




GSA Administrator

MEMORANDUM FOR ROBERT C. ERICKSON, JR.
ACTING INSPECTOR GENERAL (J)

FROM: DAN TANGHERLINI 
ADMINISTRATOR (A)

SUBJECT: GSA's Management Challenges, Fiscal Year 2015

Thank you for providing me with the opportunity to review your report, which you consider the most significant management and performance challenges facing the U.S. General Services Administration (GSA).

GSA acknowledges these challenges and is implementing a broad range of measures to address them, including achieving GSA's sustainability and environmental goals as well as improving GSA's plan to develop and implement information technology systems and protecting GSA sensitive information due to emerging risks.

Please find attached our comments that provide information and clarification pertaining to the measures above.

We look forward to continuing to work with the Office of the Inspector General (OIG) to minimize if not, eliminate waste, fraud, and abuse and promote greater Government effectiveness and efficiency.

Attachment

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GSA Responses to the Office of Inspector General's Management Challenges for FY 2015 *(Unaudited)*

Summary

GSA is committed to providing the highest possible level of service to both the American public and our partners throughout the federal government. As part of that commitment, the agency continuously looks for ways to improve our services and internal management systems. We welcome and appreciate the comments and concerns from the Office of the Inspector General (OIG). We understand that this kind of feedback is critical to the effective management of this agency, which is why we have already taken steps to address many of the issues identified in the OIG's Assessment of GSA's Major Management Challenges. From streamlining the acquisition process to improving financial reporting, GSA strives to ensure our services run responsibly and smoothly in order to best facilitate the vital work of our partners in public service.

Acquisition Programs

ISSUE: GSA continues to face challenges within the GSA Schedules Program.

RESPONSE:

Pricing

GSA is committed to ensuring that the Multiple Award Schedules (MAS) Program delivers the best possible value in government acquisition. The agency is currently working to define appropriate standards for price variability at the Schedule contract level and intends to implement these standards to reduce variability in FY 2015. GSA continues to pursue collection of transactional data at the order level. GSA recognizes that variables, such as terms and conditions and volume commitments, have an impact on prices paid.

Contractor Compliance

GSA values the audits that the OIG performs for the MAS Program. The agency is in the

process of implementing a new, risk-based contractor visit model. Particular attention will be paid to sales tracking and reporting, pricing overcharges to customers, and proper application of the prompt payment discount. We also published the correct interpretation of the I-FSS-125 clause, Requirements Exceeding the Maximum Order, and issued a mass modification to remove the clause from all Schedule contracts to ensure appropriate price reductions are passed on to customer agencies. While we agree with some of the OIG findings, some of these dollar figures may not be achievable. GSA appreciates our discussions on this with the OIG, as there have been times when updates to these numbers have been agreed upon by the OIG and Contracting Officer. GSA anticipates that the produced reports may be amended to reflect these discussions and updated numbers where appropriate.

Contract Workload Management

GSA agrees with the OIG's assessment of the challenge of administering a large number of Schedule contracts. While GSA continues to develop its position on cancelling contracts with \$0 sales, the agency believes that we can also alleviate contract workload more effectively by looking at additional ways to streamline the acquisition process and automate additional functions.

Hiring, Development, and Retention of the Contracting Officer Workforce

Recruiting, hiring, and retaining an agile and high-quality federal acquisition workforce is essential to the efficiency, effectiveness, and stewardship of agency program objectives and results. The development of the acquisition workforce is a top priority. As such, the agency will examine intern and rotation programs consistent with the Office of Personnel Management Human Capital Guidance. We are considering the following: the establishment of a "Virtual GSA Acquisition University" that would leverage curricula with colleges and universities;

identification of critical competencies and skills for the non-1102 part of the acquisition workforce; and advancement of a workforce engagement strategy to improve employee satisfaction.

Schedules Program Modernization

GSA recognizes some of the complexities associated with standardizing part numbers and labor categories and is currently working with industry to clearly identify the issues. The agency is also working on system enhancements to ensure that any proprietary data that is collected from contractors as part of the prices paid effort is properly safeguarded. Our implementation plan for transactional data includes the development of policy guidance and training that will make clear that prices paid data is just the final component of a sale, and that specific terms and conditions, volume commitments, spending patterns, and performance requirements can influence the final price. Training will also include a new online course to be completed by the entire acquisition workforce.

Proposed Changes to the General Services Administration Acquisition Regulation

The agency remains committed to amending the General Services Administration Acquisition Regulation (GSAR) Part 538, Federal Supply Schedule Contracting. The decision was made to pursue this effort via multiple GSAR cases in early 2013 after extensive discussions with stakeholders. The rulemaking process takes approximately 18 months to complete, per case. GSA continues to make progress on the other GSAR cases that make up the GSAR 538 Rewrite initiative.

ISSUE: FAS needs to ensure its new multiple award contract vehicle adds value and be cognizant of the potential drain on its already overextended acquisition resources.

RESPONSE: This portion of the OIG Report on Management Challenges specifically addresses the work to award the One Acquisition Solution for Integrated Services

(OASIS) and OASIS Small Business (SB) multiple award contracts. The OIG identified risks in overburdening acquisition resources, ensuring value, and the many protests filed in response to the agency's source selection decisions. To ensure adequate and effective resource utilization, GSA has consolidated responsibility for all professional services contracts, including OASIS. GSA agrees that any new contract vehicles should provide direct value to partner federal agencies and the American people. The value provided by the OASIS program is exemplified by the US Air Force, which has made OASIS and OASIS SB preferred vehicles for requirements within scope of those contracts. The US Air Force recognized the value of the OASIS procurement and chose to build upon its foundation rather than duplicate it through their contract vehicles. GSA is working with other partner agencies on further commitments to these vehicles. Since the release of this report, all protests of the OASIS and OASIS SB procurements and awards have been resolved in GSA's favor. There are no outstanding protests, and the OASIS acquisition team and program office have shifted to post-award responsibilities of managing these contracts.

ISSUE: GSA continues to face challenges with the timely transition from FTS2001 crossover contracts to the Networkx contracts and the upcoming transition to Network Services 2020.

RESPONSE: GSA agrees with the management challenges presented by the OIG with a different perspective on the focus for actions to be taken in FY 2015. The agency will implement a transition strategy that capitalizes on lessons learned from the previous transition. In March 2014, GSA responded to the GAO Final Report, *TELECOMMUNICATIONS: GSA Needs to Share and Prioritize Lessons Learned to Avoid Future Transition Delays* (GAO-14-63). GSA defined actions to address the five recommendations in the report and completed those actions as of August 2014. While GSA will support customers as they transition, agencies are ultimately responsible

for moving to the new solution and any delays that necessitate additional contract extensions or other sole-source justifications for service continuity. GSA will continue to coordinate planning and implementation activities with a customer advisory group, the Office of Management and Budget (OMB), and the U.S. Congress.

GSA's Real Property Operations

ISSUE: PBS needs to improve the management and use of federal real property.

RESPONSE: With the support of Congress, GSA has taken action to help fund consolidation projects and better utilize existing assets. For instance, using \$70 million provided in FY 2014 for consolidation activities, we are executing 17 projects in 10 states plus the District of Columbia that will save federal agencies \$16 million in rent payments annually, reduce the federal footprint by 492,000 square feet, and reduce the government's leasing costs by \$38 million.

Additionally, GSA has taken opportunities to reduce space when high-value leases expire, providing long-term savings to taxpayers. In the agency's prospectus-level lease program in FY 2014, for instance, GSA and partner federal agencies have reduced overall space needs by approximately 13 percent, from a current requirement of 4.3 million square feet to a proposed 3.7 million square feet.

We have an opportunity to reduce operating costs and rent by consolidating workspace, but taking advantage of this opportunity requires significant initial spending on building space and moving people. While GSA has made progress with funding provided in FY 2014, continued reductions to the Federal Buildings Fund limit our opportunities to take advantage of all existing opportunities to consolidate agencies, improve space utilization, and reduce the government's long-term real estate costs. Until GSA's full and consistent access to the Federal Buildings Fund is restored, the Government will continue

to miss opportunities for improved space utilization and consolidation.

ISSUE: PBS will continue to be impacted by the American Recovery and Reinvestment Act of 2009.

RESPONSE: The American Recovery and Reinvestment Act (Recovery Act) required that any funds obligated prior to September 30, 2010, must be expended by September 30, 2015. Likewise, the remaining funds that were obligated prior to September 30, 2011, must be expended by September 30, 2016. GSA, in turn, set up Recovery projects so that all project funds would be outlaid by September 30, 2015, allowing additional time for the remaining funds that were to be invested by September 30, 2016. As of October 10, 2014, the agency has outlaid \$5,332,502,349, or 96.7 percent of the original \$5,550,000,000 total amount we received. The remaining balance will largely be outlaid by September 30, 2015. Any remaining funds will be awarded using deob/reob authority, and those funds will be used to finish work on a very small set of projects. To ensure the funds closing deadlines are met, GSA closely tracks project schedules and the outlay of funds.

We share the expressed concern regarding the potential for increased claims. We have actively monitored the incidence of claims on Recovery Act projects, and our data show that thus far the incidence of claims is significantly lower on the Recovery Act projects than in the annual capital program. We are continuing to monitor this activity while also working to determine the root causes driving this apparent result.

ISSUE: PBS's construction program will face challenges as it works to complete remaining Recovery Act projects and takes on a significant increase in new workload.

RESPONSE: We agree that management challenges could exist and appreciate the OIG highlighting this issue. We are taking a multi-pronged approach to this challenge. First, in response to findings regarding contract

award and administration issues identified on prior projects, GSA has developed and issued guidance and training to address these issues. Second, it is important to note that the agency has completed nearly all of the investments associated with the Recovery Act.

We are successfully executing investments from the FY 2014 program. Nevertheless, we have assessed our staffing needs and currently plan to hire additional contracting officers, project managers, and technical staff in FY 2015 where needed.

ISSUE: PBS ISSUE: Challenges persist to safeguard federal infrastructure and provide a secure work environment for federal employees and contractors.

RESPONSE: In response to the Assessment of GSA's Major Management Challenges for FY 2015, GSA concurs with the OIG observations. The agency has been working and will continue to work collaboratively with the Government Accountability Office, the Department of Homeland Security, and the Federal Protective Service to provide effective and efficient security and risk management solutions. GSA will also continue to work collaboratively with interagency stakeholders and private partners to enhance these services while maintaining open, accessible, and safe public buildings.

GSA'S Organizational Structure

ISSUE: As GSA continues to restructure its organization, it should reassess its controls and systems and evaluate the results achieved.

RESPONSE: Through the consolidation of Finance, Information Technology, Human Resources, Administration, and Communications (CXO) organization functions, GSA has taken deliberate steps to strengthen internal management

controls while increasing efficiency and service delivery capabilities. By increasing centralized reporting and accountability and reducing redundancies through the elimination of "shadow" organizations in FAS and PBS, internal control and accountability risks have been minimized.

The agency is developing a CXO balanced scorecard aligned to GSA's strategic blueprint to support the timely evaluation of performance results. The CXO balanced scorecard supports an integrated approach to enterprise accountability and the delivery of service. Through the measurement and tracking of CXO specific metrics, GSA will be able to directly track, evaluate, and make timely process improvements to GSA CXO operations.

The Office of the Chief Financial Officer (OCFO) consolidation focused explicitly on standardizing operations, strengthening internal controls, improving customer service, and achieving efficiencies. As a result, most major functions related to funds certification and annual budgets are now performed within OCFO rather than split between OCFO and the programs, ensuring proper oversight and accountability over these key activities as well as additional flexibility to reallocate resources and cross-train staff to ensure proper coverage as GSA's organization changes.

As part of the OCFO transformation, the Office of Budget will include all budget functions, allowing OCFO to further streamline and optimize key processes related to budgets, including investment reviews and the creation of annual program budgets. This new structure will allow OCFO to be more responsive to program needs by having a single point of contact for budget and funding-related issues. Standardized operations and policies across organizations will help ensure that OCFO is able to adapt to changes in GSA's organizational structure.

Similarly, the Office of the CIO consolidated all information technology (IT) functions, resources and budgets under the agency CIO's authority, allowing GSA to develop a zero-based IT budget for the first time, and strengthening controls and processes governing IT investment management. IT consolidation has already yielded many benefits, including increased reuse of common resources, reduction of staff needs and budgets, as well as increased IT security controls over all GSA investments. GSA IT is implementing common controls in its system development and IT investment management processes, such as single sign-on and compliance with federal security guidelines, which will allow GSA to reduce duplication and increase the effectiveness of its IT investments over time.

Managing a Mobile Workforce

ISSUE: GSA's reduction in workspace will create challenges in managing a mobile workforce.

RESPONSE: GSA's model workplace initiative is designed to improve its ability to manage an increasingly mobile workforce by creating activity-based workplaces that leverage the latest technologies, support collaboration and focus work, and improve employee well-being and performance. The FY 2013 consolidation of GSA headquarters was the first large-scale example of creating open-collaborative environments that support new ways of working in the federal government, and serves as a model.

GSA has created new policies, procedures and internal controls to mitigate the risks associated with reducing its internal workspace. Specifically, in FY 2014, GSA partnered with its national labor unions to create and implement a new Space Allocation, Management and Design policy that will serve as a model for the federal government. Additionally, the agency drafted policies that will be implemented in FY 2015

to standardize Information Technology for internal GSA workplaces, and align the allocation and assignment of space in shared workspace environments.

In FY 2012, we developed two online training programs to support our increasingly mobile workforce. Telework Works is mandatory training for all employees regardless of telework eligibility, position, or grade. The course introduces GSA's cultural transformation and describes the new Mobility and Telework Policy. Managing Distributed Teams is a virtual professional development seminar designed to enhance the knowledge, skills, and resources that will enable managers to successfully lead distributed teams and manage by results. This training is required for all agency supervisors.

However, GSA will continue to assess the effectiveness of the mobile workplace strategy and the strength of the controls that have been put in place. GSA looks forward to working in partnership with the OIG and other stakeholders on any further improvements that can be made as the agency engages in a significant change that, while presenting financial benefits to taxpayers, also presents potentially new challenges that will need to be addressed.

Information Technology

ISSUE: Improved planning, development, and implementation of IT systems are needed to ensure the availability of quality data to support business and investment decisions.

RESPONSE: In FY 2014, GSA undertook key initiatives to improve its management and oversight of IT initiatives. The Investment Review Board was strengthened to ensure it maintains oversight over all IT investment decisions. A spend review process was introduced to ensure all IT spending is in line with the agency's strategy and policies.

Various IT systems and resources were consolidated under a new, enterprise GSA IT organization, and a new IT policy was issued outlining nine key principles for GSA's IT investments moving forward. Through these measures and others, the agency has been able to reduce its IT budgets by close to \$100 million over the past two years, while continuing to invest in strategically important areas such as FAS' category management initiative, GSALink, and the modernization of our core financial and HR systems.

GSA IT also established the Enterprise Data Management Office, and appointed the first Agency Chief Data Officer. This office is already working with various parts of the agency to develop mechanisms whereby GSA offices can better leverage data to make business decisions. The office is also working to develop government-wide capabilities to allow external stakeholders to view, analyze, and process data using modern technologies. GSA has already worked to increase the number of publicly available data sets from 17 to over 120 during the last year alone.

GSA will continue to work closely with the OIG to refine and enhance controls and capabilities within its IT organization to ensure it provides the maximum benefit to the American people through investments in Information Technology.

ISSUE: Improvements are needed to protect sensitive GSA information and to address emerging risks.

RESPONSE: As GSA continues to adopt strategies to enable a 21st century workforce, IT plays an increasingly central role enabling GSA employees, partners, and customers to seamlessly connect with each other regardless of location, with access to the data, systems and documents they need, and to collaborate on solutions. As the first agency to leverage Cloud computing for email and collaboration services, the agency is on track to save over \$15 million,

while significantly enhancing collaboration and coordination within the agency. The implementation of virtual desktops, online meeting tools, and Customer Relations Management (CRM) software have allowed GSA to reduce travel costs by close to 80 percent, and consolidate space within GSA's headquarters, saving an additional \$24 million per year in lease costs. Moreover, the CRM tool has allowed GSA to harness the ideas and creativity of GSA employees across the nation to save over \$5 million through process improvements during 2013 and 2014, while reducing the cost to build and maintain business applications. These successes have rightfully placed GSA in a leading role as a model agency.

We will continue to work closely with the OIG to identify and address challenges and risks inherent in this new way of working. More importantly, the agency has already taken significant steps to reduce risks in managing a mobile workforce. Agency mobile devices are encrypted and secured to ensure data remains safe, and mobile applications are managed through the consolidated GSA IT organization.

Increased collaboration brings increased risk associated with the sharing of information beyond an individual's need to know. GSA IT, in partnership with the Office of Communications and Marketing (OCM), has implemented a number of controls within the digital collaboration space to ensure that sensitive documents are shared appropriately within the agency. The ability to share collaboration sites and documents agency-wide has been removed. Organizations must work through OCM to identify the best way to share information that needs to be available to all GSA employees. Automated tools have been deployed to ensure adherence to the agency information sharing policy and a new training class has been developed so that all GSA employees are made aware of that policy and the importance of safeguarding sensitive information.

GSA also understands that as an early adopter of many of these new technologies, we will face challenges in their implementation. With the support of the OIG in assessing areas of focus, GSA looks forward to continuing to make improvements to internal controls and sharing our agency's experiences with partner federal agencies that can use this information to make their adoption of effective collaboration tools safe and secure.

Financial Reporting

ISSUE: GSA continues to face challenges with its internal controls over financial management and reporting and its accounting and business processes.

RESPONSE: In FY 2014, the agency implemented a number of actions to improve its internal controls over financial management and reporting, accounting, and business processes. GSA has worked in particular to improve internal controls over financial reporting for property and equipment, recording of leases and occupancy agreements, and recording of obligations. The agency also reinvigorated the Management Controls Oversight Council (MCOC) to improve efforts in managing and monitoring the entity-level control environment. Additionally, GSA developed and implemented a new process for developing, monitoring, and communicating financial and accounting policy, and resolved several technical accounting issues. GSA will continue these effective efforts and expand them to deliver a more integrated internal control framework/program in FY 2015.

ISSUE: Improvements are needed in the implementation of policies and procedures over the accounting and reporting of environmental liabilities.

RESPONSE: In FY 2014, GSA completed two significant steps to address this challenge. First, the agency refined the due care process for estimating probable

future cleanup costs for environmental contamination related to asbestos-containing materials. Second, GSA refined its estimate of probable future cleanup costs for environmental contamination, to include non-asbestos containing materials. In FY 2015, GSA will revise its due care process to routinely capture and estimate the probable future cleanup costs for non-asbestos containing materials. The steps completed in FY 2014 and the steps planned in FY 2015 will strengthen GSA's financial reporting of environmental liabilities.

GSA'S Greening Initiative – Sustainable Environmental Stewardship

ISSUE: Challenges exist in achieving GSA's sustainability and environmental goals.

RESPONSE: GSA has consistently achieved long-term sustainability and environmental goals. Continuing its progress this year, GSA achieved all of its sustainability goals and targets, reflected in the annual OMB scorecard released in January 2014.

To meet these targets and consistent with Administrator's direction, the agency developed and has followed its Strategic Sustainability Performance Plan (sustainability plan). Following the Council on Environmental Quality (CEQ) and OMB review, the FY 2014 sustainability plan will be issued in the next few weeks. The plan references a series of evaluation measures and successes for FY 2013 and outlines planned actions for FY 2014 in all ten goal categories.

GSA is demonstrating the benefits of investing in innovative technologies through its Green Proving Ground (GPG) program. GPG leverages GSA's national building portfolio to establish test bed locations for the third-party evaluation of promising technologies. Selected technologies are evaluated in a pilot installation at a federally-owned building and receive thorough measurement and verification. The GPG

uses the agency's gift acceptance authority to obtain technologies at no cost for the purpose of measurement and verification, allowing it to reduce overall program costs. Project results are intended to help spur deployment of high impact technologies. In FY 2014, the GPG released results for ten technology evaluations. Evaluations for more than a dozen technologies are currently in progress. As a result of these efforts, GSA deployed two new technologies - advanced power strips and wireless sensor networks.

GSA measures the benefits of high performance green buildings. Executive Order 13514, Federal Leadership in Environmental, Energy, and Economic Performance, requires

that all new construction, major renovation, or repair and alteration of federal buildings must comply with the Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings (Guiding Principles). In addition, at least 15 percent of an agency's existing buildings (above 5,000 gross square feet) and building leases (above 5,000 gross square feet) must meet the Guiding Principles by FY 2015. GSA tracks energy, water, waste and indoor environmental quality data for buildings in which the Guiding Principles have been implemented. Finally, GSA tracks performance on reductions in energy use and water intensity, and waste diversion at the portfolio level for GSA-owned federal buildings per statutory requirements.