U.S. General Services Administration

2008 ANNUAL PERFORMANCE AND ACCOUNTABILITY REPORT

GSA Means Excellence in the Business of Government

How to use this report

This Performance and Accountability Report (PAR) for fiscal year (FY) 2008 provides the U.S. General Services Administration's (GSA) financial and performance information, enabling the President, Congress, and the American people to assess the Agency's performance as provided by the requirements of the:

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

The assessment of GSA's performance contained in this report compares performance results to the Agency's strategic goals and performance goals. GSA's Strategic Plan, Performance Plan, and annual PARs are available on GSA's Web site at www.gsa.gov/annualreport. GSA welcomes feedback on the form and content of this report. If you wish to provide feedback please contact Michael Swanchara at (202) 501-1905 or michael.swanchara@gsa.gov.

This report is organized into the following major components:

❶ Letter from the Administrator

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.

❷ Management's Discussion and Analysis

This section provides an overview of the financial and performance information contained in the Performance, Financial, and Other Accompanying Information sections. The Management's Discussion and Analysis 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.

❸ 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 2008. Information on key performance measures with past results can be found in the Performance Section.

❹ Financial Section

This section contains the details on GSA's finances in FY 2008. An introduction letter from GSA's CFO, followed by the Independent Auditor's Report, the Agency's audited financial statements, and required supplementary financial information.

❺ Other Accompanying Information

This section includes summary charts of GSA's Performance Measures, the Inspector General's Assessment of GSA's Major Management Challenges with Management's comments, Improper Payments Improvement Act information, a summary of the Financial Statement audit and Management assurances, information on the Agency's Debt Management and Payments Management, and a glossary of acronyms.

Mission Statement

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

Strategic Goals

Stewardship

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

Superior Workplaces

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

Best Value

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

Innovation

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

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Letter from the Administrator

FY 2008 Performance and Accountability Report

James A. Williams

As Acting Administrator, one of my top priorities for the U.S. General Services Administration (GSA) is to maintain the high standards of integrity and accountability that have made GSA a trusted business partner for Federal customer agencies for nearly six decades. I am proud to present GSA's Fiscal Year (FY) 2008 Annual Performance and Accountability Report (PAR), which details our accomplishments and challenges in program and financial management over the past year. The PAR explains the actions GSA has taken to exercise effective stewardship over customer funds and provides quantitative evidence of the value that GSA provides to our Federal customer agencies, and by extension, to the U.S. taxpayer. Each section of GSA's PAR communicates our goals, values, and accomplishments, and demonstrates our ongoing commitment to integrity and accountability in all GSA operations.

The annual PAR is a key document for GSA because it provides an opportunity to publicly demonstrate our financial integrity to our customers, our external stakeholders, and the public. GSA is a provider of choice for most of the products and services that we offer to Federal agencies. Since we are not always a mandatory source, our continued success depends on our ability to offer best value solutions that satisfy all statutory and regulatory requirements, meet Federal standards, and exceed customer expectations for procurement excellence and financial stewardship. The audit opinion and financial results reported in the PAR verify and prove that GSA financial operations comply with Federal financial regulations, U.S. Department of the Treasury (U.S. Treasury) guidance, and sound accounting practices. GSA's PAR gives our customers the confidence they need to conduct business with us and trust that we will acquire goods and services on their behalf with the same care, compliance, and stewardship that they apply to managing their own funds.

GSA's PAR demonstrates the value we provide by measuring the timeliness, quality, and efficiency of our services and reporting our program performance alongside our financial results. The performance goals, measures, and results reported in the PAR reflect GSA's commitment to realizing our four customer-centric strategic goals: Stewardship, Superior Workplaces, Best Value, and Innovation. GSA's performance goals and measures connect our diverse business offerings to our strategic goals and track our progress toward meeting those goals. GSA's annual financial results report the cost of meeting our strategic goals and demonstrate our efficiency in operations. The PAR consolidates our program and financial reporting to provide a comprehensive report on the value that GSA delivered to our customers, our stakeholders, and the American public in FY 2008.

The FY 2008 PAR is the first to cover a full fiscal year of operations under GSA's FY 2007-2012 Strategic Plan. The FY 2008 PAR reports Agency progress toward meeting progressive and transformational goals that ensure GSA meets high standards of performance today and continues doing so into the future. Perhaps the most critical of the desired outcomes introduced in the Strategic Plan is the guiding principle of "**One GSA–One Voice.**" One GSA–One Voice articulates our vision that agencies doing business with GSA should have one contact that can fulfill all their workplace requirements and that GSA is viewed as the one place to go for all workplace needs. One GSA–One Voice is GSA's commitment to increase collaboration and integrate our many diverse offerings. This will improve our speed and quality in meeting customer requirements, reduce the administrative burden on our Federal customer agencies, and reduce the overall cost of government to the American people.

Unqualified "Clean" Opinion

GSA again received an unqualified "clean" opinion in FY 2008, with two significant deficiencies, one of which is material, from our independent auditors. Even with an unqualified opinion, we again face challenges with resolving our information technology (IT) controls over systems access, segregation of duties, and monitoring controls. There were significant improvements to specific software applications in FY 2008, and we will expand current controls to all financial systems to resolve this deficiency in FY 2009.

Our auditors encountered difficulty with the Public Buildings Service's (PBS) controls over monitoring, accounting, and reporting of budgetary transactions. Because this problem was a reoccurrence from last year, and there were significant unrecorded transactions in PBS and the Federal Acquisition Service (FAS), this deficiency was elevated to a material weakness. GSA conducted statistical sampling and review procedures, and we are encouraged by the fact that no material adjustment resulted from those procedures. However, the risk of a material misstatement remains unacceptably high. Internal controls have been designed to resolve this material weakness, but greater accountability is needed for these controls to be effective. We remain committed to continuous improvement of GSA's strong internal controls. We believe that an unqualified opinion makes a powerful statement to our customers that GSA is committed to handling their funding with care and attention to detail.

GSA Priorities

ENSURING A SMOOTH PRESIDENTIAL TRANSITION. In FY 2008, GSA acquired space and began renovations to provide workspace for the President-elect's Transition Team. GSA acquired office furniture, IT equipment, communications support, and established a team of GSA employees to ensure immediate support for the President-elect and up to 500 Transition Team members on November 5, 2008. Additionally, GSA began planning for the transition of the outgoing President and Vice President, and established a dedicated team to support their transition. GSA also provided acquisition and property management services in support of the U.S. Department of Defense (DoD) in planning for the Presidential Inauguration.

LEADING THE NATION IN GREEN GOVERNMENT. GSA is a proven leader in the sustainable design of new Federal buildings and continually invests in the existing inventory to improve efficiency and reduce the environmental footprint of government-controlled office space. GSA has made great strides this year in reducing energy consumption in Federal buildings, complying with related executive orders and mandates, and encouraging the use of environmentally-friendly products by our Federal customer agencies.

- In FY 2008, seven GSA-controlled buildings were certified under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED®) rating system. An additional 25 buildings were registered to work toward certification, bringing the total number of registered buildings to over 120 and the total number of LEED-certified buildings to 27. Our goal is to integrate sustainable design as seamlessly as possible into the existing design and construction process.
- GSA demonstrated progress in meeting our long-term goals to reduce energy consumption in GSA-controlled Federal buildings and increase renewable energy procurement; in this area GSA surpassed its FY 2008 target by exceeding the 9 percent combined goal and achieving a performance level that was 9.7 percent better than the 2003 baseline. This achievement underscores our commitment to both conserving energy through responsible energy management and the efficient use of taxpayer dollars in the purchase of renewable energy.
- GSA added nearly 23,000 alternative fuel vehicles (AFV) to our fleet of motor vehicles in FY 2008. These additions increased our inventory of AFVs to 80,000 vehicles, including 708 hybrids. We recognize our responsibility to help Federal agencies reduce their petroleum consumption and reduce carbon emissions.
- In FY 2008, GSA added an environmental specialty category to our online ordering system, GSA Advantage, to specifically identify the over 10,000 environmentally friendly commodities we offer. GSA supports environmental stewardship by encouraging our customers to purchase products with recycled content, that are ENERGY STAR or similarly qualified, and contain non-ozone depleting materials.
- Helping Federal agencies meet the goal of President Bush's Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management;* and the Energy Policy Act of 2005 by providing green products and services to its customers. GSA offers AFVs; uses wind, solar, and other innovative renewable energy sources in its buildings; develops alternative workplace arrangements; and offers a wide range of environmentally preferable office products.

FOCUS ON CUSTOMER SERVICE. GSA depends on customer orders to finance nearly all Agency operations, meaning we must continuously demonstrate value to our customers. GSA is committed to being an innovation leader for the government, providing effective and efficient services along with business offerings that are responsive to new and emerging needs of our Federal customer agencies.

- In FY 2008, the U.S. Marine Corps designated GSA as its Fourth Party Logistics provider. The U.S. Marine Corps is the flagship customer for GSA's Enterprise Supply Chain Solutions, a new service that provides customized solutions to customer agencies involving multiple methods of order fulfillment.
- GSA also worked closely with the U.S. Army to develop a unique vehicle to provide safer and smoother transportation for wounded soldiers within the Washington, D.C., metropolitan area. GSA designed the first-of-a-kind patient evacuation vehicle (PEV) as a semi-trailer-sized hospital on wheels with full air ride suspension, self contained and redundant power generation systems, and an aero-medical evacuation pallet system to transport non-ambulatory patients.
- In August 2008, GSA took steps to create services to support new government-wide policy on Trusted Internet Connections. GSA developed and issued Statements of Work to vendors on our Networx contract to assist customer agencies in meeting their requirements to reduce the number of Federal Internet gateways. GSA's support of this initiative will provide cost-effective products and services to strengthen the Federal government's incident response capability, and enhance government information system security.

- Also in FY 2008, GSA lowered the fee charged to customers in leased space from eight to seven percent for most leased transactions. GSA fees recover the administrative cost of acquiring and managing leases; this fee reduction is the result of new efficiencies and increased consistency in our nationwide leasing program.

CONTINUE GSA'S BUSINESS RESURGENCE. Revenues in FAS increased by 4.6 percent this year, making FY 2008 the first year since FY 2004 that GSA has seen revenue growth across the combined programs of FAS. FAS also realized a solid increase of two percent in cash collections for our multiple award schedules program. Business with DoD, our largest customer, increased by three percent across FAS in FY 2008. The business resurgence in FY 2008 provides further evidence that GSA is delivering value to our customers by offering products and services that meet or exceed their expectations.

RESTORING THE FEDERAL INFRASTRUCTURE. GSA owns and manages more than 1,500 real property assets spread across the country, and we are committed to protecting the Federal infrastructure and providing Federal employees with a safe, healthy workplace. In FY 2008, we completed two courthouses for the Federal judiciary in Springfield, MA and Richmond, VA; completed five new Federal buildings; and began construction on six new Land Ports of Entry for the U.S. Department of Homeland Security's (DHS) U.S. Customs and Border Protection.

GSA continues to strive to meet our long-term goal of improving the financial performance of our owned inventory of Federal buildings by redirecting capital investment into our core assets, thoroughly monitoring the performance of each asset, and disposing of underutilized assets. In FY 2008, we completed 17 major renovations to Federal buildings and disposed of 14 under-utilized or under-performing properties, saving taxpayers millions of dollars.

ASSURING GOVERNMENT-WIDE DISASTER PREPAREDNESS. The U.S. National Response Framework assigns responsibility to GSA for providing acquisition support and securing alternative facilities for other Federal agencies in the event of an emergency or natural disaster. GSA also has responsibility for supporting the executive branch Continuity of Operations Plan (COOP) through planning, testing and training, and for facilitating interagency efforts to achieve Federal communications equipment interoperability requirements. In FY 2008, GSA provided heavy equipment, tools, and workspace for Federal disaster recovery personnel and delivered critical supplies, including bottled water and blankets, to victims of flooding in the Midwest, California wildfires, and Hurricanes Gustav and Ike in the Gulf Coast.

Illustration of the Robert R. Merhige, Jr. U.S. Courthouse in Richmond, VA.

MAKING GSA THE #1 PLACE TO WORK IN GOVERNMENT. GSA has consistently ranked among the top ten best places to work in the Federal government by the Partnership for Public Service and American University's Institute for the Study of Public Policy Implementation. This is an admirable achievement, but it is our goal to make GSA the #1 place to work in government. One of the ways GSA strives to reach this goal is by promoting the use of telework. Telework is an important recruiting and retention tool that will help attract and keep talented individuals in public service, while reducing gasoline consumption and emissions associated with commuting. By the end of FY 2008, 35 percent of eligible GSA employees were teleworking at least one day a week, well over our FY 2008 goal of 20 percent.

President's Management Agenda

GSA's ratings on the President's Management Agenda (PMA) Scorecard for the fourth quarter of FY 2008 recognize our accomplishments in implementing Administration goals for improving performance in all Federal agencies. Four areas received the Office of Management and Budget's (OMB) highest rating of "green" in Status and "green" in Progress in FY 2008: Human Capital, Performance Improvement, Real Property, and Financial Performance. Also of note, FY 2008 is the fourth consecutive year that GSA earned "green-green" rating on the Performance Improvement and Real Property Scorecards. GSA improved its status and progress scores to "yellow-green" for E-Gov and improved its Commercial Services Management progress score to "green" while maintaining a "yellow" in status. In total, GSA's Scorecard ratings for FY 2008 demonstrate our commitment to continuous improvement in Agency performance, and I am confident that GSA will maintain the same high standards in FY 2009.

Financial, Systems, and Performance Data Assurances

As outlined in the Management Assurance section of this report, GSA conducted its assessment of the effectiveness of internal control over operations, systems, and financial reporting. With the exception of one material weakness, GSA can provide reasonable assurance that internal controls were operating effectively in each of these areas. A more detailed discussion of this topic can be found in the Management Assurances section of this report, beginning on page 39. We are proud of these accomplishments, but we continue to implement improvements. During FY 2009, we will continue our efforts to improve implementation and monitoring of corrective action plans to address this weakness and ensure proper accounting and reporting of budgetary transactions.

Throughout the year, our senior managers assess the efficiency and effectiveness of their organizations by analyzing financial and performance data. Management relies on this data to identify material inadequacies in financial and program performance areas and to identify corrective actions needed to resolve them.

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

Management Challenges

GSA has recognized a number of opportunities and challenges arising in our external environment. Most of these challenges are reflected in the Agency goals and priorities introduced in this letter and discussed throughout the PAR. The fact that GSA has recognized these emerging issues and has developed plans and initiatives to address them mitigates the risk, but does not eliminate the challenge. We will monitor our progress toward meeting these challenges by: regularly reviewing and assessing the effectiveness of our strategies to address them, scanning the market for Federal products and services, and monitoring the legislative and regulatory environments to identify new and emerging challenges and threats.

PRESIDENTIAL TRANSITION. GSA must ensure a smooth, orderly transition to the next Presidential administration. We must continue to support the incoming and outgoing Administrations through the transition period, as well as the Presidential Inaugural Committee. We will support additional workplace requirements of the incoming

President, and we will provide for the pension and office staff of the former President.

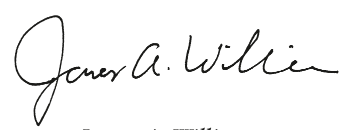
ONE GSA–ONE VOICE. GSA must build on the steps taken in FY 2008, and institutionalize the integration of our acquisition and real property services to provide a single interface with our Federal customer agencies to meet their multiple workplace needs. We must develop new customer interfaces and improve internal processes to make One GSA–One Voice a permanent part of our daily operations.

INCREASED ENVIRONMENTAL STANDARDS. GSA must continue to expand our environmentally-friendly and sustainable service offerings, and we must take additional steps to meet or exceed the standards of Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management.* Additionally, GSA has established the Office of Federal High-Performance Green Buildings, in response to the Energy Independence and Security Act of 2007 (Public Law 110-140); this Office must be properly funded and staffed, and will fulfill a brand new role in the government, which will need to be defined and supported by policies and procedures.

FEDERAL INFRASTRUCTURE REQUIREMENTS. GSA owns over 1,500 real property assets spread across the country, and has a backlog of repairs and renovations needs in those buildings totaling $8.8 billion. Based on FY 2008 funding levels, it would take GSA over 10 years to address the backlog, assuming no new needs arise. We will continue to aggressively attack this problem by investing in our core assets and disposing of under-performing properties, but we must also explore new strategies for the acquisition, management, and repair of government-owned properties to ensure that our portfolio remains viable and self-sustaining over the long term.

GSA is first and foremost a service organization. Our core purpose is to deliver value in terms of speed, quality, and reduced cost to our Federal customer agencies and to reduce the cost of government to the U.S. taxpayer. GSA reduces acquisition costs by consolidating common requirements from multiple Federal agencies in order to capture volume discounts. GSA's acquisition professionals, along with streamlined electronic tools, reduce the governmentwide cost of acquisition and real property management processes, and allow customer agencies to focus resources on their core missions. GSA's history of excellence and our world-class workforce allow us to offer better quality acquisition and real property management services, to reduce cycle times, and to deliver contracts at more advantageous terms for the government.

GSA's mission is more important today than it has been at any time in our history. GSA consolidates and coordinates common administrative processes, which helps the government to operate at its most effective and efficient level. We help to abolish inefficiencies and increase interoperability among Federal agencies. GSA increases the flexibility, efficiency, and responsiveness of the Federal government, which makes the United States safer and stronger. GSA means "Excellence in the business of government."



James A. Williams
Acting Administrator

November 14, 2008

How GSA Benefits the Public

GSA's touches the lives of nearly every U.S. citizen. GSA delivers superior workspaces, acquisition services, and expert business solutions that support and contribute to the mission of all of its Federal customer agencies. GSA products and services support other Federal agencies and enable their citizen interactions, delivery of government services, and consumer protection activities across the United States.

Most personal interactions between citizens and their government occur in Federal office buildings, leased space, or U.S. courthouses that were built or acquired and are managed by GSA. If a citizen meets a Federal employee outside of an office setting, it is likely that the employee arrived in a motor vehicle purchased or maintained by GSA. Nearly all Federal activities are conducted using furniture, computer equipment, and office supplies procured through GSA. GSA provides direct access to a wide range of government services as well as consumer protection information through the official Web portal of the Federal government, USA.gov and GobiernoUSA.gov, which are managed by GSA. GSA helps keep the nation safe by providing tools, equipment, and non-tactical vehicles to the U.S. military, and providing Federal, state, and local governments with law enforcement equipment, firefighting and rescue equipment, and disaster recovery products and services.

The following examples highlight a few of the many instances in which GSA delivered tangible benefits to the public in FY 2008.

GSA is a Leader in Green Government

GSA has a long history of providing environmentally sound or sustainable products and services, reducing waste and pollution, and providing Federal employees with a healthy work environment.

GSA provides superior workspace solutions to over one million Federal employees in over 8,600 leased and owned facilities across the nation. The Agency leverages its vast portfolio of government-controlled assets to lead the government in sustainable design and energy-efficient real property management. GSA's efforts to design, build, and manage Federal properties in a sustainable and environmentally-sensitive manner reduce the energy consumption of the Federal government. This reduces operating costs and carbon emissions while meeting the missions and functional needs of tenant Federal agencies.

- In FY 2008, GSA operated 27 owned and leased buildings that were certified under the U.S. Green Building Council's LEED rating system. A review of 12 of these properties found that these properties produced 33 percent lower carbon emissions, used 26 percent less energy, and three percent less water, and their occupants reported 34 percent greater satisfaction than equivalent U.S. commercial buildings.
- In January 2008, GSA completed one of its largest green roofs, at the Social Security Administration's Service Center in Birmingham, AL. This modern and environmentally friendly roof covers 85,000 square feet with plant life to help reduce storm water runoff, extend the roof's life expectancy, and reduce the cost of both heating and cooling the building underneath.
- During FY 2008, GSA completed a $6.9 million solar park at the Federal Center in Denver, CO. The park will generate nearly 10 percent of peak electricity demand for the one square mile campus, an equivalent to powering about 145 homes each year. The 1.6 megawatt park will prevent approximately 1,244 metric tons of carbon dioxide from being emitted into the atmosphere and 6.5 railcars of coal from being burned each day.

In addition to the solar park, the Federal Center in Denver, CO also has a green roof.

■ Also in FY 2008, FAS supplied the National Park Service with 20 new compressed natural gas (CNG) buses. The buses replaced older, diesel buses and completed the transition of the Grand Canyon National Park's shuttle system to CNG. With the addition of the new buses, the Grand Canyon's visitor transportation system will be powered entirely by clean-burning CNG and will also become 100 percent wheelchair accessible. CNG will help to preserve the heritage of one of the nation's most recognizable landmarks, and will substantially reduce air pollutants and noise levels for an estimated 4.7 million park visitors each year.

GSA supports telework of Federal employees as a government-wide strategy to reduce gridlock in major urban areas and to reduce gasoline consumption and the resulting emissions. In April 2008, GSA launched an enhanced interagency telework Web site, *www.telework.gov*, to make telework information more accessible and understandable to Federal employees and managers. In FY 2008, GSA sponsored 14 telework centers, which saved an estimated 2.8 million travel miles, almost 115 thousand gallons of fuel, and 2.3 million pounds of carbon emissions.

GSA offers over 12 million products and services, more than any other commercial enterprise in the world. It uses its unique position as the lead procurement organization for the Federal government to provide environmentally responsible choices to Federal agencies. GSA gives preference to products that have recycled content, are non-toxic, or are energy efficient, which helps its customers to be effective stewards of the environment and minimize negative environmental impacts of Federal government activities.

- In FY 2008, GSA's Computers for Learning (CFL) program extended the useful life of electronic equipment by transferring 6,047 pieces of electronic equipment at an original value of $57.6 million to over 650 individual qualifying educational activities. The CFL program primarily serves to increase opportunities for children to be exposed to modern computer technology, but it also meets environmental goals, by conserving energy used to manufacture new electronic equipment and by minimizing the environmental harm of disposing of reusable electronic equipment that is excess to the needs of the government.

GSA Supports Small Business Development

GSA supports small and disadvantaged business by ensuring that small, minority, veteran, HUBZone, and women business owners are given the maximum practical opportunity to engage in the Federal procurement process. In FY 2008, GSA directed over $1.7 billion in contract awards to small businesses. GSA spent over 39 percent of eligible procurement dollars through small businesses, exceeding its statutory goal of 23 percent.

- This year, GSA selected 62 firms to receive awards under the Alliant Small Business contract worth up to $15 billion. Alliant Small Business is GSA's first small business set-aside Government Wide Acquisition Contract (GWAC). It provides streamlined access to a broad range of management and technical support services, enabling complex IT solutions to be acquired under a pre-competed multiple award, indefinite delivery, indefinite quantity contract.

- In April, GSA hosted a meeting of its Small Business Advisory Committee at GSA Expo in Anaheim, CA. The committee consists of small business owners and leaders of various small business associations, and advises GSA leadership on issues facing the small business contracting community. Meeting at the Expo gave the committee an excellent opportunity to interact with their peers in their official capacity, and to collect public comment on small business concerns.

GSA Assists Veterans and Service-Disabled Veterans

GSA is committed to supporting the nation's veterans, by expanding business opportunities for veterans and by supporting Federal agencies dedicated to veterans' assistance.

- In March, GSA broke ground on the new Armed Forces Retirement Home in Gulfport, MS. The new home replaces the former structure, which was severely damaged by Hurricane Katrina. The new facility will accommodate 584 residents and provide a full spectrum of continuing care retirement living: independent living, assisted living, and long-term care. Once completed, the home will include a holistic wellness program, fitness and physical therapy, walking paths, and a "Hall of Honors" to recognize the military service of the residents and their commitment to their country.

- In June, GSA delivered three PEVs to the U.S. Army, to improve the transportation of wounded soldiers from Andrews Air Force Base to the Walter Reed Army Medical Center. The PEVs are semi-trailer sized mobile intensive care units, which the Commander of the Walter Reed Army Medical Center called "an incredible leap forward" in the care and transport of injured soldiers. The PEVs provide a safer, smoother ride than the converted school buses that they replaced, and include critical, life-saving features, including built-in medical oxygen, air and suction, and room to carry more patients.

GSA delivered the first patient evacuation vehicle (PEV) to Walter Reed Army Medical Center.

- Also in FY 2008, GSA launched the 21 Gun Salute initiative, a 21-point plan designed to increase the participation of veteran and service-disabled veteran owned businesses in GSA contracts. In August, GSA signed a Memorandum of Understanding with the Veterans Entrepreneurship Task Force to seek their assistance in matching veteran-owned businesses with Federal contracting opportunities. GSA recently added a Service-Disabled Veteran Owned Small Business Subcommittee to its Small Business Advisory Committee; the new subcommittee will update GSA on concerns of service-disabled veterans and will encourage veteran business owners to seek out Federal contracting opportunities through GSA acquisition vehicles. As a result of the

21 Gun Salute initiative, preliminary data shows that GSA spent 3.84 percent of eligible procurement dollars through service-disabled, veteran-owned small businesses in FY 2008, which is the first time that GSA has exceeded the government-wide goal of three percent.

GSA is a Partner in Emergency Response and Disaster Recovery

GSA provides critical acquisition support to first responders in times of emergency and natural disasters. In the event of an emergency, GSA helps to: acquire food, water, ice, and hygiene products for distribution to victims and relief workers; acquire leased space to house disaster assistance centers and Federal disaster claims processing centers; and provide tools and equipment to support debris removal and infrastructure rebuilding.

- In FY 2008, GSA rushed fire and rescue supplies to California to support wildfire firefighters and evacuees. GSA delivered 10,000 blankets and 10,000 cots within 10 hours. Other items supplied to fight the wildfires were 52,171 pounds of fire fighting materials and 5,600 additional blankets.
- In September, GSA supported the Federal response to Hurricanes Gustav and Ike. GSA shipped essential disaster supplies such as water, ice, blankets, hygiene kits, and equipment for evacuee feeding kitchens. GSA also assisted in staffing the National Response Coordination Center to optimize logistics support to the affected areas in Louisiana and Texas.
- Also in FY 2008, GSA received new authority to help state and local governments in purchasing homeland security equipment and services. The Local Preparedness Acquisitions Act (Public Law 110-248) expands GSA's Cooperative Purchasing program to allow state and local officials to purchase alarm and signal systems, firefighting and rescue equipment, and law enforcement and security equipment under the same pricing afforded to the Federal government.

GSA Provides Access to Government Services and Consumer Information

GSA manages a wide array of communication channels that deliver government services and consumer information directly to citizens. GSA manages the official Web portal of the Federal government, USA.gov and GobiernoUSA.gov; operates the National Contact Center to respond to public inquiries via telephone, Internet, and e-mail; and distributes a variety of government and consumer information publications through the Public Documents Distribution Center in Pueblo, CO.

- In FY 2008, GSA-managed communication channels provided for 213 million contacts between citizens and their government, through Web site visits, telephone contacts, publications distributed, and e-mails and Web chats processed. More than 700,000 of these contacts were requests for GSA's free Consumer Action Handbook, which provides consumer protection advice and a directory of Federal agencies and private organizations dedicated to consumer protection.
- In FY 2008, the Brookings Institute rated USA.gov as the best Web site in the Federal government for the second year in a row. The same survey ranked the GSA Web site, GSA.gov, third out of 61 Federal executive, legislative and judiciary branch Web sites. Ratings were based on access to online information, electronic services, privacy and security, readability, disability and foreign language access, and public outreach.
- Also in FY 2008, GSA launched a new general government Weblog. GovGab.gov features daily posts highlighting U.S. government information and services of greatest use in the daily lives of Americans. GovGab draws on the resources in GSA's family of Web sites: USA.gov and GobiernoUSA.gov; Pueblo.gsa.gov, the public's trusted source of consumer information for more than 35 years; and ConsumerAction.gov, the Federal government's Web site dedicated to helping citizens with consumer problems.

GSA Preserves America's Heritage

GSA is a responsible for over 425 historic properties, including 63 National Historic Landmarks and two National Historic Sites. These properties represent the work of prominent architects and are valued for their significance in U.S. history, architecture, art, archaeology, engineering, and culture. GSA takes great pride in its inventory and strives to preserve, protect, and utilize historic properties as established in the National Historic Preservation Act of 1966. In an effort to share GSA's historic buildings with the U.S. public, this year GSA used National Preservation Month (May) to release its eighth set in a series of posters featuring some of GSA's most significant properties.

In the process of moving Odd Fellows Hall in Salt Lake City, UT.

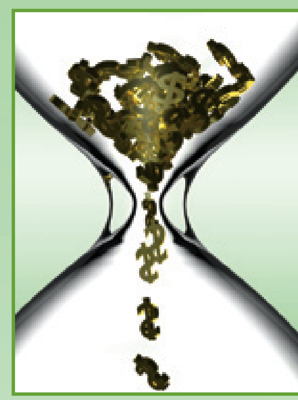
In FY 2008, GSA worked with the Utah Heritage Foundation to preserve the 117 year-old Odd Fellows Hall, located in Salt Lake City and one of Utah's last remaining examples of its architectural style. Located on the site of the planned Salt Lake City Federal Courthouse, GSA began the process of relocating the 3,000 ton building across the street from its original location. GSA plans to sell the building after the move is completed, so that the building can be preserved in the same historical context, and contribute to the development of downtown Salt Lake City.

Management's Discussion and Analysis

Benefits of Telework

Employer Benefits:

- *Lower costs*
- *Improved motivation in employees*
- *Flexible staffing*



Employee Benefits:

- *Reduced travel time and costs*
- *Lower stress*
- *Increased productivity*
- *Better balance between work and home lives*

Benefits for All:

- *Reduced emissions*
- *Safer roads by reducing highway congestion*

Currently, 35 percent of eligible GSA employees are teleworking on a regular basis at an average of one day per week. This surpasses GSA's goal of having 20 percent of eligible employees teleworking by the end of FY 2008.

www.telework.gov

Mission, Values, and Goals

As the government's leading 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.

GSA MISSION STATEMENT

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

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

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 man-made incidents that threaten lives and property before, during, and after a major emergency or disaster. In addition to making certain that GSA's operations respond to these crises, GSA provides other agencies with the space, supplies, telecommunications, and policies they need to do their jobs. This means, for example, going to the site of disasters and finding suitable space for the Federal Emergency Management Agency (FEMA) to set up operations or providing equipment and vehicles to the U.S. Forest Service to fight wildfires.

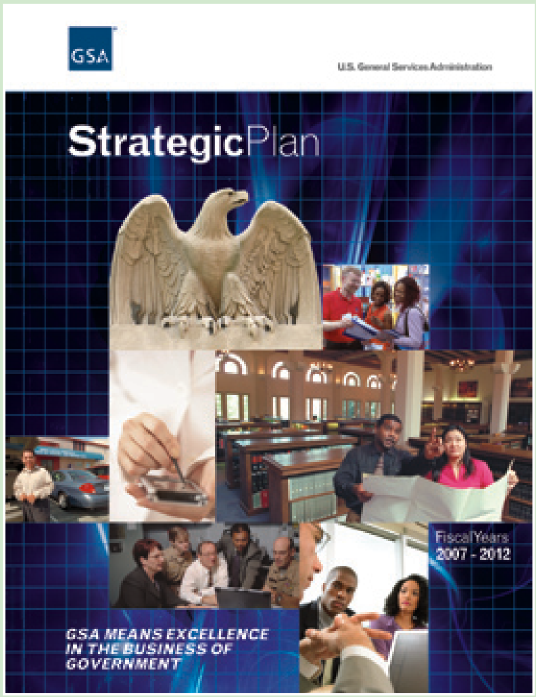
GSA VALUES

Integrity

Accountability and Transparency in Operations

Effective Leadership and Responsible Decision-Making

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



www.gsa.gov/strategicplan

GSA STRATEGIC GOALS

STEWARDSHIP

LEAD FEDERAL AGENCIES IN THE ECONOMICAL AND EFFICIENT MANAGEMENT OF FEDERAL ASSETS BY SPEARHEADING EFFECTIVE POLICY DEVELOPMENT AND BY THE EXEMPLARY MANAGEMENT OF THE BUILDINGS/WORKPLACES, MOTOR VEHICLES, AND PERSONAL PROPERTY PROVIDED BY GSA.

SUPERIOR WORKPLACES

DELIVER AND MAINTAIN PRODUCTIVE WORKPLACES CONSISTING OF OFFICE SPACE, FURNISHINGS, TECHNOLOGY, SUPPLIES, AND RELATED SERVICES.

BEST VALUE

DEVELOP AND DELIVER TIMELY, ACCURATE, AND COST-EFFECTIVE ACQUISITION SERVICES AND BUSINESS SOLUTIONS.

INNOVATION

DEVELOP NEW AND BETTER WAYS OF CONDUCTING BUSINESS THAT RESULT IN MORE PRODUCTIVE AND EFFECTIVE FEDERAL POLICIES AND ADMINISTRATIVE OPERATIONS.

ORGANIZATION

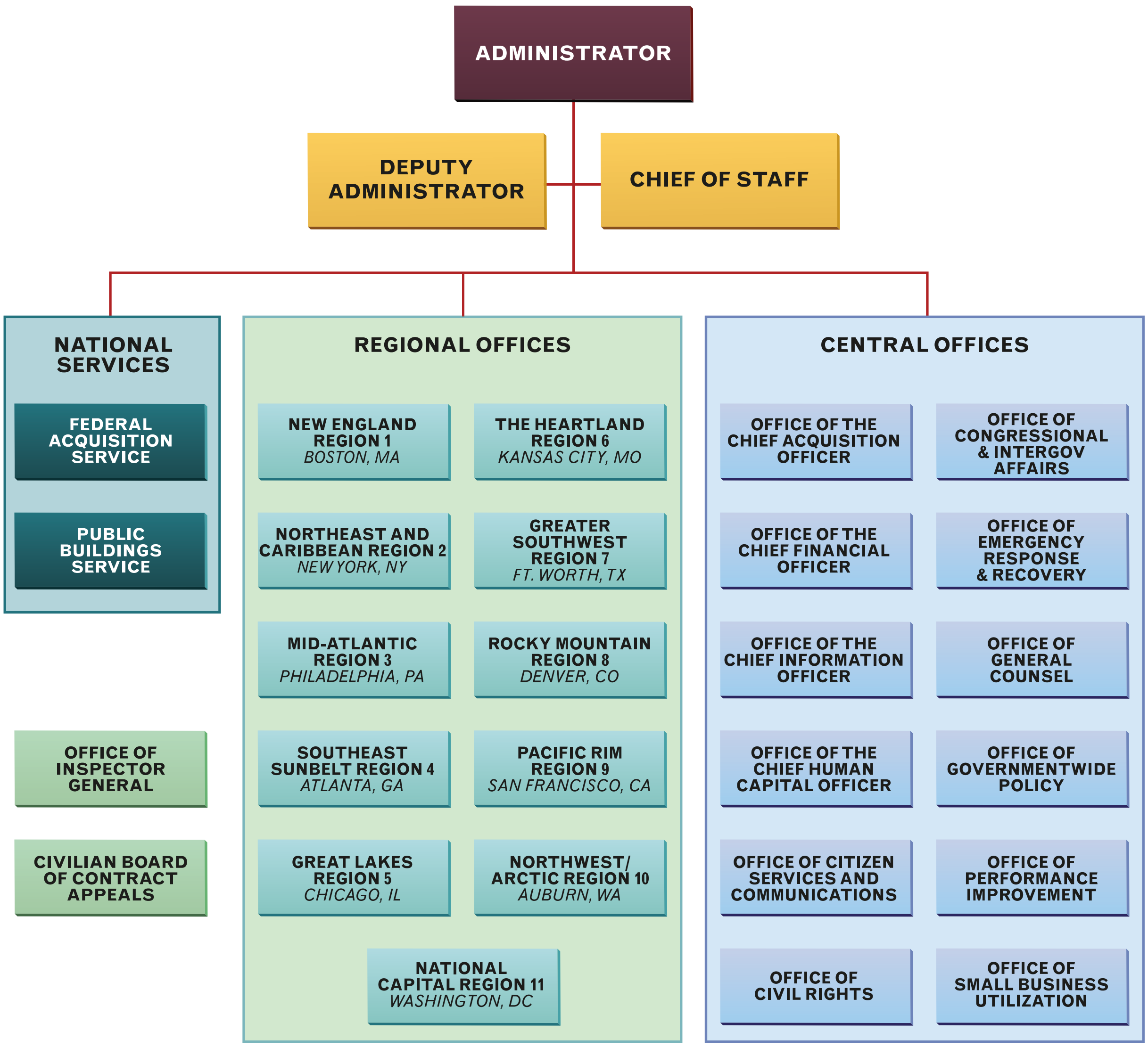
GSA delivers services directly to its Federal customers through 11 regional offices and the central office in Washington, D.C. GSA is composed of the Federal Acquisition Service, the Public Buildings Service, 12 staff offices that support the Agency, the Office of Inspector General, and the Civilian Board of Contract Appeals.

- **FEDERAL ACQUISITION SERVICE (FAS):** FAS is the lead organization for procurement of products and services (other than real property), for the Federal government. FAS leverages the buying power of the government by consolidating Federal agencies requirements for common goods and services. FAS provides a range of high-quality and flexible acquisition services that increase overall government effectiveness and efficiency. FAS business operations are organized into four business portfolios based on the product or service provided to customer agencies: Integrated Technology Services (ITS); Assisted Acquisition Services (AAS); General Supplies and Services (GSS); and Travel, Motor Vehicles, and Card Services (TMVCS). The FAS portfolio structure enables GSA and FAS to provide best value services, products, and solutions to our customers by aligning resources around key functions.

- **PUBLIC BUILDINGS SERVICE (PBS):** PBS is the largest public real estate organization in the United States, providing facilities and workspace solutions to more than 60 Federal agencies. PBS aims to provide a superior workplace for the Federal worker and superior value for the U.S. taxpayer. Balancing these two objectives is PBS's greatest management challenge. PBS's activities fall into two broad areas. The first is space acquisition through both leases and construction. PBS translates general needs into discrete requirements, marshals the necessary resources, and delivers the space necessary to meet the respective missions of its Federal clients. The second area is management of space. This involves making decisions on maintenance, servicing tenants, and ultimately, deciding when and how to dispose of a property at the end to its useful life.

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

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



Organization

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

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

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

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

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

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

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

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

■ **OFFICE OF GENERAL COUNSEL (OGC):** The OGC provides legal advice and representation to GSA services and staff offices to enhance their ability to help Federal agencies. The OGC carries out all legal activities of GSA, ensures full and proper execution of GSA's statutory responsibilities, and provides legal counsel to GSA officials.

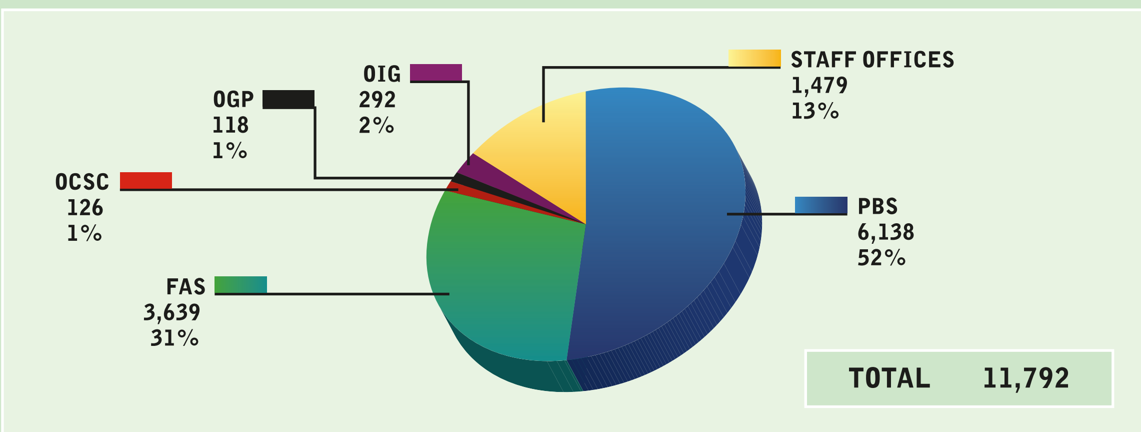
■ **OFFICE OF GOVERNMENTWIDE POLICY (OGP):** OGP improves government-wide management. Its responsibilities span personal and real property, travel and transportation, IT, regulatory information, and the use of Federal advisory committees. OGP accomplishes its mission through collaboration with Federal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

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

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

In FY 2008, GSA had 11,792 full-time equivalent (FTE) employees. Staffing levels have steadily declined since 2003, a trend which is largely driven by efficiency improvements. GSA has a continuing commitment to its Federal customers and the U.S. taxpayers to provide services in the most cost-effective manner possible. GSA delivers on this promise by steadily improving organizational performance while staffing levels decline.

FTE BREAKDOWN BY ORGANIZATION



Performance Summary and Highlights

GSA's activities during FY 2008 advanced the Agency toward achievement of the four strategic goals established in the FY 2007-2012 GSA Strategic Plan. Specific long-term outcome goals and performance targets were set in the FY 2008 Performance Plan, which is included in the Agency's Congressional Budget Justification. GSA relies on performance measures and goals to develop resource allocations, establish accountability for program performance, and drive continuous improvement in Agency performance.

GSA analyzes actual performance results against goals and targets to ensure progress toward achieving Agency goals. GSA also regularly scans the external and internal operating environment to identify demands, events, conditions and trends likely to impact GSA performance. GSA continually reviews performance and environmental factors and routinely adjusts Agency goals and objectives to capture new opportunities and mitigate emerging risks to the Agency.

The single greatest opportunity and risk to GSA performance is the continued acceleration of technological advances. New technology in the markets for commodities, services, and real property increases the volume of products available and the complexity of acquiring and managing products and services. Federal agencies expect GSA not only to offer the most current products for sale, but also to provide an expanded range of services to implement, deploy, and manage those commodities and the underlying technology. Customers and external stakeholders also expect GSA to incorporate new technologies into its own operations, to offer customer interfaces equivalent to those of private vendors, to increase speed of operations, and to increase efficiency and effectiveness through reduced operating costs.

Paramount among the new technologies that shape customer expectations is green technology. GSA is in the unique situation of being able to lead the implementation of "green government" by incorporating green technologies into its many product and service offerings and its internal operations. GSA has embraced this role and has a continuing commitment to providing environmentally sound and sustainable products and services to its Federal customers. GSA is a demonstrated leader in sustainable design of Federal buildings, Federal recycling and waste minimization, and energy and water conservation. GSA has made strategic investments in AFV's to reduce energy consumption and to stimulate the private market for AFVs, has modified user interfaces to direct more customers to environmentally friendly products and services, and currently offers over 10,000 environmentally-friendly commodities for purchase by Federal agencies.

GSA has responded to changing external demands and new technologies in other ways, too. Most notably, GSA has implemented a number of new initiatives under the banner of "One GSA–One Voice." This phrase embodies GSA's desire to present "one face to the customer" and mandates increased integration of GSA's related products and services. One GSA–One Voice addresses customer expectations that are driven by their experiences with private vendors who leverage technology to minimize customer burden during ordering and speed delivery of ordered products. One GSA–One Voice strives for fast, seamless delivery of customer requirements that cross GSA organizational boundaries and disciplines in order to increase customer satisfaction and increase the efficiency and effectiveness of government operations.

This section provides key examples of FY 2008 performance results that illustrate GSA's commitment to green government, One GSA–One Voice, and to leveraging technology to improve customer experiences and maintain GSA's position in the market for Federal products and services. A chart of Key Performance Measures follows this discussion and detailed performance information is provided in the Performance Section. Also included in the Performance Section is a certification of the validity of GSA performance measures and a summary of the internal controls GSA employs to ensure the validity of performance measures throughout the year.

Stewardship

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

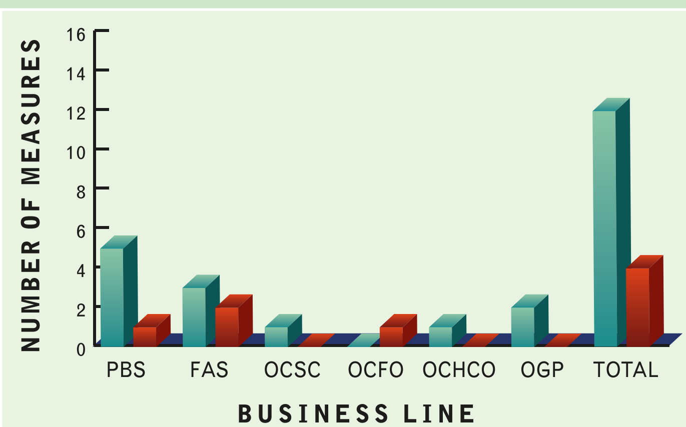
GSA is the steward of extensive civilian Federal government real estate holdings, an extensive fleet of owned and leased motor vehicles, and a broad spectrum of personal property. GSA manages, maintains, and secures these extensive holdings in trust for the Federal government and the U.S. taxpayer.

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

The GSA Fleet currently provides 49.4 percent of Federal motor vehicles, excluding the U.S. Postal Service. Annual growth continues through customer consolidations and wide-ranging management support. Savings are generated through realignment of customer agency staff and economies of scale.

GSA regularly buys AFVs. Of the existing 213,000 vehicles in the GSA Fleet, more than 80,000 are AFVs. These vehicles are concentrated in six major markets to encourage the development of infrastructure in the private sector: service stations, service, and resale markets.

FY 2008 GSA KEY PERFORMANCE MEASURES SUMMARY



NUMBER OF PERFORMANCE MEASURES

	MET	NOT MET	TOTAL
PBS	5	1	6
FAS	3	2	5
OCSC	1		1
OCFO		1	1
OCHCO	1		1
OGP	2		2
TOTAL	12	4	16

Performance Summary and Highlights

Superior Workplaces

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

GSA provides owned or leased space for government facilities ranging from office headquarters to warehouses to laboratories. GSA constructs new special-purpose space, primarily courthouses for the Federal judiciary, and a growing number of land ports of entry. GSA preserves and restores historic buildings in its inventory. GSA explores the workplace of the future and puts its findings into practice. For example, GSA offers modern and smart control lighting systems that use harvesting techniques to capture natural daylight.

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

Through its National Broker Contract, GSA is increasingly using contract real estate brokers to perform lease acquisition services. The contract allows GSA to focus more on project management and the needs of the client agency. This new business model will increase GSA's ability to support its customers' needs.

Best Value

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

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

From products, services, and technology to vehicles, travel, transportation, and property management solutions, GSA manages widely diverse offerings and many different methods for acquiring these offerings. GSA will need to provide efficient service delivery of overlapping product offerings and solutions, while continuing to promote competition, procurement integrity, and consistent pricing structures. GSA regularly assesses its various customer-pricing models to ensure that GSA is achieving full cost recovery and exercising rigorous fiscal discipline.

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

Innovation

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

GSA is the Federal government's policy management leader for property management and acquisition activities. GSA continually evaluates and develops innovative approaches to address emerging challenges and opportunities across Federal operations.

GSA is a leader in sustainable design and, in FY 2008 alone, achieved certification under the U.S. Green Building Council's LEED rating system for two government-owned buildings and three build-to-suit leased buildings. The certification represents third-party review and verification of energy efficiency and green building performance requirements. GSA also registered an additional 25 buildings in FY 2008 to work toward certification, bringing the total number of registered buildings to over 120 and the total number of LEED certified buildings to 27.

GSA's Rocky Mountain Region awarded a $6.9 million contract for the design and construction of a solar park at the Denver Federal Center. The park consists of 6,300 solar panels located on a six-acre site. The one-megawatt system will generate nearly 10 percent of the campus' peak electric demand. The power generated by this system is the equivalent to powering approximately 145 homes each year.

GSA will continue to lead in sustainable design by advocating for siting of Federal facilities with consideration for local transportation and enhancing sustainability in communities. The result will be Federal facilities that balance cost, environmental, societal, and human benefits, while meeting the mission and functional needs of the customer agencies. GSA intends to integrate sustainable design as seamlessly as possible into the existing design and construction process.

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

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

FY 2008 Key Performance Measures within Strategic Goals

STRATEGIC GOAL/ SERVICE OR OFFICE	MEASURES	FY 2008 TARGET	FY 2008 ACTUAL	RESULT
STEWARDSHIP				
PBS – Asset Management	Customer satisfaction with government-owned space	80%	81%	Met
PBS – New Construction	Percent of New Construction program that is registered for LEED	75%	100%	Met
FAS – TMVCS	Percent discount from invoice price (Vehicle Acquisition)	>28.7%	29.0%	Met
CFO	Interest penalties paid	$400,000	$403,395	Not Met
SUPERIOR WORKPLACES				
PBS – Leasing	Satisfied tenant customer satisfaction rating (4 and 5 responses) in leased space surveyed	76%	78%	Met
PBS – New Construction	Construction projects on schedule	88.0%	80.4%	Not Met
FAS – TMVCS	Percentage of GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule	29.5%	40.9%	Met
FAS – GSS	Blended mark-up (Global Supply)	30.0%	31.9%	Not Met
BEST VALUE				
PBS – Asset Management	Percent within the private sector benchmarks for cleaning and maintaining office and similarly serviced space	+/-5.0%	0.6%	Met
FAS – AAS	Percent of satisfied customers (ACSI survey)	75.0	71.1	Not Met
FAS – ITS	Cost avoidance/savings achieved by ITS Portfolio programs	$743M	$782M	Met
OCHCO	Number of days to fill a vacancy	45	32	Met
INNOVATION				
PBS – Asset Management	Percent reduction in energy consumption over the FY 2003 baseline	-9.0%	-9.7%	Met
OCSC	Citizen touchpoints	211.0M	213.8M	Met
OGP	Extent to which OGP policy initiatives achieved improvement targets	88%	100%	Met
OGP	Percentage of key policy stakeholders and agency users who rate OGP policy initiatives effective	60%	79%	Met

The President's Management Agenda

GSA'S STATUS AND PROGRESS

INITIATIVE	CURRENT STATUS	PROGRESS
Human Capital	●	●
Commercial Services Management	●	●
Financial Performance	●	●
E-Government	●	●
Performance Improvement	●	●
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, the current status of the management program, and describe GSA's progress to "get to green" as GSA implements the PMA with the ultimate goal of improving government performance and providing better service to citizens.

What Progress Indicates

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

GREEN

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

YELLOW

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

RED

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

PMA

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

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

STATUS: GSA maintained "green" status in FY 2008, by revalidating all critical success factors. GSA demonstrated significant workforce planning and analysis in its organizational structure and workforce restructuring efforts, requests for personnel flexibilities, and documenting progress with human capital initiatives. GSA continued the restructuring of FAS, which resulted in realigning 250 FTEs from AAS within GSA. GSA's senior leaders worked closely with union officials to ensure an effective transition. GSA continued to focus on efforts to address mission critical workforce needs. Talent management strategies were implemented to improve hiring process results, expand the use of diverse recruitment sources and hiring flexibilities, address employee development and training needs, and address retention issues. The U.S. Office of Personnel Management (OPM) recertified GSA's human capital accountability system for 2008.

PROGRESS: GSA continued to be "green" in progress for Strategic Management of Human Capital, completing all deliverables effectively and efficiently. GSA verified its current human capital strategic goals and updated its Human Capital Strategic Plan (HCSP) to align with GSA's Strategic Plan. Workforce planning and analysis also supported effective talent management strategies for GSA's mission critical workforce. GSA used personnel flexibilities to drive organizational alignment and performance improvement. The Agency implemented effective actions and tools to improve mission critical workforce competency levels through targeted hiring, training, development, and retention strategies. GSA continued to improve its hiring process and outcomes by continuing to implement recommendations from the Staff Acquisition Business Process Re-engineering effort by expanding the process to include all GSA's mission critical occupations. Extensive workforce planning, standardized processes, and increased employee expertise have reduced processing time and improved hiring manager satisfaction to above 92 percent. GSA's hiring process required an average of 30 days for General Schedule and 75 days for Senior Executive Service (SES) hires. In August 2007, GSA launched a mentoring program offering mid-level (GS-13 and 14) employees an opportunity to develop and enhance their leadership skills. The GSA National Mentoring Program graduated its first class of 50 in 2008. This program also addresses leadership succession planning needs. In addition to the availability of training, GSA posts policy and guidance on the Web, uses online job tools and desk guides, and has a work environment that supports knowledge sharing. In FY 2008, GSA updated the Agency telework policy. This policy supports the challenge to increase GSA's employee participation and strengthen GSA's leadership role in telework. In FY 2008, GSA updated the Agency telework policy. This policy supports the challenge to increase GSA's employee participation and strengthen GSA's leadership role in telework. The challenge sets goals for employee telework participation. Those goals are to have 20 percent of eligible employees teleworking at least one day per week by the end of calendar year 2008; to increase participation to 40 percent of eligible employees by the end of calendar year 2009, and to 50 percent by the end of calendar year 2010. By the end of FY 2008, GSA had exceeded the calendar year 2008 goal, and 35 percent of eligible agency employees were teleworking one day or more per week.

PMA

Status — **Commercial Services Management** — **Progress**

BACKGROUND: The goal of commercial services management (CSM) is to improve Agency performance by using various tools to create processes that are more efficient. The tools may include Business Process Re-engineering, Lean Six Sigma, A-76 public/private competitions, and High Performing Organization (HPO) designation. These tools are used to evaluate and improve the efficiency and effectiveness of performing activities. GSA continues to establish a solid CSM infrastructure to accomplish this task and looks for innovative ways to assist its workforce in this area.

STATUS: GSA received a status score of "yellow" on OMB's Quarterly Scorecard for the fourth quarter of FY 2008. GSA has completed more than 80 competitions through FY 2008. GSA's Federal Activities Inventory Reform (FAIR) Act Inventory Tool (FIT) consolidated all GSA service and staff offices into one database. The improved FIT, a Web-based tool, allows for greater analysis and review at all levels within GSA and provided the FAIR Act Inventory "upload" in FY 2008 as required by OMB. GSA began providing Post Competition Accountability data to OMB on a quarterly basis in FY 2008. GSA also scheduled and conducted five independent validations in FY 2008 and submitted the results to OMB. The first Commercial Services Management Plan was requested by and submitted to OMB during the fourth quarter. GSA also submitted to OMB the "GSA Proud to Be as of July 1, 2009 to July 1, 2010 Report" and the GSA "Report to Congress on Competitive Sourcing for FY 2007" in accordance with OMB requirements.

PROGRESS: In FY 2008, GSA completed or initiated reviews involving FAS in the areas of administrative support, maintenance control centers (MCC), and specified marketing activities. GSA's OCIO has also reviewed the IT infrastructure management function in FY 2008 and plans on pursuing HPO status in FY 2009. The latter part of FY 2008 was a transition of the former Competitive Sourcing initiative to the newer CSM initiative, announced by OMB in July. During the fourth quarter of FY 2008, GSA has adopted the new CSM criteria by initiating a business case analysis review of FAS MCCs and the previously mentioned HPO.

PMA

Status — **Improved Financial Performance** — Progress

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

STATUS: GSA successfully met the criteria for "green" status and is continuing to strengthen its internal control structure wherever it is cost beneficial to do so. GSA views strong internal control as another form of customer service. Given the facts that GSA has again received an unqualified audit opinion, has no repeat material weaknesses, and has fully implemented OMB Circular A-123, GSA is confident that it is heading in the right direction. In addition, GSA submitted its FY 2007 PAR in record time, once again received the Certificate of Excellence in Accountability Reporting (CEAR) award, and as of June 2008, GSA is one of four Federal agencies that achieved "green" in all nine of OMB's Metric Tracking System (MTS) financial performance indicators. GSA continues to have two significant deficiencies and the Agency will take additional steps to ensure that corrective action plans and controls that were developed are being followed. GSA is continuing work on intragovernmental reconciliations with other Federal agencies to resolve differences and the implementation of the Intragovernmental Business Rules.

GSA and the OCFO are continuing to monitor and promote financial integrity, producing an internal report called the "Executive Scorecard." This report is distributed to Senior Agency Management in GSA's Service and Staff Offices and it monitors and ages Accounts Payables, Billed and Unbilled Accounts Receivable, Unfilled Customer Orders (UFCO), and Obligations and assigns a green, yellow, or red score. The internal Executive Scorecard report assigns a score to each of GSA's 12 regions in these categories, and monitors and measures the status of improvement and promotes financial integrity. GSA also continues to perform a semi-annual review of UFCOs, Undelivered Orders, and Delivered Order balances in January and July 2008.

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

PMA

Status — **Expanded Electronic Government** — Progress

BACKGROUND: The E-Government initiatives and lines of business support specific goals to reduce redundancy of IT investments, increase the effectiveness of outreach to citizens, and improve the efficiency and effectiveness of IT investment management. As the E-Government initiatives and lines of business continue to be integrated into the normal day-to-day operations of the Federal government, more opportunities for consolidation, systems maturity, and customer utilization are realized. GSA's goals include helping the government become more citizen-centric, assisting individuals and businesses to complete government transactions online, and working with other agencies on government-wide initiatives. GSA is also focused on its internal IT management to ensure the projects are well managed and that IT spending is not duplicative. GSA's IT team will continue to identify and retire redundant IT systems, ensure GSA associates have the technology needed to do their jobs, and that GSA systems are secure.

STATUS: GSA's status for the fourth quarter of FY 2008 is "yellow." Major accomplishments include GSA's enterprise architecture receiving an OMB assessment rating of "4" in Completion, Use, and Results; GSA's 27 major IT programs having "acceptable" business cases; and an overall IT portfolio performance within 10 percent of planned cost, schedule, and performance. GSA continues to make progress toward improving its overall status rating to "green" through strengthening its earned value management practices along with ensuring that all major E-Gov milestones are completed and delivered on time.

PROGRESS: GSA progress rating is "green." GSA continues to deliver its vast PMA goals and quarterly E-Gov planned actions. For FY 2008, GSA completed over 125 goals and planned actions in order to meet the "green" progress rating. Key GSA E-Gov accomplishments include:

- Integrated Acquisition Environment (IAE) –the Federal Funding Accountability and Transparency Act (FFATA) of 2006 requires "the existence and operation of a single searchable Web site, accessible by the public at no cost to access" that includes information on each Federal award. IAE was able to help agencies meet these requirements by leveraging existing solutions. Innovated re-use resulted in agencies being able to properly report data on the FFATA portal (*www.usaspending.gov*).
- Federal Asset Sales – "The official site to buy U.S. property." As the portal gets more than 15,000 hits monthly and expands Agency partner listings, this site is becoming a premier portal for citizens to search for surplus Federal property (*www.govsales.gov*).
- USA Services – completed a customer satisfaction survey with the overall rating result of 94 percent and received the 2008 Government Customer Support Excellence Finalist award from the Government Customer Support Community. This initiative handles over eight million government-wide telephone inquiries a year and over 100 thousand government-wide e-mail inquiries per year.
- IT Infrastructure Optimization – by leveraging industry-wide performance and cost efficiency metrics, and by adopting government-wide benchmarking, common metrics, and baseline analyses, the IT Infrastructure Optimization line of business provides IT managers across government with fundamental tools that lead to improvements in the Federal IT infrastructure. This effort has resulted in the first baseline of Federal spending in IT infrastructure—a key to optimizing their commodity infrastructure cost efficiency and service levels.
- E-Government Lessons Learned – GSA created a document to capture lessons learned in cross-Agency management and to document best practices for use throughout government. This will help to assist future efforts by minimizing mistakes and utilizing successful strategies.

PMA

Performance Improvement

Status | Progress

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

STATUS: GSA has remained "green" on the President's scorecard for status by meeting quarterly milestones jointly established by GSA and OMB. Senior managers meet quarterly to review financial and performance information covering all major Agency responsibilities. Strategic and annual plans contain a limited number of strategic, outcome-oriented goals and use Program Assessment Rating Tool (PART) performance measures. All PART programs have efficiency measures and all are rated "Adequate" or higher. The cost of achieving performance goals is calculated and marginal cost analysis is used to inform resource allocations. GSA demonstrates quantifiable improvements in performance and efficiency each year.

PROGRESS: GSA has maintained "green" on the President's scorecard for progress by completing quarterly actions for improvement in performance management processes and results. The following are some highlights of GSA's accomplishments during the past year.

GSA conducted a comprehensive and detailed review of all externally-reported goals, measures, and targets, in accordance with OMB PART Guidance No. 2007-7, *"Improving the Quality of PART Performance and Efficiency Goals."* This review allowed GSA to reassess key measures and goals, and resulted in better alignment of performance goals and resources with GSA's Strategic Goals and Mission. This review also increased the use of outcome-oriented goals, and ensured that targets are reasonably aggressive compared to prior-year actual performance, and thus drive incremental improvement in program performance over time.

GSA modified its Web site to include a link on the homepage to a single page with access to:

- GSA's Strategic Plan
- Annual Performance Plan
- Annual Performance and Accountability Report
- Status of Program Performance and Improvement Efforts
- Status of PMA Initiatives
- Government Accountability Office (GAO) High-Risk Improvement Plans.

GSA worked jointly with OMB to review the Real Property Disposal program during the FY 2008 PART cycle. The program received a rating of "Effective," an improvement from the previous rating of "Moderately Effective." Real Property Disposal is the fifth GSA program to receive this highest rating. Seven other programs have been rated "Moderately Effective" and four programs have been rated "Adequate."

PMA

Status	Real Property	Progress

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

STATUS: In the first quarter of FY 2006, GSA was the first agency to achieve "green" in status for real property. Through its continued progress in rightsizing its portfolio, GSA has continued to maintain its "green" status throughout FY 2007 and FY 2008.

In FY 2008, GSA continued to demonstrate results in implementing the right-sizing goals of utilization, disposal, operation and maintenance, and physical condition. GSA has maintained a utilization rate in its leased inventory of assets of over 98.5 percent since FY 2002. Since FY 2002, GSA has reported as excess 305 underutilized assets, removing 14.5 million rentable square feet (RSF) from the inventory and resulting in a $626.9 million reduction of GSA's reinvestment liability. GSA continues to efficiently and effectively manage the operations and maintenance of its assets, as evidenced by cleaning and maintenance costs that are consistently in line with private sector benchmarks. This fiscal year, GSA also refined its asset management process through the implementation of the core asset initiative. This tool for analyzing the customer need, market viability, and asset characteristics of the portfolio provides PBS with an additional resource to help accomplish its mission of providing superior workplaces for Federal customer agencies at good economies to the U.S. taxpayer.

PROGRESS: GSA maintained "green" in progress for real property throughout FY 2008 by completing all deliverables and all milestones identified in the Asset Management Plan Three Year Rolling Timeline and the Proud to Be document.

Specifically in FY 2008, GSA reported excess of 449,000 RSF reducing GSA's reinvestment liability by over $15 million, received proceeds from the sale of vacant and underutilized property in excess of $58.5 million, and targeted 2.25 percent of capital investment dollars on energy projects. GSA achieved a utilization rate in leased space of 98.7 percent and increased utilization in its owned space to 95.3 percent—achieving its utilizations targets for FY 2008. Additionally, GSA continued to demonstrate its commitment to efficient operations and maintenance by achieving its operating cost target. In FY 2008, GSA operating costs were only 0.6 percent above private sector benchmarks.

In FY 2009 and beyond, GSA will continue to play a leadership role in advancing real property asset management both through its example and it leadership on the Federal Real Property Council (FRPC).

Financial Statements Analysis and Summary

For FY 2008, the independent accounting firm of PricewaterhouseCoopers, LLP (PwC) expressed an unqualified (clean) opinion on GSA's comparative FY 2008 and FY 2007 proprietary financial statements, the Consolidating Statements of Net Cost, Balance Sheets, and Statements of Changes in Net Position, as well as the budgetary Combining Statements of Budgetary Resources. 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

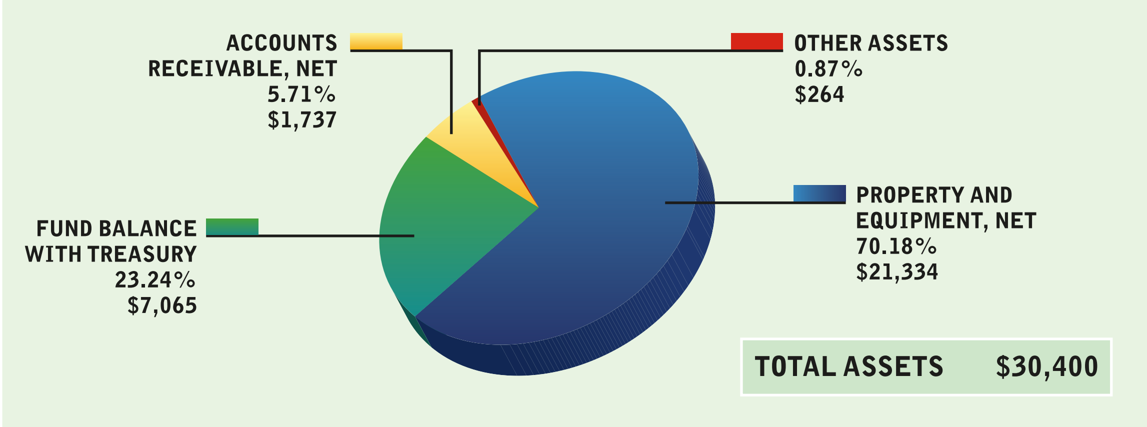
ASSETS: Total assets were $30,400 million at the end of FY 2008. This represents an increase of $1,238 million (4.3 percent) over the previous year's total assets of $29,162 million. This increase is largely attributable to continued growth in GSA's Federal Buildings Fund (FBF) primary business operations, which is reflected in capital asset purchases and alterations and increases in earnings that provided cash (Fund Balance with Treasury) from operations.

Taken together, Property and Equipment combined with Fund Balance with Treasury comprise 93.4 percent of the total assets for FY 2008. The $7,065 million of Fund Balance with Treasury is generally available to GSA to liquidate outstanding commitments and provide working capital to the revolving fund programs, and contains balances that will fund future needs. While the majority of these balances are available for such future needs, $2,467 million of the available balance is committed to funding of building construction and alteration projects provided for in legislation. Amounts totaling $687 million were unavailable for spending as of September 30, 2008 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 2008	FY 2007
Property and Equipment, Net	$ 21,334	$ 20,419
Fund Balance with Treasury	7,065	7,011
Accounts Receivable, Net	1,737	1,480
Other Assets	264	252
Total Assets	$ 30,400	$ 29,162

ASSETS BY TYPE *(Dollars in Millions)*



Property and Equipment increased by $915 million (4.5 percent) from FY 2007. Property acquisitions of $2,762 million during the year, net of the recorded depreciation expense of $1,488 million and $361 million in property disposals and write-offs, account for most of this increase. For the total amount of property acquisitions in FY 2008, $1,780 million were comprised of construction, modernization, and alterations to buildings.

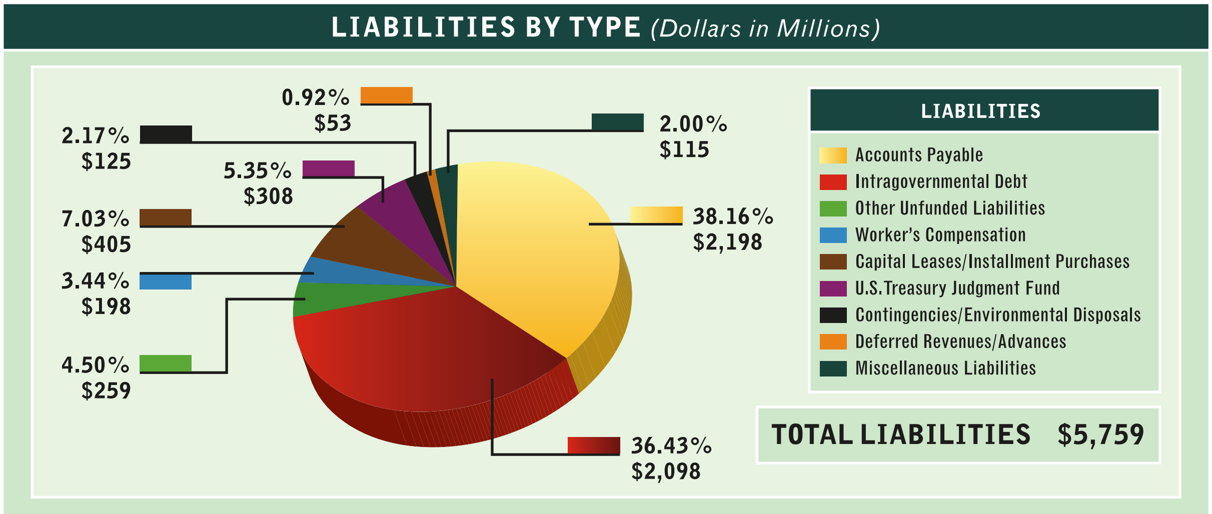
LIABILITIES: In FY 2008, total Agency liabilities increased by $124 million (2.2 percent) to $5,759 million from $5,635 million in FY 2007. Liabilities reported on the Consolidating Balance Sheet are summarized in the table below.

For FY 2008, GSA's largest liability balance is Accounts Payable, making up 38.2 percent of total liabilities. These balances increased $243 million (12.4 percent) in FY 2008, mostly attributable to increased business volumes in the Acquisition Services Fund (ASF).

The $2,098 million of Intragovernmental Debt is 36.4 percent of total liabilities. 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 (FFB), with the expenditure of the funds amortized over a 30-year period. GSA has almost depleted its authority to borrow and is currently paying off more debt than it is taking on.

LIABILITIES *(Dollars in Millions)*	**FY 2008**	**FY 2007**
Accounts Payable	$ 2,198	$ 1,955
Intragovernmental Debt	2,098	2,151
Other Unfunded Liabilities	259	226
Workers' Compensation	198	198
Capital Leases/Installment Purchases	405	427
U.S. Treasury Judgment Fund	308	269
Contingencies/Environmental Disposals	125	157
Deferred Revenues/Advances	53	97
Miscellaneous Liabilities	115	155
Total Liabilities	$ 5,759	$ 5,635

Financial Statements Analysis and Summary



Liabilities totaling $1,355 million, or 23.5 percent of total liabilities, were unfunded, i.e., budgetary resources are not yet available. For most unfunded liabilities, budgetary resources will be made available in the years balances are due, in accordance with OMB funding guidelines. The major elements of unfunded liabilities are $198 million for Workers' Compensation, $405 million for capital leases and installment purchases, $308 million for reimbursements due the U.S. Treasury Judgment Fund for costs from past litigation, and $125 million for contingencies and environmental/disposal liabilities.

ENDING NET POSITION: GSA's Net Position at the end of 2008 on the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position was $24,641 million, a $1,114 million (4.7 percent) increase from the prior fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

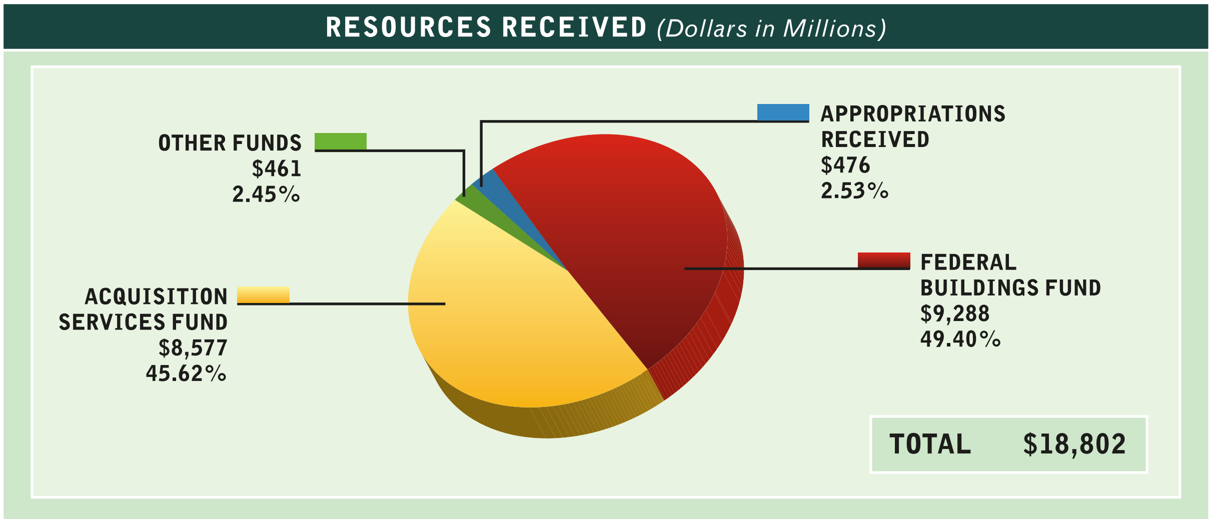
The increase in Cumulative Results of Operations resulted primarily from the Net Results of Operations in GSA's FBF (results of $699 million) which mostly funds the capital needs for building construction and alterations, and ASF (results of $206 million). These increases are primarily attributed to the profitability of the FBF and the ASF as seen in the Statement of Net Cost.

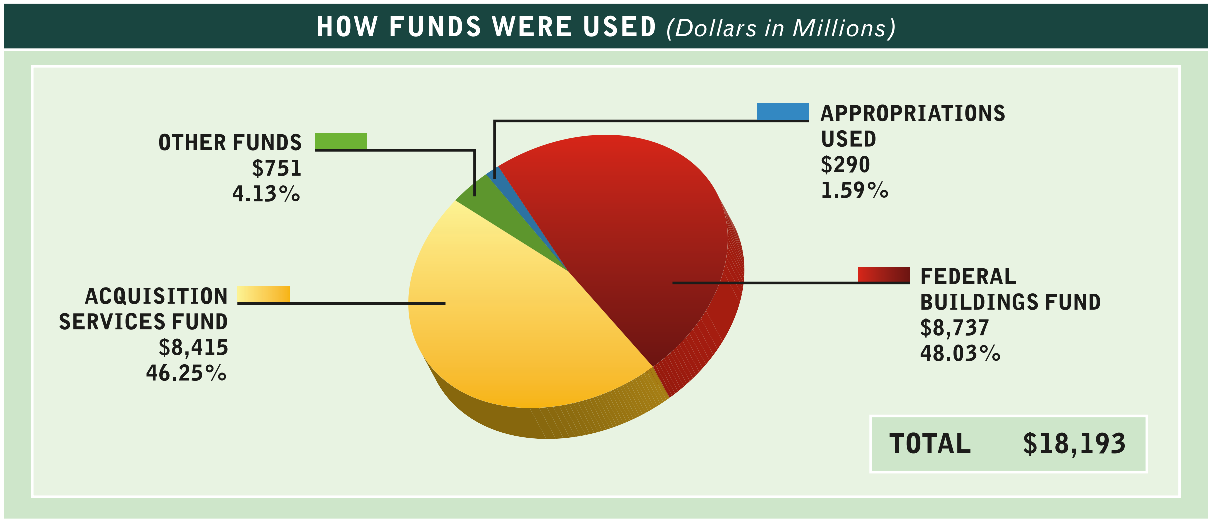
Results of Operations

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

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

GSA's total Net Revenues from Operations at the end of FY 2008, after intra-agency eliminations, was $458 million, a $30 million (6.2 percent) decrease from the prior fiscal year. The Net Revenues from Operations is presented as Total Revenues less Total Expenses at the end of FY 2008. Most services in GSA had modest growth in both Revenues and Expenses, with the exception of the ASF, which had a few swings in Net Revenues from Operations. AAS returned to breakeven in FY 2008 compared to a loss of $64 million in FY 2007. Net Revenues in TMVCS decreased by $73 million as fuel costs increased substantially in the Motor Vehicle Fleet program and GSS experienced an increase in Net Revenues from Operations due to significant increases in business with DoD customers.





The charts above 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 2008 and how these funds were used.

Financial Statements Analysis and Summary

Budgetary Issues

The largest variance between balances reported on the Combining Statements of Budgetary Resources for FY 2008 and FY 2007 is found in balances reported as Changes in UFCOs. The ASF displays the most notable change in the activity associated with these orders, totaling $954 million, as UFCOs increased $168 million in FY 2008 compared to the substantial decline of $786 million in FY 2007. As discussed in the analysis of net operating results, AAS has significantly improved its operating performance from the previous year as customer demand stabilized. In AAS, from September 2006 to September 2007, total UFCOs decreased by more than $700 million due to a decline in business volume from DoD customers. Comparably, UFCOs increased slightly in AAS for FY 2008.

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. PBS's 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 $8.8 billion backlog of building R&A work and providing quality space for GSA's Federal customers and the visiting public.

Systems, Controls, and Legal Compliance

Introduction to Management Assurances

In FY 2008, GSA continued making progress in strengthening its management practices and internal controls to assure the integrity of its programs, operations, and business and financial management systems. GSA has fully embraced the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control;* the Federal Managers' Financial Integrity Act (FMFIA); OMB Circular A-127 *Financial Management Systems;* and the Federal Financial Management Improvement Act (FFMIA) as the foundation of effective management operations. The FMFIA requires agencies to establish internal controls over their programs, financial reporting, and financial management systems. GSA's internal control reviews are conducted for Agency program components to ensure that all significant risks are identified, tested, evaluated, and mitigated in a timely and effective manner. These reviews also ensure that audit findings are responded to in a timely and effective manner. In light of these reviews, GSA provides qualified assurance on the effectiveness of the internal control over operations, management systems, and financial reporting for FY 2008.

Internal Control

The Internal Control Program is a GSA-wide program that ensures Agency objectives are met and internal controls are in place and working properly. Internal controls are the plans, methods, and procedures used at GSA to ensure that the Agency accomplishes its mission, goals, and objectives. Internal controls are the first line of defense in safeguarding assets and preventing and detecting waste, fraud, abuse, and mismanagement. Throughout the fiscal year, GSA managers monitor and improve the effectiveness of internal management control associated with GSA programs and systems. Effective internal control and management systems go hand in hand with GSA's well-trained program experts, customer satisfaction, and innovative solutions to ensure GSA meets the ever-changing needs and challenges within the Federal community.

Audit Follow-up

The Audit Follow-up program is GSA's program designed to assure the prompt resolution and implementation of audit recommendations. During the year, the OIG, GAO, and independent auditors conduct audits on specific GSA programs, systems, and operations. As an agreement is reached between GSA management and the auditors through a management decision process, a written plan for corrective action is developed. GSA then submits this plan to the auditors for their concurrence. When the auditors and GSA management reach concurrence and the recommendations are met through corrective action, the audit is considered resolved. The audit follow-up program ensures that prompt and responsive action is taken. GSA's OCFO oversees audit follow-up for the Agency, ensuring all corrective actions are completed and submitted for closure, determining if final action has been completed sufficiently to close the audit.

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

Statement of Assurance

GSA management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). GSA is able to provide a qualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA, with the exception of one material weakness. The details of the exception are provided in Exhibit 1.

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 OMB Circular A-123, *Management's Responsibility for Internal Control.* Based on the results of this evaluation, GSA identified one material weakness noted above in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008. Other than the exceptions noted in Exhibit 1, the internal controls were operating effectively and no other 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 in its internal control over financial reporting as of June 30, 2008. Other than the exceptions noted in Exhibit 1, the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal control over financial reporting.

James A. Williams
Acting Administrator

November 14, 2008

Management's Assessment of Internal Control

EXHIBIT 1: SUMMARY OF MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL		
Management's Assessment	**Description**	**Corrective Action**
Material Weakness		
Financial Management Systems, Internal Controls, and Financial Reporting	**INVALID PBS OBLIGATIONS AND UFCOS** Management identified $243 million in invalid obligations	Progress has been made on this issue, in that controls have been designed, but the implementation of those controls faltered. During FY 2009, we will improve the implementation of these controls. As part of the corrective action plans the OCFO will partner with the PBS to eliminate the acquisition control deficiencies that contribute to the control weaknesses in the UFCO and acquisition processes.
	UNRECORDED PBS OBLIGATIONS Management identified $276 million in contract obligations from FY 2007, which were not reported in GSA's 2007 Combining Statement of Budgetary Resources.	The OCFO is actively working on a systems interface solution that would improve information flowing from business feeder systems. The OCFO and PBS are developing a monthly report to measure the delay between obligation entry into the feeder system (Comprizon) and entry into the accounting system of record (Pegasys). This will hold regions accountable for timely entry of these obligations.
	UNRECORDED FAS AUTOCHOICE UFCOS Management identified $220 million in Unfilled Customer Orders that originated in FY 2007, which were not reported in GSA's 2007 Combining Statement of Budgetary Resources.	This is a new issue for FY 2008. GSA will analyze the process through which these orders are entered into the financial systems, and develop an action plan which will increase controls over the timely recording of these transactions.

Systems, Controls, and Legal Compliance

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

GSA fulfilled the requirements of the OMB Circular A-123, Appendix A, during 2008. The circular serves to emphasize management's focus on ensuring that effective internal control over financial reporting is established and maintained throughout the Agency. Under the leadership of the CFO, GSA's management plan includes a comprehensive program to complete the assessment of internal control over financial reporting. The CFO established the Senior Assessment Team (SAT) comprised of senior executives who provide leadership, oversight, and accountability for GSA's internal control over financial reporting. The SAT conducted its assessment based on the five-step process used in the Implementation Guide developed by the CFO's Council. The five steps are: Planning; Evaluate Internal Control at the Entity Level; Evaluate Internal Control at the Process Level; Testing at the Transaction Level; and Concluding, Reporting, and Correcting Deficiencies and Weaknesses.

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

GSA management identified the key processes feeding into material line items by reviewing financial statements and related disclosures, cycle memoranda, flowcharts, and other information for the two major revolving funds and other combined funds. Key processes feeding into the financial statement line items include UFCOs, 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 IT controls to ensure that controls are assessed in each location throughout GSA within a three-year period. As part of the rotation plan, some systems will undergo full general and application controls testing in a given year and the others will undergo limited general and application controls testing for the year. FY 2008 was the third year of the three-year period, and IT and financial controls were tested in accordance with the plan.

The SAT conducted a comprehensive review of test results considering the likelihood and degree of the potential for misstatements and determined whether the consolidations of deficiencies are incidental, create a significant deficiency, or rise to the level of material weakness for reporting in the assurance statement. Based on the exceptions noted and the impact on the financial statements, the SAT concluded no material weakness existed as of June 30, 2008. However, in light of subsequent events and the discovery of unrecorded transactions after the SAT meeting (see Footnote 13: Combining Statements of Budgetary Resources on page 149), the SAT believes one material weakness exists (see Exhibit 1).

GSA has made progress in validating balances in its budgetary accounts. Although vast improvement has been made in resolving UFCOs and un-liquidated obligations, incidences of invalid amounts still remain. Improvements will continue, and management is monitoring corrective actions.

In light of the above deficiencies, GSA provides qualified assurance that internal controls over financial reporting as of September 30, 2008, were operating effectively.

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

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

GSA has met all of the requirements of FMFIA and OMB Circulars A-123 and A-127. In FY 2008, GSA continued improvement on its Agency-wide internal control program, which holds managers accountable for the performance, productivity, operations, and integrity of their programs. Annually, senior managers at GSA are responsible for evaluating the adequacy of the internal controls surrounding their activities and determining whether they conform to these requirements. In support of these efforts, GSA introduced a new Agency-wide Web-based internal control database system to perform assurance statements and internal control reviews.

During FY 2008, extensive internal control training was provided to employees and managers throughout GSA. Training focused on internal control at GSA, implementation of OMB Circular A-123, and procedures to complete internal control reviews. Training sessions were held for all Regional and Central Office internal control liaisons. On-site Internal Control training was presented to several GSA regional locations and offices, including the New England Region, the Mid-Atlantic Region, the National Capital Region, the Heartland Region, the Greater Southwest Region, and several offices at GSA Headquarters. A Web-based version of this Internal Controls training was also provided as requested, as well as the availability of a GSA online Internal Controls Training class, which enabled employees to receive extensive internal controls training from their computers.

Moving forward, in FY 2009, GSA is looking to invest in a more robust Agency-wide Audit and Assurance Statement Management Database/System. The goal is to establish this system as the Audit Management/Internal Controls Software Database of record for GSA. To foster continuous improvement in processes within internal controls, GSA needs an effective system that will allow for increased scalability, functionality, flexibility and interoperability. The new solution will incorporate the functionality of the existing two applications into one consolidated solution and include new functionality allowing for improved audit management, risk management, corrective actions and preventive actions. This system will automate the process of auditing and automate the process of surveys, including internal audits, assurance statements, and internal control reviews for the entire Agency in one centralized system, but accessible to all GSA offices. This will further enhance GSA's ability to meet the requirements of FMFIA and OMB Circulars A-123 and A-127.

Systems, Controls, and Legal Compliance

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

As required by law, GSA evaluates its financial management systems annually for compliance with Section 4 requirements of the Federal Manager's Financial Integrity Act. GSA evaluated its financial management system controls and compliance using a consolidated A-123 and A-127 questionnaire and by completing independent systems certification and accreditation (C&A) reviews, Statement on Auditing Standards (SAS) 70 reviews, A-123 reviews, and other systems assessments. As in prior years, additional compliance review steps included a review of pertinent audit reports issued during FY 2008, a review of the 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 2008.

During FY 2008 more than 73 action steps were completed to fully or partially resolve financial systems-related issues and findings. These conditions related primarily to the financial system general and application controls.

Work Continues to Correct a Systems-related Significant Deficiency

During FY 2008, certain GSA financial systems continued to experience compliance issues relating to certain system access, segregation of duties, and activity monitoring controls. While these issues do not materially affect the agency's financial statements, GSA management is committed to improving financial system controls to correct these conditions. To address these continuing challenges, GSA will continue to examine and improve operational and technical systems controls for GSA's critical program and financial management systems. To support these ongoing efforts, the OCFO appointed three new full-time, Information Systems Security Officers (ISSO) to design, develop, and monitor financial system controls on an ongoing basis within the OCFO. In addition, two new work groups recently began to re-examine current system access and monitoring controls for certain targeted GSA financial systems, with the objectives of standardizing and strengthening such controls, where needed. In addition, as a result of a prior OIG audit, control improvements were made for certain web-based system applications to better protect access to, and storage of, certain sensitive and Privacy Act data. Longer-term improvement actions will explore the feasibility of implementing an automated, centralized Identity Management System. Such a system could streamline and standardize the daily management of system access and system monitoring activities and effectively restrict access to sensitive Privacy Act data on a "least privileged basis" in a more consistent and economical manner.

Additional Improvements Planned for FY 2009

To ensure that GSA remains properly focused on being proactive in improving the effectiveness of its financial reporting and systems controls, several new initiatives are planned for FY 2009. Major initiatives will involve taking various actions to improve financial reporting processes, standardize financial system operating procedures, and strengthen systems-related life-cycle manage¬ment controls for program and financial systems.

During FY 2008, significant progress continued to be achieved in integrating GSA's internal processes for assessing the sufficiency of management and systems-related internal control via one survey instrument. During FY 2009, the challenge will be to devise and implement an improved and more fully integrated process to conduct various internal control and compliance reviews. Currently, these activities require considerable effort on the part of several different groups within GSA. By more effectively coordinating and consolidating these review activities, more meaningful reviews and assessments will be able to be completed in a more timely, cost-effective manner. These planned improvements should serve to significantly improve

GSA's financial system controls and thereby improve the extent of GSA's overall compliance with pertinent laws and regulations.

Federal Financial Management Improvement Act (FFMIA)

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

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

Non-Compliance with FFMIA

As previously reported in Exhibit 1, during FY 2008 a material weakness was noted with respect to certain financial reporting and related processing internal controls pertaining predominantly to FBF and ASF budgetary accounting and reporting. As a direct result of this material weakness, GSA's Administrator has determined that as of September 30, 2008, GSA's financial management systems did not substantially comply with FFMIA requirements. To bring GSA systems back into compliance with FFMIA requirements, GSA management will formulate an appropriate remediation plan and coordinate its corrective action plans with the Office of Management and Budget, as required by law.

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), and National Institute of Standards and Technology (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 2008, GSA continued to strengthen its security posture by addressing weakness identified in its Plan of Action and Milestones and completing all FISMA-related system control initiatives. For example, GSA reported that C&A Annual Testing and Contingency Plan Testing were completed for all of its 85 information systems. In addition, more than 14,900 Agency employees and contractors completed IT security awareness training and 97 percent of Agency employees with significant security responsibilities completed specialized role based training. Also, Privacy

Systems, Controls, and Legal Compliance

Impact Assessments were completed on all applicable systems and the Agency continues to implement the provisions in OMB M-06-15, *Safeguarding Personally Identifiable Information*.

No major system control findings were identified as a result of all FISMA compliance efforts. Accordingly, management believes that GSA remains compliant with FISMA requirements and will earn another high scorecard grade for FISMA compliance and IT security for 2008. For FY 2009, the OCIO plans to provide additional specialized training for all ISSOs so that additional control improvements can be made to strengthen GSA's compliance with FISMA requirements. Further opportunities to improve systems controls will be implemented during 2009 to ensure that GSA maintains its strong reputation and high scorecard grade for FISMA compliance into the future.

Financial Management Systems Framework

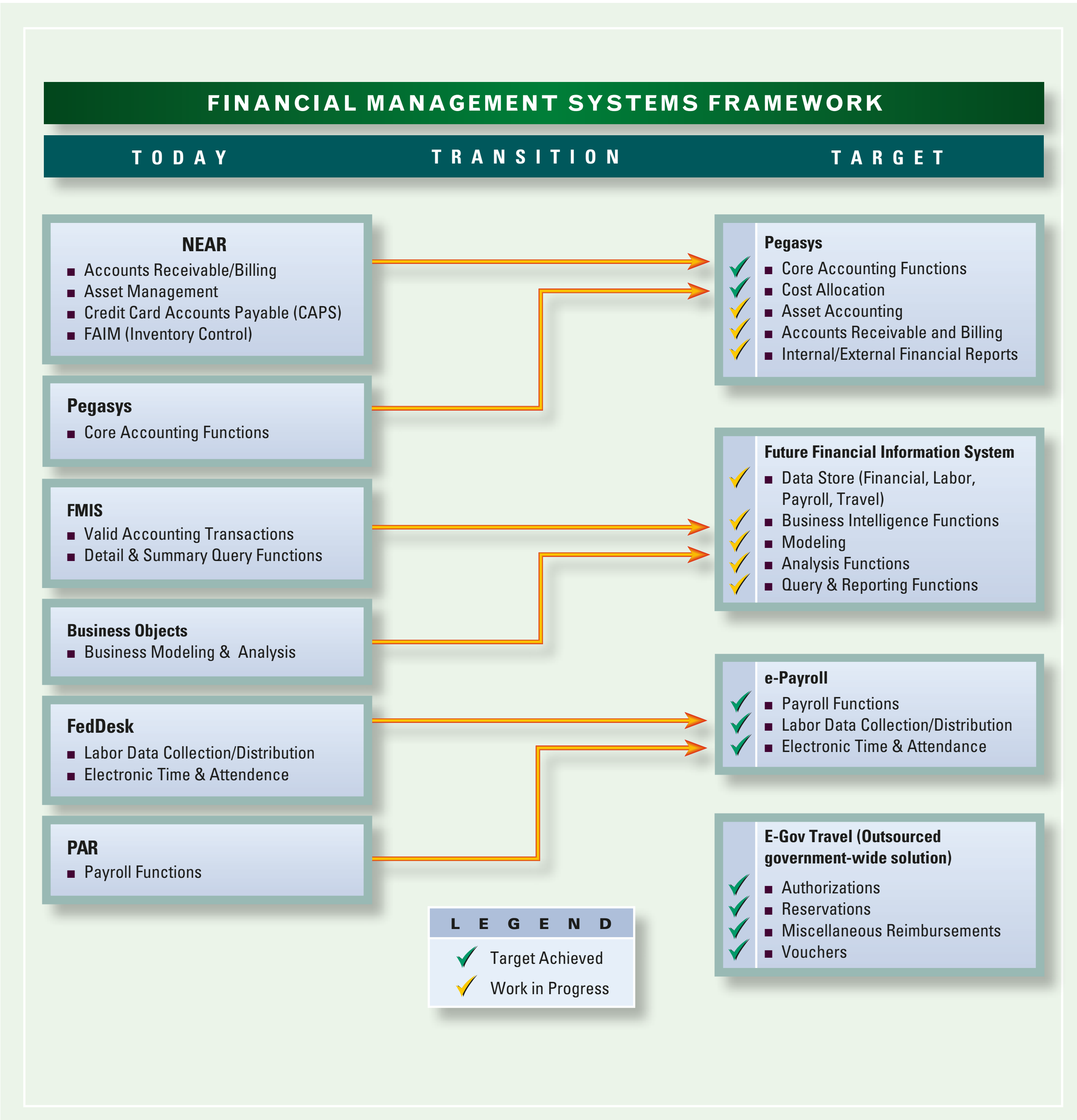
Financial Management Systems

The CFO Act assigns clear responsibilities for planning, developing, maintaining, and integrating all accounting and financial management systems within an agency. During FY 2008, significant progress was achieved by GSA in implementing its planned "to be" financial systems framework. This framework is designed to fully integrate and streamline all of GSA's financial system applications in accordance with applicable systems requirements, Federal accounting standards, and other related mandates.

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

Substantial progress was also made in FY 2008 to improve internal controls of GSA financial systems. For the third consecutive year, favorable 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 control in relation to established internal control objectives. The conduct of these reviews helps to ensure that GSA maintains an effective system of internal control and saves GSA's client agencies and their auditors the additional costs of having to periodically test and review GSA's financial systems.

Due in part to the effectiveness and efficiency of GSA's financial management system and its related internal control environment, GSA continues to function as one of four Federal agencies selected by OMB to cross-service other Federal agencies as a Financial Management Line of Business (FMLoB). During FY 2009, GSA will continue with its ongoing efforts to refine its existing financial management system capabilities so that it remains well positioned to service others as a leading and cost-effective service provider of choice for financial management services.


FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK
TODAY
TRANSITION
TARGET
NEAR
Accounts Receivable/Billing
Asset Management
Credit Card Accounts Payable (CAPS)
FAIM (Inventory Control)
Pegasys
Core Accounting Functions
FMIS
Valid Accounting Transactions
Detail & Summary Query Functions
Business Objects
Business Modeling & Analysis
FedDesk
Labor Data Collection/Distribution
Electronic Time & Attendence
PAR
Payroll Functions
Pegasys
Core Accounting Functions
Cost Allocation
Asset Accounting
Accounts Receivable and Billing
Internal/External Financial Reports
Future Financial Information System
Data Store (Financial, Labor, Payroll, Travel)
Business Intelligence Functions
Modeling
Analysis Functions
Query & Reporting Functions
e-Payroll
Payroll Functions
Labor Data Collection/Distribution
Electronic Time & Attendance
E-Gov Travel (Outsourced government-wide solution)
Authorizations
Reservations
Miscellaneous Reimbursements
Vouchers
LEGEND
Target Achieved
Work in Progress

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 GAAP for Federal agencies and 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, which are prepared from the same books and records.

Performance Section

GSA FLEET

When the Grand Canyon National Park needed to replace their old diesel vehicles, the Federal Acquisition Service (FAS) supplied new compressed natural gas (CNG) powered buses to reduce air pollution and noise levels in the park.

GSA *Fleet provided its customers with almost 23,000 alternative fuel vehicles (AFV) in 2008.*

***GSA** currently has over 80,000 AFVs in its inventory (708 are hybrids) accounting for 38 percent of Fleet's total inventory.*

INTRODUCTION TO PERFORMANCE

GSA is a performance driven organization. Planning and resource allocation revolve around the careful design and selection of performance measures, which focus on outcomes and attainment of the GSA mission. GSA uses performance-based tools and techniques to realize its commitment to delivering excellence in the business of government.

GSA AND THE PERFORMANCE MANAGEMENT PROCESS

The Performance Management Process (PMP) is GSA's primary vehicle for enterprise-level decision-making. The PMP is a comprehensive process for establishing Agency priorities, aligning resources to support priorities, developing quantifiable measures of success in meeting those priorities, and ensuring accountability for results. GSA uses the PMP to produce an annual Agency-level strategic direction, supported by derivative actions plans that clearly identify the tactical actions required to meet strategic goals.

GSA AND THE PROGRAM ASSESSMENT RATING TOOL

GSA uses the President's Management Agenda (PMA) as a guide to establish business practices, which enables 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 will continue adapting the PMA initiatives to ensure that GSA provides the best value to customer agencies and U.S. taxpayers. Within the PMA, the Office of Management and Budget (OMB) has established the Program Assessment Rating Tool (PART), a diagnostic tool used to assess the performance of Federal programs and to drive improvements in program performance.

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.

PART reviews consist of 25 to 30 questions, grouped into four categories: Program Purpose and Design, Strategic Planning, Program Management, and Program Results. Each question is assigned a numerical rating that results in a total weighted average ranging from 0-100. Based on the scores, OMB assigns a summary rating to each program. These ratings vary from "Effective" (highest) to "Moderately Effective," "Adequate," and "Ineffective" (lowest). In addition, the rating of "Results Not Demonstrated" means that the measures developed by the program managers are not adequate to determine their effectiveness. To receive a rating other than "Results Not Demonstrated," a program must have at least one long-term outcome goal, two outcome goals, and one measure of efficiency.

GSA continuously analyzes operations by conducting PART reviews in a joint effort with OMB. In FY 2008, GSA and OMB jointly reviewed the Public Buildings Service (PBS) Real Property Disposal program, and rated the program

"Effective." Real Property Disposal is the fifth GSA program to receive the highest rating of "Effective." Seven other programs have been rated "Moderately Effective" and four programs have been rated "Adequate." Additional information about GSA's PART scores and results can be found at *www.whitehouse.gov/omb/expectmore/agency/023.html*.

In FY 2008, GSA conducted a comprehensive, detailed review of all externally-reported goals, measures, and targets, in accordance with OMB PART Guidance No. 2007-7, *Improving the Quality of PART Performance and Efficiency Goals*. This review allowed GSA to re-assess key measures and goals, and resulted in better alignment of performance goals and resources with GSA's Strategic Goals and Mission. This review also increased the use of outcome-oriented goals, and ensured that targets are reasonably aggressive compared to prior-year actual performance, and thus drive incremental improvement in program performance over time.

The remainder of this section provides performance highlights, key measures, and corresponding results for the Services and Staff Offices. The complete list of FY 2008 measures can be found in the Other Accompanying Information section of this report on page 159, and the full performance report will be published on the GSA Web site, *www.gsa.gov/annualreports* in December 2008.

GSA Part Results

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

PERFORMANCE BY SERVICE/STAFF OFFICE

PUBLIC BUILDINGS SERVICE

The Public Buildings Service (PBS) provides superior workplaces for Federal agencies and their employees, at a 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 60 Federal agencies, bureaus, and commissions.

PBS is a customer-driven organization, and its accomplishments include portfolio restructuring and real estate asset analysis that resulted in properties that are both performing and providing quality workplaces for over one million Federal employees. PBS activities make it possible to achieve GSA's four priorities for asset management:

- Improve Real Property Capital Project Planning and Delivery
- Improve the Real Estate Leasing Program
- Strengthen and Expand Workspace/Workplace Delivery
- Implement the PMA for Real Property

GSA continues to be a leader in asset management and sets Federal asset management standards through its leadership on the Federal Real Property Council (FRPC). GSA was the first Federal agency to achieve a "green" status on the Federal Real Property Asset Management initiative of the PMA. In FY 2008, GSA maintained its green rating in both progress and status by continuing to achieve the PMA right-sizing goals of utilization, disposal, operation and maintenance, and physical condition. GSA's asset management practices and its progress toward rightsizing its portfolio of assets were recognized when the asset management program maintained its "Effective" rating and improved its score to 96 percent on the OMB PART in FY 2007.

PERFORMANCE HIGHLIGHTS

GSA continuously analyzes operations by conducting PART reviews in a joint effort with OMB. PBS has four separate PART programs: New Construction, Real Property Leasing, Asset Management, and Real Property Disposal. New Construction, Asset Management, and Real Property Disposal have the highest PART rating, "Effective," and the Real Property Leasing program has been rated "Moderately Effective." GSA and OMB use PART reviews of these programs to inform budget decisions and to identify actions to improve results.

GSA worked jointly with the OMB to review the Real Property Disposal program during the FY 2008 PART cycle, in which the program received the highest rating of "Effective." The high rating is primarily due to a better performance in the area of independent evaluations. In the 2008 review, the program was able to demonstrate that it received regular, independent evaluations and that those evaluations indicated that the program is effective and achieving results.

The paragraphs below summarize FY 2008 PBS major performance results by business line activity.

New Construction

PBS manages an $11 billion, multi-year capital investment program to build new Federal buildings, courthouses, and land ports of entry and to renovate and modernize existing Federal facilities, including courthouses, agency headquarters, office buildings, laboratories, and infrastructure. The program includes over 300 capital projects in the pre-planning, site acquisition, design, and construction phases. In FY 2008, PBS completed two new courthouse construction projects and five new Federal building projects, as well as 17 major repairs and alterations (R&A) projects. PBS awarded design contracts for three new land ports of entry, two new courthouses, and three major R&A projects. PBS also completed designs for two new courthouse projects and three new land port of entry projects, as well as nine major R&A projects. In FY 2008, PBS initiated construction of six new land ports of entry, three new courthouses, six new Federal buildings, and 12 major R&A projects.

GSA is a leader in sustainable design and in FY 2008 achieved certification of two government-owned buildings and three build-to-suit leased buildings under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system. Certification represents third-party review and verification of energy efficiency and green building performance achievements. PBS also registered an additional 25 buildings in FY 2008 to work toward certification, bringing the total number of registered buildings to over 120 and the total number of LEED-certified buildings to 27. These results demonstrate GSA's continued commitment to improved building performance. GSA will continue to lead in sustainable design by advocating for siting of Federal facilities with consideration for local transportation and enhancing sustainability in communities. The result will be facilities which balance cost, environmental, societal, and human benefits, while meeting the mission and functional needs of the customer agencies. GSA integrates sustainable design as seamlessly as possible into the existing design and construction process.

PBS continued to develop and implement business process improvements to enhance the performance of the capital construction program, and made significant progress on several key initiatives, including Electronic Project Management, project management training curriculum, project scope of work templates, and Building Information Modeling (BIM). BIM is virtual design and construction technology that provides three dimensional (3D) visualization and 4D construction sequencing. These capabilities allow users to analyze the design and construction of a project through computer modeling in the actual sequence in which it will be built. GSA is currently using BIM for several active projects and is committed to adopting it more widely in its capital construction program. In March, PBS convened its annual Capital Construction training workshop for project management professionals.

The PBS Office of the Chief Architect (OCA) and Construction Programs provided national peer professionals for 12 Architect/Engineer Design Excellence selections, 40 Design and Construction Peer Reviews of ongoing capital

San Francisco, CA Federal Building

projects, 17 Art in Architecture Peer Reviews, and two Fine Arts Reviews. The Chief Architect arranged eight Design Concept Presentations for the PBS Commissioner, and developed and produced a new video in FY 2008: *The GSA Design Excellence Process: Creating Enduring Value*.

GSA received numerous honors in FY 2008 for the capital construction program, including citations from the American Institute of Architecture, the National Institute of Building Sciences, and the Building Owners and Managers Association (BOMA). GSA was honored by the White House with a *Preserve America* award for the African Burial Ground Project, and the San Francisco Federal Building was honored with a 2008 White House Closing the Circle Award. PBS was also recognized as number one real estate owner/investor in a top 100 poll by *Real Estate Forum*.

Space Acquisition by Lease

PBS has introduced new efficiencies to its leasing program to give the customer a consistent look and feel in transactions. The implementation of the National Broker Contract program has improved PBS's ability to deliver high-quality, reasonably priced workplace solutions to its customers. Under the newly created Office of Real Estate Acquisition, PBS is developing consistent, enterprise-wide procedures and is enhancing communications with brokers and customers. The Office of National Customer Services Management continues to build and improve working relationships with GSA's customers at both the national and local level.

For the first time in FY 2008, the amount of leased space surpassed the amount of owned space in the GSA portfolio. If the current situation of budget constraints and lack of resources for modernization and new construction projects continues, it is expected that the growth in leased space will also continue. Also beginning in FY 2008, PBS lowered the fee that it charges customer agencies for leased space from eight to seven percent for cancelable space, and from six to five percent for non-cancelable space, as it gained efficiencies through its processes and procedures.

Asset Management of Real Property

PBS continues to be a leader in real property asset management. PBS is continually focused on rightsizing its portfolio and, as a result, has shown considerable progress toward achieving 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. Assets with an ROE of at least six percent are solid financial performers that fulfill the long-term needs of GSA's customers by generating enough income to fund their own operations, repairs, and capital needs. Through September 2008, 80.5 percent of PBS's owned assets achieved at least a six percent ROE. This performance improvement over FY 2007 was accomplished by continuing to right-size the portfolio through disposing of or decommissioning under-utilized assets, redirecting capital investment into core assets, and monitoring the performance of each asset.

PBS has also demonstrated progress toward meeting its long-term energy goal of reducing energy consumption in GSA Federal buildings by three percent per year for a cumulative reduction of 30 percent by FY 2015. GSA surpassed its FY 2008 goal of a nine percent reduction over the 2003 baseline, and is working on continuing this trend in future years. There are currently $15 million in efficiency investments underway in GSA buildings nationwide. These investments are expected to reduce annual energy consumption by an additional 154,667 million Btu, resulting in savings of $3.17 million each year. These achievements underscore PBS's commitment to responsible energy management.

Real Property Disposal

In FY 2008, the Office of Real Property Disposal was instrumental in the disposal of 13 GSA properties valued at approximately $58.5 million. These disposals have already provided revenues of $56 million for the Federal Buildings Fund (FBF). An additional 235 properties valued at approximately $192.2 million were disposed of for other Federal agencies. PBS also conducted 26 targeted asset reviews to help agencies identify underutilized real property assets and improve their compliance with Executive Order 13327, *Federal Real Property Asset Management*.

PBS

PBS PERFORMANCE BY GSA STRATEGIC GOALS

Stewardship

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

PROGRAM	PERFORMANCE MEASURE	RESULT
PBS (ASSET MANAGEMENT)	CUSTOMER SATISFACTION WITH GOVERNMENT OWNED SPACE.	MET
PBS (NEW CONSTRUCTION)	PERCENT OF NEW CONSTRUCTION PROGRAM REGISTERED FOR LEED.	MET

PBS (Asset Management)

PERFORMANCE GOAL
Execute energy conservation goals while increasing GSA's Customer Satisfaction scores to 80 percent by FY 2008.
MEASURE
Customer Satisfaction with government-owned space.

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
77.6%	83.0%	78.3%	80.0%	81.0%

DESCRIPTION OF THE MEASURE: This measure calculates the percentage of survey respondents who rate their overall satisfaction level with PBS service delivery as a "4" or "5" on a five-point scale. GSA surveys the tenants in one-third of eligible buildings each year, on a rotating basis. This measure helps to determine how well GSA is achieving its desired outcome of meeting customer space requirements while providing best value for customer agencies and taxpayers.

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

DISCUSSION OF FY 2008 TARGET VS. RESULTS: PBS Asset Management met its FY 2008 target. According to the Gallup Organization, PBS's survey provides a true gauge of customer satisfaction. Major factors contributing to the high customer satisfaction level include the quality of leased space and proactive responses by PBS to previous tenant survey issues. PBS is exploring the implementation of a nationwide system for developing work plans to address results of the survey, improve response to customer concerns, and sharing best practices.

PBS (New Construction)

PERFORMANCE GOAL
By FY 2008, register 75 percent of the New Construction program for LEED in the same fiscal year design funding is authorized.
MEASURE
Percent of New Construction program registered for LEED.

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
9.1%	100.0%	100.0%	75.0%	100.0%

DESCRIPTION OF THE MEASURE: LEED registration measures the level of sustainability achieved by the New Construction program. Requiring timely LEED registration ensures that sustainable design principles are incorporated from the very beginning in new projects, and increases the likelihood that the project will be successfully LEED certified upon construction completion. The desired outcome is an optimal balance of cost, environmental, societal, and human benefits while meeting the needs of the client agency.

DATA SOURCE: PBS Project Information Portal (PIP); Regional Project Managers; U.S. Green Building Council.

DISCUSSION OF FY 2008 TARGET VS. RESULTS: PBS New Construction exceeded its FY 2008 target. Nine new construction projects received design funding in FY 2008. All five of the projects eligible for inclusion in the LEED Registration measure were registered for LEED on schedule, for a 100 percent result. One project was a parking garage and not eligible for LEED, so it was not included in the measure. The remaining three projects had already been registered in previous years and were not eligible for inclusion in the measure.

PBS

Superior Workplaces

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

PROGRAM	PERFORMANCE MEASURE	RESULT
PBS (LEASING)	SATISFIED TENANT CUSTOMER SATISFACTION RATING (4 AND 5 RESPONSES) IN LEASED SPACE SURVEYED.	MET
PBS (NEW CONSTRUCTION)	CONSTRUCTION PROJECTS ON SCHEDULE.	NOT MET

PBS (Leasing)

PERFORMANCE GOAL
Achieve a satisfied customer satisfaction rating (4 and 5) 76 percent of the time by FY 2008.
MEASURE
Satisfied tenant customer satisfaction rating (4 and 5 responses) in leased space surveyed.

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
78.0%	78.0%	78.4%	76.0%	78.0%

DESCRIPTION OF THE MEASURE: This measure calculates the percentage of survey respondents who rate their overall satisfaction level with PBS service delivery as a "4" or "5" on a five-point scale. GSA surveys the tenants in one-third of eligible buildings each year, on a rotating basis. This measure helps to determine how well GSA is achieving its desired outcome of meeting customer space requirements while providing best value for customer agencies and taxpayers.

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

DISCUSSION OF FY 2008 TARGET VS. RESULTS: PBS Leasing met its FY 2008 target. According to the Gallup Organization, PBS's survey provides a true gauge of customer satisfaction. Major factors contributing to the high customer satisfaction level include the quality of leased space and proactive responses by PBS to previous tenant survey issues. PBS is exploring the implementation of a nationwide system for developing work plans to address results of the survey, improve response to customer concerns, and share best practices.

PBS (New Construction)

PERFORMANCE GOAL
New construction projects on schedule 88 percent of the time by FY 2008.
MEASURE
Construction projects on schedule.

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
100.0%	84.0%	78.8%	88.0%	80.4%

DESCRIPTION OF THE MEASURE: Projects on schedule reports the percentage of New Construction projects completed on schedule, weighted by the value of work in place. This measure uses an earned value technique to assess construction project performance on all prospectus level projects. Delivering space when the customer needs it enables customers to carry out their mission; this measure helps to gauge GSA's success in meeting this outcome.

DATA SOURCE: PBS PIP.

DISCUSSION OF FY 2008 TARGET VS. RESULTS: PBS New Construction did not meet its FY 2008 target. Four new construction projects drove the FY 2008 results for this measure: Springfield, MA Courthouse; New York, NY U.S. Mission to the United Nations; El Paso, TX Courthouse; and Houston, TX FBI Building. In FY 2008, there were 29 active new construction projects and 25 of them were on schedule, or 86 percent of the projects. The total value of new construction work in place in FY 2008 was nearly $900 million, compared to $213 million of work off the schedule pace, which drives the FY 2008 actual result of 80.4 percent.

The Springfield, MA Courthouse was delayed because the construction contract was awarded with limited contingency and additional funds were required to cover the cost of unforeseen conditions and design defects and omissions. The New York, NY U.S. Mission to the United Nations project schedule was delayed due to contractor difficulties encountered early in the project in constructing the building's complex, concrete frame on a tight, mid-town Manhattan site, with abutting adjacent buildings and significant, complex security requirements. The El Paso, TX Courthouse encountered delays due to funding shortfalls, tight market conditions, construction problems, and a fire. The Houston, TX FBI Building was delayed due to a funding shortfall, project requirement issues, and tenant-requested changes to bring the project up to the most current security standards.

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

PBS

Best Value

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

PROGRAM	PERFORMANCE MEASURE	RESULT
PBS (ASSET MANAGEMENT)	PERCENT WITHIN THE PRIVATE SECTOR BENCHMARKS FOR CLEANING AND MAINTAINING OFFICE AND SIMILARLY SERVICED SPACE.	MET

PBS (Asset Management)

PERFORMANCE GOAL
Maintain cleaning and maintenance costs in office and similarly serviced space within +/- five percent of private sector benchmarks.
MEASURE
Percent within the private sector benchmarks for cleaning and maintaining office and similarly serviced space.

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
-5.8%	-0.6%	+4.0%	+/-5.0%	0.6%

DESCRIPTION OF THE MEASURE: This measure compares GSA cleaning and maintenance costs for owned buildings to industry benchmark rates in the same geographic area. GSA assets are matched to local, private sector data from BOMA. Consistently paying cleaning and maintenance costs within an acceptable variance from benchmark rates demonstrates that GSA manages owned assets as efficiently as the private sector.

DATA SOURCE: BOMA Experience Exchange Report, Consumer Price Indices (CPI), Energy Information Administration, Pegasys, and the System for Tracking and Administering Real Property (STAR).

DISCUSSION OF FY 2008 TARGET VS. RESULTS: PBS achieved its operating cost target in FY 2008. GSA employs private sector benchmarks to measure performance in all comparable instances to ensure that GSA is operating and maintaining its assets as efficiently as the private sector. However, the unique mission and operating environment of GSA make comparisons difficult. PBS is subject to restrictions and regulations that negatively affect operating costs, when compared to the private sector. Increased security requirements, socio-economic considerations, and additional wage factors all increase operating costs. In order to account for these, PBS now strives to operate at costs that are comparable to, as opposed to below, the private sector benchmarks. This incentivizes the Agency to operate efficiently and effectively without sacrificing customer service or deferring needed maintenance.

In FY 2008, PBS was able to continue to operate at a cost comparable to the private sector. PBS is committed to providing cost savings to the U.S. taxpayer without compromising its service to its client agencies. The Agency will continue to leverage the buying power of the Federal government and concentrate on achieving cost-efficient operations.

Innovation

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

PROGRAM	PERFORMANCE MEASURE	RESULT
PBS (ASSET MANAGEMENT)	PERCENT REDUCTION IN ENERGY CONSUMPTION OVER THE FY 2003 BASELINE.	MET

PBS (Asset Management)

PERFORMANCE GOAL
Reduce energy consumption in GSA Federal buildings by nine percent (as measured by Btu/GSF) over the FY 2003 baseline by FY 2008.
MEASURE
Percent reduction in energy consumption over the FY 2003 baseline.

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
-35.3%	-4.4%	-8.3%	-9.0%	-9.7%

DESCRIPTION OF THE MEASURE: Building energy consumption is defined as the amount of energy used per square foot to operate a building and is measured in Btu/GSF. This measure represents the percent energy reduction per square foot of space over the FY 2003 baseline. This measure tracks GSA's progress toward the desired outcome of reducing the energy footprint of the Federal government and satisfying the mandates of the Energy Policy Act of 2005 and Executive Order 13423, *Strengthening Federal Environmental, Energy, and Transportation Management*. The 2005 baseline and target are measured against the 1985 baseline.

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

DISCUSSION OF FY 2008 TARGET VS. RESULTS: GSA exceeded the goal for this measure primarily due to the application of the renewable energy Btu reduction credit in accordance with guidance issued from the U.S. Department of Energy (DOE) Federal Energy Management Program. Under Section 102 of the Energy Policy Act of 2005, (42 U.S.C. 8253(a)(1)), and Executive Order 13423, on-site, renewable energy generation projects that do not incur fuel costs are not included in the total Btu/GSF calculations used for energy efficiency goals. DOE provides a Btu reduction credit for renewable energy purchases. Without the application of the Btu reduction credit, GSA's performance would be -4.4 percent. The results stated above are based on a rolling 12-month report through July 2008.

FAS

FEDERAL ACQUISITION SERVICE

The Federal Acquisition Service (FAS) operates at the core of the GSA mission: *Leverage the buying power of the Federal government to acquire the best value for taxpayers and Federal customers.* To support GSA and accomplish its mission, FAS uses innovative techniques and leverages government-wide buying power, acquisition expertise, and electronic tools to successfully deliver new and existing services, products, and solutions. FAS uses its understanding of GSA's customers to offer multiple channels for customers to acquire needed solutions. The result is an organization that is capable of delivering excellent acquisition services effectively and efficiently and providing best value to Federal customers and the U.S. taxpayer.

FAS is organized around four business portfolios that deliver total solutions to customer agencies. These portfolios are: Integrated Technology Services (ITS); Assisted Acquisition Services (AAS); General Supplies and Services (GSS); and Travel, Motor Vehicles, and Card Services (TMVCS). Together, these portfolios manage the largest, most diverse, and innovative Federal marketplace in the world, offering approximately 12 million supplies and services to customer agencies. The organization provides 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.

FAS pledges to put customer service first and promises to provide innovative, best-value solutions. FAS continues to:

- look for ways to streamline its procurement processes and tools to increase its value to customers;
- leverage the government's buying power while enhancing its central role in Federal procurement;
- meet unique support requirements of global customers;
- increase customer education and outreach 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).

GSA Expo in Anaheim, CA

In FY 2008, FAS demonstrated its commitment to the GSA mission and its customers. In the first part of the year, FAS made process improvement a high priority and implemented Lean Six Sigma, a process improvement methodology focused on improving efficiency and quality while reducing costs. Six Lean Six Sigma projects were launched that are important to the organization as a whole and will benefit FAS's customers, industry partners, U.S. taxpayers, and FAS employees. FAS committed to "Going Green," giving customers more green options that save resources and help preserve the environment. FAS also continued to strengthen its position as the government's leading acquisition service provider, saving billions of dollars for customer agencies and taxpayers, including state and local governments which are now able to purchase products and services through many of GSA's Multiple Award Schedule (MAS).

FAS also supports the entire Federal community and taxpayers through its participation in good for government initiatives such as the Federal Strategic Sourcing Initiative (FSSI). The FSSI Program Management Office is managed out of AAS and serves as an operational arm for the Office of Federal Procurement Policy. This program's mission is to improve the Federal government acquisition value chain, improve socioeconomic participation, and ultimately lower total cost of ownership and/or operations for strategic sourcing vehicles. There are three major commodity categories managed within FAS: domestic delivery services, telecommunications expense management, and office supplies.

The Express and Ground Domestic Delivery Services (ExGDDS) contract has matured from nine to 57 participating agencies, boards, and commissions with FY 2008 total projected spend of $94.7 million and $33.8 million projected savings. Agencies receive high-volume location discounts for ground deliveries, no fuel surcharges for ground or express deliveries, and additional savings opportunities by utilizing business intelligence to streamline processes. FSSI Wireless Telecommunications Expense Management Services expects to save agencies 25 to 40 percent off their wireless total cost of operations through rate plan, inventory, and billing error cost savings; process efficiencies; and improved management and security controls. This vehicle can also help agencies strategically address the complexities of their wireless tools through a central management portal and dashboard reporting. The FSSI Office Supplies has grown from 12 to over 50 participating Federal agencies, boards, and commissions, with $10 million in spend, 89 percent with small business. The Office Supplies Blanket Purchase Agreement (BPA) for toner, paper, and general office supplies complies with the Trade Agreement Act and various environmental regulations.

PERFORMANCE HIGHLIGHTS

GSA continuously analyzes operations by conducting PART reviews in a joint effort with OMB. FAS has completed PART reviews for all four of its business portfolios. The ratings are as follows: ITS was rated "Moderately Effective," AAS was rated "Adequate," GSS was rated through three separate reviews, two of which were rated "Moderately Effective," and one "Adequate" rating, and TMVCS was rated through five separate reviews one of which was rated "Effective," two were rated "Moderately Effective," and two were rated "Adequate."

Independent Evaluations

Independent evaluations are just one method that FAS uses to improve performance and address OMB PART findings. These evaluations help FAS find solutions to current issues as well as ways to improve current operations. During FY 2008, ITS engaged outside expertise to do a review of the entire portfolio and its operations and create a baseline of the current state upon which improvements could be made. It is anticipated that this evaluation will be completed early in FY 2009 and will result in improvement recommendations to capitalize on current strengths of the portfolio and resolve any weaknesses that are identified. An Office of Inspector General (OIG) audit was also initiated in FY 2008 in the Office of Personal Property Management's (PPM) Utilization and Donation Program of the GSS portfolio. The results of this review are expected in March 2009 and will also support process improvements going forward.

FAS

The results of independent evaluations also are used in some cases to demonstrate the favorable results that FAS programs can deliver. The IG conducted a study of the TMVCS FedRooms program this year and validated that 4,500 participating hotels delivered the stated benefits of the program, yet less than one percent of hotels booked government-wide were booked at FedRooms' rates. As a result, the IG recommended FAS develop a business plan to increase the utilization of this program and savings to the government. Two additional independent evaluations were completed within the TMVCS portfolio during FY 2008 which demonstrated that the Freight Management Program (FMP) and Centralized Household Goods Traffic Management Program (CHAMP) deliver pricing that is approximately 25 percent and six percent lower, respectively, when compared with commercial rates.

The paragraphs below summarize FY 2008 FAS major performance results by portfolio.

Integrated Technology Services

During FY 2008, the FAS ITS organization continued its success in executing its mission to enable its customers to acquire quality, best value information technology (IT) solutions while supporting achievement of important public policy goals. For example, ITS was recognized in a *Federal Computer Week/Government Computer News* survey during the past fiscal year as having six of the top 20 IT contracts used by government, including the two most used government IT contracts: SmartBuy and IT Schedule 70. In addition, customers of ITS's SmartBuy and Network Services solutions are projected to save more than $750 million this year compared to costs utilizing alternative sourcing channels.

ITS contracting products are used by customers and recognized by key stakeholders as tools to support important government-wide security initiatives. For example, citing the need to maximize cost savings for the Federal government and to improve security, OMB issued Memorandum 08-26, *Transition from FTS2001 to Networx,* in August 2008. This endorsed government-wide use of GSA's Networx contracts to cost-effectively assist agencies in meeting the requirements of its Trusted Internet Connections initiative to strengthen the Federal government's incident response capability through the reduction of external connections, and enhance government information system security. In addition, the SmartBuy Program's Data At Rest Tiger Team and the Homeland Security Presidential Directive-12 (HSPD-12) Program Management Office both received recognition and awards from government and private organizations this year. SmartBuy is now collaborating with the government-wide Information System Security Line of Business to provide in one place, for the first time, standards-based security tools that can audit and assess a system to determine its compliance with the Federal Desktop Core Configuration requirements. The HSPD-12 Program Management Office is responsible for personalizing and issuing Personal Identity Verification (PIV) cards for 67 Federal agencies.

ITS contracting products are also used as tools to meet other important public policy goals. For example, ITS has actively been working to improve use of green IT products and services across government to help bring environmental thinking to the world of IT. Along with other FAS Portfolios, ITS is working with its suppliers to highlight products compliant with important environmentally-friendly standards like ENERGY STAR and Electronic Product Environmental Assessment Tool (EPEAT). In addition, ITS launched its Data Center Optimization initiative in June with the goal of providing customers with a continuum of energy-efficient data center solutions to help them meet national green initiatives. Further, in August, the SmartBuy program negotiated an agreement enabling customers to purchase personal computer power conservation software at an initial annual license fee of only $3 per computer. This software, which ensures that computers are shut down during non-business hours, offers potentially substantial cost and environmental benefits by saving up to $40 to $50 per year per computer in electric power costs for customers throughout government.

ITS contracts are also at the forefront in meeting key socio-economic contracting goals. For example, the Veterans Technology Services (VETS) Government Wide Acquisition Contract (GWAC) provides Federal agencies the ability to achieve mandated small business goals through purchase of IT services and IT services-based solutions from small businesses owned by service-disabled veterans. This initiative was a direct result of Executive Order 13360 that is designed to strengthen Federal contracting opportunities for Service-Disabled Veteran-Owned firms. As of August 2008, VETS contractors have received 141 orders totaling $138 million in obligated dollars with a total estimated value of $480 million if all options are exercised.

Assisted Acquisition Services

In FY 2008, AAS continued to provide support for veterans and small businesses. AAS provided approximately $50 million of assisted acquisition services for IT and professional services to the Veterans Administration. In addition, several service-disabled veteran-owned set aside acquisitions were conducted, including a $75 million award supporting the 640th Electronic Systems Squadron at the Electronic Systems Center at Hanscom Air Force Base. As a result of a small business set aside, a five-year $10 million contract was awarded on behalf of the U.S. Department of Commerce (DOC), Chief Information Officer (CIO), Office of Computer Services to provide complete IT infrastructure systems administration and operational support. Another key small business acquisition was conducted to provide the U.S. Environmental Protection Agency (EPA), Office of Environmental Information, with data management, technical expertise, and outreach support and maximum flexibility to meet the changing needs of the Agency.

Compared to FY 2007, there have been significant improvements to AAS's financial position in FY 2008. AAS has broken even after recovering from a large financial loss last year. The improvement in the financial situation is due to cost savings generated in part by space consolidation and the reassignment of approximately 250 AAS employees to other offices throughout GSA. Through FY 2008, revenue was approximately $64 million below FY 2007 levels. This is the smallest decline in revenue in recent years, and AAS has seen some new business opportunities during FY 2008. AAS has captured $39 million of new business opportunities at EPA; $65 million at the U.S. Department of Housing and Urban Development (HUD); and $350 million from various components of DOC. At the U.S. Department of Defense (DoD), opportunities have been captured in the U.S. Army IT System, Defense Logistics Info Services IT, and U.S. Army Human Resources Command Infrastructure. In addition, in the Southeast Sunbelt Region AAS awarded a $70.6 million task order for DoD National Guard Bureau. This project was awarded in a record time of 39 days to an Alaskan Native corporation, NANA Pacific, LLC, which will provide rapid response support to the National Guard Bureau. Among other contracts, AAS also awarded a $344.2 million contract to Lockheed Martin for the DoD's High Performance Computing Modernization Program.

General Supplies and Services

During this fiscal year, GSS has been working hard to enhance relationships with its strategic partners. In October, GSS signed an agreement with the U.S. Marine Corps designating GSA the Fourth Party Logistics provider for the U.S. Marine Corps. This partnership supports retail store operations at key Marine bases and a virtual storefront, enabling GSA to leverage its supply chain expertise so that the Marines can put more focus on their missions. The agreement with the U.S. Marine Corps was followed by a joint agreement signed among GSA, the U.S. Transportation Command and the Defense Logistics Agency (DLA) on January 31, 2008, to align and improve supply support to the war fighter. This agreement codifies ongoing work to improve the global distribution supply chain supporting DoD, with particular emphasis on the Iraq-Afghanistan conflict. Examples of this improvement work include GSA's forward-positioned inventory at DLA's distribution site in Kuwait, which is saving millions in air transportation costs (estimated at $15 to $20 million annually) and improving

FAS

supply readiness. GSA products valued at approximately $68 million shipped quickly to U.S. deployed forces from this Kuwait inventory during FY 2008, up from $47 million in FY 2007. Supplies are also reaching the U.S. Central Command theatre from the continental United States more rapidly due to shipping method improvements, with over 20 "pipeline" days eliminated on ocean surface movement.

GSS has helped local communities in need due to disasters, including wildfires. In November, GSS rushed fire and rescue supplies to California Wildfire Firefighters and evacuees. GSA vendors delivered 10,000 blankets and 10,000 cots within 10 hours. Other items supplied to fight the wildfires were 52,171 pound shipments of fire fighting materials, and 5,600 additional blankets required later in the week. During September, GSS was back at the forefront helping the Federal Emergency Management Agency (FEMA) respond to Hurricanes Gustav and Ike. GSS shipped essential disaster supplies such as water, blankets, cots, and supplies and equipment for evacuee feeding kitchens. GSS also assisted in staffing FEMA's National Response Coordination Center to optimize logistics support to the affected areas in Louisiana and Texas.

During the latter part of FY 2008, PPM has been working with FEMA to establish disposal solutions for travel trailers that require special use/handling conditions due to concerns over levels of formaldehyde in the trailers. Although the trailers have not been deemed usable for housing purposes, PPM has provided FEMA and Centers for Disease Control (CDC) disposal guidance in establishing specific conditions and requirements under which trailers could be utilized, in lieu of destruction alternatives. Opportunities to offer remaining travel trailers for utilization, donation, and sales represents savings to the taxpayers by continued use, return of sales proceeds, and elimination of unnecessary destruction costs.

The Computers for Learning (CFL) Program, under the administrative guidance of PPM, has evolved as a program to implement Executive Order 12999, Education Technology, directing Federal agencies, to the extent permitted by law, to transfer excess computers and related peripheral equipment directly to schools and qualifying educational nonprofit organizations. However, CFL not only addresses the Executive Order 12999's goal to increase the opportunities for children to be exposed to modern computer technology but also Executive Order 13423's purpose to "Strengthen Federal Environmental, Energy, and Transportation Management."

In FY 2008, the CFL program has extended the useful life of electronic equipment by transferring 6,047 pieces of electronic equipment at an original value of $57.6 million to over 650 individual qualifying educational activities. PPM continues to promote the program and provide a module in its disposal system to match educational activities' needs to available excess property. CFL serves as a way to enhance technology training in schools, conserve energy utilized to manufacture electronic equipment, and minimize environmental harm involved in the manufacturing of materials used in electronic products.

This year, the PPM Sales Program has worked diligently to establish GSA Auctions® as a leading principal sales center under the e-Federal Asset Sales (eFAS) initiative, one of 24 E-Gov initiatives from the PMA. In 2008, the requirement for Federal agencies to utilize one of the Sales Centers established under eFAS to sell their surplus and exchange/sale property was incorporated in the Federal Management Regulation (FMR). Since the establishment of GSA Auctions® as a sale center, PPM has worked to make Federal agencies aware of the sales regulation as well as the services they offer as a sales center. Due to these efforts, PPM has sold approximately $84 million in surplus and exchange/sale property for Federal agencies.

GSS also implemented several programs to support MAS. For example, the program expanded the array of products and services available through Schedules, increased the number of environmentally sensitive items on GSA Advantage, and implemented Cooperative Purchasing of state and local governments. GSS provided leadership on the National Security Convergence project, and supported FEMA during disasters such as the Cedar Rapids flooding and major hurricanes. The program improved internal processes which led to a significant reduction in offer and modification cycle times and an increase in the receipt of electronic offers and modifications. They have also introduced several long-term programs designed to recruit and retain its acquisition workforce.

Travel, Motor Vehicles, and Card Services

GSA Automotive worked closely with the U.S Army to develop a custom patient evacuation vehicle (PEV). The PEV is a semi-trailer-sized hospital on wheels that will make wounded soldiers' transport to medical centers within the National Capital Region more comfortable and safer. The GSA Automotive engineers designed the vehicles to be equipped with full air ride suspension, self contained and redundant power generation systems, and an aero-medical evacuation pallet system to transport litter-borne patients. The PEV can also be used to enhance the U.S. Army's capability to respond to mass casualty events in the National Capital Region.

GSA Fleet and Automotive continue to support efforts to make the government fleet more environmentally friendly. GSA Fleet and Automotive have provided an additional 29,000 AFVs and hybrid electric vehicles (HEV) in FY 2008. GSA Automotive collaborated with the National Park Service to provide 20 compressed natural gas buses for the Grand Canyon National Park.

The new SmartPay2® contract, awarded in June 2007, will be effective November 30, 2008. All of the departmental level agencies are on track to transition their card programs on or before November 29, 2008. The Office of Charge Card Services is successfully supporting agencies in their transition planning efforts. The program closely monitors the transition status and assesses the risk status of each agency. As of June 2008, no agency was classified as "high risk," meaning the progress toward the completion of transition-related tasks is well on track. Card Services also continues to work with the outgoing bank contractors to ensure they remain compliant with the original GSA SmartPay® Master Contract and provide a consistent level of customer service throughout the transition. Per the Government Accountability Office's (GAO) recommendation, Card Services is making progress in updating the online Purchase Cardholder Training and is working with OMB to update OMB Circular A-123, Appendix B.

The E-Gov Travel Initiative, launched in response to the PMA to improve the internal efficiency and effectiveness of travel management in the Federal government, is exceeding FY 2008 performance measures in utilization and online adoption. It is estimated that FY 2008 trips utilizing E-Gov Travel are 960,000 versus a plan of 921,000; additionally 67 percent of these trips were booked online exceeding the plan of 65 percent for online bookings.

FAS PERFORMANCE BY GSA STRATEGIC GOALS

Stewardship

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

PROGRAM	PERFORMANCE MEASURE	RESULT
FAS (VEHICLE ACQUISTION)	PERCENTAGE DISCOUNT FROM INVOICE PRICE (VEHICLE ACQUISITION).	MET

FAS (Vehicle Acquisition)

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

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
40.6%	39.0%	32.0%	>28.7%	29.0%

DESCRIPTION OF THE MEASURE: Percentage discount measures the cost savings to customers from using GSA services rather than purchasing vehicles through a different source and paying invoice pricing. The average percentage savings is calculated by the weighted average discount from vehicle manufacturers' 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 2008 TARGET VS. RESULTS: GSA Automotive met its FY 2008 target. Automotive tracks the discount from invoice for seven of the top 10 selling vehicles as a measure of internal efficiency to ensure that customers receive the maximum discount from the manufacturers' invoice prices. 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 leasing rates. The seven vehicle classes used in this calculation are: midsize sedan six cylinder, compact sedan four cylinder, passenger van, 4x4 SUV (five passenger), 4x4 pickup extended cab, 4x4 SUV (six passenger), and compact sedan six cylinder. In FY 2005 and FY 2006, a major automobile manufacturer discontinued one of its models and offered GSA unusually large discounts in order to clear its inventory. FY 2008 results are more consistent with historical performance and the current market condition. The Detroit automakers have advised that GSA receives the lowest vehicle prices of its customers.

Superior Workplaces

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

PROGRAM	PERFORMANCE MEASURE	RESULT
FAS (Fleet)	Percentage GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.	Met
FAS (GSS)	Blended mark-up (Global Supply).	Not Met

FAS (Fleet)

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

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
43.13%	39.06%	42.38%	29.50%	40.90%

DESCRIPTION OF THE MEASURE: This measure estimates the cost savings from using GSA services to lease automobiles rather than outside sources. GSA rates are compared to leasing rates available on GSA schedule, as this is a readily available and comparable benchmark of commercial service offering(s). FAS strives to maximize savings realized by customers and uses this measure to monitor its success.

DATA SOURCE: GSA Fleet rate.

DISCUSSION OF FY 2008 TARGET VS. RESULTS: GSA Fleet has exceeded its FY 2008 target. GSA Fleet remains competitive by offering affordable lease rates in comparison to the private sector. In order to justify these rates, the program proactively tracks vehicle purchase prices and expenses on a consistent basis. This also helps to support Fleet's primary goal of breaking even each fiscal year. The consolidation of Fleet Management Centers also plays an integral role in decreasing overhead expenses to maintain these locations. In the future, GSA Fleet will offer superior service to the customer in addition to offsetting rising fuel costs with competitive lease rates.

FAS

FAS (GSS)

PERFORMANCE GOAL
Reduce Supply blended mark-up from 31 percent to 29 percent, toward a goal of 28 percent.
MEASURE
Blended mark-up (Global Supply).

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
31.60%	32.71%	31.80%	30.00%	31.90%

DESCRIPTION OF THE MEASURE: Blended mark-up is the fee that is applied to the cost of goods provided to customers to cover program operating costs. GSA strives to minimize this fee through efficient operations and process improvements that allow goods to be provided at the lowest possible mark-up to customers. This measure helps to determine how well FAS is achieving its desired outcome of providing products to customers at the lowest possible price.

DATA SOURCE: GSA Administrator's Report

DISCUSSION OF FY 2008 TARGET VS. RESULTS: While Global Supply did not quite meet the FY 2008 target, the program has maintained FY 2007 performance. In addition, the FY 2008 target was based on the original timetable for the Global Supply Business Model Transformation, which would effectively lower the mark-up by approximately 25 percent for a large percentage of stocked office supplies. The original schedule for office supply movement was during FY 2008; however, that timetable has been pushed back to FY 2009/FY 2010.

Best Value

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

PROGRAM	PERFORMANCE MEASURE	RESULT
FAS (AAS)	Percent of satisfied customers (American Customer Satisfaction Index (ACSI) survey).	Not Met
FAS (ITS)	Cost avoidance/savings achieved by ITS Portfolio programs.	Met

FAS (AAS)

PERFORMANCE GOAL
Increase Assisted Acquisition Service' customer satisfaction results.
MEASURE
Percent of satisfied customers (ACSI survey).

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
N/A	N/A	73.5%	75.0%	71.1%

DESCRIPTION OF THE MEASURE: Annual customer satisfaction surveys are conducted to ensure that customer needs are being met. The results of these surveys are used to better adapt product and service offerings to stay current with the marketplace, and to refine program operations going forward. GSA operates in a competitive environment, and customer satisfaction is on of many outcomes used to gauge program success.

DATA SOURCE: FY 2008 External Customer Satisfaction Survey

DISCUSSION OF FY 2008 TARGET VS. RESULTS: AAS did not meet its FY 2008 target for external customer satisfaction; however, a score of 71.1 percent is still a high satisfactory score. Loss of approximately one-third of the nationwide AAS workforce has put a strain on the remaining employees. However, AAS continues to focus on improving its customer relationship by having investments in developing a world-class workforce begun late in FY 2008 that will continue throughout FY 2009. Training initiatives in areas of customer service skills and sales were launched to promote higher customer service satisfaction within the portfolio.

FAS (ITS)

PERFORMANCE GOAL
Increase cost avoidance/savings to ITS customers.
MEASURE
Cost avoidance/savings achieved by ITS Portfolio programs.

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
$632M	$720M	$766M	$743M	$782M

DESCRIPTION OF THE MEASURE: This measure estimates the amount of savings that customers realize by using FAS solutions. GSA's objective is to increase its value to customers by maximizing the amount saved through using ITS service offerings rather than offerings available through other sources in the market. GSA ensures this outcome is being realized by monitoring the savings realized by customers and taking actions to maximize those savings.

DATA SOURCE: SmartBuy cost savings are derived from DoD and SmartBuy reports. Network Services pricing is determined based on the respective FTS2001/Bridge and Crossover Contracts and billing records from a third-party research firm.

DISCUSSION OF FY 2008 TARGET VS. RESULTS: FY 2008 was another successful year for ITS. The actual savings to customers surpassed its FY 2008 target by approximately $39 million. The Network Services savings continue to be on target, $638 million versus $637 million. Although the sales volume increased from $981 million to $1.06 billion, approximately $79 million or 8 percent, the savings remain flat due to agencies' increased use of Internet protocol (IP)-based services and Custom Design Documents. These services generate a smaller percentage of savings as compared to commodity services such as voice, Private Line, etc... The SmartBuy program again looks to meet its cost avoidance target due to a growth in power optimization software sales agreements that were put into place at the end of FY 2008.

OCSC

OFFICE OF CITIZEN SERVICES AND COMMUNICATIONS

The Office of Citizen Services (OCS) was created in June 2002, to serve as the Federal government's "customer service department" for citizens. It integrated all of GSA's citizen-facing delivery channels in order to provide consistent, accurate, and timely government information to citizens. OCS was combined with the internal communications function within GSA, which resulted in the Office of Citizen Services and Communications (OCSC).

OCSC's mission is to help make the government more citizen-centric by providing citizens with easy access to accurate, consistent, and timely government information. OCSC provides citizens direct information about and from all levels of their government through an array of integrated information channels, including USA.gov (the official portal of the U.S. government), telephone and e-mail inquiry response from the National Contact Center (NCC), and print materials distributed from Pueblo, CO.

OCSC provides a contract vehicle (i.e., USA Contact) to agencies to help them establish contact centers for their every-day contact center needs as well as in emergency situations. OCSC conducts research on citizens' preferences in accessing information from the government, creates networks that allow communities of practice to share lessons learned, trains Web managers across government, provides the government-wide Internet search to other governments, collaborates across government, shares best practices, and creates Web and contact center service level standards.

Performance Highlights

In FY 2006, OCSC/USA Services achieved the rating of "Effective" in the OMB PART process. In FY 2007, OCSC accomplished its PART Improvement Plan goals by completing the first regularly scheduled comprehensive, independent evaluation of USA Services and by providing OMB and Congress a consolidated picture of all OCSC performance goals and resource needs. In FY 2008, OCSC accomplished its PART Improvement Plan goal by establishing a government-wide contact center managers' forum which meets regularly to share information and best practices.

The paragraphs below summarize OCSC's major performance results in FY 2008:

- Achieved 211 million citizen touchpoints, and thereby met OCSC's target for FY 2008. This was accomplished by providing accurate, consistent, and timely information to citizens through a variety of channels in both English and Spanish. These include online information via USA.gov (the official portal of the U.S. government), telephone response via 1-800 FED INFO, email, and print publications from Pueblo, CO. There was significant growth (11 percent) in touchpoints through OCSC Web sites and through e-subscriber outreach (56 percent). Telephone service dropped back to normal annual levels after the spike caused by changes in passport regulations.

- OCSC continued its outstanding management of the direct information channels to the public. OCSC was instrumental in citizen outreach during the floods in the Midwest; the West coast fires; and Hurricanes Gustav and Ike.

- During 2008, OCSC continued its effective management of the USA.gov Infrastructure through effective software development controls and intensified security programs that met all Federal Information Security Management Act (FISMA) of 2002 requirements. This included performance testing disaster recovery operations, frequent vulnerability scans, continual upgrading of the infrastructure for various software patches, and a variety of processes to tighten access to systems.

- OCSC has become an acknowledged leader across government in the use of Web 2.0 or social media tools. This is evidenced by the volume of traffic to OCSC's social media tools, and the number of requests for OCSC speakers in the area. Additionally, OCSC launched a pilot of a Section 508 compliant accessible video player on USA.gov.

- OCSC directly uses social media as part of its expanded outreach efforts. The blog (GovGab.gov) just celebrated its one-year birthday. While originally intended to appeal to and attract a younger audience, this blog has proven to be popular across a wide demographic and public readership has steadily increased.

- OCSC oversees a variety of forums, both nationally and internationally, to share ideas, best practices, and lessons learned and to help establish benchmarks for development of responsive citizen service. Forums include the 5-Nation CIO Council that brings together the national CIOs from the United States, United Kingdom, Australia, Canada, and New Zealand to discuss IT issues. In addition, other forums include the Web Managers Advisory Group, consisting of senior government Web managers who collaborate on government-wide standards for Web sites and intergovernmental forums of Federal, state, and local government officials that ensure each entity is aware of the priorities of the others.

- OCSC plays an important role in supporting the expansion of E-Government and other efforts of the IT community to improve government's interactions with citizens. In 2008, OCSC shared best practices and kept the nationwide and international E-Government community apprised of news and developments in government IT through newsletters on the Role of the CIO and the monthly e-mail newsletter, *The DotGov Buzz*. The newsletter on *The Role of the CIO* was translated into Spanish for distribution by the U.S. Agency for International Development, (USAID) and used at Harvard and Georgetown University.

- OCSC operates Web Manager University which provides practical, affordable training to government Web managers across the country. The classes are taught by world-class Web experts and cover the core skills needed by government Web managers including: writing for the Web; Web management and governance; Federal Web requirements and accessibility; social media, search engine optimization, and Web metrics; and many other topics. Through more than 100 classes, including annual conferences, courses, and online webinars, Web Manager University has successfully trained over 7,100 Web managers from 75 Federal and 25 state and local agencies.

- In FY 2008, OCSC/USA Services was bestowed the President's Quality Award for Management Excellence. In addition, Brookings Institute designated USA.gov as "the #1 Website in the Federal Government." USA Services received an Excellence.gov award and OCSC staff members received numerous individual awards such as the AFFIRM award for "Service to the Citizen," the CIO Council Award, *Government Executive's* top Fed 100s, and a Federal IT Rising Star.

OCSC

OCSC Performance By GSA Strategic Goals

Innovation

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

PROGRAM	PERFORMANCE MEASURE	RESULT
OCSC	Citizen touchpoints.	Met

OCSC

PERFORMANCE GOAL
Increase use of all OCSC information channels by the public.
MEASURE
Citizen touchpoints.

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
122.7M	133.0M	222.3M	210.8M	213.8M

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

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

DISCUSSION OF FY 2008 TARGET VS. RESULTS: OCSC met its FY 2008 target. Entering FY 2008, OCSC knew that barring some unforeseen circumstance, it would not be able to repeat the number of touchpoints recorded during FY 2007. During FY 2007, OCSC received an unanticipated boost in touchpoints through the telecommunications support to the National Passport Information Center (NPIC). As a direct result of new legal requirements that Americans flying to destinations in Canada, Mexico, or the Caribbean would have to have a passport to get back into the country, calls poured into the NPIC. Calls increased by 326 percent from 7.9 million in FY 2006, to 33.5 million in FY 2007.

Allowing for the loss in passport-related activity, OCSC still set an ambitious target for FY 2008 of 210.8 million touchpoints. OCSC was able to meet and surpass this target with strong growth in touchpoints in other OCSC channels, notably traffic to USA.gov, which was up 20 percent over the previous year, and subscriber use of OCSC e-mailings, which was up 60 percent.

OCFO

OFFICE OF THE CHIEF FINANCIAL OFFICER

The Office of the Chief Financial Officer (OCFO) provides professional financial management services, guidance, and innovative solutions to its internal and external 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 analysis 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. The OCFO promotes a GSA-wide culture of financial integrity, financial transparency, and accountability. The OCFO provides timely and accurate financial and performance information; reporting and advice to support managers in making sound business decisions; and ensures that GSA executes its mission in a compliant, efficient, and effective manner.

PERFORMANCE HIGHLIGHTS

The following summarizes key OCFO performance highlights from FY 2008:

GSA Budget Development

The OCFO led a comprehensive review of all Agency externally-reported goals, measures, and targets. This review increased the use of outcome-oriented goals and ensured that performance targets were aggressive compared to prior-year actual performance. This review resulted in better alignment of performance goals and resources with GSA's Strategic Goals and Mission. The review process is now incorporated into the annual Performance Management Process (PMP) and will enhance existing processes to drive continuous improvement in Agency performance.

Sound Strategic Decision-Making and Integrated Planning

The OCFO continues to refine and improve the OCFO Executive Scorecard, which provides executives and managers with an unambiguous snapshot of current organizational performance and indicates where management attention should be focused to prevent future problems. The OCFO Executive Scorecard has successfully focused GSA financial management resources on identifying errant data and purging it from GSA financial systems, helping to ensure the financial integrity of GSA and its customers.

Best Value Financial Management Shared Services

Financial transaction and system operations are at the core of the services provided by the GSA financial management community. The OCFO delivers these services both internally to GSA and externally to other Federal agencies and commissions. Pursuant to GSA's goal to be a government-wide leader in these business offerings, GSA is working to achieve efficiencies by streamlining financial transaction processing.

The OCFO has taken the initial steps toward meeting and incorporating the Financial Systems Integration Office's (FSIO) Common Government-wide Accounting Classification (CGAC) structure into GSA's financial systems. FSIO will help GSA improve cost, quality, and performance financial management systems by standardizing business processes, interfaces, and data, allowing GSA to capture and report financial information in a consistent manner.

Inspire Confidence and Trust

During FY 2008, the OCFO led GSA's efforts to achieve "green" scores on all nine government-wide metrics that are reported in the OMB Metric Tracking System (MTS). The nine MTS measures provide government managers, Congress, and other stakeholders with information to assess the financial management health of the Federal government as a whole and for each individual agency. To view the MTS measures and agency rankings, go to *www.fido.gov/mts/cfo/public*.

Timely, Accurate Financial Analysis in a Secure, Reliable Operating Environment

During the past year, the OCFO continued to make substantial progress in streamlining and integrating its financial management systems, replacing its remaining legacy financial system modules, strengthening its financial system controls, and improving its operational efficiency, effectiveness, and servicing of stakeholders. Substantial improvements were made to strategic planning and project management systems. In addition, the OCFO met its system availability requirements and successfully migrated several of its financial applications to a new data center under a new contract that will save GSA more than $9 million over a five-year period. Significant progress was also made with regard to consolidating all of GSA's billing and accounts receivable systems under GSA's core accounting system. Finally, the OCFO met all of its FISMA compliance and A-123 system control related responsibilities during FY 2008 and acted aggressively to strengthen its systems controls regarding the protection of personally identifiable information within the OCFO systems.

Efficient, Effective Financial Operations Environment

GSA was successful in its efforts to fully implement the latest A-123 internal control requirements throughout GSA's nationwide programs. Managers of GSA programs listed on the Internal Control Plan conducted risk assessments for their programs, and over 30 internal control reviews incorporated risk-based testing as part of the review process. These reviews resulted in numerous recommendations for improvement of internal controls. The OCFO also successfully completed the assurance statement process, with over 600 managers throughout the Agency completing statements and attesting to the adequacy of their internal controls.

The OCFO continues to focus on achieving its financial performance metrics. The OCFO measures both payable and receivable functions, including a critical performance measure of decreasing the amount of interest penalties paid. Total interest paid is a reflection of the efficiency and effectiveness of the GSA payment process for commercial vendors and of the OCFO's efforts to improve processes and procedures.

OCFO

OCFO Performance By GSA Strategic Goals

Stewardship

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

PROGRAM	PERFORMANCE MEASURE	RESULT
OCFO	Interest Penalties Paid.	Not Met

OCFO

PERFORMANCE GOAL
Increase the efficiency of the payment of vendor invoices through electronic receipt and process streamlining.
MEASURE
Interest penalties paid.

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
N/A	$574,462	$452,014	$400,000	$403,395

DESCRIPTION OF THE MEASURE: Total interest penalties paid is a reflection of the efficiency and effectiveness of the GSA payment process for commercial vendors and the OCFO's efforts to increase electronic invoices received. Receiving invoices electronically reduces the mail time needed for paper documents, which results in more timely, less costly payments. It also measures the efficiency of the OCFO's process for receipt and acceptance of goods and services, payment processing, and disbursement controls. If orders or receipt documents have been processed in the accounting system by the time an electronic invoice is received, there should be no delay in payment.

DATA SOURCE: Pegasys

DISCUSSION OF FY 2008 TARGET VS. RESULTS: Although the target was not met, progress was made in reducing the total interest penalties paid bringing the OCFO very close to meeting the FY 2008 target. GSA paid over $15.2 billion in invoices subject to the Prompt Payment Act and incurred only $26.50 in interest penalties paid per $1 million paid. There are opportunities for improvement in the timely processing of purchase orders, receiving reports, and invoices into the accounting system.

OFFICE OF THE CHIEF HUMAN CAPITAL OFFICER

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

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

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

PERFORMANCE HIGHLIGHTS

Strategic and Organizational Alignment

GSA developed a new Strategic Plan in FY 2007. To ensure alignment between GSA's strategic and human capital goals, the OCHCO reviewed its HCSP for FY 2002 - FY 2007 and established a new HCSP for FY 2007 - FY 2012. GSA's new HCSP provides a full view of the Agency's business and human capital needs, workforce data and analysis, and a description of GSA's seven human capital goals. To assist in the implementation of human capital strategies, the OCHCO established the position of Human Capital Advisor (HCA) for GSA's services, PBS and FAS. These advisors work with service leadership to understand their human capital needs, especially related to GSA's mission-critical workforce, and to implement strategic initiatives. The OCHCO continued to work with GSA's services and staff offices to evaluate and assist in implementing organizational changes.

In FY 2008, the U.S. Office of Personnel Management (OPM) required all agencies to revalidate all previously earned checkmarks on their PMA human capital scorecards. GSA achieved "green" status on its human capital scorecard in September 2007 and the OCHCO immediately set out to revalidate that it had met the "green" standards in each area of the scorecard. Each quarter, the OCHCO provided new evidence for each of the government-wide Human Capital Assessment and Accountability Framework (HCAAF) areas to demonstrate that GSA was "green" in status and was achieving desired outcomes. In addition to retaining GSA's "green" status and progress scores throughout the year, the Agency continued to demonstrate its efforts to better

OCHCO

manage its human resources and ensure alignment with GSA's strategic goals. A major PMA accomplishment for FY 2008 was the issuance of the Human Capital Management Report, which outlined the human capital challenges, efforts taken, and results achieved under each of the HCAAF areas.

Executive Leadership

During FY 2008, GSA's executive leadership remained relatively stable with 15 Senior Executive Service (SES) hires and 15 SES separations occurring throughout the fiscal year. GSA started and ended the fiscal year with the same number of SES members on the rolls with 98 executives on board, which currently represents 87 percent of GSA's permanent SES allocation. In addition, GSA was successful in increasing its executive resources allocation in the FY 2008 - FY 2009 biennial allocation process administered by OPM in consultation with OMB. As a result, GSA was able to hire an additional senior level employee and shored up its ability to hire additional SES employees across the enterprise in key leadership positions. GSA also became subject to the Qualifications Review Board moratorium in 2008 due to the departure of the Agency head at the end of April. This has affected GSA's ability to continue to hire leadership talent late in calendar year 2008 as the change in Presidential administration approaches in January 2009. GSA continues to position itself for success in meeting its mission requirements with strong executive leadership in place temporarily while awaiting a President-appointed, Senate-confirmed Administrator.

Diversity

As of the end of FY 2008, GSA's senior executive workforce was comprised of 29 percent women, which represents an increase of three percent since FY 2006. This is the highest representation of women executives in GSA since FY 2002. Minorities currently represent 14 percent of the SES workforce. This represents only a one percent increase since FY 2002, but a four percent increase in minority executives since FY 2003. GSA is making steady, incremental progress in hiring women and minorities in leadership ranks with the last three years showing positive gains over previous year-end levels.

GSA's Leadership Institute

The Advanced Leadership Development Program (ALDP) is an intensive, 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 2008, 30 GSA employees graduated from the ALDP and 119 graduated from the LNS program.

Monitoring Program

GSA launched a mentoring program to foster future leadership and complement its succession planning work. The mentoring program pairs talented, experienced employees (mentors) with employees (protégés) who need to enhance their leadership and other business skills. A mentoring relationship benefits both participants. Protégés have a chance to learn from a seasoned professional and mentors get a chance to see things from a new perspective. During FY 2008, the program graduated 58 mentoring pairs and recruited 60 mentoring pairs for year two.

Performance Culture

GSA continued to focus on achieving results through implementing its robust, Agency-wide performance program. GSA organizations develop detailed organization performance plans and undergo Quarterly Performance Reviews with senior leadership to assess accomplishments and identify areas for improvement. New performance and awards policies guide the Agency in establishing individual performance plans that hold employees accountable, as well as reward them for achieving results.

GSA's new Strategic Plan laid the foundation for important changes in executive performance management in FY 2008. A new FY 2008 performance agreement for senior executives was developed and implemented that aligns with the GSA

Strategic Plan and holds executives accountable for leadership results, management results, and program results. GSA also significantly improved its organizational and individual assessment of executives at the close of FY 2007 throughout the use of standardized, streamlined assessment forms that enhanced the evaluation process conducted by rating officials and GSA's SES Performance Review Board. These process improvements provided more transparency and accountability by making performance-based results more visible in a more rational, evidence-based format. As the Agency ends the FY 2008 performance cycle for appraising senior executives, GSA plans to build on the success achieved in FY 2007 by using a similar process to evaluate and measure its accomplishments against annual plans and commitments. GSA has a solid record of accomplishment in making meaningful distinctions based on relative performance Agency-wide.

Learning and Knowledge Sharing

During FY 2008, the OCHCO promoted Online University as a cost-effective distance learning method to deliver training. During the fiscal year, there were 30,937 course completions. GSA continued to implement Learning Management System (provider - Learn.com) capabilities that offer a number of additional features (Individual Development Plan Module; Competency Management System Module; Instructor Led Training/Classroom Scheduler Module; Learning Content Management System Module; and the SF 182, Authorization, Agreement, and Certification of Training Module). Additionally, the continuance of this contract will enable GSA to have one Learning Management System for the Agency, which will lead to a complete training dataset for each GSA employee.

Workplace and Environment

GSA continued to enjoy the recognition of being named in the top 10 agencies in the Federal government by the Best Places to Work organization. This recognition is based on employee survey feedback to which employees scored GSA in the top 10 agencies for Talent Management, Leadership and Knowledge Management, and Job Satisfaction. GSA implemented a Workforce Engagement Survey in FY 2007 to comply with the new annual employee survey requirement. In FY 2008, GSA senior executives, managers, supervisors, and employees received presentations on the survey results. Additionally, the Federal Human Capital Survey online administration period was August 4 to September 26, 2008 and the results will be available to the public in February 2009.

GSA's telework policy was signed in April 2008 and is being implemented across the Agency. The new policy strengthens GSA's government-wide leadership role in telework and supports the challenge for GSA to "lead by example" by increasing telework participation throughout the organization. It clearly defines eligibility criteria, establishes an easy-to-use GSA Telework Agreement form, and addresses IT issues, while recognizing the potential benefits of telework in regard to response to emergency situations, environmental sustainability, recruitment and retention efforts, and support for employees in balancing work and personal responsibilities. By the end of FY 2008, 35 percent of eligible Agency employees were teleworking on a regular basis (an average of one day per week). Ongoing goals for the Agency include reaching participation rates of 40 percent by the end of calendar year 2009 and 50 percent by the end of calendar year 2010.

OCHCO

OCHCO Performance By GSA Strategic Goals

Best Value

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

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

OCHCO

PERFORMANCE GOAL
Compete for and retain a workforce that is talented and effectively deployed.
MEASURE
Number of days to fill a vacancy.

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
26.3	30.1	29.0	45.0	32.0

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 2008 TARGET VS. RESULTS: The OCHCO achieved its target in this area for FY 2008. The target, 45 days, was established by OPM to measure how much time was needed to make a selection once a particular job announcement closes. GSA was able to exceed this goal, while it simultaneously implemented the Business Process Re-engineering recommendations.

OFFICE OF GOVERNMENTWIDE POLICY

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

PERFORMANCE HIGHLIGHTS

In FY 2008, OGP maintained its "Moderately Effective" rating under OMB's PART audit. The continued implementation of OGP's Policy Portfolio Performance System (3PS) is the primary mechanism OGP employs to demonstrate its effectiveness under PART. To comply with PART recommendations, OGP fully implemented three major policy

assessment initiatives, which serve to fulfill the PART requirement that OGP hold Agency partners accountable for their performance relative to policy areas under OGP's purview. These three programs include:

- Policy Change Management Model (PCMM) for real property policy
- Center for Policy Evaluation (COE) for aircraft, mail, motor vehicles, personal property, relocation, transportation, and travel.
- Policy Utilization Assessment (PUA) determines the effectiveness of Agency implementation and utilization of Federal IT policies.

In FY 2008, OGP received an effectiveness rating of 79 percent from a target respondent pool of 656 Federal executives representing 183 executive branch departments,

OGP

bureaus, and agencies across a wide spectrum of the U.S. government. The FY 2008 score represents a significant increase in the satisfaction of Federal executives with the programs administered by OGP. It also represents OGP's concentrated efforts to constantly improve communication and collaboration with its stakeholders and partners in the Federal community. In FY 2006, OGP's implemented this survey methodology for the first time, which yielded an effectiveness rating of 54 percent. In FY 2007, the effectiveness rating jumped to 70 percent.

The paragraphs below summarize OGP's major performance results in FY 2008.

OGP utilizes a portfolio-based approach to performance measurement called the 3PS. Per the 3PS requirements, OGP selects a set of five to eight policy initiatives that represent its strategic priorities for that specific fiscal year. Each policy initiative has an individual performance metric that measures improved outcomes achieved as a result of OGP's efforts that year. To determine the success of the performance measure as a whole, OGP aggregates the results observed for the underlying component measures specific to a fiscal year to obtain that year's success rate. OGP can then compare the degree of success of the annual portfolio over multiple years. In FY 2008, the seven initiatives assessed in the portfolio were Financial Management Line of Business (FMLoB), IT Accessibility, Telework and Alternative Workplace Arrangements (AWA), PCMM, eFAS, COE, and OGP's Federal Advisory Committee Act (FACA) Program.

The performance of these initiatives is described below:

Financial Management Line of Business

FMLoB improves the cost, quality, and performance of financial management by standardizing financial system data, expanding shared service solutions, and implementing other government-wide reforms that foster efficiencies in Federal financial operations. In order to mitigate the risk of moving to shared services solutions, common standards and processes must first be established. FMLoB met its improvement target to issue four process standards (final business process standards for payment and funds management, draft standards for receivable management, and reporting). The final business process standards for payment and funds management have been incorporated in draft core financial management requirements, which will be tested on commercial off-the-shelf software package in the future.

IT Accessibility

The program was responsible for drafting OMB *Guidance on Section 508 Implementation* in early FY 2008. This guidance, which was addressed to Agency CIOs and Chief Acquisition Officers (CAO), articulated specific Section 508 responsibilities with regard to the procurement of Electronic and Information Technologies. Agencies were also put on notice that GSA would be monitoring their solicitations on *www.FBO.gov* for compliance with Section 508 requirements and that they would receive letters showing how well they did. The goal for FY 2008 was to raise the amount of civilian agency procurements that were minimally successful from a baseline of 20 percent to 25 percent. The final civilian average for FY 2008 was 30 percent. This program is helping GSA to fulfill its statutory obligation to provide agencies with Section 508 support. This support helps make government information more accessible to the 54 million Americans with disabilities who are its employees and customers.

Telework and Alternative Workplace Arrangements

For FY 2008, the AWA program was instrumental in delivering both direct and indirect benefits and services to taxpayers and agencies. AWA staff has worked in partnership with OPM to provide telework services and technical assistance which resulted in increased telework participation in more than half (52 percent) of all Federal agencies. OGP has published 59 telework policy, practice, and/or event advisories on GSA's listserv, which reaches an audience of more than 4,500 interested citizens, members of the media, telework experts, etc., and 225 Federal agency telework program coordinators. In FY 2008, OGP's AWA team also published multiple articles in significant publications.

Policy Change Management Model

The PCMM is quickly becoming a foundational tool for supporting the OGP Office of Real Property Management's mission to develop, promote, and assess conformance with management policies and regulations for the effective, efficient stewardship of Federal real property assets and alternative workplaces. The PCMM is a central point of knowledge and interaction for the taxpayers and Federal Real Property Professionals on FMR. The FMR Reference page provides user-friendly electronic access to real property FMRs, guidance, bulletins, executive orders, and laws. The Agency feedback from the Self-Assessment Questionnaire is being analyzed to determine how well agencies are capable of conforming to the FMRs.

Federal Asset Sales

The eFAS program identifies, recommends, and implements improvements for asset recovery and disposition, making it easier for agencies, businesses, and citizens to find and acquire/buy Federal assets. In FY 2008, eFAS achieved its goals of migrating all 26 scorecard agencies to a Sales Center and developing a three-year strategic plan and 67 individual tactical plans. Net revenue received as a result of sales via the Govsales.gov Web site exceeded $3 billion.

Center for Policy Evaluation

Through a government-wide evaluation of policy, OGP's COE established a baseline of policy adherence in the following seven policy areas: aircraft, mail, motor vehicles, personal property, relocation, transportation, and travel. OGP identified that 22 percent of the agencies survey scored a "strong" rating in policy adherence, 21 percent scored "satisfactory," and 57 percent. of the agencies received a "weak" rating. OGP has identified strengths, weaknesses, opportunities, threats, and areas of further government-wide policy and program improvement.

OGP's Federal Advisory Committee Act Program

FACA was enacted in 1972 to ensure that advice by the various advisory committees formed over the years is objective and accessible to the public. The act formalized a process for establishing, operating, overseeing, and terminating these advisory bodies and created the Committee Management Secretariat to monitor compliance with the act. OGP's Committee Management Secretarial successfully worked with Agency customers and Congressional stakeholders to improve FACA compliance during FY 2008. In addition to working with the Congress on potential statutory initiatives, the Secretarial increased delivery of government-wide training, completed the first phases of its planned enhancement of FACA regulations, and refined performance measures for advisory committees. GSA also partnered with the Office of Government Ethics to ensure that over 70,000 committee members are in compliance with ethics requirements.

OGP

OGP Performance By GSA Strategic Goals

Innovation

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

PROGRAM	PERFORMANCE MEASURE	RESULT
OGP	Extent to which OGP policy initiatives achieved improvement targets.	Met
OGP	Percent of key policy stakeholders and Agency users who rate OGP policy initiatives "effective."	Met

OGP

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

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
71%	100%	98%	88%	100%

DESCRIPTION OF THE MEASURE: An essential goal of OGP is to ensure that the policies generated are not only "used and useful," but that they also produce the outcome improvements that they are designed to achieve. Under OGP's 3PS, this measure gauges OGP's progress across its diverse field of policy responsibilities (such as real property, technology, personal property, etc.). The first step in this process was to identify the appropriate performance measure for each policy initiative in the 3PS for FY 2008. The second step is to determine an aggressive, but attainable annual target for each policy. Once data has been gathered for each measure, a simple percentage is generated (Target/Actual). Each of these percentages is averaged to determine the overall percentage score for this measure.

DATA SOURCE: There are seven sources of data corresponding to each of the seven initiatives that comprise the FY 2008 policy portfolio. Each initiative and its related data source is listed below:

- **IT ACCESSIBILITY (508):** Acquisition data from www.FBO.gov is sampled and analyzed by OGP to determine if government procurements conform to section 508 of the Rehabilitation Act of 1973 as stipulated by the Federal Acquisition Regulation (FAR).

- **FMLoB:** Financial management documentation transmitted to and approved by OMB are a matter of public record on FSIO.gov.
- **FACA INITIATIVE:** An agency's compliance is reviewed and data is generated by the Committee Management Secretariat as stipulated by law under the FACA.
- **TELEWORK AND AWA:** Data is collected by OPM and published annually.
- **PCMM:** Data is derived from OGP's PCMM, which is a Web-based knowledge management tool that aims to help Federal agencies determine their compliance with real property regulations/policies, as well as to serve as a resource for best practices in Federal real property asset management.
- **eFAS:** Data regarding the GovSales.gov, which is managed by the eFAS initiative, is collected and analyzed by a third party.
- **POLICY EVALUATION:** OGP's COE conducts reviews in seven policy areas including aircraft, mail, motor vehicles, personal property, relocation, transportation, and travel. This information is submitted by agencies via Web-based Program Review Tool (PRT) and is used to generate performance data.

DISCUSSION OF FY 2008 TARGET VS. RESULTS: OGP set a target to achieve an 88 percent rating for this measure for FY 2008. All seven component measures fulfilled or exceeded their targets, which generated a 100 percent rating for FY 2008. Each component measure is listed below:

- **IT ACCESSIBILITY (508):** Improvement above the baseline of Agency procurement solicitations rated as minimally complying or better with Section 508 requirements. Target: 25 percent; Actual 30 percent
- **FMLoB:** Number of core financial system requirements, or data standards developed and released to OMB. Target: four; Actual: four
- **FACA INITIATIVE:** Percentage of FACs completing scheduled annual reporting requirements under the statutory Annual Comprehensive Review of FACs and submitted to GSA by the government-wide deadline. Target: 100 percent; Actual: 100 percent
- **TELEWORK AND AWA:** Percentage of agencies showing (1) an increase in the number of eligible employees teleworking at least once/week and/or (2) 100 percent of eligible teleworking at least once/week. Target: 51 percent; Actual: 52.7 percent
- **PCMM:** The number of Federal agencies participating in the PCMM Self Assessment Questionnaire. Target: 15; Actual: 18
- **eFAS:** Percent increase in the number of hits to the portal as compared to the same quarter in FY 2007. Target: 2.5 percent; Actual: 9.4 percent
- **POLICY EVALUATION:** 65 percent policy evaluations for all 23 Business Reference Model (BRM) agencies. Target: 65 percent; Actual: 87 percent

OGP

OGP

PERFORMANCE GOAL
Development policy initiatives that are rated "effective" by key policy stakeholders and agency users.
MEASURE
Percent of key policy stakeholders and agency users who rate OGP policy initiatives "effective."

FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL
N/A	54%	70%	60%	79%

DESCRIPTION OF THE MEASURE: Under this performance metric, OGP measures the perceived effectiveness of its policies by external Federal groups. These groups have been divided into two broad categories, which are key policy stakeholders and agency users.

OGP determines the potential pool of key policy stakeholders and agency users it intends to survey during a given fiscal year. This is done by using the individual who will be responding to the instrument as the unit of measure. OGP sets a per policy initiative target for the number of respondents it expects to receive an "effective" or "very effective" rating from using a one to five scale (with five equaling "very effective").

For each of the seven initiatives in the FY 2007 portfolio, OGP developed a short survey instrument for both groups. Key policy stakeholders received the survey during a live focus group session administered by a third party. Agency users received the survey via the Internet.

After the data was collected, the performance measure was calculated as a percentage of respondents that rate OGP effective over the number of respondents.

DATA SOURCE: See above. OGP contracts with third party vendors to devise the survey instruments, conduct focus groups, and collect data.

DISCUSSION OF FY 2008 TARGET VS. RESULTS: OGP met its FY 2008 target. OGP has seen steady progress in the increase of its effectiveness rating over the last three years. In the inaugural FY 2006 survey, OGP established a baseline rating of 54 percent. This jumped to 70 percent in FY 2007. OGP continued to demonstrate continued improvement with a 79 percent rating in FY 2008.

Overall, key policy stakeholders reported that OGP provides excellent service across agencies and should continue to do so. Across all of the policy initiatives studied, respondents gave the highest positive ratings to items related to receiving sufficient information from OGP (4 or 5 on a 5-point scale).

LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET

The purpose of this table is to show the financial impact of each performance measure and the corresponding strategic goal. The results presented in the following table linking strategic goals and performance measures to budget are preliminary. The final results will be presented in the FY 2010 Congressional Justification.

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

Strategic Goals				
Business Line Activity	Performance Goals	Performance Measures	FY 2008 Projected Target	FY 2008 Projected Dollars[1]
Stewardship				
PBS (Asset Management)	Increase to 77% the percentage of government-owned assets with a Return on Equity (ROE) of at least 6% by FY 2008.	Percentage of government-owned assets with an ROE of at least 6%.	76.50%	$ 79,739
	Increase the percentage of government-owned assets with a positive Funds From Operations (FFO) to 85% by FY 2008.	Percentage of government-owned assets achieving a positive FFO.	84.90%	$ 25,487
	Decrease the vacant (available and committed) space to 5% of the owned inventory by FY 2008 and maintain thereafter.	Percentage of vacant space in the government-owned inventory.	≤5%	$ 78,708
	Execute energy conservation goals while increasing GSA's Customer Satisfaction scores to 80% by FY 2008.	Customer satisfaction with government-owned space.	80%	$ 1,256,408
PBS (Leasing)	Maintain percent of vacant space in leased buildings at less than or equal to 1.5% by FY 2008.	Percent of vacant space in leased inventory.	≤1.50%	$ 54,357
	Manage the costs of administering leased space so that leased FFO is greater than 0% and no more than 2% of the leased inventory revenue.	Percent of leased revenue available after administering the leased program.	0%-2%	$ 4,315,776
PBS (New Construction)	By FY 2008, certify 25% of the New Construction program for LEED within 18 months of substantial construction completion.	Percent of New Construction program that is certified for LEED.	25%	$ 15,140
	By FY 2008, register 75% of the New Construction program for LEED in the same fiscal year design funding is authorized.	Percent of New Construction program registered for LEED.	75%	$ 15,141
	Verify 35% of newly constructed buildings for achievement of established operational requirements by FY 2008.	Percent of newly constructed buildings independently verified for achievement of established operational requirements.	35%	$ 184,149
PBS (Real Property Disposal)	Award 95% of public sales within 170 days for fiscal year 2008.	Percent of public sales awarded within 170 days.	100%	$ 11,455
FAS (Vehicle Acquisition)	Manage program resources to meet its future needs while maximizing program efficiency.	Number of vehicles purchased per full-time equivalent (FTE).	1,320	$ 2,249
	Maintain 28% or better discount from manufacturer's invoice price.	Percentage discount from invoice price.	>28.70%	$ 4,847
FAS (Fleet)	Aggressively pursue consolidation opportunities to reduce overall government expenses.	Number of vehicles managed per onboard.	345	$ 5,790
FAS (Assisted Acquisition Services)	To the extent possible, ensure maximum competition on task orders to obtain best value for Federal agencies for the taxpayer.	Percentage of new task orders subject to competition/fair opportunity process.	96%	$ 19,083
FAS (Card Services-SmartPay)	Maximize program-operating efficiency.	Government-wide spend per GSA SmartPay® contract administration FTE.	$5.11 billion	$ 2,104

[1] *The source of the FY 2008 dollars is the FY 2010 Budget Request; because the request was submitted to OMB prior to year-end, the dollars are projections.*

LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*				
Strategic Goals				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2008 Projected Target**	**FY 2008 Projected Dollars[1]**
Stewardship *(continued)*				
OCFO	Increase the efficiency of the payment of vendor invoices through electronic receipt and process streamlining.	Interest penalties paid.[2]	$400,000	$ -
OCHCO	Create a culture that motivates employees to high performance.	Percentage of employees that have individual performance plans and receive ratings at end of rating cycle.[2]	95%	$ -
OCIO	Provide reliable and cost effective IT infrastructure.	IT Infrastructure Library processes adopted.[2]	15%	$ -
		IT network and server availability.[2]	98.27%	$ -
	Provide a secure IT environment.	Percentage certification and accreditation completed.[2]	100%	$ -
	Improve IT capital planning and investment control.	Percentage of major IT investment business cases rated highly by OMB.[2]	100%	$ -
OGP	Ensure OGP policy initiatives meet their scheduled development milestones.	Percentage of OGP initiatives meeting their scheduled development milestones.	88%	$ 10,776
	Ensure all OGP initiatives meet their cost targets.	Percentage of OGP initiatives meeting their scheduled cost targets.	100%	$ 5,994
		Stewardship Total	-	$ 6,087,203
Superior Workplaces				
PBS (Asset Management)	Obligate 75% of the minor repairs and alterations (R&A) budget for planned projects by the end of FY 2008.	Percent of minor R&A budget obligated on planned projects.	75%	$ 239,215
PBS (Leasing)	Achieve a satisfied customer satisfaction rating (4's & 5's) 76% of the time by FY 2008.	Satisfied tenant customer satisfaction rating (4 and 5 responses) in leased space surveyed.	76%	$ 49,505
	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.[2]	100%	$ -
PBS (New Construction)	New construction projects on schedule 88% of the time by FY 2008.	Construction projects on schedule.	88%	$ 432,005
FAS (Fleet)	Maintain the gap between GSA Fleet rates and commercial rates at 20% or more.	Percentage of GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.	29.50%	$ 43,665
	Maintain the Vehicle Leasing program's current level of world-class customer satisfaction in government.	GSA Fleet external customer satisfaction survey score.	83.20	$ 25,169
FAS (Global Supply-Distribution Operations)	Reduce Supply blended mark-up from 31% to 29% - toward goal of 28%.	Blended mark-up.	30%	$ 63,572
		Superior Workplaces Total	-	$ 853,131
Best Value				
PBS (Asset Management)	Maintain cleaning and maintenance costs in office and similarly serviced space within +/- 5% of private sector benchmarks.	Percent within the private sector benchmarks for cleaning and maintaining office and similarly serviced space.	+/-5%	$ 1,039,629
PBS (Leasing)	Award leases at an average rental rate of not less than 9% below industry averages for comparable office space by FY 2008.	Cost of leased space relative to industry market rates.	-9%	$ 295,908
	Deliver lease space when the customer needs it 86% of the time or better by FY 2008.	Percent of customers who say they received their leased space when they needed it.	86%	$ 60,997
	Use National Broker Contract for at least 80% of expiring leases by FY 2008.	Percent of expiring leases using the National Broker Contract.[2]	80%	$ -

[1] The source of the FY 2008 dollars is the FY 2010 Budget Request; because the request was submitted to OMB prior to year-end, the dollars are projections.

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

LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*				
StrategicGoals				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2008 Projected**	
			Target	**Dollars[1]**
Best Value *(continued)*				
PBS (New Construction)	Average cycle time on new courthouse construction projects is 3,100 days or less by FY 2008.	Number of days to complete new courthouse construction projects.	≤3,100	$ 119,541
PBS (Real Property)	Percentage of utilization and donation (U&D) property awarded within 240 days.	Percentage of utilization and donation (U&D) property awarded within 240 days.	95%	$ 21,635
	Maintain "highly satisfied" ratings of 93% or higher on the Customer Transactional Satisfaction Survey by FY 2008.	Percent of disposal transactions that "exceed" or "greatly exceed" customer expectations.	93%	$ 314
	Attain 1.08% cost of sales as a percentage of sales proceeds for reimbursable sales for fiscal year 2008.	Cost of reimbursable sales as a percentage of sales proceeds.	1.08%	$ 6,050
FAS (Assisted Acquisition Services)	Increase the Assisted Acquisition Service's customer satisfaction results.	Percent of satisfied customers (American Customer Satisfaction Index (ACSI) survey).	75	$ 23,855
	Improve performance against business performance metrics, including timeliness, cost effectiveness, and efficiency to verify best value and effective acquisition management are achieved.	Percent of negotiated award dates for services and commodities that are met or bettered.	97%	$ 28,625
	Decrease the number of days it takes to process contract modifications for services and commodities.	Number of calendar days from receipt of modification request to issuance of modification for services and commodities. (Regional IT/Professional Services).	55	$ 4,772
		Number of calendar days from receipt of modification request to issuance of modification for services and commodities. (National IT/Professional Services).	40	$ 4,772
	Improve the financial condition of the Fund.	Direct cost as a percentage of gross margin.	77%	$ 14,313
FAS (Global Supply-Distribution Operations)	Increase customer satisfaction.	External customer satisfaction.	80.50	$ 34,759
	Increase program efficiency and value to Global Supply customers by minimizing program operating costs.	Direct cost as a percentage of revenue.	10.40%	$ 27,554
	Achieve timely delivery for all customer non-hazardous orders.	Percentage of domestic, non-hazardous orders shipped within 24 hours.	85%	$ 61,820
FAS (GSS-Acquisition Operations)	Increase customer satisfaction.	External customer satisfaction (Multiple Awards Schedule).	73.80	$ 20,113
	Increase program efficiency and value to its customers by minimizing program operating costs.	Direct Costs as a percent of gross margin (Multiple Awards Schedule).	25%	$ 10,807
	Decrease the cycle time to process offers from vendors.	Cycle time (days) to process offers from vendors (Multiple Award Schedule).	79	$ 23,997
	Decrease the cycle time to process modifications.	Cycle time (days) to process contract modifications (Multiple Award Schedule).	17.50	$ 23,997

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LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*				
Strategic Goals				
			FY 2008 Projected	
Business Line Activity	**Performance Goals**	**Performance Measures**	**Target**	**Dollars[1]**
Best Value *(continued)*				
FAS (Integrated Technology Services)	Meet customer's expectation of timeliness.	IT Acquisition Center cycle time to process offers (days).	115	$ 17,995
		IT Acquisition Center cycle time to process modifications (days).	23	$ 17,995
	Increase ITS overall customer satisfaction index score across its Portfolio.	External customer satisfaction ITS (IT Acquisition center).	76.30	$ 71,979
	Increase cost avoidance/savings to ITS customers.	Cost avoidance/savings achieved by ITS Portfolio programs.	$743M	$ 17,995
	Align program operations to support efficiency of operations and reduce operating costs.	ITS direct costs for all programs as a percentage of ITS gross margin.	36%	$ 35,990
FAS (Personal Property)	Decrease the time it takes to complete disposal action for excess property to 55 days by FY 2008.	Cycle time for disposal process (days).	55	$ 6,559
	Maintain a customer satisfaction score higher than the Federal Government ACSI reflecting customer satisfaction in Government in FY 2008 and each year thereafter.	External customer satisfaction survey score.	75.60	$ 3,300
	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.	$21	$ 3,947
		Direct cost of Sales Program as a percent of revenue.	44%	$ 3,947
FAS (National Furniture Center)	Reduce the time required to award new contracts and modify existing contracts.	Timeliness to award new contracts (days).	70	$ 8,280
		Timeliness to award contract modifications to add products and services (days).	9.50	$ 8,633
	Increase the percentage of projects where cost and Procurement Administrative Lead Time (PALT) schedule variances are within +10% of the approved project plan for projects over $5,000,000.	Percentage of projects where cost and Procurement Administrative Lead Time (PALT) schedule variances are within 10% of the approved project plan for projects over $5,000,000.	100%	$ 1,332
	Enable customers to capitalize on cost savings and improved services by ensuring fair and equal competition throughout the vendor community.	Number of schedule task orders solicited using GSA e-Buy.	13,000	$ 2,837
	Align program operations to support efficiency of operations and reduce operating costs.	Direct operating expenses as a percentage of gross margin.	41.50%	$ 1,332
		Ratio of full-time equivalents (FTE) to business volume.	0.0000039%	$ 4,685
FAS (Vehicle Acquisition)	Increase customer satisfaction.	GSA Automotive external customer satisfaction score.	80.10	$ 1,526
FAS (Fleet)	Maintain the gap between GSA Fleet rates and commercial rates at 20% or more.	Program support and operating expense per vehicle year of operation.	$495	$ 5,790
FAS (Travel)	Reduce program operating costs.	Direct cost as a percent of revenue.	62%	$ 1,087
	Increase customer satisfaction.	External customer satisfaction score.	75.60	$ 1,142
	Provide compliant, consolidated and fully integrated end-to-end travel services government-wide.	Percentage of Business Reference Model (BRM) agencies migrating to E-Gov Travel.	100%	$ 5,296
		Percentage of vouchers serviced through E-Gov Travel.	30.70%	$ 6,479
	Provide programs that enable customer agencies to realize discounts off of commercially available rates.	FedRooms percentage off consortia rate.	27%	$ 534
		City Pair Program (CPP) percentage off the lowest published full economy fare.	66%	$ 648

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LINKING STRATEGIC GOALS AND PERFORMANCE MEASURES TO BUDGET *(continued)* *(Dollars in Thousands)*				
Strategic Goals				
Business Line Activity	**Performance Goals**	**Performance Measures**	**FY 2008 Projected Target**	**FY 2008 Projected Dollars[1]**
Best Value *(continued)*				
FAS (Transportation)	Increase customer satisfaction.	External customer satisfaction survey.	77.50	$ 1,013
	Reduce program operating costs.	Direct cost as a percent of gross margin.	47%	$ 3,063
	Maximize customer savings through the use of GSA Transportation programs.	Freight savings.	25.50%	$ 1,018
		Household goods savings.	6.50%	$ 1,018
		Express and Ground Domestic Delivery Services Savings-Federal Strategic Sourcing Initiative (FSSI).	62.40%	$ 1,018
FAS (Transportation Audits)	By FY 08, as part of overall automation and streamlining of transportation processes, attain and sustain percentage of electronic audits at 95% gradually increasing to 98%.	Percent of audits performed electronically.	97%	$ 5,750
		Percent of claims processed within 120 days.	77%	$ 5,750
FAS (Card Services -SmartPay)	Provide quality services to our customers as determined by satisfaction scores.	Overall customer satisfaction of GSA SmartPay® Program.	65	$ 3,340
		GSA SmartPay® Conference satisfaction as determined by attendee survey results.	93.50%	$ 968
	Provide timely information to customers as requested to meet their needs.	Timeliness of report submission.	≥90%	$ 899
OCIO	Align business and IT strategy using Enterprise Architecture.	Number Major/Non major Development, Modernization and Enhancement (DME) projects identified in Enterprise Architecture (EA) Transition Strategy and Sequence Plan.	30%	$ -
	Provide reliable and cost effective IT infrastructure.	IT service desk responsiveness.	96%	$ -
		IT service desk first call resolution.	60%	$ -
		IT local support resolution.	85%	$ -
OCSC	Federal agencies and E-Gov initiatives using USAS contact center services contract (USAContract) to meet citizen information needs.	USAContact and Web Solutions Task Orders.	5 new, total 22	$ 1,403
OCHCO	Compete for and retain a workforce that is talented and effectively deployed.	Number of days to fill a vacancy.	45	$ -
		Best Value Total	-	$ 2,078,006
Innovation				
PBS (Asset Management)	Reduce energy consumption in GSA Federal buildings by 9% (as measured by Btu/GSF) over the FY 2003 baseline by FY 2008.	Percent reduction in energy consumption over the FY 2003 baseline.	-9%	$ 26,217
OCSC	Public acceptance and increased usage of all public information channels.	Citizen touchpoints.	210.8M	$ 43,600
	Improvement in the quality of citizen web interactions across government.	Government-wide Web site ACSI satisfaction benchmark.	74	$ 840
	Effective use of resources to successfully achieve the OCS mission at reduced unit costs.	Cost per touchpoint (in dollars).[2]	$0.230	$ -
OGP	Ensure OGP policy initiatives achieve improvement targets.	Extent to which OGP policy initiatives achieve improvement targets.	88%	$ 11,611
	Development policy initiatives that are rated "effective" by key policy stakeholders and agency users.	Percentage of key policy stakeholders and agency users who rate OGP policy initiatives effective.	60%	$ 6,006
		Innovation Total	-	$ 88,274
		Total	-	$ 9,106,614

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PERFORMANCE MEASUREMENT DATA VALIDATION AND VERIFICATION

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

The Data Verification and Validation survey is issued to GSA Services and Staff Offices on a rotating schedule. In FY 2008, surveys were completed and reviewed for the performance measures of GSA's PBS. The FY 2008 survey verified and ensured that PBS performance measures are backed by accurate, reliable data that supports management decisions on a day-to-day basis.

The survey ensures accuracy and reliability of data by documenting and reviewing performance processes and procedures to verify the validity and accuracy of performance measurement data. GSA's OIG has determined that this method is an effective system of internal controls for performance measurement data.

The survey documents and reviews performance data management processes for adherence to seven distinct criteria:

- *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.

All GSA major information systems are certified and accredited. Most data originates from one of these major systems. Reviews are conducted by various organizational units throughout the Agency to ensure the accuracy and integrity of the data. National and regional office points of contacts regularly review data to ensure its accuracy. External data sources are reputable, and backup data records are available. All performance data is available for viewing by all GSA employees in the Performance Measurement Tool (PMT), an electronic tool that displays all performance measures, targets, and actual performance. This tool is updated monthly, quarterly, and/or annually.

GSA uses a broad range of performance goals and measures. The data sources used 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 is divided into five broad categories. Each category has controls and procedures in place to validate and verify the data. These controls and procedures are outlined below.

1. **FINANCIAL DATA:** During the FY 2008 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 core financial system is Pegasys, which is GSA's financial system of record. It is a reliable, highly stable system that consolidates financial data from a variety of business information systems throughout GSA.

2. **DATA FROM LARGE COMPUTER SYSTEMS:** GSA has undertaken an extensive process of systems certification to ensure that its business systems operate as intended. Data quality is maintained through ongoing training. The Federal Procurement Data System-Next Generation (FPDS-NG) 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. GSA maintains a variety of business systems including: Transportation Accounts Receivable and Payable Systems (TARPS); Requisitioning, Ordering, and Documentation System (ROADS); Sales Automation System (SAS); Rent Estimate (RentEst); Telecommunications Ordering and Pricing System (TOPS); Office of IT Integration Management Information System (OMIS); Tracking and Ordering System (TOS); IT Solutions Shop/Integrated Task Order Management System (ITSS/ITOMS); and, the 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, including the Gallup Organization, Building Owners and Managers Association (BOMA), Society of Industrial and Office Realtors (SIOR), and Logistics Management Institute (LMI).

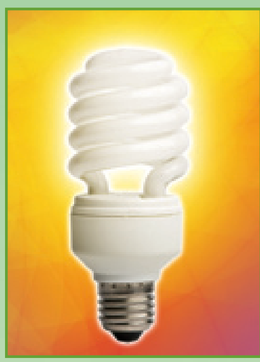
5. **DATA OBTAINED UNDER CONTRACT:** Highly reputable outside polling firms are often contracted to develop customer satisfaction or other survey data. GSA's contract provisions require that sound business practices be followed and GSA follows up to ensure confidence in the results.

GSA has reviewed the data verification and validation techniques for performance measures of PBS. The policies, processes, and procedures were examined to provide reasonable assurance of reliable performance data. Surveys found that the controls in place sufficiently ensure the validity of the performance measurement data.

Financial Section

Ways to Go Green at Work

In addition to the general environmental tips like using public transportation and recycling, here are a few more small changes to make a big impact on the future of the environment.



Be Bright About Light

Light accounts for 44 percent of the electricity use in office buildings. Turn off the lights when you leave a conference room or your office, and take advantage of natural light. Be mindful of your office thermostat to avoid excess use of air conditioning or heat.

Maximize Energy Efficiency

The electricity to power computers costs about $1 billion a year. Turn your computer off at the end of the day or when it is not in use. Switch to ENERGY STAR models to save on energy consumption.

energy
ASK ABOUT
ENERGY STAR

Print Smarter and Go Paperless when Possible

The average U.S. office worker uses 10,000 sheets of paper a year. Make it a habit to print on both sides and use the back side of old documents. When possible, save paper by reducing margins and font size. Avoid color printing, and avoid printing materials that could be read or stored online instead.

LETTER FROM THE CHIEF FINANCIAL OFFICER

Kathleen Turco

I am pleased to present the U.S. General Services Administration's (GSA) FY 2008 financial statements. GSA received an unqualified opinion on our FY 2008 financial statements, which attests to the fact that our financial statements are fairly presented. Additionally, our Performance Improvement and Financial Performance initiatives under the President's Management Agenda (PMA) continue to be rated by the Office of Management and Budget (OMB) as "green" for both status and progress. In June 2008, GSA achieved "green" in all of OMB's Metric Tracking System (MTS) measures and at year end, GSA remains "green" in all MTS measures. In addition, as an OMB-designated financial management Shared Service Provider, the Office of the Chief Financial Officer (OCFO) successfully provided financial management services to the Public Buildings Service (PBS); Federal Acquisition Service (FAS); General Management and Administration (GM&A); and over 50 Federal agencies, boards, and commissions. These services included financial systems operations, financial services (including budget management and financial activities in payables and receivables management), e-Payroll, and E-Gov Travel system and operations.

Despite these achievements, significant challenges remain. Our internal control report again identifies two significant deficiencies, one of which is material. First, we continue to face challenges with information technology (IT) controls over system access, segregation of duties, and monitoring controls. While improvements have been made in specific software, we have not adequately improved controls in all software applications that process financial activity at GSA to effectively minimize risk of improper access and/or activity. In FY 2009, we plan to expand appropriate controls to all financial software.

Second, our financial auditors were unable to rely on PBS controls over monitoring, accounting, and reporting of budgetary transactions. Because our invalid PBS budgetary amounts were similar to last year and there were significant unrecorded transactions in PBS and FAS, this deficiency was elevated to a material weakness for both services. Progress has been made on resolving the issues identified in that controls have been designed, but the implementation of those controls faltered. GSA continued to perform a semiannual review of open obligations and unfilled customer orders (UFCO), but they proved to be ineffective. Statistical sampling and review efforts were implemented to ensure that all balances are materially correct, and I am happy to note that the error projections from these procedures were immaterial. While our internal controls did prevent a material misstatement from occurring this fiscal year, the risk that a material misstatement could occur and not be detected in the future is unacceptably high. During FY 2009, we will continue our efforts to improve implementation and monitoring of corrective action plans to address this weakness and ensure proper accounting and reporting of budgetary transactions. As part of the action plan to address this control weakness, the OCFO is partnering with the Office of the Chief Acquisition Officer (OCAO) to eliminate the acquisition control deficiencies that contribute to the control weaknesses in the UFCO and acquisition processes. In order to ensure that GSA's finances are transparent and accountable, it is imperative that we successfully implement the planned corrective actions and strive to achieve my goal for clean financial opinions with no material weaknesses and no significant deficiencies.

Letter from the Chief Financial Officer

As noted in my letter last fiscal year, GSA published a new Strategic Plan establishing a new mission and goals that reaffirm our core values. This plan can be found at *www.gsa.gov/strategicplan*. In FY 2008, the OCFO made significant progress on several initiatives supporting the achievement of that plan. An updated OCFO Strategic Business Plan was completed which includes a revised mission, vision, and strategic goals, as well as seven long term outcome goals that were integrated into the OCFO Strategy and Action Plan. This ensures that the OCFO strategy, budgeting, and action planning are fully aligned with GSA's strategic goals and the GSA Performance Management Process (PMP). In addition, acquisition actions were initiated to integrate billing and accounts receivable functionality into Pegasys, our core financial system, which will reduce cost and improve security and reliability. Finally, planning has begun on the update of GSA's financial coding structure to facilitate performance based planning and budgeting, improve financial data and analysis, and ensure compliance with government-wide standards. The financial coding and billing and accounts receivable integration initiatives are crucial to our efforts to incorporate the Financial Systems Integration Office's (FSIO) Common Government-wide Accounting Classification (CGAC) structure into GSA's financial systems. CGAC adopts a common Federal government-wide framework around financial data elements, and will improve the OCFO's effectiveness with both our internal and external customers.

As the Chief Financial Officer (CFO), I am committed to ensuring that the OCFO continues to provide leadership in strategic planning, budgeting, and financial management. This includes delivering world class financial management services to GSA and our external customers. By doing so with transparency and accountability, we can continue to move toward fulfilling our vision of a GSA-wide culture of financial integrity.

Kathleen M. Turco
Chief Financial Officer
November 14, 2008

Office of the Chief Financial Officer's Major Accomplishments

The OCFO is focused on enabling GSA to achieve its strategic goals. To make this focus a reality, the OCFO revised its vision, mission, and strategic goals in FY 2008 to fully align with GSA's. This ensures direct support to the missions of GSA's business and program customers, both internal and external to GSA. The OCFO used the GSA PMP to identify seven specific long-term outcome goals, with associated objectives and performance measures, which help tie the day-to-day work of the OCFO personnel directly to GSA's strategic goals. The revised vision, mission, and strategic goals, along with the long-term outcome goals, create the OCFO Strategic Business Plan which serves as the framework to realize the OCFO vision of a GSA-wide culture of financial integrity. The overall intent of the Strategic Business Plan is to support all of GSA in achieving budget and financial management excellence. In addition, with its increased emphasis on proactive financial and performance analysis, it will greatly facilitate the transition of the OCFO to a full partner in GSA's strategic planning and decision-making, consistent with the CFO Act of 1990.

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

Organization and Process Improvements

Financial transaction and system operations are at the core of the services provided by the GSA financial management community. The OCFO delivers these services both internally to GSA and externally to other governmental agencies and commissions. Pursuant to GSA's goal to be a government-wide leader in these business offerings, GSA is working to achieve efficiencies by streamlining financial transaction processing.

The OCFO has taken the initial steps toward meeting and incorporating FSIO's CGAC structure into GSA's financial systems. This is a new concept which adopts a common Federal government-wide framework around financial code data elements. It offers best practices and applies common standards across the entire Federal government's realm of financial capabilities while providing enough flexibility for agency mission-specific functionality. As a first step, the OCFO began development of a comprehensive update to GSA's financial coding structure to be fully consistent with CGAC structures. The projected end results will be a fully integrated Budget and Planning process, improved financial information, and a transparent financial system which meets the now evolving, seamless FSIO/CGAC coding requirement.

The OCFO continues to refine and improve the OCFO Executive Scorecard, which provides managers with an unambiguous snapshot of current organization performance and indicates where management attention should be focused to prevent future problems. The Executive Scorecard has successfully focused GSA's financial management resources on identifying errant data and purging it from

GSA financial systems, helping to ensure the financial integrity of GSA and its customers. The OCFO worked with the financial communities within each of GSA's services to adjust several of the measures to better capture the data believed to be "high risk." This not only focused the OCFO scorecard on the data that most needed attention, but ensured that GSA business lines receive the consistent message that the Agency's business and financial leadership is focused on it as well.

During FY 2008, the OCFO led GSA's efforts to achieve "green" scores on all nine government-wide metrics that are reported in the OMB MTS. The nine MTS measures provide government managers, Congress, and other stakeholders information to assess the financial management health of the Federal government as a whole and for each individual agency. To view the MTS measures and agency rankings, go to *www.fido.gov/mts/cfo/public*. This effort involved almost two years of working with the U.S. Department of the Treasury's Financial Management Service and OMB to identify and implement alternative strategies for some of GSA's business practices that were using suspense funds. In June 2008, GSA was one of only three agencies government-wide with an all "green" MTS scorecard, indicative of how the OCFO's internal controls and operations are supporting the strategic vision of a GSA-wide culture of financial integrity

During the past year, the OCFO continued to make substantial progress in streamlining and integrating its financial management systems; replacing its remaining legacy financial system modules; strengthening its financial system controls; and improving its operational efficiency, effectiveness, and servicing of stakeholders. Substantial improvements were made to strategic planning and project management systems for financial systems. In addition, the OCFO met its system availability requirements and successfully migrated several of its financial applications to a new data center under a new contract that will save GSA more than $9 million over a five-year period. Significant progress was also made with regard to consolidating all of GSA's billing and accounts receivable systems under GSA's core accounting system. The OCFO also developed a data management and reporting strategy to improve GSA's performance budgeting and financial management capabilities in a more efficient, more fully integrated manner. Finally, the OCFO met all of its Federal Information Security Management Act (FISMA) compliance and A-123 system control related responsibilities during FY 2008 and acted aggressively to strengthen its systems controls regarding the protection of personally identifiable information within the OCFO systems. These efforts enabled GSA to continue to receive high marks for FISMA compliance and provide its customers with a high level of financial systems integrity and assurance.

GSA Budget Development

In accordance with OMB Program Assessment Rating Tool (PART) Guidance No. 2007-7, *Improving the Quality of PART Performance and Efficiency Goals,* the OCFO led a comprehensive review of all Agency externally-reported goals, measures, and targets. This review increased the use of outcome-oriented goals and ensured that performance targets are aggressive compared to prior-year actual performance. This review resulted in better alignment of performance goals and resources with GSA's strategic goals and mission. In addition, the PART reporting structure was streamlined, reducing 17 programs and 86 measures down to 10 programs and 49 measures. The review process has been incorporated into the annual PMP, and will enhance existing processes to drive continuous improvement in Agency performance.

In its role as the Controller for GSA's GM&A, the OCFO provides funding for common support functions such as human resources, financial management, and information management. Through application of the PMP, cooperative interaction with the GM&A service providers, and utilizing economies of scale by centrally managing these common functions, the OCFO significantly reduces the total costs to the Agency. Specific cost containment actions taken in FY 2008 include controlling personnel compensation and benefits expenditures through enforcing a hiring exceptions process, use of labor modeling to predict and track expenditures, implementing a Working Capital Fund (WCF) hiring cap, and reducing the GM&A by 88 full-time equivalents (FTE) with a resulting savings of $3.5 million. The OCFO worked closely with the Office of the Chief Information Officer (OCIO) to implement a nationwide wireless contract, allowing centralized monitoring of usage and cost control. The OCFO analyzed all Centralized Charges programs to ensure each FY 2008 transaction fully met the funding criteria. For any transactions that did not meet the criteria, the OCFO made corrections via cost transfers and removed ineligible programs resulting in a cost savings of $2.1 million. During FY 2008, the OCFO worked closely with the Staff Offices and Regions to cancel and de-obligate $13.9 million in Unfilled Customer Orders (UFCO) from past fiscal years. All unobligated balances from FY 2005 and earlier were de-obligated.

Internal Controls and Audits

GSA was successful in its efforts to fully implement the latest A-123 internal control requirements throughout GSA's nationwide programs. Agency senior executives were involved in the implementation of the Agency Internal Control Program which ensured that GSA continued to have a viable program in place to comply with the requirements of OMB Circular A-123 and the Federal Managers' Financial Integrity Act (FMFIA). To implement the new mandatory government-wide requirements, the OCFO conducted extensive training and continued to improve the automated system which assists GSA managers in preparing risk assessments. Managers of GSA programs listed in the Internal Control Plan have conducted risk assessments for their programs and over 30 internal control reviews incorporating risk-based testing as part of the review process. These reviews resulted in numerous recommendations for improvement of internal controls. The OCFO also successfully completed the assurance statement process, with over 600 managers throughout the Agency completing statements and attesting to the adequacy of their internal controls.

For external reporting, GSA was successful in ensuring that Government Accountability Office (GAO) audits are responded to in a timely fashion by fully instituting new procedures that have greatly reduced the number of overdue responses to GAO. Regarding internal close-out of audit action items, GSA continued to meet its performance measure of zero percent for overdue action items by working closely with audit liaisons and managers throughout the Agency. Additionally, the OCFO completed efforts to fully automate the process to prepare the Semi-annual Management Report to Congress and designed reports that independently verify the accuracy of semi-annual statistics.

In FY 2008, GSA developed training modules that provide managers the opportunity to obtain training on Internal Controls and assurance statements via on-site training at various GSA locations, through Web-conferencing and a GSA Online University course. The course developed through the use of the GSA Online University provides an understanding of internal controls and discusses critical elements such as assessing, testing, and reporting on internal controls. GSA Online University houses several learning functions, such as online courses, e-books, and links to other reference sources, testing, and performance planning.

Independent Auditor's Report

U.S. General Services Administration
Office of Inspector General

NOV 1 4 2008

MEMORANDUM FOR JAMES A. WILLIAMS
ACTING ADMINISTRATOR (A)

KATHLEEN M. TURCO
CHIEF FINANCIAL OFFICER (B)

Robert Erickson for

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: Audit of the General Services Administration's Fiscal Years 2008 and 2007 Financial Statements

This memorandum transmits PricewaterhouseCoopers, LLP's (PwC), an independent certified public accounting firm, report on its audit of the General Services Administration's (GSA) financial statements as of September 30, 2008 and 2007, and for years then ended, and the Office of Inspector General's (OIG) Report on Internal Controls over Performance Measures.

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires GSA's OIG or an independent external auditor, as determined by the OIG, to audit the Agency's financial statements. Under a contract monitored by the OIG, PwC performed the Fiscal Years 2008 and 2007 Financial Statements Audit of GSA. The contract required that the audit be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

Results of Independent Audit

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

In PwC's opinion, the consolidated balance sheets of GSA and the individual balance sheets of the FBF and the ASF, as of September 30, 2008 and 2007, and the related consolidated and individual statements of net cost and changes in net position, and the combined and individual 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.

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

Independent Auditor's Report

Report on Internal Controls

In the report on internal controls over financial reporting, PwC identified a material weakness relating to financial management systems, internal controls, and financial reporting. Since fiscal year 2004, PwC has reported significant deficiencies surrounding GSA's financial management systems, its processes, and substantial transaction errors resulting from insufficient controls related to the reporting of budgetary accounts and balances. During fiscal year 2008, similar issues continued to exist as GSA continues to lack effective controls over its accounting and business processes to ensure its budgetary transactions are properly recorded, processed, and summarized to permit the timely preparation of financial statements in accordance with generally accepted accounting principles.

In addition to the material weakness, PwC identified one significant deficiency concerning Information Technology (IT) controls. Specifically, during fiscal year 2008, PwC identified individual security weaknesses across multiple systems that, when aggregated, constitute three common across-cutting themes – segregation of duties, user and administrator logical access, and activity monitoring. These security weaknesses with the greatest risk to financial data reside within the Office of the Chief Financial Officer (OCFO) accounts payable system. These control deficiencies create significant risks and vulnerabilities to financial data and GSA systems.

Compliance with Laws and Regulations

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

OIG Evaluation of PwC's Audit Performance

To ensure the quality of the audit work performed, we conducted a review of PwC's Fiscal Years 2008 and 2007 Financial Statements Audit of GSA. Specifically, we:

- Reviewed and accepted PwC's approach and planning of the audit;
- Ensured the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Reviewed and accepted PwC's audit report; and

- Performed other procedures we deemed necessary.

PwC is responsible for the attached auditor report dated November 14, 2008, and the conclusions expressed therein. We do not express an opinion on GSA's financial statements; internal controls; compliance with other laws and regulations; or on whether GSA's financial management systems substantially complied with FFMIA.

Report on Internal Controls Over Performance Measures

OMB Bulletin No. 07-04 no longer requires the OIG to perform audit procedures over the performance measures data reported in the Management Discussion and Analysis section of GSA's Annual Performance and Accountability Report. However, the Government and Performance Results Act (GPRA), codified as 31 USC 1115(a)(6), requires that agencies include a description of the means to be used to verify and validate measured values in the annual performance plan. As a result, 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 2008 Annual Performance and Accountability Report. Our review found that these internal controls as designed by the OCFO are operating effectively.

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

Attachments

Independent Auditor's Report

PricewaterhouseCoopers

PricewaterhouseCoopers LLP
Suite 900
1800 Tysons Boulevard
McLean VA 22102
Telephone (703) 918 3000
Facsimile (703) 918 3100
www.pwc.com

Report of Independent Auditors

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

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

- The consolidated balance sheets of GSA and the individual balance sheets of the FBF and the ASF, as of September 30, 2008 and 2007, and the related consolidated and individual statements of net cost and changes in net position, and the combined and individual statements of budgetary resources for the years then ended are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

- GSA had a material weakness in financial management systems, internal control, and financial reporting.

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

- Reportable instances of non-compliance in which GSA's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of the GSA and the individual balance sheets of the FBF and the ASF as of September 30, 2008 and 2007, and the related consolidated and individual statements of net cost and changes in net position, and the combined and individual 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 OMB Bulletin No. 07-04. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial

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statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the GSA, the FBF, and the ASF at September 30, 2008 and 2007, and their net cost of operations, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control

In planning and performing our audit of the financial statements of the GSA, the FBF, and the ASF as of and for the year ended September 30, 2008, we considered the GSA's, the FBF's, and the ASF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the GSA's, the FBF's, and the ASF's internal control. Accordingly, we do not express an opinion on the effectiveness of the GSA's, the FBF's, and the ASF's internal control over financial reporting.

We limited our control testing to those controls necessary to achieve the following OMB control objectives that provide reasonable, but not absolute assurance, that: (1) transactions are properly recorded, processed, and summarized to permit the preparation of the 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; and (2) transactions are executed in compliance with laws governing the use of budget authority, government-wide policies and laws identified in Appendix E of OMB Bulletin No. 07-04, and other laws and regulations that could have a direct and material effect on the financial statements.

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

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

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

We identified certain deficiencies in internal control that we consider to be significant deficiencies, the first of which is considered a material weakness. These deficiencies are:

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Financial Management Systems, Internal Controls, and Financial Reporting Need Improvement
Material Weakness

I. Budgetary Accounts and Balances

Since fiscal year 2004, PricewaterhouseCoopers LLP (PwC) has reported in its Report on Internal Control, significant deficiencies surrounding the GSA's financial management systems, its processes, and substantial transaction errors resulting from insufficient controls related to reporting of budgetary accounts and balances. During fiscal year 2008, similar issues persist as GSA continues to lack effective controls over its accounting and business processes to ensure budgetary transactions are properly recorded, processed, and summarized to permit the timely preparation of financial statements in accordance with generally accepted accounting principles. Specifically, we noted deficiencies in the GSA's, the FBF's, and the ASF's financial management systems, internal controls, and financial reporting processes (the effects of which were adjusted in the individual and consolidated financial statements, as appropriate).

Business System Interfaces

The design of GSA's internal control over processing of budgetary transactions is not adequate to ensure all appropriate budgetary transactions are recorded in the financial systems timely and accurately. GSA management routinely uses high level analyses to develop adjustments to its account balances for financial reporting purposes. Management's inability to prepare budgetary statements without extensive compensating procedures, and not having complete and reliable timely budgetary information indicate a significant weakness in internal control. This lack of sufficient internal control over the core business processes continued to necessitate management's reliance on costly compensating processes, statistical estimates, substantial adjustments, and labor intensive efforts to prepare reliable financial statements. These efforts would not have been necessary, had GSA's internal controls been designed and operating effectively to mitigate the risk of a misstatement or potential violation of laws and regulations to an acceptable level.

The FBF and the ASF management rely heavily on manual workarounds and significant adjusting journal entries to prepare the statement of budgetary resources and related note disclosures. This includes the FBF management's continued use of statistical sampling projections to determine invalid Undelivered Orders (UDOs), Delivered Orders (DOs), and Unfilled Customer Orders (UFCOs) as well as to ensure the accuracy of UDO and DO classifications. Within the ASF, postings of budgetary amounts based on business feeder system data are recorded at a summary level in Pegasys. As a result, any corrections made with Pegasys cannot be made to the detail information in the supporting feeder systems in a common standard format. Because the corrections of errors are made to the UDOs, DOs, and UFCOs balances as adjusting journal entries, the detail transaction errors are not corrected timely at the transaction level.

Moreover, GSA's financial system, Pegasys, continues to lack the appropriate posting model to account for FBF Recoveries of Prior Year Obligations, necessitating monthly transaction reviews by management. Similar instances continue to exist in ASF where subsystem budget fiscal years are not transmitted to Pegasys for prior year recovery transactions requiring extensive manual reviews and adjustments. ASF downward adjustments to prior year obligations are not recognized by Pegasys and must be manually calculated and recorded in Pegasys as an adjusting entry. The entries are reviewed monthly for downward adjustments to prior year obligations within the sub-systems and changes are then booked at a lump sum in Pegasys.

Internal Control Weaknesses

The GSA Office of the Chief Financial Officer (OCFO) has issued policies to each GSA Service - - Public Buildings Service (PBS) and Federal Acquisition Service (FAS) - - to address the need to strengthen internal controls over budgetary reporting and to mitigate known weaknesses in the transaction level controls. In result, both the PBS and FAS instituted corrective action plans, to include: semi-annual reviews and certifications of UDOs, DOs, and

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UFCOs; reconciliations of subsystems and business systems to the general ledger; developing policies and procedures; performing reviews of budgetary entries at the transaction level; and monitoring regional financial performance quarterly. Furthermore, both PBS and FAS instituted further reviews at the regional offices and program levels, including providing necessary training nationwide.

In response to management's reviews and corrective actions plans put in place during the year, PwC adjusted the timing and extent of its audit testing, including delaying the fiscal year 2008 FBF budgetary controls testing procedures to August. The change in the timing of testing was intended to provide management the necessary amount of time to complete the planned reviews and report complete, accurate, and valid UDO, DO, and UFCO balances.

Transaction Level Errors

During our interim testing of the FBF, we selected a random sample of 78 unliquidated obligations and noted six errors. We also selected 78 open Reimbursable Work Authorization agreements (RWAs) for FBF's UFCO and noted 11 instances in which the RWAs did not either have adequate documentation to support a valid UFCO balance or the RWAs were long outstanding and were no longer valid.

In response to the control weaknesses and errors noted above, PBS management conducted a statistical sample of its UDO, DO, and UFCO transactions as of July 31, 2008. The sampling was undertaken to identify invalid transactions and to make appropriate corrections for financial reporting purposes. As described in the table below, management's statistical sampling revealed significant transaction-level errors that resulted in significant adjustments to the amounts recorded in the financial systems. During our transaction level controls testing, the errors noted in the FBF include instances of both overstatements and understatements of: (1) UDOs, which represent GSA's obligations to vendors for goods and services ordered on behalf of customer agencies; (2) DOs, which represent GSA's obligations to vendors for goods and services received; and (3) UFCOs, which represents the amount of goods and services to be furnished for other Federal Government agencies.

Line Item	Adjustments Made at 9/30/08
UDOs	($45,166,693)
DOs	($78,316,660)
UFCOs	($141,356,192)

Completeness of Transactions

Within the FBF, contracts with vendors are signed manually and then entered in GSA's financial system of record, Pegasys. Some of these contracts are also recorded in Comprizon (PBS's procurement management system), as Comprizon is utilized by PBS contracting officers to track the progress of individual contracts. However, Comprizon does not interface with Pegasys or any other financial management system. Therefore, obligating documents entered in Comprizon must manually be entered into Pegasys. Based on the work performed around the timeliness and completeness of entering obligation transactions in Pegasys, it was evident that not all signed contracts were recorded in Pegasys within five business days, as per PBS's policy. Weaknesses related to this control become more important when contracts are signed close to year end and do not get into the system until the following fiscal year. We noted the following:

- During fiscal year 2008, PBS management became aware of contracts that had been signed in fiscal years 2007 and prior, but not recorded in Pegasys prior to the related fiscal year's end. These amounts totaled $276 million and were adjusted for in the current fiscal year. To determine the

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completeness and accuracy of the fiscal year 2008 obligation balances in Pegasys, PBS management performed additional analyses after the fiscal year end to ensure valid, awarded contracts were included in Pegasys or were adjusted for in the financial statements. This effort included the reconciliation of all fiscal year 2008 valid contracts in Comprizon to Pegasys. As of September 30, 2008, the unreconciled difference between the two systems was $4 million compared to $282 million at March 31, 2008.

- After September 30, 2008, PBS also performed data calls to regional offices requesting the submission of valid, signed contracts that should have been recorded in the financial system before fiscal year end. At October 27, 2008, valid contracts signed during fiscal year 2008 but not recorded in Pegasys totaled $20 million, where management made appropriate adjustments to the financial statements. This process was also complemented by a request for certification letter from each of the 11 Assistant Regional Administrators (ARA) certifying as to the completeness of the provided information.

- PBS management performed procedures analyzing contracts recorded in Comprizon after fiscal year end. This analysis was intended to ensure obligations that should have been recorded in Pegasys during fiscal year 2008 were recorded as of September 30, 2008. Although this effort provides additional evidence that reported valid transactions were included in the financial statements by September 30, 2008, it does not eliminate the risk of further unreported obligations.

We also noted weaknesses in financial reporting and controls over ASF's budgetary transactions, specifically related to ASF Motor Vehicle UFCOs. GSA Automotive purchases vehicles for all federal agencies. In certain months of the year and for certain discontinued models, GSA does not have detailed pricing from the vehicle manufacturers to enable processing of a customer's order at the time it is placed with GSA. During such situations customer orders are 'garaged' in the Autochoice, GSA's on-line system for vehicle ordering, until a valid contract and/or specific pricing with the vendor is in place.

Currently, ASF's Motor Vehicle UFCOs balance is determined based on a markup percent on orders placed with the manufacturers once transmitted through FEDPAY, GSA's ordering and payment sub-system. Although these 'garaged' items represent valid customer orders, ASF management was not aware of the existence of such orders and has not been recording the related unfilled customer orders in its financial statements. The table below describes the magnitude of prior year and current year unrecorded UFCO amounts related to customer vehicle orders that were accepted in Autochoice but not included for financial reporting purposes. These amounts were subsequently adjusted and corrected for in the current year financial statements.

Ending Fiscal Year Balance	Amount of Unrecorded Unfilled Customer Orders - ASF
2006	$123,329,285
2007	$220,435,042
2008	$159,880,858

These errors indicate that the GSA does not have adequate controls to ensure its obligations and unfilled customer orders are recorded fully, accurately, and in the proper accounting period in accordance with the USSGL. These errors can also be attributed to GSA's lack of integrated acquisition system where valid transactions occur manually and in different business units and there is no automated financial transaction

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processing activity to ensure that all valid accounting transactions have been included for timely and accurate financial reporting.

GSA-wide Accountability for Internal Control

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

With respect to system requirements in the area of financial reporting, OMB Circular A-127 provides that an agency's financial management system should generate reliable, timely, and consistent information necessary for meeting management's responsibilities, including the preparation of financial statements. Within OMB Circular A-123, the management control processes necessary to ensure that "reliable and timely information is obtained, maintained, reported and used for decision making" are set forth, including prompt and appropriate recording and classification.

PwC believes the series of errors identified during our tests of controls around budgetary accounting are indicative of a continued lack of comprehensive and effective internal control systems. Moreover, we noted GSA Management's assessment of internal controls as part of their OMB Circular A-123, Appendix A reviews indicated similar issues. We believe management's view of internal controls should contemplate the root causes of its ineffective internal controls as part of the overall control deficiency assessment to help design an effective internal control environment that is suitable to its business processes.

The financial reporting function should be viewed as an integral part of the organization. During fiscal year 2008, GSA management instituted the OCFO policy to address the prior year significant deficiency. However, we noted that the design of the mitigating control over obligations was not comprehensive enough to ensure that all financial statement assertions are addressed. GSA Central Office's high level mitigating controls over budgetary transactions should not be viewed as a substitute for transaction level, process driven controls. Tackling the root causes of the budgetary control weakness will encompass addressing the weak control environment, ineffective information and communication between Central Office and the Regional program offices, as well as addressing the ineffective monitoring controls of budgetary accounts. There is a continued disconnect between the role of Regional program offices and the financial reporting function regarding the purpose of accurate and timely financial reporting. Regional program offices do not understand the impact that their day-to-day functions have in ensuring and promoting effective internal controls across the organization. This was evident when we noted the inadequacies of appropriate processes and tools that enable the Assistant Regional Administrators (ARAs) to assert and certify the completeness of their region's obligations. Regional program offices should take full responsibility for the information they provide to the PBS and FAS financial reporting offices by instituting effective internal controls in their region.

The Financial Reporting division at Central Office relies heavily on the information provided by the regions to accurately account for and report on their organization's budgetary transactions. In most instances, control deficiencies are largely due to weak operating controls at the regions. The valid prior year unrecorded obligating contracts noted in fiscal year 2008 were due to ineffective communications between the program office and Central Finance Offices. The lack of reliable internal control systems to prevent or detect such incidences expose the GSA to increased risk of misstatements of its financial reports. Processing of obligations manually also presents

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increased risk of unrecorded obligations and possible violations of law, as GSA has no effective mechanism to detect unrecorded obligations short of performing desk audits. Although GSA management continues its efforts to utilize data calls and certifications from the ARAs, it is not deemed to be an effective process due to the high volume of transactions that take place at GSA and the lack of system integration between its business and subsidiary systems and Pegasys.

Our control evaluation demonstrated that while policies and processes have been implemented, and monitoring of down-stream control processes was performed by PBS, FAS, and OCFO financial management communities, there is a need for further evaluation and improvement of controls over GSA's budgetary accounting and reporting processes. GSA needs to continue to drive financial management and reporting initiatives and improvements throughout its regional and district offices. Continuation of current practices, without the institution of comprehensive, routine, and effective controls, will continue to heighten the risk that material errors will not be prevented or detected in GSA's financial records at interim and annual period ends.

II. Financial Statement Preparation

In fiscal year 2008, the GSA recorded more than 344 top-side adjustments, each representing multiple accounting transactions with an aggregate value of more than $5.5 billion, to produce its financial statements. Although the nature of these adjustments varies, they can be classified into the following areas:

- Adjustments derived due to reconciliation of sub-systems to the general ledger.
- Adjustments due to statistical sample projections and management reviews in CIP and budgetary accounts.
- Period end adjustments including accruals of income and expenses, and elimination entries.
- Correction of errors including reclassification of account balances.
- Adjustments made to align budgetary activity to proprietary activity at September 30.

During testing of GSA's preparation of its financial statements, we noted that improvement is needed to ensure that GSA can accurately produce its period end financial statements and perform related analyses. The errors we noted related to incorrect accumulation of account balances, incorrect identification of general ledger accounts, and incorrect postings to the financial reporting system. These errors occurred because of ineffective management reviews and approvals to ensure the adjustments were accurate and properly supported.

While the actual errors noted were not material to the GSA, the FBF, and the ASF consolidated and combined financial statements taken as a whole, they serve to illustrate that errors are more likely to occur in an environment that necessitates a time-consuming, manually-intensive financial statement preparation process, as well as the need for additional strengthening of the agency's financial statement preparation, review, and approval processes.

Recommendations:

We recommend that GSA Management:

1. Implement agency-wide procedures requiring Regional offices, service lines, program areas, and the financial management community's full commitment to a sound budgetary accounting process that is in accordance with federal accounting standards.

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2. Expand upon the implementation of OMB Circular A-123, Appendix A to address root causes of budgetary reporting control weaknesses across the breadth and depth of the financial reporting process -- from the level of transaction initiation, through all processing and monitoring activities, through 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.
3. Utilize the OCFO to serve as the primary coordinator of the involvement of Regional and Program areas, whose involvement and full support is vital for effective internal control structure.
4. Continue to implement an integrated financial management system for use by program offices to promote consistency and reliability of financial information.
5. Fully utilize the functionalities of Pegasys to perform complete budgetary transaction processing and financial reporting in compliance with Federal financial reporting requirements.
6. For the financial statement preparation process, (a) minimize the number of top-side adjustments at period end by instituting a process to ensure regional program offices record valid transactions timely, and (b) enhance the documentation requirement related top-side adjustments to help facilitate the review and monitoring process.

Management's Response:

GSA management will redouble their efforts to address GSA-wide procedures requiring Regional offices, service lines, program areas, and the financial management community's full commitment to integrating sound budgetary and program management processes. During FY 2009, the OCFO will lead, in partnership with PBS and FAS, agency efforts 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. We are not satisfied with the need to rely on mitigating manual controls but are encouraged by the fact that despite the issues noted above, the Unfilled Customer Order and Obligation statistical samples yielded immaterial error projections. In addition, GSA's internal controls have prevented material errors for the last three fiscal years which provides some insight on their level of effectiveness. Regardless, there is room for improvement and the risk of material misstatement is unacceptably high. Therefore, we will directly address how to strengthen the effectiveness of certain controls currently in place as well as determine which new or revised controls will reduce the risk of material misstatement to acceptable levels. In addition, we will review previous corrective action plans, review current year recommendations, and draft revised corrective action plans to further improve our reporting, system, and operational controls. The OCFO is working in partnership with the business and OCIO staffs across GSA to ensure that we continue to implement an integrated financial management system for use by program offices to promote consistency and reliability of budgetary and financial information.

Regarding the discussion of weaknesses in financial statement preparation, it is noted that GSA recorded adjustments in excess of $5.5 billion. The list of adjustment types is misleading and not aligned with the major causes of adjustments to financial statement balances. The majority of large dollar adjustments are due to activities that are normally treated as adjustments such as intra-fund eliminations, reclassifications within SGL accounts for better financial statement presentation, and adjustments to recognize events that occurred after the closing of GSA's accounting system for the fiscal year, as well as adjustments between accounts for GSA's internal record keeping purposes and with no financial statement impact. Within the $5.5 billion of adjustments, approximately $1.6 billion were attributable to the adjustments and corrections noted in the Internal Control Report above. This represents approximately 5% of GSA assets.

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PricewaterhouseCoopers

Strengthen Segregation of Duties, Account Management, and Activity Monitoring Controls

Significant Deficiency

During fiscal year 2008, we identified individual system access weaknesses across multiple systems that, when aggregated, constitute three common cross-cutting themes—segregation of duties, account management, and activity monitoring. Although these deficiencies were identified as the result of reviews of systems in scope for fiscal year 2008, we have reported similar issues in prior years' Reports on Internal Control related to other GSA systems, indicating a weakness in the design of the processes necessary to meet information technology control objectives. The system access weaknesses identified this year with the greatest risk to financial data reside within the Office of the Chief Financial Officer (OCFO) accounts payable (AP) system. These control deficiencies create significant risks and vulnerabilities to financial data and GSA systems. Our testing indicated the following:

1. Weak segregation of user and administrator duties were identified in five of the systems tested.

    - Our testing revealed that a control did not exist to prevent users from being assigned a combination of incompatible roles within an OCFO AP system and GSA's general ledger system. At the time of our testing, we noted 22 persons who had been assigned access rights that would permit them to perform several key functions within an OCFO AP system, allowing them access to incompatible functions. Additionally, at the time of our testing two of these users were also granted the ability to create and modify vendor data within the general ledger system, enter transactions within an OCFO AP system, including creation of invoices and purchase orders, and perform the final approval for payments within the general ledger system. We also noted two additional users had the ability to enter transactions within an OCFO AP system and, for a period of time during the year, had the ability to create and modify vendor data within the general ledger system. It is not clear whether these incompatible duties were held at the same time, because the general ledger system does not maintain a record of user access modifications. Because the general ledger system does not maintain historical information regarding transaction access assignments, we were unable to determine the actual number of users who had these incompatible duties throughout the period under review.
    - Access to source code and production code was not appropriately segregated in an OCFO AP system.
    - An IT Project Manager was not restricted from accessing production data in an update mode in an OCFO AP system.
    - Developers and administrators were permitted to access the production environment in a FAS Travel, Motor Vehicle, and Card Services system.
    - A segregation of duties policy for a FAS General Supplies and Services system did not exist.
    - Users who moved changes into production were also permitted to access the development environment in an OCFO core financial system.
    - One user in the general ledger system had unauthorized access to the source code repository and a role permitting the movement of changes into production.
    - Business line administrators in a FAS Travel, Motor Vehicle, and Card Services system were assigned access to grant and modify user access, and perform user transactions.

2. Weak controls around account management were identified in nine of the systems tested.

    - Procedures for requesting and authorizing user access were not consistently implemented for the OCFO AP and general ledger systems, the Office of the Chief Information Officer (OCIO) enterprise network,

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and a PBS system. Additionally, a FAS Travel, Motor Vehicle, and Card Services system had not implemented a standardized process for requesting and authorizing user access.

- Procedures for requesting and authorizing administrator access to the operating system were not consistently implemented for an OCFO payroll system and a FAS Travel, Motor Vehicle, and Card Services system. Additionally, the OCIO enterprise network had not implemented a standardized process for requesting and authorizing administrator access to the operating system.
- Accounts for separated users were not removed in a timely manner from an OCFO AP system, the OCIO enterprise network, and two PBS systems.
- Processes did not exist to identify and automatically disable inactive accounts for an OCFO AP system, the OCIO enterprise network, and a FAS Travel, Motor Vehicle, and Card Services system.
- A user account recertification was not properly completed for an OCFO AP system, a FAS Integrated Technology Services system, and a PBS system. Additionally, a FAS General Supplies and Services system did not have procedures documented for performing the annual recertification.
- Procedures for completing a recertification of administrator accounts on the operating system had not been developed and implemented for a FAS Travel, Motor Vehicle, and Card Services system.
- Administrator accounts on the operating system were shared among multiple individuals for a FAS Travel, Motor Vehicle, and Card Services system.

3. Weak monitoring controls over application and system activity logs and violation reports of user actions were identified in six of the systems tested.

- Although logs existed, monitoring of user activity was not performed and documented for an OCFO AP system.
- Procedures did not exist for performing a periodic, documented review of user activity for an OCFO AP system.
- Existing procedures for logging and monitoring OCIO enterprise network activity, and a FAS Travel, Motor Vehicle, and Card Services system's user and operating system activity needed improvement.
- Procedures for monitoring changes to a FAS General Supplies and Services system's security profiles were not documented.
- User transaction audit logs were not reviewed on a regular basis for a FAS Integrated Technology Services system.
- Security violation reports for a FAS Assisted Acquisition Services system were generated on a daily basis; however, evidence of the review of these reports was not documented.
- Evidence of review for the failed login report of the general ledger system was not available.
- A process was in place for regional Fleet managers to review audit trails logging user activity in a FAS Travel, Motor Vehicle, and Card Services system; however, evidence of these reviews was not documented. Additionally, business line administrator activity, specifically relating to updating user access code privileges, was not logged or monitored.

These weaknesses expose GSA's financial management systems to multiple risks. Specifically:

- Lack of a control to prevent the assignment of access to incompatible functions within and between systems exposes the applications to the risk that certain users (IT management staff and end users) could

INDEPENDENT AUDITOR'S REPORT

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be assigned the ability to perform multiple critical systems transactions, including creation of vendors, initiation of invoices and purchase orders, and approval of transactions without adequate oversight and limitation. Failure to achieve the concepts of "least privilege" and "segregation of duties" may also lead to an environment more conducive to fraudulent activity and/or inaccurate processing of financial data, ultimately affecting the integrity of the financial statements.

- Absence of strong logical account management controls may lead to users being assigned excessive, unauthorized access, increasing the risk of disclosure and/or modification of financial and other production data without awareness by management.
- Failure to perform timely and formal reviews of user activity logs could result in the inability of management to detect unusual activities and trends in transaction processing that could result in improper and/or inaccurate transactions that may adversely affect the financial statements.

As a result of the deficiencies noted above, there is a risk that improper or inaccurate transactions of more than inconsequential amounts could be processed and recorded in the financial statements without timely detection. Additionally, through our inquiries with GSA management, we determined that an agency-wide process to ensure that incompatible duties are not assigned across other financially significant systems does not exist.

Recommendations:

The individual system access weaknesses in fiscal year 2008 associated with segregation of duties, user and administrator logical access, and monitoring were noted across GSA systems tested in the current audit and were previously reported in prior year reports for other systems. Although these deficiencies were identified as the result of reviews of systems in scope for fiscal year 2008, we have reported similar issues in prior years' Reports on Internal Control related to other GSA systems, indicating a weakness in the design of the processes necessary to meet information technology control objectives. In the past, system owners had corrected individual conditions rather than the OCIO taking an agency-wide root-cause approach to addressing these pervasive weaknesses.

We recommend the GSA OCIO revisit the design of existing processes around segregation of duties, account management, and logging and monitoring, and institute agency-wide corrective action, and specifically:

1. Perform an agency-wide review of GSA segregation of duties policies for significant financial systems and develop and implement new policy, or improve existing policy where necessary, to document incompatible duties within each application and across multiple applications. The OCIO should develop and implement robust segregation of duties policies that can prevent future incompatible duties issues across multiple systems, reducing the risk that persons will be granted roles that allow them to perform multiple critical transactions that could result in erroneous or fraudulent activity.

   To ensure that incompatible duties across systems are not assigned, the OCIO should also develop and implement a process for performing user access recertification involving a review of user access assignments across multiple significant financial systems that share data or pass transactions. Expanding the examination of incompatible duties to users that span multiple financial systems ensures that these users do not possess roles across financial systems that allow them to control several aspects of a financial process that should otherwise be segregated.
2. Coordinate an implementation plan to strengthen OCFO AP system general and application security controls by taking actions to improve:

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- Recertification processes to include the linkage between the OCFO AP and general ledger systems when examining user incompatible roles that span both applications;
- Assignment of access to ensure compliance with segregation of duties and least privilege policies;
- Monitoring and reviewing user and administrator security logs and violation reports including the development of thresholds and unusual activity reports aimed at detecting fraud and other anomalies;
- Procedures for removing user access for separated individuals; and,
- Procedures for identifying and automatically disabling inactive accounts.

3. Develop and implement an agency-wide policy and procedure that establishes a standard user account request, authorization, creation, and removal process. Additionally, separated, inactive, and shared user accounts should be continually monitored and removed as necessary.
4. Perform an agency-wide review of GSA monitoring controls over significant financial systems and develop and implement new procedures, or improve upon existing procedures to define events to be monitored, procedures for following up on suspicious events, and documentation of log reviews. Although GSA has policies in place, more needs to be done to ensure consistent implementation. Monitoring or detective controls should be in place across information systems to review user activity, changes and updates to the system, and resource use. These controls could be automated or manual activities to identify and report suspicious or unauthorized activity.

Management's Response:

GSA management agrees with the auditor's recommendation to perform an agency-wide review of GSA segregation of duties policies for significant financial systems and develop and implement new policy, or improve existing policy where necessary, to document incompatible duties within each application and across multiple applications. We believe the integrity and security of our business and financial systems is a high priority issue and while we have successfully closed parts of this deficiency from the FY 2007 Internal Control report, more work remains. In addition, we are reviewing the Notifications of Findings supporting this significant deficiency to determine the most effective method of addressing the conditions noted above and all prior audit findings. We will use the issues and recommendations in this audit report to compile detailed corrective action plans that address measurable corrective actions to ensure this deficiency is not repeated.

* * *

Our consideration of internal control was for the limited purpose described in the internal control section of this report and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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

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Follow-up on Previous Report

As required by *Government Auditing Standards* and OMB Bulletin No. 07-04, we have reviewed the status of the GSA's corrective actions with respect to findings and recommendations from our prior audits. The analysis below provides our assessment of the progress GSA, the FBF, and the ASF have made in correcting the significant deficiencies identified during our prior year audits. We also provide the year where this condition was last reported, our recommendation for improvement, and the status of the condition as of the end of fiscal year 2008:

Report	Significant Deficiency	Status
2007	Significant Deficiency -The Public Buildings Service (PBS) controls over monitoring, accounting, and reporting of budgetary transactions need improvement. Recommendation: PBS should: • Perform a critical analysis of the transaction level control activities and monitoring controls used for substantiating FBF's budgetary transactions. This analysis should include a variety of criteria, including dollar thresholds, risk, type, complexity, activity, and populations of transactions not subject to management review. • If changes to underlying transaction level or monitoring controls are not implemented, PBS should perform ongoing statistical sampling of its budgetary transactions to address the identified control weaknesses. • Ensure compliance with policies and procedures to prepare and monitor budgetary accounting and reporting on a routine basis, which includes supervisory reviews, analytical procedures, and data validation, and ensure that activities are in compliance with the applicable guidance. • Expand upon the implementation of OMB Circular A-123 to address root causes of budgetary reporting control weaknesses across the breadth and depth of the financial reporting process -- from the level of transaction initiation, through all processing and monitoring activities, through 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.	Open
2007	Significant Deficiency - GSA needs to strengthen system access, separation of duties, and monitoring controls. Recommendations: OCIO, OCFO, and PBS should coordinate an implementation plan Agency-wide to strengthen general and application security controls by taking actions to improve:	Partially Resolved

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

We noted certain matters involving the GSA's, the FBF's, and the ASF's internal control that we will communicate to management separately.

Report on Compliance and Other Matters

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

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

The results of our tests of compliance disclosed no instances of noncompliance with laws and regulations or other matters, exclusive of FFMIA, that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests disclosed instances, described below, where the GSA's financial management systems did not substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level.

Material weakness in internal control

In our "Report on Internal Control", we report a material weakness in internal control over financial reporting entitled, "Financial Management Systems, Internal Controls, and Financial Reporting Need Improvement". We believe that significant deficiencies surrounding the GSA's financial management systems and internal controls, its processes, and substantial transaction level errors resulting from insufficient controls related to accountability, reporting, and monitoring of budgetary accounts and balances and financial statement preparation process is a condition that precludes the GSA from providing reasonable assurance that material misstatements in the financial statements will be prevented or detected on a timely basis. The FFMIA and related implementation guidance set

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PRICEWATERHOUSECOOPERS

forth requirements for agency financial management systems, including preparing financial statements and other required financial and budget reports, and providing reliable and timely financial information for managing current operations in a way that is consistent with the Federal accounting standards and the United States Standard General Ledger. Further, "Financial Management System Requirements" in Section 7 of OMB Circular A-127 requires agency financial management systems to include a system of internal controls that ensure reliable data is obtained, maintained, and disclosed in reports.

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

1. GSA is the entity responsible for the systems found not to comply.
2. Relevant facts pertaining to the non-compliance are included in this report in our "Report on Internal Control" in the section entitled "Financial Management Systems, Internal Controls, and Financial Reporting Need Improvement".
3. We recommend that management: (1) Implement agency-wide procedures requiring Regional offices, service lines, program areas, and the financial management community's full commitment to a sound budgetary accounting process that is in accordance with federal accounting standards; (2) Expand upon the implementation of OMB Circular A-123, Appendix A to address root causes of budgetary reporting control weaknesses across the breadth and depth of the financial reporting process -- from the level of transaction initiation, through all processing and monitoring activities, through 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; (3) Utilize the OCFO to serve as the primary coordinator of the involvement of Regional and Program areas, whose involvement and full support is vital for effective internal control structure; (4) Continue to implement an integrated financial management system for use by program offices to promote consistency and reliability of financial information; and (5) Fully utilize the functionalities of Pegasys to perform complete budgetary transaction processing and financial reporting in compliance with Federal financial reporting requirements.

Management's Response:

We are reviewing the Notifications of Findings supporting this noncompliance to determine the most effective method of addressing the conditions noted in the Material Weakness above. After the issues and recommendations are reviewed, we will compile detailed corrective action plans to ensure the FFMIA non-compliance is not repeated.

Other Information

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

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

* * *

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

PricewaterhouseCoopers LLP

November 14, 2008

Independent Auditor's Report

U.S. General Services Administration
Office of Inspector General

NOV 7 2008

MEMORANDUM FOR JAMES A. WILLIAMS
ACTING ADMINISTRATOR (A)

KATHLEEN M. TURCO
CHIEF FINANCIAL OFFICER (B)

Robert D. Erickson for

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: Report on Internal Controls Over Performance Measures
Report Number: A090022/B/F/F

This report presents the results of the Office of Inspector General's (OIG) review regarding the design and operation of the internal controls over performance measures reported in the Management Discussion and Analysis section of the General Services Administration's (GSA) Fiscal Year 2008 Performance and Accountability Report.

Scope and Methodology

Under a contract monitored by the OIG, PricewaterhouseCoopers, LLP performed the audit of GSA's Fiscal Year 2008 Financial Statements. However, the portion of the audit related to internal controls over performance measures was performed by the OIG. To obtain an understanding of the controls in place, we examined the Government Performance and Results Act (GPRA) and current GSA Policy relating to GPRA. In addition, we met with officials from the Office of the Chief Financial Officer (OCFO) regarding compliance with the policy. We obtained and reviewed responses to the Verification and Validation questionnaire prepared by the OCFO and submitted to the designated officials of the Public Buildings Service (PBS). Furthermore, during our review, we selected three attributes of a key performance measure for testing. The purpose of this test was to assess whether there was valid documentation to support the responses provided on the Verification and Validation questionnaire for the selected attributes. Our procedures were not designed to provide an opinion on internal controls over reported performance measures. Accordingly, we do not express an opinion on such controls.

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We conducted this review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results of Audit

The internal controls designed by the OCFO over GSA's performance measure data reported in the Management Discussion and Analysis Section of the Agency's Fiscal Year 2008 Performance and Accountability Report are operating effectively.

In accordance with GSA Order CFO 2170.1, "Performance Measurement Data Verification and Validation Procedures," a cyclical review of the performance measure data reported by each Service and Staff Office is required. Our review found that in accordance with this Order, the OCFO performed and documented the required review of performance measure data, and that the conclusions therein were adequately supported. Specifically, for the key measure selected for testing, we found that the responses provided on the Verification and Validation survey were sufficiently 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, 2008 and 2007
(Dollars in Millions)

	2008	2007
FEDERAL BUILDINGS FUND		
Revenues:		
Building Operations - Government-Owned	$ **3,966**	$ 3,822
Building Operations - Leased	**5,322**	5,051
Expenses:		
Building Operations - Government-Owned	**3,347**	3,182
Building Operations - Leased	**5,390**	5,133
Net Revenues From (Cost of) Operations	**551**	558
ACQUISITION SERVICES FUND		
Revenues:		
General Supply and Services	**1,501**	1,379
Travel, Motor Vehicles, and Card Services	**2,011**	1,741
Integrated Technology Services	**1,350**	1,279
Assisted Acquisition Services	**3,643**	3,697
Other Programs	**72**	46
Revenues Subtotal	**8,577**	8,142
Expenses:		
General Supply and Services	**1,456**	1,353
Travel, Motor Vehicles, and Card Services	**2,003**	1,660
Integrated Technology Services	**1,270**	1,200
Assisted Acquisition Services	**3,644**	3,761
Other Programs	**42**	46
Expenses Subtotal	**8,415**	8,020
Net Revenues From (Cost of) Operations	**162**	122

Continued from previous page

	2008	2007
OTHER FUNDS		
Revenues:		
Working Capital Fund	**426**	356
GSA OE and OGP Funds	**21**	17
Other Funds	**14**	19
Expenses:		
Working Capital Fund	**432**	358
GSA OE and OGP Funds	**157**	156
Other Funds	**162**	103
Net Revenues From (Cost of) Operations	**(290)**	(225)
LESS: INTRA-GSA ELIMINATIONS (NOTE 1-B)		
Revenues	**643**	534
Expenses	**678**	567
GSA CONSOLIDATED		
Revenues	**17,683**	16,873
Expenses	**17,225**	16,385
Net Revenues From (Cost of) Operations	**$ 458**	$ 488

The accompanying notes are an integral part of these statements.

Principal Financial Statements

CONSOLIDATING BALANCE SHEETS

As of September 30, 2008 and 2007
(Dollars in Millions)

	Federal Buildings Fund 2008	Federal Buildings Fund 2007	Acquisition Services Fund 2008	Acquisition Services Fund 2007
ASSETS				
Intragovernmental Assets:				
Fund Balance with Treasury (Notes 1-D,2)	**$ 5,765**	$ 5,620	**$ 720**	$ 782
Accounts Receivable - Federal, Net (Note 4)	**403**	334	**1,225**	1,032
Prepaid Expenses and Advances - Federal	**-**	-	**1**	4
Total Intragovernmental Assets	**6,168**	5,954	**1,946**	1,818
Inventories (Note 1-E)	**6**	6	**246**	219
Accounts Receivable - Public, Net (Note 4)	**11**	22	**90**	78
Prepaid Expenses and Advances - Public	**2**	1	**-**	-
Other Assets	**13**	27	**6**	8
Property and Equipment (Notes 1-F,5):				
Buildings	**29,110**	27,656	**-**	-
Leasehold Improvements	**260**	263	**26**	25
Telecommunications and ADP Equipment	**-**	-	**93**	100
Motor Vehicles	**-**	-	**4,268**	4,086
Other Equipment	**101**	88	**188**	163
Less: Accumulated Depreciation and Amortization	**(14,748)**	(13,743)	**(1,559)**	(1,465)
Subtotal	**14,723**	14,264	**3,016**	2,909
Land	**1,507**	1,485	**-**	-
Construction in Process and Software in Development	**2,054**	1,723	**3**	6
Total Property and Equipment	**18,284**	17,472	**3,019**	2,915
Total Assets	**$ 24,484**	$ 23,482	**$ 5,307**	$ 5,038
LIABILITIES AND NET POSITION				
Intragovernmental Liabilities:				
Accounts Payable and Accrued Expenses - Federal	**$ 58**	$ 61	**$ 20**	$ 21
Deferred Revenue and Advances - Federal	**11**	10	**27**	68
Intragovernmental Debt (Note 6)	**2,098**	2,151	**-**	-
Other Intragovernmental Liabilities (Note 9)	**330**	291	**8**	7
Total Intragovernmental Liabilities	**2,497**	2,513	**55**	96
Accounts Payable and Accrued Expenses - Public	**1,055**	921	**1,044**	940
Deferred Revenue and Advances - Public	**6**	3	**1**	1
Environmental and Disposal Liabilities (Notes 5,10)	**103**	105	**-**	-
Obligations Under Capital Leases (Note 8)	**261**	273	**-**	-
Workers' Compensation Actuarial Liability (Note 7)	**108**	108	**37**	37
Annual Leave Liability (Note 1-G)	**47**	43	**29**	29
Deposit Fund Liability	**-**	-	**-**	-
Other Liabilities (Note 9)	**319**	309	**-**	-
Total Liabilities	**4,396**	4,275	**1,166**	1,103
NET POSITION (NOTE 14)				
Cumulative Results of Operations	**19,906**	19,207	**4,141**	3,935
Unexpended Appropriations	**182**	-	**-**	-
Total Net Position	**20,088**	19,207	**4,141**	3,935
Total Liabilities and Net Position	**$ 24,484**	$ 23,482	**$ 5,307**	$ 5,038

The accompanying notes are an integral part of these statements.

Other Funds 2008	Other Funds 2007	Less: Intra-GSA Eliminations 2008	Less: Intra-GSA Eliminations 2007	GSA Consolidated Totals 2008	GSA Consolidated Totals 2007
$ 580	$ 609	$ -	$ -	$ 7,065	$ 7,011
5	3	28	21	1,605	1,348
-	3	-	3	1	4
585	615	28	24	8,671	8,363
-	-	-	-	252	225
31	32	-	-	132	132
-	-	-	-	2	1
1	2	11	15	9	22
-	-	-	-	29,110	27,656
-	-	-	-	286	288
-	-	-	-	93	100
-	-	-	-	4,268	4,086
94	83	-	-	383	334
(63)	(51)	-	-	(16,370)	(15,259)
31	32	-	-	17,770	17,205
-	-	-	-	1,507	1,485
-	-	-	-	2,057	1,729
31	32	-	-	21,334	20,419
$ 648	$ 681	$ 39	$ 39	$ 30,400	$ 29,162
$ 14	$ 5	$ 27	$ 21	$ 65	$ 66
19	33	11	18	46	93
-	-	-	-	2,098	2,151
65	62	1	-	402	360
98	100	39	39	2,611	2,670
34	28	-	-	2,133	1,889
-	-	-	-	7	4
2	24	-	-	105	129
-	-	-	-	261	273
19	20	-	-	164	165
21	20	-	-	97	92
55	97	-	-	55	97
7	7	-	-	326	316
236	296	39	39	5,759	5,635
314	264	-	-	24,361	23,406
98	121	-	-	280	121
412	385	-	-	24,641	23,527
$ 648	$ 681	$ 39	$ 39	$ 30,400	$ 29,162

Principal Financial Statements

CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION

For the Fiscal Years Ended September 30, 2008 and 2007
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND	
	2008	**2007**	**2008**	**2007**
BEGINNING BALANCE OF NET POSITION				
Cumulative Results of Operations	**$ 19,207**	$ 18,552	**$ 3,935**	$ 3,605
Unexpended Appropriations	**-**	-	**-**	-
Net Position Beginning Balance	**19,207**	18,552	**3,935**	3,605
RESULTS OF OPERATIONS				
Net Revenue From (Cost of) Operations	**551**	558	**162**	122
Appropriations Used (Note 1-C)	**84**	94	**-**	-
Non-Exchange Revenue (Notes 1-C, 1-G)	**1**	5	**-**	-
Imputed Financing Provided By Others	**61**	56	**41**	47
Transfer of Earnings Paid and Payable to U.S.Treasury	**-**	-	**-**	-
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	**2**	(59)	**3**	161
Receipts Paid and Reclassified as Payable From (To) the Land and Water Conservation Fund	**-**	-	**-**	-
Other	**-**	1	**-**	-
Net Results of Operations	**699**	655	**206**	330
CHANGES IN UNEXPENDED APPROPRIATIONS				
Appropriations Received	**266**	94	**-**	-
Appropriations Used	**(84)**	(94)	**-**	-
Appropriations Adjustments and Transfers From Other Agencies or Funds	**-**	-	**-**	-
Net Change in Unexpended Appropriations	**182**	-	**-**	-
ENDING BALANCE OF NET POSITION				
Cumulative Results of Operations	**19,906**	19,207	**4,141**	3,935
Unexpended Appropriations	**182**	-	**-**	-
Net Position Ending Balance	**$ 20,088**	$ 19,207	**$ 4,141**	$ 3,935

The accompanying notes are an integral part of these statements.

OTHER FUNDS 2008	OTHER FUNDS 2007	LESS: INTRA-GSA ELIMINATIONS 2008	LESS: INTRA-GSA ELIMINATIONS 2007	GSA CONSOLIDATED TOTALS 2008	GSA CONSOLIDATED TOTALS 2007
$ 264	$ 243	**$ -**	$ -	**$ 23,406**	$ 22,400
121	111	**-**	-	**121**	111
385	354	**-**	-	**23,527**	22,511
(290)	(225)	**(35)**	(33)	**458**	488
206	196	**-**	-	**290**	290
38	132	**-**	-	**39**	137
86	24	**35**	33	**153**	94
(18)	(107)	**-**	-	**(18)**	(107)
25	6	**-**	-	**30**	108
-	(3)	**-**	-	**-**	(3)
3	(2)	**-**	-	**3**	(1)
50	21	**-**	-	**955**	1,006
210	213	**-**	-	**476**	307
(206)	(196)	**-**	-	**(290)**	(290)
(27)	(7)	**-**	-	**(27)**	(7)
(23)	10	**-**	-	**159**	10
314	264	**-**	-	**24,361**	23,406
98	121	**-**	-	**280**	121
$ 412	$ 385	**$ -**	$ -	**$ 24,641**	$ 23,527

Principal Financial Statements

COMBINING STATEMENTS OF BUDGETARY RESOURCES

For the Fiscal Years Ended September 30, 2008 and 2007
(Dollars in Millions)

	FEDERAL BUILDINGS FUND 2008	FEDERAL BUILDINGS FUND 2007
BUDGETARY RESOURCES		
Unobligated Balance, Net - Beginning Balance	**$ 4,425**	$ 4,028
Prior Year Recoveries	**134**	237
Budget Authority		
Appropriations	**266**	94
Spending Authority:		
Earned Revenue	**9,317**	8,858
Change in Unfilled Customer Orders	**210**	478
Previously Unavailable	**141**	56
Resources Temporarily Not Available	**(288)**	(141)
Transfers	**(50)**	(102)
Total Budgetary Resources	**14,155**	13,508
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred		
Direct	**-**	-
Reimbursable	**9,735**	9,083
Unobligated Balance - Available	**4,066**	4,425
Unobligated Balance - Not Available	**354**	-
Total Status of Budgetary Resources	**14,155**	13,508
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net - Beginning Balance		
Unpaid Obligations, Oct 1	**3,525**	3,476
Less: Uncollected Customer Payments, Oct 1	**(2,421)**	(1,887)
Obligations Incurred	**9,735**	9,083
Less: Gross Outlays	**(9,319)**	(8,797)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	**(134)**	(237)
Change in Uncollected Customer Payments (Increase)/Decrease	**(286)**	(534)
Obligated Balance, Net - End of Period:		
Unpaid Obligations	**3,807**	3,525
Less: Uncollected Customer Payments	**(2,707)**	(2,421)
NET OUTLAYS		
Gross Outlays	**9,319**	8,797
Less: Offsetting Collections	**(9,241)**	(8,802)
Less: Offsetting Receipts	**-**	-
Net Outlays	**$ 78**	$ (5)

The accompanying notes are an integral part of these statements.

Acquisition Services Fund 2008	Acquisition Services Fund 2007	Other Funds 2008	Other Funds 2007	GSA Combined Totals 2008	GSA Combined Totals 2007
$ 1,170	$ 1,822	$ 216	$ 235	$ 5,811	$ 6,085
260	253	29	13	423	503
-	-	242	249	508	343
9,594	9,185	459	387	19,370	18,430
168	(786)	(8)	5	370	(303)
-	-	-	-	141	56
-	-	-	-	(288)	(141)
-	-	(9)	(13)	(59)	(115)
11,192	10,474	929	876	26,276	24,858
-	-	232	246	232	246
9,935	9,304	487	414	20,157	18,801
1,216	1,170	59	108	5,341	5,703
41	-	151	108	546	108
11,192	10,474	929	876	26,276	24,858
3,538	3,721	178	166	7,241	7,363
(3,926)	(4,864)	(10)	(5)	(6,357)	(6,756)
9,935	9,304	719	660	20,389	19,047
(9,427)	(9,233)	(671)	(635)	(19,417)	(18,665)
(260)	(254)	(29)	(13)	(423)	(504)
(397)	938	(4)	(5)	(687)	399
3,786	3,538	197	178	7,790	7,241
(4,323)	(3,926)	(14)	(10)	(7,044)	(6,357)
9,427	9,233	671	635	19,417	18,665
(9,366)	(9,337)	(447)	(387)	(19,054)	(18,526)
-	-	(21)	(108)	(21)	(108)
$ 61	$ (104)	$ 203	$ 140	$ 342	$ 31

Notes to the Financial Statements

For the Fiscal Years Ended
September 30, 2008 and 2007

Organization

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

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

❶ Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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

GENERAL FUNDS are accounts used to record financial transactions arising under Congressional appropriations or other authorizations to spend general revenues. GSA manages 14 General Fund accounts of which four are funded by current year appropriations, two by no-year appropriations, and eight 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 – Broker Rebates
- Budget Clearing Account – Proceeds of Sales, Personal Property
- Budget Clearing Account – Real Property
- Budget Clearing Account – Suspense
- Budget Clearing Account - Undistributed Intragovernmental Payments
- Election Reform Payments
- 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 Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, these Special Funds are classified as earmarked funds. Although immaterial, earmarked fund balances are displayed in Note 2-B. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property, for funding of the Transportation Audits program, and to fund the Acquisition Workforce Training program. GSA's Special Funds consist of the following:

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

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

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

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

Notes to the Financial Statements

B. Basis of Accounting

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

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

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

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

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

C. Revenue Recognition and Appropriations Used

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

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

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

- In the ASF, Global Supply revenues are recognized as goods are provided to customers. Vehicle Acquisition and Leasing revenues are recognized when goods are provided and based on rental agreements over the period vehicles are dispatched. Commercial Acquisitions revenues are recognized when goods are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and actual usage of GSA's contracting vehicles by other agencies. The Schedules programs generated $286 million in fees, constituting three percent of ASF revenues in FY 2008, and $267 million (three percent of ASF revenues) in FY 2007. Professional Services revenues are recognized when goods and services are provided. Telecommunications service revenues are generally recognized based on customer usage or on fixed line rates. IT Solutions revenues are earned when goods or services are provided or as reimbursable project costs are incurred.

- In the WCF, revenues are generally recognized as general management and administrative services are provided to the Service components of GSA and to external customers. Such WCF revenues are earned in accordance with agreements that recover the direct cost and an allocation of indirect costs from the components of GSA receiving those services.

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

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

D. Fund Balance with Treasury

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

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

E. Inventories

Inventories held for sale to other Federal agencies consist primarily of ASF inventories, which are valued at historical cost, generally determined on a moving average basis. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan. In the ASF, $5.4 million of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may

Notes to the Financial Statements

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.

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

F. Property and Equipment (See Note 5)

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

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

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

Telecommunications equipment and automated data processing equipment are used in operations to perform services for other Federal agencies for which billings are rendered. Most of the assets comprising Other Equipment are used internally by GSA. Telecommunications and other equipment 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. Capitalized software is reported as an element of Other Equipment on the Consolidating Balance Sheets.

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.

❷ Fund Balance With Treasury

A. Reconciliation to U.S. Treasury

There were only negligible differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2008 and 2007.

B. Balances by Fund Type

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

	2008	2007
Revolving Funds	**$ 234**	$ 195
Appropriated and General Funds	**128**	173
Special Receipt Funds	**118**	114
Special and Trust Expenditure Funds	**45**	48
Deposit Funds	**55**	79
Total Other Funds	**$ 580**	$ 609

C. Relationship to the Budget

In accordance with FASAB SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, the following information is provided to further identify amounts in Fund Balance with Treasury as of September 30, 2008 and 2007, against which obligations have been made, and for unobligated balances, to identify amounts available for future expenditures and those only available to liquidate prior obligations. Unobligated balances presented below will not equal related amounts reported on the CSBR. In the FBF, the CSBR includes balances associated with borrowing authority for which actual funds have not yet been realized (see Note 6). In the Other Funds group, the schedule below includes unavailable unobligated balances of Special Receipt and Deposit Funds, shown above in Note 2-B, which are not reportable for purposes of the CSBR. The following schedule presents elements of the Fund Balance with Treasury (dollars in millions):

	Obligated Balance, Net	Unobligated Balance		Total
		Available	Unavailable	
2008				
FBF	**$ 1,088**	**$4,035**	**$ 642**	**$ 5,765**
ASF	**(537)**	**1,216**	**41**	**720**
Others	**183**	**59**	**338**	**580**
Total	**$ 734**	**$ 5,310**	**$ 1,021**	**$ 7,065**
2007				
FBF	$ 1,087	$ 4,392	$ 141	$ 5,620
ASF	(388)	1,170	-	782
Others	168	108	333	609
Total	$ 867	$ 5,670	$ 474	$ 7,011

D. Availability of Funds

In GSA's earmarked Special Receipt Funds, included in balances of Fund Balance with Treasury, are certain amounts that may be transferred to either the U.S. Treasury or the Land and Water Conservation Fund (see Note 1-D). These amounts, related to the Transportation Audits program, Acquisition Workforce Training program, and surplus real property disposals, are subject to transfer subsequent to GSA's determination of the internal working capital needs of these programs. Such amounts totaled $118 million and $114 million at September 30, 2008 and 2007, respectively, of which $46 million and $43 million, respectively, were recorded as liabilities in the Consolidating Balance Sheets.

NOTES TO THE FINANCIAL STATEMENTS

At September 30, 2008 and 2007, the amounts in Fund Balance with Treasury that were no longer available for expenditure and for which related authorities cancelled, totaled $0.2 million, and $4 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.

A portion of Fund Balance with Treasury also includes amounts where authority to incur new obligations has expired, but are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled $46 million and $40 million at September 30, 2008 and 2007, 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 $288 million and $141 million at September 30, 2008 and 2007, respectively, and will not be available for expenditure except as authorized in future appropriation acts.

Under ASF legislative authorities, GSA is allowed to retain earnings to ensure the fund has sufficient resources to support operations in association with a cost and capital planning process as approved by the Administrator of GSA. At the end of FY 2008 and 2007, management determined that all earnings will be retained in accordance with this process.

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

❸ NON-ENTITY ASSETS

As of September 30, 2008 and 2007, 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 $70 million and $111 million, respectively in Fund Balance with Treasury.

❹ Accounts 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.

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

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Accounts Receivable - Billed	**$ 143**	$ 112	**$ 108**	$ 113	**$ 35**	$ 36	**$ -**	$ -	**$ 286**	$ 261
Accounts Receivable - Unbilled	**288**	251	**1,209**	1,000	**5**	2	**28**	21	**1,474**	1,232
Allowance for Doubtful Accounts	**(17)**	(7)	**(2)**	(3)	**(4)**	(3)	**-**	-	**(23)**	(13)
Total Accounts Receivables	**414**	356	**1,315**	1,110	**36**	35	**28**	21	**1,737**	1,480

Notes to the Financial Statements

❺ Property and Equipment

A. Summary of Balances

In FY 2007, GSA recorded capitalized interest costs of $3.1 million in the Construction in Process account associated with debt provided by the U.S. Treasury's Federal Financing Bank (FFB), as discussed in Note 6. There was no such interest capitalized in FY 2008. Balances in GSA's Property and Equipment accounts subject to depreciation as of September 30, 2008 and 2007, are summarized below (dollars in millions):

	2008			2007		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	**$ 29,110**	**$ 14,502**	**$ 14,608**	$ 27,656	$ 13,506	$ 14,150
Leasehold Improvements	**286**	**210**	**76**	288	206	82
Telecom and ADP Equipment	**93**	**90**	**3**	100	92	8
Motor Vehicles	**4,268**	**1,324**	**2,944**	4,086	1,260	2,826
Other Equipment	**383**	**244**	**139**	334	195	139
Total	**$ 34,140**	**$ 16,370**	**$ 17,770**	$ 32,464	$ 15,259	$ 17,205

B. Cleanup Costs

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

In accordance with FASAB SFFAS 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 $103 million and $105 million for Environmental and Disposals costs as of September 30, 2008, and 2007, respectively, for properties currently in GSA's property inventory. In instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized the estimated costs for related environmental studies as is prescribed in the guidance noted above. Management has estimated an additional $15 million in both FYs 2008 and 2007, 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 46 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 Consolidating 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 293 buildings on the National Register, of which 107 are designated as National Historical Landmarks. An additional 187 buildings are potentially eligible for listing on the National Register, but have not gone through the formal determination process. 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 DOI.

Owen B. Pickett U.S. Custom House, Norfolk, VA

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. Mortgage loans and construction advances held by the FFB are due at various dates from June 28, 2021, through August 1, 2035, at interest rates ranging from 3.935 percent to 8.561 percent. The program authorizes total expenditures of $1,945 million for 11 projects. In FYs 2008 and 2007, the FFB made advance payments on behalf of GSA totaling $8 million and $18 million, respectively. As of September 30, 2008 and 2007, $42 million and $50 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): 2009 - $47; 2010 - $50; 2011 - $54; 2012 - $57; 2013 - $61; 2014 and beyond - $1,161.

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. Mortgage loans for the RRB are due November 2, 2026, at interest rates ranging from 4.004 percent to 8.323 percent.

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): 2009 - $19; 2010 - $20; 2011 - $22; 2012 - $23; 2013 - $25; 2014 and beyond - $559.

Notes to the Financial Statements

C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the FBF at September 20, 2008, and 2007, were as follows (dollars in millions):

	2008	2007
Lease Purchase Debt	**$1,430**	$ 1,465
Pennsylvania Avenue Debt	**668**	686
Total GSA Debt	**$2,098**	$ 2,151

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 2008 was calculated by DOL using a discount rate of 4.368 percent for FY 2008, and 4.770 percent for FY 2009 and thereafter. At the end of FY 2007, the discount rate used was 4.930 percent for FY 2007, and 5.078 percent for FY 2008 and thereafter. At September 30, 2008 and 2007, GSA's actuarial liability totaled $164 million and $165 million, respectively.

8 Leasing Arrangements

As of September 30, 2008, GSA was committed to various non-cancellable operating leases primarily covering administrative office space and storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options. GSA also uses a small volume of operating leases of vehicles in the ASF to fill demand when sufficient owned vehicles are not available. The following are schedules of future minimum rental payments required under leases that have initial or remaining non-cancellable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions):

OPERATING LEASES	
FISCAL YEAR	**TOTAL**
2009	$ 4,338
2010	3,457
2011	3,060
2012	2,660
2013	2,193
2014 and thereafter	8,152
Total future minimum lease payments	$ 23,860

CAPITAL LEASES	
FISCAL YEAR	**FBF**
2009	$ 32
2010	31
2011	32
2012	32
2013	31
2014 and thereafter	240
Total future minimum lease payments	398
Less: Amounts representing–	
Interest	135
Executory Costs	2
Total obligations under capital leases	$ 261

Substantially all leased space maintained by the FBF is sublet to other Federal agencies at rent charges based upon approximate commercial rates for comparable space. The agreements covering the sublease arrangements allow customer agencies to terminate the sublease at any time. In most cases, however, GSA believes the subleases will continue without interruption. Rental income under subleasing agreements approximated $5.3 billion and $5.0 billion for the FYs ended September 30, 2008 and 2007, respectively.

Rent expense under all operating leases, including short-term non-cancellable leases, was approximately $4.6 billion and $4.4 billion in FYs 2008 and 2007, respectively. The Consolidating Balance Sheets as of September 30, 2008 and 2007, include capital lease assets of $359 million and $362 million, respectively, for buildings. Aggregate accumulated amortization on such structures totaled $152 million and $140 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, 2008 and 2007, amounts reported on the Consolidating Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, which are substantially all long-term in nature, consisted of the following (dollars in millions):

	FBF	ASF	OTHERS	LESS: INTRA-GSA ELIMINATIONS	TOTAL GSA
2008					
Other Intragovernmental Liabilities:					
Workers' Compensation Due to DOL	**$ 22**	**$ 8**	**$ 4**	**-**	**$ 34**
Deposits Held in Suspense	**-**	**-**	**14**	**1**	**13**
Earnings Payable to Treasury	**-**	**-**	**47**	**-**	**47**
Payments Due to the Judgment Fund (Note 10)	**308**	**-**	**-**	**-**	**308**
Total	**$ 330**	**$ 8**	**$ 65**	**1**	**$ 402**
Other Liabilities:					
Contingencies	**$ 20**	**$ -**	**$ -**	**-**	**$ 20**
Installment Purchase Liabilities	**144**	**-**	**-**	**-**	**144**
Pensions for Former Presidents	**-**	**-**	**7**	**-**	**7**
Unamortized Rent Abatements	**155**	**-**	**-**	**-**	**155**
Total	**$ 319**	**$ -**	**$ 7**	**-**	**$ 326**
2007					
Other Intragovernmental Liabilities:					
Workers' Compensation Due to DOL	$ 22	$ 7	$ 4	$ -	$ 33
Deposits Held in Suspense	-	-	14	-	14
Earnings Payable to Treasury	-	-	44	-	44
Payments Due to the Judgment Fund (Note 10)	269	-	-	-	269
Total	$ 291	$ 7	$ 62	$ -	$ 360
Other Liabilities:					
Contingencies	$ 28	$ -	$ -	$ -	$ 28
Installment Purchase Liabilities	154	-	-	-	154
Pensions for Former Presidents	-	-	7	-	7
Unamortized Rent Abatements	127	-	-	-	127
Total	$ 309	$ -	$ 7	$ -	$ 316

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, 2008 and 2007, were as follows (dollars in millions):

	2008	2007
FBF	**$ 2,677**	$ 2,524
ASF	**2,711**	2,569
Other Funds	**149**	145
Total Undelivered Orders	**$ 5,537**	$ 5,238

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, 2008 and 2007, GSA recorded liabilities in total of $102 million and $116 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, $83 million and $86 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 $112 million and $48 million in contingencies at September 30, 2008 and 2007, 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 (DOJ) and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Treasury. In accordance with the FASAB's Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, costs incurred by the Federal government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, GSA reported $2 million and $24 million in FYs 2008 and 2007, respectively, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Of those amounts, almost $2 million and $24 million result from several environmental cases outstanding at the end of FYs 2008 and 2007, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with the FASAB Accounting and Auditing Policy Committee's Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*.

Additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible but not probable ranged from $199 million to $3.6 billion at September 30, 2008 and ranged from $159 million to $3.5 billion at September 30, 2007.

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 $108 million and $34 million in FYs 2008 and 2007, respectively. Of these amounts, $40 million and $30 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, 2008 and 2007, budgetary resources were not yet available to fund certain liabilities reported on the Consolidating Balance Sheets. For such liabilities, most are long-term in nature where funding is generally made available in the year payments are due or anticipated. The portion of liabilities reported on the Consolidating Balance Sheets that are not covered by budgetary resources consists of the following (dollars in millions):

	2008	2007
Intragovernmental Debt	**$ 20**	$ 31
Other Intragovernmental Liabilities	**402**	360
Obligations Under Capital Lease	**241**	252
Workers' Compensation Actuarial Liabilities	**164**	165
Environmental and Disposal	**105**	129
Annual Leave Liability	**97**	92
Other Liabilities	**326**	316
Total Liabilities Not Covered By Budgetary Resources	**$ 1,355**	$ 1,345

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

12 Reconciliation to the President's Budget

In accordance with FASAB SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. With the President's Budget generally released in February each year, the most current comparable data is the FY 2009 President's Budget, which contains FY 2007 financial statement results. The FY 2010 President's Budget, containing FY 2008 actual results is expected to be released in February 2009 on OMB's Web site. The portion of the President's Budget relating specifically to GSA can be found in the appendix of that report. 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, 2007.

The basis of the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (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, 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 2007, the only significant differences were due to the effect of adjustments recorded in the FBF, based on statistical sampling techniques which were not sufficiently detailed for SF 133 reporting.

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

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

Below are two schedules highlighting the most significant comparable amounts reported in the FY 2007 CSBR and FY 2009 President's Budget (dollars in millions). The first schedule shows the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget by fund. Following this is a second schedule displaying the components of each difference at the consolidated level.

	FBF		ASF		OTHERS		TOTAL		
	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	CSBR	PRESIDENT'S BUDGET	DIFFERENCE
Budgetary Resources	$13,649	$ 13,594	$ 10,474	$10,474	$ 876	$ 829	**$24,999**	**$24,897**	**$ 102**
Obligations Incurred	9,083	9,119	9,304	9,303	660	659	**19,047**	**19,081**	**(34)**
Unobligated Balances	4,566	4,475	1,170	1,171	216	169	**5,952**	**5,815**	**137**
Balance of Obligations	1,104	1,196	(388)	(389)	168	171	**884**	**978**	**(94)**
Outlays	(5)	(5)	(104)	(104)	140	247	**31**	**138**	**(107)**

	BUDGETARY RESOURCES	OBLIGATIONS INCURRED	UNOBLIGATED BALANCE	OBLIGATED BALANCE	NET OUTLAYS
Combined Statement of Budgetary Resources	$ 24,999	$ 19,047	$ 5,952	$ 884	$ 31
Expired Funds, Not Reflected in the Budget	(55)	–	(54)	(1)	–
Amounts Cancelled in Other Funds, Not Reflected in the Budget	7	–	7	–	–
FBF Statistical Sampling, Not Reflected in the Budget	(56)	36	(92)	92	–
Offsetting Receipts Not Reflected in the Budget	–	–	–	–	108
Rounding	2	(2)	2	3	(1)
Budget of the U.S. Government	$ 24,897	$ 19,081	$ 5,815	$ 978	$ 138

⑬ Combining Statements of Budgetary Resources

The CSBR presents GSA's budgetary results in accordance with reporting requirements prescribed in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, which identifies budgetary resources available for spending, the status of those resources, and the relationship between obligated balances and outlays (see Note 12). For balances reported as obligations incurred, the ASF includes $473 million classified as Category B, while all other significant balances in the ASF and the rest of GSA's funds are classified as Category A in accordance with OMB apportionment guidelines. In consolidated reporting by OMB and the U.S. Treasury, for the U.S. government as a whole, substantially all of GSA's program operations and operating results are categorized as general government functions.

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

The basis of the CSBR is data reported to the U.S. Treasury on the SF 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 2008, significant differences were due to the effect of adjustments made to the CSBR as a result of statistical samples used to validate balances reportable as Undelivered Orders and Delivered Orders in the FBF. Projections of such adjustments are based on extrapolations of aggregate amounts which could not readily be determined to the detailed levels that are required to accompany SF 133 reporting.

Also in the FBF, during FY 2008, management identified $276 million in contract obligations from FY 2007, which were not reported in GSA's FY 2007 CSBR. OMB Circular A-11 guidance for SF 133 reporting states that such balances, regardless of materiality, be reported as adjustments to the Unobligated Balance, Net – Beginning Balance, and Obligated Balance, Net - Beginning Balance. As these obligations are not material to the FBF to warrant restatement of the CSBR, the balances are reported as FY 2008 obligations incurred (for upward adjustments) on the CSBR, in accordance with OMB Circular A-136, resulting in differences between the two reports.

As a result of these conditions, the following differences existed between the CSBR and SF 133s of the FBF for FY 2008 due to increases (decreases) to the CSBR (dollars in millions):

Unobligated Balance, Net – Beginning	$ 368
Unobligated Balance, Net – Ending	$ 105
Prior Year Recoveries	$ (58)
Obligations Incurred	$ (205)
Obligated Balance – Beginning	$ (368)
Obligated Balance – Ending	$ (105)

Notes to the Financial Statements

In the ASF, during FY 2008, management identified $220 million in Unfilled Customer Orders (UFCO) that originated in FY 2007, but were not reported in GSA's FY 2007 CSBR. While these balances were not material to the ASF, the differences in OMB requirements for SF 133 reporting and reporting of the CSBR, noted above, created imbalances between the reports. Differences in balances reported between the CSBR and SF 133's of the ASF for FY 2008 due to increases (decreases) to the CSBR were as follows (dollars in millions):

Unobligated Balance, Net – Beginning	$ (220)
Change in Unfilled Customer Orders	$ 220
Obligated Balance – Beginning	$ 220

⑭ Consolidating Statements of Changes in Net Position

A. Cumulative Results of Operations

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

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

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

B. Unexpended Appropriations

Unexpended Appropriations consist of unobligated balances and undelivered orders, net of UFCOs in funds that receive appropriations. UFCOs 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, 2008 and 2007, balances reported as unexpended appropriations were as follows (dollars in millions):

	2008	2007
Unobligated Balances:		
Available	**$ 18**	$ 35
Unavailable	**218**	40
Undelivered Orders	**54**	64
Unfilled Customer Orders	**(10)**	(18)
Total Unexpended Appropriations	**$ 280**	$ 121

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 OPM. Reporting of health care benefits for retired employees is also the direct responsibility of OPM.

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

B. Civil Service Retirement System

At the end of FY 2008, 25.6 percent (down from 27.9 percent in FY 2007) of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (7.5 percent of base pay for law enforcement employees, and 7.0 percent for all others) to CSRS for all employees amounted to $20 million and $22 million in FYs 2008 and 2007, respectively.

C. Federal Employees Retirement System

On January 1, 1987, the FERS, a mixed system of defined benefit and defined contribution plans, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2008, 73.9 percent (up from 71.7 percent in FY 2007) 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 2008 and 2007, GSA (employer) contributions to FERS (24.9 percent of base pay for law enforcement employees and 11.2 percent for all others) totaled $79 million and $73 million, respectively. Additional GSA contributions to the TSP totaled $31 million and $28 million in FYs 2008 and 2007, respectively.

D. Social Security System

GSA also makes matching contributions to the U.S. 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 $102,000 in calendar year 2008, and $97,500 in calendar year 2007) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2008. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2008. In both FYs 2008 and 2007, only 0.5 percent of GSA's employees are covered exclusively by these programs. Payments to these programs in FYs 2008 and 2007 amounted to $59 million and $55 million, respectively.

E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2008 and 2007, in accordance with FASAB SFFAS No. 5 for imputed post-employment benefits are as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
2008			
FBF	**$ 13**	**$ 29**	**$ 42**
ASF	**11**	**16**	**27**
Other Funds	**7**	**11**	**18**
Total	**$ 31**	**$ 56**	**$ 87**
2007			
FBF	$ 13	$ 29	$ 42
ASF	12	18	30
Other Funds	8	11	19
Total	$ 33	$ 58	$ 91

NOTES TO THE FINANCIAL STATEMENTS

⑯ RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET

The recognition of earning reimbursable budgetary resources and spending budgetary resources on the CSBR generally has a direct or causal relationship to revenues and expenses recognized on the Consolidating Statements of Net Cost. The reconciliation schedules below bridge the gap between these sources and uses of budgetary resources with the operating results reported on the Consolidating Statements of Net Cost for the fiscal years ending on September 30, 2008 and 2007 (dollars in millions):

Reconciliation of Net Costs of Operations to Budget

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND	
	2008	**2007**	**2008**	**2007**
RESOURCES USED TO FINANCE ACTIVITIES				
Obligations Incurred	**$ 9,735**	$ 9,083	**$ 9,935**	$ 9,304
Less: Spending Authority From Offsetting Collections and Adjustments	**(9,661)**	(9,573)	**(10,022)**	(8,652)
Financing Imputed for Cost Subsidies	**61**	56	**41**	47
Other	**7**	39	**(16)**	9
Total Resources Used to Finance Activities	**142**	(395)	**(62)**	708
RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS				
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	**(153)**	(42)	**(139)**	42
Increase/(Decrease) in Unfilled Customer Orders	**210**	478	**168**	(787)
Costs Capitalized on the Balance Sheet	**(1,855)**	(1,665)	**(836)**	(775)
Financing Sources Funding Prior Year Costs	**(28)**	(97)	**3**	4
Other	**-**	(5)	**(9)**	(173)
Total Resources Used That Are Not Part of the Net Cost of Operations	**(1,826)**	(1,331)	**(813)**	(1,689)
COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS				
Depreciation and Amortization	**1,047**	1,029	**432**	417
Net Book Value of Property Sold	**4**	12	**281**	288
Other	**29**	10	**(1)**	158
Total Costs Financed by Resources Received in Prior Periods	**1,080**	1,051	**712**	863
COSTS REQUIRING RESOURCES IN FUTURE PERIODS				
Unfunded Capitalized Costs	**47**	118	**-**	-
Unfunded Current Expenses	**6**	(1)	**1**	(4)
Total Costs Requiring Resources in Future Periods	**53**	117	**1**	(4)
Net (Income From) Cost of Operations	**$ (551)**	$ (558)	**$ (162)**	$ (122)

OTHER FUNDS 2008	OTHER FUNDS 2007	LESS: INTRA-GSA ELIMINATIONS 2008	LESS: INTRA-GSA ELIMINATIONS 2007	GSA CONSOLIDATED TOTALS 2008	GSA CONSOLIDATED TOTALS 2007
$ 719	$ 660	**$ -**	$ -	**$ 20,389**	$ 19,047
(480)	(405)	**-**	-	**(20,163)**	(18,630)
86	24	**35**	33	**153**	94
(18)	(111)	**-**	-	**(27)**	(63)
307	168	**35**	33	**352**	448
-	(15)	**-**	-	**(292)**	(15)
(9)	5	**-**	-	**369**	(304)
(11)	(5)	**-**	-	**(2,702)**	(2,445)
(4)	3	**-**	-	**(29)**	(90)
17	61	**-**	-	**8**	(117)
(7)	49	**-**	-	**(2,646)**	(2,971)
12	15	**-**	-	**1,491**	1,461
-	-	**-**	-	**285**	300
-	-	**-**	-	**28**	168
12	15	**-**	-	**1,804**	1,929
-	-	**-**	-	**47**	118
(22)	(7)	**-**	-	**(15)**	(12)
(22)	(7)	**-**	-	**32**	106
$ 290	$ 225	**$ 35**	$ 33	**$ (458)**	$ (488)

Notes to the Financial Statements

17 Acquisition Services Fund

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

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

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

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

Required Supplementary Information

Deferred Maintenance

As of the end of FY 2008, 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. GSA has no substantive deferred maintenance costs as defined by FASAB SFFAS No. 6, Accounting for Property, Plant, and Equipment, which is intended to report only maintenance items that would be expensed through the normal course of business. While maintenance projects are generally not deferred, the average building in the GSA inventory is 46 years old, and only 29 percent of these buildings have had extensive modernization. This has led to a large inventory of capital R&A work items of which approximately $7.3 billion has not yet been addressed by an ongoing PBS R&A project. This inventory is related to capitalizable improvements and modernization, and thus not considered deferred maintenance in accordance with SFFAS No. 6. For FY 2009, GSA has requested new obligational authority of approximately $692 million for the R&A program.

Construction of the NOAA Satellite Operations Facility in Suitland, MD.

Other Accompanying Information

What is LEED?

Leadership in Energy and Environmental Design, or LEED, is a green building rating system that has become a nationally-accepted benchmark for the design, construction and operation of high-performance green buildings.

LEED is the most widely-used and accepted sustainable building rating system for new and existing buildings in the United States. GSA currently has 27 LEED certified buildings across the country.

NOAA Satellite Operations Facility
Suitland, MD

84% site area restored with native plants
99.9% non-equipment roof area planted
100% landscape is not irrigated

Social Security Administration Teleservice Center
Auburn, WA

42% water use reduction
16% recycled content value of the total materials
77% reuse of existing shell

U.S. Department of Agriculture
Manhattan, KS

30% recycled content value of the total materials
100% reflective white roof
90% spaces with views to the outside

Veterans Affairs Regional Office
Reno, NV

79% exterior water use reduction
30% materials were manufactured locally
43% interior water use reduction

www.GSA.gov/green

Performance Measures

As GSA moves toward complete integration of budget and performance, the Agency has replaced its stand alone Performance Plan with a Performance Budget. The following measures and targets were used in FY 2008 and were reflected in the FY 2009 Congressional Justification. The 16 Key Performance Measures are highlighted in the Summary Chart of Goals and Measures below. The actual results for the non-key performance measures are not available in time for inclusion in the PAR. They will be published on GSA's Web site, *GSA.gov*, in December 2008. A list of measures reported in the FY 2007 PAR that are no longer externally reported can be found in the next section, Performance Goals and Measures No Longer Reported.

Summary Chart of Goals and Measures

PROGRAM	PERFORMANCE MEASURES	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL	RESULT
STEWARDSHIP							
PBS (Asset Management)	Percentage of government-owned assets with an ROE of at least 6%.	79.2%	76.4%	78.3%	76.5%	80.5%	Met
PBS (Asset Management)	Percentage of government-owned assets achieving a positive FFO.	84.3%	82.7%	87.5%	84.9%	Not Available	
PBS (Asset Management)	Percentage of vacant space in the government-owned inventory.	4.6%	4.4%	5.6%	≤5%	Not Available	
PBS (Asset Management)	Customer satisfaction with government-owned space.	77.6%	83.0%	78.3%	80.0%	81.0%	Met
PBS (Leasing)	Percent of vacant space in leased inventory.	1.2%	1.5%	1.1%	≤1.5%	Not Available	
PBS (Leasing)	Percent of leased revenue available after administering the leased program.	2.20%	1.50%	0.01%	0.00%-2.00%	Not Available	
PBS (New Construction)	Percent of New Construction program that is certified for LEED.	17%	0%	0%	25%	Not Available	
PBS (New Construction)	Percent of New Construction program registered for LEED.	9.1%	100%	100%	75.0%	100%	Met
PBS (New Construction)	Percent of newly constructed buildings independently verified for achievement of established operational requirements.	21.9%	100%	100%	35.0%	Not Available	
PBS (Real Property Disposal)	Percent of public sales awarded within 170 days.	92.0%	100%	100%	100%	Not Available	
FAS (Vehicle Acquisition)	Number of vehicles purchased per full-time equivalent (FTE).	1,498	1,676	1,845	1,320	Not Available	
FAS (Vehicle Acquisition)	Percentage discount from invoice price.	40.6%	39.0%	32.0%	>28.7%	29.0%	Met
FAS (Fleet)	Number of vehicles managed per onboard.	329	352	355	345	Not Available	
FAS (Assisted Acquisition Services)	Percentage of new task orders subject to competition/fair opportunity process.	92.0%	92.0%	92.7%	96.0%	Not Available	
FAS (Card Services-SmartPay)	Government-wide spend per GSA SmartPay® contract administration FTE.	$4.99B	$5.31B	$5.44B	$5.11B	Not Available	
OCFO	Interest penalties paid.	N/A	$574,462	$452,014	$400,000	$403,395	Not Met
OCHCO	Percentage of employees that have individual performance plans and receive ratings at end of rating cycle.	95%	96%	97%	95%	Not Available	
OCIO	IT Infrastructure Library processes adopted.	N/A	N/A	N/A	15%	Not Available	

(continued on next page)

Performance Measures

PROGRAM	PERFORMANCE MEASURES	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL	RESULT
STEWARDSHIP *(continued)*							
OCIO	IT network and server availability.	N/A	N/A	99.77%	98.27%	Not Available	
OCIO	Percentage certification and accreditation completed.	100%	100%	100%	100%	Not Available	
OCIO	Percentage of major IT investment business cases rated highly by OMB.	N/A	100%	100%	100%	Not Available	
OGP	Percentage of OGP initiatives meeting their scheduled development milestones.	75%	100%	100%	88%	Not Available	
OGP	Percentage of OGP initiatives meeting their scheduled cost targets.	100%	80%	86%	100%	Not Available	
SUPERIOR WORKPLACES							
PBS (Asset Management)	Percent of minor R&A budget obligated on planned projects.	87%	85%	83%	75%	Not Available	
PBS (Leasing)	Satisfied tenant customer satisfaction rating (4 and 5 responses) in leased space surveyed.	78.0%	78.0%	78.4%	76.0%	78.0%	Met
PBS (Leasing)	Percent of existing lease inventory reviewed for beneficial opportunities.	N/A	100%	100%	100%	Not Available	
PBS (New Construction)	Construction projects on schedule.	100%	84.0%	78.8%	88.0%	80.4%	Not Met
FAS (Fleet)	Percentage of GSA Fleet leasing rates below commercial rates on the GSA Vehicle Leasing Schedule.	43.13%	39.06%	42.38%	29.50%	40.90%	Met
FAS (Fleet)	GSA Fleet external customer satisfaction survey score.	85.9	84.5	84.9	83.2	Not Available	
FAS (Global Supply-Distribution Operations).	Blended mark-up.	31.60%	32.71%	31.80%	30.00%	31.90%	Not Met
BEST VALUE							
PBS (Asset Management)	Percent within the private sector benchmarks for cleaning and maintaining office and similarly serviced space.	-5.8%	-0.6%	+4.0	+/-5.0%	0.6%	Met
PBS (Leasing)	Cost of leased space relative to industry market rates.	-9.2%	-9.2%	-10.6%	-9.0%	Not Available	
PBS (Leasing)	Percent of customers who say they received their leased space when they needed it.	82%	67%	82%	86%	Not Available	
PBS (Leasing)	Percent of expiring leases using the National Broker Contract.	N/A	48%	58%	80%	Not Available	
PBS (New Construction)	Number of days to complete new courthouse construction projects.	2,928	3,458	3,575	<3,100	Not Available	
PBS (Real Property Disposal)	Percentage of utilization and donation (U&D) property awarded within 240 days.	39%	97%	100%	95%	Not Available	
PBS (Real Property Disposal)	Percent of disposal transactions that "exceed" or "greatly exceed" customer expectations.	93%	97%	99%	93%	Not Available	
PBS (Real Property Disposal)	Cost of reimbursable sales as a percentage of sales proceeds.	0.13%	0.12%	0.53%	1.08%	Not Available	
FAS (Assisted Acquisition Services)	Percent of satisfied customers (American Customer Satisfaction Index (ACSI) survey).	N/A	N/A	73.5	75.0	71.1	Not Met

(continued on next page)

PROGRAM	PERFORMANCE MEASURES	FY 2005 TARGET	FY 2006 TARGET	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL	RESULT
BEST VALUE *(continued)*							
FAS (Assisted Acquisition Services)	Percent of negotiated award dates for services and commodities that are met or bettered.	86.3%	92.3%	68.7%	97.0%	Not Available	
FAS (Assisted Acquisition Services)	Number of calendar days from receipt of modification request to issuance of modification for services and commodities. (Regional IT/Professional Services).	N/A	N/A	14	55	Not Available	
FAS (Assisted Acquisition Services)	Number of calendar days from receipt of modification request to issuance of modification for services and commodities. (National IT/Professional Services).	N/A	N/A	30	40	Not Available	
FAS (Assisted Acquisition Services)	Direct cost as a percentage of gross margin.	N/A	80.3%	73.0%	77.0%	Not Available	
FAS (Global Supply-Distribution Operations)	External customer satisfaction.	77.3	80.3	80.9	80.5	Not Available	
FAS (Global Supply-Distribution Operations)	Direct cost as a percentage of revenue.	10.6%	10.5%	10.1%	10.4%	Not Available	
FAS (Global Supply-Distribution Operations)	Percentage of domestic, non-hazardous orders shipped within 24 hours.	83.1%	83.8%	80.5%	85.0%	Not Available	
FAS (GSS-Acquisition Operations)	External customer satisfaction (Multiple Awards Schedule).	71.4	73.0	71.9	73.8	Not Available	
FAS (GSS-Acquisition Operations)	Direct Costs as a percent of gross margin (Multiple Awards Schedule).	29.8%	26.9%	23.6%	25.0%	Not Available	
FAS (GSS-Acquisition Operations)	Cycle time (days) to process offers from vendors (Multiple Award Schedule).	97.8	87.8	72.3	79.0	Not Available	
FAS (GSS-Acquisition Operations)	Cycle time (days) to process contract modifications (Multiple Award Schedule).	20.0	14.0	16.1	17.5	Not Available	
FAS (Integrated Technology Services)	IT Acquisition Center cycle time to process offers (days).	126.4	117.8	118.8	115.0	Not Available	
FAS (Integrated Technology Services)	IT Acquisition Center cycle time to process modifications (days).	19.9	25.2	20.1	23.0	Not Available	
FAS (Integrated Technology Services)	External customer satisfaction ITS (IT Acquisition center).	71.4	73.0	67.7	76.3	Not Available	
FAS (Integrated Technology Services)	Cost avoidance/savings achieved by ITS Portfolio programs.	$632M	$720M	$766M	$743M	$782M	Met
FAS (Integrated Technology Services)	ITS direct costs for all programs as a percentage of ITS gross margin.	11.74%	31.58%	33.36%	36.00%	Not Available	
FAS (Personal Property)	Cycle time for disposal process (days).	56	52	49	55	Not Available	
FAS (Personal Property)	External customer satisfaction survey score.	74.6	82.3	75.1	75.6	Not Available	
FAS (Personal Property)	Operating cost per $100 business volume.	$15.23	$18.77	$8.10	$21.00	Not Available	
FAS (Personal Property)	Direct cost of Sales Program as a percent of revenue.	34.70%	47.49%	20.00%	44.00%	Not Available	
FAS (National Furniture Center)	Timeliness to award new contracts (days).	97.8	73.5	71.1	70.0	Not Available	
FAS (National Furniture Center)	Timeliness to award contract modifications to add products and services (days).	19.8	18.1	9.8	9.5	Not Available	

(continued on next page)

Performance Measures

PROGRAM	PERFORMANCE MEASURES	FY 2005 TARGET	FY 2006 TARGET	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL	RESULT
BEST VALUE *(continued)*							
FAS (National Furniture Center)	Percentage of projects where cost and Procurement Administrative Lead (PALT) schedule variances are within 10% of the approved project plan for projects over $5,000,000.	N/A	N/A	100%	100%	Not Available	
FAS (National Furniture Center)	Number of schedule task orders solicited using GSA e-Buy.	41,179	8,207	12, 438	13,000	Not Available	
FAS (National Furniture Center)	Direct operating expenses as a percentage of gross margin.	51.34%	52.09%	42.08%	41.50%	Not Available	
FAS (National Furniture Center)	Ratio of full-time equivalents (FTE) to business volume.	0.0000062%	0.0000056%	0.0000042%	0.0000039%	Not Available	
FAS (Vehicle Acquisition)	GSA Automotive external customer satisfaction score.	79.3	77.9	78.6	80.1	Not Available	
FAS (Fleet)	Program support and operating expense per vehicle year of operation.	$508.00	$496.00	$487.84	$495.00	Not Available	
FAS (Travel)	Direct cost as a percent of revenue.	65.6%	37.8%	54.3%	62.0%	Not Available	
FAS (Travel)	External customer satisfaction score.	73.6	75.4	63.2	75.6	Not Available	
FAS (Travel)	Percentage of Business Reference Model (BRM) agencies migrating to E-Gov Travel.	29.20%	54.17%	75.00%	100%	Not Available	
FAS (Travel)	Percentage of vouchers serviced through E-Gov Travel.	1.0%	6.7%	18.8%	30.7%	Not Available	
FAS (Travel)	FedRooms percentage off consortia rate.	N/A	29%	28%	27%	Not Available	
FAS (Travel)	City Pair Program (CPP) percentage off the lowest published full economy fare.	N/A	N/A	67%	66%	Not Available	
FAS (Transportation)	External customer satisfaction survey.	73.3	78.8	76.0	77.5	Not Available	
FAS (Transportation)	Direct cost as a percent of gross margin.	51.6%	48.0%	41.4%	47.0%	Not Available	
FAS (Transportation)	Freight savings.	N/A	40.0%	25.0%	25.5%	Not Available	
FAS (Transportation)	Household goods savings.	N/A	58.0%	6.0%	6.5%	Not Available	
FAS (Transportation)	Express and Ground Domestic Delivery Services Savings-Federal Strategic Sourcing Initiative (FSSI).	N/A	N/A	62.2%	62.4%	Not Available	
FAS (Transportation Audits)	Percent of audits performed electronically.	94.0%	92.4%	95.9%	97.0%	Not Available	
FAS (Transportation Audits)	Percent of claims processed within 120 days.	69.3%	78.9%	75.0%	77.0%	Not Available	
FAS (Card Services -SmartPay)	Overall customer satisfaction of GSA SmartPay® Program.	N/A	N/A	75.8	65.0	Not Available	
FAS (Card Services -SmartPay)	GSA SmartPay® Conference satisfaction as determined by attendee survey results.	95.0%	91.2%	91.4%	93.5%	Not Available	
FAS (Card Services -SmartPay)	Timeliness of report submission.	N/A	N/A	89.1%	≥90.0%	Not Available	

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PROGRAM	PERFORMANCE MEASURES	FY 2005 TARGET	FY 2006 TARGET	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL	RESULT
BEST VALUE *(continued)*							
OCIO	Number Major/Non major Development, Modernization and Enhancement (DME) projects identified in Enterprise Architecture (EA) Transition Strategy and Sequence Plan.	N/A	N/A	34.2%	30.0%	Not Available	
OCIO	IT service desk responsiveness.	N/A	N/A	96.73%	96.00%	Not Available	
OCIO	IT service desk first call resolution.	N/A	N/A	54.52%	60.00%	Not Available	
OCIO	IT local support resolution.	N/A	N/A	59.11%	85.00%	Not Available	
OCSC	USAContact and Web Solutions Task Orders.	6	14	3 new, total 17	5 new, total 22	Not Available	
OCHCO	Number of days to fill a vacancy.	26.3	30.1	29.0	45.0	32.0	Met
INNOVATION							
PBS (Asset Management)	Percent reduction in energy consumption over the FY 2003 baseline.	-35.3%	-4.4%	-8.3%	-9.0%	-9.7%	Met
OCSC	Citizen touchpoints.	122.7M	133.0M	222.3M	210.8M	213.8M	Met
OCSC	Government-wide Website ACSI Satisfaction benchmark.	72.0	73.7	73.6	74.0	Not Available	
OCSC	Cost per touchpoint (in dollars).	$0.315	$0.315	$0.213	$0.230	Not Available	
OGP	Extent to which OGP policy initiatives achieve improvement targets.	71%	100%	98%	88%	100%	Met
OGP	Percentage of key policy stakeholders and agency users who rate OGP policy initiatives effective.	N/A	54%	70%	60%	79%	Met

Performance Measures

Performance Goals and Measures No Longer Reported

PROGRAM	PERFORMANCE GOALS	PERFORMANCE MEASURES
STEWARDSHIP		
CFO	Increase the percentage of vendor invoices received electronically by Electronic Data Interchange (EDI) or through the Internet.	Percent of invoices received electronically.[1]
OCIO	Obtain a high rating of major IT initiatives by OMB for Enterprise Architecture-FY 2005 Exhibit 300 Submission.	Percent of major IT initiatives by OMB for Enterprise Architecture-FY 2005 Exhibit 300 Submission.[2]
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).[3]
FAS (Long Distance)	Award and effectively manage the Network Service Contracts.	Complete the Networx Transition Planning versus actual.[4]
FAS (Regional Telecommunications)	Provide quality telecommunications services through appropriate consistency in the acquisition management process from pre-award through closeout.	Percentage of task and delivery orders subject to the fair opportunity process.[4] Percentage of schedule task orders solicited using e-Buy.[4]
SUPERIOR WORKPLACES		
PBS (Asset Management)	89% of repairs and alterations (R&A) projects on schedule by FY 2007.	R&A projects on schedule.[5]
PBS (Asset Management)	Maintain the percent of escalations on repairs and alterations (R&A) projects at less than or equal to 1.0% by FY 2007.	Percent of escalations on R&A projects.[5]
BEST VALUE		
FAS (Global Supply)	Achieve timely delivery for all customer orders.	Compliance rate with DoD Time Definite Delivery (TDD) shipment processing standards.[4]
FAS (Long Distance)	Provide robust portfolio of telecommunications services and value added solutions to satisfy diverse customer requirements.	Percentage of solutions reviewed compliant with policy and regulations, internal polices and procedures.[4] Overall customer satisfaction.[4]
FAS (Long Distance)	Provide substantially lower cost service to customer agencies.	Savings provided to customers.[4] Percentage of Network Service prices are below best commercial prices.[4]
FAS (Long Distance)	Award and effectively manage the Network Services contracts.	Complete the Networx Transition Planning versus actual.[4]
FAS (Long Distance)	Improve the financial condition of the Fund.	Total Long Distance program expenses as a percentage of gross margin.[4]
FAS (Professional Services)	Improve performance against business performance metrics, including timeliness, cost-effectiveness, and efficiency to verify best value and effective acquisition management are achieved.	Percentage of negotiated award dates for services and commodities that are met or bettered.[4]
FAS (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.[4] Percentage of schedule task orders solicited using e-Buy.[4]
FAS (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.[4]
FAS (Professional Services)	Improve the financial condition of the program.	Total program expenses as a percentage of gross margin.[4]

(continued on next page)

PROGRAM	PERFORMANCE GOALS	PERFORMANCE MEASURES
BEST VALUE *(continued)*		
FAS (Regional Telecommunications)	Manage acquisitions to ensure industry provides solutions that meet client agencies mission needs.	Percentage of dollar value of eligible service orders awarded with performance based SOWs.[4] Percentage of projects meeting agreed performance according to the Quality Assurance Surveillance Plan (QASP).[4]
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 services and commodities that are met or bettered.[4]
FAS (Regional Telecommunications)	Provide cost management for solutions delivery.	Percentage of solutions that are met at or below initial cost estimates.[4]
FAS (Regional Telecommunications)	Improve the financial condition of the Fund.	Total Regional Telecommunications program expense as a percentage of gross margin.[4]
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.[4]
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 SOWs.[4]
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.[4]
FAS (IT Solutions-National)	Improve the financial condition of the Fund.	Total program expenses as a percentage of gross margin.[4]
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.[4]
FAS (IT Solutions-Regional)	Provide cost management for solutions delivery.	Percentage of solutions that are met at or below initial cost estimates.[4]
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.[4]
FAS (IT Solutions-Regional)	Improve the financial condition of the Fund.	Total program expenses as a percentage of gross margin.[4]
INNOVATION		
OCSC	Enable a citizen-centric government by sharing the FirstGov infrastructure and E-Gov expertise with the President's E-Gov initiatives.	Citizen visits to USA.Gov Web sites.[3] Uptime for FirstGov.[3] Number of search queries through FirstGov and FirstGov search.[3]

[1] The Office of the Chief Financial Officer had minimal control of this measure and its results.
[2] This measure was discontinued because it continuously reflected good EA scores on the 300's, which made this metric no longer useful.
[3] These measures are not aligned with the mission of the program office.
[4] Due to the PART assessment these measures no longer align with the new FAS organization.
[5] Due to the PART assessment these measures did not appropriately measure performance improvement.

MANAGEMENT CHALLENGES

U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

OCT 17 2008

MEMORANDUM FOR JAMES A. WILLIAMS
ACTING ADMINISTRATOR (A)

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: GSA's Major Challenges

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

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

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

Attachment

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

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

October 2008

Acquisition Programs

Management Controls

Information Technology

Federal Buildings Fund

Human Capital

Protection of Federal Facilities and Personnel

Management Challenges

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

OCTOBER 2008

ACQUISITION PROGRAMS

ISSUE: GSA provides Federal agencies with products and services valued in the billions of dollars through various types of contracts it establishes and administers. Among other contracting programs and vehicles, GSA is responsible for the Multiple Award Schedule (MAS) program, a significant number of Multiple Award Contracts, and Government Wide Acquisition Contracts (GWAC). 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 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 at the prenegotiated prices and pay the contractors directly for their purchases. GSA administers approximately 40 schedules that produced an estimated $36 billion in sales in fiscal year (FY) 2007, and the business volume continues to grow.

Our Office is concerned that, with the growth of the MAS program and the broadening of what is included under the program, the importance of certain program fundamentals – including pricing objectives and other pricing tools – has diminished. These fundamentals, which are set 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 reviews 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 contracting officials were 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 a postaward quality review of contracts – a process that has identified deficiencies in contract file documentation – had been developed, the underlying causes of these deficiencies and the actions needed to address them had 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.

As in past years, with the support and endorsement of the Office of Management and Budget (OMB), GSA has provided us additional financial support enabling us to markedly increase the number of preaward contract reviews we perform. A 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. Over the past two years, the OIG has found flaws in approximately 70 percent of the proposals audited that amounted to over $2 billion in proposed contract price reductions and tens of millions in recoveries. We have found that vendors can go to great lengths to conceal their actual selling prices.

In March 2008, former Administrator Lurita Doan commissioned the Multiple Award Schedule Advisory Panel to provide guidance on pricing policies and price reduction clauses. The panel is reviewing the most favored customer provisions, price reduction policies and provisions, and current commercial pricing practices. In July, Congressman Waxman questioned the prudence of continuing with a panel that no official or company outside of GSA expressed a need for and the idea of a panel was not discussed with any other GSA official, according to former Acting Administrator David Bibb. The panel has already approved a recommendation to have GSA eliminate the Price Reduction Clause for MAS contracts and require competition at the task order level. This clause affords the government protection, under certain circumstances, when a contractor offers commercial customers special discounts by allowing the government to obtain similar discounts.

In addition, the broad scope of the Federal Acquisition Regulation (FAR) definition of a commercial item is a management challenge for GSA. Under the current definition, a commercial item is any item and many services “of a type” customarily used by the general public. Thus, the current FAR definition of a commercial item does not require a vendor to have any commercial, competitive sales of a product or service. The MAS Policy operates under the premise that: (1) GSA vendors would routinely sell their commercial products and services to the general public in a competitive open market; (2) this competitive process would establish “market prices” (fair and reasonable prices); and (3) GSA contracting officers could use market prices as a starting point in negotiations to establish a government price that was equal to a like buyer in the private sector.

Based on this expanded definition of a commercial item, it has been 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.

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AGENCY ACTION: There is an on-going 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. Also, there are several initiatives that may have an effect on the program in FY 2009. For example, as previously discussed, the Multiple Award Schedule Advisory Panel, is reviewing pricing issues under the MAS program and is expected to issue recommendations to the Administrator this year. The Federal Acquisition Service (FAS) established a new office to develop and implement consistent acquisition policy and guidance for the MAS program that is currently housed under several different offices within FAS. FAS will use the Lean Six Sigma approach to evaluating its contracting process, emphasizing process efficiency and effectiveness. Further, FAS has contracted with a company to perform a pricing study that was agreed to as part of its Memorandum of Agreement (MOA) with the U.S. Department of Defense (DoD), its largest customer.

GWACs are multiple award contracts for information technology (IT). GWACs are awarded to a limited number of vendors. Once the contract is awarded, solicitations of proposals for task orders are limited to those vendors. One important issue facing GSA in this area are the upcoming audits of the Client Support Centers (CSCs) as required by the National Defense Authorization Act of Fiscal Year 2008 (Public Law 110-181). Prior CSC audits identified improper contracting practices, including instances where CSC officials breached government procurement laws and regulations, and processed procurement transactions totaling more than $100 million through a fund when the goods and services were well outside the fund's legislatively authorized purposes. More recent audits indicated that the Agency has made substantial progress in addressing these issues. If the upcoming audits, to be completed in FY 2010, find that a CSC has not followed government procurement laws and regulations, and agreed-upon policies, DoD's ability to conduct business with the CSC in question will be subject to a written determination from the Under Secretary of Defense for Acquisition, Technology, and Logistics. This written determination must state that it is necessary to the interest of the DoD to procure property and services through GSA during the fiscal year. If no such written determination is made, DoD is limited to procurements with the CSC that are at or below the simplified acquisition threshold.

AGENCY ACTION: In December 2006, DoD and GSA entered into an agreement to outline a series of steps GSA will take to alleviate Defense concerns about interagency contracting. The agreement defines some ambiguous aspects of existing acquisition policy regarding interagency contracting. In addition, it establishes responsibility and clarifies rules applying to acquisitions conducted on DoD's behalf. GSA and DoD procurement officials are still continuing to work on the development of consistent policies and procedures for GSA and DoD interagency contracting.

ISSUE: Other issues affecting these programs include the merger of the Federal Supply Service (FSS) and the Federal Technology Service (FTS) and major contract transitions. On October 6, 2006, the General Services Administration Modernization Act authorized the creation of FAS from the merger of FSS and FTS. Management, tasked with merging two services with diverse cultures and methodologies into one cohesive organization, faced new challenges as it streamlined organizational structures and strengthened GSA's capability to provide excellent acquisition services to customer agencies. While FAS accomplished successes with regard to its development, challenges exist that impact FAS employees and customer agencies, such as managing and maintaining legacy systems; maintaining a strong and dedicated management council; administrative challenges; and assessing the fee structure to ensure that it meets the financial needs of the new organization in the most efficient manner. Further, employees located in FAS regional offices face the challenge of balancing their local responsibilities with their responsibilities to their national reporting organizations.

Card Service Transition: Established in 1998, GSA's SmartPay® is the largest government charge card program in the world, serving over 350 Federal agencies, organizations, and Native American tribal governments. The government relies heavily on charge cards to support its mission delivery. GSA administers the current SmartPay® program that provides cards for Federal entities with a secure, convenient, and efficient payment and procurement tool to purchase goods and services. GSA negotiates master contracts with card-issuing banks on behalf of Federal users, who then negotiate agreements with the banks to specify services and requirements for their card programs. Through these contracts agencies are able to obtain purchase, travel, and fleet charge cards to support mission needs, including office supplies, fuel for government vehicles, and airline and hotel visits for employees on official travel. In FY 2007, Federal entities used cards to purchase more than $27 billion of goods and services which involved more than 90 million transactions.

The current GSA SmartPay® master contracts expire on November 29, 2008, and agencies/organizations cannot extend their current task orders beyond that date. Contracts for the future program, GSA SmartPay® 2 or "SP2" becomes effective November 30, 2008. Transition to the new program includes re-issuance of over three million new cards across 350 organizations in a relatively short period of time. Ten agencies represent approximately 90 percent of the business; however, these agencies are large and complex organizations. GSA will need to diligently work with the agencies to ensure the transition is completed on time.

Networx Transition: The transition of government agencies from the FTS2001 and Crossover contracts to the Networx contracts (Universal and Enterprise) could be the largest telecommunications services transition ever undertaken by the Federal government. It will involve more than 135 agencies, more than 50 services, and thousands of voice and data circuits. The transition will require coordination between agencies, GSA, and a host of telecommunications contractors. Each agency has identified transition managers who will facilitate this coordination and ensure that the transition proceeds as smoothly as possible. The Networx contracts are valued at $68.2 billion divided between Networx Universal and Networx enterprise.

GSA has a long-standing history of providing leading-edge telecommunications services to the Federal government at best value from FTS2000's award in 1988, replaced by FTS2001 in 1998 and 1999, and subsequently the Crossover contracts in 2006 and 2007. In an effort to decrease the immediate transition burden on agencies migrating from the existing FTS2001 contracts, GSA awarded Bridge contracts that provide for continued service beyond the expiration of FTS2001 in 2006 and 2007. The Bridge/Crossover contracts expire in May and June 2010.

AGENCY ACTIONS: Since the establishment of FAS, management has taken steps to build an organization that will meet its needs and goals to provide products and services

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to customer agencies. Some of its accomplishments include integrating its technological assets for uniformity; implementing various process improvement initiatives, as Lean Six Sigma, new performance measures, and the FAS Management Council; assessing geographical locations in the Washington, DC area; and managing a new financial fund. Further, FAS has made progress toward achieving both its human capital and administrative goals. Management has developed a five-year Human Capital Strategic Plan, reduced its full-time staff by nearly 13 percent, and is working to implement an employee recognition program. Finally, FAS has developed a Strategic Business Plan for the entire organization.

Additionally, in addressing controls over the upcoming transition to the new SmartPay® 2 program, GSA is focusing on improvements in the following areas based on customer feedback: new products and services; enhanced customer service; security of systems and data; enhanced data capture; improved ability to analyze data and produce information; and tax reclamation.

GSA worked with the Interagency Management Council, a body representing the customers of FAS, to identify lessons learned for the new transition to Networx, in particular, the need for GSA and agencies to determine the funding for transition early to ensure that resources are available. Of the 27 improvements identified for FTS2001, corrective actions for planning, executing, and monitoring are being developed to ensure that the Networx transition takes place in a straightforward manner. The need to bring and unite all agencies on board for this transition is critical. GSA issued a Transition Strategy and Management Plan in April that highlights the issues and approach to the transition.

MANAGEMENT CONTROLS

<u>ISSUE</u>: As multiple management controls are replaced with fewer and broader controls, it has become increasingly essential that the remaining controls be emphasized and consistently followed. The matter of weak internal controls in business practices will impact GSA's credibility to its customers, and underlies several of the other management challenges discussed elsewhere in this document. We have also found that inconsistencies among operating groups could potentially impact customer satisfaction.

<u>Budgetary Accounting</u>: During the FY 2007 audit, the Independent Public Accountant (IPA) noted that tangible progress had been made by management to address the Public Buildings Service (PBS) budgetary control weaknesses. However, PBS budgetary control weaknesses continue to exist. These control weaknesses relate to the design and operating effectiveness of management's controls. During their testing of internal controls, the IPA noted that the design of the mitigating control over obligations is not extensive enough to ensure that all material populations of transactions are addressed. As a result, reliance cannot be placed upon the validity and completeness of the recorded obligations to determine the timely removal of liquidated obligations and accurate classification between undelivered orders and accounts payable at year-end. Due to inadequate controls over the management of obligations, management performed statistical sampling procedures on the records supporting the unfilled customer order

(UFCO), undelivered order (UDO), and delivered order balances; as a consequence, adjustments were made.

AGENCY ACTIONS: In response to the control weaknesses reported by GSA's IPA, PBS management implemented nationwide training in February 2008 on the process to verify documents for UDO and UFCO with Pegasys (GSA's accounting system) balances. PBS also established Reimbursement program presences in all regional offices, and provided additional training in Level 1 Reimbursable Work Authorizations.

In continuing efforts to address its control weaknesses, PBS performed frequent reviews and validation of budgetary balances, such as:

- Semi-annual review of budgetary balances as of November 2008 (UDO & UFCO).
- Additional reviews of UDO balances of $50,000 or more not reviewed during the first round of reviews completed in March.
- Additional reviews of UFCO balances of $25,000 or more not reviewed during the first round of reviews completed in March.
- Performed a statistical sample over budgetary account balances as of March 31.
- Performed a statistical sample over budgetary account balances as of July 31.
- Develop a high-risk report of UDOs and UFCOs.

<u>The Reimbursable Work Authorization (RWA)</u>: The RWA process allows customer agencies to obtain repairs and alterations of government owned or leased space on a reimbursable basis through the PBS. RWAs are established to capture and bill the costs of altering, repairing, renovating or providing services in space managed by GSA, over and above the basic operations financed through rent, and in other properties managed by the Federal community. A properly executed RWA provides written documentation to ensure there is a formal agreement between the customer and PBS. The RWA must include a clear, concise statement identifying the requesting agency's specific need and clearly establishing the financial arrangements between the requesting agency and PBS.

The Office of Audits performed a study of PBS's RWA activities and found multiple issues. In many cases, the RWAs did not have a documented scope of work or the underlying estimate for the work when PBS accepted the RWA. The lack of scope and estimates raises concerns about the bona fide need of the client, as in some cases the RWA funding was used for customer work outside of the scope originally cited in the RWA or work was performed well after the receipt of the RWA, sometimes in the next fiscal year. In addition, RWAs were sometimes left open after the work was completed and the funding used for other projects. Also, PBS did not always follow the appropriate procurement regulations when contracting for the repairs and alterations.

Further, RWA policies were unclear regarding whether work needed authorization from Congress when the costs are expected to be above the prospectus threshold. Additionally, in some cases project costs were allocated to the wrong building or were allocated inconsistently. Finally, for RWAs in leased space, often a single person was responsible for all aspects of the RWA rather than having the duties segregated to ensure proper internal controls.

AGENCY ACTIONS: PBS recognized that RWA management is a problem area affecting its financial controls and relationships with clients, and in recent years has been undertaking significant initiatives to improve RWA performance. In May 2005, PBS issued

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a RWA National Policy Document to consolidate pre-existing RWA policy and guidance, ensure a standardized RWA process from initiation to closure, and serve as the primary resource for PBS staff for guidance on RWA policy. In July 2006, PBS created a national RWA project management team (National Team) to review and assess the RWA program. The National Team issued a draft report in January 2007 that made recommendations for improving (1) standardized policy interpretation, (2) financial management and reporting, (3) the project management process, (4) RWA management and training and (5) ownership over the RWA.

<u>Alliant Contracts</u>: The Alliant contracts encountered difficulties when a recent protest by unsuccessful offerors sought review of the award process. In 2006, FAS issued solicitations to provide Federal agencies with a broad range of IT solutions to replace the Millennia contracts. The value of the contracts is $50 billion over a 10-year term with another $15 billion for Alliant Small Business contracts. As part of the award process, vendors submitting proposals for the Alliant and Alliant Small Business contracts were subject to a past performance evaluation. FAS awarded a Past Performance Support task order to a contractor to obtain past performance information to be used in past performance evaluations. The U.S. Court of Federal Claims concluded in March 2008 that the Agency failed to take adequate steps to ensure past performance information it received from the contractor was relevant to the evaluation factors, and also failed to ensure that information obtained from the contractor was accurate. Additionally, the Court concluded that GSA failed to account for price and to make appropriate tradeoff decisions. These insufficiencies obliged the court to set aside the award in question and required FAS to reevaluate all of Alliant proposals. Given the Court's conclusion and the reevaluation of proposals, the OIG initiated a review of the Past Performance Support contract to determine to what extent FAS followed applicable laws, regulations, and guidance in the award and administration of the task order. The review identified that FAS did not always adhere to relevant policies and procedures during award and administration.

<u>**AGENCY ACTIONS**</u>: The Agency is re-evaluating the proposals for both Alliant and Alliant Small Business and anticipates award before the end of the calendar year in response to the Court's decision. In relation to the findings regarding the insufficiencies in award and administration of the Calyptus Past Performance Support task order, FAS's Integrated Technology Services (ITS) is instituting a Contract Review Board to provide management oversight to the pre and post award contracting activities of all task orders within the portfolio. Additionally, ITS has shifted all internal ITS contract administration activities to a full-time Contracting Officer Representative to mitigate the risk of improper contract administration.

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

Managers need to consider the impact of bad data since poor data quality affects all reporting, including to Congress and the public. Inaccurate, incomplete, and untimely information can result in bad decision-making. There is a temptation to dismiss the data quality problem as consisting of only a series of anecdotes, but the anecdotes are far too numerous. There are frequent examples of data problems.

In FY 2006 and 2007, PBS was challenged with the data integrity of its rental rates. According to PBS's pricing policy, the rental rates for GSA-owned buildings should be based on independent appraisals of the buildings. However, OIG and PBS reviews indicated problems with courthouse appraisals; GSA personnel were extensively modifying some appraisals and, as a result, rental rates were being questioned. Due to these and other issues, PBS is putting controls in place to ensure the data integrity of appraisals as well as for lease and other building information.

Our concern is that GSA needs to create an awareness of the problem and its impact, which is the first step toward the resolution of a problem. Data quality cannot be improved unless the poor data problem is first recognized.

INFORMATION TECHNOLOGY

ISSUE: Support for GSA missions and programs requires improved planning, development, and implementation of IT systems. GSA management faces challenges in ensuring that structured system development methods and disciplined processes for selecting, monitoring, and evaluating IT investments are followed. GSA systems commonly experience development schedule delays and cost overruns; need frequent redesign; do not satisfactorily meet user requirements; and often times do not fully integrate with the Agency's complex legacy systems. The Agency's IT governance structure and related processes have not ensured the efficient allocation of resources to those systems that most align to strategic business goals or in flagging potential system problems prior to expenditure of significant resources. These issues have led to increasing costs for operating and maintaining the Agency's legacy IT environment.

GSA's IT portfolio has an annual budget of approximately $557 million, 85 percent of which is for maintenance and operations of existing information systems at current performance levels. The remainder is allocated to new investments or changes/modifications to existing systems. Challenges in reengineering business processes across the Agency have led to multiple, duplicative systems that are costly to maintain and operate. Many GSA IT projects attempt to minimize development cost and deployment schedules through implementation of existing commercial-off-the-shelf (COTS) software packages. The majority of COTS packages, however, require modifications to meet GSA's requirements and integrate with existing legacy systems and business processes.

GSA faces challenges in implementing its enterprise architecture to modernize legacy systems and meet customer needs. Performance metrics and a governance model to outline and communicate the responsibilities of enterprise architecture stakeholders are key activities in ensuring much needed buy-in of Agency Services/Staff Offices/Regions. The Agency also must ensure that GSA's strategic goals are integrated within the enterprise architecture, and demonstrate the viability of the approach to assist with systems planning and implementation.

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AGENCY ACTIONS: The GSA Office of the Chief Information Officer (OCIO) is in the process of updating its strategic assessment of IT in GSA through development of a revised IT Strategic Plan for years 2009 – 2013. As part of this effort, GSA has identified strategic goals and objectives related to standardizing business processes agency-wide, improving the quality of information to support decision-making, and enhancing GSA's IT governance process. Specific initiatives that the GSA-OCIO has identified to achieve these goals and objectives include development and implementation of enterprise-wide service oriented architecture, implementation and maintenance of standards for system interoperability to improve the quality of information, and improving customer and stakeholder clarity in the IT decision-making process. Challenges for successful implementation of GSA's IT Strategic plan include development of (1) policies and procedures to promote business process standardization and information sharing, (2) a unified understanding and application of enterprise architecture to align IT with strategic goals, and (3) decision-making models to facilitate the development of integrated systems and minimize duplicative system functionality.

ISSUE: Implementing a risk-based IT security program requires extensive coordination, collaboration, and accountability to ensure success.

Part of the long-term challenge for GSA leadership is to improved processes and controls to address evolving IT security risks and requirements established by the Federal Information Security Management Act (FISMA). Ensuring that system security officials comprehensively evaluate risks, and implement necessary controls for agency IT systems through the agency's certification and accreditation process remains a key challenge for GSA's IT Security Program. Further, programmatic improvements are needed to ensure the integration of critical information security activities into the systems development processes. This would help to reduce costly security enhancements/modifications that need to be made to GSA systems to address security control weaknesses once implementation has occurred.

AGENCY ACTIONS: GSA's management efforts to address IT security issues with the Business Systems Council, Information Technology Council (ITC), and the Information Technology Architecture Planning Committee, have successfully raised awareness levels, but require continued senior management support and individual accountability if they are to succeed. The importance of Agency efforts to secure data and systems is also evident from the increasing allocations of limited IT resources to system security. FY 2008 system security costs of approximately $43 million represent 7.8 percent of GSA's $557 million IT budget.

Coordination, collaboration, and accountability across the agency is needed to address high priority risk areas related to (1) access controls, (2) oversight of contractor supported systems, and (3) controls for sensitive data. For example, the GSA Privacy Act Program is managed by the Chief Human Capital Officer (CHCO) who is responsible for ensuring that GSA fulfills the requirements of the Privacy Act of 1974. Because the Chief Information Officer (CIO) manages the GSA IT Security program, the CIO shares responsibility with the CHCO for protecting sensitive information, including Personally Identifiable Information (PII). Other types of sensitive information include credit card numbers, building specifications/drawings, and security documentation. Significant weaknesses in access controls for GSA systems has put at risk sensitive information, including PII, and system transactions. Agency oversight of security for contractor provided systems/solutions remains a high-risk area as GSA implements e-government solutions and relies on contractors for various phases of systems development, operations, and maintenance. Development and implementation of adequate management, operational, and technical controls to (1) prevent the loss of, or unauthorized access to, sensitive data, (2) detect unauthorized disclosures or IT security breaches, and (3) recover or restore systems and data remains a significant challenge for GSA's Privacy and Information Technology Security Programs.

AGENCY ACTIONS: To strengthen access controls across the Agency, the ITC formed an Identity and Access Management Working Group (IDAMWG), comprised of representatives from various GSA Services and Staff Offices. The IDAMWG is tasked with analyzing various approaches to help standardize access controls across GSA and for developing a business case with proposed solutions by March 2009. The GSA-OCIO is also leading a pilot project for two-factor authentication for network access using the Homeland Security Presidential Directive 12 (HSPD-12) smartcards. Challenges associated with utilizing HSPD-12 smartcards for two-factor authentication to information systems includes development of an integrated infrastructure, including card readers, to support HSPD-12 goals, and the modification of Agency systems to utilize HSPD-12 credentials.

ISSUE: Agency-wide IT infrastructure support services initiative is depending on successful implementation of best practices. With the GSA Information Technology Global Operations (GITGO) initiative, the agency has undertaken an ambitious project to consolidate IT infrastructure support services, such as desktop computing, networking, and messaging, with a $200 million contract award to a small business firm. The overall goal of this IT infrastructure support consolidation approach is to provide an opportunity for GSA to improve the cost effectiveness, security and reliability of its IT infrastructure. Among other things, the GITGO initiative entails (1) combination of 40 disparate IT support contracts into one consolidated contract, (2) alignment of IT functions performed by various GSA Staff Offices/Regions within the OCIO, and (3) establishment of a consolidated helpdesk for all IT infrastructure issues.

AGENCY ACTIONS: Under the GITGO initiative, the GSA-OCIO has established a centralized IT Service Desk, to serve as a single point of contact for IT related issues across GSA, and has established goals to adopt certain best practices for IT service management stipulated in the Information Technology Infrastructure Library (ITIL). Further, outreach activities have been initiated by the GSA-OCIO to communicate planned benefits with GITGO and obtain feedback from the user community on experiences to date.

An initiative of this magnitude will impact GSA's IT infrastructure operations for years to come. As part of GITGO, GSA must address:

- Oversight of prime and subcontractor performance;
- Key roles and responsibilities for IT infrastructure support, including system administration and IT security functions;
- Development of performance goals and measures to assess customer satisfaction and realization of cost savings;

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- Alignment of GITGO to evolving requirements for OMB's IT Infrastructure Optimization Initiative Line of Business;
- Adequacy of general and application controls including security and privacy controls to manage operations with GITGO; and
- Delivery of requirements for sub-tasks, including Program Management, Client Management, Helpdesk Support, Local Support, and Network Operations.

Realization of expected benefits for GITGO requires that GSA successfully address each of these challenges and implement newly adopted best practices related to IT configuration and change management, capacity management and service continuity, service level agreement management, and incident management and problem resolution.

FEDERAL BUILDINGS FUND

ISSUE: GSA's Public Buildings Service (PBS) is one of the largest real property organizations in the world. Its building inventory consists of over 8,600 assets, mostly general-purpose office space in Federal buildings and leases, with 352 million square feet of rentable space and housing over a million Federal employees. Over the past 40 years, the majority of the growth in PBS's inventory has been through leasing. From 1967 to 2007, the leased inventory increased from 46.4 million square feet to 175.5 million, while the owned inventory has grown from 155.5 million square feet to 176.4 million square feet.

PBS funds its real property operations through the Federal Buildings Fund (FBF). The FBF is similar to a revolving fund in that rents collected by PBS are deposited into the fund. In addition to the funding provided from rental income, Congress may appropriate funding to the FBF as it deems necessary. Those funds are then used to not only make lease payments and operate government-owned buildings, but also for investment in the capital program to repair and modernize facilities and construct new buildings in support of customer agency missions. However, as part of the annual appropriation process, limits are placed on how much of the fund can be used in a given fiscal year and how much can be used to support the major real property functions. This includes approval of the capital program's major new construction and major repair and alteration projects as well as the funds needed for these projects.

By law, rent prices are required to approximate commercial rates for comparable space and services. As such, PBS usually prices government-owned space based on an appraisal of comparable properties that sets a market comparable rent rate for a five-year period. Leased space is generally priced to customer agencies as a pass-through of the underlying PBS lease contract rent, plus a PBS fee and security charges. Each space assignment in PBS-controlled space has an occupancy agreement between PBS and the customer agency, stating the financial terms and the conditions for occupancy.

Although PBS has substantial growth in its leased inventory, it requires funding for its capital program of major new construction and repair and alteration projects. To meet the Federal government needs, PBS needs funding to construct new courthouses, border stations, and Federal buildings. It also needs funding to repair and modernize buildings that are currently owned and operated. The buildings in PBS' owned portfolio have an average age of 45 years and require approximately $7.4 billion in reinvestment for repairs and alterations.

However, funding for capital projects has been decreasing. In FY 2006, the funding for the capital program included $792 million for major new construction, $861 million for major repairs and alterations, $435 million for basic repairs and alterations, and $22 million for the design program. In FY 2008, the funding has dropped to $531 million for major new construction, $403 million for major repairs and alterations, $319 million for basic repairs and alterations, and $0 for the design program. This funding decrease is exacerbated by increasing construction costs, which leads to fewer projects at the same funding level.

In recent history, the capital program has been subject to cost escalations in excess of the approved funding on its major new construction and major repair and alteration projects. GSA has the authority to fund cost escalations up to 10 percent of the approved funds using savings from past projects without seeking Congressional approval. If the cost escalation is greater than 10 percent, Congressional approval is needed. However, due to recent cost escalations, the cost savings available to fund cost escalations has been depleted.

PBS is now heavily reliant on its operations to replenish the FBF and provide funds for the capital program. However, its net income has been falling. In FY 2005, PBS's net income was $974 million, but that fell to $558 million in FY 2007. Likewise, PBS's primary measure for tracking the incoming funds from operations known as Funds from Operations (FFO), which is essentially net income before depreciation is deducted (or total revenue less all expenses except depreciation) has also dropped. PBS's FFO peaked in FY 2005 at $1.762 billion and dropped to $1.643 billion in FY 2007. PBS' net income and FFO have been falling due to a combination of factors. Net income from government-owned buildings has been impacted by cost increases in all aspects of business – construction as well as building operations, maintenance, and utilities – combined with a lack of growth in revenues. In addition, net income has also been impacted by PBS's leasing operations, which lost money in FY 2007.

PBS's revenue will likely be under pressure in the future. PBS cannot arbitrarily raise rents for owned space to increase revenue as rents are based on market appraisals and leases are supposed to be priced so that they are revenue neutral – incurring neither a profit nor a loss. Additionally, several recent policy changes actually work to decrease PBS's revenue. Starting in FY 2008, PBS's leasing revenue will be affected by the reduction of its leasing fee from eight percent to seven percent (from six to five percent for non-cancelable leases). Starting in FY 2009, PBS's revenue may also be affected by its new MOA with the U.S. Courts. According to the MOA, a new pricing methodology based on return on investment will be implemented for some government-owned properties in FY 2009 as well as for some buildings that are built in the future. Although this may be more beneficial than using market pricing for new buildings that are brought on line in the future, this change will most likely reduce revenue for current properties that switch to this methodology. Finally, PBS's revenue is also affected by construction project delays as expected revenue from the buildings is postponed until construction is complete and the buildings are occupied.

In addition, PBS costs are difficult to cut. PBS cannot cut back on building operations as it would impact the mission of customer agencies. In addition, PBS has limited ability to

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reduce building operations costs such as cleaning, and operations and maintenance on an ad hoc basis as most of these functions are now performed using contracts. Currently, utility costs have been rising nationwide and usage is difficult to cut without additional investment in more energy efficient systems.

The financial strain on the FBF is a major management challenge. The capital reinvestment needs of PBS's government–owned buildings have been growing. Without the necessary funding for reinvestment, buildings will continue to deteriorate and as a result, rent prices may also be lower as the building conditions are reflected in the rent appraisals leading to even lower revenue. Using leasing as a long-term solution may not be feasible as lease operations are only expected to break even and have recently been losing money.

AGENCY ACTIONS: To address this challenge, PBS is taking action in several different ways. In the short term, PBS has requested $525 million in new appropriations in its FY 2009 budget request. These funds are needed to ensure PBS capital program stays on plan in the near term. PBS also requested $4.2 million to fund the Building Performance Improvement Program to provide a comprehensive review of all aspects of physical performance and tenant satisfaction resulting in an estimated five percent reduction in energy consumption. In the long term, PBS has implemented a portfolio strategy to maximize income-producing properties and identify underperforming assets. PBS has also adjusted its priorities to address these issues.

In 2003, PBS began implementing 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 been implemented 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 review, each asset is categorized as either performing, under-performing, or non-performing. GSA consults with affected agencies on appropriate resolution strategies for each troubled asset. GSA has briefed congressional subcommittees with jurisdiction over GSA, and they are supportive of this effort, as are OMB and GAO. Since FY 2002, PBS has reported 271 assets as excess.

In FY 2007, the PBS Commissioner also identified PBS's priority areas, several of which affect the capital program. His priorities include improving PBS's real property capital project planning and delivery. To achieve this, PBS is developing project monitoring and mitigation tracking tools, and establishing national program standards for ownership of project data accuracy. PBS is also executing a national training strategy and action plan for project managers, as well as developing future leadership in the Office of Chief Architect. The primary goal of these efforts is to deliver projects on time, on budget and within scope.

PBS's priorities also include exploring ways to leverage funding of real property capital projects to help offset the growing burden of capital funds. PBS is examining increased investment in real property through the use of alternative financing options as an opportunity to support further investment and reinvestment in its portfolio. To do this, PBS is sought to use authorities identified under Section 412 of the FY 2005 appropriation law. Under this authority, PBS was given the authority to not only deposit proceeds from the disposal of GSA owned property into the FBF, but also the ability to out-lease GSA owned property and then lease it back. With these authorities, PBS would out-lease properties in need of reinvestment to an entity that would perform the needed repairs and alterations and then leaseback the renovated property from that entity. Thus the reinvestment costs will be financed through a lease arrangement rather than being funded directly through the FBF. Further, under proposed legislation, GSA would be permitted to use the proceeds from the sale of excess or surplus property for activities related to Federal real property asset management and disposal.

HUMAN CAPITAL

ISSUE: Since 1998, the OIG has consistently cited human capital management as one of the major management challenges facing GSA resulting from a loss of both knowledge and critical skills. GAO added this issue in 2001 to its high-risk series of issues facing Federal agencies, and it continues as an issue on the March 2008 list. Strategic human capital planning and organizational alignment, leadership continuity and succession planning, recruitment and retention of staff with the right skills, and results-oriented organizational cultures were identified as key areas needing attention.

GSA has undergone a major transformation in its workforce resulting from the merger of FSS and FTS into FAS. In 1999, the workforce was approximately 14,000 and today it is around 12,000. As with many Federal agencies, a large portion of the staff has reached or is nearing retirement age. Hard-to-fill positions and retention issues continue to be human capital concerns. Coupled with the FAS reorganization and the ripple effect of changes related to Assisted Acquisition Services reassignments, many staff find themselves in unfamiliar positions and uncertain as to their reporting role in the organization.

There are three major human challenges facing GSA: succession management strategies to mitigate the risk of projected retirements of the leadership cadre; addressing the mission critical gaps in numbers and capability; and optimization of the organizational structures of GSA services. GSA retirement projections emphasize the need for succession planning and leadership development. Approximately 40 percent of the current Senior Executive Service workforce will be eligible to retire in five years. Increasing leadership attrition rates and forecasted future losses cause concerns about the adequacy of GSA’s leadership replenishment and retention strategies. In addition to change management, other changes impact supervisory expectations and competencies, as managing contractor outcomes, flexible work arrangements, increased focus on performance management, increased communication demands, and project management skills are newer competency needs and challenges.

As the Federal government's leading acquisition agency, GSA continues to strengthen its acquisition workforce by leveraging various recruitment and retention tools. The need for a highly qualified acquisition workforce continues and GSA recognizes the challenge of having to continuously improve its competitive edge among other Federal agencies. A

Management Challenges

critical element in succession planning recognizes that GSA is experiencing an increased supervisory (GS-14/GS-15) attrition rate. More than 36 percent of the current supervisory workforce will be eligible for optional retirement within three years or before FY 2010. The overall impact and health of GSA's leadership talent pool must be fully considered. Not only are GSA's leadership positions filled predominately by internal nonsupervisory GS 13-15's, but that group (nonsupervisory, GS 13-15) also suffers its own attrition losses

With government procurement as GSA's primary mission and the act of issuing contracts "an inherent government responsibility," we foresee a continuing need for competent contracting officers. There is a question as to whether GSA has enough qualified trained contracting officers with the knowledge, education, and negotiating skills to deal with the complex MAS contracts in place, especially service contracts pricing. Although staffing has recently increased to some extent, FAS noted in its October 2006 Business Plan for the Schedules program that hiring experienced contracting personnel remains a challenge as the number of offers and modifications continue to increase. Further, a fairly high percentage of FAS personnel are eligible for retirement within the next five years.

A related challenge is that many contracting officers currently have responsibility for over 100 contracts, many of which are in the services area. Some contracts, especially in the computer equipment and supplies area, require substantial effort to administer due to constant changes to products and prices that have to be added or deleted to the contract via contract modifications, which for some contracts number in the hundreds. Last year we identified that FAS could facilitate workload distribution by improving the quality and accuracy of data used to manage MAS work, and could further adopt a more strategic approach in managing the Schedules program. Further, FAS could improve consistency and effectiveness in achieving best value for customer agencies and taxpayers by improving guidance for contracting personnel and enhancing performance measures related to increased emphasis on costs.

AGENCY ACTIONS: GSA has moved out on several fronts to meet identified human capital challenges, continuing to implement strategies and programs to mitigate the risk of projected retirements of the leadership cadre. The Agency completed an agency-level workforce analysis in FY 2006 that has assisted management in making informed human capital decisions. Identified mission critical occupations are particularly emphasized in recruitment and retention strategies. During FY 2007, over 87 percent of GSA's supervisory vacancies were filled with internal GSA employees prompting GSA to launch a mentoring program to foster future leadership and compliment its succession planning. The mentoring program pairs talented, experienced employees (mentors) with employees (protégés) who need to enhance their leadership and other business skills.

The Office of the Chief Human Capital Officer (OCHCO) selectively uses human resource flexibilities to compete for employees in the mission-critical occupations, as acquisition/contracting, realty, finance, and information technology. It has developed recruitment, relocation, and retention strategies with the help of the U.S. Office of Personnel Management (OPM) and employee focus groups, and uses the compelling job offer technique to convince potential employees of the importance of the position. In OPM's FY 2006 Federal Human Capital Survey, employees ranked GSA among the top 10 Federal workplaces in three of four broad categories.

GSA has a number of initiatives regarding employee orientation, engaging existing employees, and developing leaders within GSA, along with a commitment to provide a workplace and work environment to meet current and future needs of its employees. New employees are provided the opportunity to attend an intensive introduction to the Agency and orientation to the individual's specific organization. As part of its human capital strategy, and to address planning needs, the OCHCO 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. Also, OCHCO has begun an initiative to review compensation management, benefits management and personnel action processing. Additionally, GSA has implemented a Telework Program as an innovative family-friendly workplace solution, and provided security and safety measures for emergency preparedness through its Continuity of Operations Plan. Management recently raised its goal for regular telework (one day per week) from 20 to 30 percent by the end of 2008.

In response to the review of the MAS program's contract workload management recommendations, GSA has completed action on a majority of the action plan steps for more effectively managing contract actions in the Schedule program. Remaining recently changed actions still awaiting completion pertain to the MAS Advisory Panel's recommendations on guidance related to price analysis and price negotiations.

PROTECTION OF FEDERAL FACILITIES AND PERSONNEL

ISSUE: Providing a safe, healthful, and secure environment for over one million workers and visitors to approximately 8,600 owned and leased Federal facilities nationwide is a major multifaceted responsibility of GSA. Increased risks from terrorism have greatly expanded the range of vulnerabilities traditionally faced by building operations personnel. In March 2003, the Federal Protective Service (FPS) was transferred from GSA to the U.S. 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 MOA for obtaining services, such as basic security for buildings, contract guards, law enforcement, background suitability determinations for contractors (including Child Care), pre-lease security checks, occupant emergency plan support, and continuity of operations plan activation support. Ensuring that Federal employees have a secure work environment and that building assets are adequately safeguarded must remain a primary consideration for GSA.

One concern relates to the future funding for upgrades and replacement of the security countermeasure equipment initially authorized directly by Congress. As equipment ages and technology advances, the cost to maintain the security of GSA's buildings could significantly impact availability of funds for other building needs, and could result in higher rent costs to tenants resulting from upgraded security. Under the existing MOA, security fixtures and mandatory security equipment countermeasures valued above the prospectus-level, or installed in prospectus-level projects, are 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. With the exception of prospectus-level equipment or projects, security equipment determined by FPS to be a mandatory countermeasure is supposed to be funded by DHS or tenant agencies through Security Work Authorizations, on a prioritized, funds-available

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basis. However, FPS has been experiencing major funding shortfalls and is reevaluating its structure and mission, which could affect the services it provides to GSA. In fact, an ongoing GAO review has noted that FPS is experiencing difficulties in fully meeting its facility protection mission due to staffing and operational issues.

PBS has been an active participant in several Interagency Security Committee (ISC) working groups which have been addressing significant areas such as revised standards for facility security level determinations and baseline standards for existing facilities. The new MOA to be negotiated during FY 2009 will have to take into account ISC security standards, security equipment maintenance and the impact of FPS' policy change to transition to an inspector based workforce. In view of the many issues facing PBS, we are concerned about the level of security under the MOA and will be monitoring the situation closely.

Additionally, GSA did not complete the next phase of HSPD-12 implementation by OMB's original milestone date of October 27, 2007, due to the late award of a Managed Service Office (MSO) contractor and the limited Personal Identity Verification (PIV) card production capability of that contractor. By this date, all contractors and employees with 15 years or less of service were required to be issued PIV II compliant cards. Instead, GSA is focused on issuing the cards to all employees and contractors by October 27, 2008. In addition to issues with the MSO contractor, GSA is faced with other obstacles affecting its ability to implement HSPD-12. One issue is the absence of a centralized database capturing GSA-wide contractor information with access to GSA systems. This makes it difficult to identify those contractors who do not have completed background investigations.

AGENCY ACTIONS: Effective June 1, 2006, GSA and FPS entered into a new, more comprehensive, MOA that clearly addresses the roles, responsibilities, and operational relationships between FPS and GSA concerning the security of GSA-controlled space. FPS continues to provide law enforcement services, conduct Building Security Assessments, and identify security countermeasures that can be implemented to reduce vulnerabilities and potential threats to Federal facilities. Building specific security measures include contract guards, security equipment, and security fixtures. Further, GSA has formed a Building Security and Policy Division within the PBS, including a Regional Security Network, while taking an active role on Interagency Security Committee working groups.

While it has experienced some setbacks, GSA is moving forward to adopt a credential as part of the Federal government's implementation of HSPD-12, which mandates a common identification standard for Federal employees and contractors. The credential, with an embedded smart chip, will identify each employee visually and electronically for both identification and physical access purposes. GSA has met OMB's first two deadlines requiring issuance of operating procedures by October 27, 2005, and the production of a PIV II compliant card by October 27, 2006. GSA is also continuing to move forward in such aspects of HSPD-12 implementation as processing employee and contractor background investigations, developing plans for logical and physical access, and updating its general HSPD-12 policies.

November 5, 2008

MEMORANDUM FOR BRIAN D. MILLER
INSPECTOR GENERAL (J)

FROM: JAMES A. WILLIAMS
ACTING ADMINISTRATOR (A)

SUBJECT: INSPECTOR GENERAL'S ASSESSMENT OF THE GENERAL SERVICES ADMINISTRATION'S MAJOR CHALLENGES

Thank you for providing me with the opportunity to review your assessment of the major challenges currently facing the U.S. General Services Administration (GSA) and the Agency's progress in addressing those specific challenges. We have continued to direct efforts toward the six management challenges the Office of Inspector General (OIG) believes are facing GSA today: Acquisition Programs, Management Controls, Information Technology (IT), Federal Buildings Fund (FBF), Human Capital, and Protection of Federal Facilities and Personnel. The attachment highlights and provides information and clarification on several items covered in the Inspector General's (IG) Updated Assessment.

As you observe, GSA has acknowledged these challenges and is implementing a broad range of measures to address these challenges, including renegotiating our Memorandum of Agreement with the U.S. Department of Homeland Security's (DHS) Federal Protective Service for the protection of Federal facilities and personnel; through policy and oversight requiring agencies to move toward firm fixed price orders in our Multiple Award Schedule (MAS) program wherever possible; and continuing to focus on pricing objectives, pricing tools, and management controls in the MAS program. GSA is acutely aware of the Human Capital management challenge. This is an issue that is government-wide and not unique to GSA. While we are confident that all of the measures we have undertaken to address the full range of management challenges cited are appropriate, we are continually measuring our progress. Your audits and reviews provide useful information and insights as we move forward.

As in the past, GSA management has been responsive in implementing appropriate OIG recommendations. GSA recognizes that the OIG can provide invaluable assistance to GSA management in our stewardship of taxpayer resources.

I look forward to continuing to work with the OIG to minimize, if not eliminate, waste, fraud, and abuse and promote greater government effectiveness and efficiency.

Attachment

Management Challenges

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

Acquisition Programs

The MAS program encourages, and in many cases requires, a statement of work and additional price competition at the task order level. The assessment implies that there is significant growth in the program whereas there is a controlled and modest increase in sales. There has not been a substantial "broadening" of the program. The program continues to focus on pricing objectives, pricing tools, audits, and management control of the direction of the program.

The assessment describes the MAS program contract award process and ordering procedures and does not accurately summarize the program as is currently set forth in Federal Acquisition Regulation (FAR) Subpart 8.4. Under the MAS program, indefinite-delivery contracts are awarded in order to provide Federal agencies with the ability to obtain supplies and services at stated prices for given periods of time (FAR 8.402(a)). Pursuant to the applicable ordering procedures, Federal agencies issue orders off the schedule contracts and pay the contractors directly for their purchases.

The use of the phrase "mandate for most-favored customer (MFC) pricing" is incorrect. GSA Manual (GSAM) 538.70 sets forth a "goal" for obtaining MFC pricing during contract negotiation and not a "mandate."

The MAS Advisory Panel has not formally submitted its recommendations to the GSA Acting Administrator. Therefore, it is premature to discuss any of the panel's potential recommendations, including any related to the Price Reduction clause.

It is important to note that the definition of "commercial item" is statutorily based—see 41 U.S.C. 403(12). Further, the assessment gives only a partial definition of commercial item, emphasizing only "of a type customarily used by the general public" in making the point that a vendor is not required to have commercial, competitive sales. The item/service need only be commercial in nature (but may have minor modifications for government requirements).

The statement that preaward reviews are the main tool by which a contracting officer can be assured that a vendor's pricing is appropriate is misleading. The preaward reviews are just one tool, yet valuable, that can be utilized by the contracting officer. GSA contracting officers rely on market research, existing pricing on schedule contracts, their judgment, and other pricing tools in making a determination that the prices are fair and reasonable.

The OIG's assertion that over the past two years they have found flaws in approximately 70 percent of the proposals audited which amounted to over $2 billion in proposed contract price reductions and tens of millions of dollars in recoveries is unsubstantiated. The OIG states that vendors can go to great lengths to conceal their actual selling prices. We assume these statements relate to initial proposals rather than the contract prices or actual customer task order pricing. In addition, we question the basis of the $2 billion in proposed contract price reductions. The statement that vendors can go to great lengths to conceal their actual selling prices is unsupported.

In response to the statement, "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," our MAS contracts have provisions for both firm fixed price and time and material orders. Increasingly, policy and oversight entities have been requiring agencies to move toward firm fixed price orders whenever possible. We have not seen comparative studies identifying qualitative differences between government and commercial markets concerning similar task orders.

The assessment of the Government Wide Acquisition Contracts (GWAC) program is difficult to follow. It discusses GWACs and then discusses the long completed Client Support Centers audits, which really are not directly related to GWACs. The discussion has little, if anything, to do with GWACs and to the Assisted Acquisition Services (AAS) organization.

The statement discussing the 2006 U.S. Department of Defense (DoD) and GSA agreement to outline a series of steps GSA will take to alleviate DoD concerns about interagency contracting fails to address the entire actions of the Office of Federal Procurement Policy to define new parameters and operating principles for interagency contracting that take effect in November 2008. It also fails to address important procurement reforms and legislative initiatives that will impact interagency contracting that supplant and replace in many instances the existing DoD/GSA Memorandum of Agreement (MOA). This is a real and substantial management challenge, but is not addressed in this document. The mentioned issue in the 2008 Management Challenges is essentially now overcome by events, including the aforementioned changes in legislation and policy.

Management Controls

The listing of the findings regarding the Calyptus issues relating to the Alliant contract is misstated. The real issue was the award and administration of a $300,000 support contract that had an adverse impact on the Alliant and Alliant Small Business award. The remaining issue for the Federal Acquisition Service (FAS) relates to the completion of the award in accordance with the judge's opinion in the Alliant protest and the correction of the past performance issues identified for both the Alliant and Alliant Small Business contracts. The presentation of this issue does not clearly state the important management challenge being faced.

Information Technology

GSA management has no additional comments on IT.

Federal Buildings Fund

The assessment raises concern with data integrity in the Public Buildings Service's (PBS) rental rates. PBS continues to employ mechanisms to adhere to the Government Performance and Results Act (GPRA) of 1993 to ensure reliable and valid billing data. To address rental rate issues, PBS initiated a series of Appraisal Reforms that have led to much improved data integrity and oversight of the entire appraisal process. PBS's ongoing Rent Appraisal Quality Evaluation (an on-site review of appraisal files and quality) has indicated that quality is much improved, post reforms, and is still improving. Post-reform appraisal activity has been consistently passing all of our quality thresholds in the recent management reviews. Pre-reform appraisals have been corrected or the properties have been re-appraised. Rent appraisals are now subject to a four-tier review process that greatly improves the data quality. We are also updating the appraisal instructions to the contract appraisers and to the regions to address areas of concern annually. PBS hosts frequent training forums and annual conferences to create an awareness of the importance of data quality, accurate pricing, and proper billing. To address data integrity issues, in 2007, PBS implemented the Rent Bill Management (RBM) program, which serves a two-fold purpose to:

- Address concerns of our customers relative to: (1) conflicts with the lease contract and market appraisal, (2) inaccurate reflection of the customer's current space holdings, and (3) billing for services not received. RBM is an integral part of our management controls in ensuring that these items are corrected.

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- Provide a proactive means of addressing the problems of rent bill inaccuracies. The RBM program emphasizes the importance of accuracy, consistency, and a required adherence to national policy. Processes are in place to ensure and require source documentation prior to processing changes in rent and before beginning the rent billing cycle. The information is entered directly from source documents (a lease, Occupancy Agreement, and Appraisal) without alterations or interpretations. Under the PBS's RBM program, PBS is checking billing requests against the appraisal for verification before processing the billing cycle.

Human Capital

The assessment that FAS could improve consistency and effectiveness in achieving best value for customer agencies and taxpayers by improving guidance for contracting personnel and enhancing performance measures related to increased emphasis on costs is misplaced. The contracting officers should be focusing on "price" not cost, and then only as one of many factors in the best value determination.

Protection of Federal Facilities and Personnel

The June 1, 2006, MOA between the GSA and DHS's Federal Protective Service is currently being renegotiated and updated.

Improper Payments Information Act Reporting Detail

Due to the inherent lag in reviewing and evaluating improper payments, GSA received approval from OMB to report prior year Improper Payments Information Act (IPIA) and Recovery Audit results for current year reporting, in an effort to obtain more accurate estimates of improper payments and recovery effectiveness. In FY 2008, GSA performed a simplified risk assessment which evaluates improper payments from GSA's recovery audit program and considers any significant legislative, programmatic, funding, and/or other program changes to conclude that none of GSA programs are high risk. OMB defines a high risk program as having improper payments above $10 million and over 2.5 percent of program disbursements.

Recovery Audit Program

Table 1: Recovery Auditing Results
Current Year (FY 2007) and Prior Years (FY 2002 through FY 2006)

Agency Component	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amount Recovered PYs	Cumulative Amounts Identified for Recovery (CY+PYs)	Cumulative Amounts Recovered (CY+PYs)
N/A	$14.5B	$15.6B	$13.5M	$10.6M (79 Percent)	$174.2M	$78.2M (45 Percent)	$187.5M	$88.8M (47 Percent)

GSA made $14.5 billion in payments subject to review for reporting in FY 2007. This amount includes the total payments made by GSA less payments made for payroll and external clients. To avoid duplication of efforts, payments in programs subject to other independent audits are also excluded from review. These programs are: Construction, where payments are subject to an independent audit upon completion of projects; Fleet, where payments are subject to independent audit by the Loss Prevention Team within FAS for fraud, waste, abuse, and improper payments; and Transportation, where payments are subject to independent audit by the GSA Office of Transportation Audits. Each year, the emphasis of the recovery audit changes based on identified risks. In FY 2007, the recovery audit included $13.7 billion of PBS and FAS payments made between October 1, 2005 and March 31, 2007; an in-depth review of $1.9 billion of PBS leases in three of the 11 regions; FY 2007 reviews excluded lease rents, utility payments, and telecom payments.

The results of the recovery audits are provided in Table 1. In FY 2007, GSA was successful in recovering 79 percent of the dollars identified as improperly paid through the recovery audits. Table 2 presents detailed Agency costs and an overview of payment errors identified. The overall cost of GSA's recovery audit program in FY 2007 was $1.2 million. All amounts recovered are returned to the original program, excluding the contingency fee paid the recovery audit contractor upon successful collection.

Table 2: GSA's FY 2007 Recovery Audit Program Results (in dollars)

Recovery Audit Program Costs	**$**	**1,215,869**
Agency Salaries & Expenses	$	68,083
Total Contracted Expenses	$	1,147,786
Paid	$	1,030,927
Due	$	116,860
Total Payment Errors Identified	**$**	**13,475,102**
Discovered By Contractor	$	7,216,504
Amount Unrecoverable	$	-
Amount Recovered	$	5,696,210
Amount Outstanding	$	1,520,294
Discovered Internally By GSA	$	6,258,598
Amount Unrecoverable	$	926,944
Amount Recovered	$	4,917,790
Amount Outstanding	$	413,176

Based on the payments subject to recovery audit, the overall improper payment rate in FY 2007 was 0.09 percent of the FY 2007 disbursements of $14.5 billion. GSA attributes its low improper payment rates to a comprehensive recovery audit program and a strong system of internal controls surrounding the disbursement process. Results of recovery audits are monitored monthly, root causes of improper payments are reviewed, and controls are reviewed annually and tested as part of the A-123 assessment of internal controls over financial reporting. GSA views the recovery auditing program as a key element of its overall program of effective internal controls over the payment process.

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit

Table 1. Summary of Financial Statement Audit

Audit Opinion:	**Unqualified**
Restatement:	**No**

MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
Financial Management Systems, Internal Controls, and Financial Reporting	0	1	0	0	1
Total Material Weaknesses	0	1	0	0	1

Summary of Management Assurances

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	**Qualified**					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Financial Management Systems, Internal Controls, and Financial Reporting	0	1	0	0	0	1
Total Material Weaknesses	**0**	**1**	**0**	**0**	**0**	**1**
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	**Qualified**					
MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Financial Management Systems, Internal Controls, and Financial Reporting	0	1	0	0	0	1
Total Material Weaknesses	**0**	**1**	**0**	**0**	**0**	**1**
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	**Systems do not fully conform to financial management system requirements**					
NON-CONFORMANCES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
Financial Management Systems, Internal Controls, and Financial Reporting	0	1	0	0	0	1
Total Non-Conformances	**0**	**1**	**0**	**0**	**0**	**1**

COMPLIANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)		
	AGENCY	AUDITOR
Overall Substantial Compliance	**No**	**No**
1. System Requirements	**No**	
2. Accounting Standards	**No**	
3. USSGL at Transaction Level	**No**	

Other, Agency-specific Statutorily Required Reports

Debt Management

GSA reported $169.8 million of outstanding debt from non-Federal sources and $14.5 million of delinquent debt at the end of FY 2008, which is 8.5 percent of the outstanding debt. The amount of delinquent debt increased from $11.1 million in FY 2007 to $14.5 million. Non-Federal receivables consist of debts owed on third-party claims, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the U.S. Treasury, Financial Management Service for collection cross-servicing. From October 1, 2007 to September 30, 2008, the Office of the Chief Financial Officer (OCFO) referred over $3.6 million of delinquent non-Federal claims to the U.S. Treasury for cross-servicing collection activities. Collections on non-Federal claims during this period exceeded $255.2 million and administrative offsets resulted in additional collections of $9.7 million. GSA also collected 121 Pre-Authorized Debits totaling $64,597 of non-Federal claims from October 1, 2007 to September 30, 2008.

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 PBS, FAS, and the OCFO. GSA is continuing to remove all non-paying claims over two-years-old from its accounts receivable subsidiaries.

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. GSA has shown improvement this year over last year in the percentage of invoices paid electronically and the amount of interest penalties paid. The statistics for the current and preceding two fiscal years are as follows:

	FY 2006	FY 2007	FY 2008
Total Number of Invoices Paid	1,285,710	1,136,760	1,223,824
Total Dollars Disbursed	$16.2 Billion	$14.8 Billion	$15.2 Billion
Total Dollars of Interest Penalties	$575,461	$452,014	$403,395
Interest Paid per Million Disbursed	$30.84	$26.80	$26.50
Percentage of Invoices Paid On Time	98.7%	99.0%	98.6%
Percentage of Invoices Paid Late	1.3%	1.0%	1.36%
Percentage of Invoices Paid Electronically	94.0%	95.5%	96.8%

Acronyms and Abbreviations

3PS	Policy Portfolio Performance System
AAS	Assisted Acquisition Service
ACSI	American Customer Satisfaction Index
AFV	Alternative Fuel Vehicle
AICPA	American Institute of Certified Public Accountants
ALDP	Advanced Leadership Development Program
ASF	Acquisition Services Fund
AWA	Alternative Workplace Arrangements
BIM	Building Information Modeling
BOMA	Building Owners and Managers Association
BPA	Blanket Purchase Agreement
BRM	Business Reference Model
Btu	British Thermal Unit
Btu/GSF	British Thermal Units per Gross Square Foot
C&A	Certification and Accreditation
CAO	Chief Acquisition Officer
CAPS	Credit Card Accounts Payable
CBCA	Civilian Board of Contract Appeals
CBP	U.S. Customs and Border Protection
CCR	Central Contractor Registration
CDC	Centers for Disease Control
CEAR	Certificate of Excellence in Accountability Reporting
CFL	Computers For Learning
CFO	Chief Financial Officer
CGAC	Common Government-wide Accounting Classification
CHAMP	Centralized Household Goods Traffic Management Program
CHCO	The Chief Human Capital Officer
CIO	Chief Information Officer
CNG	Compressed Natural Gas
COE	Center for Policy Evaluation
COOP	Continuity of Operations Plan
COTS	Commercial-Off-The-Shelf
CPI	Consumer Price Index
CPP	City Pair Program
CSBR	Combining Statement of Budgetary Resources
CSC	Client Support Center
CSM	Commercial Services Management
CSRS	Civil Service Retirement System
DHS	U.S. Department of Homeland Security
DLA	Defense Logistics Agency
DME	Development, Modernization, and Enhancement
DOC	U.S. Department of Commerce
DoD	U.S. Department of Defense
DOE	U.S. Department of Energy
DOI	U.S. Department of the Interior
DOJ	U.S. Department of Justice
DOL	U.S. Department of Labor
EA	Enterprise Architecture
EDI	Electronic Data Interchange
EEO	Equal Employment Opportunity
eFAS	e-Federal Asset Sales
EFT	Electronic Funds Transfer
E-Gov	Electronic Government

EPA	U.S. Environmental Protection Agency
EPEAT	Electronic Product Environment Assessment Tool
EUAS	Energy Usage and Analysis System
ExGDDS	Express and Ground Domestic Delivery Services
FACA	Federal Advisory Committee Act
FAIM	FAS Accounting Interface Module
FAIR	Federal Activities Inventory Reform
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FASAB	Federal Accounting Standards Advisory Board
FBF	Federal Buildings Fund
FCICF	Federal Citizen Information Center Fund
FECA	Federal Employees Compensation Act
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FFATA	Federal Funding Accountability and Transparency Act
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FFO	Funds From Operations
FICA	Federal Insurance Contribution Act
FIPS	Federal Information Processing Standards
FISMA	Federal Information Security Management Act
FIT	FAIR Act Inventory Tool
FMFIA	Federal Manager's Financial Integrity Act
FMLoB	Financial Management Line of Business
FMP	Freight Management Program
FMR	Federal Management Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
FPS	Federal Protective Service
FRPC	Federal Real Property Council
FSIO	Financial Systems Integration Office
FSS	Federal Supply Service
FSSI	Federal Strategic Sourcing Initiative
FTE	Full-Time Equivalent
FTS	Federal Technology Service
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GITGO	GSA IT Infrastructure Technology Global Operations
GM&A	General Management and Administration
GPRA	Government Performance and Results Act
GSA	U.S. General Services Administration
GSAM	GSA Manual
GSF	General Supply Fund
GSS	General Supplies and Services
GWAC	Government Wide Acquisition Contract
HCA	Human Capital Advisor
HCAAF	Human Capital Assessment and Accountability Framework
HCSP	Human Capital Strategic Plan
HEV	Hybrid Electric Vehicle
HPO	High Performance Organization
HSPD-12	Homeland Security Presidential Directive 12
HUD	U.S. Department of Housing and Urban Development

Acronyms And Abbreviations

IAE	Integrated Acquisition Environment
IDAMWIG	Identity and Access Management Working Group
IDIQ	Indefinite Delivery/Indefinite Quantity
IG	Inspector General
IP	Internet Protocol
IPA	Independent Public Accountant
IPIA	Improper Payments Information Act
ISSO	Information Systems Security Officers
IT	Information Technology
ITC	Information Technology Council
ITF	Information Technology Fund
ITIL	Information Technology Infrastructure Library
ITOMS	Integrated Task Order Management System
ITS	Integrated Technology Services
ITSS	IT Solutions Shop

LEED	Leadership in Energy and Environmental Design
LMI	Logistics Management Institute
LNS	Leadership for New Supervisors

MAS	Multiple Award Schedule
MCC	Management Control Centers
MFC	Most-Favored Customer
MOA	Memorandum of Agreement
MSO	Managed Service Office
MTS	Metrics Tracking System

NCC	National Contact Center
NIST	National Institute of Standards and Technology
NOAA	National Oceanic & Atmospheric Administration
NPIC	National Passport Information Center

OASDI	Old-Age, Survivors, and Disability Insurance
OCA	The Office of the Chief Architect
OCAO	Office of the Chief Acquisition Officer
OCFO	Office of the Chief Financial Officer
OCHCO	Office of the Chief Human Capital Officer
OCIA	Office of Congressional and Intergovernmental Affairs
OCIO	Office of the Chief Information Officer
OCR	Office of Civil Rights
OCS	Office of Citizen Services
OCSC	Office of Citizen Services and Communications
OERR	Office of Emergency Response and Recovery
OGC	Office of General Counsel
OGP	Office of Governmentwide Policy
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMIS	Office of IT Integration Management Information System
OMS	Office of Management Services
OPI	Office of Performance Improvement
OPM	U.S. Office of Personnel Management
OSBU	Office of Small Business Utilization

PADC	Pennsylvania Avenue Development Corporation
PALT	Procurement Administrative Lead Time
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PBS	Public Buildings Service
PCMM	Policy Change Management Model
PEV	Patient Evacuation Vehicle

PII	Personally Identifiable Information
PIP	Project Information Portal
PIV	Personal Identity Verification
PMA	President's Management Agenda
PMP	Performance Management Process
PMT	Performance Measurement Tool
POR+	Program of Requirements Plus
PPM	Personal Property Management
PRT	Program Review Tool
PUA	Policy Utilization Assessment
PwC	PricewaterhouseCoopers, LLP

QASP	Quality Assurance Surveillance Plan

R&A	Repairs and Alterations
RBM	Rent Bill Management
RentEst	Rent Estimate
ROADS	Requisitioning, Ordering and Documentation System
ROE	Return on Equity
RRB	Ronald Reagan Building
RSF	Rentable Square Feet
RWA	Reimbursable Work Authorization

SAS	Statement on Auditing Standards
SAT	Senior Assessment Team
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standards
SIOR	Society of Industrial and Office Realtors
SSA	U.S. Social Security Administration

TARPS	Transportation Accounts Receivable and Payables System
TDD	Time Definite Delivery
TMVCS	Travel, Motor Vehicles, and Card Services
TOPS	Telecommunications Ordering and Pricing System
TOS	Tracking and Ordering System
TSP	Thrift Savings Plan

U&D	Federal Personal Property Utilization, Donation, and Sales Program
U.S.	United States
U.S. Treasury	U.S. Department of the Treasury
U.S.C.	United States Code
UDO	Undelivered Order
UFCO	Unfilled Customer Order
USAID	U.S. Agency for International Development
USSGL	U.S. Standard General Ledger

VETS GWAC	Veterans Technology Services Government Wide Acquisition Contract

WAN	Wide Area Network
WCF	Working Capital Fund

The FY 2008 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 GSA's 2009 Congressional Performance Budget Justification and our past performance and accountability publications.

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General Services Administration
Office of Financial Policy and Operations
1800 F. Street, N.W., Washington, D.C. 20405
(202) 501-0560

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