new Federal building (Washington, D.C. U.S. Coast Guard Headquarters). PBS also awarded construction contracts for one new courthouse project in El Paso, TX and three new border station projects (Phase 3 of Champlain, NY; Phase 2 of Ambassador Bridge in Detroit; and Del Rio, TX).
- In addition, PBS continues to develop and implement business process improvements to enhance the performance of the capital construction program. In FY 2006 PBS launched an initiative to develop and implement standard scope of work and contract template tools and guidelines for use in the delivery of major capital construction projects. The goal of this effort is to achieve national consistency in the development of scopes of work for architect/engineer (A/E) contracts and construction services; as well as construction management services, feasibility studies, prospectus development studies, and to capitalize on best practices, lessons learned, institutional knowledge and collective project expertise.
- The PBS Office of the Chief Architect (OCA) provided national peer professionals for 23 A/E Design Excellence selections, 29 Design Peer Reviews of ongoing projects, 22 Art-in-Architecture Peer Reviews, and arranged nine Design Concept Presentations for capital projects to the PBS commissioner. In addition the OCA conducted over 25 construction peer reviews on major construction projects at 15 percent, 65 percent, or 95 percent construction completion. The OCA also developed a National Building Information (BIM) Guide in support of PBS's mission to improve delivery. The OCA developed and produced two videos, "Design and Construction Excellence: A Year in Review," highlighting 100+ projects in design and construction in 2006; and "Creating the Contemporary Federal Courthouse: Collaboration and Team Work," illustrating the important and successful partnership between PBS and its judicial clients in the design and construction of new courthouses.

GSA LEASING:

- PBS has also introduced new efficiencies to its Leasing program making PBS a more customer-driven organization. PBS enhanced the role of the realty specialist to become a project manager and strategic partner with the customer. The implementation of the National Broker Contract program is having a major impact on PBS's ability to deliver high-quality, reasonable-priced workplace solutions to its customers.

PBS



Previously dispersed among 20 buildings, the Census Bureau has been consolidated into a sweeping 1.5 million-square-foot office complex within the Suitland Federal Center, a 226-acre tract outside Washington, DC.

- Concurrently, eLease, a Web-based process tool, allows both PBS realty specialists and PBS contractors to navigate through each transaction in a consistent and highly efficient manner, contributing a significant productivity gain that is passed on to PBS customers.

- In response to the success of these initiatives as stated above, PBS is lowering the fee that it charges customer agencies to acquire and administer their leased space from eight to seven percent for cancelable space and from six to five percent for non-cancelable space. This change will be effective for FY 2008.

ASSET MANAGEMENT OF REAL PROPERTY:

- Sound asset management remains a priority for PBS. Through the continuation of the Portfolio Restructuring Initiative, PBS is progressing toward its long term goal of achieving a viable, self-sustaining inventory with an average return on equity (ROE) of at least six percent for 80 percent of its government-owned assets. In FY 2006, 73.9 percent of GSA's government-owned assets had an ROE of six percent or greater, which exceeded its target of 71 percent.

- PBS is also progressing toward meeting its long-term energy goal of reducing energy consumption in GSA Federal buildings by two percent (as measured by Btu/GSF) per year for a cumulative reduction of 20 percent by FY 2015. GSA surpassed its FY 2006 goal of a two percent reduction and is working on continuing this trend for future years. Currently, there are $58 million of energy efficiency investments underway in GSA buildings nationwide. These investments are expected to save an additional 689 million Btus and $9.5 million each year. These achievements underscore PBS's commitment to energy management and the resulting savings of taxpayer dollars.

REAL PROPERTY DISPOSAL:

- **Non-GSA Properties:**

  As the service provider of choice for real property disposal, an additional 266 properties valued at approximately $687 million were disposed of for other Federal agencies. In its mission of assisting other agencies PBS also provided 24 targeted asset reviews to help agencies in their compliance with Executive Order 13327.

- **GSA Properties:**

  In FY 2006, the Office of Real Property Disposal disposed of 38 GSA properties valued at approximately $63.2 million. These disposals resulted in sales of $33.9 million of which $5.2 million has already been received in the Federal Buildings Fund (FBF) with the remaining $28.7 million forthcoming in FY 2007.

PBS Performance By GSA-Wide Goal

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

PROGRAM	PERFORMANCE GOAL	RESULT
PBS (Leasing)	Award leases at an average rental rate of not less then 8.5% below industry averages for comparable office space by FY 2006.	Met

PBS (Leasing)

PERFORMANCE GOAL
Award leases at an average rental rate of not less then 8.5 percent below industry averages for comparable office space by FY 2006.
MEASURE
Cost of leased space relative to industry market rates.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
-7.4%	-10.6%	-9.2%	-8.5%	-9.2%

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

DATA SOURCE: STAR (System for Tracking and Administering Real Property)—primary tool used by 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. SIOR (Society of Industrial and Office Realtors)—publications to determine current trends and market rates from which GSA establishes benchmarks.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: PBS's success at exceeding the FY 2006 target for lease cost relative to market is in part due to its very successful negotiation of competitive rates on some large leases and of new follow-on leases at existing locations.

PBS

GSA-wide Goal 2: Achieve Responsible Asset Management

PROGRAM	PERFORMANCE GOAL	RESULT
PBS (Asset Management)	Decrease vacant (available and committed) space to 7% of the owned inventory by FY 2006 and maintain thereafter.	Met
PBS (Real Property Disposal)	Award 90% of utilization and donation (U&D) property within 240 days for FY 2006.	Met
PBS (Real Property Disposal)	Award 95% of public sales within 170 days for FY 2006.	Met

PBS (Asset Management)

PERFORMANCE GOAL
Decrease the vacant (available and committed) space to seven percent of the owned inventory by FY 2006 and maintain thereafter.
MEASURE
Percent of vacant and committed space in the government-owned inventory.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
8.3%	7.9%	6.8%	7.0%	7.0%

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

DATA SOURCE: Vacant Space Report—extracted from STAR.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The target was met. PBS continues to maintain a low seven percent vacancy rate in government-owned inventory. PBS concentrated on reducing vacant space due to the significant savings to the taxpayer which can be realized through maintaining a high asset utilization rate. GSA maintained this high utilization rate in FY 2006 through various strategies, including decommissioning and disposing of underutilized assets, actively backfilling and outleasing vacant space, and completing current renovation projects on schedule to minimize the vacancy duration.

PBS (Real Property Disposal)

PERFORMANCE GOAL
Award 90 percent of utilization and donation (U&D) property within 240 days for FY 2006.
MEASURE
Percent of U&D property awarded within 240 days.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
52%	75%	39%	90%	97%

DESCRIPTION OF THE MEASURE: This performance measure looks at the percentage of U&D property that is awarded within the maximum time line of 240 days. This 240 day time period is comprised of 30 days for Federal screenings, 60 days for homeless screenings, 90 days for homeless application and approval process, and 60 days for negotiated sales with Congressional approval.

DATA SOURCE: NETREAL database, the system used by PBS to track real property sales.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: PBS streamlined its processes in order to meet its objective. Through streamlining and using a consistent approach for disposal, PBS realty specialists were able to accomplish their designated duties within the targeted days, more than 95 percent of the time in FY 2006.

PBS (Real Property Disposal)

PERFORMANCE GOAL
Award 95 percent of public sales within 170 days for FY 2006.
MEASURE
The percent of public sales awarded within 170 days.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
67%	73%	92%	95%	100%

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

DATA SOURCE: NETREAL database, the system used by PBS to track real property sales.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: PBS orchestrated its processes to meet the FY 2006 objective by conducting some processes simultaneously, when appropriate. PBS has been successful in reducing the time required to take properties to sale. In addition, PBS increased use of e-government tools such as online auctions which resulted in reduced cycle times.

PBS

GSA-wide Goal 3: Operate Efficiently And Effectively

PROGRAM	PERFORMANCE GOAL	RESULT
PBS (Asset Management)	Maintain operating service costs in office and similarly serviced space at 3% or more below private sector benchmarks by FY 2006.	Met
PBS (New Construction)	Verify 30% of newly constructed buildings for achievement of established operational requirements by FY 2006 (commissioning).	Met

PBS (Asset Management)

PERFORMANCE GOAL
Maintain operating service costs in office and similarly serviced space at three percent or more below private sector benchmarks by FY 2006.
MEASURE
Percent below private sector benchmarks for cleaning, maintenance, and utility costs in office and similarly serviced space.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
-14.8%	-14.5%	-10.5%	-3.0%	-4.2%

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.

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

DISCUSSION OF FY 2006 TARGET VS. RESULTS: GSA employs private sector benchmarks to measure performance in all comparable instances to ensure that GSA is operating and maintaining its assets as efficiently as the private sector. However the unique mission and operations of GSA makes comparisons difficult. The Agency lost confidence in some of the industry data reported by BOMA and previously used for benchmarking operating costs. Based on these concerns, OMB approved a restructuring of this measure in FY 2006 to more accurately reflect the performance of the Agency.

The methodology of calculating the measure was changed to include only those assets which are located in markets for which BOMA has direct data. GSA previously contracted for a regression analysis to proxy data for the markets for which no industry data was available. However, this regression did not accurately reflect the market conditions of these locations. The new methodology provides a more accurate comparison to private sector performance.

This measure was restructured and the FY 2006 target for operations and maintenance was adjusted to a more realistic target of three percent below industry. The target was achieved through a series of efforts to leverage the government's buying power and by concentrating on achieving cost efficient operations. GSA continues to work with OMB to further refine its operating costs measure and target to more accurately reflect the performance of the Agency. PBS will continue its commitment to providing cost savings to the U.S. taxpayer without compromising its service to its client agencies.

Nationally GSA operated at 4.2 percent below industry for FY 2006, exceeding the three percent below industry target. Seven of the 11 regions met or exceeded their target of three percent below industry.

PBS (New Construction)

PERFORMANCE GOAL
Verify 30 percent of newly constructed buildings for achievement of established operational requirements by FY 2006 (commissioning).
MEASURE
Percent of newly constructed buildings independently verified for achievement of established operational requirements (commissioning).

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
17%	14%	22%	30%	100%

DESCRIPTION OF THE MEASURE: For the New Construction program, PBS adopted a quality assurance process to achieve, validate, and document that the performance of each building and its systems met the design intent and owner requirements. This process, called commissioning, enables GSA to assure the facilities it is developing meet or exceed program requirements and expectations for performance, efficiency, safety, sustainability, security, and occupant satisfaction. This independently verified process leads to reductions in building operation costs, enhanced energy efficiency, improved environmental/health conditions, increased maintainability of building systems, and significant extension of equipment/systems life cycle.

DATA SOURCE: GSA uses construction contract documentation and regional data as the source for this measure.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: PBS exceeded its commissioning goal for FY 2006. Five new construction projects (Erie Courthouse Complex, Laredo Federal building—Courthouse, Oroville Border Station, the World War II Memorial in Washington, D.C., and White Oak FDA—CDER Federal Office Building) are included in the FY 2006 measure, having achieved substantial construction completion 18 months prior to the end of FY 2006. For these projects, equipment start-up and turnover, as well as functional performance testing, were performed upon project completion and met performance expectations. Each of these projects performed limited commissioning in accordance with the Facilities Standards for the Public Buildings Service (PBS P-100) in effect at the time of project inception. Current commissioning standards, developed and issued in April 2005, were not in effect at the time and therefore could not be applied to these projects.

Note: If the above projects are held to the current commissioning standards that went into effect in April 2005, the result would be zero percent. PBS is evaluating projects with regard to commissioning based on the standards that were in place at the time of project inception and execution. It will take several years before projects are evaluated against the current April 2005 standards. This is a long-term outcome goal.

PBS

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

PROGRAM	PERFORMANCE GOAL	RESULT
PBS (Asset Management)	Reduce energy consumption in GSA Federal buildings by 2% (as measured in Btu/GSF) over the FY 2003 baseline by FY 2006.	Met

PBS (Asset Management)

PERFORMANCE GOAL
Reduce energy consumption in GSA Federal buildings by two percent (as measured in Btu/GSF) over the FY 2003 baseline by FY 2006.
MEASURE
Percent reduction in energy consumption over the FY 2003 baseline.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
Not Measured	Not Measured	Not Measured	-2%	-4.4%

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

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

DISCUSSION OF FY 2006 TARGET VS. RESULTS: A number of factors contributed to PBS meeting its target. GSA continues to install energy efficient technologies when it retrofits and modernizes existing buildings. Additionally, there has been renewed focus on efficient building operations in response to a Presidential Directive dated September 2005 for Federal agencies to curtail energy consumption demand on a Gulf Coast energy infrastructure damaged by hurricane activity. GSA led the Federal government's response through a comprehensive plan to curtail energy at all buildings nationwide. In addition, GSA encourages its building tenants to contribute to that effort in their office work practices. However, continuing to reduce energy consumption at an annual rate of two percent will present GSA with a significant challenge.

FEDERAL ACQUISITION SERVICE

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

"La Tormenta" (The Storm) was commissioned through GSA's Art in Architecture program for the renovation of the South Clark Federal Building in Chicago, IL.

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

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

- Look for ways to streamline its procurement processes and tools to increase its value to customers
- Leverage the government's buying power while enhancing its central role in Federal procurement (e.g., Travel Service Schedule, DomEx, City Pairs Program [CPP], Vehicle Acquisition, SmartPay)
- Meet unique support requirements of global customers
- Outreach and increase customer education efforts and improve market research capabilities
- Participate in multiple interagency groups as well as industry forums
- Work within the changing GSA structure (maintain flexibility as the reorganization is finalized; balance organizational needs against the customer needs).

In recent years, as GSA addressed internal problems with the proper use of contracting vehicles and the speed with which GSA awards Government Wide Acquisition Contracts (GWAC) task orders, agencies reduced their use of these services. In FY 2006, business volume, net sales for GWACs totaled $2.2 billion, up from $2.1 billion in FY 2005. FAS has been working with other Federal agencies, particularly the Department of Defense (DoD), to identify actions necessary

FAS

to ensure proper use of GSA contracting vehicles by customer agencies. FAS continues to work with the GSA Inspector General (IG) to enhance the value of FAS contracting practices and improve the reliability of assisted service support.

Performance Highlights

FAS has completed ten PART reviews of its major programs: (1) Global Supply, (2) Vehicle Acquisition, (3) Vehicle Leasing (Fleet), (4) Personal Property Management, (5) Transportation, (6) Travel, (7) Card Services (SmartPay), (8) National Furniture Center, (9) Regional IT Solutions, and (10) National IT Solutions. The Global Supply program and the Vehicle Acquisition program are rated "Adequate" by the Office of Management and Budget (OMB), and Vehicle Leasing and Personal Property are rated "Moderately Effective." OMB rated Travel, Transportation, National Furniture Center, and Charge Card Services "Results Not Demonstrated" (RND) in previous years. OMB rescored these programs in FY 2006 and FAS achieved successful ratings; OMB rated Travel, Transportation, and National Furniture "Moderately Effective" and Charge Card Services "Effective." GSA implemented the improvements recommended by OMB for those programs rated "Adequate." GSA instituted partnership initiatives with customers. GSA designed these initiatives to find ways to benefit customers and improve program performance. GSA will implement the recommendations presented by the working groups in FY 2007. In addition, GSA began an independent evaluation process to assess program performance and its effectiveness in achieving results. GSA will complete these assessments in FY 2007.

The paragraphs below summarize FY 2006 FAS major performance results for its seven business line activities.

GLOBAL SUPPLY:

- In FY 2006, GSA Office of Global Supply continued the partnership established in 2005 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 improved theater inventory at the Kuwait depot saved DoD nearly 50 percent in airlift and shipping costs. Additionally, GSA reduced distribution time to 10 days from a high of 30 days in FY 2003. Total sales for FY 2006 are $34.1 million and overall, GSA generated $47.2 million in sales since the depot's inception in 2005.
- In FY 2006, Global Supply and DLA committed to establishing an ongoing customer support partnership. The partnership includes three working groups which were established—Customer Engagement, Distribution, and Acquisition/Supply. GSA and DLA are working to target additional areas for future collaboration. These groups have identified specific activities for collaborative improvement to generate cost savings and other positive synergies. Some of the areas of future collaboration currently under analysis include a pilot training project at Fort Bragg, GSA use of DLA dedicated trucks at Fort Hood, joint inventory strategies at DLA forward stocking points, and joint strategies on contingency support contracts. The end result will be a more positive and complete experience for customers.
- Global Supply continues to expand its product offerings and distribution channels without incurring major expenses by utilizing prime contractor-like arrangements through the Expanded Direct Delivery (EDD) program. FAS awarded the current EDD contracts for office supplies and tools below 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. In FY 2006, GSA further expanded the Global Supply product line with the award of another EDD contract to PC Mall for information technology (IT) products in several categories: desktops, notebooks, servers, printers, accessories, memory, modems, monitors, network products, scanners, and storage devices. Products will be available for customers in early FY 2007.

- Following Hurricane Katrina, Global Supply provided more than $2 million in stock and direct delivery support (shelters, vehicles, diapers, temporary housing, bedding, medical supplies, portable showers, etc.) to the Gulf Coast. In addition, Global Supply personnel from all acquisition centers aided the Federal Emergency Management Agency (FEMA) in relief efforts.

COMMERCIAL ACQUISITION:

- MAS business volume increased by three percent from $34.8 billion to $35.3 billion. Services represented 64 percent, products—27 percent, and combined services and products—nine percent of total sales. Management and business consulting, engineering, and logistics services saw significant increases. MAS IT sales, which saw impressive growth in prior years, were up only one percent ($17.2 billion) during FY 2006. State and local government sales (Cooperative Purchasing), however, increased from $126 million to more than $236 million during this time period.

- Special Order Program (SOP) furniture sales were down from $180 million in FY 2005 to $149 million in FY 2006.

- SmartPay revenues increased from $5.3 to $5.7 million during the last fiscal year.

- In FY 2006, 4,929 contract offers and 22,783 contract modifications were processed with average cycle times of 88 and 23 days, respectively. Because MAS processing time affects customer and vendor satisfaction with acquisitions, contracting offices are reviewing administrative processes to streamline activities and reduce processing time in FY 2007.

VEHICLE ACQUISITION AND GSA VEHICLE LEASING (FLEET):

- GSA Automotive, the vehicle acquisition service, is a mandatory source and leverages the buying power of the Federal government to obtain significant discounts for Federal agencies. In FY 2006, almost 60,000 vehicles were procured, averaging 38 percent below commercial pricing for the top ten models.

- Since 1985, Fleet consolidations have been a smart solution for the Federal government, with FY 2006 savings to taxpayers exceeding $1.1 billion 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 over $810 per vehicle per year.

- Beginning in FY 2006, GSA Fleet offered several new management tools for its customers including: NetworkCar (vehicle operational data); short term rentals; Drive Cam (for vehicle monitoring); fuel, maintenance, and accident management; driver safety program; and management tools for agency-owned vehicles.

- The Army and GSA Fleet partnered to provide non-tactical vehicles to support Operation Iraqi Freedom. GSA Fleet leased the Army 520 vehicles for use in the Green Zone in Baghdad. The vehicles are four wheel drive SUVs and crew cab pickup trucks specially equipped for desert use with tinted glass, heavy duty oil coolers and radiators, and special suspension packages. GSA Fleet representatives met the vehicles upon arrival in Kuwait, managed the offloading of the vehicles, assisted the process through customs, and arranged for shipping to Baghdad. GSA Fleet

FAS, Office of Travel, Motor Vehicle, and Card Services provides customers with the best value and lowest price for their vehicle acquisitions through leveraged procurement.

continues to provide assistance with warranty repairs and replacement parts for the vehicles. GSA Fleet replaced commercially leased vehicles at a savings of $19,842 per vehicle, saving the Army $10.3 million annually.

TRAVEL AND TRANSPORTATION:

- The shared services model of the E-Gov Travel Service integrates traditional offline travel agency support with travel authorization and vouchering solutions into a single Web-based service platform. E-Gov Travel Service 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 capture visibility into the buying choices of travelers. It assists agencies in optimizing their travel budgets while saving taxpayers money through leveraged buying.

- E-Gov Travel Service will save an estimated $361 million in civilian agency travel management costs and provide a Net Return on Investment of 367 percent over the next 10 years.

- E-Gov Travel Service is an important component of GSA's goal for world-class travel management. It maximizes 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 2006, the E-Gov Travel Service initiative continued to achieve government-wide utilization. By the end of FY 2006, over 70 executive branch agencies had placed E-Gov Travel Service task orders, the majority of which began deployment of E-Gov Travel Service. As of the end of FY 2006, 28 agencies were completely processing all of their travel transactions through E-Gov Travel Service. In addition, online booking exceeded original projections, with multiple agencies exceeding 70 percent of all transactions being booked online. This represents millions of dollars in government-wide savings.

PERSONAL PROPERTY MANAGEMENT:

- The Property Management division is focused on reducing cycle time while still providing the full range of disposal support that agencies need and expect. Innovations such as XcessXpress reduced screening time by 50 percent, and GSA Auctions®, which decreased the time to process sales, have provided significant reductions in this measure. Since 2001, GSA reduced cycle time from approximately 132 days to complete disposal actions down to 52 days in FY 2006. This greatly reduces the cost for agencies to hold property as it undergoes disposal action.

- GSA Auctions® offers the public the opportunity to bid electronically on a wide array of Federal assets. At year-end FY 2006, GSA completed 90 percent of the public sales of personal property online via GSA Auctions®, up from 56 percent in FY 2002. GSA Auctions® provided national exposure and access to Federal sales and reduced the time it takes GSA and Federal agencies to sell property.

- In conjunction with the Department of Education and DoD, GSA began the Furniture for Schools (F4S) program to make excess and surplus property available to help rebuild and reestablish schools in the areas devastated by Hurricane Katrina. For F4S, FAS coordinated transportation of equipment to these schools. During FY 2006, the F4S program provided almost 13,000 pieces of furniture and computers, totaling $5,199,175 in original acquisition value to schools. The F4S initiative was recognized as the winner of the 2006 Miles Romney Achievement Award for Innovation in Personal Property Management for its outstanding efforts to help rebuild the Gulf Coast schools.

NETWORK SERVICES:

FAS Network Services provides low cost/high quality voice, telecommunications services, solutions, and support to Federal agencies from its headquarters office and 11 regional offices. Network Services provides a complete telecommunications service portfolio ranging from commodity equipment to complete enterprise network solutions, through a single national point of contact (POC).

FAS Network Services delivered services valued at more than $1.5 billion in FY 2006 to users at 135 Federal agencies and entities at 15,000 locations in more than 190 countries around the globe. FAS delivered these services to customers at prices that generated approximately $620 million in savings.

Throughout FY 2006, Network Services continued its focused efforts on delivering quality services to its customers today, while pressing forward with competitive acquisitions to better meet their future needs. For example:

- FAS Network Services continued work on its major next-generation Networx acquisition, while taking steps to ensure continued quality service and support to its customers and preparing them for their successful transition to the future suite of contracts. The Networx Universal and Networx Enterprise contracts—scheduled for award in March and May, 2007, respectively—will offer customers an expanded portfolio of quality voice, data, video communications solutions, and emerging network services. During FY 2006 FAS negotiated "bridge" contracts to continue to provide support to customers of the expiring FTS2001 contracts pending the award and implementation of the Networx contracts. In addition, FAS held a major planning conference in September to help customers get the most value from these new contracts and manage their successful service transitions.
- In the regions, Network Services continues to actively compete local requirements, while preparing transition requirements and supporting implementation of the new Networx contracts. For example, the National Capital Region (NCR) is planning its major replacement acquisition for Federal intercity telecommunications services used throughout the Washington, D.C. metropolitan area, known as WITS-3. In FY 2007, NCR plans contract awards to replace the very successful, expiring WITS 2001 contract. In addition, FAS awarded new competitive regional telecommunications contracts replacing one non-competitive rate stabilization agreement, and 11 tariff service arrangements resulting in improved rates for services to customers in those areas.

INFORMATION TECHNOLOGY (IT) SOLUTIONS:

The IT Solutions program provides assisted acquisition services through regional and national client support centers (CSC) to help Federal agencies acquire and manage IT products and services, primarily through contracts with industry partners. Throughout FY 2006, IT Solutions took major steps to ensure customer needs were satisfied timely, at a fair price, and in compliance with applicable regulations. Some of the major achievements during FY 2006 are listed below:

- IT Solutions played a significant role in acquisitions supporting improved operating efficiency and facility security in the Federal government. For example, IT Solutions managed and awarded a major $421 million acquisition with DoD in support of its worldwide Smart Card program for secure personnel identification credentialing. This was the largest contract award of its kind in government to date. In addition, IT Solutions supported implementation of the Homeland Security Presidential Directive (HSPD)-12 with the timely award of a Shared Services Provider contract providing critical infrastructure support to agencies across the government. This award directly and efficiently supports the ability of Federal agencies to acquire and use common, standards compliant, and interoperable identification credentialing products and services to improve secure access to government facilities around the globe.
- The IT Solutions SmartBuy initiative leverages the government's buying power to negotiate bulk user pricing for numerous common-use commercial software programs. The SmartBuy Office completed two new agreements in FY 2006, bringing the SmartBuy portfolio to a total of eight agreements. These purchasing agreements saved Federal agency customers over $100 million in FY 2006 on sales of approximately $500 million in commercial software.
- IT Solutions staff improved the cost-effectiveness of Federal acquisition workforce training programs in FY 2006. Specifically, IT Solutions played a lead role in developing online acquisition workforce courseware for worldwide use by students at the Defense Acquisition

FAS

University (DAU). DAU is one of the government's flagship acquisition workforce training centers whose students are responsible for awarding and managing billions of dollars in government contracts. The online training developed has resulted in substantial reductions in training costs.

FAS Performance By GSA-Wide Goal

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

PROGRAM	PERFORMANCE GOAL	RESULT
FAS (Vehicle Acquisition)	Maintain 28% or better discount from manufacturer's invoice price.	Met
FAS (Fleet)	Maintain the gap between GSA Fleet rates and commercial rates at 29% or more.	Met
FAS (Travel & Transportation)	Provide policy compliant, consolidated, and fully integrated end-to-end travel services government-wide.	Not Met
FAS (Network Services)	Provide substantially lower cost service to customer agencies.	Met
FAS (Regional Telecommunications)	Manage acquisitions to ensure industry provides solutions that meet client agencies mission needs.	Met
FAS (IT Solutions —National)	Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency to verify best value and effective acquisition management are achieved.	Not Met

FAS (Vehicle Acquisition)

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

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
26.3%	33.1%	40.6%	≥28%	39%

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

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

DISCUSSION OF FY 2006 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 customers receive the maximum discount from the manufacturer's invoice price. Business projections show that 28 percent continues to be a reasonable annual target for this business line. This translates to extremely effective pricing on the vehicles purchased for customer agencies, as well as those in the GSA Fleet, which keeps monthly and mileage charges well under commercial lease rates.

FAS (Fleet)

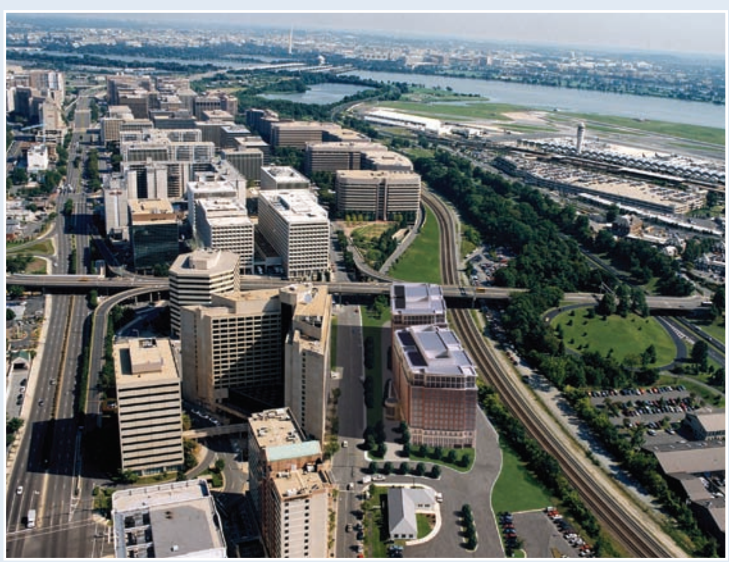
PERFORMANCE GOAL
Maintain the gap between GSA Fleet rates and commercial rates at 29 percent or more.
MEASURE
Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
36.9%	31.7%	43.1%	≥29%	39%

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

DATA SOURCE: GSA Fleet rate.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The target was met. GSA Fleet had limited rate increases for customer agencies and controlled costs through numerous initiatives. GSA tracks performance towards program goals through several performance indicators. GSA Fleet maintains low rates through vigilant monitoring of capital requirements (vehicle acquisition cost) and operational expenses (such as fuel, maintenance, and repair costs) and by the reduction of program overhead through the consolidation of selected Fleet Management Center (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.



Physically located in Arlington, VA, FAS brings products and services to its Federal customers worldwide via the Internet.

FAS

FAS (Travel & Transportation)

PERFORMANCE GOAL
Provide policy compliant, consolidated, and fully integrated end-to-end travel services government-wide.
MEASURE
Percentage of vouchers serviced through the E-Gov Travel System (percent of total voucher population).

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
Not Measured	.02%	1.1%	12.9%	6.7%

DESCRIPTION OF THE MEASURE: Number of vouchers serviced through E-Gov Travel System divided by the total voucher population.

DATA SOURCE: Information provided by vendors.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: While GSA Travel did not meet this ambitious target, the program did successfully increase the percentage of vouchers serviced through the E-Gov Travel System in prior years. This is a result of several agencies more aggressively deploying the E-Gov solution within their respective agency. These agencies include the Department of Transportation (DOT), Department of Energy (DOE), Health and Human Services (HHS), and Department of Labor (DOL). In addition, the program surpassed its target set forth in the 2006 PART, 5.25 percent, and will continue to expand its efforts in FY 2007.

FAS (Network Services)

PERFORMANCE GOAL
Provide substantially lower cost service to customer agencies.
MEASURE
Savings provided to customers.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
$574M	$705M	$633M	$550M	$620M

DESCRIPTION OF THE MEASURE: Indicates the savings in millions of dollars the government realizes by utilizing FAS Network Services offerings in lieu of commercial industry services.

DATA SOURCE: Internal financial reports and third party vendor reports.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The target was met. Value shown is based on projected year-end results based on actual results through July 2006 and estimated results for the last two months of the fiscal year. Results through July 2006 are $515 million. Actual year-end value will not be available until December 2006. However, Network Services is on track to meet and exceed the target. The variance from the target reflects the customers' greater than expected use of commodity telecommunications services, such as switched voice, private lines, and traditional data services. This resulted in larger estimated savings when compared to more customized managed network solutions and other value-added services because the price advantage is greatest for more traditional commodity services.

FAS (Regional Telecommunications)

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

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
Not Measured	47%	72%	50%	89%

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.

DATA SOURCE: Business Objects and Acquisition e-Tools.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The target was met. To ensure customers obtain best value solutions, efforts to utilize performance-based contracting methods were stressed throughout the year. Contracting efforts focused on following performance-based contracting best practices resulted in better than expected progress.

FAS (IT Solutions—National)

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

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
95%	92%	87%	>95%	89%

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

DATA SOURCE: Business Objects and Acquisition e-Tools.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The target was not met; however, IT Solutions (National) shows progress towards the long-term goal and improvement over FY 2005 results. The purpose of measuring whether actual task order award dates against the dates negotiated with customers is to ensure the program is correctly setting customer expectations and delivering promised service. It is difficult to predict the completion of contracting actions as many factors affect the program's ability to make a contract award, including several outside of its control. In order to improve upon this measure in FY 2007, processes are being streamlined and IT solutions will place more emphasis on employee training and certification in the areas of project management and acquisition strategy.

GSA-wide Goal 3: Operate Efficiently And Effectively

PROGRAM	PERFORMANCE GOAL	RESULT
FAS (Global Supply)	Reduce Global Supply mark-up on stocked items.	Not Met
FAS (Personal Property Management)	Decrease the time it takes to complete disposal action for excess property to 56 days by FY 2006.	Met
FAS (IT Solutions —Professional Services	Provide quality services through appropriate consistency in the acquisition management process from pre-award through closeout.	Met

FAS (Global Supply)

PERFORMANCE GOAL
Reduce Global Supply mark-up on stocked items.
MEASURE
Percentage of Global Supply mark-up on stocked items.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
45.9%	42.8%	42.9%	40.1%	44.23%

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 45.9 percent in FY 2003 to 40.1 percent—toward goal of 33.5 percent in FY 2010. This measure tracks the progress towards achieving this goal.

DATA SOURCE: Transportation Accounts Receivable and Payable Systems (TARPS).

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The target was not met. Global Supply mark-up on stocked items was not reduced in FY 2006; however management made great strides to contain costs. GSA Global Supply increased the mark-up by two percent in the middle of FY 2006 in order to cover the rising cost of fuel and freight transportation. Direct operating expenses declined six percent from FY 2005, which is the second consecutive year for cost reduction. Global Supply's business model is currently being reviewed—Global Supply will focus on moving products out of the depots to lower mark-up on the Direct Delivery model. As a result, it is anticipated that effective changes will be made that will enable Global Supply to reduce mark-up. Additionally, Global Supply will closely monitor the blended/composite mark-up as this figure is more aligned with the direction of the new business model and a better indicator of performance.

FAS (Personal Property Management)

PERFORMANCE GOAL
Decrease the time it takes to complete disposal action for excess property to 56 days by FY 2006.
MEASURE
Cycle time for disposal process (days).

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
83	72	56	56	52

DESCRIPTION OF THE MEASURE: The time from receipt of excess to disposition.

DATA SOURCE: GSAXcess® and Sales Automation System (SASy) reports.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The target was met. The Personal Property Program has continued to reduce cycle time by streamlining processes in terms of efficiency and effectiveness. Program emphasis was placed on acquiring pictures at the time of excess reporting to help further reduce the sales preparation effort. This initiative has begun to affect the overall disposal program cycle time which is a key component of GSA's customer satisfaction.

FAS (IT Solutions—Professional Services)

PERFORMANCE GOAL
Provide quality services through appropriate consistency in the acquisition management process from pre-award through closeout.
MEASURE
Percentage of schedule task orders solicited using e-Buy.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
Not Measured	Not Measured	78%	90%	93%

DESCRIPTION OF THE MEASURE: As an executive agent, GSA is authorized to award and administer task and delivery orders on behalf of other Federal agencies. Using the e-Buy system, Federal purchasers may prepare and post an RFQ/RFP (request for quote/request for proposal) for specific products and services for a specified period of time. Once posted, all contractors may review the request and post a response. This performance metric tracks the percentage of all Schedule task orders solicited by Professional Services using e-Buy.

DATA SOURCE: e-Buy system and manual collection.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The target was met. Professional Services utilizes GSA Schedules to fulfill contracting needs. Using e-Buy to solicit vendors ensures fair opportunity and competition. For this reason, e-Buy is utilized to the greatest extent possible.

FAS

GSA-wide Goal 4: Ensure Financial Accountability

PROGRAM	PERFORMANCE GOAL	RESULT
FAS (Travel & Transportation)*	Reduce program operating costs.	Met

FAS (Travel & Transportation)

PERFORMANCE GOAL
Reduce program operating costs.
MEASURE
Direct cost as a percent of revenue.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
40%	57%	56%	52%	48%

DESCRIPTION OF THE MEASURE: Direct cost divided by transportation revenue.

DATA SOURCE: Internal financial reports.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The target was met. GSA Travel and Transportation achieved the goal of reducing program operating expenses by realizing improvements in the direct costs as a percent of revenue. In FY 2006 the program successfully increased revenue while reducing program operating costs. The significant increase in revenue is due to revenue generated from services provided in support of Hurricane Katrina. Direct costs have remained under control as a result of cost-cutting measures currently in place, such as hiring freeze.

** Travel and Transportation was previously one program. Direct costs as a percent of revenue in FY 2003 through FY 2005 is for the Travel and Transportation program. Beginning in FY 2006, these programs were separated and results shown hereafter are for the Transportation program.*

OFFICE OF CITIZEN SERVICES AND COMMUNICATIONS

The Office of Citizen Services and Communications (OCSC) helps citizens, businesses, and other governments to easily obtain information and services from the government on the Web, via e-mail, in print, and over the telephone. OCSC also provides information to the media, Federal agencies, the general public, and GSA internal audiences on the activities of GSA and its associates. OCSC manages USA Services, the Presidential E-Gov initiative and one of the 21 key measures tracked by GSA. USA Services' mission is to help make the government more citizen-centric by providing citizens with easy access to accurate, consistent, and timely government information. To achieve this mission, it provides citizens direct information about and from all levels of their government through an array of integrated information channels, including FirstGov.gov and other Web sites, government-wide Web-based search, telephone and e-mail inquiry response from the National Contact Center (NCC), and print materials distributed from Pueblo, CO. USA Services is also responsible for helping agencies government-wide improve their interactions with citizens. The following paragraphs summarize USA Services major performance results during FY 2006.

Performance Highlights

OCSC USA Services achieved the rating of "Effective" in FY 2006 during Office of Management and Budget's (OMB) PART process. The rating of "Effective" is the highest ranking that can be achieved by a program. Programs rated at this level are deemed to be programs that set ambitious goals, achieve results, are well-managed, and improve efficiency. Only 15 percent of the programs evaluated under the PART process have achieved a rating of "Effective." Through this process it is noted that independent evaluations to access the program performance for effective results have not been conducted and will be conducted in FY 2007. For purposes of this review, USA Services was defined as consisting of the following divisions of the OCSC: the Federal Citizen Information Center, FirstGov Technologies, and Intergovernmental Solutions.

The paragraphs below summarize OCSC USA Services' major performance results during FY 2006.

- Achieved 235 million public contacts by providing accurate, consistent, and timely information to citizens through a variety of channels in both English and Spanish. These include online information via FirstGov.gov (the official portal of the U.S. government), telephone response via 1-800 FED INFO, e-mail, and print publications from Pueblo, CO.

- Dramatically improved FirstGov.gov by launching enhanced search capability and upgrading its hosting environment. The new product searches over 50 million Federal, state, local, tribal, and territorial government documents, and returns search results clustered by category. Industry and media reviews were excellent and traffic increased by one-third after launch of the new product. Using GSA's Millennia Government Wide Acquisition

OCSC

Contract (GWAC), FirstGov.gov now has available flexible Web development, hosting, and professional services, and has made these services available to other citizen-facing E-Gov initiatives.

- During FY 2006, Brown University designated FirstGov.gov as the number one Web site in the Federal government. The United Nations also rated FirstGov.gov as the number one Web site for quality and e-government readiness.

- Provided customer agencies with contact center solutions through its FirstContact contract, and through service by 1-800 FED INFO. Through 2006, USA Services has awarded 11 task orders under its FirstContact IDIQ Contract surpassing the FY 2006 goal. FirstContact was developed by USA Services to provide an expedient, cost-effective way for agencies to procure contact center solutions. Four of the task orders were for hurricane recovery support efforts to Katrina, Wilma, and Rita. USA Services responded to 1.5 million calls and e-mails from the public relating to disaster assistance. As a result of lessons learned from its involvement in hurricane recovery, USA Services created the FirstContact Procurement Tool Kit (*http://www.usaservices.gov/toolkit.htm*) to clarify and to expedite the process for FirstContact procurements. The Department of Veterans Affairs (VA) found the tool kit invaluable when it used FirstContact to handle calls and e-mails from the public as a result of a stolen VA laptop containing sensitive information about 26.5 million veterans. During FY 2006, USA Services also assisted the State Department by providing a 24/7 Citizen Services Hotline during the evacuation of U.S. citizens during the Lebanon-Israel Conflict.

- During FY 2006, USA Services provided successful government-wide leadership to improve the government's response to citizens. USA Services leads a variety of forums to share ideas, best practices, and lessons learned and to help establish benchmarks for development of responsive citizen service. Among its FY 2006 achievements as a government-wide leader, USA Services implemented the following:

  - best practices (*www.webcontent.gov*, DotGovBuzz, search, intergovernmental newsletters, international and intergovernmental forums)
  - market research (citizen expectations, focus groups, usability testing)
  - performance standards and guidelines (Web standards and service level recommendations)
  - communities of practice (Citizen Service Level Interagency Committee (CSLIC), USA Services Partners, intergovernmental officials, Web Managers Forum)
  - educational activities (Web Manager University trained over 500 Web managers from 47 agencies on Web best practices).

- USA Services achieved the rating of "Effective" in FY 2006 during the OMB's PART process. The rating of "Effective" is the highest ranking that can be achieved by a program. Programs rated at this level are deemed to be programs that set ambitious goals, achieve results, are well-managed, and improve efficiency. Only 15 percent of the programs evaluated under the PART process have achieved a rating of "Effective." For purposes of this review, USA Services was defined as consisting of all the divisions of the OCSC: the Federal Citizen Information Center, FirstGov Technologies, and Intergovernmental Solutions.

- USA Services enabled its customer agencies to improve their customer service performance at reduced costs through use of its FirstContact IDIQ contract that provides contact center solutions. FirstContact task orders and USA Services Tier 1 services save agencies time, money, and improves citizen/customer services. USA Services Citizen Services Cost Calculator provides cost comparison between FirstContact and agency internal contact centers. In FY 2006 FirstContact saved participating task order agencies approximately $17 million in contact center costs through a combination of cost savings and cost avoidance. Included in this savings is an average procurement and administrative savings of approximately $200,000 per task order. This was recently demonstrated through cost calculations performed for the VA Benefits Educational Services, Federal Deposit Insurance Corporation (FDIC), and Health and Human Services' (HHS) Program Support Center. Eleven task orders have been issued in the last two years.

- Through USA Services Tier 1 program approximately eight partner agencies saved over $880,000 by decreasing the burden on their employees who were handling Tier 1 telephone and e-mail inquiries. An additional $3,018,000 was saved by taking advantage of economies of scale through the NCC's 1-800 FED INFO number. The NCC answers inquiries for the Federal government avoiding more costly agency citizen services.
- A recent FirstContact and Tier 1 Customer Satisfaction Survey reported a 93 percent satisfaction rating with the service both programs provide to agencies. Both programs utilize contact center service performance standards that are equal to or above industry averages.

OCSC Performance By GSA-Wide Goal

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

PROGRAM	PERFORMANCE GOAL	RESULT
OCSC (USA Services)	Help the Federal government become more citizen-centric by increasing the magnitude, quality, and outreach of Federal information via various channels; and enable Federal agencies to become more citizen-centric by providing answers to citizens that are timely, accurate, and responsive via the channel of their choice.	Met

OCSC (USA Services)

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 via the channels of their choice.
MEASURE
Public contact data derived as a result of citizen interaction with the USA Services channels.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
209.7M	241.9M	230.5M	235M	235.1M

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.), NCC, and a publication distribution facility in Pueblo, CO. Additionally, USA Services provides a variety of agencies with reimbursable services which directly assist them in meeting the information needs of citizens. The sum of all of these citizen contacts is reported as a measure of program performance.

OCSC

USA Services received a rating of "Effective" in the FY 2006 OMB PART review. One result of this review was that USA Services would revise the way it calculates the public contacts measure to focus more on citizens by counting Web site visits instead of page views in calculating overall citizen touchpoints. The FY 2006 target for citizen touchpoints is 128.8 million and USA Services is on target to exceed this amount.

DATA SOURCE: WebTrends Tracking Reports, NCC and FirstContact Contractor reports, Automated Reports, Automated Inventory System, Online Tracking Systems.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: USA Services met and exceeded its FY 2006 target goal of 235 million public contacts. Particularly strong activity occurred in the publication distribution Pueblo, CO program with a 70 percent increase in FY 2005. Good showings were also made in the following channels: subscriber e-mailings (+82 percent), assisted telephone calls (+39 percent), and FirstContact task order work (+40 percent). Although there was a drop of four percent in FirstGov.gov page views which can be attributed to reduced affiliate search activity during the year, as well as changing search engine support in February 2006. USA Services' other Web sites recorded a strong increase of 14 percent over FY 2005 activity. No external evaluations were conducted on the USA Services program in FY 2006. However, as a result of the PART evaluation, GSA made arrangements to have an independent third party conduct an evaluation and program validation in FY 2007 of the USA Services program management, strategies, plans, etc.

OCSC interacts with media, Federal agencies, the general public, and with GSA internal audiences to provide information on the activities of GSA.

OFFICE OF THE CHIEF FINANCIAL OFFICER

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

PERFORMANCE HIGHLIGHTS

The OCFO and the financial community at GSA have undertaken a substantial revision to its financial and management internal control program during FY 2006. The financial community took these actions (1) to address and resolve the material weaknesses identified by GSA's external auditors that resulted in a disclaimer of opinion; and (2) to improve its policies, operations, and management oversight of GSA's financial activities for the future. The OCFO employed a two-prong approach to address restoring GSA's unqualified opinion on the GSA financial operations: (1) address and clean up old residual balances; and (2) implement the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Controls. This approach helped the OCFO to clear out and remove old budgetary balances in its financial systems, while implementing stronger internal controls and using the documenting, testing, and reporting to ensure that changes enacted during FY 2006 for policies, processes, and procedures remain strong and in the forefront of Agency managers' daily activities.

The critical, specific actions that were taken during FY 2006 include:

- Led a successful full implementation of OMB Circular A-123, Appendix A by promoting and ensuring Agency-wide responsibility for management and internal controls. This effort included documenting, evaluating, and testing significant financial controls.
- Closed out major open audits and findings from FY 2005 and achieved compliance with significant cleanup of obligations and unfilled orders.
- Developed "Aging" Financial Reports to monitor the age of Unfilled Orders and Obligations to ensure non-valid data is not being reported in GSA's financial systems.
- Improved the reconciliation of intergovernmental balances with GSA's Federal clients, from $12.8 billion in June 2004 to $4.3 billion in October 2006.

OCFO

- Issued a new Internal Control guidelines handbook, "Internal Controls at the GSA," for both executives and employees. The OCFO coupled this handbook with a new risk assessment methodology used in the Federal Management Financial Integrity Act (FMFIA) assurance process.

The OCFO was able to deliver, within budget, a successful upgrade to GSA's core financial system, Pegasys. This upgrade ensures GSA's financial system is of the latest technology for the client and that GSA can continue to support its mission of offering comprehensive and technologically progressive practices in Federal financial management and strengthening of systems security to meet or exceed Federal Information Security Management Act (FISMA) compliance.

The OCFO continues to focus on achieving its financial performance metrics. It measures both payable and receivable functions, including a critical performance measure of increasing the percentage of vendor invoices received electronically by the Electronic Data Interchange (EDI) or through the Internet.

OCFO Performance By GSA-Wide Goal

GSA-wide Goal 4: Ensure Financial Accountability

PROGRAM	PERFORMANCE GOAL	RESULT
OCFO	Increase the percentage of vendor invoices received electronically by Electronic Data Interchange (EDI) or through the Internet.	Met

OCFO

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

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
44%	56%	64%	68%	71%

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

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

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The target was met. At year end, 71.4 percent of GSA's invoices were received electronically. GSA continues to market Internet invoicing to vendors at conferences and the 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. Electronic invoicing has proven to be more efficient, reducing costs and errors in the invoicing process for both GSA and its customers.

OFFICE OF THE CHIEF HUMAN CAPITAL OFFICER

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

Organizationally, the OCHCO 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 OCHCO provides guidance and policy direction to GSA's regional human resources (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

Through the OCHCO Office of Information Management, HR information technology (IT) system support, solutions, and services are provided to a number of external clients, including the Office of Personnel Management (OPM), the Railroad Retirement Board, the National Archives and Records Administration, the National Credit Union Administration, and the Export-Import Bank.

At GSA, human capital is integral to the Agency's ability to achieve its mission. Recognizing the strategic importance of human capital, the agency has devoted one of its five strategic goals to maintaining "a world-class workforce and a world-class workplace."

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

OCHCO

GSA's Human Capital Strategic Goals:

- Ensure strategic and organizational alignment
- Ensure continuity and quality of executive leadership
- Compete for and retain a workforce that is talented and effectively deployed
- Promote a diverse workforce
- Create a culture that motivates associates for high performance
- Promote a culture and climate of knowledge sharing and continuous learning and improvement
- Provide a working environment where associates can be most productive.

Performance Highlights

The following summarizes key OCHCO accomplishments in these areas during FY 2006.

- **STRATEGIC AND ORGANIZATIONAL ALIGNMENT:** During FY 2006, the OCHCO provided workforce information and discussed strategic human capital needs with GSA Heads of Services and Staff Offices and Regional Administrators to ensure organizational and strategic alignment and focus. Furthermore, the OCHCO worked closely with its largest internal customers to implement organization-specific human capital strategies. One of the primary areas of focus for this fiscal year was preparing for the establishment of the Federal Acquisition Service (FAS). The OCHCO used strategies such as assessing and enhancing the skills of employees, hiring new talent, organizational realignment, succession planning, and competitive sourcing to assist with establishing the new FAS organization that consist of more than 4,000 employees. In support of realignment and competitive sourcing initiatives, the OCHCO continued to assist its customers in the utilization of workforce-shaping tools such as Voluntary Separation Incentive Payment and Voluntary Early Retirement Authority.

- **EXECUTIVE LEADERSHIP:** Within GSA, the Leadership Institute is used to enhance the effectiveness of current and future leaders. The Advanced Leadership Development Program (ALDP) is an intensive and highly selective program designed to prepare employees for executive careers, and the Leadership for New Supervisors (LNS) course provides new supervisors with the tools and information to effectively manage their organization. During FY 2006, 71 GSA employees participated in the ALDP and 29 participated in the LNS program.

- **WORKFORCE:** In FY 2006, the OCHCO completed its skill gap analysis for mission critical workforces and is developing strategies to close gaps. This analysis used competency based models for target training, recruitment, and selection efforts to respond to current and emerging organizational needs. As a result of using the GSA model, hiring timeliness improved for both the General Schedule and Senior Executive Service (SES) positions. For instance, the GSA SES timeline decreased to 78.5 days in FY 2006 from 120 days in FY 2005.

- **DIVERSITY:** The OCHCO worked to establish a more robust liaison with community groups and organizations representing diverse backgrounds. During FY 2006, there was a slight increase in Hispanics in the GSA workforce. Additionally, there was an increase in the percent of minorities in the workforce at the higher General Schedule grades (GS13-15) from 29 percent to 31 percent. The OCHCO further developed plans to address underrepresentation of women and minorities in SES positions and will focus on increased percentages of representation among people with disabilities.

- **PERFORMANCE CULTURE:** The OCHCO continued to revise GSA's employee performance management and recognition policies to more closely reinforce GSA's business goals and strategies. The result has been an increased ability to hold managers accountable for their performance management responsibilities, enhanced data capture, and the ability to link employee performance to GSA's recognition program. The automation of

OCHCO

the Performance Management Process (PMP) allows employees to access their performance plans and completed appraisals through the Internet, and enables GSA HR offices to generate reports on activity at each stage, and use that information to drive behavior.

Additionally, the OCHCO successfully migrated the desktop awards processing program from FEDdesk to CHRIS (Comprehensive Human Resources Integrated System). The new custom-built awards process is easy for managers and administrative staff to use and supports an increased level of accountability, data retention, and compliance. The new process includes built-in business rules that prevent approving officials from giving awards to associates that would be in violation of the Associate Performance Recognition System (APRS) and eliminates the coding errors that occurred in the previous system. This ensures fairness in the program and recognizes high-performance throughout the Agency.

- **LEARNING AND KNOWLEDGE SHARING:** The OCHCO continued to promote Online University (OLU) as a cost-effective method to deliver training in FY 2006. The number of elective registrations increased from 12,629 to 18,543. Also, over the past year the OCHCO has undertaken a Business Process Re-engineering (BPR) effort to improve the GSA hiring process. This effort has had the following benefits:
  - Improved the efficiency of the hiring process and improved the quality of candidates referred to hiring managers in the acquisition workforce.
  - Utilized marketing resources to target strategic applicant sources.
  - Upgraded the current hiring system to increase functionality for customers and decrease the workload of HR Specialists.
  - Utilized new technology to attract a larger applicant pool for acquisition positions.
  - Established a foundation to move to a shared service concept of operations for HR service delivery.
- **WORKFORCE AND ENVIRONMENT:** Working cooperatively with the Office of the Chief Financial Officer (OCFO) and other organizations throughout GSA, the OCHCO staff addressed the needs of GSA employees affected by Hurricanes Katrina, Wilma, and Rita and those deployed in the aftermath. This involved making sure that affected employees received salaries and other payments in a timely manner and ensured that affected employees were relocated and received correct travel benefits. In addition, the OCHCO coordinated the establishment of a special Federal Employee and Education Assistance Fund to provide financial assistance to GSA employees impacted by the hurricanes.

OCHCO

OCHCO Performance By GSA-Wide Goal

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

PERFORMANCE GOAL	RESULT
Enhance ability to attract talent to GSA.	Met

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

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
Not Measured	Not Measured	26.3	45	30.1

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

DATA SOURCE: Manual spreadsheet extracted from GSAjobs.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: The OCHCO exceeded the FY 2006 target for this goal. The target of 45 days was established by OPM to measure how much time was needed to make a selection once a particular job announcement was posted. GSA was able to exceed this goal while simultaneously undergoing the BPR effort to improve the hiring process. Once the BPR is fully implemented, the OCHCO results should exceed the OPM target by a larger percentage.

OFFICE OF GOVERNMENTWIDE POLICY

The Office of Governmentwide Policy (OGP) consolidates all of GSA's government-wide policy-making functions into a single organization. OGP's policy-making authority cover the areas of personal and real property, travel and transportation, information technology (IT), regulatory information, and use of Federal advisory committees. OGP's goal is to ensure that government-wide policies encourage agencies to develop and utilize the best and most cost effective practices when managing their programs. OGP is working to re-engineer the traditional policy development model to emphasize collaborative development.

PERFORMANCE HIGHLIGHTS

OGP achieved the rating of "Moderately Effective" in the PART process for FY 2006. Originally rated "Results Not Demonstrated" (RND) in FY 2004, the arduous task of developing long-term outcome goals and efficiency measures for a policy-making organization was accomplished through a Policy Portfolio Performance System (3PS). The 3PS measures and reports on the effectiveness of policy-related activities.

The paragraphs below summarize OGP's major performance results during FY 2006.

- Since the Office of Management and Budget (OMB) established GSA as the Executive Agent for acquisition of products and services required to implement Homeland Security Presidential Directive (HSPD)-12, OGP has continued to work closely with GSA and other agencies to ensure the requirements are being met and compliant products are available. Specifically, OGP established a structured evaluation program to evaluate and approve products and services against requirements contained in FIPS 201, the Personal Identity Standard. In FY 2006, OGP worked with FAS to establish a Special Item Number (SIN) 132-6x series on the Federal Supply Schedule 70 for authentication products and services. Qualified products and services are available for acquisition on these SINs. In addition, in August of 2006 OGP facilitated the award of a five-year $104 million contract to Bearing Point Inc. to provide turnkey solutions to help agencies meet the implementation of HSPD-12. The agencies that have signed up to use this contract will have significantly lower costs of implementation.

OGP

- OGP is the project manager in developing the guidance for the Financial Management Line of Business (FMLoB). In April 2006, OGP developed and released the exposure draft for the FMLoB's Migration Planning Guidance. The guidance answers procedural questions and provides directions on conducting a successful migration to one of the FMLoB's Shared Service Providers (SSP). It offers tools and templates that SSPs and agencies can use to manage the move to a SSP. The guidance also provides advice on implementing an in-house financial system and standard performance measures aimed at enhancing the transparency of agency financial performance. OGP has reconciled all 750 comments, recommendations, and policy issues and released the public version of the FMLoB's Migration Planning Guidance in September 2006.

- Working under the leadership of the Federal Real Property Council (FRPC), OGP developed and enhanced a government-wide real property inventory system, known as the Federal Real Property Profile (FRPP). This system collects detailed building information at the constructed asset level; agencies can use the data to measure real property asset performance, compare and benchmark across various real property assets, and identify potential pieces of property for disposal. Serving as the only Federal centralized inventory system, the strongly enhanced database is invaluable to Federal agencies as they strive to improve asset management and meet the goals of Executive Order 13327 and the PMA. By disposing of assets and redirecting those savings to higher priority asset management needs, the FRPP is integral in supporting the Administration's target of achieving $9 billion in savings by 2009.

- The Regulatory Information Service Center (RISC) in OGP provides value to the Federal community in the management of a uniform, modern system that helps agencies comply with statutory and Executive order review requirements. In coordination with OMB's Office of Information and Regulatory Affairs (OIRA), RISC placed in operation a new information system, known as the RISC/OIRA Consolidated Information System (ROCIS). ROCIS replaces two paper-based processes with direct online entry of information and submission to OIRA, improves OIRA's ability to track agency submissions and manage its own workflow, and improves OIRA's ability to communicate with agencies and the public about regulations and information collections under review. A public Web site portion of ROCIS will greatly expand public access to information on regulations and approved information collections. The total lifecycle benefits of ROCIS are expected to be more than $23 million; $1.62 million savings in full-time equivalents (FTE), $8.54 million from closing down the old system and using ROCIS, and $13.2 million in the value of public access to review regulatory information.

OGP Performance By GSA-Wide Goal

GSA-wide Goal 6: Carry out Social, Environmental, and Other responsibilities as a Federal Agency

PERFORMANCE GOAL	RESULT
Improve the compliance with Section 508 government-wide by improving the compliance of GSA contracts and programs.	Met

PERFORMANCE GOAL
Improve the compliance with Section 508 government-wide by improving the compliance of GSA contracts and programs.
MEASURE
Percentage of agencies whose work demonstrates the use of Section 508 tools.

FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL
Not Measured	Not Measured	0%	30%	42%

DESCRIPTION OF THE MEASURE: OGP is the government's principal advocate and coordinator for Section 508 implementation, which requires agencies to make IT accessible for people with disabilities. OGP is recognized as the government-wide policy resource for promoting Section 508 compliance across government. OGP provides online tools and resources to guide Federal buyers through the acquisition of electronic and information technology (E&IT) while complying with the requirements of Section 508. The Buy Accessible Wizard (BAW) and the Section 508 Web site are two key resources Federal buyers can utilize. In FY 2006, OGP measured the percentage of Chief Financial Officers (CFO) Act agencies who have used OGP tools to ensure that their Web sites are accessible to people with disabilities and that they are acquisition compliant with Section 508 requirements.

DATA SOURCE: Help desk call logs, user/focus group membership, documentation in Agency guidance/procedure.

DISCUSSION OF FY 2006 TARGET VS. RESULTS: Of the 24 CFO Act agencies, all are monitoring Web site accessibility and 10 of the 24 agencies are utilizing BAW as demonstrated by help desk calls and active feedback for new release features. The 10 agencies (42 percent) are as follows:

1. Department of Treasury (Treasury)
2. Department of Homeland Security (DHS)
3. National Aeronautics and Space Administration (NASA)
4. Department of the Interior (DOI)
5. Department of Agriculture (USDA)
6. Department of Justice (DOJ)
7. Department of Housing and Urban Development (HUD)
8. General Services Administration (GSA)
9. Health and Human Services (HHS)
10. Department of Labor (DOL)

LINKING LONG-TERM OUTCOME GOALS TO BUDGET

The results presented in the following table linking long-term outcome goals to the budget are preliminary. The final results will be presented in the FY 2006 Performance and Accountability Report (PAR) addendum to be available online by January 2007.

PUBLIC BUILDING SERVICE (PBS) (Dollars in Thousands)				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected Target**	**FY 2006 Projected Dollars[1]**
Reduce average cycle time on new courthouse construction projects to 2,800 days or less by FY 2019.				
PBS (New Construction)	Average cycle time on new courthouse construction projects is 3,100 days or less by FY 2006.	Number of days to complete new courthouse construction projects.	≤3,100	$ 301,984
		Total	-	$ 301,984
Register 100% of the New Construction program for Leadership in Energy and Environmental Design (LEED) in the same fiscal year design funding is authorized/appropriated and certify 75% of the New Construction program for LEED within 18 months of substantial construction completion.				
PBS (New Construction)	Register 25% of the New Construction program for LEED in the same fiscal year design funding is authorized and appropriated by FY 2006.	Percent of New Construction program registered for LEED in the same fiscal year design funding is authorized and appropriated.	25%	$ 17,346
	Certify 20% of the New Construction program for LEED within 18 months of substantial construction completion by FY 2006.	Percent of New Construction program LEED certified within 18 months of substantial construction completion.	20%	$ 11,564
		Total	-	$ 28,910
Improve the operational and maintenance efficiency of GSA buildings by independently verifying newly constructed buildings for achievement of established operational requirements within 18 months of substantial construction completion. (Commissioning)				
PBS (New Construction)	Verify 30% of newly constructed buildings for achievement of established operational requirements by FY 2006. (Commissioning)	Percent of newly constructed buildings independently verified for achievement of established operational requirements. (Commissioning)	30%	$ 216,574
		Total	-	$ 216,574
Execute the New Construction program on the schedule committed to our customers 90% of the time by FY 2010.				
PBS (New Construction)	New construction projects on schedule 86% of the time by FY 2006.	Construction projects on schedule.	86%	$ 477,915
		Total	-	$ 477,915
By 2010 the Leasing program will deliver new leases at 9.5% below the industry average cost for office space, deliver the space when the customer needs it 90% of the time or better, and utilize the National Broker Contract for expiring leases 90% of the time.				
PBS (Leasing)	Award leases at an average rental rate of not less than 8.5% below industry averages for comparable office space by FY 2006.	Cost of leased space relative to industry market rates.	-8.5%	$ 267,878
	Deliver leased space when the customer needs it 82% of the time or better by FY 2006.	Percent of customers surveyed who say they received their leased space when needed.	82%	$ 57,472
	Use National Broker Contract for at least 60% of expiring leases by FY 2006.	Percent of expiring leases using the National Broker Contract.	60%	$ -
		Total	-	$ 325,350

Continued

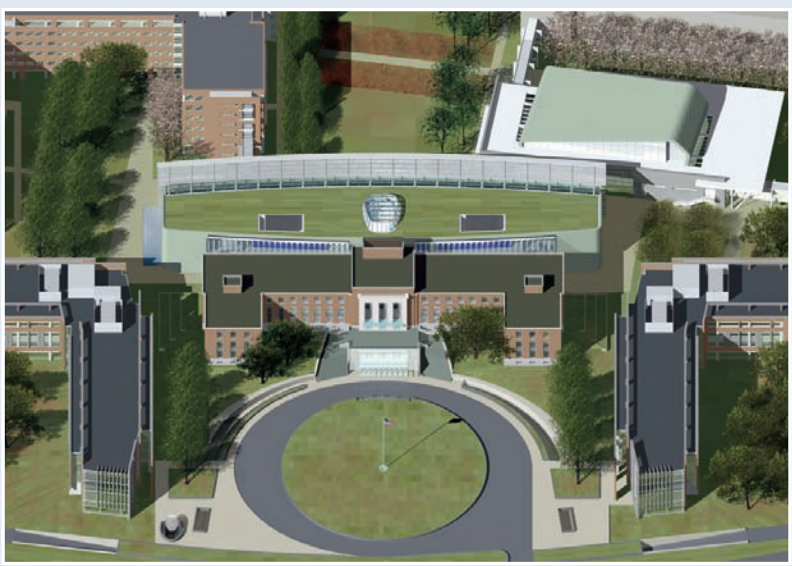
PUBLIC BUILDING SERVICE (PBS) *(continued)* *(Dollars in Thousands)*				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected**	
			Target	**Dollars[1]**
By 2010 the Leasing program will receive satisfied tenant customer satisfaction scores (4's and 5's) 80% of the time and will incorporate the results of the Office of Real Property Asset Management's annual review of existing leases (where market data is available) into customer strategic planning.				
PBS (Leasing)	Achieve a satisfied customer satisfaction rating (4's and 5's) 72% of the time by FY 2006.	Satisfied tenant customer satisfaction rating (4's and 5's responses) in leased space surveyed.	72%	$ 45,732
	Analyze 100% of leases expiring within 3 years for market opportunities to reduce rental payments (where market data is available).	Percent of existing lease inventory reviewed for beneficial opportunities.	100%	$ -
	Maintain percentage of vacant space in leased buildings at less than or equal to 1.5% by FY 2006.	Percent of vacant space in leased inventory.	≤1.5%	$ 51,851
	Manage the costs of administering leased space so that leased Funds From Operations (FFO) is greater than 0% and no more than 2% of the leased inventory revenue.	Percent of leased revenue available after administering the leased program.	0%-2%	$ 3,925,020
		Total	-	$ 4,022,603
Achieve a viable, self-sustaining inventory with an average return on equity (ROE) of at least 6% by FY 2010 for 80% of our government owned assets.				
PBS (Asset Management)	Increase to 71% of the percentage of government-owned assets with an ROE of at least 6% by FY 2006.	Percentage of government-owned assets with an ROE of at least 6%.	71%	$ 111,998
	Increase the percentage of government-owned assets with a positive FFO to 85% by FY 2006.	Percentage of government-owned assets achieving a positive FFO.	85%	$ 2,665
	88% of Repairs and Alterations (R&A) projects on schedule by FY 2006.	R&A projects on schedule.	88%	$ 623,529
	Obligate 75% of the minor R&A budget for planned projects by the end of FY 2006.	Percent of minor R&A budget obligated on planned projects by the end of the fiscal year.	75%	$ 340,046
	Decrease the vacant (available and committed) space to 7% of the owned inventory by FY 2006 and maintain thereafter.	Percentage of vacant and committed space in government-owned inventory.	7%	$ 43,270
	Maintain the percent of escalations on R&A projects at less than or equal to 1% by FY 2006.	Percent of escalations on R&A projects.	≤1%	$ 77,258
		Total	-	$ 1,198,766
Reduce energy consumption 20% by FY 2015 over the FY 2003 baseline while maintaining overall operating costs at 3% below the private sector and customer satisfaction at or above 80%.				
PBS (Asset Management)	Reduce energy consumption in GSA Federal buildings by 2% (as measured by Btu/GSF) over the FY 2003 baseline by FY 2006.	Percent reduction in energy consumption over the FY 2003 baseline.	-2%	$ 35,941
	Execute energy conservation goals while increasing GSA's Customer Satisfaction scores to 73% by FY 2006.	Customer Satisfaction - tenants in owned space.	73%	$ 773,988
	Maintain operating service costs in office and similarly serviced space at 3% or more below private sector benchmarks by FY 2006.	Percent below private sector benchmarks for cleaning, maintenance, and utility costs in office and similarly serviced space.	-3%	$ 877,203
		Total	-	$ 1,687,132

Continued

PUBLIC BUILDING SERVICE (PBS) *(continued)* *(Dollars in Thousands)*				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected**	
			Target	**Dollars[1]**
To help Federal landholding agencies realize maximum utilization and efficiencies from their real property holdings, and when appropriate, to redeploy their unneeded properties to benefit the Federal government and surrounding communities or to sell on the open market.				
PBS (Real Property Disposal)	Award 90% of utilization and donation (U&D) property within 240 days for FY 2006.	Percentage of U&D property awarded within 240 days.	90%	$ 22,305
	Award 95% of public sales within 170 days for FY 2006.	The percent of public sales awarded within 170 days.	95%	$ 11,626
	Maintain "highly satisfied" ratings of 93% or higher on the Customer Transactional Satisfaction Survey by FY 2006.	The percent of disposal transactions that "exceed" or "greatly exceed" customer expectations.	93%	$ 275
	Attain 1.08% cost of sales as a percentage of sales proceeds for reimbursable sales for FY 2006.	Cost of reimbursable sales as a percentage of sales proceeds.	1.08%	$ 6,050
		Total	-	$ 40,256
		PBS Total	-	8,299,490

[1] The source of the FY 2006 actuals is the FY 2008 Budget Submission. Because the FY 2008 Budget Submission was submitted to OMB prior to year-end, the actuals represent the projected FY 2006 numbers.

Continued



Artist's rendering of the new Food and Drug Administration (USFDA) building in White Oak, MD. The four-level Central Shared Building serves as the "hub" of the overall campus.

FEDERAL ACQUISITION SERVICE (FAS) (Dollars in Thousands)				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected**	
			Target	**Dollars**[1]
Provide telecommunications and information technology (IT) solutions that best meet the client agencies' mission needs at competitive prices.				
FAS (Regional Telecommunications)	Manage acquisitions to ensure industry provides solutions that meet client agencies mission needs.	Percentage (by dollar value) of eligible service orders awarded with performance-based statements of work.	50%	$ 7,591
		Percentage of projects meeting agreed performance according to the Quality Assurance Surveillance Plan (QASP).	75%	5,313
	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 commodities and services that are met or bettered.	76%	7,591
FAS (Network Services)	Provide robust portfolio of telecommunications services and value added solutions to satisfy diverse customer requirements.	Percentage of solutions reviewed compliant with policy and regulations and internal policies and procedures.	100%	13,915
		Customer satisfaction with value added solutions.[2]	80%	
FAS (IT Solutions 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 statements of work.	50%	5,704
		Percentage of projects meeting agreed performance according to the QASP.[2]	N/A	
	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 commodities and services that are met or bettered.	>95%	6,695
FAS (IT Solutions National)	Manage acquisitions to ensure industry provides solutions that meet client agencies' mission needs.	Percentage of dollar value of eligible service orders awarded with performance-based statements of work.	>50%	12,966
	Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency, to verify best value and effective acquisition management are achieved.	Percentage of negotiated award dates for services and commodities that are met or bettered.	>95%	15,201
FAS (IT Solutions Regional)	Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency, to verify best value and effective acquisition management are achieved.	Percentage of negotiated award dates for services and commodities that are met or bettered.	>95%	42,328
		Total	-	$ 117,304

Continued

FEDERAL ACQUISITION SERVICE (FAS) *(continued)* *(Dollars in Thousands)*				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected Target**	**FY 2006 Projected Dollars[1]**
Provide effective management of client agency telecommunications, network services, and IT acquisitions, including compliance with statues, policy, regulations, and internal procedures.				
FAS (Regional Telecommunications)	Provide quality telecommunications services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.	80%	$ 18,977
		Percentage of schedule task orders solicited using e-Buy.	80%	18,218
FAS (Network Services)	Provide effective management of Network Services acquisitions.	Networx Program Milestones planned versus actual.[2]	100%	-
		Completed Transition Planning Milestones planned versus actual.	N/A	5,482
FAS (IT Solutions 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 the fair opportunity process.	>86%	6,447
		Percentage of schedule task orders solicited using e-Buy.	90%	5,208
FAS (IT Solutions National)	Provide quality IT solutions services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.	>95%	14,754
FAS (IT Solutions Regional)	Provide quality IT solutions services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.	>95%	41,214
		Total	-	$ 110,300
Provide a high-quality, cost-effective source of assisted telecommunications, network, and IT acquisition services for client agencies.				
FAS (Regional Telecommunications)	Improve financial condition of the Fund.	Total regional telecommunications program expense as a percentage of gross margin.	66%	$ 11,386
	Provide cost management for solutions delivery.	Percentage of solutions that are met at or below initial cost estimates.	80%	6,832
FAS (Network Services)	Improve the financial condition of the Fund.	Total program expense as a percentage of gross margin.	55%	2,952
	Provide substantially lower cost service to customer agencies.	Savings provided to customers.	$550M	5,903
		Percentage of Network Services prices are below best commercial prices.[2]	35%	-
	Grow customer base to increase market share and maximize savings to the government.	Percentage of agencies serviced by Network Services.[2]	90%	-
FAS (IT Solutions Professional Services)	Improve financial condition of the Fund.	Total program expense as a percentage of gross margin.	66%	744
	Provide cost management for solutions delivery.	Percentage of solutions that are met at or below initial cost estimates.[2]	90%	-
FAS (IT Solutions National)	Improve financial condition of the Fund.	Direct operating expense as a percentage of gross margin.[2]	62%	-
FAS (IT Solutions Regional)	Provide cost management for solutions delivery.	Percent of dollar savings between independent government cost estimates (IGCEs) and award amounts.[2]	>8%	-
		Total	-	$ 27,817

Continued

FEDERAL ACQUISITION SERVICE (FAS) *(continued)* *(Dollars in Thousands)*				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected Target**	**FY 2006 Projected Dollars[1]**
Provide supply chain solutions for the global needs of our customers (DoD, Homeland Security, USDA, et al.) by delivering dependable, reliable, and timely supplies at best value.				
FAS (Global Supply)	Reduce Global Supply mark-up on stocked items.	Percentage of Global Supply mark-up on stocked items.	40%	$ 56,100
	Achieve timely delivery for customer orders.	Percent of domestic non-hazardous orders shipped within 24 hours.[2]	93%	-
	Increase program efficiency and value to Global Supply customers by minimizing program-operating costs.	Operating costs per $100 business volume.[2]	$17.38	-
	Increase customer satisfaction toward the 75th percentile for customer satisfaction in government.	External customer satisfaction survey score.	79.9	30,999
		Total	-	$ 87,099
Provide optimal property disposal solutions for Federal agencies to maximize cost avoidance (utilization and donation [U&D]) while efficiently and effectively managing the exchange/sale of surplus property.				
FAS (Personal Property Management)	Decrease the time it takes to complete disposal action for excess property to 56 days by FY 2006.	Cycle time for disposal process (days).	56	$ 7,217
	Align program-operating costs relative to revenue generated by the Sales Program, and strive to maximize the return on these resources.	Direct cost of Sales Program as a percent of revenue.	46%	1,443
		Operating cost per $100 business volume.	$22.00	1,443
	Maintain a customer satisfaction score higher than the Federal Government American Customer Satisfaction Index (ACSI) reflecting customer satisfaction in government in FY 2006 and each year thereafter.	External customer satisfaction survey score.	79	2,860
		Total	-	$ 12,963
Continue to achieve leasing rates to customer agencies that offer 20% or more savings when compared to commercial rates.				
FAS (Fleet)	Maintain the gap between GSA Fleet rates and commercial rates at 29% or more.	Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.	≥29%	$ 38,479
		Program support and operational expenses per vehicle year of operation.	$504	19,188
	Aggressively pursue consolidation opportunities to reduce overall government expenses.	Number of vehicles managed per onboard associate.	335	19,188
	Maintain the Vehicle Leasing program's current level of world-class customer satisfaction in government.	External customer satisfaction survey score.	83	10,730
		Total	-	$ 87,585

Continued

FEDERAL ACQUISITION SERVICE (FAS) *(continued)* *(Dollars in Thousands)*				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected**	
			Target	**Dollars**[1]
Achieve acquisition cost savings for customer agencies by providing vehicles at 28% or more below manufacturers' invoice price.				
FAS (Vehicle Acquisition)	Maintain the 28% or better discount from manufacturer's invoice price.	Percentage discount from invoice price.	≥28%	$ 5,491
	Manage program resources to meet its future needs while maximizing program efficiency.	Number of vehicles purchased per full-time equivalent (FTE).	1300	2,741
	Increase the Vehicle Acquisition program's customer satisfaction toward the 75th percentile for customer satisfaction in government.	External customer satisfaction survey score.	79	1,433
		Total	-	$ 9,665
Provide an end-to-end and fully integrated travel management shared service that is policy compliant, cost-effective, and customer focused. An enabler for agencies to better manage their individual travel businesses. Fulfilling Agency's needs as well as delivering the best value to agencies (at discounts unattainable by individual agencies) by leveraging the government's purchasing power via strategic sourcing.				
FAS (Travel)	Reduce program operating costs.	Direct cost as a percent of revenue.	64%	$ 933
		Operating cost per $100 business volume.[2]	$0.95	-
	Increase the program's customer satisfaction toward the 75th percentile for customer satisfaction in government.	External customer satisfaction survey score.	74	965
	Provide policy compliant, consolidated, and fully integrated end-to-end travel services government-wide.	Percentage of vouchers serviced through the E-Gov Travel (percent of total voucher population).	12.9%	5,489
		Percentage of Business Reference Model (BRM) agencies migrating to E-Gov Travel.	58%	4,476
		Total	-	$ 11,863
Provide an end-to-end fully integrated management system/solutions to increase value for Agency customers.				
FAS (Transportation)	Increase the program's customer satisfaction toward the 75th percentile for customer satisfaction in government.	External customer satisfaction score.	78	$ 725
	Reduce program operating costs.	Direct cost as a percent of revenue.	52%	2,616
	Maximize customer savings through the use of GSA Transportation programs.	Freight savings.	N/A	897
		Household goods savings.	N/A	897
		Domestic delivery savings.	N/A	897
	By FY 2006, as part of overall automation and streamlining of transportation processes, attain and sustain percentage of electronic audits at 95%.	Percent of audits performed electronically.	95%	8,991
		Percent of claims processed within 120 days.	52%	5,994
		Total	-	$ 21,017
		FAS Total	-	485,613

[1] The source of the FY 2006 actuals is the FY 2008 Budget Submission. Because the FY 2008 Budget Submission was submitted to OMB prior to year-end, the actuals represent the projected FY 2006 numbers.

[2] These performance measures do not have numbers for FY 2006, because they have since been changed, but they are reflected in the FY 2007 Congressional Justification.

Continued

OFFICE OF CITIZEN SERVICES AND COMMUNICATION (OCSC) *(Dollars in Thousands)*				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected**	
			Target	**Dollars[1]**
Help government become more citizen-centric, increase the efficiency and effectiveness of Federal Consumer Information Center (FCIC) Services, and support the President's Management Agenda (PMA) for expanding e-government.				
OCSC	Help the Federal government become more citizen-centric by increasing the magnitude, quality, and outreach of Federal information via various channels and enable Federal agencies to become more citizen-centric by providing answers to citizens that are timely, accurate, and responsive via the channel of their choice.	Public contact data derived as a result of citizen interaction with USA Services channels.	235M	$ 16,364
		Total	-	$ 16,364
Increase citizen usage and accessibility of OCSC products and services and help the government become more citizen-centric by enabling Americans' interaction with the government via their preferred OCSC channel.				
OCSC	Enable a citizen-centric government by sharing the FirstGov infrastructure and e-government expertise with the President's E-Gov initiatives.	Strategic Messages Favorable Neutral Unfavorable	 30% 60% 10%	 $ $ 2,299 - -
	Disseminate strategic information messages to all audiences by providing integrated and coordinated communications to GSA associates and news media.	ACSI Satisfaction Survey Index- Search only	74%	1,354
		Total	-	$ 3,653
		OCSC Total	-	$ 20,017

[1] *The source of the FY 2006 actuals is the FY 2008 Budget Submission. Because the FY 2008 Budget Submission was submitted to OMB prior to year-end, the actuals represent the projected FY 2006 numbers.*

OFFICE OF CHIEF FINANCIAL OFFICER (OCFO) *(Dollars in Thousands)*				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected**	
			Target	**Dollars[1]**
Deliver timely and accurate financial and performance management policies and services needed for management decision-making and financial reporting.				
OCFO	Increase the percentage of vendor invoices received electronically by Electronic Data Interchange (EDI) or through the Internet.	Percentage of invoices received electronically.	68%	$ -
		Total	-	$ -
		OCFO Total	-	$ -

[1] *The source of the FY 2006 actuals is the FY 2008 Budget Submission. Because the FY 2008 Budget Submission was submitted to OMB prior to year-end, the actuals represent the projected FY 2006 numbers.*

Continued

OFFICE OF CHIEF HUMAN CAPITAL OFFICER (OCHCO) *(Dollars in Thousands)*				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected**	
			Target	**Dollars[1]**
Goal Description				
OCHCO	Enhance ability to attract talent to GSA.	Number of days to fill a vacancy.	45	$ –
		Total	–	$ –
		OCHCO Total	–	$ –

[1] The source of the FY 2006 actuals is the FY 2008 Budget Submission. Because the FY 2008 Budget Submission was submitted to OMB prior to year-end, the actuals represent the projected FY 2006 numbers.

OFFICE OF GOVERNMENTWIDE POLICY (OGP) *(Dollars in Thousands)*				
Long-Term Outcome Goal				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2006 Projected**	
			Target	**Dollars[1]**
Develop and issue administrative management policies on-schedule and within cost parameters.				
OGP	Federal Enterprise Architecture/ Component Organization and Registration Environment (FEA/CORE) - Increase adoption of common business processes and/or key components enabling those processes.	Number of components submitted for approval to Interagency Committee (IAC) registered at CORE.	25	$ –
	Provide tools and incentives to improve the effectiveness of property management operations.	Percentage of agencies reporting real property performance measures tracked by OGP.	67%	700
		Total	–	$ 700
Provide an effective policy framework and key enablers for e-government operational development and implementation.				
OGP	Develop and issue effective guidance and implementation policies in support of Federal Identity Credentials.	Percentage of major agencies adopting cross-agency policy and uniform standards for Federal Identity Credentials.	75%	$ 4,210
		Total	–	$ 4,210
Engage and assist agencies in achieving compliance with Federal identity management policies.				
OGP	Assist agencies in the re-engineering of the identity management process for external e-government online services and for physical and logical access to Federal facilities and systems.	Percentage of authentication service lines with 3 or more providers to achieve competition.	50%	$ 677
		Total	–	$ 677
Improve the accessibility of all electronic and information technology (E&IT) as a result of the widespread demand by government purchasers for accessible E&IT.				
OGP	Improve the compliance with Section 508 government-wide by improving the compliance of GSA contracts and programs.	Percentage of agencies whose work demonstrates the use of Section 508 tools.	30%	$ 1,600
		Total	–	$ 1,600
		OGP Total	–	$ 7,187

[1] The source of the FY 2006 actuals is the FY 2008 Budget Submission. Because the FY 2008 Budget Submission was submitted to OMB prior to year-end, the actuals represent the projected FY 2006 numbers.

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. GSA meets these legal requirements through a survey process that reviews its services and major Staff Offices.

A schedule has been established to issue a survey to the Services and the major Staff Offices on a rotating basis. The survey is designed to ensure that each office has the proper procedures and processes in place to verify the validity and accuracy of the corresponding performance measurement data.

The survey focuses on seven building blocks of sound data:

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

Data originates from major GSA systems that are certified and accredited. Manually inputted data undergoes a review process to search for inconsistencies. External data sources are reputable and backup data records are available. Periodic quality assurance reviews are conducted to ensure accuracy. The Federal Acquisition Service (FAS) has established a Performance Management team in addition to planning champions that check for accuracy. The Public Buildings Service (PBS) has National and Regional points of contact (POC) that ensure the accuracy of the data. Data is available for viewing by all GSA associates in the Performance Measurement Tool (PMT), an Agency-wide used tool that displays all performance measures. This tool is updated monthly, quarterly, and/or annually with current results along with expected targets.

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 2006 financial statement audit, various tests and reviews of the core accounting system and internal controls were conducted as required by the Chief Financial Officers (CFO) Act. GSA's primary financial system is Pegasys. This became GSA's official accounting system of record in October 2002. A reliable, highly stable system, it currently processes 40 million transactions a year. It also serves as the primary system for other feeder systems used throughout GSA.
2. **DATA FROM LARGE COMPUTER SYSTEMS:** GSA has undertaken an extensive process of systems certification to ensure that its computer systems operate as intended. Data quality is maintained through ongoing training. The GSA Procurement Data System (GPDS) and the System for Tracking and Administering Real Property (STAR) are the major large computer systems.
3. **DATA FROM MANUAL OR SMALL FEEDER COMPUTER SYSTEMS:** For these systems, GSA stresses confirmation that more than one person is responsible for data and written policy and procedures. There are a variety of manual and feeder systems, such as Transportation Accounts Receivable and Payable Systems (TARPS); Requisitioning, Ordering, and Documentation System (ROADS); Sales Automation System (SASy); Rent Estimate (RentEst); Telecommunications Ordering and Pricing System (TOPS); Office of Information Technology Integration Management Information System (OMIS); Tracking and Ordering System (TOS); IT Solutions Shop/Integrated Task Order Management System (ITSS/ITOMS); and Commercial Acquisition and Supply Operating and Management Information System (FSS-19).
4. **BENCHMARK DATA FROM EXTERNAL SOURCES:** GSA uses external data as a benchmark for those activities that are similar to the private sector. Highly reputable sources of data are used as industry benchmarks, such as: the Gallup Organization, Building Owners and Managers Association (BOMA), Society of Industrial and Office Realtors (SIOR), and Logistics Management Institute (LMI).
5. **DATA OBTAINED UNDER CONTRACT:** Highly reputable outside polling firms are often contracted to develop customer satisfaction or other survey data. GSA's contract provisions require that sound business practices be followed and GSA follows up to ensure confidence in the results. The Gallup Organization is most often used because there is every assurance that the customer satisfaction information is credible, verifiable, and valid.

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

Financial Section

Awards GSA Has Won in 2006

Denver's Byron Rogers Courthouse Receives AIA Award.

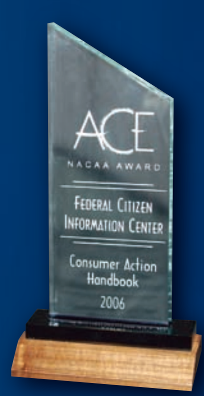
On September 8, the Denver Chapter of the American Institute of Architects (AIA) held its annual Design Awards Gala in Denver, CO. The Rocky Mountain Region's (R8) Byron Rogers Courthouse, located in downtown Denver, was presented with an Honor Award and a Sustainability Award. The Honor Award was one of only three awarded out of 100 projects submitted. This building received a LEED Gold certification for Existing Buildings. This was the first time in managing R8 Capital Construction projects that GSA returned $2.4 million in project funds to Central Office upon completion of the project.

E-Gov Receives Award for Excellence in Enterprise Architecture

E-Gov Institute selected the Missile Defense Agency (MDA) Enterprise Architecture Modeling System (MEAMS) project to receive an award for Excellence in Enterprise Architecture jointly sponsored by the E-Gov Institute, FCW Events, and FEAC Institute. This award is an example of the effective solutions the integrated MDA, SRA, and Federal Systems Integration and Management Center (FEDSIM) team strive to provide across the MDA-Enterprise Information Management System (EIMS) project.

Consumer Action Handbook Wins Consumer Education Award

The *Consumer Action Handbook* has received the 2006 Achievement in Consumer Education award from the National Association of Consumer Agency Administrators at their annual conference. The Handbook, published by GSA's Office of Citizen Services and Communications (OCSC), provides advice on making wise consumer purchases, getting the most for your money, avoiding fraud, and solving consumer problems. The 2006 edition was published in cooperation with seven other Federal agencies and 28 private sector partners. The Handbook is consistently the most popular publication in the *Consumer Information Catalog.*



Letter from the Chief Financial Officer

I write this letter with a renewed sense of purpose and optimism. During fiscal year (FY) 2006, the General Services Administration's (GSA) financial management community teamed with the GSA's acquisition community to ensure we addressed the material weakness that contributed to a disclaimed audit opinion on the Bugetary Statements of our FY 2005 financial statements. I am very pleased to report that we accomplished our objectives and achieved our goal: we received an unqualified "clean" opinion for FY 2006. Moreover, this demonstrates GSA's commitment to customer satisfaction and ensuring sound financial management practices through transparency, accountability, and integrity.

Kathleen Turco

With the attainment of the independent auditor's unqualified financial statement opinion, the Office of the Chief Financial Officer (OCFO) is committed to moving forward vigorously during FY 2007 to continue improving our internal control processes and fulfill the financial management improvement goals of the President's Management Agenda (PMA). We fully implemented Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Internal Controls," Appendix A during 2006 which is a significant accomplishment for the OCFO.

We embraced the A-123 circular requirements and fully implemented a management process for the documentation, assessment, testing, and reporting on internal controls over financial reporting. Based on the assessment as of June 30, 2006, we identified the existence of one material weakness related to monitoring, accounting, and reporting of budgetary transactions. Subsequently, we implemented corrective actions and the material weakness was resolved as of September 30, 2006. With the A-123 review process, GSA continues to strengthen fiscal management transparency and accountability.

We administered a strong and rigorous budget and financial reporting process and instituted a program that emphasizes solid internal controls to hold managers across GSA accountable for stewardship of taxpayer dollars. We continued our work in addressing these challenges and worked with management to improve Agency accountability. To improve GSA's overall management control program, we embarked on an enhancement program for our internal evaluation and review process to provide improved assurance over the reliability of our management and financial controls. We instituted a process for managers to provide accountability of their programs to ensure that the mission of the Agency is carried out efficiently, effectively, and in compliance with laws and regulations.

While our auditor's disclaimed opinion on the Bugetary Statements last year ended a long string of unqualified opinions, that wake up call strengthened our determination to educate the Services, Regions, and Staff offices in the proper close out of completed projects and returning unused budgetary authority, regardless of whether it is expired or cancelled, and therefore no longer available. This effort and the tireless reconciliation work completed by the offices on the "front lines" enabled GSA to earn an unqualified opinion on our FY 2006 financial statements.

We substantially addressed the material weakness identified last year by performing manual reconciliations and reviews.

These actions have resulted in more accurate financial accounting and reporting and reduced the significance of the prior year material weakness. To further improve on GSA's financial accounting and reporting processes, we will work with the Federal Acquisition Service (FAS) to automate their systems' reconciliation process by June 2007.

During FY 2006, the OCFO upgraded GSA's core financial system, Pegasys, to Momentum version 6.1.2, improving the delivery of timely, accurate, useful information to financial and program managers. We also participated in a number of government-wide financial initiatives, expanded the scope of transactions reviewed and reported, and worked with our intragovernmental trading agencies to resolve some of the most significant differences. GSA will continue to pursue improvements in the reporting process to increase efficiency and accuracy and further assist partner agencies in reconciling remaining differences.

My office expanded the analysis of customer requirements through our internal Performance Management Process (PMP). The continual PMP cycle unites the GSA Strategic Plan, the PMA, the Government Performance and Results Act (GPRA), and the Program Assessment Rating Tool (PART), with GSA's business line and program offices performance goals and measures. The alignment of the processes under the PMP, along with staff attention to addressing the requirements of the Budget and Performance Integration scorecard, resulted in GSA achieving a "green" for this portion of the PMA scorecard for the first time in the fourth quarter of FY 2006.

We are committed to using our resources to improve on the delivery of GSA's mission and continue to strive for excellence in financial management. These significant accomplishments are a testament to the dedication and commitment of GSA's financial and acquisition professionals. While mindful of the challenges we face, I am confident that GSA has a bright financial future, and I look forward to meeting our financial management objectives in FY 2007.

Kathleen M. Turco

Kathleen M. Turco

Chief Financial Officer

November 10, 2006

Office of the Chief Financial Officer Major Accomplishments for 2006

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

OMB CIRCULAR A-123, MANAGEMENT RESPONSIBILITY FOR INTERNAL CONTROL

GSA successfully implemented the new requirements under OMB Circular A-123, Appendix A, Internal Control Over Financial Reporting. The requirements are similar in nature to those for publicly-traded companies contained in the Sarbanes-Oxley Act of 2002. The effort took significant planning and implementation support to document, assess, test, and report on internal controls over financial reporting. GSA's OCFO established an aggressive timeframe and a Senior Assessment Team (SAT) in order to complete the assessment by the June 30, 2006 deadline.

The A-123 implementation effort was led primarily by an OCFO team of associates who reported directly to the SAT. However, it could not have succeeded without the resources and support received from each of the Services' controller/chief financial offices and regional personnel. The financial managers in the Services assisted the OCFO in obtaining necessary documentation, including business processes, key controls, populations of data for sample selection, identification of systems to be tested, Federal Information Security Management Act (FISMA) assessments, Certification and Accreditation (C&A) Reports, and Statement on Auditing Standards (SAS) 70 audit reports for external financial services clients. Regional personnel played an important role in providing logistical support to conduct the tests and access to necessary documents, systems, and personnel.

The cooperation extended to the Central Team was truly outstanding and enabled management to complete the assessment within the established timeframe. During FY 2006, internal controls were tested in six regions. Testing will be rotated throughout the other regions over the next two years to ensure that all regions are tested within a three-year time period. The only exceptions are the GSA Finance Centers, which will be tested each year. Planning is underway to conduct next year's assessment, including identifying efficiencies in management's approach, improving communications, and incorporating any new test requirements to improve internal controls over financial reporting.

CORE FINANCIAL SYSTEMS (PEGASYS) UPGRADE

In July 2006, the OCFO upgraded its core financial systems software package—Momentum Financials—from release 5.1.6 to release 6.1.2. This upgrade ensures GSA's financial system, known as Pegasys, is current with Momentum baseline software releases, and that GSA can continue to support its mission of offering comprehensive and technologically progressive practices in Federal financial management.

This effort took significant planning, development (database conversion, interfaces), testing (systems, acceptance, regression, and performance), training (change management), and implementation support. The OCFO developed rigorous testing methodologies and procedures for all functional and technical areas to ensure a smooth transition.

The new software is entirely Web-based, requiring no additional software installations on users' machines. In addition, the upgraded software improves document workflow, introduced new cost allocation functionality, and enhanced external reporting and user querying capabilities.

The hardware platform for Pegasys was relocated to a new data center hosting site in Arizona. The hardware platform move, also known as the Momentum Platform Migration (MPM), was successfully completed without any adverse impact to Pegasys production operations. Systems security and configuration management procedures have also improved, as well as has technical support of the Pegasys 6.1.2 application. The MPM project provides a more secure, stable, reliable, and cost-effective infrastructure platform that not only supports the Pegasys 6.1.2 upgrade, but enhances GSA's ability to be a credible Shared Service Provider (SSP) in the Financial Management Line of Business (FMLoB) marketplace.

PROGRAM ASSESSMENT RATING TOOL

FY 2006 was the most successful year ever for GSA's execution of the Program Assessment Rating Tool (PART). Two new programs and four rescores were completed, all having acceptable long term outcome goals and efficiency measures and all demonstrating results. National Furniture Center and USA Services were the two new programs. National Furniture Center was rated "Moderately Effective" and USA Services was rated "Effective," which is the highest possible rating. USA Services was the first GSA program ever to be rated "Effective" in its initial evaluation.

Travel Management, Transportation Management, Charge Card Services, and the Office of Governmentwide Policy (OGP) were all successful "rescores"—Travel Management, Transportation Management, and OGP were all rated 'Moderately Effective," and Charge Card Services was rated "Effective." Achievement of the PART results was a cooperative effort among OMB, the OCFO, and the Services and the Staff Offices. This year's performance has set a new baseline for future improvements during FY 2007.

U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

NOV 9 2006

MEMORANDUM FOR LURITA DOAN
ADMINISTRATOR (A)

KATHLEEN M. TURCO
CHIEF FINANCIAL OFFICER (B)

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: Audit of the General Services Administration's Fiscal Years 2006 and 2005 Financial Statements

This memorandum transmits PricewaterhouseCoopers LLP's (PwC) report on its Fiscal Years 2006 and 2005 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 OIG or an independent external auditor, as determined by the OIG, to audit the Agency's financial statements. Under a contract monitored by the OIG, PwC, an independent public accounting firm, performed the Fiscal Years 2006 and 2005 Financial Statement Audit of GSA. The contract required that the audits be performed in accordance with United States Government Auditing Standards, and the Office of Management and Budget's (OMB) Bulletin No. 06-03, "Audit Requirements for Federal Financial Statements."

Results of Independent Audit

Report on the Financial Statements of GSA, the General Supply Fund and the Information Technology Fund

In PwC's opinion, the financial statements of GSA, the General Supply Fund, and the Information Technology Fund, presented fairly, in all material respects, the balance sheets of GSA, the General Supply Fund, and the Information Technology Fund, as of September 30, 2006 and 2005, and the related statements of net cost and changes in net position for the years then ended, and the statements of budgetary resources and financing for the year ended September 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

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Independent Auditor's Report

During the FY 2005 audit, it was noted that the statements of budgetary resources and financing of GSA, the General Supply Fund, and the Information Technology Fund, did not present fairly the status of budgetary resources in conformity with accounting principles generally accepted in the United States of America. PwC stated that management had identified material unfilled customer order balances and undelivered order balances of the Information Technology Fund that were invalid or cancelled. At the time it was unknown if the adjustment that may ultimately have to be made would disclose a material difference in the reported year-end balances. In addition, management discovered that it had failed to identify and adjust certain unfilled customer orders recorded by the Information Technology Fund that should have been reported in the General Supply Fund. Adjustments were made to correct the known errors; however, management was unable to determine the amounts of the potential unknown errors in unfilled customer orders of both funds and continued to review the balances after year-end.

Because of the reasons detailed above, PwC's scope of work was not sufficient to enable them to express, and they did not express an opinion on the statements of budgetary resources and statements of financing of GSA, the General Supply Fund, and the Information Technology Fund for the year ended September 30, 2005.

Report on the Financial Statements of the Federal Buildings Fund

In PwC's opinion, the financial statements of the Federal Buildings Fund, presented fairly, in all material respects, the financial position of the Federal Buildings Fund, as of September 30, 2006 and 2005, and the related statements of 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 its report on internal control over financial reporting (including safeguarding of assets), PwC determined that GSA, the Federal Buildings Fund, the General Supply Fund, and the Information Technology Fund had no material weaknesses. However, PwC identified three reportable conditions concerning GSA's need to (1) improve the monitoring, accounting, and reporting of budgetary transactions, (2) strengthen system access, separation of duties and monitoring controls, and (3) improve Public Buildings Service's controls over accounting, reporting, and monitoring of construction in process projects.

Compliance with Laws and Regulations

PwC reported that in October 2006, the agency's Office of General Counsel reported to agency management 14 matters involving possible infractions related to the Antideficiency Act and the Purpose Statute.

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 2006 and 2005 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 10, 2006, 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 Federal Financial Management Improvement Act; or conclusions on compliance with laws and regulations.

Report on Internal Controls Over Performance Measures

In accordance with OMB Bulletin No. 06-03, 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 2006 Annual Performance and Accountability Report. Our review found the design and operation of internal controls over performance measure data to be effective.

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 have any questions, please contact me at (202) 501-0450. If your staff have any questions or need additional information please contact Andrew Patchan, Acting Assistant Inspector General for Auditing at (202) 501-0374.

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Independent Auditor's Report

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Report of Independent Auditors

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

In our audits of the United States General Services Administration (GSA) and its three primary revolving funds, the Federal Buildings Fund (the FBF), the General Supply Fund (the GSF), and the Information Technology Fund (the ITF), we found:

- The balance sheets of GSA, the GSF, and the ITF, as of September 30, 2006 and 2005, and the related consolidated and individual statements of net cost, and of changes in net position for the years then ended, and the statement of budgetary resources and the statement of financing for the year ended September 30, 2006, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We were unable to express an opinion on the combined and individual statements of budgetary resources, and the consolidated and individual statements of financing of GSA, the GSF, and the ITF for the year ended September 30, 2005.

- The balance sheets of FBF as of September 30, 2006 and 2005, 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, the FBF, the GSF, and the ITF had no material weaknesses in internal control over financial reporting (including safeguarding of assets).

- No reportable instances of noncompliance with the applicable laws and regulations, we tested, specified in Appendix E of Office of Management and Budget (OMB) Bulletin No. 06-03, Audit Requirements for Federal Financial Statements. However, management has reported possible infractions on the part of GSA related to the Anti-Deficiency Act and Purpose Statute, resolution of which has yet to be determined.

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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, 2006 and 2005, and the related consolidated and individual statements of net cost and of changes in net position for the years then ended, and the statement of budgetary resources and statement of financing for the year ended September 30, 2006. 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 explained in the following paragraphs, 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 6.10 relating to internal control over performance measures, Office of Management and Budget Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*. The work required by the provisions of paragraph 6.10 relating to internal control over performance measures was performed by the GSA Office of Inspector General, and the objective of that work was to gain an understanding of and report deficiencies in the design of internal control over performance measures, rather than to plan the financial statement audit. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our report dated November 14, 2005, we did not express an opinion on the fiscal year 2005 combined and individual statements of budgetary resources and statements of financing for the GSA, the GSF, and the ITF, as they did not present fairly the status of budgetary resources in conformity with accounting principles generally accepted in the United States of America due to the following reasons:

- Management identified material unfilled customer order and undelivered order balances of the ITF that were invalid or cancelled as of September 30, 2005. It was unknown if the adjustments that may ultimately be determined to be necessary may materially impact reported balances and activity reported in the ITF's fiscal year 2005, statement of budgetary resources and statement of financing;

- 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 was unable to determine the amounts of potentially material errors in unfilled customer orders of the ITF and the GSF, and continued to review current balances on an ongoing basis. As of September 30, 2005, we were unable to obtain sufficient evidence to support any adjustments that might be required to correct the reported amounts.

INDEPENDENT AUDITOR'S REPORT

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Because of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the statements of budgetary resources and statements of financing of GSA, the GSF, and the ITF for the year ended September 30, 2005.

In our opinion, the balance sheets of GSA, the GSF, and the ITF as of September 30, 2006 and 2005, and the related consolidated and individual statements of net cost and of changes in net position for the years then ended, and the statement of budgetary resources and statement of financing for the year ended September 30, 2006, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Report on the Financial Statements of the FBF

We have audited the accompanying balance sheets of the FBF as of September 30, 2006 and 2005, 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 6.10 relating to internal control over performance measures, Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*. The work required by the provisions of paragraph 6.10 relating to internal control over performance measures was performed by the GSA Office of Inspector General, and the objective of that work was to gain an understanding of and report deficiencies in the design of internal control over performance measures, rather than to plan the financial statement audit. 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 opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the FBF as of September 30, 2006 and 2005, 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 GSA's, the FBF's, the GSF's, and the ITF's internal control, determined whether internal controls had been placed in operation, assessed control risk, and

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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, except for the provisions of paragraph 6.10 of OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*, relating to internal control over performance measures, that provide reasonable, but not absolute assurance, that: (1) transactions are properly recorded, processed, and summarized to permit the preparation of the consolidated, combined, and individual financial statements in accordance with accounting principles generally accepted in the United States of America, and to safeguard assets against loss from unauthorized acquisition, use, or disposition; (2) transactions are executed in accordance with laws governing the use of budget authority and any other laws, regulations, and government-wide policies identified in Appendix E of OMB Bulletin No. 06-03 that could have a direct and material effect on the consolidated and combined financial statements; and (3) transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management. The work required by the provisions of paragraph 6.10 relating to internal control over performance measures was performed by the GSA Office of Inspector General. 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 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 applicable 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 non-compliance in amounts that would be material in relation to the consolidated and combined 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. However, none of the reportable conditions is believed to be a material weakness.

* * *

Controls over monitoring, accounting, and reporting of budgetary transactions need improvement

Reportable Condition

PricewaterhouseCoopers LLP's (PwC's) November 14, 2005, Report of Independent Auditors on Internal Control, noted a material weakness in GSA's financial management systems, surrounding processes, substantial

Independent Auditor's Report

PricewaterhouseCoopers

transaction errors resulting from insufficient monitoring controls, and controls related to reporting of budgetary resources arising from the primary GSA service of customer agency order processing. These control weaknesses along with several uncertainties inhibited GSA management's timely prevention and detection of budgetary accounting and reporting misstatements, and as a result, we were unable to obtain reasonable assurance that certain budgetary balances reported on the fiscal year 2005 statement of budgetary resources and statement of financing of GSA, the GSF, and the ITF were reliable. Accordingly, we did not express an opinion on those fiscal year 2005 financial statements.

In fiscal year 2006, GSA and PBS, FSS, and FTS management undertook remedial actions to design and implement changes to their control and business processes around the reporting of budgetary transactions. These actions included the development of service line corrective action plans to address the fiscal year 2005 material weakness we reported in this area, and included a detailed approach to review fiscal year 2006 and prior year transactions. GSA management undertook efforts to: track and monitor the aging of unfilled customer orders (UFCO) and obligations; perform reconciliations of subsystems and business systems to the general ledger; develop policies and procedures to identify invalid contracts based on procurement regulations; perform reviews of budgetary entries at the transaction level; maintain inventories of budgetary transactions; assess the variance between the actual details of contracts and the statistical estimates made in the fiscal year 2005 balances; and confirm the unassigned UFCO balances allocated between the GSF and the ITF.

While tangible progress was made by management as noted above, we observed the following weaknesses during fiscal year 2006.

PwC performed control tests of the FBF, the GSF, and the ITF related to the processing, recording, and reporting of budgetary transactions. Controls either failed or were not in place at the time of our testing. The types of underlying transaction level errors observed by PwC during our control tests included instances of both overstatements and understatements of undelivered orders (UDOs), UFCOs, and recoveries of prior year obligations (PYRs), indicating weaknesses in the control procedures. These control weaknesses were related to:

1. UDOs, which represent GSA's commitments under obligations to vendors for goods and services ordered on behalf of customer agencies. During fiscal year 2006, we found instances where the FBF and the GSF management were unable to properly identify and record obligations as valid and complete.

2. UFCOs, which represent spending authority that customer agencies have obligated to GSA. During the fiscal year 2006 period, we noted that the FBF, the GSF, and the ITF management were unable to properly identify, classify, and record its UFCOs.

3. PYRs, which represent deobligations or downward adjustments to obligations incurred in prior years. GSA's business feeder systems for the GSF and the ITF did not provide detailed transaction level information to correctly recognize PYRs within Pegasys. As a result, time-consuming manual procedures were needed to compensate for financial system limitations.

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

- 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 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.

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

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 for PBS and a controller for FSS and FTS, 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 performed by service line finance and operations management. 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.

Independent Auditor's Report

PricewaterhouseCoopers

PwC's control evaluation demonstrated that improvements in processes have been implemented and that improved monitoring oversight of down-stream control processes was performed by GSA's financial management community and the OCFO. The OCFO has made significant progress in driving financial management and reporting initiatives and improvements throughout the service line communities.

Recommendation:

We recommend that GSA with OCFO oversight:

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

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

Reportable Condition

In prior fiscal years, GSA had a reportable condition regarding security weaknesses across GSA, the FBF, the GSF, and the ITF. During fiscal year 2006, GSA undertook corrective actions by implementing new policies and procedures to resolve a majority of the issues raised in the prior years. However, current year testing evidenced further control deficiencies that indicate weaknesses within GSA's logical access controls, separation of duties, and monitoring of user actions. We noted the following:

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1. Inadequate procedures for granting access and maintaining completed access authorizations:

   - Access authorizations were not completed and maintained for logical access to Pegasys and the System for Tracking and Administering Real Property (STAR).
   - Policies and procedures did not exist for performing periodic user recertification and monitoring of inactive accounts for the RWA Entry and Tracking Application (RETA).
   - A uniform procedure for requesting, authorizing, and granting access to the Office of Information Technology Management Information System (OMIS) was not implemented across all regions that use the application.

2. Weak separation of user and administrator duties:

   - Administrator accounts with access to the Oracle and Windows 2000 environments in OMIS were shared by multiple individuals with little accountability for user actions.
   - The access role structures for the Tracking and Ordering System (TOS) and OMIS were not setup in compliance with separation of duties and least privilege policies.

3. Weak monitoring of application audit trails and violation reports:

   - Policies and procedures for review of OMIS Windows 2000 security logs were not in place.
   - The logging capability and review process for STAR logs needs enhancement.
   - Monitoring of RETA user security logs and violation reports by a Security Administrator was not documented.

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

- Failure to maintain documentation of user authorizations and performance of recertification procedures presents the risk that unauthorized users can have access to the applications that is not commensurate with their current job responsibilities, and potentially affect the integrity of the financial data.

- Lack of enforcement of separation of duties policies and procedures exposes the applications to the risk that certain users (IT management staff and end users) could obtain the ability to perform multiple critical system maintenance tasks and initiate and approve transactions without adequate oversight and limitations. This violation of the concept of "least privilege" may lead to an environment more conducive to fraudulent activity and/or inaccurate processing of financial data, ultimately affecting the integrity of the financial statements.

- Allowing administrator accounts with shared passwords creates an environment where malicious or inadvertent activity could occur with little or no individual accountability or audit trail. Multiple users accessing sensitive system functions under the same user account detracts from the ability to trace system events and actions to specific users. This creates a risk from a financial reporting perspective if the application feeds financial data to the general ledger, and ultimately the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

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

Recommendation:

GSA management should strengthen general and application security controls by taking actions to improve:

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

Controls over accounting, reporting, and monitoring of construction in process projects continue to need improvement

Reportable Condition

Since fiscal year 2001, PBS has experienced problems related to cost transfers 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" were not clearly defined throughout the year, which resulted in different interpretations for similar projects amongst regions.

In our previous reports, we recommended management address the reported control weaknesses to ensure accurate and timely financial reporting. Management's corrective action plan was twofold: 1) enforcing its control procedures at the project level through communication with regional offices; and 2) continuing to implement its mitigating controls through a 100% quarterly review of all CIP projects over $7 million and a semi-annual statistical sample review on the remaining population of CIP projects. However, as of September 30, 2006, the magnitude of errors identified by management during their reviews and our audit testing continues to indicate that the underlying detail transactions are not accurate, weaknesses exist in execution of control activities, and systems enhancements are necessary. Specifically, the following conditions were noted:

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1. Controls over manual input of actual substantial completion dates, timely transfer of assets to the appropriate asset account, and validation of incorrectly capitalized, cancelled, or abandoned CIP projects are not effective.

2. Corrections of errors noted during management's mitigating control procedures are not made to the financial systems at the detail transaction level.

3. PBS' work item inventory system, Inventory Reporting Information System (IRIS), generates and maintains project information at the ASID level, which is equivalent to a project number in RPADS and Pegasys. However, it cannot manage the accounting treatment at the individual asset level.

4. IRIS feeds project data to RPADS, which is developed, maintained, and operated by the GSA Office of the CFO. RPADS interfaces with Pegasys to update the related general ledger accounts. However, current system limitations in RPADS inhibit the processing of multiple CIP completion dates within a multiphase project. Therefore, data is only read at the project level resulting in incorrect project completion dates in Pegasys, upon which incorrect depreciation activities are based.

5. The general ledger accounts related to CIP, PP&E, and depreciation are materially misstated throughout, and at the end of, the fiscal year. These accounts are not corrected or updated for errors noted during management's reviews. Errors in amounts in CIP, PP&E, and depreciation balances are maintained in separate manual spreadsheets, which are then used to record adjustments at the summary level for financial statement reporting purposes only, as opposed to recording in the system of record. As of September 30, 2006, PBS recorded $1.4 billion in summary adjustments to transfer construction costs from the CIP account to the PP&E account. This amount was derived based on the periodic reviews spanning multiple years of all CIP projects over $7 million and a statistical sample of the remaining unadjusted CIP projects.

6. We reviewed a sample of 45 Minor Repair and Alteration (Budget Activity PG54) and 45 Major Projects (Budget Activity PG51/PG55) project files from three Regions to evaluate whether substantially completed projects were properly transferred from CIP to the appropriate asset general ledger account timely. We noted the following errors which indicate substantially completed CIP projects were not transferred timely to the proper asset account, not transferred at all, or incorrectly transferred, indicating continued weaknesses in the underlying controls.

Region	Sample Size	Errors Noted
Region 3 – Mid Atlantic	30	1/30
Region 4 – Southeast Sunbelt	30	3/30
Region 11 – National Capital Region	30	2/30

7. The results of FBF management's August 2006, statistical sample and 100% review of all CIP projects over $7 million indicated that 24% of the CIP projects reviewed were incorrectly classified as CIP,

Independent Auditor's Report

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either because they were substantially complete or did not meet PBS' policy for capitalization and should be expensed, and resulted in a downward adjustment to the CIP year-end balance of over $147 million.

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

1. 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.

2. 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 effective continuous monitoring program is in place, it can level the resources needed to maintain effective internal controls throughout the year.

3. 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.

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

PBS should enforce effective internal controls which prevent errors in individual transactions and balances from occurring in the future. Maintaining accurate data in IRIS and enhancing the system capabilities of RPADS for CIP projects is necessary for PBS to generate accurate financial information on a routine basis. We believe such preventative controls would be more effective and efficient than the compensating quarterly high dollar reviews and semi-annual statistical sampling controls.

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Recommendation

We recommend that PBS management:

- Work with the GSA OCFO on replacing RPADS with an Asset Management Module integrated with Pegasys that enables the reporting of CIP transactions at the individual asset level. This will reduce the number of summary adjustments made to the financial statements for financial reporting purposes.
- Enhance the capabilities of IRIS to include budgetary and proprietary accounting related information at the asset level within an ASID.
- Continue its efforts to communicate the definition of "substantial completion" to its Regional offices.
- Continue to enforce its control procedures at the project level, to ensure that substantially complete CIP projects are transferred to the appropriate asset account in a timely manner.
- Implement Regional procedures that require expensing items from CIP when a project is cancelled or when the item does not meet the definition of a capital asset.
- As enhancements are implemented, management should perform compensating detective controls aimed at resolving potential financial reporting errors.

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

Report on Compliance with Applicable Laws and Regulations

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 that transactions are executed in accordance with laws governing the use of budget authority and any other laws, regulations, and government-wide policies identified in Appendix E of OMB Bulletin No. 06-03 that could have a direct and material effect on the consolidated and combined financial statements, including the requirements referred to in FFMIA. 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 possible non-compliance with laws and regulations discussed in the preceding paragraph exclusive of FFMIA or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 06-03.

FTS contracting practices

As a follow-up to their June 2005 report that cited instances in which FTS officials did not comply with all applicable procurement regulations and possible infractions of the Antideficiency Act (ADA), 31 U.S.C. §

INDEPENDENT AUDITOR'S REPORT

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1341(a), the OIG issued a report on September 29, 2006, titled, "Compendium of Audits of FTS Client Support Center Controls". In this report, they noted the Client Support Centers (CSCs) generally met the relevant regulations contained in the Federal Acquisition Regulations and GSA guidance, and that eleven of the twelve regional CSCs reviewed that were previously determined to be "not compliant with procurement regulations but making significant progress toward becoming compliant" are now compliant with procurement regulations. The remaining one CSC had been determined to be compliant by the OIG in their June 2005 report.

In a letter dated October 27, 2006, the GSA Office of General Counsel (OGC) communicated to GSA management 14 matters involving possible infractions on the part of GSA related to the ADA and Purpose Statute. Of the 14, the GSA OGC determined that nine of the cases can be fixed provided that the Department of Defense (DoD) can supply corrective funding. Of the remaining five matters, GSA continues to work with the DoD to determine if corrective funding can be supplied.

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.

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

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 No. 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, or individual, financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated and combined, and individual financial statements and, accordingly, we express no opinion on it.

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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, and should not, be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

November 9, 2006

INDEPENDENT AUDITOR'S REPORT

U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

NOV 02 2006

MEMORANDUM FOR LURITA DOAN
ADMINISTRATOR (A)

KATHLEEN M. TURCO
CHIEF FINANCIAL OFFICER (B)

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: Report on Internal Controls Over Performance Measures
Report Number: A070007/B/F/F07004

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 2006 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 2006 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.

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

We conducted this review in accordance with generally accepted government auditing standards, as well as the provisions set forth in the Office of Management and Budget Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*, related to performance measures.

Results of Audit

We found the design and operation of the system of internal controls over performance measure data reported in the Management Discussion and Analysis Section of the Agency's Fiscal Year 2006 Performance and Accountability Report to be effective.

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.

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

Principal Financial Statements

CONSOLIDATING STATEMENTS OF NET COST

For the Fiscal Years Ended September 30, 2006 and 2005
(Dollars in Millions)

	2006	2005
FEDERAL BUILDINGS FUND:		
Revenues:.		
Building Operations - Government-Owned	**$3,740**	$ 3,662
Building Operations - Leased	**4,769**	4,583
Expenses:		
Building Operations - Government-Owned	**3,188**	2,830
Building Operations - Leased	**4,714**	4,441
Net Revenues From (Cost of) Operations	**607**	974
GENERAL SUPPLY FUND:		
Revenues:		
Global Supply Operations	**1,029**	1,028
Vehicle Acquisition and Leasing	**1,527**	1,454
Commercial Acquisition	**424**	452
Professional Services	**661**	732
Other Programs	**62**	68
Expenses:		
Global Supply Operations	**1,005**	1,056
Vehicle Acquisition and Leasing	**1,466**	1,403
Commercial Acquisition	**368**	395
Professional Services	**675**	729
Other Programs	**66**	66
Net Revenues From (Cost of) Operations	**123**	85
INFORMATION TECHNOLOGY FUND:		
Revenues:		
Network Services	**1,210**	1,247
IT Solutions	**3,704**	5,473
Expenses:		
Network Services	**1,169**	1,206
IT Solutions	**3,856**	5,525
Net Revenues From (Cost of) Operations	**(111)**	(11)

Continued from previous page

	2006	2005
OTHER FUNDS:		
Revenues:		
Working Capital Fund	**367**	378
GSA OE and OGP Funds	**20**	7
Other Funds	**13**	12
Expenses:		
Working Capital Fund	**372**	360
GSA OE and OGP Funds	**160**	171
Other Funds	**110**	103
Net Revenues From (Cost of) Operations	**(242)**	(237)
LESS: INTRA-GSA ELIMINATIONS (NOTE 1-B):		
Revenues	**586**	581
Expenses	**618**	608
GSA CONSOLIDATED:		
Revenues	**16,940**	18,515
Expenses	**16,531**	17,677
Net Revenues From (Cost of) Operations	**$409**	$ 838

The accompanying notes are an integral part of these statements.

Principal Financial Statements

CONSOLIDATING BALANCE SHEETS

As of September 30, 2006 and 2005
(Dollars in Millions)

	Federal Buildings Fund		General Supply Fund	
	2006	**2005**	**2006**	**2005**
ASSETS				
Intragovernmental Assets:				
Funds with U.S.Treasury (Note 1-D,2)	**$ 5,606**	$ 5,449	**$ 490**	$ 492
Accounts Receivable - Federal, Net (Note 4)	**295**	314	**377**	398
Prepaid Expenses and Advances - Federal	**6**	1	**4**	6
Total Intragovernmental	**5,907**	5,764	**871**	896
Inventories (Note 1-E)	**6**	5	**246**	224
Accounts Receivable - Public, Net (Note 4)	**11**	11	**87**	78
Prepaid Expenses and Advances - Public	**20**	18	**-**	-
Other Assets	**12**	14	**4**	6
Property and Equipment (Notes 1-F,5):				
Buildings	**25,764**	24,053	**-**	-
Leasehold Improvements	**207**	304	**24**	15
Telecommunications and ADP Equipment	**-**	-	**-**	-
Motor Vehicles	**-**	-	**3,935**	3,880
Other Equipment and Software	**76**	68	**134**	140
Less: Accumulated Depreciation and Amortization	**(12,760)**	(11,991)	**(1,314)**	(1,307)
Subtotal	**13,287**	12,434	**2,779**	2,728
Land	**1,438**	1,273	**-**	-
Construction in Process and Software in Development	**2,118**	2,309	**16**	9
Total Property and Equipment	**16,843**	16,016	**2,795**	2,737
Total Assets	**$ 22,799**	$ 21,828	**$ 4,003**	$ 3,941
LIABILITIES AND NET POSITION				
Intragovernmental Liabilities:				
Accounts Payable and Accrued Expenses - Federal	**$ 75**	$ 67	**$ 21**	$ 29
Deferred Revenue and Advances - Federal	**13**	28	**85**	81
Intragovernmental Debt (Note 6)	**2,192**	2,201	**-**	-
Other Intragovernmental Liabilities (Note 9)	**259**	266	**7**	4
Total Intragovernmental	**2,539**	2,562	**113**	114
Accounts Payable and Accrued Expenses - Public	**944**	796	**272**	278
Deferred Revenue and Advances - Public	**4**	3	**1**	1
Environmental and Disposals Liabilities (Notes 5,10)	**94**	93	**-**	-
Obligations Under Capital Leases (Note 8)	**285**	296	**-**	-
Workers' Compensation Actuarial Liability (Note 7)	**106**	109	**37**	36
Annual Leave Liability (Note 1-G)	**43**	41	**19**	19
Deposit Fund Liability	**-**	-	**-**	-
Earnings Payable to U.S.Treasury	**-**	-	**157**	84
Other Liabilities (Note 9)	**232**	190	**-**	-
Total Liabilities	**4,247**	4,090	**599**	532
NET POSITION (NOTE 14):				
Cumulative Results of Operations	**18,552**	17,738	**3,404**	3,409
Unexpended Appropriations	**-**	-	**-**	-
Total Net Position	**18,552**	17,738	**3,404**	3,409
Total Liabilities and Net Position	**$ 22,799**	$ 21,828	**$ 4,003**	$ 3,941

The accompanying notes are an integral part of these statements.

	Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
	2006	2005	2006	2005	2006	2005	2006	2005
	$ 188	$ 231	$ 595	$ 606	$ -	$ -	$ 6,879	$ 6,778
	831	1,083	3	3	24	28	1,482	1,770
	-	-	2	1	4	1	8	7
	1,019	1,314	600	610	28	29	8,369	8,555
	-	-	-	-	-	-	252	229
	3	10	26	16	-	-	127	115
	-	-	-	-	-	-	20	18
	6	7	1	1	20	26	3	2
	-	-	-	-	-	-	25,764	24,053
	-	-	-	-	-	-	231	319
	104	159	-	-	-	-	104	159
	-	-	-	-	-	-	3,935	3,880
	23	94	80	78	-	-	313	380
	(107)	(222)	(40)	(32)	-	-	(14,221)	(13,552)
	20	31	40	46	-	-	16,126	15,239
	-	-	-	-	-	-	1,438	1,273
	-	85	1	-	-	-	2,135	2,403
	20	116	41	46	-	-	19,699	18,915
	$ 1,048	$ 1,447	$ 668	$ 673	$ 48	$ 55	$ 28,470	$ 27,834
	$ 2	$ 36	$ 6	$ 13	$ 24	$ 28	$ 80	$ 117
	27	44	39	52	24	27	140	178
	-	-	-	-	-	-	2,192	2,201
	-	1	24	58	-	-	290	329
	29	81	69	123	48	55	2,702	2,825
	805	1,049	29	29	-	-	2,050	2,152
	-	2	-	-	-	-	5	6
	-	-	31	21	-	-	125	114
	-	-	-	-	-	-	285	296
	2	5	20	20	-	-	165	170
	11	13	19	19	-	-	92	92
	-	-	65	54	-	-	65	54
	-	-	32	22	-	-	189	106
	-	-	49	49	-	-	281	239
	847	1,150	314	337	48	55	5,959	6,054
	201	297	243	231	-	-	22,400	21,675
	-	-	111	105	-	-	111	105
	201	297	354	336	-	-	22,511	21,780
	$ 1,048	$ 1,447	$ 668	$ 673	$ 48	$ 55	$ 28,470	$ 27,834

PRINCIPAL FINANCIAL STATEMENTS

CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2006 AND 2005
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND	
	2006	**2005**	**2006**	**2005**
BEGINNING BALANCE OF NET POSITION:				
Cumulative Results of Operations	**$ 17,738**	$ 16,686	**$ 3,409**	$ 3,275
Unexpended Appropriations	**-**	30	**-**	-
Net Position Beginning Balance	**17,738**	16,716	**3,409**	3,275
RESULTS OF OPERATIONS:				
Net Revenue From (Cost of) Operations	**607**	974	**123**	85
Appropriations Used (Note 1-C)	**75**	30	**-**	-
Non-Exchange Revenue (Notes 1-C, 1-G)	**2**	-	**-**	-
Imputed Financing Provided By Others	**57**	55	**30**	28
Transfer of Earnings Paid and Payable to U.S. Treasury	**-**	-	**-**	-
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	**73**	(7)	**(159)**	20
Receipts Paid and Reclassified as Payable From (To) the Land and Water Conservation Fund	**-**	-	**-**	-
Other	**-**	-	**1**	1
Net Results of Operations	**814**	1,052	**(5)**	134
CHANGES IN UNEXPENDED APPROPRIATIONS:				
Appropriations Received	**75**	-	**-**	-
Appropriations Used	**(75)**	(30)	**-**	-
Appropriations Adjustments and Transfers From Other Agencies or Funds	**-**	-	**-**	-
Other	**-**	-	**-**	-
Net Change in Unexpended Appropriations	**-**	(30)	**-**	-
ENDING BALANCE OF NET POSITION:				
Cumulative Results of Operations	**18,552**	17,738	**3,404**	3,409
Unexpended Appropriations	**-**	-	**-**	-
Net Position Ending Balance	**$ 18,552**	$ 17,738	**$ 3,404**	$ 3,409

The accompanying notes are an integral part of these statements.

INFORMATION TECHNOLOGY FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
2006	2005	2006	2005	2006	2005	2006	2005
$ 297	$ 293	$ 231	$ 179	$ -	$ -	$ 21,675	$ 20,433
-	-	105	110	-	-	105	140
297	293	336	289	-	-	21,780	20,573
(111)	(11)	(242)	(237)	(32)	(27)	409	838
-	-	197	215	-	-	272	245
-	-	94	57	-	-	96	57
15	15	26	44	32	27	96	115
-	-	(68)	(28)	-	-	(68)	(28)
-	-	11	6	-	-	(75)	19
-	-	(6)	(5)	-	-	(6)	(5)
-	-	-	-	-	-	1	1
(96)	4	12	52	-	-	725	1,242
-	-	217	218	-	-	292	218
-	-	(197)	(215)	-	-	(272)	(245)
-	-	(14)	(8)	-	-	(14)	(8)
-	-	-	-	-	-	-	-
-	-	6	(5)	-	-	6	(35)
201	297	243	231	-	-	22,400	21,675
-	-	111	105	-	-	111	105
$ 201	$ 297	$ 354	$ 336	$ -	$ -	$ 22,511	$ 21,780

Principal Financial Statements

COMBINING STATEMENTS OF BUDGETARY RESOURCES

For the Fiscal Years Ended September 30, 2006 and 2005
(Dollars in Millions)

	FEDERAL BUILDINGS FUND	
	2006	**2005**
BUDGETARY RESOURCES:		
Unobligated Balance, Net - Beginning Balance	**$ 3,834**	$ 4,293
Prior Year Recoveries	**65**	274
Budget Authority		
Appropriations	**75**	-
Spending Authority:		
Earned Revenue	**8,546**	8,263
Change in Unfilled Customer Orders	**165**	(222)
Previously Unavailable	**515**	-
Resources Temporarily Not Available	**(56)**	(515)
Transfers	**(41)**	(40)
Total Budgetary Resources	**13,103**	12,053
STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred		
Direct	**-**	-
Reimbursable	**9,075**	8,219
Unobligated Balance - Available		
Apportioned	**4,028**	3,737
Exempt from Apportionment	**-**	-
Unobligated Balance - Not Available	**-**	97
Total Status of Budgetary Resources	**13,103**	12,053
CHANGE IN OBLIGATED BALANCE:		
Obligated Balance, Net - Beginning Balance		
Unpaid Obligations, Oct 1	**2,942**	3,095
Less: Uncollected Customer Payments, Oct 1	**(1,731)**	(1,879)
Obligations Incurred	**9,075**	8,219
Less: Gross Outlays	**(8,476)**	(8,099)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	**(65)**	(274)
Change in Uncollected Customer Payments (Increase)/Decrease	**(156)**	149
Obligated Balance, Net - End of Period:		
Unpaid Obligations	**3,476**	2,942
Less: Uncollected Customer Payments	**(1,887)**	(1,731)
NET OUTLAYS		
Gross Outlays	**8,476**	8,099
Less: Offsetting Collections	**(8,555)**	(8,190)
Less: Offsetting Receipts	**-**	-
Net Outlays	**$ (79)**	$ (91)

The accompanying notes are an integral part of these statements.

	General Supply Fund		Information Technology Fund		Other Funds		GSA Consolidated Totals	
	2006	2005	2006	2005	2006	2005	2006	2005
	$ 714	$ 594	$ 1,769	2,331	$ 194	$ 155	$ 6,511	7,373
	83	98	367	989	25	26	540	1,387
	-	-	-	-	260	238	335	238
	4,628	4,720	4,946	6,747	396	425	18,516	20,155
	(121)	(121)	(861)	(2,073)	(17)	(4)	(834)	(2,420)
	-	-	-	-	-	-	515	-
	-	-	-	-	-	-	(56)	(515)
	(92)	-	-	-	(13)	(5)	(146)	(45)
	5,212	5,291	6,221	7,994	845	835	25,381	26,173
	-	-	-	-	206	216	206	216
	4,624	4,577	4,987	6,225	404	425	19,090	19,446
	588	614	-	-	108	69	4,724	4,420
	-	-	1,234	1,769	-	-	1,234	1,769
	-	100	-	-	127	125	127	322
	5,212	5,291	6,221	7,994	845	835	25,381	26,173
	1,134	1,288	3,177	4,887	195	177	7,448	9,447
	(1,356)	(1,459)	(4,714)	(6,930)	(16)	(6)	(7,817)	(10,274)
	4,624	4,577	4,987	6,225	610	641	19,296	19,662
	(4,559)	(4,633)	(5,190)	(6,945)	(614)	(597)	(18,839)	(20,274)
	(83)	(98)	(367)	(989)	(25)	(26)	(540)	(1,387)
	143	103	1,062	2,215	11	(10)	1,060	2,457
	1,115	1,134	2,607	3,177	166	195	7,364	7,448
	(1,212)	(1,356)	(3,652)	(4,714)	(5)	(16)	(6,756)	(7,817)
	4,559	4,633	5,190	6,945	614	597	18,839	20,274
	(4,650)	(4,702)	(5,147)	(6,889)	(390)	(411)	(18,742)	(20,192)
	-	-	-	-	(76)	(21)	(76)	(21)
	$ (91)	$ (69)	$ 43	$ 56	$ 148	$ 165	$ 21	$ 61

Principal Financial Statements

CONSOLIDATING STATEMENTS OF FINANCING

For the Fiscal Years Ended September 30, 2006 and 2005
(Dollars in Millions)

	FEDERAL BUILDINGS FUND 2006	FEDERAL BUILDINGS FUND 2005	GENERAL SUPPLY FUND 2006	GENERAL SUPPLY FUND 2005
RESOURCES USED TO FINANCE ACTIVITIES:				
Obligations Incurred	**$ 9,075**	$ 8,219	**$ 4,624**	$ 4,577
Less: Spending Authority From Offsetting Collections and Adjustments	**(8,776)**	(8,315)	**(4,590)**	(4,697)
Financing Imputed for Cost Subsidies	**57**	55	**30**	28
Other	**(82)**	5	**74**	(29)
Total Resources Used to Finance Activities	**274**	(36)	**138**	(121)
RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS:				
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	**(394)**	144	**7**	173
Increase/(Decrease) in Unfilled Customer Orders	**165**	(222)	**(121)**	(121)
Costs Capitalized on the Balance Sheet	**(1,655)**	(1,634)	**(749)**	(752)
Financing Sources Funding Prior Year Costs	**48**	(33)	**(84)**	-
Other	**-**	2	**77**	24
Total Resources Used That Are Not Part of the Net Cost of Operations	**(1,836)**	(1,743)	**(870)**	(676)
COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS:				
Depreciation and Amortization	**940**	788	**394**	385
Net Book Value of Property Sold	**12**	-	**285**	312
Other	**22**	41	**(74)**	9
Total Costs Financed by Resources Received in Prior Periods	**974**	829	**605**	706
COSTS REQUIRING RESOURCES IN FUTURE PERIODS:				
Unfunded Capitalized Costs	**(33)**	(19)	**-**	-
Unfunded Current Expenses	**14**	(5)	**4**	6
Total Costs Requiring Resources in Future Periods	**(19)**	(24)	**4**	6
Net (Income From) Cost of Operations	**$ (607)**	$ (974)	**$ (123)**	$ (85)

The accompanying notes are an integral part of these statements.

INFORMATION TECHNOLOGY FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
2006	2005	2006	2005	2006	2005	2006	2005
$ 4,987	$ 6,225	**$ 610**	$ 641	**$ -**	$ -	**$ 19,296**	$ 19,662
(4,452)	(5,663)	**(404)**	(447)	**-**	-	**(18,222)**	(19,122)
15	15	**26**	44	**32**	27	**96**	115
7	-	**(76)**	(3)	**-**	-	**(77)**	(27)
557	577	**156**	235	**32**	27	**1,093**	628
322	1,523	**20**	(21)	**-**	-	**(45)**	1,819
(861)	(2,073)	**(17)**	(4)	**-**	-	**(834)**	(2,420)
-	(27)	**(9)**	(13)	**-**	-	**(2,413)**	(2,426)
-	-	**-**	-	**-**	-	**(36)**	(33)
(4)	-	**69**	33	**-**	-	**142**	59
(543)	(577)	**63**	(5)	**-**	-	**(3,186)**	(3,001)
13	17	**14**	12	**-**	-	**1,361**	1,202
-	-	**-**	-	**-**	-	**297**	312
85	-	**-**	-	**-**	-	**33**	50
98	17	**14**	12	**-**	-	**1,691**	1,564
-	-	**-**	-	**-**	-	**(33)**	(19)
(1)	(6)	**9**	(5)	**-**		**26**	(10)
(1)	(6)	**9**	(5)	**-**	-	**(7)**	(29)
$ 111	$ 11	**$ 242**	$ 237	**$ 32**	$ 27	**$ (409)**	$ (838)

Notes to the Financial Statements

For the Fiscal Years Ended
September 30, 2006 and 2005

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 Service (FTS), respectively. The FSS and FTS organizations were combined into one Federal Acquisition Service (FAS) in the fourth quarter of fiscal year (FY) 2005.

In association with some of the primary purposes that led to the 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 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 separate funding structure and authorities of GSF and ITF required segregation of technology from non-technology procurements, which can significantly hinder efficient management of procurements.

From GSA's proposed legislation, Congressional action was taken, resulting in development of the General Services Administration Modernization Act, which was signed into law on October 6, 2006, combining GSF and ITF into one new fund, the Acquisition Services Fund, with an effective date of December 5, 2006. Accordingly, there is no retroactive impact for financial statements reporting purposes.

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

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

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

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

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

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

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

Notes to the Financial Statements

B. Basis of Accounting

The principal financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by FASAB, and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements.* The American Institute of Certified Public Accountant's (AICPA) Statement on Auditing Standards No. 91, *Federal GAAP Hierarchy,* established a hierarchy of GAAP for Federal financial statements. GSA's financial statements are prepared in accordance with requirements prescribed in OMB Circular A-136, in all material respects. These formats are considerably different from business-type formats. The 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 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 reconciles all intragovernmental fiduciary transactions activity, and worked with agency partners to reduce significant or material differences reported by other agencies in conformance with Department of the Treasury intra-governmental reporting guidelines and requirements of OMB Circular A-136.

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

On the Statements of Net Cost, Balance Sheets, Statements of Changes in Net Position, and 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 Statements of Changes in Net Position display the offsetting balances between these categories.

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

C. Revenue Recognition and Appropriations Used

Substantially all revenues reported by GSA's funds on the Statements of Net Cost are generated from intra-governmental sales of goods and services, with the exception of GSF Schedules program revenues noted below. GSA earns 99 percent of revenues from other Federal customers. Expenses are primarily incurred with non-Federal entities supplying the underlying goods and services being provided to GSA's Federal customers with only one percent of operating expenses resulting from purchases from other Federal agencies. Each fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that the funds will pay to provide such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover costs covered by other funds or entities of the U.S. government, such as for post-employment and other inter-entity costs. Revenues from non-Federal entities make up an immaterial portion of GSA's total sales. Accordingly, where not otherwise governed by law, unique rates for non-Federal customers have generally not been established.

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered. In the FBF, rent revenues are earned based on occupancy agreements with customers, as space and services are provided. Generally, agencies are billed for space at rent based upon commercial rates for comparable space. In some instances special rates are arranged in accordance with Congressional guidance or other authorized purposes. Most agencies using funding from Trust Funds have rent rates set to recover full cost. Revenue under nonrecurring reimbursable building repairs and alterations (R&A) projects is recognized under the percentage-of-completion method. In the 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 $276 million in fees, constituting 7.5 percent of GSF revenues in FY 2006, and $269 million (7.2 percent of GSF revenues) in FY 2005. 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 U.S. Treasury. Non-Exchange revenues are reported net of associated bad debt expense on uncollectible accounts.

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

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 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, $3.5 million of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another Federal agency, sold, or donated to state or local governments.

Notes to the Financial Statements

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.

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, generally five years, or the unexpired lease term. Buildings capitalized by the FBF at its inception in 1974 were assigned remaining useful lives of 30 years. Prior to 1974, no depreciation was recorded by GSA. It is GSA policy to capitalize construction costs in the Land and Buildings accounts upon project completion. Buildings acquired under capital lease agreements are also depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years and 10 years, respectively.

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

Motor vehicles are generally depreciated over four to six years.

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

G. Annual, Sick, and Other Types of Leave

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

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

2 Fund Balance With U.S. Treasury

A. Reconciliation to U.S. Treasury

There were only negligible differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2006 and 2005.

B. Balances by Fund Type

Fund Balance with U.S. Treasury are primarily components of revolving funds such as the FBF, GSF, and ITF. Within the Other Funds category, Special Receipt and Special Expenditure Funds are classified as earmarked funds in accordance with FASAB SFFAS No. 27, *Identifying and Reporting Earmarked Funds.* The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

	2006	2005
Revolving Funds	$ 218	$ 216
Appropriated and General Funds	181	185
Special Receipt Funds	113	126
Special Expenditure Funds	45	28
Deposit Funds	38	51
Total Other Funds	$ 595	$ 606

C. Relationship to the Budget

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

	OBLIGATED BALANCE, NET	UNOBLIGATED BALANCE		TOTAL
		AVAILABLE	UNAVAILABLE	
FY 2006				
FBF	$ 1,560	$ 3,990	$ 56	$5,606
GSF	(98)	588	-	490
ITF	(1,046)	1,234	-	188
Others	161	108	326	595
Total	$ 577	$ 5,920	$ 382	$6,879
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

D. Availability of Funds

In GSA's earmarked Special Receipt Funds, included in balances of Fund Balance with U.S. Treasury, are certain amounts that may be transferred to either the U.S. Treasury (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 $113 million and $118 million at September 30, 2006 and 2005, respectively, of which $32 million and $21 million, respectively, were recorded as liabilities in the Consolidating Balance Sheets.

At September 30, 2006 and 2005, the amounts in Fund Balance with Treasury that were no longer available for expenditure and authorities cancelled totaled $4 million and $3 million, respectively. 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 Fund Balance with U.S. Treasury balances also includes amounts where authority to incur new obligations has expired, but are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled $38 million and $31 million at September 30, 2006 and 2005, respectively.

The FBF has balances that are temporarily not available in accordance with annual appropriation acts that limit the amount of reimbursable resources that are available for spending each year. Such amounts totaled $56 million and $515 million at September 30, 2006 and 2005, respectively, and will not be available for expenditure except as authorized in future appropriation acts.

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 FYs 2006 and 2005, only the GSF had estimated balances in this regard, totaling $157 million and $84 million, respectively, of excess amounts that are classified as Earnings Payable to Treasury.

Notes to the Financial Statements

Effective on October 1, 2004, Public Law 108-309 transferred the balances of the Panama Canal Revolving Fund to GSA as the Panama Canal Commission was abolished. At September 30, 2006 and 2005, this fund contains $41 million of balances being retained to liquidate any claims related to that Commission and its responsibilities. After settlement of all litigations, any balances not needed to liquidate claims will be returned to the government of Panama.

3 Non-Entity Assets

As of September 30, 2006 and 2005, 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):

	2006	2005
Funds with U.S. Treasury	$ **85**	$ 106
Accounts Receivable - Public	**1**	1
Prepaid Expenses - Federal	-	1
Total	$ **86**	$ 108

4 Accounts and Notes Receivable

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

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

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

	FEDERAL BUILDINGS FUND		GENERAL SUPPLY FUND	
	2006	2005	2006	2005
CURRENT:				
Accounts Receivable - Billed	$ **110**	$ 119	$ **79**	$ 91
Accounts Receivable - Unbilled	**200**	218	**388**	389
Allowance for Doubtful Accounts	**(4)**	(12)	**(3)**	(4)
Subtotal Current Receivables	**306**	325	**464**	476
NONCURRENT NOTES RECEIVABLE				
(Net of Allowance of $51 million and $45 million in 2006 and 2005, respectively)	-	-	-	-
Total Accounts and Notes Receivable	$ **306**	$ 325	$ **464**	$ 476

	INFORMATION TECHNOLOGY FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2006	2005	2006	2005	2006	2005	2006	2005
	$ 36	$ 69	$ 30	$ 21	$ -	$ -	$ 255	$ 300
	799	1,024	3	3	24	28	1,366	1,606
	(1)	-	(4)	(5)	-	-	(12)	(21)
	834	1,093	29	19	24	28	1,609	1,885
	-	-	-	-	-	-	-	-
	$ 834	$ 1,093	$ 29	$ 19	$ 24	$ 28	$ 1,609	$ 1,885

Notes to the Financial Statements

5 Property and Equipment

A. Summary of Balances

In FY 2006, GSA recorded capitalized interest costs of $6.7 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 2005 amounted to $2.6 million. Balances in GSA's Property and Equipment accounts subject to depreciation as of September 30, 2006 and 2005, are summarized below (dollars in millions).

	2006			2005		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 25,764	$ 12,534	$ 13,230	$ 24,053	$ 11,682	$ 12,371
Leasehold Improvements	231	197	34	319	285	34
Telecom and ADP Equipment	104	88	16	159	136	23
Motor Vehicles	3,935	1,224	2,711	3,880	1,219	2,661
Other Equipment	313	178	135	380	230	150
Total	$ 30,347	$ 14,221	$ 16,126	$ 28,791	$ 13,552	$ 15,239

B. Cleanup Costs

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

In accordance with FASAB'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 $94 million and $93 million for Environmental and Disposals costs as of September 30, 2006 and 2005, respectively, for properties currently in GSA's property inventory. In instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized the estimated costs for related environmental studies as is prescribed in the guidance noted above. Management has estimated an additional $15 million and $25 million in FYs 2006 and 2005, respectively, of potential cleanup costs where it is only possible that GSA could incur additional costs. In some instances, GSA has been named as a party in certain environmental cases where the subject property is no longer in the GSA or Federal property inventory. GSA's liability for such cases is further discussed in Note 10.

C: Heritage Assets

With an average age of GSA's buildings being over 44-years-old, many buildings have historical, cultural, and/or architectural significance. While GSA uses these buildings to meet the office space and other needs of the Federal government, maintaining and preservation of historical elements is a significant priority. In accordance with SSFAS No. 29, *Heritage Assets and Stewardship Land*, these buildings meet the definition of Multi-use Heritage Assets, and are reportable within general property, plant, and equipment on the Balance Sheets.

GSA defines its Historic Buildings as those buildings that are either listed on the National Register of Historic Places, have formally been determined eligible, or appear to meet eligibility criteria to be listed. GSA has 243 buildings on the National Register, of which 64 are designated as National Historical Landmarks. An additional 108 buildings are, or appear, eligible for listing on the National Register. Under the National Historic Preservation Act, GSA is required to give these buildings special consideration, including first preference for Federal use, and rehabilitation in accordance with standards established by the U.S. Department of the Interior.

6 Intragovernmental Debt

A. Lease Purchase Debt

Starting in FY 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the FBF lease purchase authority. Under these agreements, the FBF borrows monies (as advance payments) through the FFB or executes lease-to-own contracts to finance the lease purchases. The program authorizes total expenditures of $1,945 million for 11 projects. In FYs 2006 and 2005, the FFB made advance payments on behalf of GSA totaling $44 million and $43 million, respectively. As of September 30, 2006 and 2005, $67 million and $111 million, respectively, of borrowing authority under the lease purchase program remained available for additional advance payments.

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities are as follows (dollars in millions): 2007 - $41; 2008 - $43; 2009 - $46; 2010 - $49; 2011 - $53; 2012 and beyond - $1,257.

B. Pennsylvania Avenue Debt

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

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

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

Aggregate maturities on debt related to the RRB are as follows (dollars in millions): 2007 - $17; 2008 - $18; 2009 - $19; 2010 - $20; 2011 - $21; 2012 and beyond - $608.

C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the FBF at September 30, 2006 and 2005 were as follows (dollars in millions):

	2006	2005
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	**$ 1,489**	$ 1,483
PENNSYLVANIA AVENUE DEBT:		
Ronald Reagan Building, mortgage loans due November 2, 2026, at interest rates ranging from 4.004 percent to 8.323 percent	**703**	718
TOTAL GSA DEBT	**$ 2,192**	$ 2,201

Notes to the Financial Statements

7 Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the 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 2006 was calculated by DOL using a discount rate of 5.170 percent for FY 2006 and 5.313 percent for FY 2007 and thereafter. At the end of FY 2005, the discount rate used was 4.528 percent for FY 2005 and 5.020 percent for FY 2006 and thereafter. The actuarial liability recorded by GSA totaled $165 million and $170 million as of September 30, 2006 and 2005, respectively.

8 Leasing Arrangements

As of September 30, 2006, GSA was committed to various non-cancellable operating leases primarily covering administrative office space and storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflationary and tax increases and renewal options. GSA also uses a small volume of operating leases of vehicles in the GSF to fill demand when sufficient owned vehicles are not available. The following are schedules of future minimum rental payments required under leases that have initial or remaining non-cancellable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions):

OPERATING LEASES	
FISCAL YEAR	**TOTAL**
2007	$ 3,844
2008	3,181
2009	2,812
2010	2,470
2011	2,178
2012 and thereafter	8,415
Total future minimum lease payments	$ 22,900

CAPITAL LEASES	
FISCAL YEAR	**TOTAL**
2007	$ 32
2008	32
2009	31
2010	31
2011	31
2012 and thereafter	304
Total future minimum lease payments	461
Less: Amounts representing Interest	173
Executory Costs	3
Total obligations under capital leases	$ 285

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 $4.4 billion and $4.2 billion for the fiscal years ended September 30, 2006 and 2005, respectively. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately $4.1 billion and $3.9 billion in FYs 2006 and 2005, respectively. The Consolidating Balance Sheets as of September 30, 2006 and 2005 include capital lease assets of $363 million in both years for buildings. Aggregate accumulated amortization on such structures totaled $129 million and $116 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, 2006 and 2005, 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
2006					
Other Intragovernmental Liabilities:					
Workers' Compensation Due to DOL	$ 21	$ 7	$ -	$ 4	$ 32
Deposits Held in Suspense	-	-	-	20	20
Payments Due to the Judgment Fund (Note 10)	238	-	-	-	238
Total	**$ 259**	**$ 7**	**$ -**	**$ 24**	**$ 290**
Other Liabilities:					
Contingencies	$ 31	$ -	$ -	$ -	$ 31
Installment Purchase Liabilities	166	-	-	-	166
Pensions for Former Presidents	-	-	-	8	8
Liabilities of the Panama Canal Commission	-	-	-	41	41
Unamortized Rent Abatements	35	-	-	-	35
Total	**$ 232**	**$ -**	**$ -**	**$ 49**	**$ 281**
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**

Notes to the Financial Statements

10 Commitments And Contingencies

A. Commitments and Undelivered Orders

In addition to future lease commitments discussed in Note 8, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities at September 30, 2006 and 2005 were as follows (dollars in millions):

	2006	2005
FBF	**$ 2,459**	$ 2,063
GSF	**811**	816
ITF	**1,799**	2,122
Other Funds	**132**	154
Total Undelivered Orders	**$ 5,201**	$ 5,155

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, 2006 and 2005, GSA recorded liabilities in total of $119 million and $89 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, $88 million and $84 million respectively, relate to environmental claims. Environmental claims are included in Environmental and Disposal Liabilities, and the balance of possible contingent liabilities are reported within Other Liabilities on the Consolidating Balance Sheets.

In addition, GSA had another $130 million and $180 million in contingencies at September 30, 2006 and 2005, 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 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 $31 million and $22 million in FYs 2006 and 2005, respectively, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Of those amounts, almost $31 million and $21 million result from several environmental cases outstanding at the end of FYs 2006 and 2005, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with the FASAB Accounting and Auditing Policy Committee's Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities 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 $149 million to $3.5 billion at September 20, 2006, and ranged from $171 million to $3.5 billion at September 30, 2005.

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 $12 million and $47 million in FYs 2006 and 2005, respectively. Of these amounts $5 million and $23 million, respectively, related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds liable under the contracts in dispute. The balance of claims paid on behalf of GSA does not require reimbursement to the Judgment Fund.

11 Unfunded Liabilities

As of September 30, 2006 and 2005, 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 due or anticipated. The portion of liabilities reported on the Consolidating Balance Sheets that are not covered by budgetary resources consist of the following (dollars in millions):

	2006	2005
Intragovernmental Debt	**$ 48**	$ 58
Other Intragovernmental Liabilities	**270**	277
Obligations Under Capital Lease	**263**	273
Workers' Compensation Actuarial Liabilities	**165**	170
Environmental and Disposal	**125**	114
Annual Leave Liability	**92**	92
Other Liabilities	**281**	239
Total Liabilities Not Covered By Budgetary Resources	**$ 1,244**	$ 1,223

In addition, 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 Other Intragovernmental Liabilities - Deposits Held in Suspense in Note 9, while also unfunded by definition (as no budgetary resources have been applied), will be liquidated from resources outside of the traditional budgeting process and require no further Congressional action to do so.

12 Reconciliation to the President's Budget

In accordance with FASAB SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, if there are differences between amounts reported in these financial statements verses those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. With the President's Budget generally released in February each year, the most current comparable data is the FY 2007 President's Budget, which contains FY 2005 financial statement results. The FY 2008 President's Budget, containing FY 2006 actual results is expected to be released in February, 2007. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget.

Notes to the Financial Statements

Differences between the CSBR and the President's Budget can be due to adjustments identified by GSA during the preparation of the CSBR, which occurred after the U.S. Treasury's deadline for reporting of fund balances and budget execution results. Such adjustments to the balances reported to the U.S. Treasury were made on the CSBR to more fully reflect the activity for the fiscal year ended, and for balances as of, September 30, 2005.

The basis of the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (SF 133). However, as the CSBR is being developed, items may be identified that require adjustment to the data originally submitted on the SF 133s, 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 2005, the only significant differences were due to the effect of adjustments recorded on the CSBR of the FBF, based on statistical sampling techniques which were not sufficiently detailed for SF 133 reporting. Such amounts recorded in the FBF resulted in decreases to budgetary resources of $239 million, decreases to obligations incurred of $41 million, decreases in unobligated balances of $200 million, and increases in the net Balances of Obligations totaling $200 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 $34 million, $3 million, and $31 million, respectively, in FY 2005.

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

The most significant comparable amounts reported in the FY 2005 CSBR and FY 2007 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	$12,568	$12,808	$5,291	$ 5,291	$ 7,994	$ 7,995	$ 835	$ 798	$26,688	$26,892	$ (204)
Obligations Incurred	8,219	8,260	4,577	4,577	6,225	6,225	641	641	19,662	19,703	(41)
Unobligated Balances	4,349	4,548	714	714	1,769	1,770	194	162	7,026	7,194	(168)
Balance of Obligations	1,211	1,014	(222)	(222)	(1,537)	(1,538)	179	183	(369)	(563)	194
Outlays	(91)	(92)	(69)	(69)	56	56	165	191	61	86	(25)

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. In consolidated reporting by OMB and the U.S. Treasury, for the U.S. government as a whole, substantially all of GSA's program operations and operating results are categorized as general government functions.

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

The basis of the CSBR is data reported to the U.S. Treasury on the SF 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 2006, the most significant differences were due to the effect of adjustments made to the CSBR at the end of FY 2005, as a result of statistical samples used to validate balances reportable as Undelivered Orders, Unfilled Customer Orders, and Delivered Orders in the FBF. Projections of such adjustments are based on extrapolations of aggregate amounts which could not readily be determined to the detailed levels that are required to accompany SF 133 reporting. Those FY 2005 differences are also discussed above in Note 12. As actual transactions were recorded in FY 2006 to address improper balances, such activity was wreported on the SF 133s. The FY 2006 CSBR results exclude the impacts of such activity previously reported in FY 2005. Accordingly, the following differences existed between the CSBR and SF 133s for FY 2006 due to increases (decreases) to the CSBR (dollars in millions):

Unobligated Balance, Net – Beginning Balance	$ (200)
Prior Year Recoveries	$ (111)
Change in Unfilled Customer Orders	$ 303
Obligated Balance – Beginning	$ 200

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).

Notes to the Financial Statements

GSA's FBF, GSF, ITF, WCF, and FCICF have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the 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.

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

B. Unexpended Appropriations

Unexpended Appropriations consist of unobligated balances, and undelivered orders, net of unfilled customer orders in General Funds that receive appropriations. Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds, or from the public where GSA has yet to provide the good or service requested. At September 30, 2006 and 2005, balances reported as unexpended appropriations were as follows (dollars in millions):

	2006	2005
Unobligated Balances:		
Available	**$ 35**	$ 24
Unavailable	**26**	22
Undelivered Orders	**68**	80
Unfilled Customer Orders, Net	**(18)**	(21)
Total Unexpended Appropriations	**$ 111**	$ 105

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

B. Civil Service Retirement System

At the end of FY 2006, 30.4 percent (down from 32.8 percent in FY 2005) 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 FYs 2006 and 2005 amounted to $22 million and $25 million, respectively.

C. Federal Employees Retirement System

On January 1, 1987, the 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, 2006, 69.1 percent (up from 66.9 percent in FY 2005) of GSA's employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the Federal government's Thrift Savings Plan (TSP) for each employee. Under CSRS, employees can invest up to 10 percent of their base pay in the TSP. Employees under FERS can invest up to 15 percent of base pay, plus GSA will automatically contribute one percent of base pay and then match employee contributions up to an additional four percent of base pay. During FYs 2006 and 2005, GSA (employer) contributions to FERS (23.3 percent of base pay for law enforcement employees and 10.7 percent for all others) totaled $64 million and $65 million, respectively. Additional GSA contributions to the TSP totaled $25 million in both years.

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 $94,200 in calendar year 2006, and $90,000 in calendar year 2005) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2006. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2006. Only 0.5 percent (up from .03 percent in FY 2005) of GSA's employees are covered exclusively by these FICA programs. Payments to these programs in FYs 2006 and 2005 amounted to $49 million and $50 million, respectively.

E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2006 and 2005, in accordance with SFFAS Number 5 for imputed post-employment benefits are as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
2006			
FBF	$ 13	$ 25	$ 38
GSF	8	12	20
ITF	4	6	10
Other Funds	8	9	17
Total	$ 33	$ 52	$ 85
2005			
FBF	$ 15	$ 26	$ 41
GSF	9	12	21
ITF	5	6	11
Other Funds	9	10	19
Total	$ 38	$ 54	$ 92

Required Supplementary Information

Deferred Maintenance

As of the end of FY 2006, GSA had no material amounts of deferred maintenance cost to report. GSA administers the Building Maintenance Management Program that, on an ongoing basis, maintains the Building Class inventory in acceptable condition, as defined by GSA management. GSA utilizes a condition assessment survey methodology, applied at the overall portfolio level, for determining reportable levels of deferred maintenance. Under this methodology, GSA defines "acceptable condition" and "acceptable level of service" in terms of certain National Performance Measures, formulated under the provisions of the Government Performance and Results Act (GPRA) of 1993.

GSA expenses normal repair and maintenance costs as incurred. Although GSA has no substantive backlog of deferred maintenance tasks, the average building in the GSA inventory is 44-years-old, and only 29 percent of these buildings have had extensive modernization. This has led to a large inventory of capital Repairs and Alterations (R&A) work items of which approximately $6.6 billion has not yet been addressed by an ongoing PBS R&A project. As this backlog is related to capitalizable improvements and modernization, it is 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 $866 million for the R&A program.

Supplemental Information and Other Reporting Requirements

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

October 2006

ACQUISITION PROGRAMS

On October 6, 2006, the President signed the General Services Administration Modernization Act, which authorizes the creation of the Federal Acquisition Service (FAS). On October 12, 2006, the Administrator signed the order finalizing the FAS organizational structure, merging the Federal Supply Service (FSS) and Federal Technology Service (FTS) into the new Federal Acquisition Service (FAS). The goal of the 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. The approximately 2,900 full-time equivalent employees from FSS and 1,300 from FTS will staff FAS. The annual value of contract actions is between \$40 - \$50 billion with revenues exceeding \$11 billion. The two Services have had their own fee structures, information systems, policies, procedures, and management controls. Combining FSS and FTS operations into a new organization will create management challenges in these areas.

At the same time GSA is combining its two procurement organizations, cash-strapped customer agencies are following the advice of the Office of Management and Budget (OMB) and are developing strategic sourcing procurement programs. Under this approach, agencies amass their common goods and services, consolidating their requirements into one or a few awards, with the expectation of suppliers substantially lowering prices. This practice is being used more frequently and presents a new dynamic that GSA must factor into its business lines.

As part of the reorganization, the Office of the Chief Financial Officer (OCFO) is merging the Information Technology and General Supply Funds into the Acquisition Services Fund. In merging these two revolving funds, management will be faced with the significant challenge of ensuring that the transition process does not impact operations and that sufficient controls are in place over the new fund. Throughout the FTS/FSS reorganization process, GSA has relied on Steering Teams to promote a seamless merger. The OCFO Steering Team has been 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 Schedules (MAS) program, a significant number of Multiple Award Contracts (MACs), Governmentwide Acquisition Contracts (GWACs), and the Airline City Pairs Program. Although our 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

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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 prenegotiated prices and pay the contractors directly for their purchase. GSA administers 43 schedules that produced sales of $33 billion in FY 2005, and the business volume continues to grow.

Our Office is concerned that, as the MAS program has grown, the importance of certain program fundamentals – including pricing objectives and other pricing tools – has diminished. These fundamentals, 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, we 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 and 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.

In past years, with the support and endorsement of OMB, GSA has provided to us additional financial support enabling us to markedly increase the number of preaward contract reviews we perform. 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 our results can be reported timely. An MAS Working Group, comprised of Agency and OIG representatives, has developed guidance for contracting officers regarding the performance and use of preaward MAS contract reviews.

The Administrator's explicit effort to discontinue funding for OIG-performed MAS preaward audits out of GSA funds, in FY 2007, is a matter of great concern to us. In comments to our 2007 draft Audit Plan, the Administrator stated that she plans to utilize third party auditors to perform preaward surveys of contracts awarded by GSA. The OIG has been performing preaward audits for the past 20 years and has an extensive staff of auditors experienced in this work. Over the past two years, the OIG has found material flaws in 65% of the proposals audited that amounted to over $2 billion in proposed contract price reductions, and tens of millions in recoveries, such as a recent $98.5 million settlement with Oracle Corporation for PeopleSoft's defective pricing of sales. We have found that vendors can go to great lengths to conceal their actual selling prices, making it difficult for auditors lacking experience in this work to identify the misstatements.

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 multiple award contracts is encouraged by the Federal Acquisition Streamlining Act of 1994 to promote best value and the fair opportunity for contract awardees to compete among themselves. The competition is intended to lower prices, obtain better quality, reduce delivery time, and improve customer service. However, at times the opportunity to be considered for task orders has been unnecessarily limited.

GWACs are multiple award contracts for information technology. GSA is preparing to award two GWACs for IT services with a total ceiling of $65 billion over 10 years. Based on experience with awarding past GWACs, GSA can expect a significant 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 our Client Support Center audits, with special emphasis on 'Get 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 PAIRS PROGRAM contracts are awarded annually. The $1.9 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.

CLIENT SUPPORT CENTERS In recent years, we have identified improper contracting practices at the FTS Client Support Centers (CSCs) in several regions. 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 Information Technology Fund 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. Our 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, 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 IG offices review each CSC to determine if they are compliant with Federal and DoD specific procurement regulations. We reported in our June 2005 reviews that GSA had made significant progress toward becoming compliant with procurement regulations, although more needed to be done. In our 2006 review of the CSCs, while we did find some minor procurement deficiencies in several of the CSCs, they were isolated cases, were not pervasive, and did not indicate a pattern of non-compliance. Thus we determined the CSCs are now compliant with procurement regulations. We note that GSA and DoD procurement officials are continuing to work on the development of consistent policies and procedures for GSA and DoD interagency contracting, including the use of funds across fiscal years and the format for interagency agreements.

OTHER ISSUES: Ensuring competition under the GWACs will be a challenge. During the reviews of the CSCs, we concluded that often bids are received from only one vendor, although the solicitation was sent to all the contract holders. This could occur because the incumbent has 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.

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Another challenge is ensuring that MAS, GWACs and other contract vehicles are used for their intended purposes. Our review of the depot modernization 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 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 COs 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 our 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. We have 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, we have found that, although a commercial market exists for a vendor's services, its commercial contracts are typically awarded on a firm fixed price basis, while its GSA schedule clients have been mainly doing business on a time and 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 Customer Service Centers, we found that frequently, neither GSA nor its customer agencies had the expertise to prepare statements of work, evaluate vendor proposals, or prepare independent government cost estimates for many service task orders.

The ordering contracting officers (OCOs) who place orders for "commercial" items against the MAS, MACs, and GWACs are, in many cases at an even greater disadvantage than the COs 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. Our experience has been that many of the largest tasks are awarded to the same vendor time after time and often, no other vendors bid on the task.

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 often do not know if they are paying twice for some costs – costs that may already be included in a fully burdened labor rate.

COs 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 COs 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 vendors. All civilian agencies were expected to complete migration to e-Travel by September 30, 2006. In a recent review, we reported that although the Program Management Office (PMO) has achieved some success in their oversight and management of the E-Gov Travel Initiative, cost, schedule, and performance risks exist. The PMO has faced challenges in supporting agencies to meet established milestones and timeframes. Many agencies have experienced significant deployment schedule slippage, resulting in GSA fee revenue shortfalls and the inability to meet E-Gov Travel Initiative performance measures. Various factors affecting the ability of e-Travel vendors and agencies to remain on schedule have impacted the PMO's effectiveness in managing the initiative. In order for the PMO to successfully provide adequate management and oversight, realistic GSA revenue estimates with a contingency plan to address revenue shortfalls, better estimation and substantiation of deployment timeframes, and more effective issue resolution are needed to help mitigate cost, schedule, and performance risks.

AGENCY ACTIONS:

The President's Management Agenda calls on Federal agencies to meet twin goals of reducing government spending and improving performance. With these outcomes in mind, GSA's Administrator announced the Agency's plan to restructure some of its primary functions. Many factors led to the planned reorganization, including shifting customer needs, an evolution in how agencies acquire technology products and services, and a greater emphasis on GSA's role in Federal procurement.

The FAS Acquisition Management team, led by GSA's Chief Acquisition Officer (CAO), has been 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 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.

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 continues to work closely with other Federal agencies, particularly the Department of Defense, in identifying actions necessary to clarify guidance and ensure proper use of GSA contracting vehicles by GSA and other agencies.

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. 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.

We continue to participate with FAS on a working group to review current MAS procurement practices, and analyze potential enhancements to program pricing activities. The group is comprised of representatives from the Office of Acquisition Policy, General Counsel, FAS acquisition, and the Office of Inspector General. 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.

FAS is supporting Federal Acquisition Regulation 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 Federal Acquisition Regulation 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 (BPAs).

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

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been established to gather sample statements of work and develop a template for performance-based service contracting solicitations.

In June 2004, GSA established a new Office of the Chief Acquisition Officer (CAO), 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. On May 5, 2005, the CAO issued policy guidance to the CSCs based on information gleaned from the CSC audits.

EMERGENCY CONTRACTING: Under the National Response Plan, GSA provides procurement support to the Federal Emergency Management Agency (FEMA) during national emergencies. In responding to Hurricane Katrina, issues in GSA's emergency contracting processes were exposed. As reported by GAO, GSA contracting personnel needed better coordination with FEMA personnel who were responsible for monitoring contractor performance. In addition, many GSA contracting personnel did not have emergency contracting guidance or training and many did not have knowledge of the products and services or the sourcing capabilities needed to ensure price reasonableness. Finally, the manual tracking of contract information led to inaccurate and incomplete reporting.

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

CONTRACT MANAGEMENT

ISSUE: GSA increasingly accomplishes its mission by using contractors to provide client services and products. In recent years, GSA added over $13 billion in new procurements 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 2005, PBS had over 7,300 private sector leases that generated over $4.1 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, we have observed certain trends that cause us to be concerned with contract management. Some points we have 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 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 neglect to establish required quality control programs, or do not submit firm construction schedules meaning that delays are unknown until they become significant.
- 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 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. We also noted a lack of documentation supporting whether identified fire and other safety conditions in leased facilities were corrected.

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

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

In October 2004, GSA awarded the National Broker 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% 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. Our greatest concern is turning over such an important part of PBS workload (both in size and dollars) to contractors who will be paid by the lessor. The 'no cost' aspect of the contracts allow for brokers to collect payment from landlords in the form of commissions. Consequently, the incentives to keep costs down and the controls to prevent collusion or (in cases where they may have a relationship with the potential lessor) to prevent steering the award to a preferred lessor are key to the success of the contract. There may also be proprietary data issues where one GSA contractor seeking a lease award may be required to provide proprietary data to a competitor that, is overseeing the award. This may lead to impaired competition. Moreover, the implementation of the Broker contract is 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 on-line folder to post source selection best practices. Contracting officers are receiving classes in advanced source selection and refresher training on aspects of construction project administration such as critical path analysis, enforcement of clauses and scheduling, claims management, processing change orders, and linking the indirect costs of client directed changes back to clients.

In developing the new National Broker Contract, the agency took into consideration several of our concerns from the prior national broker contracts by including controls for oversight and follow up. PBS established a certification training plan for 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: Designing, building, and implementing cost-effective, customer-focused, and secure information technology (IT) in support of GSA's evolving business lines and various missions has never been more important. GSA faces management challenges related to systems' requirements and performance at all phases of development, implementation, and operation. Many of the Agency's systems also store and process sensitive data, including personally identifiable information, financial data, and contractors' proprietary information. It is critical that the IT Security Program adequately manage

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all IT security risks. Additionally, 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 basic functionality and sharing usable data between systems.

Many GSA IT projects attempt to minimize development cost and deployment schedules by developing systems based on existing commercial-off-the-shelf (COTS) software packages. 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, changing business processes before the Agency invests in a COTS product has been a challenge for GSA. 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 our office have shown this to be the case with GSA's new accounting system, Pegasys, and with GSA Preferred (GSAP), both of which are based on COTS products. 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, and completely replacing the aging legacy National Electronic Accounting and Reporting (NEAR) system. Pegasys also faces high risks due to its high annual maintenance costs and reported security weaknesses. During FY 2004, the Federal Technology Service (FTS) attempted implementation of GSAP 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. GSA expected this system to provide FTS employees and Federal clients with real time access to acquisition, financial, project, program, and contracting information. However, the system and its interfaces did not function as intended, and the project faced budget and schedule overruns. GSAP has now been terminated, and FTS is reverting to the legacy systems GSAP was intended to replace. Two of these systems, Tracking and Ordering System (TOS) and the Order Management Information System (OMIS), lack a number of important controls.

GSA faces another critical challenge to change its business processes and system capabilities to better enable the Agency to focus on and make improvements in providing for its customers. A recent high-risk project to develop an enterprise-wide Customer Relationship Management system, a system crucial to help the Agency with its mission of helping Federal agencies better serve their public by offering best value workplaces, expert solutions, and acquisition services, was halted July 2006. It remains critical for GSA to have a strong focus on information systems that provide insight into customer needs to improve services the Agency provides, generate revenue, and improve customer satisfaction.

GSA also faces systems development challenges in aligning its applications, IT infrastructure, and services to government-wide goals and new Lines of Business. GSA is the lead agency for the E-Authentication initiative to provide online identity verification and authentication services that serve as the foundation for secure E-Government under the President's Management Agenda. GSA faces technical and management challenges in building the infrastructure necessary for successful rollout of E-Authentication, such as developing system interfaces that allow for sharing of authentication credentials, developing trust and business models that include common business rules that define roles and responsibilities, working with the private sector to recruit credential service providers, and implementing privacy requirements for Personally Identifiable Information (PII). While the Agency has developed an E-Authentication risk assessment tool to model transaction risk, it is important to ensure that transaction risks have been consistently assessed. Once users have been authenticated by the E-Authentication service, meaning that they have had their identity proven, GSA system owners face challenges in ensuring proper authorization, which refers to the appropriate level of access to grant to users.

GSA's first implementation of E-Authentication is through the eOffer/eMod web-based application that allows vendors to electronically prepare and submit their Multiple Award Schedule contract proposals. It is important that this system creates an interactive, secure electronic environment that simplifies the contracting process from submission of proposal to awards and enables a seamless transmission of data from the vendor community to contracting offices. While E-Authentication provides more rigor in verifying users are who they say they are it does not provide application security to ensure that users have appropriate access to system functionality or data. An overall risk-based approach to security is important to ensure both authentication and authorization controls are in place.

INFORMATION TECHNOLOGY 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. While the GSA's overall IT Security Program is improving in a number of areas, we continue to identify deficiencies similar to those reported in prior years resulting from ineffective implementation by system security officials. Effective implementation of GSA's IT Security Program is dependent upon accountability, with a focus on standardized performance goals and measures for system security officials. The GSA-CIO needs to provide more specific guidance and direction in fulfilling those IT security roles and responsibilities as a basis for measuring the effectiveness of security officials. GSA's IT Security Program would also benefit from a more proactive approach to addressing emerging risks. More consistent implementation of GSA's IT Security Program and increased system monitoring is needed to adequately secure GSA's systems and data. Attention must also be placed on securing small components of larger major applications and general support systems to ensure that all applications within defined system boundaries are secured. Greater emphasis is also 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.

The importance of web application security is increasing as applications move to this expanded form of connectivity. Over 70 percent of attacks against web sites or web applications come at the application layer, not the network or system layer. Attacks on web applications, both internal and external, bypass traditional network firewall and password access controls and may not be monitored. Attackers are increasingly targeting web applications, which have traditionally not been secured as well as network perimeters. As part of the annual FY 2006 FISMA technical control review, we tested technical controls for several of GSA's public facing and intranet web applications, and found two significant areas of risk that need to be more comprehensively addressed. There is a critical need to sufficiently validate data fields input into GSA's web-based applications, and several GSA public facing web servers were running unpatched or unsupported software versions.

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AGENCY ACTIONS:

The GSA-CIO has updated the GSA Information Technology Security Policy, GSA Order CIO P 2100.1C, issued February 17, 2006. This order issues and transmits the GSA Information Technology Security Handbook. Instructional Letter (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 is maintaining contractor support for:

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

MANAGEMENT CONTROLS

ISSUE: Multiple management controls have been replaced, through reinvention initiatives, 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 governmentwide charge card program, yet some have failed to adequately implement controls over the use of the cards by their employees. While it is the responsibility of individual agencies to establish controls for their own cardholders, OMB and the Congress still look to GSA to take a leadership role in 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 we seldom find instances of misuse by GSA cardholders. Although the key control over purchase cards, supervisory review of cardholders' transactions, is now more consistently followed, we do occasionally identify problems. The Fleet is very concerned about misuse of Voyager charge cards. These cards are primarily used to charge for gas. It is a management challenge to filter through the thousands of transactions to identify potential misuse of cards.

In the past year, GSA provided us additional funding support to markedly increase the number of reviews of questionable Voyager charge card transactions, and the amount of inappropriate charges we identified more than covered the funding provided.

Many of the problems identified in the Client Support Center (CSC) audits related to Ordering Contracting Officer (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. 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, 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.

In FY 2006, PBS was challenged with the data integrity of its rental rates. According to PBS' pricing policy, the rental rates for GSA-owned buildings are supposed to be based on independent appraisals of the buildings. However, we identified a problem with courthouse appraisals, which was confirmed in a subsequent PBS review, where it was found that GSA personnel were extensively modifying some appraisals and as a result, the rental rates were being called into question. Due to these and other issues, PBS is putting controls in place to ensure the data integrity of appraisals, as well as for lease and other building information.

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. Since the incident, FSS has worked with the service providers to identify their security controls.

In FY2006 several incidents of loss of privacy data were reported across the government. This has resulted in a spotlight on the issue of protecting personally identifiable information. Poor physical security and a lack of training and enforcement of current security policies and procedures caused most of the reported incidents.

Section 522 of the 2005 Transportation, Treasury, Independent Agencies, and General Government Appropriations Act required each agency to designate a Chief Privacy Officer responsible for establishing and implementing privacy and data protection procedures for personally identifiable data. This law was put in place to assign responsibility for a privacy program at a high level in all agencies. This position is usually assigned to the Chief Information Officer (CIO) but, in GSA, has been assigned to the Chief Human Capital Officer (CHCO), formerly the Chief People Officer. It is imperative that the CHCO work closely with the CIO, the Chief Acquisition Officer (CAO), the Office of the General Counsel (OGC), and the Office of Communication (OC) to successfully manage privacy data. Some examples of the types of roles these other offices need to play are:

- CIO can provide technical reviews to ensure system data is properly protected
- CAO could review contracts for the appropriate FAR clauses related to privacy
- OGC could review policies to ensure they meet the spirit of the privacy laws while not violating any other relevant laws
- OC could develop a plan to handle the media in case there was an inadvertent leak of privacy data

A critical dual role the GSA CHCO plays is in the formulation of telework procedures as they relate to the protection of personally identifiable information. This is an area of concern that has been repeatedly highlighted in the press. Establishing procedures and training for protecting privacy data while teleworking is especially significant for GSA since GSA is the lead agency for the telework program.

Identity theft continues to be a rapidly growing category of crime facilitated by use of the Internet to obtain personal information without the consent of the individual. As such, additional controls for electronic files, including those that may contain sensitive personnel information, should be carefully considered to help manage increasing risks in this area. To stress the importance of strengthening controls in this area, the OIG conducted two reviews and made recommendations to management to improve controls for Privacy Act systems, including close collaboration across the Agency. Additionally, a review of the Agency's privacy controls is required with the General Government Appropriations Act. OMB has also recommended Federal agencies take specific actions to improve awareness and overall controls for sensitive data, including personally identifiable information. We will continue to review risks in this area in FY 2007.

During fiscal year 2005, OMB issued the revised Circular No. A-123, *Management's Responsibility for Internal Control*. The revised Circular became effective in Fiscal Year 2006 and requires Federal agencies and individual managers to develop

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and implement internal controls sufficient for results-oriented management, assess the adequacy of those internal controls, separately assess and document the internal controls over financial reporting consistent with Appendix A of the Circular, identify needed improvements and take corrective action to address them, and report annually on internal control through the management assurance statements. These changes require management to focus a much higher portion of their resources on internal controls, particularly in its efforts to assess and document these controls.

AGENCY ACTIONS:

GSA's Chief Financial Officer (CFO) has worked with our office to strengthen controls for charge card transactions. Processes are in place that require reviewing officials to examine purchase transactions monthly. Cards are withdrawn from those who do not comply. GSA purchase cardholders and approving officials are required to complete refresher training every two years. In addition, the CFO periodically issues E-mail reminders to cardholders stressing their responsibilities for proper use of the cards. As a result, we have seen a substantial reduction of fraud stemming from card use. GSA is also a key participant in an OMB sponsored Federal committee on identifying ways to improve the overall charge card control systems governmentwide.

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 Repair and Alterations 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 Repair and Alteration 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.

PBS, to address customer concerns regarding the accuracy and consistency of the rent bills, in May 2006 began a national review to verify that the rates on the customers' rent bills are supported by the appropriate source document, such as a Lease for leased space or an Appraisal for owned space. The intent of the review is to identify financial inaccuracies on rent bills as well as administrative issues related to the Occupancy Agreements PBS has with its customers. As a result of concerns expressed to us by the Courts regarding rental rates, we have begun a review of this area.

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 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 financial statements. 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 its efforts to address this challenge, the OCFO established, and continues to work with, its Accelerated Reporting Steering Committee. Additionally, the OCFO, OIG, 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 average age of buildings in GSA's portfolio is 44 years, and many are facing functional obsolescence due to changing agency mandates, new technology, and security requirements. With an average funding level of about $500 million in recent years for prospectus level repair and alteration and an estimated $6.5 billion in needed projects, GSA is challenged to reduce the growing workload.

GSA's funding for building repairs and alterations is made available from the Federal Buildings Fund (FBF). The rent that is collected from customer agencies in GSA-owned space is used to replenish the FBF. However, as agencies face increasing budget constraints, some are examining their rental payments as a means to lower their costs. For example, in 2004 the Administrative Office of the U.S. Courts requested a $483 million annual rent exemption, which GSA denied. If customer agencies succeed in reducing their rental payments significantly, the decrease in funding will impact the FBF by reducing the funds available to repair and restore Federal buildings.

To make the best use of the funds that are available, GSA needs to determine which buildings represent the greatest risk from a safety and operational perspective, which will yield the best return on investment, what the Government's future space requirements are, and how to fund the highest priority projects in a timely manner. GSA needs a comprehensive strategy to enable an evaluation of its building projects nationwide.

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.

This problem exists governmentwide. Federal real property was designated a high-risk area by the GAO because of the many long-standing and complex issues surrounding it. As further recognition of the significance of these issues, the President signed Executive Order 13327 and added the Federal Asset Management Initiative to the President's Management Agenda in February 2004.

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

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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 99 assets valued at $70 million. An additional 50 assets have been demolished.

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 is the rent charged by PBS to its customer agencies for the space they occupy in GSA controlled space. In FY 2005 this amount was approximately $7.4 billion.

On August 10, 2006, PBS announced that effective in FY 2008, it is reducing the fee it charges customer agencies to acquire and administer leased space. PBS credits the new efficiencies to implementation of the National Broker Contract, use of new web-based technology, such as an electronic lease system, and an enhanced role for reality specialists to be that of a project manager and strategic partner with the customer.

The construction excellence program was established to help PBS improve the management of its construction program and to complete new construction and major repair and alteration 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 authority, and by filling job vacancies sparingly. In March 2003, a mass transfer of 1,268 employees to the Department of Homeland Security further reduced the workforce to approximately 12,800, and with early out and buyouts offered to FSS and FTS employees impacted by the new reorganization, the workforce now stands at about 12,350.

Since 1998, the OIG has consistently cited human capital management as one of the major management challenges facing GSA. 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. GSA has recently 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 and uncertain as to their reporting role in the organization.

The President's Management Agenda 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. GSA also needs to post its lessons learned or best practices to OMB's SHARE A-76! Website for completed competitions, most of which were conducted by PBS. As the competitive sourcing process focus shifts from PBS to other parts of the Agency, GSA needs to ensure that the experienced PBS officials are available to share their expertise on future competitions.

With Government procurement as GSA's primary mission and the act of issuing contracts "an inherent government responsibility," we foresee a continuing need for competent contracting officers. There is a question as to whether GSA has enough qualified trained contracting officers with the product knowledge, education, and negotiating skills to deal with the complex MAS contracts in place, especially service contracts pricing. A challenge is that many contracting officers have responsibility for over 100 contracts, many of which are in the services area. Some contracts, especially in the computer equipment and supplies area, require substantial effort to administer due to constant changes to products and prices that have to be added or deleted to the contract via contract modifications, which for some contracts number in the hundreds. We are concerned that GSA is 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.

New top agency management presents a new category of management challenges. The tone that top management sets for an agency has an important impact on performance at all levels. We will carefully monitor how top management conveys the importance of respect for the law, good stewardship of taxpayer funds, and recognition of the need for independent scrutiny of government operations and accountability.

AGENCY ACTIONS:

GSA has moved 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 Human Capital Officer selectively uses human resources flexibilities to compete for employees. It has developed recruitment and retention strategies with the help of the Office of Personnel Management 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, the Office of the Human Capital Officer launched the GSA Leadership Institute in February 2002 and has continued to add programs and training opportunities to develop new supervisors and managers and equip them for senior level positions in the Agency.

In its efforts to more accurately and consistently inventory its activities under the 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 that oversees the competitive sourcing initiatives for GSA.

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

PROTECTION OF FEDERAL FACILITIES AND PERSONNEL

ISSUE: Providing a safe, healthful, and secure environment for over 1 million workers and visitors to about 8,900 owned and leased Federal facilities nationwide is a major multifaceted responsibility of GSA. Increased risks from terrorism have greatly expanded the range of vulnerabilities traditionally faced by building operations personnel. In March 2003, the Federal Protective Service (FPS) was transferred from GSA to

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the Department of Homeland Security (DHS). While FPS is no longer part of GSA, the Agency will have a continual need to closely interact with security personnel due to GSA's mission of housing Federal agencies. GSA and FPS/DHS operate under a Memorandum of Agreement (MOA) for obtaining services such as basic security for buildings, contract guards, law enforcement, background suitability determinations for contractors (including Child Care), pre-lease security checks, occupant emergency plan support and continuity of operations plan activation support. Ensuring that Federal employees have a secure work environment and that building assets are adequately safeguarded must remain a primary 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:

Effective June 1, 2006, GSA and FPS entered into a new, more comprehensive, MOA that more clearly addresses the roles, responsibilities and operational relationships between FPS and GSA concerning the security of GSA-controlled space. FPS will continue to provide law enforcement services, conduct Building Security Assessments and identify security countermeasures that can be implemented to reduce vulnerabilities and potential threats to Federal facilities. Building specific security measures will include contract guards, security equipment and security fixtures. With the exception of prospectus-level equipment or projects, security equipment determined by FPS to be a mandatory countermeasure will be funded by DHS or tenant agencies through Security Work Authorizations, on a prioritized, funds-available basis. Security fixtures and mandatory security equipment countermeasures valued above the prospectus-level, or installed in prospectus-level projects, will be purchased and installed by GSA on a prioritized, funds available basis, with PBS Assistant Regional Administrators reserving the right not to implement mandatory measures, after consulting with DHS. We are concerned about this MOA and will be monitoring it closely.

In addition, as part of the increased focus on security, GSA is adopting a nationwide uniform credential based on Smart Card technology. The credential with an embedded smart chip will identify each employee visually and electronically for both identification and physical access purposes. GSA is adopting this credential as part of the Federal Government's implementation of Homeland Security Presidential Directive –12 (HSPD-12), which mandates a common identification standard for Federal employees and contractors.

MEMORANDUM FOR BRIAN D. MILLER
INSPECTOR GENERAL (J)

FROM: LURITA DOAN
ADMINISTRATOR (A)

SUBJECT: IG ASSESSMENT OF GSA'S MAJOR CHALLENGES

DATE: 6 NOVEMBER 2006

Thank you for providing me with the opportunity to review your assessment of the major challenges currently facing GSA, and the agency's progress in addressing those challenges, so that I can append comments to the document before it is included in GSA's Performance and Accountability Report. My comments refer to the revised assessment that you sent to me on October 28, 2006.

The leaders and employees of this agency have worked very hard over the past year to increase the effectiveness of management controls in longstanding business lines such as acquisition and real property management, and put in place new management controls over rapidly-evolving areas such as e-government, IT security and privacy. Although many business challenges remain, I think you will agree that GSA is in a better position today than it was at the end of FY2005, due, in part, to the complementary efforts of GSA leaders and your staff.

In light of that, I was surprised that this year's assessment of major challenges was so similar – and in many cases identical – to the document that was prepared last year. This was true for the sections entitled "Issues" as well as the sections entitled "Agency Actions." To ensure that appropriate recognition is given to some of the key actions that were not referenced in your assessment, I am including them as an attachment.

While I have the utmost respect for your opinion and the independent role of the IG, I recognize that there will be subjects on which we will disagree, so I am compelled to address two specific matters in this memorandum.

- The section entitled "Acquisition Programs" implies that I am opposed to the use of pre-award audits. This is not the case; however, I believe that GSA can achieve more efficient and effective results through alternative methods. I have exercised my authority as the Administrator of GSA by introducing a robust, pre-award survey that is focused on accurate pricing determinations that can be resolved in a reasonable period of time, and that provides sufficient information for contracting officers to make sound and timely business decisions. In addition, by using the auditing services of small, minority, women-owned, HUBZone or Service Disabled Veteran businesses to perform these tasks, GSA will move closer to achieving its targets in these procurement categories. This initiative does not diminish the independent role of the Inspector General in performing pre-award audits where audit policy dictates it is appropriate. It does, however, remove the IG from the

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business decision process, consistent with the limited mission of your organization. I firmly reject the suggestion that I am jeopardizing GSA's procurement process, or that I am in any way interfering with your responsibilities.

- The section entitled "Human Capital" identifies "new top agency management" as a "new category of management challenges." Indeed, there are several new members of the GSA top management team. But, given their stellar qualifications and exemplary track records in previous positions, I consider GSA very fortunate to have attracted executives of such high caliber.

Leadership matters. The tone that top management sets for GSA – including respect for the law, good stewardship of taxpayer funds, and recognition of the need for independent review – will have an impact upon performance at all levels. In fact, I am counting on it, and will consider that an excellent indicator of success.

Attachment

Agency Management Comments on the Inspector General's Updated Assessment of GSA's Major Management Challenges

October 2006

ACQUISITION PROGRAMS

The Multiple Award Schedule (MAS) Program

Pre-award surveys, in addition to pre-award audits, are tools by which a contracting officer can determine whether a vendor's pricing is appropriate. In many cases what is needed is to verify that systems of records exist in the vendors' books, that the prices are recorded in those records, and that they match prices offered to the customer(s) most similar to the government.

The assessment suggest(s) that the Administrator is opposed to the use of pre-award audits. This is not the case. Most of the actions described as "pre-award audits" take place after a contract has been in place for at least five years, but prior to the exercise of options. Auditors require "cost build up information" that, in many cases, may be deceptive in terms of establishing market prices and the prices that the government should pay. Furthermore, the bulk of these audits are not completed within the period of time that would allow contracting officers to make determinations of price reasonableness and also meet business objectives. Accordingly, the Administrator has decided to exercise her authority as the Administrator of GSA to facilitate accurate pricing determinations by introducing a robust pre-award survey that is focused on pricing issues that can be resolved in a reasonable period of time, and that provides sufficient information for contracting officers to make sound and timely business decisions. This refocus does not diminish the role of the Inspector General (IG) in performing pre-award audits where audit policy dictates it is appropriate, but it does take the IG out of the business decision process.

Multiple Award Contracts (MACs)

The statement that "opportunity to be considered for task orders has been unnecessarily limited" is unsupported by evidence. Competition cannot be measured solely by the number of offers received. If the statement addresses the number of offers received in response to fair opportunity under FAR Part 16, then GSA management and the Office of the Inspector General have a fundamental disagreement about the measure of compliance with fair opportunity, or what constitutes fair and open competition. If it addresses decisions to make logical follow-on awards under fair opportunity as specifically provided for under FAR Part 16, or the number of offers received where fair opportunity is used in accordance with FAR Part 16, then it should have been clarified to address that specific issue.

Government Wide Acquisition Contracts (GWACs)

A bid can be received from only one vendor for a variety of reasons, and not necessarily because the incumbent has a competitive advantage. GSA management is unaware of any findings by the Inspector General or the Govrnment Accountability Office that GSA-managed GWACs have failed to comply with the requirements of fair opportunity under FAR Part 16.

FAR Definition of a Commercial Item

If the broad scope of the FAR definition of a commercial item is a management challenge for GSA," then it is a similar challenge

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for the rest of the Federal government. The definition in the FAR of "commercial item" has been through the rulemaking process, and has been reviewed almost annually since it was first published in October 1995. This language has been reviewed by the 1423 panel, and will be reviewed again this year by the Office of Federal Procurement Policy and the Congress. The definition is intentionally broad in the area of services because services and goods are different, and almost all services are tailored to the buyer in the commercial marketplace.

INFORMATION TECHNOLOGY

Systems Development

GSA employs conventional project management processes, including earned value management systems for tracking cost and schedule, for all systems development activities. In September 2006 agency policy was revised by CIO Order 2135.2A to require an Integrated Baseline Review (IBR) after contract award to ensure contractor and GSA have a clear understanding of project goals, expectations, and scope.

The basis for the following statement is not clear: *"Pegasys also faces high risks due to its high annual maintenance costs and reported security weaknesses."* It has not, to our knowledge, been supported by recent audit findings and was not reflected in last year's assessment. As to reported security weaknesses, during FY 2006 the Office of the Chief Financial Officer (OCFO) devoted significant attention to improving systems change controls and security. FY2006 preliminary audit results from PwC indicate that OCFO has resolved or partially resolved all findings on systems security identified during the FY 2005 audit.

Information Security

GSA is taking action to further strengthen Web application security to mitigate the risks inherent to exposure of business applications to the Internet. Web application hacking is becoming one of the biggest IT security threats worldwide today. Among many efforts to defend GSA Web applications, in March 2006 GSA updated the certification and accreditation process to include Web application security scanning. In May 2006, GSA trained 10 IT security professionals and developers in Web application security. And in July 2006, GSA awarded a contract to perform Web application vulnerability scanning across the agency. We believe that these activities will effectively mitigate Web application security risks across GSA.

MANAGEMENT CONTROLS

Security of Controls

The designation of Chief Privacy Officer was given to GSA's Chief Human Capital Officer (CHCO) because a large portion of personally identifiable information is contained in GSA human resource records, and also because many of these records continue to exist in paper form. The CHCO has worked closely with the Chief Information Officer, Chief Acquisition Officer, General Counsel and Office of Communications to publish and disseminate clear and unambiguous policy and procedures governing the protection of personally identifiable information. This information has been "pushed" to GSA managers and employees in GSA directives, email messages and the *GSA Today* electronic newsletter, and is available at all times on GSA's *InSite* intranet. In addition, during the summer of 2006 all employees and contractors were required to successfully complete mandatory online training entitled "Privacy 101."

Accelerated Reporting

While the first year of accelerated reporting (FY2004) was a challenge, GSA is now in the third year of meeting the November 15th deadline, and it is now part of normal business. OCFO utilizes project planning tools to monitor the schedule and deliverables in order to ensure complete, timely and reliable reporting.

HUMAN CAPITAL

Acquisition Workforce

Attracting, developing and retaining a skilled and productive acquisition workforce, including but not limited to contracting officers, is one of GSA's key human capital objectives. The acquisition workforce was designated as one of GSA's four mission-critical occupations, along with information technology, realty, and financial management. The Chief Human Capital Officer partnered with the Chief Acquisition Officer and other GSA leaders to create an Acquisition Steering Committee, and this body is focused on guiding GSA in its achievement of this key objective.

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Debt Management

GSA reported $127 million of outstanding debt from non-Federal sources and $16.6 million of delinquent debt at the end of FY 2006. The amount of delinquent debt decreased from $29.7 million to $16.6 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, 2005 to September 30, 2006, the GSA Finance Centers referred approximately $34.6 million of delinquent non-Federal claims to the Treasury for cross-servicing collection activities. Collections on non-Federal claims during this period exceeded $275.6 million. Administrative offsets resulted in additional collections of $12.7 million. GSA also collects non-Federal claims using Pre-Authorized Debits (PAD). From October 1, 2005 to September 30, 2006, 240 PADs totaling $95,326 were processed. Also, during this period, $4.1 million was received as a result of a fraud case against Office Depot.

GSA actively pursues delinquent non-Federal claims using installment agreements, salary offset, administrative wage garnishment, and any other statutory requirement or authority that is applicable. Through an outside contract arrangement, GSA actively reviews and pursues overpayments, in conjunction with its Public Buildings Service (PBS), Federal Supply Service (FSS), and Federal Technology Service (FTS) Accounts Payable Divisions. GSA is continuing to remove all non-paying claims over two-years old from its accounts receivable subsidiaries. All two-year-old claims without collection activity are researched and either collected or written off.

Cash and Payments Management

The Prompt Payment Act, along with the Debt Collection Improvement Act of 1996, requires the timely payment of commercial obligations for supplies and services using electronic funds transfer (EFT). GSA reviews and modifies, if needed, its procedures continuously to ensure prompt payment utilizing EFT. The percentage of invoices paid on time increased slightly from FY 2005. GSA paid significantly less in interest penalties during FY 2006. The statistics for the current and preceding two fiscal years are as follows:

	FY 2004	FY 2005	FY 2006
Total Number of Invoices Paid	1,390,406	1,483,040	1,285,710
Total Dollars Disbursed	$20.8 Billion	$18.7 Billion	$16.2 Billion
Total Dollars of Interest Penalties	$779,835	$981,111	$575,461
Interest Paid per Million Disbursed	$39.00	$44.87	$30.84
Percentage of Invoices Paid On Time	98%	98%	98.7%
Percentage of Invoices Paid Late	1%	2%	1.3%
Percentage of Invoices Paid Electronically	92%	91%	94%

Appendices

Awards GSA Has Won in 2006

Seattle U.S. Federal Courthouse Nets Top National Engineering Award

The American Council of Engineering Companies (ACEC) recognized the Seattle U.S. Federal Courthouse with its highest honor of engineering excellence, the Grand Conceptor Award. The ACEC selected the Courthouse as the best of 143 state qualifying entries. Projects were evaluated for original or innovative applications; future value to the engineering profession and public, social, and economic considerations; and client satisfaction. A structural steel-plate shear wall with super columns, progressive collapse prevention cables, and the open, but blast resistant atrium served as the key building innovations cited in the presentation.

Southeast Sunbelt Wins TOBY Award

The Southeast Sunbelt Region's U.S. Courthouse in Fort Myers, FL, was honored with the Office Building of the Year (TOBY) Award by the Building Owners and Managers Association (BOMA). The award was made in the Government Building category. The courthouse first won the local and regional competitions. Additionally, the Sam Nunn Atlanta Federal Center in Atlanta, GA and the U.S. Courthouse in Dublin, GA both won their local and regional competitions and competed for the international award against some of the finest buildings in the world.

Sam Nunn Atlanta Federal Center Wins BOMA Earth Award

The ninth-largest Federal building in the country and the largest in the Southeast Sunbelt Region, the Sam Nunn Atlanta Federal Center recently received the Earth Award from BOMA. The center was named an ENERGY STAR Building in 2005. It houses 5,000 employees for dozens of Federal agencies and combines four distinct structural elements in central downtown, equaling 2,000,000 square feet. The center includes the Rich's Building, the Midrise, the Bridge Building, and the Tower.

Appendix 1: 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 2006 and were reflected in the FY 2007 Congressional Justifications. The 21 Key Performance Measures are highlighted below. Some of the results were not available at the time of publication, so the results for the remaining performance measures marked not available will be published on GSA's Web site in December, 2006. A list of measures reported in the FY 2005 Performance and Accountability Report (PAR) that are no longer reported externally can be found in Appendix II.

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	RESULTS
1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS							
PBS (Asset Management) Execute energy conservation goals while increasing GSA's Customer Satisfaction scores to 73% by FY 2006.	Customer Satisfaction - tenants in owned space.	67.6%	72%	78%	73%	Not Available	
PBS (Leasing) Award leases at an average rental rate of not less than 8.5% below industry averages for comparable office space by FY 2006.	Cost of leased space relative to industry market rates.	-7.4%	-10.6%	-9.2%	-8.5%	-9.2%	Met
PBS (Leasing) Achieve a satisfied customer satisfaction rating (4's & 5's) 72% of the time by FY 2006.	Satisfied tenant customer satisfaction rating (4 and 5 responses) in leased spaced surveyed.	66%	70%	78%	72%	Not Available	
PBS (Leasing) Use National Broker Contract for at least 60% of expiring leases by FY 2006.	Percent of expiring leases using the National Broker Contract.	Not Measured	Not Measured	Not Measured	60%	Not Measured	
PBS (Leasing) Deliver leased space when the customer needs it 82% of the time or better by FY 2006.	Percent of customers surveyed who say they received their leased space when needed.	76%	87%	82%	82%	Not Available	
PBS (Real Property Disposal) Maintain "highly satisfied" ratings of 93% or higher on the Customer Transaction Satisfaction Survey by FY 2006.	The percent of disposal transactions that "exceed" or "greatly exceed" customer expectations.	90%	94%	93%	93%	Not Available	
FAS (Vehicle Acquisition) Increase the Vehicle Acquisition program's customer satisfaction toward the 75th percentile for customer satisfaction in government.	External customer satisfaction score.	75.7	77	79.3	79	Not Available	
FAS (Vehicle Acquisition) Maintain 28% or better discount from manufacturer's invoice price.	Percentage discount from invoice price.	26.3%	33.1%	40.6%	≥28%	39%	Met
FAS (Fleet) Maintain the Vehicle Leasing program's current level of world-class customer satisfaction in government.	External customer satisfaction survey score.	83.7	84.9	85.9	83	Not Available	
FAS (Fleet) Maintain the gap between GSA Fleet rates and commercial rates at 29% or more.	Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.	36.9	31.7%	43.1%	≥29%	39%	Met

Appendix 1: Summary Chart of Goals and Measures

Office Performance Goals	Performance Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Target	FY 2006 Actual	Results
1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS *(continued)*							
FAS (Travel) Increase the program's customer satisfaction toward the 75th percentile for customer satisfaction in government.	External customer satisfaction score.	69.5	71.1	73.6	74	Not Available	
FAS (Travel) Provide policy compliant, consolidated and fully integrated end-to-end travel services government-wide.	Number of vouchers serviced through the E-Gov Travel System (percent of total voucher population).	Not Measured	0.02%	1.1%	12.9%	6.7%	Not Met
FAS (Transportation) Increase the program's customer satisfaction toward the 75th percentile for customer satisfaction in government.	External customer satisfaction score.	74.8	74.1	73.3	78	Not Available	
FAS (Transportation) Maximize customer savings through the use of GSA Transportation programs.	Freight and Household Goods Savings.	Not Measured	$103M	$128M	Tracking Only	Not Available	
FAS (Transportation) Maximize customer savings through the use of GSA Transportation programs.	Domestic Delivery Savings.	Not Measured	Not Measured	$515M	Tracking Only	Not Available	
FAS (Global Supply) Increase customer satisfaction toward the 75th percentile for customer satisfaction in government.	External customer services satisfaction survey score.	79.6	79.0	77.3	79.9	Not Available	
FAS (Personal Property Management) Maintain a customer satisfaction score higher than the Federal government American Customer Satisfaction Index (ACSI) reflecting customer satisfaction in government in FY 06 and each year thereafter.	External customer satisfaction.	75.3	75.6	74.6	79	Not Available	
FAS (Network Services) Provide robust portfolio of telecommunications services and value added solutions to satisfy diverse customer requirements.	Customer satisfaction with value added solutions.	Not Measured	77%	Not Measured	80%	Not Available	
FAS (Network Services) Provide robust portfolio of telecommunications services and value added solutions to satisfy diverse customer requirements.	Percentage of solutions reviewed complaint with policy and regulations, internal polices and procedures.	Not Measured	Not Measured	100%	100%	Not Available	
FAS (Network Services) Provide substantially lower cost service to customer agencies.	Percentage of Network Service prices are below best commercial prices.	Not Measured	Not Measured	41.5%	35%	Not Available	
FAS (Network Services) Provide substantially lower cost service to customer agencies.	Savings provided to customers.	$574M	$705M	$633M	$550M	$620M	Met
FAS (Network Services) Grow customer base to increase market share and maximize savings to the government.	Percentage of agencies serviced by Network Services.	Not Measured	Not Measured	88.20%	90%	Not Available	

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	RESULTS
1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS *(continued)*							
FAS (Regional Telecommunications) Manage acquisitions to ensure industry provides solutions that meet client agencies mission needs.	Percentage (by dollar value)of eligible service orders awarded with performance-based statements of work.	Not Measured	47%	72%	50%	89%	Met
FAS (Regional Telecommunications) Manage acquisitions to ensure industry provides solutions that meet client agencies mission needs.	Percentage of projects meeting agreed performance according to the Quality Assurance Surveillance Plan (QASP).	Not Measured	Not Measured	Not Measured	75%	Not Measured	
FAS (Regional Telecommunications) 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 commodities and service that are met or bettered.	Not Measured	89%	96%	76%	Not Available	
FAS (Regional Telecommunications) Provide cost management for solutions delivery.	Percentage of solutions that are met or below initial cost estimates.	Not Measured	Not Measured	Not Measured	80%	Not Available	
FAS (IT Solutions- 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 statements of work.	Not Measured	43%	64%	50%	Not Available	
FAS (IT Solutions- 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.	Not Measured	83%	88%	>95%	Not Available	
FAS (IT Solutions- Professional Services) Provide cost management for solutions delivery.	Percentage of solutions that are met or below initial cost estimates.	Not Measured	Not Measured	Not Measured	90%	Not Available	
FAS (IT Solutions-National) Manage acquisitions to ensure industry provides solutions that meet client agencies' mission needs.	Percentage of dollar value of eligible service orders awarded with performance-based statements of work.	Not Measured	48%	26%	>50%	Not Available	
FAS (IT Solutions-National) Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency to verify best value and effective acquisition management are achieved.	Percentage of negotiated award dates for services and commodities that are met or bettered.	95%	92%	87%	>95%	89%	Not Met
FAS (IT Solutions-Regional) Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency to verify best value and effective acquisition management are achieved.	Percentage of negotiated award dates for services and commodities that are met or bettered.	91%	88%	84%	>95%	Not Available	

Appendix 1: Summary Chart of Goals and Measures

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	RESULTS
1: PROVIDE BEST VALUE FOR CUSTOMER AGENCIES AND TAXPAYERS *(continued)*							
FAS (IT Solutions-Regional) Provide cost management for solutions delivery.	Percent of dollar savings between independent government cost estimates (IGCEs) and award amounts.		12%	8%	>8%	Not Available	
OGP Develop and issue effective guidance and implementation policies in support of the Federal Identity Credentials.	Percentage of major agencies adopting cross-agency policy and uniform standards for Federal Identity Credentials.		Not Measured	54%	75%	Not Available	
OCSC Help the Federal government become more citizen-centric by increasing the magnitude, quality and outreach of Federal information via various channels and enable Federal agencies to become more citizen-centric by providing answers to citizens that are timely, accurate and responsive via the channel of their choice.	Public contact derived as a result of citizen interaction with USA Services channels.	209.7M	241.9M	230.5M	235M	235.1M	Met
OCSC Enable a citizen-centric government by sharing the FirstGov infrastructure and e-Gov expertise with the President's E-Gov initiatives.	ACSI Satisfaction Survey Index.		74	73	74	Not Available	
2: ACHIEVE RESPONSIBLE ASSET MANAGEMENT							
PBS (Asset Management) Increase to 71% the percentage of government-owned assets with a Return on Equity of at least 6% by FY 2006.	Percentage of government-owned assets with an ROE of at least 6%.	64%	70%	74%	71%	Not Available	
PBS (Asset Management) Increase the percentage of government-owned assets with a positive FFO to 85% by FY 2006.	Percentage of government-owned assets achieving a positive Funds from Operation.	73%	78%	80%	85%	Not Available	
PBS (Asset Management) Decrease the vacant (available and committed) space to 7% of the owned inventory by FY 2006 and maintain thereafter.	Percentage of vacant and committed space in the government-owned inventory.	8.3%	7.9%	6.8%	7.0%	7.0%	Met
PBS (Leasing) Analyze 100% of leases expiring within 3 years for market opportunities to reduce rental payments (where market data is available).	Percent of existing lease inventory reviewed for beneficial opportunities.	Not Measured	Not Measured	Not Measured	100%	Not Available	
PBS (Leasing) Maintain the percent of vacant space in leased buildings at less than or equal to 1.5% by FY 2006.	Percent of vacant space in leased inventory.	1.4%	1.2%	1.2%	≤1.5%	Not Available	
PBS (Leasing) Manage the costs of administering leased space so that leased Funds From Operations (FFO) is greater than 0% and no more than 2% of the leased inventory revenue.	Percent of leased revenue available after administering the leased program.	1.2%	1.9%	2.2%	0% - 2%	Not Available	

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	RESULTS
2: ACHIEVE RESPONSIBLE ASSET MANAGEMENT *(continued)*							
PBS (Real Property Disposal) Award 90% of utilization and donation (U&D) property within 240 days for fiscal year 2006.	Percentage of U&D property awarded within 240 days.	52%	75%	39%	90%	97%	Met
PBS (Real Property Disposal) Award 95% of public sales within 170 days for fiscal year 2006.	The percent of public sales awarded within 170 days.	67%	73%	92%	95%	100%	Met
PBS (Real Property Disposal) Attain 1.08% cost of sales as a percentage of sales proceeds for reimbursable sales for fiscal year 2006.	Cost of reimbursable sales as a percentage of sales proceeds.	0.52%	0.18%	0.13%	1.08%	Not Available	
OCIO Provide a secure IT environment.	Percent of IT systems that have a current certification and accreditation.	61%	97%	100%	100%	Not Available	
3: OPERATE EFFICIENTLY AND EFFECTIVELY							
PBS (Asset Management) 88% of R&A projects on schedule by FY 2006.	R&A projects on schedule.	78%	78%	95%	88%	Not Available	
PBS (Asset Management) Maintain the percent of escalations on R&A projects at less than or equal to 1% by FY 2006.	Percent of escalations on construction projects.	0.5%	0.5%	0.4%	≤1%	Not Available	
PBS (Asset Management) Obligate 75% of the minor Repairs and Alterations budget for planned projects by the end of FY 2006.	Percent of minor R&A budget obligated on planned projects by the end of the fiscal year.	Not Measured	87%	87%	75%	Not Available	
PBS (Asset Management) Maintain operating service costs in office and similarly serviced space at 3% or more below private sector benchmarks by FY 2006.	Percent below private sector benchmarks for cleaning, maintenance and utility costs in office and similarly serviced space.	-15%	-15%	-11%	-3.0%	-4.2%	Met
PBS (New Construction) Verify 30% of newly constructed buildings for achievement of established operational requirements by FY 2006 (commissioning).	Percent of newly constructed buildings independently verified for achievement of established operational requirements (commissioning).	17%	14%	22%	30%	100%	Met
PBS (New Construction) New construction projects on schedule 86% of the time by FY 2006.	Construction projects on schedule.	68%	80%	100%	86%	Not Available	
PBS (New Construction) Average cycle time on new courthouse construction projects is 3,100 days or less by FY 2006.	Number of days to complete new courthouse construction projects.	2,853	2,988	2,928	3,100	Not Available	
FAS (Vehicle Acquisition) Manage program resources to meet its future needs while maximizing program efficiency.	Number of vehicles purchased per FTE.	1,191	1,350	1,498	1,300	Not Available	
FAS (Fleet) Aggressively pursue consolidation opportunities to reduce overall government expenses.	Number of vehicles managed per onboard associate.	271	275	329	335	Not Available	

APPENDIX 1: SUMMARY CHART OF GOALS AND MEASURES

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	RESULTS
3: OPERATE EFFICIENTLY AND EFFECTIVELY *(continued)*							
FAS (Travel & Transportation) Reduce program operating costs.	Operating cost per $100 business volume.	$0.67	$0.80	$0.95	$0.95	Not Available	
FAS (Travel) Provide policy compliant, consolidated and fully integrated end-to-end travel services government-wide.	Percentage of agencies migrating to E-Gov Travel.	Not Measured	8%	29.2%	58.3%	Not Available	
FAS (Transportation) By FY 2006, as part of overall automation and streamlining of transportation processes, attain and sustain percentage of electronic audits at 95%.	Percent of audits performed electronically.	93.2%	92%	94%	95%	Not Available	
FAS (Transportation) By fiscal year 2006, as part of overall automation and streamlining of transportation processes, attain and sustain percentage of electronic audits at 52%.	Percent of claims processed within 120 days.	Not Measured	51.20%	69%	52%	Not Available	
FAS (Global Supply) Reduce Global Supply mark-up on stocked items.	Percentage of Global Supply mark-up on stocked items.	45.9%	42.8%	42.9%	40.1%	44.2%	Not Met
FAS (Global Supply) Achieve timely delivery for all customer orders.	Percent of domestic, non-hazardous orders shipped within 24 hours.	86%	85%	83%	93%	Not Available	
FAS (Global Supply) Increase program efficiency and value to Global Supply customers by minimizing program operating costs.	Operating costs per $100 business volume.	$18.13	$17.58	$17.58	$17.38	Not Available	
FAS (Personal Property Management) Decrease the time it takes to complete disposal action for excess property to 56 days by FY 2006.	Cycle time for disposal process (days).	83	72	56	56	52	Met
FAS (Personal Property Management) Align program-operating costs relative to revenue generated by the Sales Program, and strive to maximize the return on these resources.	Operating cost per $100 business volume.	$33.94	$24.88	$15.23	$22.00	Not Available	
FAS (Network Services) Provide effective management of Network Services acquisitions.	Network Program Milestones planned vs. actual.	Not Measured	100%	99.10%	100%	Not Available	
FAS (Regional Telecommunications) Provide quality telecommunications services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.	Not Measured	96%	90.60%	80%	Not Available	
FAS (Regional Telecommunications) Provide quality telecommunications services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of schedule task orders solicited using e-Buy.	Not Measured	Not Measured	Not Measured	80%	Not Available	

Office / Performance Goals	Performance Measures	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Target	FY 2006 Actual	Results
3: OPERATE EFFICIENTLY AND EFFECTIVELY *(continued)*							
FAS (IT Solutions- 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 the fair opportunity process.	Not Measured	83%	81%	>86%	Not Available	
FAS (IT Solutions- 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.	Not Measured	Not Measured	78%	90%	93%	Met
FAS (IT Solutions-National) Provide quality IT solutions services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.	86%	98%	94%	>95%	Not Available	
FAS (IT Solutions-Regional) Provide quality IT solutions services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.	86%	96%	92%	>95%	Not Available	
OCIO Improve IT Investment Control & Project Management.	Percentage of the IT Portfolios DM&E Projects that have a schedule variance within 10% of plan.		92%	100%	100%	Not Available	
OGP Federal Enterprise Architecture/ Component Organization and Registration Environment (FEA/ CORE) -Increase adoption of common business processes and/or key components enabling those processes.	Number of components submitted for approval to IAC Component Organization & Registration Environment (CORE) steering committee registered at CORE.		0	10	25	Not Available	
OGP Assist agencies in the re-engineering of the identity management process for external e-government online services and for physical and logical access to Federal facilities and systems.	Percentage of Authentication service lines with 3 or more providers to achieve competition.		Not Measured	Not Measured	50%	Not Available	
OGP Provide tools and incentives to improve the effectiveness of property management operations.	Percentage of agencies reporting real property performance measures tracked by OGP.		52%	61%	67%	Not Available	
4: ENSURE FINANCIAL ACCOUNTABILITY							
FAS (Fleet) Maintain the gap between GSA Fleet rates and commercial rates at 20% or more.	Program support and operational expenses per vehicle year of operation.	$507	$556	$508	$504	Not Available	
FAS (Travel) Reduce program operating costs.	Direct cost as a percent of revenue.	40%	57.0%	56.00%	64%	Not Available	
FAS (Transportation) Reduce program operating costs.	Direct cost as a percent of revenue.	40%	56.5%	56.3%	52%	48%	Met

Appendix 1: Summary Chart of Goals and Measures

OFFICE PERFORMANCE GOALS	PERFORMANCE MEASURES	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 TARGET	FY 2006 ACTUAL	RESULTS
4: ENSURE FINANCIAL ACCOUNTABILITY *(continued)*							
FAS (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 of Sales Program as a percent of revenue.	61.5%	48.0%	34.7%	46%	Not Available	
FAS (Network Services) Improve the financial condition of the Fund.	Total program expense as a percentage of gross margin.	95%	41%	41.3%	55%	Not Available	
FAS (Regional Telecommunications) Improve the financial condition of the Fund.	Total program expenses as a percentage of gross margin.	59%	56%	52%	66%	Not Available	
FAS (IT Solutions- Professional Services) Improve the financial condition of the Program.	Total program expenses as a percentage of gross margin.	Not Measured	64%	50%	66%	Not Available	
FAS (IT Solutions-National) Improve the financial condition of the Fund.	Direct operating expense as a percentage of gross margin.	81%	78%	83%	62%	Not Available	
OCFO Increase the percentage of vendor invoices received electronically by Electronic Data Interchange (EDI) or through the Internet.	Percent of invoices received electronically.	44%	56%	64%	68%	71%	Met
5: MAINTAIN A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE							
OCHCO Enhance ability to attract talent to GSA.	Number of days to fill a vacancy.	Not Measured	Not Measured	26.3	45	30.1	Met
6: CARRY OUT SOCIAL, ENVIRONMENTAL, AND OTHER RESPONSIBILITIES AS A FEDERAL AGENCY							
PBS (Asset Management) Reduce energy consumption in GSA Federal buildings by 2% (as measured by Btu/GSF) over the FY 2003 baseline by FY 2006.	Percent reduction in energy consumption over the FY 2003 baseline.	Not Measured	Not Measured	Not Measured	-2%	-4.4%	Met
PBS (New Construction) Register 25% of the New Construction program for LEED in the same fiscal year design funding is authorized and appropriated by FY 2006.	Percent of New Construction program registered for LEED in the same fiscal year design funding is authorized and appropriated.	16%	0%	9%	25%	Not Available	
PBS (New Construction) Certify 20% of the New Construction program for LEED within 18 months of substantial construction completion by FY 2006.	Percent of New Construction program LEED certified within 18 months of substantial construction completion.	0%	0%	17%	20%	Not Available	
OGP Improve the compliance with Section 508 government-wide by improving the compliance of GSA contracts and programs.	Percentage of agencies whose work demonstrates the use of Section 508 tools.	Not Measured	Not Measured	0%	30%	42%	Met
OCSC Disseminate strategic information messages to all audiences by providing integrated and coordinated communications to GSA associates and news media.	Strategic Messages (Favorable, Neutral, and Unfavorable).	29% 66% 5%	37% 56% 7%	27.54% 65.17% 7.29%	30% 60% 10%	Not Available	

Appendix 11: Performance goals and Measures no Longer Reported

PROGRAM	PERFORMANCE GOALS	PERFORMANCE MEASURES
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.
PBS (Leasing)	Maintain an overall customer satisfaction score of 85% for the lease transaction process	Overall customer satisfaction – Realty Transaction Survey.
PBS (Real Property Disposal)	Complete 80% of 49 Act disposals within 320 days by FY 2005.	Percentage of disposals completed within 320 days.
FAS (Commercial Acquisition)	Reduce operating costs per $100 of business volume to $0.58 by FY 2005.	Operating cost per $100 business volume.
FAS (Travel & Transportation)	Increase the number of Federal agency customers through TMSS.	Number of TMSS users.
FAS (Travel & Transportation)	Expand the number of vendors and services under the TSS Schedule.	Number of vendors participating on TSS Schedule.
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.
OCSC	Enable government Web sites to become more citizen-centric and user-friendly.	FirstGov.gov page view/ year.
		Number of agencies using FirstGov infrastructure (hosting).
		Federal Web sites that use E-Gov Solutions' infrastructure for hosting or search services.
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.
		FirstContact and Tier 1 telephone and e-mail services for agencies.
		Web self-help options for citizen inquires.
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).
		Total number of search queries answered with results from E-Gov Solutions' index (Other).
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).
2: ACHIEVE RESPONSIBLE ASSET MANAGEMENT		
FAS (IT Solutions)	Improve the financial condition of the IT Fund.	Total program expense as a percentage of gross margin.
OGP	Facilitate agencies' compliance with Executive Order 13327 through use of the President's Management Agenda (PMA) scorecard.	Number of agencies using Real Property Profile Internet application to report real property inventory.
OGP	Improve software asset management in government.	Percentage of agencies with software asset management plans.
OGP	Develop new policies to optimize Federal asset management.	Percentage of agencies implementing process improvements prescribed in asset management guidelines, policies, and regulations.

Appendix 11: Performance goals and Measures no Longer Reported

PROGRAM	PERFORMANCE GOALS	PERFORMANCE MEASURES
3: OPERATE EFFICIENTLY AND EFFECTIVELY		
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.
FAS (Commercial Acquisition)	Reduce the time associated with processing contract offers to 92 days by FY 2005.	Cycle time to process offers (days).
FAS (Commercial Acquisition)	Reduce the time associated with processing contract modifications to 13 days by FY 2005.	Cycle time to process modifications (days).
FAS (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.
FAS (Travel & Transportation)	Maximize percentage discount savings from the City Pairs Program (CPP).	Percentage discount from walk-up fare.
FAS (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.
OGP	Reduce redundant data collections and redundant electronic forms systems.	Percentage of agencies adopting Government-wide Forms Management guidance and implementation approach.
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.
4: ENSURE FINANCIAL ACCOUNTABILITY		
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.
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.
OEM	Support government-wide COOP in accordance with Federal Preparedness Circular #65.	OEM will conduct COOP training sessions for other Federal agencies.

Appendix III: Improper Payments Improvement Act (IPIA) Reporting Details

GSA's recovery audit contractor came on board in April 2001 and began performing audits of disbursement records and vendor statement of accounts. In FY 2003 the recovery audit activities were expanded to include a review of GSA's commodity and service contracts.

In FY 2005, a combined total of $46,721,741 in payment errors was discovered through internal reviews and recovery audit activities. Twenty million of that amount pertained to a one time system error that was discovered internally. During the initial three days following the rollout of system upgrade, multiple payments were erroneously disbursed to vendors as part of the nightly cycle processing due to a system error. GSA worked diligently to identify and recover the erroneous payments and to determine the process changes that were required to prevent a reoccurrence. The full amount of the $20 million was recovered in less than 60 days and internal controls were strengthened to prevent reoccurrence.

GSA has also implemented several internal controls to mitigate potential duplicate payments. GSA systems have built-in controls that prevent paying a duplicate invoice number. Internal control policies have been developed that dictate when an invoice number can be altered and requires supervisory review and approval. In addition, GSA's Disbursement Control Group reviews payments over $2,500 as a final control before payments are issued.

Agency Component (if applicable)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported	Amounts Identified for Recovery	Amounts Identified / Actual Amount Reviewed	Amounts Recovered CY	Amount Recovered PY(s)
N/A	$13.4B	$1.07B	$46.7M	4.37%	$45.9M	$22.9M

Most of GSA's business dealings with vendors are of reoccurring nature; therefore, it is anticipated that the outstanding balance will be successfully collected. During the life of the contract, the contractor has identified the $39 million in improper payments and GSA has recovered $29 million of that amount.

The recovery audit contractor's overall findings are down from the prior year. In FY 2005, over 91 percent of the recovery amount was from contract compliance. GSA has incorporated several past recommendations made by the recovery audit contractor, and controls are in place to detect common disbursement errors. An audit base of $1.07 billion in contracts was examined during this year.

Details regarding GSA's recovery audit program for FY 2005 are presented in the table below:

GSA's FY 2005 Recovery Audit Program Results (in dollars)

Total Agency Costs	**$**	**1,574,061**
Agency Salaries & Expenses	$	175,135
Total Contracted Expenses	$	1,398,926
Paid	$	1,385,828
Due	$	13,098
Total Payment Errors Identified	**$**	**46,721,742**
Discovered By Contractor	$	4,878,072
Amount Unrecoverable	$	-
Amount Recovered	$	4,773,280
Amount Outstanding	$	104,792
Discovered Internally By GSA	$	41,843,670
Amount Unrecoverable	$	-
Amount Recovered	$	41,144,640
Amount Outstanding	$	699,030

Appendix IV: Acronyms and Abbreviations

3PS	Policy Portfolio Performance System
A/E	Architect/engineer
A-123	OMB Circular on Management's Responsibility for Internal Control
A-127	OMB Circular on Financial Management Systems
AAS	Assisted Acquisition Service
ACSI	American Customer Satisfaction Index
ACTT	Activity Cost Tracking Tool
ADA	Anti-Deficiency Act
AFV	Alternative Fuel Vehicle
AICPA	American Institute of Certified Public Accountants
ALDP	Advanced Leadership Development Program
AMFA	Alternative Motor Fuels Act
ANSI/EIA	American National Standards Institute / Electronics Industry Alliance
APPAS	Associate Performance Planning and Appraisal System
APRS	Associate Performance Recognition System
BAW	Buy Accessible Wizard
BIM	National Building Information
BLM	Bureau of Land Management
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
Btu/GSF	British Thermal Units per Gross Square Foot
C&A	Certification & Accreditation
CAO	Chief Acquisition Officer
CCR	Central Contractor Registration
CFL	Computers For Learning
CFO	Chief Financial Officer
CHRIS	Comprehensive Human Resources Integrated System
CIO	Chief Information Officer
CODB	
CORE	Component Organization & Registration Environment
COTS	Commercial-Off-The-Shelf
CPI	Consumer Price Index
CPP	City Pairs Program
CSBR	Combining Statement of Budgetary Resources
CSC	Client Support Center
CSLIC	Citizen Service Level Interagency Committee
CSRS	Civil Service Retirement System
DAU	Defense Acquisition University
DFC	Denver Federal Center
DHS	Department of Homeland Security
DLA	Defense Logistics Agency
DO	Delivered Order
DOD	Department of Defense
DOE	Department of Energy
DOI	Department of Interior
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
E&IT	Electronic & Information Technology
EA	Enterprise Architecture
ECRM	Enterprise CRM
EDD	Expanded Direct Delivery
EDI	Electronic Data Interchange
EEO	Equal Employment Opportunity
EFT	Electronic Funds Transfer
EPA	Environmental Protection Agency
EUAS	Energy Usage and Analysis System
EVM	Earned Value Management

F4S	Furniture for Schools
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
FBI	Federal Bureau of Investigations
FCIC	Federal Consumer Information Center
FCW	Federal Computer Week
FDA	Food & Drug Administration
FDA-CDER	FDA-Center for Drug Evaluation and Research
FDIC	Federal Deposit Insurance Corporation
FEA/CORE	Federal Enterprise Architecture / Component Organization & Registration Environment
FECA	Federal Employees Compensation Act
FEDPAY	FSS Payment Module
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
FIT	FAIR Act Inventory Tool
FMFIA	Federal Manager's Financial Integrity Act
FM LOB	Financial Management Line of Business
FMS	Financial Management Service
FPS	Federal Protective Service
FRPC	Federal Real Property Council
FRPP	Federal Real Property Profile
FSS	Federal Supply Service
FTE	Full-Time Equivalent
FTS	Federal Technology Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GM&A	General Management and Administration
GPDS	GSA Procurement Data System
GPRA	Government Performance and Results Act
GS	General Schedule
GSA	General Services Administration
GSAP	GSA Preferred
GSF	General Supply Fund
GSS	General Supplies and Services
GWAC	Government Wide Acquisition Contract
HCSP	Human Capital Strategic Plan
HHS	Health and Human Services
HRMAS	Human Resources Management Accountability System
HSPD	Homeland Security Presidential Directive
HSSO's	Heads of Service and Staff Offices
HUBZone	Historically Underutilized Business Zones
HUD	Housing and Urban Development
IAC	Interagency Committee
IDIQ	Indefinite Delivery/Indefinite Quantity
IG	Inspector General
IGCE	Independent Government Cost Estimates
IPIA	Improper Payments Information Act
IRIS	Inventory Reporting Information System
IRS	Internal Revenue Service
IT	Information Technology
ITF	Information Technology Fund
ITOMS	Integrated Task Order Management System
ITS	Information Technology Solutions
ITSS	IT Solutions Shop
JFMIP	Joint Financial Management Improvement Program

Appendix IV: Acronyms and Abbreviations

LEED	Leadership in Energy and Environmental Design
LLP	Limited Liability Partnership
LMI	Logistics Management Institute
LNS	Leadership for New Supervisors
LoB	Line of Business
MAC	Multiple Award Contract
MAS	Multiple Award Schedule
MD&A	Management's Discussion and Analysis
MDA	Missile Defense Agency
MEAMS	Enterprise Architecture Modeling System
MEO	Most Efficient Organization
MFC	Most-Favored Customer
MOA	Memorandum of Agreement
NABC	Native American Business Center
NASA	National Aeronautics and Space Administration
NCC	National Contact Center
NCR	National Capital Region
NEAR	National Electronic Accounting and Reporting
NIST	National Institute of Standards and Technology
NOAA	National Oceanic & Atmospheric Administration
NPC	National Payroll Center
OASDI	Old-Age, Survivors and Disability Insurance
OCA	Office of the Chief Architect
OCAO	Office of Chief Acquisition Officer
OCFO	Office of Chief Financial Officer
OCHCO	Office of the Chief Human Capital Officer
OCIA	Office of Congressional and Intergovernmental Affairs
OCIO	Office of Chief Information Officer
OCO	Ordering Contracting Officers
OCR	Office of Civil Rights
OCSC	Office of Citizen Services and Communications
OEM	Office of Emergency Management
OGC	Office of General Counsel
OGP	Office of Governmentwide Policy
OIG	Office of Inspector General
OIRA	Office of Information and Regulatory Affairs
OLU	Online University
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
PIA	Privacy Impact Assessments
PIB	Procurement Information Bulletin
PMA	President's Management Agenda
PMP	Performance Management Process
PMT	Performance Measurement Tool
POA&M	Plan of Action & Milestones
POC	Point of Contact
PwC	PricewaterhouseCoopers
QASP	Quality Assurance Surveillance Plan
R&A	Repairs and Alterations
RentEst	Rent Estimate
RFQ/RFP	Request for Quotes / Request for Proposals
RISC	Regulatory Information Service Center
RND	Results Not Demonstrated
ROADS	Requisitioning, Ordering and Documentation System
ROCIS	RISC/OIRA Consolidated Information System
ROE	Return on Equity
RRB	Ronald Reagan Building
RSF	Rentable Square Feet
RWA	Reimbursable Work Authorizations
SAS	Statement on Auditing Standards

SASP	State Agencies for Surplus Property
SASy	Sales Automation System
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SES	Senior Executive Service
SF133	Standard Form 133: Statement of Budget Execution and Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SIN	Special Item Number
SIOR	Society of Industrial and Office Realtors
SOP	Special Order Program
SSA	Social Security Administration
SSP	Shared Service Providers
STAR	System for Tracking and Administering Real Property
SUVs	Sport-Utility Vehicles
TARPS	Transportation, Accounts Receivable and Payable Systems
TMVCS	Travel, Motor Vehicles, and Card Services
TOS	Tracking and Ordering System
Treasury	Department of the Treasury
TSP	Thrift Savings Plan
TSS	Travel Services Solution
U&D	Federal Personal Property Utilization, Donation, and Sales Program
UDO	Un-Delivered Orders
USDA	United States Department of Agriculture
USSGL	United States Standard General Ledger
VA	Veterans Administration
VETS	Veterans Technology Service
WCF	Working Capital Fund

The FY 2006 Performance and Accountability Report is a collaborative endeavor on the part of many GSA employees and contractors. We would like to acknowledge and thank them for their hard work and commitment in successfully preparing this report and supporting the audit effort of the financial statements.

This report is available through our Web site at *www.gsa.gov/annualreport*
Also linked to that site is our 2007 Congressional Performance Budget Justification and our past performance and accountability publications.

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Other GSA Web pages of possible interest:

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GSA Jobs : http://OCPO.gsa.gov/

2006 AWARDS

Awards GSA Has Won in 2006

Charles E. Bennett Federal Building Wins Federal Energy and Water Management Award

The Charles E. Bennett Federal Building in Jacksonville, FL, received the Federal Energy and Water Management Award from the Department of Energy's (DOE) Federal Energy Management Program. The government-wide awards recognize significant contributions toward increased energy efficiency and water conservation within the Federal government. GSA was cited for a holistic redesign effort with the architectural-engineering team working side-by-side with GSA staff to evaluate energy saving merits of various design strategies, including energy and climate-responsive heating and air-conditioning systems and Web-based automation systems. Post-renovation building energy consumption for FY 2005 dropped more than 60 percent as compared to its last year of operation prior to vacating it. Usage was reduced by 23,781 Million British Thermal Units (MMBtus) compared to 2002—enough energy to power 208 homes for one year.

In addition to the earlier awards, as well as others too numerous to mention, GSA has received the following: *Top Left:* E-Gov Award for Enterprise Architecture. *Top Center:* Innovation in American Government Award; *Top Right:* Web Content Managers Best Practice Award; *Bottom Left:* Webby Award for the Office of Citizen Services Web site; *Bottom Right:* Chief Information Officers Council Award for USA Services CSCC Team

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