U. S. General Services Administration

Agency Financial Report

2014

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Letter from the Administrator

The General Services Administration (GSA) Fiscal Year (FY) 2014 Agency Financial Report (AFR), details our accomplishments and challenges in program and financial management over the past year. It demonstrates our commitment to a stewardship of public resources as well as transparent and accountable management.

Today, every federal agency is working in an environment where budgets are tightening and the demand for government services is increasing. When flat is the new up for agency funding, we need to become more effective and more efficient with the resources we have. GSA is helping agencies buy smarter, reduce their real estate footprint, and develop and deploy technology more efficiently.

With more than $50 billion in business volume, GSA has the ability to leverage the scope and scale of the federal government in a way that few others can. We are constantly working to refine the acquisition tools available to our partners, enabling them to focus their time, energy, and funds on their own important missions. GSA is taking common sense steps and applying industry best practices to address a very complex government acquisition marketplace. For example, we have created One Acquisition Solution for Integrated Services, or OASIS, creating a single source for both commercial and noncommercial IT services, and eliminating the unneeded duplication of contracts. OASIS is accompanied by OASIS Small Business (SB), which is a separate solicitation set aside specifically for small businesses in order to maximize opportunities for them to do business with the federal government. We are also using strategic sourcing to drive down prices and developing a Common Acquisition Platform to provide federal agencies with the best data and information to make more informed purchasing decisions.

GSA is also helping agencies save time and money by supporting smarter purchasing platforms. GSA is developing the Common Acquisition Platform, a shared service for government acquisition needs, providing a single organized platform to enable all levels of government to access tools and expertise to enable data-driven buying decisions. In addition, we are reorganizing ourselves around categories of goods and services, rather than acquisition channels. This will allow us to provide valuable acquisition advice, better contract vehicles, and a full spectrum of assisted acquisition services.

We are also working to manage the federal government's building inventory more efficiently by negotiating effective contracts, leasing only when necessary, disposing of excess property, and modernizing our workspaces. We have negotiated leases that are, on average, more than eight percent below market rates at the time of signing. Furthermore, through good project planning, we reduced the amount of square footage associated with future replacement leases by 16 percent or 632,131 rentable square feet. This reduction will result in significant savings for customers and taxpayers when these leases come to fruition. At the same time, we are working to support the President's and Congress' commitment to freeze the federal footprint. GSA disposed of 340 federal properties with $40 million in sales proceeds, a 60 percent increase in the volume of disposals from FY 2013. GSA is also exploring public private partnership to exchange some of our older, outdated buildings for new, more efficient spaces.

GSA is working to ensure that our buildings are suited for the needs of the federal government in the 21st century. Our employees across the country are beginning to use an open, mobile work environment to increase productivity and reduce costs. We are also working to help other federal agencies adopt this model through our Total Workplace program, including the U.S. Departments of Agriculture, Interior's Fish and Wildlife Service, Homeland Security, and Health and Human Services. We will also provide federal agencies with a clear model and investment plan with which they can use to transform their offices into something capable of supporting the work of a 21st century government agency.

The changing face of technology has dramatically altered the way government interacts with our partners, industry, and individuals. We are aggressively looking for ways to utilize these new tools and apply them to the problems of government. This is why we are working to create a workforce that can support federal agencies in developing many of the government's most innovative projects.

Our newly launched 18F brings together a team of experts and innovators to make government's digital services more efficient and effective. Recruited from across the private and public sectors, these women and men will collaborate with federal agencies and help them improve their digital service delivery. By using lessons from the nation's top startups and innovative companies, these public servants provide cutting-edge support for GSA's federal partners that reduces cost and improves service.

At a time when GSA is adapting to new challenges in a difficult fiscal environment, we must make the most out of the resources at our disposal. That is why we are working to make our own operations as efficient as possible. As a result of a "Top to Bottom" review of the agency, GSA has focused on making internal operations, such as administration of GSA-occupied space or the management of contracts in support of GSA activities, more efficient. Each organization took a hard look at its functions, strengthening core offerings and transitioning other functions to offices better structured to deliver them.

Our two-year effort to realign and consolidate administrative functions is helping GSA deliver on this important priority and could save as much as $200 million over the next ten years. Other agencies look to GSA as a model for ways to think differently about how to execute the work of government in the 21st century.

GSA is also transitioning from out-dated business models that no longer provide competitive offerings to our partner agencies. As part of this effort, we are closing the two remaining GSA distribution centers, which no longer serve the demand for which they were constructed. Through this action, the Federal Acquisition Service will have reduced its full-time equivalent (FTE) required to support the Stock program from 153.5 in FY 2014 to 18.25 in FY 2015. Upon final closure in FY 2016, associated FTE within the distribution centers will be reduced to zero. This change will save approximately $12.4 million in personnel compensation and benefit costs annually. Contractual labor support within the distribution centers will be discontinued after the first quarter of FY 2015, resulting in approximately $11.7 million more in savings annually from the projected FY 2014 levels.

GSA is committed to building a responsive and effective government to best serve federal employees, agencies, and the American people. This report shows how the women and men of GSA are working tirelessly to create the most efficient agency possible in order to fulfill our mission.

Financial Systems and Performance Data Assurances

As outlined in the Management Assurances section of this report, GSA conducted its assessment of the effectiveness of internal control over operations, systems, and financial reporting. GSA can provide reasonable assurance that internal controls were operating effectively in each of these areas, except for one material weakness identified in the financial reporting process. More detail on this topic is in the Management Assurances section of this report.

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.

Over the past year, the women and men at GSA have done outstanding work serving our partner agencies and the American people. Their efforts are making a difference throughout the government as well as the entire country. We are proud of what we accomplished over the last fiscal year, and we recognize opportunities for improvement. Everyone at GSA looks forward to making continued progress in the new fiscal year.

Dan Tangherlini
Administrator
November 12, 2014

How GSA Benefits the Public

The General Services Administration was established on July 1, 1949, as a result of the Hoover Commission. The agency consolidated administrative functions across government into one organization in order to avoid "senseless duplication, excess cost, and confusion in handling supplies, and providing space." Today, GSA benefits the public through delivering the best value in real estate, acquisition, and technology services to government and the American people.

GSA's Federal Acquisition Service (FAS) has an annual business volume of over $50 billion and manages over 205,000 fleet vehicles. GSA' Public Buildings Service (PBS) manages buildings for the federal government, a significant portfolio that included approximately 8,900 owned or leased buildings, approximately 376 million rentable square feet of workspace, and an estimated 656 historic buildings either listed in or eligible for the National Register of Historic Places. At a time when budgets are shrinking across the federal government, GSA is providing the value that our partner agencies need so they can focus their resources on fulfilling their own important missions to the American people.

GSA's continued focus on six main priorities ensures that we fulfill our mission and provide the best service to the American people.

Delivering Better Value and Savings

By using the purchasing power of the federal government, GSA works to drive down prices, deliver better value, and reduce costs to our partner agencies. As the federal government's acquisition agency, GSA connects federal purchasers with the most cost-effective and high-quality commercial products and services.

In 2014, GSA announced the award of 21 third generation Federal Strategic Sourcing Initiative for Office Supplies (FSSI OS3) contracts, with 20 of the 21 businesses awarded an OS3 being small businesses. OS3 will save money for the federal government and increase efficiencies by providing everyday supplies like pens, paper, and printing items from a list of vendors with negotiated low prices. In addition to lowering administrative costs through a streamlined acquisition process and simplified contractual terms, OS3 simplifies purchasing data collection, enhances transparency and helps agencies manage expenditures and measure cost-savings.

GSA's FAS also awarded 12 blanket purchase agreements for a new strategic sourcing solution designed to help federal agencies purchase Maintenance, Repair, and Operations (MRO) equipment and supplies at discounted prices that are 12 percent lower than standard government pricing. GSA expects the use of the MRO solution can achieve a potential savings $16 million in the first year and rising to more than $30 million annually with increased use. For a complete list of awarded contract holders and the ordering guide, visit gsa.gov/fssimro.

In addition, FAS awarded 18 blanket purchase agreements for a new strategic sourcing solution designed to help federal agencies purchase Janitorial and Sanitation (JanSan) supplies at prices that are approximately 15 percent lower than standard government pricing. GSA expects the use of the JanSan solution can achieve a potential savings of $8 million in the first year and rising to more than $20 million annually with increased use.

When it comes to government efficiency and sustainability, GSA is leading the way by reducing the federal government's carbon and real estate footprints. In addition, GSA has identified 17 projects in 10 states plus the District of Columbia where the agency will work with other federal agencies to consolidate their offices into a federally owned space. This consolidation effort will not only reduce costs by eliminating multiple leases, but also scale back the federal government's energy and water consumption. This investment will save federal agencies $16 million in annual rent payments and reduce the federal footprint by 492,000 rentable square feet, plus reduce the government's leasing costs by $38 million.

Ultimately, in a time of shrinking budgets, these initiatives will save taxpayer dollars and allow agencies to invest more in their missions and better serve the American people.

Serving our Partners

GSA strives to ensure that doing business with us is as easy and reliable as possible by simplifying and streamlining our processes and systems.

In 2014, GSA issued an official Notice to Proceed on its One Acquisition Solution for Integrated Services (OASIS) Small Business (SB) contract, clearing the path forward for agencies to save taxpayer dollars and federal agency resources. Federal agencies can begin using this first-of-its-kind, flexible GSA contract solution to purchase commercial, non-commercial, multidisciplinary, and complex professional services. Both OASIS and OASIS SB further minimize contract duplication and improves efficiency, while also delivering solid benefits to the selected industry partners and maximizing opportunities for small businesses.

The United States Air Force committed to use OASIS SB instead of creating several of its own multiple-award, Indefinite Delivery/ Indefinite Quantity (IDIQ) acquisition vehicles. These efforts are estimated to be worth approximately $1.4 billion per year and use of OASIS SB will save the Air Force and taxpayers significant dollars and resources.

Expanding Opportunities for Small Businesses

Delivering the best value for government and the American people requires taking advantage of all resources. Central to that approach is expanding opportunities for small businesses throughout the country.

In FY 2013, GSA spent $1.3 billion through Small Businesses and received our third straight A rating from the Small Business Administration. As of October 2014 the preliminary results for FY 2014 shows $1.5 billion awarded to small businesses. The GSA Multiple Award Schedules is one way GSA provides small and disadvantaged businesses access to the federal marketplace.

Making a More Sustainable Government

Going green saves green, and GSA remains committed to a sustainable government that reduces energy and water use in federal buildings, responsibly disposes of electronic waste, and greens the federal fleet.

In 2014, GSA continued to exceed its environmental goals, supporting the Obama Administration's climate action plan. The agency received top marks on the Office of Management and Budget scorecard, the government's benchmark to identify and track agencies' progress toward cutting waste, pollution, and costs in federal operations.

GSA's green efforts help combat climate change by mitigating emissions from buildings, fleet, and supply chain. Through these efforts, GSA successfully:

- Reduced energy usage in buildings by approximately 26 percent from 2003, avoiding $315 million in energy bills from 2008–2014 and positioning to meet our 30 percent reduction mandate by September 2015.
- Reduced water usage in buildings by approximately 13 percent from 2007, avoiding $28 million in water bills from 2008–2014.
- Reduced petroleum use in its vehicle fleet by nearly 50 percent compared to 2005.

Leading with Innovation

In 2014, the Ash Center for Democratic Governance and Innovation at the John F. Kennedy School of Government at Harvard University named GSA's Challenge.gov as the winner of its Innovations in American Government Award from a pool of more than 600 applicants.

GSA launched Challenge.gov, developed in partnership with ChallengePost in July 2010 in response to an Obama Administration memo tasking the agency with building a platform that allowed entrepreneurs, innovators, and the public to compete for prestige and prizes by providing the government with novel solutions to tough problems. Since its launch, Challenge.gov has featured over 370 challenges and been used by 67 federal agencies to crowd source solutions and has received 3.6 million visits.

In a world where technology has radically changed the way we live and work, GSA is challenging the status quo to improve every system GSA uses to serve the American people.

In 2014, Administrator Tangherlini announced the launch of 18F, a team of highly skilled, proven entrepreneurs including software developers, designers, product managers, and other experts who are delivering user centered digital service design and development to agencies on a reimbursable basis. 18F includes the prestigious Presidential Innovation Fellows program.

By connecting the people, principles, and methodologies of the technology startup world with the government's leaders in innovation, 18F seeks to improve the way agencies tackle their missions. With the launch of 18F, GSA continues to answer the call for modernized public services. The program is designed to provide the American people the digital services they expect from a 21st century government.

Building a Stronger GSA

GSA is committed to providing its employees with the same high-quality service and support provided to our partner agencies, which enables them to deliver our mission as efficiently as possible, and to ensure that our customers are receiving the best service from GSA.

During 2014, GSA continued to build on the employee idea-generating Great Ideas Hunt, which thus far has produced more than 20,000 comments and ideas, many centered on how GSA could be more efficient and save money.

Today, the mission of GSA is more important than ever before. At a time when every agency is feeling the effect of tightening budgets, our ability to deliver savings in real estate, acquisitions, and technology services is allowing agencies to focus on serving the American people to the very best of their ability.

Management's Discussion & Analysis

Organization

GSA delivers goods and services to its federal customers through 11 regional offices and the headquarter office in Washington, D.C. GSA is comprised of 16 services and staff offices supporting the 22 programs identified in the FY 2013 GSA program inventory available on performance.gov. The primary sub-organizations of GSA are the Federal Acquisition Service (FAS), the Public Buildings Service (PBS), the Office of Citizen Services and Innovative Technologies (OCSIT), the Office of Government-wide Policy (OGP), 10 staff offices that support the agency, and two independent offices: the Office of Inspector General (OIG) and the Civilian Board of Contract Appeals (CBCA). For more information on these offices, please see the Description of Independent and Central Offices in the Other Information section of this report.

Federal Acquisition Service

FAS provides federal agencies over 11 million different products and services, and annually delivers over $50 billion in information technology solutions and telecommunications services, assisted acquisition services, travel and transportation management solutions, motor vehicles and fleet services, and card services. FAS manages over 205,000 leased vehicles, enables customer agency streamlined buying through more than 3.4 million purchase, travel, fleet and integrated charge card accounts across the government and around the world, and provides personal property disposal services facilitating the reuse of $1 billion in excess/surplus property annually. FAS leverages the buying power of the federal government by negotiating prices on many products and services required by federal agencies for daily operations. By arranging a network of service providers FAS is able to meet the operating and mission requirements of a vast array of federal agencies, state, local, and tribal governments. FAS business operations are organized based on the product or service provided to our customer, into four portfolios: Integrated Technology Services, Assisted Acquisition Services, General Supplies and Services, and Travel, Motor Vehicles and Card Services.

Public Buildings Service

PBS activities fall into two broad areas: workspace acquisition and property management. PBS acquires space on behalf of the federal government through new construction and leasing, and acts as a caretaker for federal properties across the country. As the largest public real estate organization in the United States, PBS owns or leases approximately 8,900 assets and maintains an inventory of more than 376 million square feet of workspace for 1.1 million federal employees. Within this inventory, PBS maintains more than 656 owned and leased historic properties. PBS delivers high quality, innovative and sustainable workspace solutions to all three branches of government, disposes of excess or unneeded federal properties for all federal landholding agencies, spanning 21 agencies since FY 2009, and incorporates the latest

technologies in its building operations and management systems. Through lease and purchase transactions, PBS delivers the workspace necessary to meet the missions of its federal customers. PBS works with almost every federal agency as it designs the workplace of the 21st Century while reducing overall workspace needs and associated costs. These services are coordinated to obtain the best available pricing for the American people.

Office of Citizen Services and Innovative Technologies

OCSIT, which includes 18F, makes federal government information and services more readily available to the public, and makes it easier for the public to conduct transactions with the federal government. OCSIT also identifies, tests and deploys innovative technologies for the government to provide shared, transparent and cost effective means to disseminate information and conduct business. OCSIT provides access to a wide range of government services as well as consumer protection information through the official web portals of the federal government, USA.gov and GobiernoUSA.gov. OCSIT works closely with other government agencies – federal, state, local, and international – to collect and consolidate information and make it available to the public, sharing experiences that lead to better solutions.

Office of Government-wide Policy

OGP uses policy, information and ideas to help agencies drive efficiency, savings and improved mission performance in key administrative areas including: travel and transportation, acquisition, information technology, and green buildings. OGP helps drive agency behavior in these administrative areas through government-wide policy-making, performance standards, analysis and benchmarking of data, and regular reporting to the agencies and key stakeholders.

GSA's leadership consists of a National, Regional and Central Office structure.

Staff Offices

The GSA staff offices support the enterprise. They ensure GSA is prepared to meet the needs of customers, on a day-to-day basis and in crisis situations. GSA has two independent staff offices (the Office of the Inspector General, the Civilian Board of Contract Appeals), and twelve GSA staff offices (Office of Administrative Services, Office of Citizen Services and Innovative Technologies, Office of Congressional and Intergovernmental Affairs, Office of the Chief Financial Officer, Office of Government-wide Policy, Office of GSA IT, Office of Human Resource Management, Office of General Counsel, Office of Mission Assurance, Office of Communications and Marketing, Office of Civil Rights and the Office of Small Business Utilization).

FTE Breakdown by Organization

In FY 2014, GSA expended 11,502 full-time equivalents (FTE). This total represents a 3.2 percent reduction from FY 2013 and an 8.0 percent reduction from the FY 2012 total. Centralization of administrative functions led to increased FTE in staff offices offset by corresponding lower FTE in PBS and FAS. FTE are defined as the total number of hours worked, divided by the number of compensable hours applicable to each fiscal year. Compensable hours include leave, but not holiday and overtime hours.

	FY 2012	FY 2013	FY 2014	FTE Reduction (FY 12-14)	FTE Reduction (FY 13-14)	FY 14 % Reduction from FY 12	FY 14 % Reduction from FY 13
Staff	2,157	2,038	2,885	(728)	(847)	(33.7%)	(41.6%)
FAS	3,805	3,573	3,115	690	458	18.1%	12.8%
PBS	6,543	6,274	5,502	1,041	772	15.9%	12.3%
Total	**12,505**	**11,885**	**11,502**	**1,003**	**383**	**8.0%**	**3.2%**

Performance Summary and Highlights

Mission and Goals

The scope of the work we do at GSA is vast and varied, but the mission is simple and to the point. We serve the government and the American people. Through implementing our mission, we aspire to achieve three strategic goals:

- ***Savings – Provide savings to federal departments and agencies.*** We will use our purchasing power and expertise to deliver cost-effective real estate, acquisition and technology solutions to federal departments and agencies.

- ***Efficiency – Improve the efficiency of operations and service delivery.*** We will streamline our operations to offer high quality real estate, acquisition, and technology services at a good value to federal departments and agencies.

- ***Service – Deliver excellent customer service.*** We will deliver excellent customer service to federal agencies and departments by making it easier to reliably meet their real estate, acquisition, and technology needs.

GSA Priorities

1. ***Delivering Better Value and Savings.*** Using the purchasing power of the federal government will reduce costs to our customer agencies, enabling them to focus on their core missions. We are going to improve upon this by finding more ways to solve our customers' problems in the coming year. We will look for new ways to help these agencies make their purchases smarter and more efficient. At the same time, we will look for new and innovative ways to maximize the value of our real estate assets.

2. ***Serving Our Partners.*** Every day the work that we do helps our customer agencies focus on their missions. Partnership on all levels is critical to the success of GSA. Strong partnerships with partner agencies and vendors alike lead to good business decisions that create value and savings for our customers and the American taxpayer. It is our commitment to ensure that doing business with GSA is an easy and reliable experience. We are continuously improving our processes and systems to make them as simple and streamlined as possible.

3. ***Expanding Opportunities for Small Businesses.*** Small businesses are the engines that power the American economy. Contracting with these entrepreneurs is a win-win for both the federal government and the small business community. The government receives great service at great value, while small businesses have a great chance to grow their businesses and create jobs. GSA offers opportunities to small businesses across the country through our contract vehicles and through the contracts we award for other agencies.

4. ***Making a More Sustainable Government.*** Going green saves green. Environmentally friendly practices are good for the environment and for business. GSA is committed to both. As we work toward implementing sustainable practices and making our buildings and our fleet more environmentally-friendly, we will continue to work with vendors to make sustainable products and services readily available and affordable.

5. ***Leading with Innovation.*** GSA is a leader of innovation in public service. Among many firsts, we were the first government agency to move to cloud computing, setting an example for others to follow. In the coming years, we will continue to develop innovative, cost saving solutions that will be shared across the government.

6. ***Building a Stronger GSA.*** We must make sure our own employees at GSA are getting the same high quality support that we give our partner agencies. Offering the

GSA ®

The GSA Mission is to deliver the best value real estate, acquisition and technology services to government and the American people.

very best training and resources to our employees will be the cornerstone of this effort. By doing so, the agency will better serve its employees, while continuing to ensure that our customers are receiving great service. We will guarantee that when we do something, we will do it once and do it well.

Cross-Agency Priority Goals

GSA currently contributes to the following Cross-Agency Priority Goals: Cybersecurity, Sustainability, Real Property, Improper Payments, Closing Skill Gaps, Strategic Sourcing, Open Data and Data Center Consolidation. Visit performance.gov for more information on the GSA contributions and progress towards Cross-Agency Priority Goals.

Agency Priority Goals

These goals identify short-term outcomes that are meaningful to the public and demonstrate progress toward achieving the GSA strategic goals. Visit performance.gov for more information on GSA's performance against these priority goals.

Generate savings through Federal Strategic Sourcing Initiative
By September 30, 2015, GSA will save $255 million ($111 million during Fiscal Year (FY) 2014 and $144 million during FY 2015) through the use of Federal Strategic Sourcing Initiative (FSSI).

GSA expects year end savings for FSSI solutions to fall short of the $111 million goal for FY 2014. Through June (end of 3rd quarter), $79.9 million has been saved through the FSSI solutions in FY 2014. The launch of two new FSSI solutions for Janitorial and Sanitation Supplies and for Maintenance, Repair, and Operations Supplies will result in additional savings to be reported later for year end results.

Reduce the federal footprint
By September 30, 2015, GSA will reduce the aggregate amount of leased space by 5 percent for replacement leases. GSA will also work with agencies to complete a total of 15 client portfolio plans (three new plans each year) to identify opportunities for agencies to optimize their real estate portfolios.

GSA met its progress goals for FY 2014. Three new client portfolio plans – Internal Revenue Service, Housing and Urban Development, and GSA – were developed for a total of 12 client portfolio plans. Since the program's inception, client portfolio plans have resulted in $31 million in annual rent savings and cost avoidance as well as reductions totaling approximately one million square feet.

Agency Performance Goals

This section provides an overview of GSA's performance against strategic goals. A complete analysis of GSA's successes and challenges related to FY 2014 performance targets will be included in the Annual Performance Report.

GSA experienced mixed success in meeting FY 2014 performance improvement targets. GSA's greatest performance improvements were realized in improving operational efficiency, especially in reducing our indirect costs, promoting use of small business, and delivering innovative solutions that promote greater citizen engagement with federal departments and agencies. However, important performance improvement targets were missed, most notably for customer satisfaction and providing greater savings for federal customers. These results are shown and discussed below.

Savings – Provide savings to federal departments and agencies.
GSA uses our purchasing power and expertise to deliver cost-effective real estate, acquisition and technology solutions to federal departments and agencies. By completing Customer Portfolio Plans, GSA and our federal customers have identified opportunities to improve space utilization and reduce costs. GSA did not meet its Global Supply blended markup metric in 2014. This was the result of a longer than expected transition from a traditional warehousing business model to a direct vendor delivery model. The direct vendor delivery model will significantly reduce GSA's operating costs, allowing for a lowering of the markup on goods, and increased savings for customers.

PERFORMANCE INDICATOR	2012 Actual	2013 Actual	2014 Target	2014 Preliminary Actual Results	Status
Global Supply blended markup	28.1%	24.7%	22.5%	29.9%	Target not met
Cost of lease space relative to market rates	(11.5%)	(10.1%)	(9.5%)	(8.4%)	Target not met
Integrated Technology Service cost savings in billions	$1.36	$1.37	$0.99	0.87[1]	Project meeting target
Agencies with completed Customer Portfolio Plans	6	9	12	12	Target met
Percent of vacant space in inventory	3.0%	3.8%	3.2%	4.2%	Target not met
Percent green business volume	6.9%	4.7%	6.0%	12.0%	Project meeting target
Percent alternative fuel vehicles purchased	75.4%	82.1%	80.0%	80.93%[2]	Project meeting target

Efficiency – Improve the efficiency of operations and service delivery.
GSA has streamlined its operations to provide high quality real estate, acquisition, and technology services at the best value to federal departments and agencies. GSA anticipates savings to the American Taxpayer of $200 million over the next ten years through improved efficiency in information technology, human resources, administrative and financial functions.

As the real estate expert for the federal government, GSA excels in project management, delivering 100 percent of our construction projects on schedule to meet our customers' needs. GSA leverages its buying power to obtain cleaning and maintenance services within five percent of the private sector average. GSA continues to improve the timeliness and accuracy of its rent billing, more effectively manage expenses, backfill vacant space, and dispose of underperforming assets.

GSA exceeded its reduction in total indirect costs from the FY 2010 baseline target by $11 million. During FY 2014 GSA continued to consolidate resources and operate more efficiently in order to provide internal support services at a reduced cost. Although GSA achieved significant cost reductions, the level of goods and services were less than estimated resulting in GSA not meeting the total operating costs as a percentage of goods and services target.

GSA continues to drive efficient management of the Federal Acquisition Institute (FAI), which is charged with facilitating and promoting career development and strategic human capital management for the civilian acquisition workforce. In FY 2014, FAI was recognized for leveraging distancing learning technologies to boost performance and efficiency, receiving the Federal Government Distance Learning Associations 5 star award and the Human Capital Management Government Award for Best Implementation of an Enterprise Technology System.

[1]Results as of 3rd Quarter FY 2014, year-end results are projected to meet or exceed target
[2]Results as of 3rd Quarter FY 2014, year-end results are projected to meet or exceed target

PERFORMANCE INDICATOR	2012 Actual	2013 Actual	2014 Target	2014 Preliminary Actual Results	Status
New construction projects on schedule	93.4%	100%	90%	100%	Target met
Cost of cleaning and maintaining space against private sector benchmarks	3.7%	3.1%	+/-5%	3.7%	Target met
Total operating costs as a percentage of total goods and services provided	10.03%	9.60%	9.40%	9.91%	Target not met
Reduction in total GSA indirect costs from the FY 2010 baseline	$115M	$130M	$155M	$190M	Target met

Service – Deliver excellent customer service.

GSA strives to deliver excellent customer service to federal agencies and departments by making it easier for them to meet their real estate, acquisition, and technology needs.

GSA did not meet its performance targets for its satisfaction surveys for tenant satisfaction with building services, customer loyalty for acquisition services, and suppliers. GSA continues to meet other customer service targets by providing innovative tools to other agencies and creating greater citizen engagement with the federal government.

New innovations included websites for agencies use to manage and develop their own websites (sites.usa.gov), more easily create on-line enterprise data inventories (inventory.data.gov), and invite the public to submit ideas and solutions to specific problems (challenge.gov ideation platform). GSA also developed an application in USA.gov to allow the public to search for unclaimed money through a single website. GSA also provided agency decision makers with cost and quality data on core-mission support functions including: Acquisition, Financial Management, Human Capital, Information Technology (IT) Management, and Real Property. Agencies are using the benchmarks as a tool to jumpstart data-driven discussions with bureaus, measure performance against peer agencies and bureaus, and improve visibility into shared services, among other uses.

PERFORMANCE INDICATOR	2012 Actual	2013 Actual	2014 Target	2014 Preliminary Actual Results	Status
Tenant satisfaction with government-owned and leased space	73%	63%	75%	59%[3]	Target not met
Customer loyalty	7.6	7.6	7.8	7.4	Target not met
Supplier satisfaction	3.00	3.05	3.10	3.04	Target not met
Percent of MAS business volume coming from small businesses	34.0%	34.7%	33.0%	37.1%[4]	Project meeting target
Number of innovative solutions	5	5	5	5	Target met
Citizen touch points in millions	539	1,018	674	1,206	Target Met

[3]Change from paper to web-based survey administration is a contributing factor to lower reported satisfaction in FY 2014. Negative trend in tenant satisfaction (2012-2014) mirrors similar trend in federal employees' satisfaction as shown in government-wide Federal Employee Viewpoint Survey.

[4]Results as of 3rd Quarter FY 2014, year-end results are projected to meet or exceed target

Financial Statements Analysis and Summary

KPMG LLP issued an unmodified ("clean") opinion on GSA's FY 2014 financial statements. 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 accounting records in conformity with generally accepted accounting principles (GAAP) as prescribed by the Federal Accounting Standards Advisory Board (FASAB).

Consolidated Financial Results

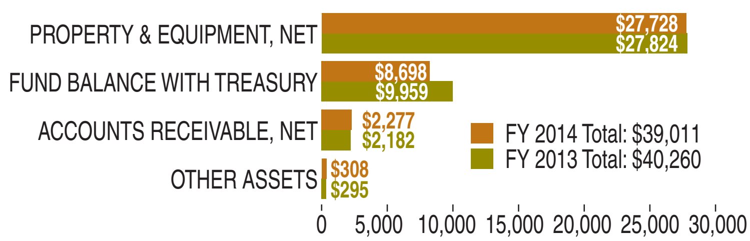
GSA Assets

GSA assets include federal buildings, motor vehicles, and office equipment (Property and Equipment); cash balances held in the U.S. Treasury, Fund Balance with Treasury (FBWT); and debts owed to GSA mainly from other federal agencies, primarily for sales transactions or uncollected rent (Accounts Receivable). In FY 2014 GSA reported Total Assets of $39.0 billion compared to FY 2013 Total Assets of $40.3 billion, a net decrease of more than $1.2 billion. Significant changes in assets include: FBWT decreased by $1.3 billion, due primarily to the early retirement of Federal Buildings Fund (FBF) debt, which reduced FBWT by $2.1 billion, offset by positive cash flow from other FBF activities of $955 million; and reductions of $284 million in the Acquisition Services Fund (ASF) resulting mostly from reduced net operating results, and increased capital acquisitions in the motor vehicle fleet. Also, the value of GSA-owned buildings increased by $2.0 billion. This increase was mostly due to the transfer of approximately $1.9 billion from Construction-in-Progress (CIP), to the Buildings account. Much of this amount was related to FBF American Recovery and Reinvestment Act (ARRA) construction projects.

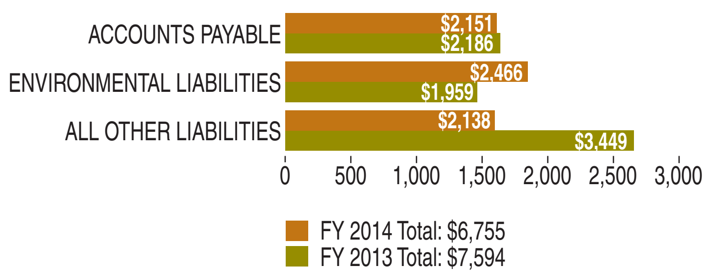
GSA Liabilities

GSA liabilities are primarily amounts owed to commercial vendors for goods and services received but not yet paid (Accounts Payable), amounts GSA owes to other federal entities, and long-term estimates of future environmental remediation costs. In FY 2014, Total Liabilities were $6.8 billion; a net decrease of $839 million compared to FY 2013 Total Liabilities of $7.6 billion. This

GSA Assets *in millions*



GSA Liabilities *in millions*



decrease was mostly attributable to the retirement of $1.7 billion in Intragovernmental Debt, offset by a $507 million increase in Environmental and Disposal Liabilities due to changes in long-term estimates for asbestos and other environmental cleanup costs.

GSA Revenue

The Consolidating Statements of Net Cost presents, by major program and activity, the revenues and expenses incurred to provide goods and services to our customers. GSA reported $20.1 billion in revenue during FY 2014 compared to $20.7 billion reported in FY 2013, a decrease of $604 million. Changes in revenues were most notable in the ASF, which experienced a $572 million reduction. FY 2014 Expenses were $20.3 billion compared to FY 2013 Expenses of $20.4 billion, a decrease of $98 million. Net Costs of Operations was $200 million, a $506 million decrease compared to FY 2013's positive Net Revenues from Operations of $306 million. The largest drop in net operating results occurred in the FBF, with a reduction of $538 million, discussed further below.

Financial Results by Major Fund – Federal Buildings Fund

TheFBFistheprimaryfundofthePublicBuildings Service (PBS). PBS provides workplaces for federal agencies and their employees. FBF is primarily supported by rent paid to GSA from other federal entities. Operating results are displayed on the Consolidating Statements of Net Costs, segregated into the two primary components of Building Operations – Government Owned, and Building Operations – Leased.

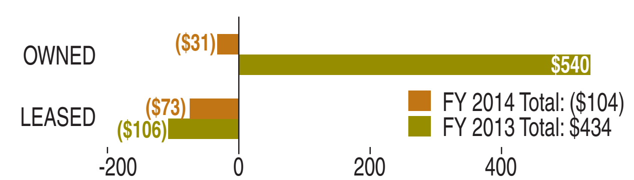
FY 2014 FBF gross revenue was $11.4 billion, with over half the revenue from five federal customer agencies shown in the "FBF Top 5 Federal Customers" table.

FBF Top 5 Federal Customers	Revenues ($ in Millions)	% of Total Revenues
Department of Homeland Security	$1,851	16%
Department of Justice	$1,817	16%
Federal Judiciary	$1,155	10%
Social Security Administration	$822	7%
Department of the Treasury	$779	7%

FBF Net Revenues from Operations

FBF Net Revenues from Operations represents the amounts remaining after the costs of operating GSA owned and leased buildings are subtracted from revenue. Net Revenues from Operations are used to invest in major repairs and alterations to federal buildings and to partially offset costs of constructing new federal buildings.

FBF Net Revenues from Operations *in millions*



Revenues and expenses in FBF are primarily from building operations and rent. FBF also operates a Reimbursable Work Authorization (RWA) program, which provides customer agencies with alterations and improvements in GSA space, above what is specified in the base rental agreement.

FBF reported net costs exceeding revenue by $104 million compared to net revenues exceeding costs by $434 million reported in FY 2013, a decrease of $538 million. This was due to a $571 million decrease in net results in the Building Operations – Government owned segment and a $33 million reduction of losses in Building Operations- Leased compared to the previous fiscal year. While the net operating results were down significantly, the primary cause was increases in estimates of the long-term cost of environmental liabilities, totaling $513 million. These estimated environmental liabilities are generally classified as retirement obligations, which will be liquidated either over the life of the associated buildings, or at final disposal or demolition of the buildings. While changes for re-estimates of these long-term liabilities are recognized each year in the results of operations, the rental rates for associated buildings are designed to recover such costs over time, similar to funding for capital improvements for building alterations and improvements so that resources are available from year-to-year, as needed. This variation of immediate cost recognition compared to revenue generation over time can periodically create substantial differences in net operating results, as was seen in FY 2014.

FBF Obligations, Outlays and Collections

In the FBF, obligations are primarily the value of contracts awarded to commercial vendors for the construction of new federal buildings; for repairs and alteration, cleaning, utilities and other maintenance of GSA-owned federal buildings; and lease and related payments to commercial landlords for space leased by GSA for federal agencies.

FBF Obligations Incurred decreased by $25 million between FY 2014 and FY 2013. Gross Outlays also decreased by $796 million during FY 2014, mostly due to the wind-down of spending on buildings and alterations funded by the ARRA and reductions in overall FBF funding authorities for capital improvements. Outlays are payments made by the government, once goods and services are received at an acceptable level of quality and completeness. Offsetting Collections increased by $10 million, which represent revenues collected from other federal agencies that "offset" expenditures made by GSA on behalf of other federal agencies.

FBF Obligations and Outlays (*Dollars in Millions*)	2014	2013	Change ($)	Change (%)
Obligations Incurred	$10,749	$10,774	($25)	-0.23%
Gross Outlays	$10,667	$11,463	($796)	-6.94%
Offsetting Collections	$11,704	$11,694	$10	0.09%

Financial Results by Major Fund — Acquisition Services Fund

The Acquisition Services Fund (ASF), the primary fund of the Federal Acquisition Service (FAS) is a revolving fund, which operates on the revenue generated from its business lines rather than an appropriation received from Congress. FAS business operations are organized into five business portfolios based on the product or service provided to customer agencies: General Supplies and Services (GSS); Travel, Motor Vehicles, and Card Services (TMVCS); Integrated Technology Services (ITS); Assisted Acquisition Services (AAS); and Integrated Award Environment. FAS consolidates common requirements from multiple federal agencies and uses its expertise to acquire products and services at better prices and terms than agencies could obtain individually.

In FY 2014, ASF realized $8.8 billion in revenues. The majority of revenues were

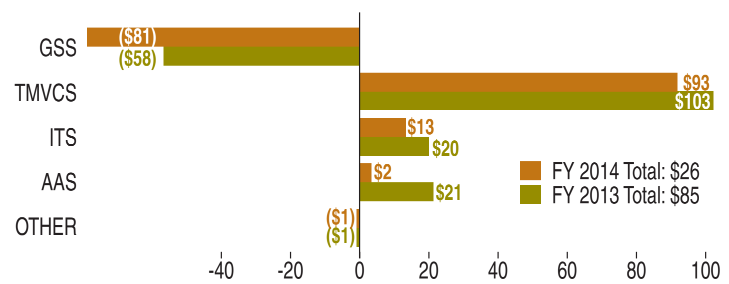
ASF Top 5 Federal Customers	Revenues ($ in Millions)	% of Total Revenues
Department of Defense	$5,079	58%
Department of Homeland Security	$563	6%
Department of Agriculture	$446	5%
Department of Health and Human Services	$282	3%
Social Security Administration	$260	3%

from the five agencies shown in the "ASF Top 5 Federal Customers" table, with over half in sales to Military Departments.

ASF Net Revenues from Operations

ASF Net Revenues from Operations represent the amounts remaining after the costs of goods and services sold and FAS operating expenses are subtracted from revenues earned during the year. Net Revenues from Operations are used to invest in the GSA Fleet, information technology systems, other investments to improve FAS service levels, and to comply with regulatory and statutory requirements. ASF reported net revenues of $26 million during FY 2014, $59 million less than FY 2013 net revenue of $85 million. The most significant reduction in net operating results was due to activities related to the discontinuance of operations in the General Supplies and Services portfolio's Stock Program, where GSA's two large supply depot warehouse operations were being closed during the fiscal year. GSA incurred one-time costs, while generating greatly reduced revenues during the closure process, resulting in Stock Program expenses exceeding revenues by $66 million. The ASF results also reflect a significant reduction in business volume in the Assisted Acquisition Services portfolio, with a reduction of $455 million in revenues and $436 million in expenses, primarily attributed to the impact of FY 2013 reduced funding availability of the various Federal Departments and agencies that GSA serves, which caused a significant drop in the normal volume of unfilled orders that cross fiscal years.

ASF Net Revenues from Operations *in millions*



ASF Obligations and Outlays (*Dollars in Millions*)	2014	2013	Change ($)	Change (%)
Obligations Incurred	$10,758	$9,773	$985	10.08%
Gross Outlays	$10,183	$10,088	$95	0.94%
Offsetting Collections	$9,910	$10,413	($503)	-4.83%

ASF Obligations, Outlays, and Collections

ASF obligations and outlays are primarily driven by contracts awarded to commercial vendors, who provide goods and services to federal agencies. Obligations Incurred increased by $985 million between FY 2014 and FY 2013, mostly due to increases in TMVCS and program acquisitions. Overall, unpaid obligations have also increased, as customer order volume is recovering from the reductions experienced in FY 2013.

Limitations of Financial Statements

The principal financial statements report the financial position and results of GSA operations, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from GSA books and records in accordance with GAAP for federal entities and the format prescribe by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.

GSA Management Assurances

Statement of Assurance

The U.S. General Services Administration management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA).

GSA conducted its assessment of internal controls 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 provides reasonable assurance that its management internal controls over the effectiveness and efficiency over operations and compliance with applicable laws and regulations were operating effectively in their design and operation as of September 30, 2014. Although not identified as a material weakness, GSA management recognizes that challenges exist in GSA's entity level control environment. The control environment needs to be strengthened to promote standardization of business processes, consistent application of business rules, and effective communications across the agency.

In addition, GSA conducted its limited-scope assessment of the effectiveness of internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circular A-123 Appendix A. Based on the results of this assessment, GSA provides reasonable assurance that internal controls over financial reporting were operating effectively as of September 30, 2014, with the exception of the financial reporting process where a material weakness has been identified relating to environmental liabilities and practices supporting lease classification. GSA revised the environmental liability estimate prior to the final presentation of the financial statements. Remaining issues associated with internal controls over practices supporting the environmental liability estimate and lease classification will continue to be addressed in fiscal year 2015.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management systems requirements, federal accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level. In addition, OMB Circular A-123 Appendix D requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management systems requirements, federal accounting standards, and the USSGL. GSA assessed its degree of substantial compliance by utilizing the FFMIA Risk Model. GSA financial management systems were found to substantially comply with FFMIA as of September 30, 2014.

Dan Tangherlini
Administrator
November 12, 2014

GSA Management and Internal Control Program

Federal Managers' Financial Integrity Act Section 2

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish internal control and financial systems that provide reasonable assurance that the three objectives of internal control are achieved:

FMFIA Annual Assurance Process

- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations; and
- Reliability of financial reporting.

FMFIA requires that the head of the agency, based on evaluation, provide an annual Statement of Assurance on whether the agency has met these requirements. Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, implements the FMFIA and defines management's responsibility for internal control in federal agencies. FMFIA also requires agencies to establish internal controls over their programs, financial reporting, and financial management systems. GSA internal control reviews are conducted for agency program components to ensure that significant risks are identified, tested and evaluated. GSA provides assurance on the effectiveness of the internal control over operations, management systems, and financial reporting for FY 2014 with consideration to all internal and external reviews of the agency. The "Summary of GSA's Financial Statement Audit and Management Assurances" table is provided in the "Other Information" section of this report.

In FY 2014, GSA continued to strengthen management practices and internal controls to assure the integrity of its programs, operations, and business and financial management systems. This effort included an increased focus on risk management and risk analysis on all programs. GSA successfully completed all the requirements of OMB Circular A-123; the Office of Federal Procurement Policy's (OFPP) Memorandum entitled, Conducting Acquisition Assessments under OMB Circular A-123; the FMFIA; OMB Circular A-123 Appendix D, Compliance with the Federal Financial Management Improvement Act of 1996; the Federal Financial Management Improvement Act (FFMIA); and the Federal Information Security Management Act (FISMA) as the foundation of effective management operations and internal controls.

In FY 2014, the Procurement Management Review (PMR) Division conducted acquisition reviews across the agency. PMR reviews assessed the effectiveness of internal controls to include audit deficiencies identified by external auditors (i.e. Defense Contract Audit Agency and the General Accountability Office). By analyzing activity from an acquisition perspective, GSA identified and addressed control issues related to the acquisition functions. Review results were presented to management at the Management Control Oversight Committee meeting in October. A dashboard tracker located on the GSA Acquisition Portal is used to track the timely and accurate implementation of corrective action plans.

GSA conducted limited reviews of controls over financial reporting as prescribed in OMB Circular A-123 Appendix A. Results of these reviews and responses to the assurance statement process did not identify any material weaknesses in these areas. Although not identified as a material weakness, GSA management recognizes that challenges exist in GSA's entity-level controls environment that need to be strengthened to promote standardization of business rules and effective communications across the agency.

GSA's external auditor identified one material weakness related to controls over financial reporting. The material weakness contains two components - future estimated cleanup costs for contaminants other than asbestos and incomplete lease classification analysis.

Remediation efforts completed during fiscal year 2014 to address future estimated cleanup costs for contaminants other than asbestos included a change in accounting methodology, which resulted in a revised environmental liability estimate recorded prior to final presentation of the financial statements. Additional remediation actions for this deficiency are planned in fiscal year 2015 and are summarized below:

- Transition the asbestos working team to address contaminants other than asbestos.
- Continue to refine the methodology for GSA's non-asbestos environmental liability to include additional project costs and cost estimates for future equipment and facility disposal.
- Update guidelines, provide training, and communicate program efforts regarding the non-asbestos environmental liability estimation methodology.

GSA is in the process of finalizing a project plan and a corrective action plan to ensure the amounts recorded by GSA for environmental liabilities for cleanup costs other than asbestos is complete and accurate.

Remediation efforts are also planned for fiscal year 2015 to address incomplete lease classification analysis. GSA will develop a corrective action plan to improve its policies and procedures that will ensure personnel conducting scoring analyses for lease classification are properly trained. In addition, GSA will update policies to add clarity to scoring evaluations and will enforce existing policies to certify that all necessary leases are properly classified before lease award. These improvements will provide additional safeguards in the lease classification process and ensure that the lease classification analysis is done accurately, timely and consistently.

Federal Managers' Financial Integrity Act Section 4

GSA evaluates its financial management systems annually for compliance with federal financial management systems requirements, applicable federal accounting standards, and U.S. Standard General Ledger (USSGL) recording and reporting requirements. In FY 2014, GSA evaluated its financial management systems controls and compliance by completing systems certification and accreditation reviews as part of the agency security assessment and authorization on Pegasys, the agency core financial system, submitting required Office of the Chief Information Security Officer (OCISO) reports and obtaining authorization to operate (ATO), conducting OMB Circular A-123 reviews, and evaluating risk indicators contained in the FFMIA Compliance Risk Model. GSA also reviewed pertinent audit reports issued in FY 2014, remediated all prior year SSAE16 audit recommendations, and discussed the details of pertinent systems-related control issues with senior managers and auditors.

In FY 2014, improvements were made to strengthen GSA IT systems controls in the areas of continuous monitoring and automated logging & monitoring. GSA will continue to implement and enhance controls in these areas, and the automated tools will provide improved vulnerability management capabilities as well as near real time reporting on system inventories and risk posture.

In assessing compliance with FFMIA, GSA adheres to the implementation guidance provided by OMB and considers the results of GSA Office of the Inspector General and U.S. Government Accountability Office audit reports, annual financial statement audits, FISMA compliance reviews, risk assessments, and other systems-related review and monitoring activities. Based on all information assessed, the administrator has determined that GSA financial management systems are in substantial compliance with FFMIA requirements for FY 2014.

Federal Information Security Management Act

FISMA requires federal agencies to implement a mandatory set of processes and system controls designed to ensure the confidentiality, integrity, and availability of system-related information. The processes and systems controls in each federal agency must follow established Federal Information Processing Standards, National Institute of Standards and Technology standards (NIST), and other legislative requirements pertaining to federal information systems, such as the Privacy Act of 1974.

To facilitate FISMA compliance, GSA maintains a formal program for information security management focused on FISMA requirements, protecting GSA IT resources, and supporting the GSA mission. This program consists of policies, procedures, and processes to mitigate new threats and anticipate risks posed by new technologies.

Designated GSA information system security managers and information system security officers implement information security requirements in accordance with FISMA requirements and GSA policies.
GSA continues to address weaknesses identified in its Plan of Action and Milestones. GSA annually provides security and privacy awareness training for over 15,000 employees and contractors. Privacy Impact Assessments were completed on all applicable systems. GSA continues to implement and mature a continuous monitoring program in accordance with NIST, Department of Homeland Security (DHS), and Office of Management and Budget (OMB) direction.

Financial Management Systems Framework

The Chief Financial Officers Act assigns responsibilities for planning, developing, maintaining, and integrating financial management systems within federal agencies.

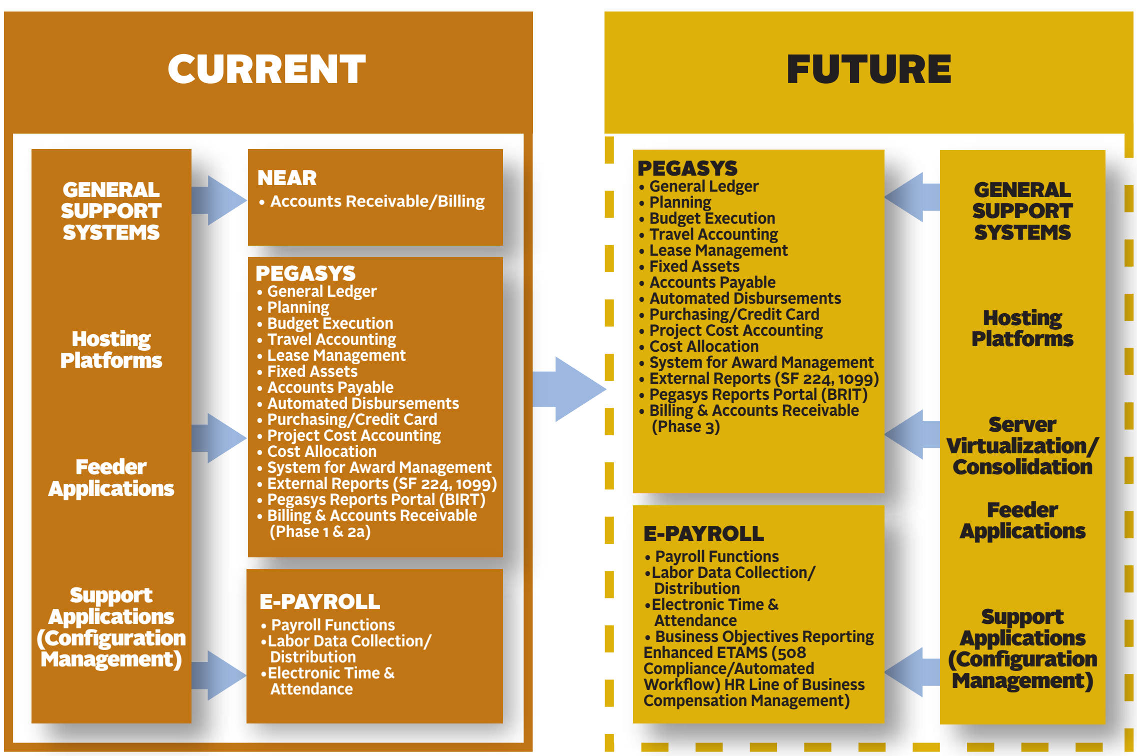
As depicted on the Financial Management Systems Framework chart below, GSA currently maintains a core accounting system, Pegasys; E-Payroll applications; portions of its legacy core accounting system, National Electronic and Accounting Reporting (NEAR); and general support systems, which operate, on a variety of hosting platforms to support various feeder applications.

In FY 2014, GSA continued its progress in financial systems modernization and improvement in support of this financial management systems framework. To achieve its strategic goals GSA will continue efforts to:

- Retire NEAR by transferring billing and accounts receivable and other remaining functionality to Pegasys; and
- Streamline, consolidate, and modernize financially oriented general support systems.

These strategies support GSA financial management system goals of reducing financial system operating and maintenance costs, and enhancing compliance and IT security controls.

Financial Management System Framework



Financial Section

Letter from the Chief Financial Officer

I am pleased to present the Fiscal Year 2014 financial statements for the U.S. General Services Administration.

In FY 2014, the Office of the Chief Financial Officer (OCFO) established a new vision, which states "As the agency's trusted strategic financial advisor, OCFO will lead GSA in savings, efficiency and risk management." Our new vision provides a roadmap for our goals and business objectives, and sets the stage for our direction over the next two years. This vision aligns with the Administrator's strategic priorities aimed at driving efficiency, accountability, and cost-savings across our organization. In concert with this new vision the OCFO established goals in five measurable areas to monitor our success: savings, efficiency, service, risk, and organizational excellence. Significant accomplishments in FY 2014 toward this vision and these goals include:

- The retirement of $1.6 billion of debt carried by the Federal Buildings Fund for balances borrowed from the U.S. Treasury's Federal Financing Bank, generating net savings for GSA of $297 million in interest payments that would have been due over the next 12 years.
- The provision of regular, consistent budget execution reporting and reviews to reduce the risk of over- or under-execution.
- Implementation of an asbestos liability estimating methodology that fully complies with new federal accounting requirements.
- The further implementation of the Billing and Accounts Receivable (BAAR) modules for Federal Acquisition Service (FAS) Business Lines. With this module, GSA Global Supply and AutoChoice paper bills are no longer mailed; instead, customers began accessing bills, statements and billing data electronically via GSA's Vendor and Customer Self Service (VCSS) website.
- Expansion of the "Freeze the Footprint" initiative to Regional Offices to reduce office space charges and maximize savings via shared work space and increased use of teleconferencing.
- Implementation of PayPal as an additional payment option for GSA's non-Federal customers, creating efficiencies and ease of payment for up to 8,500 GSA collections.
- Implementation of 15 new or enhanced document management processes that converted over 150,000 pages of documents into electronic form.

In FY 2014, the OCFO made significant strides in streamlining and consolidating GSA's financial operations. The OCFO developed a transformation plan, which included the following goals: enable fiscal controls, promote standardization, improve efficiency, improve effectiveness, promote a common purpose, and improve customer service. Through our transformation, we aim to become a model for the Federal Government in maximizing the efficiency and effectiveness of financial and business processes, providing world-class financial services to our customers, identifying and mitigating financial risks driving agency-wide cost-savings, and fostering an OCFO culture of high-performance. In FY 2015, the OCFO will align activities within the OCFO to increase the efficiency of our financial operations and to build greater consistency in our practices, rooted with sound internal controls.

Based on an independent audit, GSA has received an unmodified "clean" audit opinion on its financial statements, representing the ninth consecutive clean opinion. It demonstrates our commitment to a stewardship of public resources as well as transparent and accountable management.

The independent auditors' report includes a material weakness in internal controls over GSA's financial reporting. The weakness is due to inadequacies and understatement of the estimates of costs to cleanup non-asbestos environmental contamination, and inadequate evidence for complete and accurate classification of capital and operating leases. The OCFO will continue in FY 2015 to take aggressive action to address all reporting issues and eliminate these weaknesses, as well as collaborate with GSA's Service and Staff Offices to strengthen entity-level internal controls, prioritizing the highest risk processes, and recurring issues.

I would like to thank the financial management professionals throughout GSA for their hard work and dedication throughout this past year. In the coming year, OCFO will continue to seek ways to deliver more value to GSA's customers and to improve the agency's financial compliance, accountability, and transparency, thereby supporting GSA in its mission to deliver the best value in real estate, acquisition, and technology services to government and the American people.

Michael Casella
Chief Financial Officer
November 12, 2014

PRINCIPAL FINANCIAL STATEMENTS

Consolidating Balance Sheets

As of September 30, 2014 and 2013
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
ASSETS										
Intragovernmental Assets:										
Fund Balance with Treasury (Notes 1-D, 2)	**$ 6,819**	$ 7,964	**$1,130**	$1,414	**$749**	$581	**$ -**	$ -	**$8,698**	$9,959
Accounts Receivable - Federal, Net (Note 4)	**495**	699	**1,641**	1,378	**7**	13	**20**	22	**2,123**	2,068
Prepaid Expenses and Advances - Federal	**2**	-	**2**	1	**-**	-	**-**	-	**4**	1
Total Intragovernmental	**7,316**	8,663	**2,773**	2,793	**756**	594	**20**	22	**10,825**	12,028
Inventories (Note 1-E)	**-**	-	**42**	99	**-**	-	**-**	-	**42**	99
Accounts Receivable - Public, Net (Note 4)	**24**	11	**109**	91	**21**	12	**-**	-	**154**	114
Other Assets (Note 5)	**215**	169	**47**	25	**-**	1	**-**	-	**262**	195
Property and Equipment: (Notes 1-F, 6)										
Buildings	**42,832**	40,811	**-**	-	**-**	-	**-**	-	**42,832**	40,811
Leasehold Improvements	**300**	299	**30**	40	**-**	-	**-**	-	**330**	339
Motor Vehicles	**-**	-	**5,134**	4,878	**-**	-	**-**	-	**5,134**	4,878
Other Equipment	**199**	202	**337**	362	**209**	196	**-**	-	**745**	760
Less: Accumulated Depreciation and Amortization	**(22,115)**	(20,802)	**(2,072)**	(2,063)	**(159)**	(144)	**-**	-	**(24,346)**	(23,009)
Subtotal	**21,216**	20,510	**3,429**	3,217	**50**	52	**-**	-	**24,695**	23,779
Land	**1,645**	1,652	**-**	-	**-**	-	**-**	-	**1,645**	1,652
Construction in Process and Software in Development	**1,374**	2,382	**14**	11	**-**	-	**-**	-	**1,388**	2,393
Total Property and Equipment, Net	**24,235**	24,544	**3,443**	3,228	**50**	52	**-**	-	**27,728**	27,824
Total Assets	**$31,790**	$33,387	**$6,414**	$6,236	**$827**	$659	**$20**	$22	**$39,011**	$40,260
LIABILITIES AND NET POSITION										
Intragovernmental Liabilities:										
Accounts Payable and Accrued Expenses - Federal	**$25**	$89	**$23**	$27	**$11**	$7	**$20**	$22	**$39**	$101
Judgment Fund Liability (Note 12)	**443**	424	**-**	-	**-**	-	**-**	-	**443**	424
Deferred Revenues and Advances - Federal (Note 12)	**311**	123	**6**	4	**23**	17	**-**	-	**340**	144
Intragovernmental Debt (Notes 7, 12)	**-**	1,733	**-**	-	**-**	-	**-**	-	**-**	1,733
Other Intragovernmental Liabilities (Notes 10, 12)	**23**	23	**9**	10	**73**	46	**-**	-	**105**	79
Total Intragovernmental	**802**	2,392	**38**	41	**107**	70	**20**	22	**927**	2,481
Accounts Payable and Accrued Expenses - Public	**966**	1,072	**1,138**	999	**8**	14	**-**	-	**2,112**	2,085
Environmental and Disposal Liabilities (Notes 6, 11, 12)	**2,397**	1,884	**-**	-	**69**	75	**-**	-	**2,466**	1,959
Capital Lease and Installment Purchase Liability (Note 12)	**518**	361	**-**	-	**-**	-	**-**	-	**518**	361
Workers' Compensation Actuarial Liability (Notes 8, 12)	**86**	90	**30**	32	**17**	17	**-**	-	**133**	139
Unamortized Rent Abatement Liability (Note 12)	**387**	353	**-**	-	**-**	-	**-**	-	**387**	353
Annual Leave Liability (Notes 1-G, 12)	**47**	53	**28**	32	**31**	21	**-**	-	**106**	106
Deposit Fund Liability (Note 12)	**-**	-	**-**	-	**42**	34	**-**	-	**42**	34
Other Liabilities (Notes 10, 12)	**31**	48	**11**	9	**22**	19	**-**	-	**64**	76
Total Liabilities	**5,234**	6,253	**1,245**	1,113	**296**	250	**20**	22	**6,755**	7,594
NET POSITION (Note 15)										
Cumulative Results of Operations	**26,326**	26,618	**5,169**	5,123	**362**	256	**-**	-	**31,857**	31,997
Unexpended Appropriations	**230**	516	**-**	-	**169**	153	**-**	-	**399**	669
Total Net Position	**26,556**	27,134	**5,169**	5,123	**531**	409	**-**	-	**32,256**	32,666
Total Liabilities and Net Position	**$31,790**	$33,387	**$6,414**	$6,236	**$827**	$659	**$20**	$22	**$39,011**	$40,260

The accompanying notes are an integral part of these statements.

Consolidating Statements of Net Cost

For the Fiscal Years Ended September 30, 2014 and 2013
(Dollars in Millions)

	2014			2013		
	REVENUES	**EXPENSES**	**NET REVENUES FROM (COST OF) OPERATIONS**	REVENUES	EXPENSES	NET REVENUES FROM (COST OF) OPERATIONS
FEDERAL BUILDINGS FUND:						
Building Operations - Government Owned	**$4,770**	**$ 4,801**	**$(31)**	$4,839	$4,299	$540
Building Operations - Leased	**6,632**	**6,705**	**(73)**	6,722	6,828	(106)
Subtotal	**11,402**	**11,506**	**(104)**	11,561	11,127	434
ACQUISITION SERVICES FUND:						
General Supplies and Services (Excluding Stock Program)	**866**	**881**	**(15)**	977	1,001	(24)
Travel, Motor Vehicles, and Card Services	**1,772**	**1,679**	**93**	1,832	1,729	103
Integrated Technology Services	**1,705**	**1,692**	**13**	1,520	1,500	20
Assisted Acquisition Services	**4,179**	**4,177**	**2**	4,634	4,613	21
Other Programs	**76**	**77**	**(1)**	60	61	(1)
Subtotal of Continuing Operations	**8,598**	**8,506**	**92**	9,023	8,904	119
Discontinued Operations: GS&S Stock Program	**228**	**294**	**(66)**	375	409	(34)
Subtotal	**8,826**	**8,800**	**26**	9,398	9,313	85
OTHER FUNDS:						
Working Capital Fund	**692**	**623**	**69**	447	478	(31)
GSA OE and OGP Funds	**17**	**136**	**(119)**	17	138	(121)
Other Funds	**9**	**126**	**(117)**	7	105	(98)
Subtotal	**718**	**885**	**(167)**	471	721	(250)
INTRA-GSA ELIMINATIONS:						
Less: Intra-GSA Eliminations	**865**	**910**	**(45)**	745	782	(37)
GSA Consolidated Totals	**$20,081**	**$20,281**	**$(200)**	$20,685	$20,379	$306

The accompanying notes are an integral part of these statements.

Consolidating Statements of Changes in Net Position

For the Fiscal Years Ended September 30, 2014 and 2013
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
BEGINNING BALANCE OF NET POSITION:										
Cumulative Results of Operations	**$26,618**	$27,049	**$5,123**	$4,999	**$256**	$292	**$-**	$-	**$31,997**	$32,340
Adjustments - Change in Accounting Principles	**-**	(1,802)	**-**	-	**-**	-	**-**	-	**-**	(1,802)
Cumulative Results of Operations, as adjusted	**26,618**	25,247	**5,123**	4,999	**256**	292	**-**	-	**31,997**	30,538
Unexpended Appropriations	**516**	1,205	**-**	-	**153**	95	**-**	-	**669**	1,300
Net Position Beginning Balance	**27,134**	26,452	**5,123**	4,999	**409**	387	**-**	-	**32,666**	31,838
RESULTS OF OPERATIONS:										
Net Revenue From (Cost of) Operations	**(104)**	434	**26**	85	**(167)**	(250)	**(45)**	(37)	**(200)**	306
Appropriations Used (Note 1-C)	**286**	695	**-**	-	**224**	236	**-**	-	**510**	931
Non-Exchange Revenue (Notes 1-C, 1-D)	**-**	17	**-**	-	**110**	83	**-**	-	**110**	100
Imputed Financing Provided By Others	**69**	66	**44**	46	**33**	21	**45**	37	**101**	96
Transfer of Earnings Paid and Payable to U.S. Treasury	**-**	-	**(11)**	(6)	**(89)**	(58)	**-**	-	**(100)**	(64)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	**(544)**	159	**(13)**	-	**-**	(65)	**-**	-	**(557)**	94
Other	**1**	-	**-**	(1)	**(5)**	(3)	**-**	-	**(4)**	(4)
Net Results of Operations	**(292)**	1,371	**46**	124	**106**	(36)	**-**	-	**(140)**	1,459
CHANGES IN UNEXPENDED APPROPRIATIONS:										
Appropriations Received	**-**	7	**-**	-	**241**	239	**-**	-	**241**	246
Appropriations Used	**(286)**	(695)	**-**	-	**(224)**	(236)	**-**	-	**(510)**	(931)
Appropriations Adjustments and Transfers From Other Agencies or Funds	**-**	(1)	**-**	-	**(1)**	55	**-**	-	**(1)**	54
Net Change in Unexpended Appropriations	**(286)**	(689)	**-**	-	**16**	58	**-**	-	**(270)**	(631)
ENDING BALANCE OF NET POSITION:										
Cumulative Results of Operations	**26,326**	26,618	**5,169**	5,123	**362**	256	**-**	-	**31,857**	31,997
Unexpended Appropriations	**230**	516	**-**	-	**169**	153	**-**	-	**399**	669
Net Position Ending Balance	**$26,556**	$27,134	**$5,169**	$5,123	**$531**	$409	**$-**	$-	**$32,256**	$32,666

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

Combining Statements of Budgetary Resources

For the Fiscal Years Ended September 30, 2014 and 2013
(Dollars in Millions)

	FEDERAL BUILDINGS FUND 2014	FEDERAL BUILDINGS FUND 2013	ACQUISITION SERVICES FUND 2014	ACQUISITION SERVICES FUND 2013	OTHER FUNDS 2014	OTHER FUNDS 2013	GSA COMBINED TOTALS 2014	GSA COMBINED TOTALS 2013
BUDGETARY RESOURCES								
Unobligated Balance from Prior Year Budget Authority: Unobligated Balance Brought Forward, October 1	**$4,118**	$4,717	**$2,109**	$1,899	**$206**	$222	**$6,433**	$6,838
Recoveries of Prior Year Unpaid Obligations	**238**	326	**346**	317	**25**	15	**609**	658
Other Changes in Unobligated Balance	**(2,182)**	(87)	**(11)**	(6)	**(3)**	(1)	**(2,196)**	(94)
Unobligated Balance from Prior Year Budget Authority, Net	**2,174**	4,956	**2,444**	2,210	**228**	236	**4,846**	7,402
Appropriations, Net	**-**	6	**-**	-	**260**	251	**260**	257
Spending Authority from Offsetting Collections:								
Collections	**11,704**	11,694	**9,910**	10,413	**733**	474	**22,347**	22,581
Change in Uncollected Customer Payments	**(452)**	(315)	**478**	(741)	**(5)**	(7)	**21**	(1,063)
Previously Unavailable	**4,729**	3,280	**-**	-	**-**	-	**4,729**	3,280
Resources Temporarily Not Available	**(2,941)**	(4,729)	**-**	-	**-**	-	**(2,941)**	(4,729)
Transfers	**-**	-	**-**	-	**-**	-	**-**	-
Total Spending Authority from Offsetting Collections	**13,040**	9,930	**10,388**	9,672	**728**	467	**24,156**	20,069
Total Budgetary Resources	**15,214**	14,892	**12,832**	11,882	**1,216**	954	**29,262**	27,728
STATUS OF BUDGETARY RESOURCES								
Obligations Incurred:								
Direct								
Category A	**-**	-	**-**	-	**258**	237	**258**	237
Category B	**29**	141	**-**	-	**13**	12	**42**	153
Reimbursable								
Category A	**-**	-	**1,034**	8,723	**698**	499	**1,732**	9,222
Category B	**10,720**	10,633	**9,724**	1,050	**-**	-	**20,444**	11,683
Total Obligations Incurred	**10,749**	10,774	**10,758**	9,773	**969**	748	**22,476**	21,295
Unobligated Balance:								
Apportioned	**4,442**	4,097	**2,074**	2,078	**89**	76	**6,605**	6,251
Unapportioned	**23**	21	**-**	31	**158**	130	**181**	182
Total Unobligated Balance, End of Period	**4,465**	4,118	**2,074**	2,109	**247**	206	**6,786**	6,433
Total Status of Budgetary Resources	**15,214**	14,892	**12,832**	11,882	**1,216**	954	**29,262**	27,728
CHANGE IN OBLIGATED BALANCE								
Unpaid Obligations:								
Unpaid Obligations, Brought Forward, October 1, Gross	**3,635**	4,650	**4,372**	5,004	**242**	237	**8,249**	9,891
Obligations Incurred	**10,749**	10,774	**10,758**	9,773	**969**	748	**22,476**	21,295
Outlays, Gross	**(10,667)**	(11,463)	**(10,183)**	(10,088)	**(846)**	(728)	**(21,696)**	(22,279)
Recoveries of Prior Year Unpaid Obligations	**(238)**	(326)	**(346)**	(317)	**(25)**	(15)	**(609)**	(658)
Unpaid Obligations, End of Period, Gross	**3,479**	3,635	**4,601**	4,372	**340**	242	**8,420**	8,249
Uncollected Payments:								
Uncollected Customer Payments, Brought Forward, October 1	**(4,492)**	(4,807)	**(5,067)**	(5,808)	**(32)**	(39)	**(9,591)**	(10,654)
Change in Uncollected Customer Payments from Federal Sources	**452**	315	**(478)**	741	**5**	7	**(21)**	1,063
Uncollected Customer Payments from Federal Sources, End of Period	**(4,040)**	(4,492)	**(5,545)**	(5,067)	**(27)**	(32)	**(9,612)**	(9,591)
Obligated Balance, Start of Year, Oct 1:	**(857)**	(157)	**(695)**	(804)	**210**	198	**(1,342)**	(763)
Obligated Balance, End of Period:	**(561)**	(857)	**(944)**	(695)	**313**	210	**(1,192)**	(1,342)
BUDGET AUTHORITY AND OUTLAYS, NET								
Budget Authority, Gross	**13,040**	9,936	**10,388**	9,672	**988**	718	**24,416**	20,326
Actual Offsetting Collections	**(11,704)**	(11,694)	**(9,910)**	(10,413)	**(733)**	(474)	**(22,347)**	(22,581)
Change in Uncollected Customer Payments from Federal Sources	**452**	315	**(478)**	741	**5**	7	**(21)**	1,063
Budget Authority, Net	**1,788**	(1,443)	**-**	-	**260**	251	**2,048**	(1,192)
Gross Outlays	**10,667**	11,463	**10,183**	10,088	**846**	728	**21,696**	22,279
Less: Offsetting Collections	**(11,704)**	(11,694)	**(9,910)**	(10,413)	**(733)**	(474)	**(22,347)**	(22,581)
Net Outlays from Operating Activity	**(1,037)**	(231)	**273**	(325)	**113**	254	**(651)**	(302)
Distributed Offsetting Receipts	**-**	-	**-**	-	**(114)**	(64)	**(114)**	(64)
Total Net Outlays	**$(1,037)**	$(231)	**$273**	$(325)	**$(1)**	$190	**$(765)**	$(366)

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

For the Fiscal Years Ended September 30, 2014 and 2013

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

For its principal financial statements, GSA uses consolidating and combining formats to display its two largest components: the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF). All other entities have been combined under Other Funds.
The FBF is the primary fund used to record activities of the Public Buildings Service (PBS). The ASF is the primary fund used to record activities of the Federal Acquisition Service (FAS).

GSA's accompanying financial statements 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 Services Fund (FCSF)
- 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 18 General Fund accounts of which four are funded by current year appropriations, four by no-year appropriations, two by multi-year appropriations, three cannot incur new obligations, and five budget clearing accounts that temporarily hold collections until a more appropriate fund can be determined. 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
- Energy-Efficient Federal Motor Vehicle Fleet Procurement – Recovery Act
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Electronic Government Fund
- Expenses, Government-Wide Policy
- Expenses, Presidential Transition
- Government-Wide Policy – Multi-Year
- Government-Wide Policy – Recovery Act
- Integrated, Efficient and Effective Uses of Information Technology (IEEUIT) – Executive Office of the President (EOP) Child
- Office of Inspector General (OIG)
- Office of Inspector General – Recovery Act
- Operating Expenses, GSA
- Real Property Relocation

Special Funds are accounts established for receipts dedicated 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. 43, Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds, these Special Funds are classified as funds from dedicated collections. Although immaterial, balances of funds from dedicated collections 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 Funds 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 the General Fund 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
- Proceeds from Sale of Surplus Property
- Reserve for Purchase Contract Projects
- Small Escrow Amounts
- Special and Trust Fund Proprietary Receipts Returned to the General Fund of the U.S. Treasury
- Unconditional Gifts of Real, Personal or Other Property
- Withheld State and Local Taxes

In the FBF and Electronic Government 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 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. For FYs 2014 and 2013, GSA has allocation accounts in this regard with the Departments of the Treasury and Commerce.

During FY 2013, GSA received an allocation transfer from OMB that is available until expended, where GSA (child) is executing certain activities of the Integrated, Efficient and Effective Uses of Information Technology Fund on behalf of the EOP. In accordance with Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, agencies that receive allocation transfers from the EOP are to include such balances in their financial statements.

B. Basis of Accounting

The principal financial statements are prepared from the books and records of GSA, in accordance with generally accepted accounting principles (GAAP) as promulgated by FASAB, and OMB Circular A-136, in all material respects. FASAB SFFAS No. 34, The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Federal Accounting Standards Board, established the hierarchy of GAAP for federal financial statements. The Consolidating Statements of Net Cost present the operating results of the FBF, ASF and Other Funds, as well as GSA Consolidated operating results as a whole. The Consolidating Balance Sheets present the financial position of GSA using a format segregating intragovernmental balances. The Consolidating Statements of Changes in Net Position display the changes in Cumulative Results of Operations and Unexpended Appropriations. The Combining Statements of Budgetary Resources (CSBR) present the sources, status and uses of GSA 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 to the current year 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 revenue 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. Operating expenses and related accounts payable accruals and estimates are recorded in the period goods or services are received.

C. Revenue Recognition and Appropriations Used

Substantially all revenues reported by GSA funds on the Consolidating Statements of Net Cost are generated from intragovernmental sales of goods and services, with only three percent of revenues earned from non-federal customers. Expenses are primarily incurred with non-federal entities supplying the underlying goods and services being provided to GSA federal customers, with only four percent of operating expenses resulting from activity with other federal agencies. Each fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that GSA 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 imputed costs not borne by GSA, but covered by other funds or entities of the U.S. government, such as for post-employment and other inter-entity costs. As the amount of services provided to non-federal customers is generally very insignificant, maintaining separate rate structures for these customers to recover imputed costs is not warranted.

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 housed in government-owned buildings are billed based upon commercial rates for comparable space. Agencies housed in buildings leased by GSA are generally billed at rates to recover the cost of that 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. For revenue under nonrecurring reimbursable building repairs and alterations (R&A) projects, GSA charges customers actual cost, and makes no profit. As a result, revenues are generally earned to match costs incurred.

- In the ASF, General Supplies and Services revenues are recognized when goods are delivered to customers. In the Travel, Motor Vehicle, and Card Services portfolio, vehicle acquisition revenues are recognized when goods are provided. Vehicle leasing revenues are recognized over the period vehicles are dispatched. Assisted Acquisition Services (AAS) revenues are recognized when goods or services are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and actual usage of GSA contracting vehicles by other agencies. The Schedules programs generated $263 million in fees, constituting three percent of ASF revenues in FY 2014, and $282 million, three percent of ASF revenues, in FY 2013. Integrated Technology Services revenues are earned when goods or services are provided or as reimbursable project costs are incurred. Telecommunications service revenues are generally recognized based on customer usage or on fixed line rates.

- In the WCF, revenues are generally recognized when 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 operations where ultimate collections must be deposited in miscellaneous receipt accounts of the U.S. Treasury.

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 (See Note 2)

This total represents all unexpended balances for GSA accounts with the U.S. Treasury.

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 legislative authorities, the gross proceeds from some sales are deposited in GSA 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 (See Note 18)

Inventories held for sale to other federal agencies consist primarily of ASF inventories 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, an inconsequential amount of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another federal agency, sold, or donated to state or local governments.

In an effort to modernize the FAS's supply chain, on November 8, 2013, GSA announced its decision to cease operations at its two supply warehouse distribution centers. The financial impact surrounding the discontinued operations is further discussed in Note 18.

F. Property and Equipment (See Note 6)

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 leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA financial statements as such amounts are transferred to the other agencies upon completion of the project. The majority of 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. It is GSA policy to reclassify capitalized costs of construction in process into the 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.

Most of the assets comprising Other Equipment are used internally by GSA and are depreciated over periods generally ranging from three to 10 years.

GSA maintains a fleet of Motor Vehicles for rental to other Federal agencies to meet their operational needs, with monthly billings rendered to recover program costs. The various vehicle types are depreciated over a general range of four to 12 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 reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

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

2. FUND BALANCE WITH TREASURY

A. Reconciliation to U.S. Treasury

There were no differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2014, and 2013.

B. Balances by Fund Type

The most significant amounts for GSA in Fund Balance with Treasury are in the FBF and ASF revolving funds. Within the Other Funds category, Special and Trust Receipt and Expenditure Funds are classified as funds from dedicated collections in accordance with FASAB SFFAS No. 43. The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

	2014	2013
Revolving Funds	**$366**	$251
Appropriated and General Funds	**145**	119
Clearing Funds	**26**	12
Special Receipt Funds	**117**	115
Special and Trust Expenditure Funds	**50**	48
Deposit Funds	**45**	36
Total Other Funds	**$749**	$581

C. Relationship to the Budget

Accounting for Selected Assets and Liabilities, the following information is provided to further identify amounts in Fund Balance with Treasury as of September 30, 2014, and 2013, 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. In the FBF, amounts of Fund Balance with Treasury shown below as Unobligated Balance – Unavailable include a combination of the amounts reported on the CSBR as Resources Temporarily Unavailable and Unobligated Balance – Not Available. Also, in two instances, the portion of Fund Balance with Treasury presented below as unobligated balances will not equal related amounts reported on the CSBR. In the FBF, the CSBR unobligated balances include resources associated with borrowing authority for which actual funds have not yet been realized (see Note 7). In the Other Funds group, the schedule below includes amounts displayed as unavailable unobligated balances for the Fund Balance with Treasury held in Special Receipt, Clearing, 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	Unobligated Balance		
	Balance, Net	Available	Unavailable	Total
2014				
FBF	**$(561)**	**$4,415**	**$2,965**	**$6,819**
ASF	**(944)**	**2,074**	**-**	**1,130**
Other Funds	**313**	**89**	**347**	**749**
Total	**$(1,192)**	**$6,578**	**$3,312**	**$8,698**
2013				
FBF	$(857)	$4,071	$4,750	$7,964
ASF	(695)	2,078	31	1,414
Other Funds	210	76	295	581
Total	$(1,342)	$6,225	$5,076	$9,959

D. Availability of Funds

Included in GSA's Fund Balance with Treasury are dedicated collections from Special Receipt Funds 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 upon GSA's determination of the internal working capital needs of these programs. The Fund Balance with Treasury in these funds totaled $117 million and $116 million at September 30, 2014, and 2013, respectively, of which $32 million and $26 million, respectively, were recorded as liabilities in the Consolidating Balance Sheets.

In FYs 2014 and 2013, $1.1 million and $1.2 million, respectively, of unused funds from expired appropriations were returned to the U.S. Treasury as of September 30. Such balances are excluded from the amount reported as Fund Balance with Treasury in accordance with U.S. Treasury guidelines.

A portion of Fund Balance with Treasury also includes amounts where authority to incur new obligations has expired, but the funds are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled $80 million and $68 million at September 30, 2014, and 2013, 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 $2,941 million and $4,729 million at September 30, 2014, and 2013, respectively, and will not be available for expenditure except as authorized in future appropriation acts.

Under ASF legislative authorities, GSA is permitted 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. During FYs 2014 and 2013, FAS identified $11 million and $6 million, respectively, of balances that exceeded our current operating needs and subsequently returned those funds to the U.S. Treasury.

3. NON-ENTITY ASSETS

As of September 30, 2014, and 2013, certain amounts reported on the Consolidating Balance Sheets are elements of Budget Clearing, Deposit, and Miscellaneous Receipt Funds, which are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1-A). The only substantial balances of non-entity assets were Fund Balance with Treasury, which totaled $71 million and $48 million, respectively.

4. ACCOUNTS AND NOTES RECEIVABLE, NET

Substantially all accounts receivable are from other federal agencies, with only seven percent due from non-federal customers. 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.

In addition to accounts receivable balances displayed below, GSA has an inconsequential balance of notes receivable, net of allowances for doubtful accounts. The most significant of these notes receivable balances is an $8 million note in the Federal Buildings Fund that has been deemed uncollectible. In accordance with FASAB SFFAS No. 1, GSA does not recognize interest receivable or allowance related to notes deemed uncollectible. As of September 30, 2014, and 2013, accumulated interest on this note totaled $127 million and $111 million, respectively.

A summary of Accounts Receivable as of September 30, 2014, and 2013, is as follows (dollars in millions):

	FBF		ASF		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Accounts Receivable - Billed	**$169**	$160	**$97**	$118	**$23**	$13	**$-**	$-	**$289**	$291
Accounts Receivable - Unbilled	**370**	577	**1,667**	1,364	**5**	12	**20**	22	**2,022**	1,931
Allowance for Doubtful Accounts	**(20)**	(27)	**(14)**	(13)	**-**	-	**-**	-	**(34)**	(40)
Total Accounts Receivable, Net	**$519**	$710	**$1,750**	$1,469	**$28**	$25	**$20**	$22	**$2,277**	$2,182

5. OTHER ASSETS

As of September 30, 2014, and 2013, Other Assets were comprised of the following balances (dollars in millions):

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Investments in Capital Leases	**$76**	$84	**$12**	$-	**$-**	$-	**$88**	$84
Surplus Property Held for Sale	**44**	3	**33**	25	**-**	1	**77**	29
Unamortized Deferred Charges and Prepayments	**80**	69	**2**	-	**-**	-	**82**	69
Miscellaneous	**15**	13	**-**	-	**-**	-	**15**	13
Total Other Assets	**$215**	$169	**$47**	$25	**$-**	$1	**$262**	$195

6. PROPERTY AND EQUIPMENT, NET

A. Summary of Balances

Balances in GSA Property and Equipment accounts subject to depreciation as of September 30, 2014, and 2013, are summarized below (dollars in millions):

	2014			2013		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Buildings	**$42,832**	**$21,745**	**$21,087**	$40,811	$20,456	$20,355
Leasehold Improvements	**330**	**251**	**79**	339	242	97
Motor Vehicles	**5,134**	**1,749**	**3,385**	4,878	1,725	3,153
Other Equipment	**745**	**601**	**144**	760	586	174
Total Property and Equipment	**$49,041**	**$24,346**	**$24,695**	$46,788	$23,009	$23,779

B. Cleanup Costs

GSA's FBF recognized $2,397 million and $1,884 million for Environmental and Disposal Liabilities as of September 30, 2014, and 2013, respectively, for properties currently in GSA's inventory. Included in this balance are the current estimates for cleanup associated with existing environmental hazards and future costs of asbestos remediation.

- In the 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 (CERCLA) of 1980, the Clean Air Act, and the Resource Conservation and Recovery Act.

  In accordance with FASAB SFFAS No. 5 and 6, *Accounting for Liabilities of the Federal Government* and *Accounting for Property, Plant, and Equipment,* respectively, and interpretive guidance in Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government,* issued by the FASAB 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.

  During FY 2014, GSA revised its methodology for estimating non-asbestos related liabilities to an approach that would better capture the cost of remediating certain hazards, such as, but not limited to, lead based paint and polychlorinated biphenyls (PCBs). Under the new methodology GSA used actual cost data from major renovation projects and cost estimates from independent third-party environmental surveys, to develop average cost factors for non-asbestos remediation. These average cost factors were applied to GSA's total square feet of applicable inventory in order to determine the total estimated non-asbestos liability.

- In FY 2013, GSA implemented FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, effective per FASAB Technical Bulletin 2011-2, *Extended Deferral for the Effective Date of Technical Bulletin 2006-1,* on October 1, 2012. The focus of FASAB Technical Bulletin 2006-1 is the recognition of an unfunded liability and related expense for asbestos related cleanup costs where it is both probable and reasonably estimable for federal entities that own tangible property, plant and equipment containing asbestos.

  GSA's methodology for developing its' estimated future asbestos liability involved selection of asbestos abatement survey reports performed by third party contractors, independent from GSA, to develop an average cost factor. The average cost factor from these asbestos survey reports is applied to GSA's total square feet of applicable inventory in order to determine the total estimated asbestos liability. In accordance with Technical Bulletin 2006-1, GSA recognizes cleanup costs on the basis of passage of time, over the estimated life of the underlying assets. The building useful life of 30 years is used for purposes of recognizing and amortizing the long term estimated asbestos cleanup costs. With implementation in FY 2013, in GSA's Consolidating Statements of Changes in Net Position, the FBF recognized the FY 2012 and prior years' amortized costs as a prior period adjustment. During FY 2014, changes to GSA's total estimated liability consisted of cost re-estimates, inflation and amortization of remaining future year costs.

GSA's total estimated environmental and disposal liabilities for future asbestos and non-asbestos related cleanup costs at September 30, 2014, and 2013, were (dollars in millions):

	2014	2013
Asbestos Liability	**$1,939**	$1,804
Non-Asbestos Liability	**458**	80
Subtotal - Liabilities	**2,397**	1,884
Unamortized Costs - Asbestos	**25**	83
Unamortized Costs - Non-Asbestos	**19**	-
Total Estimated Future Environmental Cleanup Costs	**$2,441**	$1,967

C. Heritage Assets

The average age of GSA buildings is 49 years old, and therefore, 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 preserving these historical elements is a significant priority. In accordance with FASAB SFFAS No. 29, Heritage Assets and Stewardship Land, these buildings meet the definition of Multi-use Heritage Assets, and are reportable within Property and Equipment on the Consolidating Balance Sheets. Deferred maintenance and repairs related to GSA's heritage assets are separately disclosed in the required supplementary information.

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 370 buildings on the National Register, up from 315 at the end of FY 2013, of which 79 are designated as National Historical Landmarks. An additional 116 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.

GSA also has one collection of artworks with historical significance.

7. 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 borrowing authority. Under these agreements, the FBF borrowed monies (as advance payments) through the Federal Financing Bank (FFB) or excuted lease-to-own contracts to finance the lease purchases. The program was originally authorized for total expenditures up to $1,945 million for 11 projects. In FY 2013, the FFB made advance payments on behalf of GSA totaling $0.5 million. As of September 30, 2014, and 2013, $27 million of borrowing authority under the lease purchase program remained available for additional advance payments. During FY 2013, GSA completed all new borrowing actions related to these projects and began discussions with the FFB on early retirement of debt. All outstanding lease purchase debt was prepaid in FY 2014.

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 and all outstanding PADC debt was prepaid in FY 2014.

C. Prepayment of Debt

In FY 2014, GSA exercised options in its agreements with the FFB that allowed the FBF to prepay the $1,647 million of outstanding principal, $18 million of unpaid interest and $449 million in associated premiums as of July 31, 2014.

Resources to retire the outstanding principal and associated premiums were funded by unobligated balances and equity of the FBF accumulated from prior year net results. The interest payments were funded from current year revenues generated by the FBF.

The changes in GSA's outstanding debt arrangements in the FBF at September 30, 2014 were as follows (dollars in millions):

	LEASE PURCHASE DEBT	PA AVE DEBT	TOTAL
Outstanding Principal, September 30, 2013	$1,174	$559	$1,733
Less: FY14 Principal Payments	60	26	86
Less: Prepayment of Principal, July 31, 2014	1,114	533	1,647
Outstanding Principal, September 30, 2014	$ -	$ -	$ -

8. WORKERS' COMPENSATION BENEFITS

The Federal Employees' Compensation Act (FECA) provides wage replacement 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' wage replacement, and medical and miscellaneous costs for approved compensation cases. In FY 2013, the DOL refined the methodology used for determining the discount rates for estimating the present value, resulting in two different rates for wage and medical benefits.

The present value of these estimates at the end of FY 2014 and 2013 were calculated by DOL using the following discount rates:

	FY 2014		FY 2013	
	Year 1	Year 2 and thereafter	Year 1	Year 2 and thereafter
Wage Benefits	**3.455**	**3.455**	2.727	3.127
Medical Benefits	**2.855**	**2.855**	2.234	2.860

At September 30, 2014, and 2013, GSA's actuarial liability totaled $133 million and $139 million, respectively.

9. LEASING ARRANGEMENTS

As of September 30, 2014, 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. 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
2015	$4,102
2016	3,526
2017	3,052
2018	2,529
2019	2,122
2020 and thereafter	9,027
Total future minimum lease payments	$24,358

CAPITAL LEASES	
FISCAL YEAR	FBF
2015	$40
2016	33
2017	33
2018	33
2019	30
2020 and thereafter	53
Total future minimum lease payments	222
Less: Amounts representing-	
Interest	44
Executory Costs	1
Total obligations under capital leases	$177

Substantially all leased and owned space maintained by the FBF is sublet to other federal agencies at rent charges to recover GSA's cost of that space, or commercial equivalent charges. The majority of agreements covering these arrangements allow customer agencies to terminate the agreement with four months notice, any time after the first 16 months of the agreement term. In those cases, GSA believes the agreements will continue without interruption. In some instances, agreements with customers may include non-cancellation clauses or restricted clauses that limit the ability to cancel prior to the agreement's expiration date. The following is a schedule of future minimum rental revenues due to GSA for all non-cancellable and restricted clause agreements with terms in excess of one year (dollars in millions):

OPERATING LEASE REVENUES	
FISCAL YEAR	TOTAL
2015	$2,064
2016	1,485
2017	1,324
2018	1,201
2019	1,106
2020 and thereafter	7,287
Total future minimum lease revenues	$14,467

For four of GSA's buildings, the rental agreements with the customer include transfer of ownership of the buildings at the end of the rental term. For these arrangements, classified as direct financing leases, GSA carried a balance in investments in capital leases of $76 million, and a residual balance in deferred revenues of $21 million as of September 30, 2014.

The ASF recently launched the Total Workplace program which assists customer agencies with capital acquisitions of furniture and information technology equipment or systems. Federal agencies enter into direct financing lease arrangements with the ASF which provides funding for the initial capital investments.

The remaining minimum rental payments due from these agreements are as follows (dollars in millions):

DIRECT FINANCING LEASE RENTALS			
FISCAL YEAR	FBF	ASF	TOTAL
2015	$8	$ -	$ 8
2016	8	6	14
2017	8	6	14
2018	8	-	8
2019	8	-	8
2020 and thereafter	36	-	36
Total future minimum lease rentals	$76	$12	$88

Rental income under subleasing agreements and related reimbursable arrangements for tenant improvements and above standard service requirements approximated $6.6 billion and $6.7 billion for the FYs ended September 30, 2014, and 2013, respectively. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately $5.8 billion in both FYs 2014 and 2013. The Consolidating Balance Sheets as of September 30, 2014, and 2013, include capital lease assets of $505 million and $523 million for buildings, respectively. Aggregate accumulated amortization on such structures totaled $360 million and $349 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.

10. OTHER LIABILITIES

As of September 30, 2014, and 2013, the components of amounts reported on the Consolidating Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, are substantially all long-term in nature, with the exception of amounts shown below as Federal Benefit Withholdings, Salaries and Benefits Payable, and Deposits in Clearing Funds, which are current liabilities. Other Intragovernmental Liabilities and Other Liabilities consisted of the following (dollars in millions):

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Other Intragovernmental Liabilities:								
Workers' Compensation Due to DOL	**$19**	$20	**$7**	$8	**$4**	$3	**$ 30**	$31
Federal Benefit Withholdings	**4**	3	**2**	2	**2**	2	**8**	7
Deposits in Clearing Funds	**-**	-	**-**	-	**26**	12	**26**	12
Earnings Payable to Treasury	**-**	-	**-**	-	**41**	29	**41**	29
Total Other Intragovernmental Liabilities	**$23**	$23	**$9**	$10	**$73**	$46	**$105**	$79
Other Liabilities:								
Salaries and Benefits Payable	**$17**	$14	**$9**	$8	**$11**	$8	**$37**	$30
Deferred Revenues/Advances from the Public	**6**	8	**2**	-	**-**	-	**8**	8
Contingencies	**8**	26	**-**	1	**-**	-	**8**	27
Pensions for Former Presidents	**-**	-	**-**	-	**11**	11	**11**	11
Total Other Liabilities	**$31**	$48	**$11**	$9	**$22**	$19	**$64**	$76

11. COMMITMENTS AND CONTINGENCIES

A. Commitments and Undelivered Orders

In addition to future lease commitments discussed in Note 9, 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, 2014, and 2013, were as follows (dollars in millions):

	2014	**2013**
FBF	**$2,460**	$2,464
ASF	**3,353**	3,335
Other Funds	**310**	215
Total Undelivered Orders	**$6,123**	$6,014

In FY 2007, GSA awarded eight contracts for world-wide telecommunications and network services (Networx Universal and Networx Enterprise) to replace the previous FTS2001 contracts, and to provide voice, wireless, internet protocol, satellite, and related telecommunications services for the federal community. These contracts are primarily funded through the ASF Integrated Technology Services portfolio. The contracts provided minimum revenue guarantees totaling $575 million. The less than $1 million remaining as of September 30, 2013, was extinguished during FY 2014.

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. Based on the nature of each claim, resources available to liquidate these liabilities may be from GSA funds or, in some instances, are covered by the U.S. Treasury's Judgment Fund, as discussed below.

- As of September 30, 2014, and 2013, GSA recorded liabilities in total of $8 million and $27 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.

In addition, GSA has contingencies ranging from $17 million to $191 million as of September 30, 2014, 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. At September 30, 2013 reasonably possible claims ranged from $15 million to $141 million.

In many 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.

- 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 $69 million and $76 million in FYs 2014 and 2013, respectively, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Substantially all of those amounts result from several environmental cases outstanding at the end of FYs 2014 and 2013, 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 $195 million to $330 million at September 30, 2014, and ranged from $196 million to $323 million at September 30, 2013.

The recognition of claims to be funded through the Judgment Fund on GSA 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 $23 million and $2 million in FYs 2014 and 2013, respectively. Of these amounts, $19 million and $0.2 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.

12. UNFUNDED LIABILITIES

As of September 30, 2014, and 2013, 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):

	2014	2013
Judgment Fund Liability	**$443**	$424
Deferred Revenues and Advances - Federal	**315**	122
Other Intragovernmental Liabilities	**97**	77
Environmental and Disposal	**2,466**	1,959
Capital Lease and Installment Purchase Liability	**494**	321
Workers' Compensation Actuarial Liabilities	**133**	139
Unamortized Rent Abatement Liability	**387**	353
Annual Leave Liability	**106**	106
Deposit Fund Liability	**42**	34
Other Liabilities	**27**	45
Total Liabilities Not Covered By Budgetary Resources	**$4,510**	$3,580

Certain balances, 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. Such balances include: 1) amounts reported in the Consolidating Balance Sheets under the captions Unamortized Rent Abatement Liability and Deposit Fund

Liability; 2) the portion of amounts included in Other Intragovernmental Liabilities shown as Deposits Held in Suspense and Earnings Payable to Treasury in Note 10; and 3) substantially all amounts included in Other Liabilities shown as Deferred Revenues/Advances From the Public in Note 10.

13. 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 2015 President's Budget, which contains FY 2013 financial statement results. The FY 2016 President's Budget, containing FY 2014 actual results is expected to be released in February 2015 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. The basis of the President's Budget and the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (SF 133s). 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. Other reconciling differences are related to GSA's child allocation account balances with EOP, which are reported in GSA's CSBR; however, in EOP's portion of the President's Budget. Small rounding differences may also exist between the CSBR and the President's Budget due to an alternative rounding methodology used by GSA.

The following two schedules highlight the most significant comparable amounts reported in the FY 2013 CSBR and FY 2015 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 combined level.

	FBF		ASF		OTHER FUNDS		TOTAL GSA		
	CSBR	Pres. Budget	CSBR	Pres. Budget	CSBR	Pres. Budget	CSBR	Pres. Budget	Difference
Budgetary Resources	$19,621	$19,502	$11,882	$11,882	$954	$904	$32,457	$32,288	$169
Obligations Incurred	10,774	10,675	9,773	9,773	748	744	21,295	21,192	103
Unobligated Balances	8,847	8,827	2,109	2,109	206	160	11,162	11,096	66
Balance of Obligations	(857)	(858)	(695)	(695)	210	206	(1,342)	(1,347)	5
Outlays	(231)	(231)	(325)	(325)	190	252	(366)	(304)	(62)

	Budgetary Resources	Obligations Incurred	Unobligated Balance	Obligated Balance	Net Outlays
Combined Statement of Budgetary Resources	$32,457	$21,295	$11,162	$(1,342)	$(366)
Expired Funds, Not Reflected in the Budget	(166)	(98)	(68)	-	-
Offsetting Receipts Not Reflected in the Budget	-	-	-	-	64
Other	(3)	(5)	2	(5)	(2)
Budget of the U.S. Government	$32,288	$21,192	$11,096	$(1,347)	$(304)

14. COMBINING STATEMENTS OF BUDGETARY RESOURCES

The Combining Statements of Budgetary Resources (CSBR) presents GSA budgetary results in accordance with reporting requirements prescribed in OMB Circular A-11, Preparation, Submission, and Execution of the Budget. 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 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. There were no significant differences between the balances used to prepare the CSBR and the SF 133s in FY 2014. In FY 2013, immaterial prior period adjustments were reported to U.S. Treasury for the FBF that were not significant enough to warrant a restatement of the CSBR.

As a result, the following differences existed between the CSBR and SF 133s for FY 2013 (dollars in millions):

Unobligated Balance, Brought Forward, Oct 1	$(80)
Recoveries of Prior Year Unpaid Obligations	$ 80
Unpaid Obligations, Brought Forward, Oct 1	$(80)

15. 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).

The FBF, ASF, WCF and FCSF 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, such cumulative results 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 cumulative results to finance future systems improvements and certain operations. The FCSF 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 funds from dedicated collections as defined in FASAB SFFAS No. 43, which totaled $145 million as of September 30, 2014, and 2013. As further discussed in Notes 1 and 2, balances of funds from dedicated collections are those reported in GSA's Special Funds, within the Other Funds display on the Consolidating Balance Sheets.

As previously discussed in Note 6-B, the FBF reported $1,802 million in FY 2013 as a prior period adjustment for estimated asbestos cleanup costs in accordance with Technical Bulletin 2006-1.

B. Unexpended Appropriations

Unexpended Appropriations consist of unobligated balances and undelivered orders, net of unfilled customer orders in funds that receive appropriations.

Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds, or from the public, where GSA has yet to provide the good or service requested. At September 30, 2014, and 2013, balances reported as unexpended appropriations were as follows (dollars in millions):

	FBF	OTHER FUNDS	TOTAL GSA
2014			
Unobligated Balances:			
Available	**$41**	**$44**	**$85**
Unavailable	**23**	**51**	**74**
Undelivered Orders	**166**	**77**	**243**
Unfilled Customer Orders	**-**	**(3)**	**(3)**
Total Unexpended Appropriations	**$230**	**$169**	**$399**

	FBF	OTHER FUNDS	TOTAL GSA
2013			
Unobligated Balances:			
Available	$37	$48	$85
Unavailable	22	47	69
Undelivered Orders	457	59	516
Unfilled Customer Orders	-	(1)	(1)
Total Unexpended Appropriations	$516	$153	$669

16. 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, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the Office of Personnel Management (OPM). Reporting of health care benefits for retired employees is also the direct responsibility of OPM.

In accordance with FASAB SFFAS No. 5, 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 contributions submitted by GSA to OPM do cover a significant portion of the normal cost of retirement benefits, the contribution rates defined in law do not cover the full normal cost of those retirement benefits. To achieve the recognition of the full normal cost required by SFFAS No. 5, GSA records the combination of funded cost for the amount of agency contributions, and imputed cost for the portion of normal costs not covered by contributions. Amounts recognized as normal cost related to contributions, as well as imputed costs are further provided below.

B. Civil Service Retirement System

At the end of FY 2014, 10.6 percent (down from 12.2 percent in FY 2013) 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 totaled $9 million and $11 million in FYs 2014 and 2013, 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 before January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2014, 88.0 percent (up from 87.6 percent in FY 2013) of GSA 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. All employees could invest up to $17,500 in their TSP account in calendar years 2014 and 2013, respectively. In addition, for FERS employees, GSA automatically contributes one percent of base pay and matches employee contributions up to an additional four percent of base pay. For calendar years 2014 and 2013, total contributions made on behalf of an employee could not exceed $52,000 and $51,000, respectively. During FYs 2014 and 2013, GSA (employer) contributions to FERS (26.3 percent of base pay for law enforcement employees and 11.9 percent for all others) totaled $116 million and $115 million, respectively. Additional GSA contributions to the TSP totaled $43 million and $42 million in FYs 2014 and 2013, respectively.

D. Social Security System

GSA also makes matching contributions for programs of the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GSA contributed 6.2 percent of gross pay (up to $117,000 and $113,700 in calendar years 2014 and 2013, respectively) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2014. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2014. In FYs 2014 and 2013, 1.4 percent and 0.2 percent, respectively, of GSA employees are covered exclusively by these programs. Payments to these programs in FYs 2014 and 2013, amounted to $74 million and $73 million, respectively.

E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2014 and 2013, in accordance with FASAB SFFAS No. 5, for imputed post-employment benefits were as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
2014			
FBF	**$19**	**$25**	**$44**
ASF	**13**	**14**	**27**
Other Funds	**14**	**13**	**27**
Total Unfunded Benefit Costs	**$46**	**$52**	**$98**

2013			
FBF	$19	$28	$47
ASF	14	16	30
Other Funds	9	9	18
Total Unfunded Benefit Costs	$42	$53	$95

17. 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, 2014, and 2013 (dollars in millions):

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
RESOURCES USED TO FINANCE ACTIVITIES										
Obligations Incurred	**$10,749**	$10,774	**$10,758**	$9,773	**$969**	$748	**$-**	$-	**$22,476**	$21,295
Less: Spending Authority From Offsetting Collections and Adjustments	**(11,490)**	(11,705)	**(10,734)**	(9,989)	**(753)**	(482)	**-**	-	**(22,977)**	(22,176)
Financing Imputed for Cost Subsidies	**69**	66	**44**	46	**33**	21	**45**	37	**101**	96
Other	**98**	(200)	**7**	11	**114**	(60)	**-**	-	**219**	(249)
Total Resources Used to Finance Activities	**(574)**	(1,065)	**75**	(159)	**363**	227	**45**	37	**(181)**	(1,034)
RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS										
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	**(3)**	982	**(33)**	727	**(95)**	(4)	**-**	-	**(131)**	1,705
Increase/(Decrease) in Unfilled Customer Orders	**(280)**	(401)	**154**	(764)	**7**	(5)	**-**	-	**(119)**	(1,170)
Costs Capitalized on the Balance Sheet	**(1,125)**	(1,862)	**(1,008)**	(692)	**(13)**	(16)	**-**	-	**(2,146)**	(2,570)
Financing Sources Funding Prior Year Costs	**(130)**	149	**(24)**	(6)	**(3)**	(5)	**-**	-	**(157)**	138
Other	**93**	192	**2**	(1)	**(114)**	64	**-**	-	**(19)**	255
Total Resources Used That Are Not Part of the Net Cost of Operations	**(1,445)**	(940)	**(909)**	(736)	**(218)**	34	**-**	-	**(2,572)**	(1,642)
COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS										
Depreciation and Amortization	**1,581**	1,460	**512**	499	**16**	16	**-**	-	**2,109**	1,975
Net Book Value of Property Sold	**-**	53	**303**	311	**-**	-	**-**	-	**303**	364
Other	**6**	24	**-**	-	**-**	-	**-**	-	**6**	24
Total Costs Financed by Resources Received in Prior Periods	**1,587**	1,537	**815**	810	**16**	16	**-**	-	**2,418**	2,363
COSTS REQUIRING RESOURCES IN FUTURE PERIODS										
Unfunded Capitalized Costs	**12**	51	**-**	-	**-**	-	**-**	-	**12**	51
Unfunded Current Expenses	**524**	(17)	**(7)**	-	**6**	(27)	**-**	-	**523**	(44)
Total Costs Requiring Resources in Future Periods	**536**	34	**(7)**	-	**6**	(27)	**-**	-	**535**	7
Net (Revenues From) Cost of Operations	**$104**	$(434)	**$(26)**	$(85)	**$167**	$250	**$45**	$37	**$200**	$(306)

18. DISCONTINUED OPERATIONS

In an effort to modernize its supply chain, on November 8, 2013, GSA announced its decision to cease operations at its two distribution centers. The western distribution facility in French Camp, CA closed on September 30, 2014 and the eastern distribution facility in Burlington, NJ is scheduled to close on December 31, 2014. Non-commercially available inventories valued at $38 million have been transferred to the Defense Logistics Agency (DLA) to be stocked and managed from Department of Defense (DOD) facilities. The new business model, strategic partner delivery, is expected to yield significant cost savings by reducing expenses related to leasing, labor, infrastructure, maintenance, storage, and transportation while also reducing delivery times. The Stock and Stock Direct Delivery programs generated net losses of $66 million and $34 million in FYs 2014 and 2013, respectively. Operating expenses incurred in FY 2014 specific to the facility closures include: transportation and transfers of inventories, contractual support at the distribution centers, write-off of inventories and equipment, accelerated depreciation on leasehold improvements, and employee separation costs. GSA is locked into a lease agreement for the eastern distribution facility until December 13, 2020 with no clause for early termination. The agreement requires GSA to provide security services in addition to the annual rent payments. The present value of these obligations is $48 million for the annual rental payments and $10 million for the security services. GSA is currently seeking a tenant to sublease the facility in order to mitigate losses after the building is vacated.

DEFERRED MAINTENANCE AND REPAIRS

In FY 2014, GSA implemented FASAB SFFAS No. 42, Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32, which amended the RSI presentation requirements.

GSA reports Deferred Maintenance and Repairs consistent with the definition in SFFAS 42:

Deferred maintenance and repairs (DM&R) are maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed for a future period. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

GSA utilizes a Physical Condition Survey (PCS) tool to determine the amount of all repairs and alterations needed to correct major component or systems deficiencies and restore its owned buildings (and certain leased buildings where GSA has responsibility for repairs and alterations) to an acceptable condition, as well as repairs and alterations that will be required in the next several years. GSA requires a PCS for every government-owned, leased, or delegated asset that meets all the following criteria according to the Real Estate Across the United States (REXUS) system:

- GSA *has repair and alteration (R&A) responsibility*
- *The asset maintains an "active" or "excess" status*
- *The asset* has a real property type of "building" or "structure"

No assets meeting the criteria identified above are excluded from this requirement. The surveys are conducted biennially to inspect and electronically document building conditions, with approximately half of the building inventory being surveyed each year. The PCS is a 37 question survey that provides a regular and consistent assessment of the physical condition of each building's basic structure and systems and an overall assessment of GSA's building inventory. The process of identifying building deficiencies and developing a multi-year plan of repairs and alterations projects begins with the PCS. All repair and alteration projects, not just those associated with DM&R, are prioritized using established weights of the pre-defined criteria and placed in order of importance.

Data collected in the PCS is gathered to support GSA's overall building assessment, workload planning, and budgeting needs, and is not designed to specifically capture data that would be defined as DM&R. However, subsets of the workload planning directly results from conditions classified as DM&R. GSA has determined from analysis of data in PCS, that when applying certain data criteria, results can be used to provide a reasonable estimate to meet the FASAB DM&R reporting objectives. At the end of FYs 2014 and 2013, based on the analysis of the PCS results, GSA estimates the total cost of DM&R to be approximately $1,228 million and $1,270 million, respectively, for activities categorized as work needing to be performed immediately to restore or maintain acceptable condition of the building inventory.

GSA measures the condition of its inventory of buildings by using an industry accepted metric called the Facility Condition Index (FCI). The FCI is the ratio between total Repair and Alteration Needs and the Functional Replacement Value of an asset (i.e. repair needs divided by the asset's replacement value). As of the end of FY 2014, approximately 76 percent of GSA's inventory, based on square footage, is considered in "Good Condition," with an FCI of 10 percent or less.

SUPPLEMENTAL SCHEDULE OF BUDGETARY RESOURCES

In its principal financial statements, balances reported for the FBF includes activities funded by appropriations provided by the ARRA. To provide distinct budgetary and financial visibility of ARRA activities, a separate Treasury Account Fund Symbol (TAFS) was created for the FBF ARRA activities to allow tracking and distinction from the main TAFS used for the FBF. As the FBF ARRA activities are a very significant component of the total FBF budgetary results, below is a schedule showing the activities of the individual TAFS for the years ended September 30, 2014, and 2013 (dollars in millions):

	FBF - MAIN ACCOUNT		FBF - ARRA		FBF TOTAL	
	2014	2013	**2014**	2013	**2014**	2013
BUDGETARY RESOURCES						
Unobligated Balance from Prior Year Budget Authority:						
Unobligated Balance Brought Forward, October 1	**$4,096**	$4,681	**$22**	$36	**$4,118**	$4,717
Recoveries of Prior Year Unpaid Obligations	**203**	207	**35**	119	**238**	326
Other Changes in Unobligated Balance	**(2,182)**	(87)	**-**	-	**(2,182)**	(87)
Unobligated Balance from Prior Year Budget Authority, Net	**2,117**	4,801	**57**	155	**2,174**	4,956
Appropriations	**-**	6	**-**	-	**-**	6
Spending Authority from Offsetting Collections:						
Collections	**11,704**	11,694	**-**	-	**11,704**	11,694
Change in Uncollected Customer Payments	**(452)**	(315)	**-**	-	**(452)**	(315)
Previously Unavailable	**4,729**	3,280	**-**	-	**4,729**	3,280
Resources Temporarily Not Available	**(2,941)**	(4,729)	**-**	-	**(2,941)**	(4,729)
Transfers	**-**	-	**-**	-	**-**	-
Total Spending Authority from Offsetting Collections	**13,040**	9,930	**-**	-	**13,040**	9,930
Total Budgetary Resources	**15,157**	14,737	**57**	155	**15,214**	14,892
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred:						
Direct Category B	**6**	8	**23**	133	**29**	141
Reimbursable Category B	**10,720**	10,633	**-**	-	**10,720**	10,633
Total Obligations Incurred	**10,726**	10,641	**23**	133	**10,749**	10,774
Unobligated Balance:						
Apportioned	**4,431**	4,096	**11**	1	**4,442**	4,097
Unapportioned	**-**	-	**23**	21	**23**	21
Total Unobligated Balance, End of Period	**4,431**	4,096	**34**	22	**4,465**	4,118
Total Status of Budgetary Resources	**15,157**	14,737	**57**	155	**15,214**	14,892
CHANGE IN OBLIGATED BALANCE						
Unpaid Obligations:						
Unpaid Obligations, Brought Forward, October 1, Gross	**3,145**	3,434	**490**	1,216	**3,635**	4,650
Obligations Incurred	**10,726**	10,641	**23**	133	**10,749**	10,774
Outlays, Gross	**(10,376)**	(10,723)	**(291)**	(740)	**(10,667)**	(11,463)
Recoveries of Prior Year Unpaid Obligations	**(203)**	(207)	**(35)**	(119)	**(238)**	(326)
Unpaid Obligations, End of Period, Gross	**3,292**	3,145	**187**	490	**3,479**	3,635
Uncollected Payments:						
Uncollected Customer Payments, Brought Forward, October 1	**(4,492)**	(4,807)	**-**	-	**(4,492)**	(4,807)
Change in Uncollected Customer Payments from Federal Sources	**452**	315	**-**	-	**452**	315
Uncollected Customer Payments from Federal Sources, End of Period	**(4,040)**	(4,492)	**-**	-	**(4,040)**	(4,492)
Obligated Balance, Start of Year, Oct 1:	**(1,347)**	(1,373)	**490**	1,216	**(857)**	(157)
Obligated Balance, End of Period:	**(748)**	(1,347)	**187**	490	**(561)**	(857)
BUDGET AUTHORITY AND OUTLAYS, NET						
Budget Authority, Gross	**$13,040**	$9,936	**$-**	$-	**$13,040**	9,936
Actual Offsetting Collections	**(11,704)**	(11,694)	**-**	-	**(11,704)**	(11,694)
Change in Uncollected Customer Payments from Federal Sources	**452**	315	**-**	-	**452**	315
Budget Authority, Net	**1,788**	(1,443)	**-**	-	**1,788**	(1,443)
Gross Outlays	**10,376**	10,723	**291**	740	**10,667**	11,463
Less: Offsetting Collections	**(11,704)**	(11,694)	**-**	-	**(11,704)**	(11,694)
Net Outlays from Operating Activity	**(1,328)**	(971)	**291**	740	**(1,037)**	(231)
Total Net Outlays	**$(1,328)**	$(971)	**$291**	$740	**$(1,037)**	$(231)

U.S. General Services Administration
Office of Inspector General

NOV 14 2014

MEMORANDUM FOR: DANIEL M. TANGHERLINI
ADMINISTRATOR (A)

MICHAEL CASELLA
CHIEF FINANCIAL OFFICER (B)

FROM: ROBERT C. ERICKSON, JR.
ACTING INSPECTOR GENERAL (J)

SUBJECT: Transmittal of the Independent Auditors' Report of the Consolidated Financial Statements

This memorandum transmits KPMG's LLP (KPMG) Financial Statements Audit report of the U.S. General Services Administration (GSA) for Fiscal Year 2014.

The Chief Financial Officer's Act of 1990 (P.L. 101-576), as amended, requires the GSA Inspector General or an independent external auditor, as determined by the Inspector General, to audit GSA's financial statements. Under a contract monitored by the Office of Inspector General, KPMG, an independent public accounting firm, performed the Fiscal Year 2014 Financial Statements Audit of GSA. The contract required the audit be performed in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*.

Those standards and OMB Bulletin No. 14-02 require that KPMG plan and perform the audit to obtain reasonable assurance about whether GSA's consolidated financial statements and the Funds' individual financial statements are free from material misstatement.[1]

KPMG is responsible for the attached, unqualified auditor's opinion, dated November 12, 2014. The Office of Inspector General is responsible for the technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight of KPMG's work, as differentiated from an audit in conformance with *Government Auditing Standards,* was not intended to enable us, and accordingly we do not express any opinion on GSA's financial statements or conclusions on the effectiveness of internal control, or compliance with laws and regulations.

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[1] The individual balance sheets of the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF) hereinafter referred to as the "Funds."

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

The independent auditors will follow up on the outstanding recommendations and evaluate the adequacy of corrective actions during the Fiscal Year 2015 Financial Statements Audit.

The Office of Inspector General appreciates the courtesies and cooperation extended to KPMG and our audit staff by GSA during the audit. If you have any questions, please contact Theodore R. Stehney, Assistant Inspector General for Auditing, at (202) 501-0374.

Attachments

KPMG

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Administrator and Acting Inspector General
United States General Services Administration:

Report on the Financial Statements

We have audited the consolidated and combined totals in the accompanying consolidating financial statements of the United States General Services Administration (GSA), which comprise the consolidating balance sheets as of September 30, 2014 and 2013, and the consolidating statements of net cost and changes in net position, and the combining statements of budgetary resources for the years then ended, and the related notes to the financial statements (hereinafter referred to as "consolidated financial statements"). We have also audited the individual balance sheets of the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF) (hereinafter referred to as the "Funds") as of September 30, 2014 and 2013 and the related individual statements of net cost and changes in net position, and combining statements of budgetary resources (hereinafter referred to as the Funds' "individual financial statements") for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of GSA's consolidated financial statements and Funds' individual financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of GSA's consolidated financial statements and the Funds' individual financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on GSA's consolidated financial statements and the Funds' individual 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 Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02, require that we plan and perform the audit to obtain reasonable assurance about whether GSA's consolidated financial statements and the Funds' individual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in GSA's consolidated financial statements and the Funds' individual financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of GSA's consolidated financial statements and the Funds' individual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of GSA's consolidated financial statements and the Funds' individual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of GSA's consolidated financial statements and the Funds' individual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions on the Financial Statements

In our opinion, GSA's consolidated financial statements referred to above present fairly, in all material respects, the financial position of GSA as of September 30, 2014 and 2013, and the consolidated net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

In our opinion, the Funds' individual financial statements referred to above present fairly, in all material respects, the financial position of each of the Funds as of September 30, 2014 and 2013, and the individual Funds' net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement GSA's consolidated financial statements and the Funds' individual financial statements. Such information, although not a part of GSA's basic consolidated financial statements and the Funds' basic individual financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing GSA's basic consolidated financial statements and the Funds' basic individual financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, GSA's basic consolidated financial statements and the Funds' basic individual financial statements, and other knowledge we obtained during our audits of GSA's basic consolidated financial statements and the Funds' basic individual financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on GSA's basic consolidated financial statements and the Funds' basic individual financial statements as a whole. The information in the Other Information, Table of Contents, Letter from the Administrator, Letter from the Chief Financial Officer, and "How GSA Benefits the Public" sections of GSA's *2014 Agency Financial Report* is presented for purposes of additional analysis and is not a required part of GSA's basic consolidated financial statements and the Funds' basic individual financial statements. Such information has not been subjected to the auditing procedures applied in the audit of GSA's basic consolidated financial statements and the Funds' basic individual financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of GSA's consolidated financial statements and the Funds' individual financial statements as of and for the year ended September 30, 2014, we considered GSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on GSA's consolidated financial statements and the Funds' individual financial statements, but not for the purpose of expressing an opinion on the effectiveness of GSA's internal control. Accordingly, we do not express an opinion on the effectiveness of GSA's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Exhibits I and II, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies, respectively.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in Exhibit I to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Exhibit II to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GSA's consolidated financial statements and the Funds' individual financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which GSA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

GSA management identified certain matters that may represent a violation of the Anti-Deficiency Act. These matters are currently under review by GSA management and GSA's Office of General Counsel. A final determination has not yet been made, and therefore, the outcome of these matters is not presently known.

GSA's Responses to Findings

GSA's responses to the findings identified in our audit are described in Exhibits I and II. GSA's responses were not subjected to the auditing procedures applied in the audits of GSA's basic consolidated financial statements and the Funds' basic individual financial statements and, accordingly, we express no opinion on the responses.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of GSA's or the Funds' internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 12, 2014

I. Financial Management and Reporting

During fiscal year 2014, we noted certain deficiencies in financial management and reporting oversight at GSA in the areas of (a) classification of capital and operating leases, and (b) estimated liabilities to capture probable future cleanup costs for environmental contamination other than asbestos. As a result of our observations in the areas noted below, GSA recorded significant adjustments to its financial records as of and for the year ended September 30, 2014. Collectively, these matters are considered to be a material weakness in internal control.

a. Classification of Capital and Operating Leases

GSA maintains approximately 9,000 leases. As we reported in the fiscal year 2013 *Internal Control over Financial Reporting* section of our Independent Auditors' Report, GSA needs to continue to improve the effectiveness of its controls over the classification analysis of leases to ensure the proper accounting for, and disclosure of, leases in accordance with applicable accounting standards. We noted that GSA was unable to provide timely, sufficient and complete documentation to support the classification of capital and operating leases. Specifically, we noted instances where:

- Certain sections of the lease classification analysis were not completed to determine the proper classification of the lease;
- There was no evidence that the lease classification analysis was reperformed timely after a change in terms of the lease agreement;
- The discount rates used in the lease classification analysis did not agree to the rate that should have been used per guidance in Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget* – Appendix B, and OMB Circular No. A-94 (Revised), *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs* – Appendix C;
- The lease classification analysis was not discounted back to the earlier of the lease commencement date or the first payment date in accordance with OMB Circular No. A-11, Section B;
- The lease classification analysis contained incorrect data related to one of the following: annual rent, operating costs, real estate taxes, insurance, maintenance and repair reserve, rent abatement, and rent commencement date;
- The lease classification analysis did not contain an appropriate signature of an authorized GSA official;
- The lease classification analysis included multiple leases for different buildings in the same analysis; and
- Under current GSA policy for leases with a term of five years or less, the 90 percent calculation is not required for rental rates that are consistent with prevailing market rates for comparable facilities in the area. As the applicable accounting standards do not differentiate the lease classification criteria based on the length of the lease term, sufficient documentation should be maintained to evidence that the 90 percent calculation was considered for each lease including those with lease terms of five years or less.

Although GSA has developed policies and procedures to determine whether a lease is either operating or capital, such policies and procedures are more focused on determining the appropriate lease classification from a budget formulation and justification perspective as required by OMB Circular No. A-11, rather than from a financial reporting perspective. In addition, we noted that regional personnel do not follow established policies and procedures on a consistent basis. The regional personnel have established practices as to how and when to complete lease classification analyses that are not always consistent with GSA established policies and procedures or applicable accounting standards. Further, there is a lack of sufficient monitoring, oversight, and training over the leasing function as the Office of the Chief Financial Officer (OCFO) relies on GSA's Public Buildings Service (PBS) to perform this function. Regional and operational personnel do not always share responsibilities, or are inadequately supervised on financial management matters, including adhering to established policies and procedures.

If not corrected, these conditions present a high risk that significant misstatements in the classification of leases and potential violations of laws and regulation will not be prevented or detected and corrected by GSA management in the normal course of performing their assigned functions. Upon our observations, GSA management performed additional analysis to obtain evidence that GSA's financial statements were not significantly misstated.

b. Estimated Liabilities to Capture Probable Future Cleanup Costs for Environmental Contamination Other than Asbestos

GSA manages over 1,300 owned properties with an average age of 49 years, including 370 buildings considered heritage assets. Certain properties contain environmental hazards that will ultimately need to be removed and/or require containment. Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*; SFFAS No. 6, *Accounting for Property, Plant and Equipment*; and Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, set forth the requirements and guidance for accounting and reporting environmental liabilities.

Late in fiscal year 2013 and during fiscal year 2014, GSA undertook a significant effort to implement an estimation methodology for liabilities related to asbestos cleanup cost and to update its policies and procedures for implementing the accounting and reporting of environmental liabilities. For example, PBS updated its *Accounting for Environmental Liability Guidelines* (Guidelines), the purpose of which is to help implement the OCFO's *Accounting Policies and Procedures for Environmental Related Cleanup Costs*. Such Guidelines contain guidance to assist GSA Regional Environmental Managers, and other relevant stakeholders, in identifying, estimating, and reporting environmental liabilities for GSA's financial statements. However, GSA needs to continue to improve its controls over environmental liabilities, as outlined below:

1. The PBS implementation guide document does not properly align with policies and procedures issued by the OCFO. Specifically, the Guidelines document includes certain sections that directly contradict OCFO policies and procedures. In addition, the Guidelines document includes certain sections that introduce ambiguity as to what type of contaminants are necessary to include in the estimate for future cleanup costs for contaminants other than asbestos.
2. The OCFO was not able to effectively identify technical accounting issues relating to the accounting estimate for probable future cleanup costs other than asbestos. Specifically, the OCFO did not correctly evaluate the PBS implementation guide on accounting for environmental liabilities. As a result, PBS implemented policies, procedures, and practices relating to the accounting for environmental liabilities that were in direct contradiction to certain OCFO policies and procedures.

3. The due care process outlined in the Guidelines document for identifying, estimating, and reporting environmental liabilities is not in compliance with OCFO policies and procedures and applicable accounting standards. Specifically, the due care process does not take into consideration the specific cleanup projects GSA has currently underway. GSA does not consistently apply knowledge of similar sites or conditions gained through performing actual cleanup for contaminants other than asbestos. Consequently, GSA did not consider certain types of contaminants in its calculation of the estimated future cleanup cost. This control deficiency contributed to significant errors in the financial statements that were discovered during our audit.

As a result of our observations, GSA introduced certain refinements to its methodology to capture the estimated future cleanup cost of contaminants other than asbestos and adjusted its records by approximately $274 million to estimate for the liability to capture probable future cleanup costs for environmental contamination other than asbestos as of September 30, 2014.

GSA continues to face challenges in developing effective information and communication processes to help the OCFO, PBS Environmental Division, and the Regional Environmental Managers apply established policies and procedures related to environmental liabilities in a consistent manner throughout the agency. The conditions noted above do not allow GSA management, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the environmental liability balance on a timely basis. If not corrected, these deficiencies will continue to expose GSA to an increased risk of misstatement in its financial reports.

Recommendations

We recommend that GSA management implement the following to improve controls over financial reporting:

a. Classification of Capital and Operating Leases

1. PBS update policies and procedures to define lease modifications that would require re-evaluation for classification purposes;
2. Regional personnel be trained, properly supervised, and made accountable for adhering to accounting policies and procedures related to leases;
3. Management enforce its policies over timely and accurately analyzing all leases before the lease agreement is signed by GSA; and
4. The OCFO implement sufficient monitoring procedures to ensure the lease classification analysis is performed accurately, timely, and consistently and in accordance with the applicable accounting standards for leases entered into by GSA.

b. Estimated Liabilities to Capture Probable Future Cleanup Costs for Environmental Contamination Other than Asbestos

1. Continue to accumulate relevant, sufficient, and reliable data upon which to base the estimate;
2. Ensure the accounting estimate is prepared by qualified personnel with a full understanding of the requirements to develop an effective cost estimation methodology;
3. Ensure there is adequate review and approval of the estimate by appropriate levels of management, including review of sources of relevant factors, development of assumptions, and reasonableness of assumptions and resulting estimates;

4. Continue to monitor and refine the estimation methodology on a regular basis, as needed, by regularly completing and updating surveys for the specific purpose of capturing estimated costs related to environmental cleanup;
5. Perform surveys over a sample of buildings representative of the total population of GSA buildings by region;
6. Develop and implement effective information and communication processes to help ensure that technical accounting issues are identified, properly analyzed, and resolved in a timely manner; and
7. Ensure established policies and procedures are consistent and in accordance with applicable accounting standards.

Management Response

Management concurs with these recommendations and will continue to implement necessary corrective actions which are either in progress or planned.

II. Entity-level Controls

The control environment sets the tone of an organization by influencing the control consciousness of its personnel. It is also the foundation for all components of internal control, providing discipline and structure. GSA needs to continue to address weaknesses in its entity-wide control environment. As we reported in the fiscal year 2013 *Internal Control over Financial Reporting* section of our Independent Auditors' Report, we continued to observe the following entity-wide control environment conditions that have a pervasive influence on the effectiveness of controls, as described below.

1. Inadequate development and implementation of effective information and communication processes to help ensure that technical accounting issues are identified, analyzed, and resolved timely. GSA should not rely on the external audit process to identify technical accounting issues and should respond to audit inquiries with accurate and sufficient information.
2. Although GSA has made progress in moving towards a more centralized financial control structure, including consolidating the budget, accounting, and financial reporting functions under the OCFO, we continue to note communication issues between the OCFO and operational personnel. For example, the OCFO continues to depend on the PBS Central Office for the implementation of certain policies and procedures such as accounting for environmental liabilities. However, the PBS Central Office does not report directly to the OCFO.
3. Regional and operational personnel do not always share responsibilities for, or are not adequately supervised on, financial management matters that affect the financial statements, including adhering to appropriate accounting policies and procedures and performing key internal control functions in support of financial reporting.
4. GSA has not finalized certain policies and procedures related to financial reporting and accounting operations. Without final, formalized, and approved policies and procedures issued, effectively communicated, implemented, and monitored, there is an increased risk that GSA will continue to experience control deficiencies in financial reporting.
5. Certain financial system functionality limitations are contributing to control deficiencies reported in the fiscal year 2014 *Internal Control over Financial Reporting* section of our Independent Auditors' Report: Findings III, *Budgetary Accounts and Transactions*; IV, *Accounting and Reporting of Property and Equipment*; V, *Accounting and Reporting of Leases and Occupancy Agreements*; and VI, *General Controls over Financial Management Systems*. These system functionality limitations are inhibiting progress on corrective actions for GSA and are preventing the agency from improving the efficiency and reliability of its financial reporting process. Some of the financial system limitations lead to extensive manually intensive and redundant procedures to process transactions, to verify accuracy of data, and to prepare the financial statements. Systemic conditions related to financial system functionality include:
   - Lack of integrated financial and acquisition systems for PBS. GSA is currently working on the development and implementation of a new financial management acquisition system;
   - Lack of system functionality to capture the estimated completion date for multiphased construction projects;
   - Funds controls in the financial management system that can be overridden without proper controls over transactions recorded when such edit checks were switched off;
   - Configuration of the financial management system regarding the proper accounting for recoveries of prior years' obligations;

- Aging feeder systems that do not capture proper information for the correct recognition of expenses and related revenue for certain Federal Acquisition Service (FAS) lines of businesses; and
- Numerous interfaces between feeder systems and the financial management system requiring manual journal entries to capture transactions properly that originally did not interface correctly.

6. GSA continues to experience repeat control deficiencies as many of the deficiencies noted have been reported previously. This highlights the need to strengthen monitoring controls. Monitoring is a key aspect of the organization's assessment of the effectiveness of internal control and provides valuable support for assertions on the effectiveness of the system of internal control.

Recommendations

We recommend that GSA management implement the following to improve the effectiveness of entity-level controls:

1. Review and revise as necessary its internal control program to plan, establish, monitor, and report and communicate a comprehensive, adequate, and appropriate internal assessment of the operating effectiveness of GSA internal controls;
2. Review and revise as necessary processes to ensure technical accounting issues are identified, analyzed, and resolved in a timely manner;
3. Provide training to financial and program personnel on internal controls;
4. Continue to strengthen the monitoring controls;
5. Prioritize or reprioritize financial systems and feeder systems enhancements to resolve functionality limitations and reduce manually intensive and redundant procedures;
6. Finalize and implement all of the draft agency-specific OCFO policies and procedures to effectively provide information and communication to GSA as a whole as a part of a functioning entity-wide control environment; and
7. Implement procedures to involve financial management effectively, and others as needed, when making accounting policy decisions to ensure that adopted accounting policies are technically correct, supported, are in accordance with OCFO's policies and procedures, and properly reflect the business transactions in the financial statements.

Management Response

Management concurs with these recommendations and will continue to implement necessary corrective actions which are either in progress or planned.

III. Budgetary Accounts and Transactions

Budgetary accounts are a category of the general ledger accounts where transactions related to receipts, obligations, and disbursements of budgetary authority—the authority provided by law to incur financial obligations that will result in outlays—are recorded.

OMB Circular No. A-123, *Management's Responsibility for Internal Control, Revised*, sets forth requirements to develop control processes necessary to ensure that reliable and timely information is obtained, maintained, reported, and used for decision making.

GSA needs to continue improving the effectiveness of controls over its accounting and business processes to ensure that budgetary transactions are properly recorded, processed, and summarized. Specifically, we identified control deficiencies over the processing of undelivered orders, unfilled customer orders, and funds controls. Many of these conditions were reported in the fiscal year 2013 *Internal Control over Financial Reporting* section of our Independent Auditors' Report.

a. Undelivered Orders

Undelivered orders represent GSA's obligations that require the agency to make payments to the public or from one government account to another. Under requirements of OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget,* obligations incurred must conform to applicable provisions of law, and agencies must be able to support the amounts reported by appropriate documentary evidence as defined by 31 U.S.C. 1501.

During our test work over PBS obligations, we continue to note instances where the obligating documents did not support the obligations recorded or where the obligation was recorded without the proper obligation documents; instances where the obligating documents did not provide a period of performance; and instances where signed contracts were not entered into the financial management system timely.

b. Unfilled Customer Orders

Unfilled customer orders represent the amount of goods and services to be furnished by GSA to other federal agencies. Unfilled customer orders provide budgetary resources to enter into new obligations and to liquidate existing obligations. GSA needs to continue to improve the effectiveness of its controls over unfilled customer orders. During our test work over unfilled customer orders for PBS, we continued to note instances where the goods and services related to these orders had been received or completed and the remaining unfilled customer orders were not canceled timely; instances where GSA did not record the signed unfilled customer order in the financial management system timely; and, instances where GSA had not obligated funds and initiated work under certain reimbursable work authorizations (RWAs) timely.

In addition, in fiscal year 2014, GSA management identified instances of potential overstatement of unfilled customer orders due to GSA accepting reimbursable work authorizations for nonseverable services when the customer agency might not have had full funding equal to the scope of work to be performed.

c. Funds Control

As outlined in OMB Circular No. A-11, the purpose of an agency's fund control system is to restrict both obligations and expenditures (also known as outlays or disbursements) from each appropriation or fund account to the lower of the amount apportioned by OMB or the amount available for obligation or expenditure in the appropriation or fund account. GSA needs to improve the effectiveness of its funds controls as required by OMB Circular No. A-11. Specifically, we noted the following control deficiencies:

1. During our test work over Reimbursable Work Authorizations, Obligations, and Leases for PBS, we continue to note instances where the required requisition form was not signed by the budget analyst; instances where the budget analyst approved the certification of funds without using the required requisition forms; instances where the budget analyst approved the certification of funds with an incorrect reference to funding; and instances where GSA could not provide sufficient evidence to support the review of certain recorded lines of accounting.

2. The financial management system provides funding and spending controls to ensure that budget authorities are not exceeded at each budget level. Such controls include a hard-edit feature, which denies the user the ability to process further obligating documents if the user attempts an entry that will exceed the respective authority available amount. However, we noted that GSA management can manually override these funding and spending automated controls while processing budgetary transactions. In fiscal year 2014, GSA took steps to address this condition; however, we continue to note the lack of formal manual or automated review to ensure that funding and spending automated controls are being turned off for a valid reason and whether they were subsequently turned back on after processing. In addition, the system continues to lack sufficient functionality to identify the transactions that were recorded while the controls were turned off.

The main contributing factors for the control deficiencies over budgetary accounts and transactions continue to be:

- The lack of integrated financial and acquisition systems and the ineffective monitoring and oversight over the apportionment process;
- The ineffective communication between the program office and the budget and financial management personnel within the regions; and
- The lack of sufficient monitoring and oversight of the contracting function—as evidenced by contracting and budgetary control activities not being performed in a consistent manner at the regional level.

As a result, GSA management continues to rely on costly compensating processes and unsustainable labor-intensive efforts to prepare reliable financial statements throughout the year and at fiscal year-end. If not corrected, these deficiencies will continue to expose GSA to an increased risk of misstatements in its financial reports and possible violations of laws and regulations. We performed additional analysis and determined that GSA's financial statements were not significantly misstated.

Recommendations

We recommend that GSA management continue to implement the following to improve controls over the accounting for undelivered orders:

a. Undelivered Orders

1. Continue efforts to implement a contracting system that will interface with the financial management system of record;
2. Until such interfaces are in place, continue monthly reconciliation efforts between the current contracting system and the financial management system and ensure sufficient resources are available to perform the reconciliations in a timely and routine manner;
3. Improve communications with the regional offices to investigate and resolve variances identified in a timely and consistent manner;
4. Perform procedures to ensure all obligations are captured and accurately recorded in the financial management system;
5. Institute policies and procedures, including management reviews, to ensure that a contract delivery date or period of performance is stated on all obligating documents before obligations are authorized, when appropriate;

6. Ensure contracting officers and regional procurement officers review contracts thoroughly to ensure that contract options are correctly exercised and applicable Notice-to-Proceed documents are issued timely;
7. Continue assessing the root causes of ineffective internal controls at the process level as part of the top-to-bottom review process to help design an effective internal control environment that is suitable to GSA business processes;
8. Improve the efficiency of transaction-level, process-driven controls to avoid overreliance on high-level mitigating controls over budgetary accounts and transactions;
9. Improve communication with GSA's procurement operations and the regions to better facilitate response times by regions for award acceptance and receipt of goods and services; and
10. Provide additional training to reinforce existing policies and procedures, which require proper authorization and approvals of contracts prior to recording the obligations in the financial management system, and that all obligations be entered into financial management systems timely and prior to the receipt of any goods and/or services by GSA.

b. Unfilled Customer Orders

1. Enforce existing policies and procedures with regional personnel to ensure that all orders are entered in the appropriate feeder subsidiary ledger system accurately and timely.
2. Continue to perform periodic monitoring and reviews of outstanding unfilled customer orders and consider increasing the precision of the reviews performed to ensure that balances reported in the financial statements are valid and accurate;
3. Improve communications with the regions to stress the importance of having valid unfilled customer orders in the financial statements and the need to properly account for unfilled customer orders by closing all orders as they are completed;
4. Consider implementing automated system controls over unfilled customer orders spending to ensure reimbursable obligations and expenses incurred are not greater than funding authority provided by a valid unfilled customer order;
5. Develop sufficient monitoring controls to ensure that work is initiated timely after funds are accepted through RWAs;
6. Determine and implement corrective actions to resolve/correct incrementally funded RWAs;
7. Review and revise RWA policies and procedures to address conditions related to the potential overstatement of unfilled customer orders as necessary;
8. Develop and implement training to regional and national staff to clarify and strengthen understanding of RWA funding policies; and
9. Conduct an internal control review of RWA funding practices to determine if policies and procedures are followed and/or corrections implemented timely.

c. Funds Control

1. Ensure that funds-certifying offices receive proper training and guidance over the evaluation of the legal availability of funding against the proposed contract terms;

2. Continue to monitor newly implemented and existing controls over contracting and procurement actions to ensure all contracts are prepared legally and accurately in accordance with federal procurement laws and GSA policies and procedures, and obligating documents are reviewed and approved by appropriate members of management;
3. Document all policies and procedures relating to the budgetary control environment and activities and provide employees with timely training and updated training materials;
4. Enforce existing policies and procedures related to funds availability certification to ensure that the certification is obtained before a contracting officer signs an obligating document;
5. Provide training to the contracting officers to reinforce existing policies and procedures, which require them to obtain the proper certifications of funds availability from the certifying official before signing any obligating document;
6. Consider updating the policy over certification of funds availability to establish consistency for certifying funds across the agency, and communicate and enforce the updated policy to the regions; and
7. Consider developing an audit logging capability in the financial management system to track the status of funding and spending automated controls to ensure that such controls are not overridden without the approval of the appropriate members of management.

Management Response

Management concurs with these recommendations and will continue to implement necessary corrective actions which are either in progress or planned.

IV. Accounting and Reporting of Property and Equipment

GSA reported $27.8 billion in property and equipment, net of accumulated depreciation, as of September 30, 2014. GSA needs to continue to improve controls over general property and equipment to ensure that transactions are promptly recorded, properly classified, and accounted for in accordance with the requirements outlined in the applicable accounting standards and OMB Circular No. A-123. In fiscal year 2014, we continued to note the following control deficiencies over general property and equipment, many of which were reported in the fiscal year 2013 *Internal Control over Financial Reporting* section of our Independent Auditors' Report.

a. Buildings

As reported in the previous year, GSA continues to have challenges recording property disposals consistently when they occur. When a building is sold, conveyed, demolished, or classified as excess property, the regional offices do not always notify the OCFO to properly record the asset disposal and to reduce the building value in the financial management system accordingly. We continue to note instances where the property and equipment was not transferred to excess property or was not transferred timely. As a result, GSA continued to record depreciation expense inappropriately and asset disposals were not recorded or were not recorded timely. In addition, we continued to note instances where leased properties and leasehold improvements were incorrectly coded as owned buildings.

As a result of our testwork, we identified an overstatement of the buildings balance and related accumulated depreciation of approximately $95 million and $90 million, respectively, as of September 30, 2014.

b. Construction in Process

GSA needs to continue improving the effectiveness of controls over the proper classification of projects that are deemed substantially complete. We continue to note instances where GSA did not record transfers of substantially completed projects consistently from construction in process (CIP) to the buildings balance timely. In addition, we continued to note instances where GSA transferred an incorrect amount to the building account. There is an increased risk that asset transfers may not be recorded in the general ledger accurately or timely due to the following:

- The inconsistent application of PBS's guidance as to the definition of when a project is substantially complete;
- The size and complexity of GSA's construction projects;
- The manually intensive process of determining and documenting substantial completion dates;
- The lack of a policy over documentation requirements for multiphased or multiasset transfers; and
- The lack of system functionality to capture the estimate completion date for multiphased construction projects.

We performed additional analysis and determined that GSA's financial statements were not significantly misstated.

Recommendations

We continue to recommend that GSA management implement the following to improve controls over the accounting for general property and equipment:

a. Buildings

1. Correct all instances of asset disposals not properly recorded;
2. Perform regular verifications of the building status listed in the Fixed Asset subsidiary ledger;
3. Develop policies and procedures requiring a new building location code to facilitate the verification of building status. Ensure newly developed and existing policies and procedures are consistent with SFFAS No. 6;
4. Develop policies and procedures to improve communications between the Central Office and the regional portfolio managers regarding asset disposals or conveyance to ensure all parties have an understanding of the documents and notifications needed for the OCFO to record the asset disposals timely;
5. Develop and deliver training on an ongoing basis to all portfolio managers and realty specialists regarding the reporting of real property disposal or conveyance to ensure that all appropriate requirements are fulfilled and consistently recorded in accordance with GSA policies and procedures;
6. Enforce GSA's existing policy on reporting asset disposal or conveyance; and
7. Continue to review and verify both leased and owned buildings to ensure existing issues are identified and remedied timely.

b. Construction in Process

1. Develop policies and procedures to provide guidance for the type of required documentation that should be maintained to support costs for individual phases or assets in CIP;

2. Develop an automated process to capture costs by individual phases or assets of a multiphase or multiasset CIP project to reduce the need for manual tracking;
3. Provide training to contracting officers and project managers emphasizing the importance of timely communication of CIP transfers to the PBS Office of Finance;
4. Continue current initiatives to strengthen internal controls over proper classification of costs associated with projects and ensure proper data entry and timely transfer of costs between the construction in process and building accounts;
5. Continue reconciliation efforts to review the validity of substantial completion dates entered into the applicable feeder systems and the fixed assets subsidiary system to ensure that substantially completed CIP projects are transferred to the appropriate building account timely; and
6. Require regional offices to support the PBS Central Office's effort to correct the validity of substantial completion dates (e.g., making continuous improvements toward entering actual substantial completion dates into the system) in order to ensure controls operate effectively.

Management Response

Management concurs with these recommendations and will continue to implement necessary corrective actions which are either in progress or planned.

V. Accounting and Reporting of Leases and Occupancy Agreements

GSA processes approximately $8 billion and $10 billion, in lease expenses and revenues, respectively, from occupancy agreements. GSA needs to continue to improve controls over leases and occupancy agreements to ensure that transactions are recorded promptly and accurately, in accordance with requirements outlined in the applicable accounting standards and OMB Circular No. A-123. Many of these conditions were reported in the fiscal year 2013 *Internal Control Over Financial Reporting* section of our Independent Auditors' Report.

a. Leases

GSA needs to improve the effectiveness of its controls over the processing of leases to ensure that leases are accurately and timely recorded in the financial management system. Of the leases selected for test work, we continued to note instances where the certification of funds approval was not completed in the applicable feeder system before the contracting officer signed the obligating lease documents, instances where delays in processing the lease action forms caused delays in the recognition of lease expense, instances where the lease payment made to the vendor was incorrect, and instances where the Consumer Price Index adjustments were not recorded timely.

In addition, while improvements were noted in the lease disclosure preparation process, we continued to note instances where the future minimum lease payments did not match the terms of the lease, and an instance where a cancellable lease with certain terms was included in the footnote disclosure incorrectly.

b. Occupancy Agreements

In our test work over Occupancy Agreements, we continued to note instances where the Occupancy Agreements were not recorded timely in the financial management system, instances where the revenue associated with an Occupancy Agreement was misstated, and instances where the Occupancy Agreement was not terminated timely, all of which led to back billings and delays in recognizing revenue. In addition, in test work over the disclosure of future minimum operating lease revenue, we noted an instance where the disclosure of future projected receipts incorrectly included receipts for cancellable periods and instances where receipts for noncancellable periods were excluded incorrectly.

The prompt processing of occupancy agreements, in many cases, is subject to the timely processing of the corresponding leases. Therefore, when GSA incurs delays in processing leases, there is an increased risk that revenues from occupancy agreements will not be properly recognized in accordance with applicable accounting standards. We performed additional analysis and determined that GSA's financial statements were not significantly misstated.

Recommendations

We recommend that GSA management implement the following to improve controls over the accounting for leases and Occupancy Agreements:

a. Leases

1. Enforce existing policies and procedures to ensure that all leases are timely and accurately processed; and
2. Regional personnel should be trained, properly supervised, and made accountable for adhering to accounting policies and procedures related to leases.

b. Occupancy Agreements

1. Enforce existing policies and procedures to ensure that all occupancy agreements are timely and accurately processed, and customer agencies are billed timely;
2. Regional personnel should be trained, properly supervised, and made accountable for adhering to established accounting policies and procedures related to occupancy agreements; and
3. Implement systematic controls to ensure compliance with established policies and procedures relating to the processing and disclosure of future operating lease revenue.

Management Response

Management concurs with these recommendations and will continue to implement necessary corrective actions which are either in progress or planned.

VI. General Controls over Financial Management Systems

GSA did not have adequate information technology controls to protect its financial management systems as required by OMB Circular No. A-130, *Management of Federal Information Resources*. Specifically, we identified control deficiencies over access and configuration management general controls, as follows.

a. Access Controls

Access controls are designed to limit or detect access to computer programs, data, equipment, and facilities to protect these resources from unauthorized modification, disclosure, loss, or impairment. Such controls include logical and physical security controls. GSA did not fully establish controls to prevent and detect unauthorized access for 6 systems of the 10 systems tested. Specifically, GSA did not consistently maintain evidence that users with normal business and elevated access were recertified on a regular basis. One system had granted incompatible roles to users and another system did not have a separation of duties matrix and the system was not configured to prevent incompatible roles. Finally, GSA did not fully establish monitoring controls over application, database, and operating system activity logs and violation reports of user actions.

b. Configuration Management

Controls related to configuration management are designed to provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely and as intended. Although GSA had designed controls to establish accountability and responsibility for configuration management including monitoring and tracking of changes, we identified certain segregation-of-duties deficiencies where the developer had access to production, and instances where configuration changes and patches were not documented with management approval. Finally, there was one system that did not have a formal configuration management plan. The lack of strong change controls may allow for unauthorized or inappropriate changes to be applied and go undetected by management, resulting in an increased risk that the information system will not operate as intended and that the data will not be reliable, valid, and complete.

GSA has made progress moving to a more centralized structure, including consolidating the IT function under the Office of the Chief Information Officer. Although GSA has made progress in the integration of staff, work processes, systems, and reporting structure, it still has challenges establishing a process to collect, assess, and share information relating to known deficiencies from one system with designated personnel throughout the organization to help eliminate similar deficiencies in other systems. This lack of effective communication and information regarding common deficiencies across the different feeder systems is the contributing factor preventing GSA from fully resolving these control deficiencies. These conditions could affect GSA's ability to prevent and detect unauthorized changes to financial information, control logical access to sensitive information, and protect its information resources.

Recommendations

We recommend that GSA management improve controls over its financial information systems to ensure adequate security and protection of the information systems as follows:

a. Access Controls

1. Implement a comprehensive access control security program to address the administration of access controls in order to increase the reliability of data and decrease the risk of destruction or inappropriate disclosure of data;
2. Develop agency-wide policies and procedures to manage all contractors;
3. Investigate and repair the cause of system errors that resulted in the breakdown of the recertification workflow; and
4. Develop and implement a process to review and document the review of application, database, and operating system audit logs related to financial system access and processing.

b. Configuration Management

1. Given the high volume of transactions processed through GSA's systems, high emphasis should be placed on removing incompatible duties across GSA's various applications, platforms, and environments to allow management to obtain reliance on the integrity of its production financial data;
2. Improve policies and procedures that restrict users from having full control over the development, compilation, and implementation of program changes; and
3. Investigate and repair the cause of system changes not being documented with management approval and also require all changes be documented in accordance with GSA policy.

Management Response

Management concurs with these recommendations and will continue to implement necessary corrective actions which are either in progress or planned. For recommendations regarding financial systems changes, GSA will prioritize these changes through our existing Investment Review Board governance process.

Other Information

U.S. General Services Administration
Office of Inspector General

October 15, 2014

MEMORANDUM FOR: Daniel M. Tangherlini
Administrator (A)

FROM: Robert C. Erickson, Jr.
Acting Inspector General (J)

SUBJECT: Assessment of GSA's Major Management Challenges, for Fiscal Year 2015

As required by the Reports Consolidation Act of 2000, Public Law 106-531, the Office of Inspector General prepared the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA. The statement also includes a brief assessment of the Agency's progress in addressing these challenges.

Please review our assessment at your earliest convenience and prepare any comments you wish to append. If you have any questions or wish to discuss further, please call me at (202) 501-0450. If your staff needs any additional information, they may also contact Theodore R. Stehney, Assistant Inspector General for Auditing, at (202) 501-0374.

Attachment

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

(Unaudited)

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

NOVEMBER 2014

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General regularly identifies what it considers to be the most significant management challenges facing the U.S. General Services Administration (GSA). This effort highlights the most demanding issues based on management's assessment of likelihood, impact to stakeholders, and anecdotal evidence. Some challenges represent an inherent risk to the Agency's mission or programs and are not necessarily a reflection of deficiency in performance. As such, GSA management may not be able to eliminate some challenges, but should continue to take steps to mitigate these challenges.

ACQUISITION PROGRAMS

GSA has a fundamental purpose to create efficiency for the Federal Government in the acquisition of goods and services. GSA accomplishes this mission by consolidating the buying power of the Federal Government to obtain quality products and services at the best available price.

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

The GSA Schedules Program remains one of GSA's largest procurement programs with approximately 18,500 contracts and $36 billion in sales in fiscal year (FY) 2013.[1] The Federal Acquisition Service (FAS) manages the program, which aims to provide federal agencies and other authorized users with the best value through a simplified procurement process for purchasing over 11 million commercial products and services. Several challenges face the GSA Schedules Program. These include: pricing; contractor compliance; contract workload management; hiring, development, and retention of the contracting officer workforce; FAS's Schedules Program Modernization; and the proposed changes to General Services Administration Acquisition Regulation (GSAR). In addition, some customer agencies have expressed a concern that the pricing under the Schedules Program is not fair and reasonable.

Pricing

GSA's Schedules Program is a commercial item program that operates under the premise that contractors routinely sell commercial products and services in competitive

[1] Also referred to as Multiple Award Schedules and Federal Supply Schedules.

markets and market forces establish fair and reasonable prices. Under this premise, the contracting officer's price analysis involves evaluating a contractor's offered prices or discounts and comparing them to prices or discounts the contractor offers to its commercial customers. However, there are a steadily growing number of agencies that no longer believe prices under the GSA Schedules Program are fair and reasonable. In fact, the Department of Defense and the National Aeronautics and Space Administration have issued deviations to the Federal Acquisition Regulation requiring their contracting officers to make an independent determination of price reasonableness on orders against the GSA schedules.

GSA is currently transforming its Schedules Program's pricing strategy to transition from a vertical pricing model (comparing prices to contractors' commercial sales practices) to a vertical and horizontal pricing model. The horizontal pricing model will include a comparison of offered prices to actual government sales on a transactional basis. To facilitate this comparison, GSA plans to standardize part numbers and skill set descriptions based on government sales data.

Instead of relying solely on commercial sales practice disclosures, GSA plans to issue mass modifications requiring contractors to provide and report their schedule sales transactions. To assist federal agencies in the procurement process, GSA will allow schedule contract users access to the contractors' transactional data. The transactional data will allow agencies to review the prices paid for products and services, considering the quantity/volume of each transaction. GSA argues that providing federal agencies access to transactional data, including the prices paid by other federal agencies, should ultimately drive down the cost of purchasing governmentwide. GSA envisions this transactional data will help agencies make informed buying decisions and negotiate better prices. However, we are concerned that basing acquisition decisions on prices paid amongst federal agencies alone is not enough. Other variables, such as terms and conditions, volume commitments, spending patterns, and performance requirements impact pricing and should also be considered.

In the Schedules Program, GSA has two key controls to obtain and maintain best prices throughout the life of contracts. The first is the provision that, prior to award, GSA seeks to obtain the best price that a contractor provides to its most favored customer. The second is the use of the Price Reductions clause, which allows the Government to receive a lower contract price after award if the contractor lowers its price(s) to the basis of award customer(s) or customer category. GSA's negotiation objective, which calls for comparing prices and discounts a contractor offers the Government with the prices and discounts that a contactor offers its most favored commercial customers, is done to obtain fair and reasonable pricing for schedule contracts. As GSA transforms its

Schedules Program, it should ensure these two regulatory controls remain in place. This will allow the Government to: (1) negotiate the best price the contractor provides to its most favored customer, and (2) maintain the contractors' best prices throughout the contract period.

Contractor Compliance

We are concerned that schedule contractors are not complying with all of the schedule terms and conditions. Contractors are responsible for: (1) reporting price reductions, (2) billing in accordance with contract terms and conditions, (3) identifying and reporting schedule contract sales for Industrial Funding Fee payment purposes, and (4) providing labor that meets stipulated minimum education and experience qualifications. During FY 2013, 30 percent of our preaward audits identified overbillings, 38 percent of the contractors did not have adequate systems to accumulate and report schedule sales, and 55 percent of the contractors provided unqualified labor. In addition, we found that 69 percent of commercial sales practices documents provided to negotiate contract pricing contained data that was not current, accurate, or complete.

Also in FY 2013, two other schedule contractors agreed to pay the Federal Government nearly $131 million combined to settle alleged overbillings. Two more schedule contractors collectively failed to pass on over $100 million in price reductions to the Government because they did not believe GSA orders over the maximum order were entitled to price reduction discounts.

Contract Workload Management

It is a challenge for FAS to manage the contracting officers' workload associated with awarding and administering approximately 18,500 schedule contracts while ensuring that the workload does not affect the timeliness and quality of contract actions. The Schedules Program workload includes processing contract actions such as new offers, modifications, and options to extend existing contracts, as well as performing general contract oversight. We previously reported that a significant number of contracts with limited or no sales remain in the Schedules Program, creating an unnecessary contract administration workload. In FY 2013, about 36 percent of the contracts had no sales. Although FAS has since identified and eliminated a small percentage of contracts with no sales, it remains a challenge for FAS to ensure that contracting officers' daily workload is more manageable as new contracts continue to be awarded.

Hiring, Development, and Retention of the Contracting Officer Workforce

Contracting officers are responsible for negotiating and managing schedule contracts that generate over $36 billion in annual sales. These acquisitions have steadily shifted from products and services to full acquisition solutions. This shift is occurring as requirements are also becoming more technically and financially complex. As the types of acquisitions continue to evolve, FAS is challenged to develop a well-trained acquisition workforce with the skill sets necessary to provide innovative solutions for customer agencies at the best value. Also, as contracting officers participate in GSA's Telework Program, it is essential that FAS continues to ensure that: contracting officers are productive, their development and training needs are met, and any personally identifiable information and sensitive data is secured.

The contracting occupation is a "mission critical component of GSA," as stated in GSA's *1102 Workforce Analysis Study*. In its 2013 *High-Risk Series An Update*, the Government Accountability Office (GAO) identified contract specialists as a mission-critical occupation and negotiating as a mission-critical competency.

Accordingly, in the future, it is essential that GSA ensures that it has the talent, skill, and experience needed. In the next 2 years, 20 percent of the contracting officers will be eligible to retire. Taking steps to ensure the Agency has sufficient qualified and well-trained contracting officers is critical for GSA to fulfill its mission to provide innovative solutions that will support the requirements of customer agencies. FAS should focus on developing the best methods to hire, train, and retain qualified contracting officers to support the future success of the Schedules Program.

Schedules Program Modernization

FAS has undertaken an initiative to modernize the Schedules Program. This initiative includes several significant changes to the current program, such as: standardizing part numbers and labor categories, obtaining and providing customers access to transactional data, changing Federal Acquisition Regulation and GSAR rules to enable other direct costs to be included on schedule contracts, creating an unpriced information technology (IT) and professional services schedule, and requiring schedule contractors to provide prices paid data. These changes will impact the fundamental structure of the current program and will require a significant degree of coordination with schedule stakeholders, including the contractor community.

GSA's greatest challenges appear to be standardizing schedule part numbers and labor categories, and collecting transactional data from contractors and providing it to schedule customers. These initiatives are intended to help government buyers make meaningful price comparisons and drive down prices. However, standardizing part numbers and labor categories over the vast number of products and services available on schedule contracts will be a particularly difficult task.

Collecting and providing transactional data introduces its own set of tests and concerns. In particular, collecting accurate and reliable transactional data from the different systems used by the over 18,000 current schedule contractors is unprecedented. In addition, developing a system to collect and safeguard this massive amount of proprietary data and to provide the data in a useable and effective manner to customer agencies presents another major undertaking. Preparing agencies to effectively use this data will be another challenge, one for which we have concerns. For instance, agencies may place an overreliance on the transactional prices paid information when making acquisition decisions and not consider other factors not identified in the prices paid data. GSA customers will need to be informed that the price paid 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.

Proposed Changes to General Services Administration Acquisition Regulation

Although started in January 2009, GSA's efforts to amend GSAR Part 538, Federal Supply Schedule Contracting, are currently on hold. GSA migrated from a *single all-inclusive* case, to a *multiple cases* format in early 2013, to its current plan to transform the Schedules Program pricing strategy from a vertical pricing model to both a vertical and horizontal pricing model. The single case and multiple cases formats were aimed at updating Federal Supply Schedule policy to reflect and address evolving programmatic needs and ensure greater consistency across the entire Schedules Program.

The current rewrite effort emphasizes the new pricing model, a clear departure from addressing the entire Schedules Program, and is largely predicated on obtaining and providing schedule contract customers access to transactional data. Key components of the Schedules Program Modernization include:

- Standardizing part numbers and labor categories;
- Accessing transactional data from contractors and other federal agencies; and
- Implementing GSA's prices paid portal.

While we agree that these concepts could benefit the Schedules Program, we are concerned with the impact of the prolonged delays to the full GSAR rewrite. We contend that the Schedules Program Modernization is not a comprehensive or currently feasible solution for replacing the previous GSAR Part 538 rewrite effort, which attempted to address policy issues needed to strengthen controls over the entire Schedules Program.

AGENCY ACTIONS:

Since its inception, the Schedules Program makes it easier, faster, and less costly for federal agencies to purchase products such as office supplies and janitorial equipment. As the number of contracts within the Schedules Program levels out to some degree (and decreases in some schedules), price disparity amongst the contracts for the same commercial items is becoming more prevalent. In FY 2014, FAS outlined its Schedules Program Modernization, a pricing strategy which FAS believes will update its business model with better practices and increased flexibility. The goal of the modernization is to improve prices and reduce variability, determine what the Government is buying, and promote agility and flexibility to meet the buyer needs. Ultimately, the Schedules Program Modernization is designed to revamp the way GSA, customer agencies, and contractors use schedule contracts.

In February 2010, the Multiple Award Schedule Advisory Panel issued a report with findings and recommendations related to the Schedules Program. While the Advisory Panel identified some of the key problems with the Schedules Program, we disagreed with the conclusions regarding the underlying causes of these problems. In essence, the Multiple Award Schedule Advisory Panel concluded the contract clauses are the cause of disparities in applying policy and requirements, and recommended eliminating the Price Reductions clause. However, we view this clause as a control and safeguard that protects the Federal Government and the taxpayer. In fact, we found that the disparities result from a lack of understanding of the clauses by GSA contracting officers. This is further exacerbated by the high turnover of GSA acquisition staff, large workload, and a lack of consistent, adequate training for contracting officers.

GSA recognizes the entire GSAR Part 538 rewrite effort has been a lengthy one. GSA does not have a revised timeframe for completing the full GSAR Part 538 rewrite, which started in January 2009, beyond the administrative cases currently and partially in progress.

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.***

One Acquisition Solution for Integrated Services

After a 2-year acquisition development process, GSA awarded its 10-year, multi-billion dollar One Acquisition Solution for Integrated Services (OASIS) and OASIS Small Business contracts across seven functional areas. The contracts are multiple award, indefinite delivery, indefinite quantity contracts that provide flexible and innovative solutions for complex professional services. These governmentwide acquisition contracts offer professional services, such as financial management and engineering, scientific, and logistics services. GSA designed the OASIS contracts to reduce duplicative contracting efforts across the Government and help drive down costs and acquisition times for federal agencies looking to purchase complex professional services.

AGENCY ACTIONS:

FAS awarded the OASIS contract on May 19, 2014. Since the award, several formal protests against OASIS have been submitted. GAO decisions on these protests were due in September 2014.

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

Networx Transition to Network Services 2020

FAS managed the conversion from the FTS2001/Crossover contracts to the Networx Universal and Enterprise contracts (Networx), one of the largest telecommunications services transitions ever undertaken by the Federal Government. The transition was to be completed in 39 months, but instead delays caused a 72-month timeframe. In December 2013, GAO issued a report on the factors that contributed to the delays to Networx and to what extent GSA is documenting and applying lessons learned as it prepares for the next telecommunications contract transition. GAO recommended that, in preparing for the next transition and in coordination with the Office of Personnel Management, GSA should: examine potential governmentwide expertise shortfalls; provide agencies guidance on project planning; and fully archive, share, and prioritize lessons learned.

FAS is currently transitioning from Networx to the Network Services 2020 (NS2020) telecommunications portfolio. As the evolving strategy for the next generation of telecommunications and IT infrastructure services, NS2020 provides a roadmap for the future of GSA's network services programs. The NS2020 portfolio will facilitate procurement and serve as a streamlined "one-stop-shop" for all federal telecommunications and IT infrastructure offerings. The NS2020 portfolio will focus on the communications marketplace, which is divided into six program areas: Mobility/Wireless, Satellite, Advisory Services, Infrastructure Solutions, Emerging Technologies and Services, and Government Shared Services.

The transition to NS2020 is a four phase process. In the planning phase, FAS will establish a transition working group, recommend a standard process, and provide customer education. The next phase, NS2020 direct transition preparation, is scheduled to begin in 2016 and includes implementing a customer education program and developing customer agencies' requirements. During this time, the request for proposal, evaluation, and vendor negotiations will occur. FAS targeted 2017 for NS2020 contract award with a 3-year transition phase from Networx to run through 2020. Concurrently with all other phases, agencies will complete the active inventory management phase to continuously manage and validate their service inventories.

Agency Actions:

FAS currently conducts regular meetings with its NS2020 working group in addition to meetings with the Office of Management and Budget (OMB) and the U.S. Congress to discuss transition initiatives. In April 2014, FAS released a Request for Information for the NS2020 Enterprise Infrastructure Solutions. The Enterprise Infrastructure Solutions acquisition will include the requirements for the Networx successor contracts, plus additional capabilities to meet the comprehensive range of federal agency IT/telecommunications requirements through 2028. Additionally, FAS has issued two white papers. The first outlines the overall NS2020 strategy while the second outlines the NS2020 transition strategy.

GSA's Real Property Operations

GSA's Public Buildings Service (PBS) is the landlord for the federal civilian government, providing federal agencies with the real property, including offices, courthouses, and labs, needed to accomplish their missions. To meet these needs, PBS must manage its real property portfolio of leased and owned properties; operate and maintain these properties; acquire space through construction, purchase, and leasing as customers' needs arise; and dispose of properties that are no longer needed. PBS faces several challenges in fulfilling its mission to meet its customers' needs effectively, efficiently, and economically.

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

PBS is one of the largest real property organizations in the world. PBS's mission is to provide effective, mobile, and sustainable workplace solutions for federal agencies at the best value for the American taxpayer. Its building inventory consists of over 9,000 assets, mostly general purpose office space in federal and leased buildings, totaling over 378 million square feet. In FY 2013, PBS's inventory represented 2 percent of all federal assets, as well as 13 percent of the square footage and 27 percent of the total annual costs. With an average age of 49 years, the federal buildings in PBS's portfolio require approximately $4.8 billion in reinvestment for repairs and alterations.

In the past, PBS met its customers' needs by obtaining more space. However, with the Federal Government's focus on reducing federal real property, PBS needs to improve its management and use of federal real property.

From FY 2002 to FY 2012, PBS's real property inventory grew from 336 million rentable square feet to 375.7 million rentable square feet, primarily through leasing. However, the Federal Government's focus has been shifting. For example, the Presidential Memorandum on *Disposing of Unneeded Federal Real Estate* called on federal agencies to take immediate steps to make better use of remaining real property assets, as measured by use and occupancy rates, annual operating cost, energy efficiency, and sustainability. In addition, the U.S. Congress has held multiple hearings regarding the need to identify and dispose of vacant and underused space.

Further, on March 14, 2013, OMB issued guidance on the "Freeze the Footprint" policy. Under the policy, an agency shall not increase the size of its domestic real property inventory, measured in square footage, for space predominately used for offices and warehouses. PBS will be monitoring federal agencies' compliance and providing OMB with an annual report on the initiative.

Given this change, PBS needs to rely less on obtaining new space. Instead it needs to focus on better managing its current inventory of real property to meet customer needs. It must examine its real property portfolio to determine what properties are needed and which are not. It must also assess whether customer needs can be consolidated into underutilized space. This is especially important for portfolios where vacant owned space could replace expiring leases. PBS needs to be proactive in planning renovations to coincide with lease expirations in order to provide space that meets long term customer needs.

AGENCY ACTIONS:

PBS is working with customer agencies as part of the "Freeze the Footprint" initiative to reduce space requirements. It is also working with customer agencies to develop profile plans to optimize its existing portfolio, while more effectively anticipating, capturing, and advising on future requirements. In addition, PBS identified 19 consolidation projects across the country where it will work with other federal agencies to consolidate their offices into federally owned space. These consolidation projects should reduce costs by eliminating multiple leases and decreasing the square footage being used.

Furthermore, PBS is also seeking "Net Zero" budget authority, allowing complete expenditure of its revenue to fund real property programs. If this budget authority is granted, PBS should consider using additional funding to consolidate space.

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

The American Recovery and Reinvestment Act of 2009 (Recovery Act) allocated $5.55 billion to PBS to renovate, repair, and improve the energy efficiency of federal buildings and to construct federal buildings, courthouses, and land ports of entry. The Act mandated that $5 billion be obligated by September 30, 2010, and the remaining $550 million by September 30, 2011.

The workload created by the Recovery Act has continually challenged PBS since its passage in 2009. PBS was required to obligate the majority of the funds, roughly 4 times its typical construction budget for a single year, within a 20-month period. As a result, PBS project management and contracting personnel moved these projects forward hastily in shortened timeframes. This led to a number of contract award and administration issues as identified by Office of Inspector General reports.

As of August 1, 2014, 216 of the 270 Recovery Act projects have been completed or substantially completed, with 54 projects still in progress.[2] Despite the completion or near completion of most Recovery Act projects, challenges remain. Specifically: (1) meeting the funds expiration deadline; (2) preparing for an anticipated influx of related construction claims, requests for equitable adjustment, and closeouts; (3) performing effective building commissioning; and (4) evaluating projects for reduced energy consumption and cost savings.

Timely Expenditure of Recovery Act Funds

GSA's Federal Buildings Fund (FBF),[3] the primary fund of PBS, is a revolving fund that allows PBS to retain funds until they are expended. However, the Recovery Act funding is a multi-year appropriation and therefore is required to be expended within 5 years of the obligation. In accordance with the Recovery Act, any funds obligated prior to September 30, 2010, must be expended by September 30, 2015. Likewise, the

[2] Of the in progress projects, 24 received non-Recovery Act funds and are not expected to close-out by the deadline for Recovery Act funding.

[3] The FBF finances the activities of PBS. The FBF replaces the need for direct appropriations to PBS by using income derived from rent assessments that approximate commercial rates for comparable space and services. As a quasi-revolving fund, the FBF is subject to annual Congressional enactment of new obligational authority, which limits the use of revenue.

remaining funds that were obligated prior to the September 30, 2011, must be expended by September 30, 2016.[4]

As of August 1, 2014, PBS has approximately $212 million[5] of obligated Recovery Act funds that need to be expended within these timeframes. To ensure project funds will be expended by these deadlines, PBS needs to ensure that project teams are aware of when their funding will no longer be available and that the teams are tracking the funding against the deadlines.

Potential Increase in Construction Claims and Requests for Equitable Adjustment

Given the Recovery Act workload, PBS is likely to experience an increase in construction claims and requests for equitable adjustment. Contractors submit claims for increased costs on construction projects, asserting that such costs increased because the Federal Government increased scope, federal actions resulted in delays, or design deficiencies existed. According to PBS management, the GSA Office of General Counsel, and regional contracting officials, claims on Recovery Act projects have already been submitted and more are expected through FY 2015.[6] PBS contracting officers, project managers, and legal staff need to prepare for the inflow of claims as more Recovery Act projects are completed. In addition, closeout procedures will need to be performed for the remaining active projects.

Building Commissioning

PBS uses a process known as building commissioning (commissioning) to ensure that building systems perform interactively, in accordance with design documentation and operational needs. It is important that commissioning occurs within the first year of a building's operation, renovation, or system upgrade, particularly before the warranty period expires. The commissioning process validates and documents that the performance of the total building and its systems fulfills the functional and performance requirements of PBS, the occupants, and its operators. On average, operating costs of a commissioned building range from 8 to 20 percent below that of a non-commissioned building. Cost data for office buildings suggests that building commissioning can result in energy savings of 20 to 50 percent and maintenance savings of 15 to 35 percent.[7]

PBS engages independent agents who perform the commissioning of Recovery Act projects, relying on their expertise with respect to measurement, verification, and

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[4] Certain funds that were de-obligated and then re-obligated have an extended timeframe for expenditure.
[5] *Recovery Act Project Closeout Report*, dated August 1, 2014; provided by the PBS Office of Design and Construction.
[6] Federal Acquisition Regulation 33.206, Contract Disputes Clause: 6-year statute of limitations allows claims submission through the end of the decade.
[7] Per PBS's *The Building Commissioning Guide*.

adjustments. To obtain the benefits of Recovery Act projects, PBS needs to (1) utilize the commissioning process and (2) ensure the process is used to lower building operating costs, increase energy and maintenance savings, and avoid potential customer dissatisfaction.

Reporting on Reduced Energy Consumption and Cost Savings

The majority of PBS's Recovery Act funds were provided so that it could implement measures to convert federal buildings to high-performance green buildings. To achieve this, PBS's Recovery Act projects needed to comply with energy efficiency and green building requirements, including the Energy Independence and Security Act of 2007, the *Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings,*[8] and the Energy Policy Act of 2005. In addition to meeting these requirements, PBS needed to report asset-level energy cost savings and consumption reduction resulting from meeting these federal infrastructure investment requirements.

As projects are now being completed, PBS will need to ensure it can measure and report on its energy savings and consumption reduction resulting from Recovery Act projects. When the Recovery Act was enacted, PBS had not implemented the processes and systems for measurement and reporting. To demonstrate leadership in sustainability, increase energy efficiency, and reduce the environmental impact, PBS will need to accurately evaluate and quantify reduced energy consumption and cost savings from high-performance green buildings.

AGENCY ACTIONS:

GSA management has been in communication with the GSA Office of Inspector General in anticipation of audits needed to assist PBS staff in evaluating contractor claims and proposals, as well as conversion and closeout proposals. PBS has also been providing training to personnel involved in the commissioning process. Finally, PBS developed a tracking system to collect information directly supporting the impact of investing in green technologies.

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.***

As discussed above, PBS is still working to complete its Recovery Act construction and modernization projects. While completing the construction of all the projects is the

[8] Established by the *Federal Leadership in High Performance and Sustainable Buildings Memorandum of Understanding*, and required by Executive Order 13423.

primary goal, the Agency will need to contend with contract and administrative issues as well. PBS's project managers and contracting staff face a significant burden due to the large number of requests for equitable adjustment and/or claims that are likely to be filed. Additionally, contracts that were awarded using the Construction Manager as Constructor (CMc) project delivery method will require conversions to fixed price contracts or closeout examinations for costs incurred.

In addition to working on the remaining Recovery Act projects, PBS is also faced with significant increases in its construction and renovation program. GSA's enacted FY 2014 budget provides PBS with over $1.8 billion in new obligational authority for the Construction and Acquisition and the Repairs and Alterations programs. This represents an increase of nearly $1.4 billion from FY 2013 and $445 million more than the FYs 2011-2013 authorities combined. Further, PBS has requested over $2 billion for FY 2015, which would represent an additional increase of $200 million. Just as PBS was challenged with the increased workload created by the Recovery Act, PBS will be similarly challenged if these increases occur.

The increase in construction may challenge PBS's ability to procure, administer, and oversee the contractors needed for these projects. During the execution of the Recovery Act projects, PBS relied heavily on private sector construction managers to assist the PBS project management and technical staff in managing the increased workload. These outside consultants, awarded as Construction Manager as Agent (CMa) contracts, provide expertise during all facets of the planning, acquisition, design, and construction processes, essentially replacing or duplicating functions of PBS's project managers and in-house technical staff. However, the CMa is not responsible for delivering a project on time or on budget, and is not responsible for design deficiencies.

Further, PBS has been using more complicated project delivery methods on its projects; in particular, the CMc and the Design-Build project delivery methods. With the CMc delivery method, the contracts are awarded for preconstruction services, with an option for construction services at an established Guaranteed Maximum Price. The CMc contractor assists in the design process by providing estimating services and constructability reviews and is responsible for delivering the project on time and within the established Guaranteed Maximum Price. With the Design-Build delivery method, a single contract is awarded to a contractor for the project's design and construction. This is based on PBS's design program consisting of performance criteria and prescriptive requirements. The Design-Build contractor also has full responsibility for the project's schedule and budget.

Although both methodologies have benefits, they can also be problematic. For example, on many Recovery Act projects using the CMc methodology, PBS frequently violated the Competition in Contracting Act because it did not compete the Guaranteed Maximum Price; instead, PBS either established the Guaranteed Maximum Price or did not evaluate it during the contract procurement. As a result, PBS could not support a fair and reasonable price for those construction contracts. On Design-Build contracts, if the performance and prescriptive requirements are not explicitly defined at the onset of the project, PBS is likely to incur costly contract modifications and change orders. Further, without proper controls, contractors may seek reimbursement for changes on the project that are actually their responsibility as the designer.

PBS will need to prepare its contracting officers, project managers, and technical staff for increased workloads and ensure that contract award and administration issues identified in our prior reports are not repeated. PBS should also evaluate staffing levels for contracting officers, project managers, and technical staff to ensure that appropriate resources exist to manage the increased workload.

AGENCY ACTIONS:

In response to our prior audit reports that identified issues related to the procurement of CMc contracts, GSA issued *Policies and Procedures for using the CMc Project Delivery Method* in February of 2011. This document prescribes the steps for successfully completing projects using this delivery method. In addition, in June 2012, GSA updated guidance for using construction management services procured under the Professional Engineering Services schedule to define the scope and application of CMa services.

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

GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at over 9,000 owned and leased federal facilities nationwide. Presidential Policy Directive 21 on *Critical Infrastructure Security and Resilience* reaffirmed this role. Particularly, it designates GSA and the Department of Homeland Security (DHS) as the federal agencies responsible for the security of federal facilities. Due to the broad audit coverage provided by GAO, we are not undertaking any protection-related audits in FY 2015.

Increased risks of workplace violence, unauthorized access, and terrorism have greatly expanded the range of vulnerabilities beyond those traditionally encountered by building operations personnel. Therefore, maintaining open, accessible, and safe public buildings remains a primary consideration for GSA.

GSA's mission of housing federal agencies requires close interaction with security personnel. Under a memorandum of agreement, DHS's Federal Protective Service (FPS) is the primary agency responsible for providing law enforcement, physical security, and emergency response services to GSA tenant agencies, buildings, and facilities. Although the majority of federal facility protection is performed by FPS, GSA's role in developing the memorandum of agreement, providing building data, and identifying building jurisdiction is of particular importance.

Past GAO reports identified shortcomings in FPS operations and human capital, leading to concerns about the protection of federal buildings, their tenants, and information. FPS's persistent lack of a risk management framework to combine threats and vulnerabilities with resource requirements is a recurring challenge for the Agency. A March 2012 GAO report raised concerns regarding the quality of data shared between GSA and FPS. Specifically, data related to building jurisdiction was incomplete for one-third of the buildings that FPS serviced. Jurisdiction data is critical to determining whether state and local law enforcement can respond to federal facilities.

Further, in August 2012, GAO reported that FPS had not been assessing risks at federal facilities in a manner consistent with standards for a risk management framework. FPS had a backlog of federal facilities that had not been assessed for several years. In addition, FPS did not have a reliable tool for conducting assessments and lacked reliable data, which hampered its ability to manage its facility assessment program. Consequently, FPS had limited assurance that critical risks at federal facilities were being prioritized and mitigated.

Lastly, in January 2013, GAO reported that agencies are inconsistently implementing Interagency Security Committee standards. GAO found that the standards, developed based on leading security practices across the Government, are used in limited ways by agencies depending on their specific conditions. However, the Interagency Security Committee contends the standards are designed to be used by all agencies, regardless of their facility type and existing security program. GAO recommended that DHS direct the Interagency Security Committee to conduct outreach to improve standard implementation.

AGENCY ACTIONS:

GSA's Office of Mission Assurance (OMA) provides agency-wide leadership and coordination for emergency management and security policy. It initiated a broad spectrum of interactions with FPS, including the development of a Common Operating Picture between the two organizations. These arrangements are expected to help mitigate communication gaps and enhance the risk resilience framework between GSA and FPS. Through this enhanced role, OMA has already disclosed concerns with accountability and unobligated funds regarding security goods and services provided by FPS.

OMA issued a directive to establish policy, procedure, and strategic planning for governmentwide implementation of Physical Access Control Systems (PACS). The directive requires the immediate review and reporting of existing PACS, planned PACS procurements, and PACS installation efforts to ensure compliance with current requirements. OMA, in conjunction with the Office of Government-wide Policy and the Office of the Chief Information Officer (OCIO), is preparing a scope of work for a nationwide indefinite delivery/indefinite quantity contract to support government agencies with installation of compliant PACS. To ensure national consistency and interoperability, OMA will coordinate with DHS/FPS at the national and regional levels and Facility Security Committees at the building level.

GSA's Organizational Structure

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

GSA has continued to move from a decentralized organization to a centralized structure. In the past, GSA was a decentralized organization that was structured and operated like a holding company. GSA's Central Office acted as the parent company with central management and support organizations, while GSA's services, PBS and FAS, were similar to independent subsidiaries that operated separately from one another; each with its own management, support organizations, and regional operations. In addition, each service had control of its own revolving fund that used revenue from customer agencies to fund the costs of the service's operations. This structure created an environment in which each service was often motivated by its own self-interests, especially with regard to funding.

GSA's current management conducted an Agency-wide, top-to-bottom review that examined how the Agency operates and identified reforms intended to help it better accomplish its mission. In response to the review, GSA consolidated the support services and administrative functions to strengthen and streamline GSA. GSA concluded that these changes would increase transparency and accountability throughout the Agency.

GSA's plan, referred to as "CxO Consolidations," reflects the centralization of the services' disparate resources into the offices of the Chief Financial Officer, Human Resources Management, Chief Information Officer, and Administrative Services. All employees, contracts, and other resources related to these overhead activities in PBS, FAS, regional offices, and other offices transferred to the appropriate central office organization and are now funded through the Working Capital Fund.

GSA has made significant progress moving to a more centralized structure. For example, regional human resource functions now report directly to central office human resource management. In addition, financial functions that were previously within PBS and FAS have been moved to the Office of the Chief Financial Officer (OCFO). While GSA has made progress in the integration of staff, work processes, funding, reporting structures, and systems, it is still addressing issues related to the adjustments to these changes. For example, the OCIO is operating with the complexity of managing a consolidated IT effort funded by disparate budgets as its operations are funded by the Working Capital Fund, but project costs are still funded by the services.

Although the primary consolidations have largely taken place, GSA is continuing to restructure itself and work through obstacles. For example, the OCFO is planning an additional reorganization to optimize its structure. This includes reevaluating some of the financial services it provides to other agencies; currently, GSA is planning to discontinue its payroll and accounting services that it provides to other agencies. Likewise, the Office of Administrative Services is planning on assuming more administrative responsibilities that are currently being handled by GSA's regional offices.

In addition, GSA has once again realigned its regional reporting structure. Until recently, the Regional Commissioners reported to their respective Regional Administrators. However, now the Regional Commissioners report directly to each service's Deputy Commissioner. As a result, the FAS and PBS Regional Commissioners are aligned with their respective service rather than being under the Regional Administrator.

As GSA continues to restructure, it will need to reassess many aspects of its controls and systems. The organizational changes require the integration of staff, work processes, funding, reporting structures, and systems; all of which will need to be reassessed and adjusted to make the new structure work.

Agency Actions:

According to GSA, it has continued to transform and streamline the delivery of these support functions. To ensure controls and systems are aligned to this effort, it has been working to implement an improved IT governance process to ensure current and new systems accommodate the integration of staff, work processes, funding, and reporting structures as necessary.

Managing A Mobile Workforce

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

As the Federal Government's landlord, GSA is playing a leadership role in OMB's "Freeze the Footprint" initiative and is working to serve as a model for the rest of the Federal Government by reducing its footprint and implementing a mobile workforce strategy. GSA has adopted an aggressive strategy by establishing an internal goal of 136 usable square feet (USF) per person, which is even lower than OMB's stated goal of 150 USF per person.

In FY 2013, GSA consolidated the majority of its central office functions and personnel in the Washington, D.C., area under one roof. As a result, GSA increased the staff in its central office building from about 2,200 employees to nearly 4,000. To accommodate the increase, GSA used the building's renovation to implement a mobile workforce strategy. GSA transformed its central office building from traditional closed offices into open and flexible shared workspace, a model for its Total Workplace initiative. Employees now occupy less than half of the space, individually, that they occupied prior to the renovations. Most GSA personnel assigned to the building have no dedicated seating. Instead, most telework several days a week and use a hoteling system to temporarily reserve space on the days they come into the office.

In addition to the Washington, D.C., consolidation, GSA is reducing space and implementing a mobile workforce strategy nationwide. GSA's Mid-Atlantic regional office in Philadelphia, Pennsylvania, will be reducing its space from about 128,000 USF to about 90,000 USF when it moves to newly leased space. Likewise, in the Northeast and Caribbean Region, GSA plans to relocate most of its workforce from 106,000 USF of government-owned space to 52,000 USF of leased space in 1 World Trade Center. Finally, in the Heartland Region, when GSA vacates the Bannister Federal Complex for a 132,000 square foot lease in downtown Kansas City, Missouri, it will occupy less than half the space it currently has. Each regional office plans to implement a mobile workforce strategy as office space is downsized.

The mobile workforce strategy is expected to result in multiple benefits: reduced real property costs, reduced carbon footprint, and improved work-life balance for employees. Additionally, GSA's Total Workplace model of openness and shared space intends to improve worker productivity through enhanced communication and collaboration. However, the costs of implementing this strategy must also be addressed. Although the costs of implementing this strategy should be low when it coincides with a planned relocation or renovation, the strategy can still result in additional costs. For example, when the strategy was implemented in the Mid-Atlantic Region, the decision came late in the relocation process leading to additional costs for redesigning space, extending the lease for the current location, and delaying the occupation of the new space. As GSA expands this strategy, implementation costs need to be minimized and other costs associated with managing GSA space, such as back filling vacant space, will need to be addressed.

Further, many challenges lie ahead, not the least of which is the shift away from the traditional work space. By its very nature, the new workplace requires telework and other mobile strategies which may limit physical interactions with colleagues and potentially stifle collaboration. Additionally, a significant result of the reduced footprint is the almost total reduction of storage space. Since many of GSA's files, including contract and lease files, are still maintained in hardcopy, the lack of digital documentation may impact employees' ability to telework efficiently and effectively. Additional security is also required for documentation that is taken off site by teleworking employees until files are completely digitized and systems are developed to support these functions electronically. Further, increasing telework requires employees to complete the majority of their duties offsite and managers to supervise and interact with employees in a virtual environment. Traditional management and communication methods will have to be adjusted for the mobile workforce.

Lastly, improving IT support and capabilities is critical for the success of GSA's mobile workforce strategy. GSA's mobile strategy includes incorporating multiple devices such as laptops, smartphones, and other mobile devices. To enable multiple device types, GSA needs to ensure that its systems are capable of interacting and supporting all anticipated platforms. In addition, with the dependence on IT systems for working offsite, the Agency will need to emphasize system continuity and security more than ever before.

Agency Actions:

Even before it began reducing its real property footprint, GSA had been implementing its mobile workforce strategy by emphasizing telework and mobile space. Through training and experience, managers are learning how to manage and supervise the mobile workforce. In addition, the Office of Administrative Services' Internal Workplace Management Division is tasked with enacting the policies and procedures related to GSA's mobile workforce strategy, while its Management and Oversight Division oversees document management. GSA is moving forward in digitizing its records and has explored initiatives to replace its hardcopy documents and files. GSA is also implementing a wide-range of collaborative and mobile tools, and is trying to provide the support and security necessary for these tools.

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.*

Information Technology Investments and System Development

GSA management faces challenges as it attempts to decommission and consolidate GSA legacy systems that have never integrated with each other. This has led to duplicative systems that are costly and difficult to maintain and operate. These challenges include difficulty in reengineering business processes across the Agency, implementing enterprise architecture, and migrating legacy systems to new platforms. Missteps in GSA's development of new systems to address these challenges have resulted in deployed systems that did not meet business requirements and were significantly delayed. For instance, GSA deployed the System for Award Management in July 2012 without adequately planning for its hardware requirements or ensuring that the system contained required functionality and capacity to support its users, which resulted in system outages. The System for Award Management is now operational; however, it remains cumbersome.

Further, GSA has had difficulty ensuring that its system inventory is complete, understanding what data is associated with each system, and tying financial information to each system for budgetary responsibility. Enhanced oversight of IT development and integrated information systems are needed to ensure investments align with GSA's goals, initiatives, and standards.

Data Quality

GSA's IT systems do not always use effective data models, business rule validation checks, or data exchange specifications to ensure data quality. GSA needs reliable, trusted, and authoritative data sources that will improve the quality of data accessed and exchanged across the Agency. Consistent and accessible data supports decision making, performance management, and collaboration.

AGENCY ACTIONS:

During FY 2014, many employees and contractors responsible for security in GSA's services and staff offices were centralized under the Agency's OCIO as a result of GSA's consolidation. The aim of the OCIO consolidation was to bring together the security expertise and tools that were dispersed throughout the Agency in an effort to improve leadership accountability and increase organizational effectiveness and efficiency. The OCIO was subsequently given the ability to provide all IT services and support directly to the entire Agency, allowing for direct control over IT within GSA. This authority included management responsibility for all existing and future funding resources for enterprise IT functions in GSA.

GSA has taken several actions to ensure that IT decisions and investments are coordinated throughout the Agency. For example, GSA's IT strategy and IT budget execution will be managed and controlled through a newly established Enterprise IT Governance process. This process ensures that investment decisions result in new platforms that better integrate with legacy systems. To further enhance this process, GSA has also implemented the IT Investment Milestone Review process. This process is expected to prevent and reduce the development of overlapping capabilities and redundant technologies and effectively allocate resources to explore innovative technologies.

To address the data quality challenge, GSA issued its *FY 2014-2018 IT Information Resources Management Strategic Plan* that identifies the Agency's IT commitment to make quality data readily available and useful for strategic decision making. GSA is also developing methods, processes, and resources for collecting, validating, and analyzing trusted data sources before publishing them for use across the Agency.

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

Coordination, collaboration, and accountability across the Agency are necessary to protect sensitive GSA information. GSA continues to face challenges in two high priority security risk areas: patch management and mobile application development. GSA systems face increased threats because security patching for high-risk vulnerabilities is not performed timely. Additionally, GSA lacks comprehensive standards for mobile application security, privacy, and development resulting in additional risk to deployed mobile applications.

GSA's continued adoption of mobile computing remains a risk that must be managed. As outlined in the Agency's *FY 2012-2015 IT Strategic Business Plan*, the OCIO established a goal of allowing GSA employees to access any system, from any location, at any time. During FY 2014, progress on realizing this goal continued as employees were able to access GSA resources via their personal and government-issued mobile devices. However, mobile application development continued without comprehensive standards in security, privacy, and development. Challenges in implementing mobile initiatives include the increased risk of data loss due to portability and the difficulty in maintaining security in an environment of frequently changing mobile devices.

With regard to its own operations, as well as its role as a facilitator for customer agencies, GSA's migration to cloud computing environments remains a risk area that must also be managed. Recently, we identified and notified GSA management of privacy breaches and unrestricted access to sensitive but unclassified building information within GSA's cloud computing environment. Though potential benefits achieved with cloud computing technologies include cost efficiencies and green efficiencies (lower power consumption and a reduction in carbon footprints) to realize these potential benefits, GSA must address the challenges of using cloud computing for records management, privacy, security, continuous monitoring, e-discovery, and application portability.

AGENCY ACTIONS:

The GSA IT consolidation merged IT functions, services, and resources across the Agency. As part of improving the management of information security within GSA, this new IT organization will take a consolidated approach to ensuring compliance with policies, procedures, processes, and federal requirements. For example, the GSA IT organization is integrating security requirements into applications to ensure timely patching of vulnerabilities across the GSA enterprise. It is working with users and developers to select the most appropriate system architecture and eliminate the causes of security problems to minimize threats, costly system modifications, and lengthy security testing and reviews during system implementation.

GSA has also updated its IT security policy and issued additional guidance in the area of mobile application development. This guidance addresses the exploitation of vulnerabilities due to poor programming practices, the compromise of sensitive application data, and not completing security assessment and authorization requirements. Additional standards are also identified to include guidance for creating and distributing privacy notices and identifying mobile platforms for publicly available applications.

In an effort to support agencies migrating to cloud computing environments, GSA has established contract vehicles to provide the Government with better access to cloud services and mobile solutions that are secure, reliable, and cost-effective. To address security in the cloud computing environment, the Federal Risk and Authorization Management Program (FedRAMP) was established as a governmentwide initiative to provide joint security authorization and accreditation and continuous monitoring services for large, outsourced, and multi-agency systems. GSA serves as a managing partner in the FedRAMP authorization approval process.

As of June 2014, FedRAMP standards were required to be met for all existing and future cloud computing environments used throughout the Federal Government. Currently, FedRAMP has issued 12 provisional authorizations and 6 agency authorizations to cloud computing service providers. The program has also accredited 27 third-party assessment organizations to perform independent system assessments of cloud computing service providers.

FINANCIAL REPORTING

GSA's systems of accounting, financial management, and internal controls need to ensure management has accurate, reliable, and timely financial and performance information for its day-to-day decision making and accountability; as well as to deter fraud, waste, and abuse.

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

Since FY 2009, the independent public accountant (IPA) has identified control deficiencies[9] over financial reporting that highlighted the need for improved financial management and reporting oversight at GSA. Over the past 5 years, GSA's internal

[9] A deficiency in internal control 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 and correct, misstatements on a timely basis.

control deficiencies have escalated from the IPA reporting only significant deficiencies[10] in FY 2009 to a material weakness[11] and significant deficiencies in FY 2013.

In FY 2013, the IPA identified deficiencies in financial management and reporting in the areas of estimated liabilities for asbestos-related cleanup costs, manual journal entries, and disclosures related to future minimum lease payments. Collectively, the IPA considered these matters to be a material weakness in internal control. As a result of these observations, GSA adjusted its financial records by $2.95 billion to ensure that its financial statements were not significantly misstated as of September 30, 2013.

A contributing factor to the weakness is that GSA continues to operate under draft policies and procedures as authoritative guidance that have not been sufficiently analyzed, vetted, and approved to ensure compliance with accounting standards. As a result, GSA incorrectly recorded transactions. In addition, for future minimum lease payments, the information needed to accumulate these payments accurately is not captured and available in the financial systems and GSA needs to improve the leasing arrangement footnote disclosures preparation process.

The IPA reported significant deficiencies in the areas of accounting and reporting of property and equipment, budgetary accounts and transactions, and accounting and reporting of leases and occupancy agreements. Specifically, GSA: improperly classified costs associated with construction in process and fixed assets accounts; has ineffective spending controls and ongoing issues with its budgetary accounts; and improperly classified, accounted for, recorded, and disclosed leases and lease expenses.

The IPA also identified "Entity-Level Controls" as an additional significant deficiency. The IPA observed four entity-wide control environment conditions that have a pervasive influence on the effectiveness of controls. These conditions include: (1) the development and implementation of effective information and communication processes to help ensure that technical accounting issues are identified and resolved in a timely manner; (2) certain lines of authority regarding the development, implementation, execution, monitoring, and enforcement of policies and procedures need to be redefined; (3) regional and operational personnel do not always share responsibilities for or are not adequately supervised on financial management matters that affect the financial statements, including adhering to appropriate accounting policies and

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[10] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

[11] A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis.

procedures and performing key internal control functions in support of financial reporting; and (4) certain financial systems' functionality limitations. These entity-wide conditions also contribute to several of the other significant deficiencies identified by the IPA.

AGENCY ACTIONS:

In its *FY 2015 Congressional Justification*, GSA reported that the Working Capital Fund budget provides necessary funding for the OCFO, the OCIO, and PBS within the Federal Buildings Fund for addressing this management challenge. The FY 2015 budget reflects the consolidation of financial management operations under the OCFO. It includes funding to standardize and provide greater oversight of budgetary execution controls and to develop consistent, standardized, and automated financial reports for better day-to-day decision making.

Specifically, in response to the IPA report, GSA's action plan to address internal control deficiencies includes developing policies and procedures. The OCFO will also coordinate with FAS and PBS financial management staff to identify and document strategies for timely resolution of technical accounting issues.

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

GSA manages over 1,500 government buildings throughout the country. These buildings are, on average, 49 years old, including 470 buildings considered heritage assets. Certain properties contain environmental hazards that will need to be remediated. In the FY 2013 financial statements audit management letter, the IPA reported that GSA has not fully implemented its *Accounting for Environmental Liabilities Guidelines* requiring the establishment of a process to identify and investigate properties that may contain hazardous substances. Without an effective methodology in place, GSA is challenged with identifying the existence of all environmental contamination in its properties and estimating remediation costs to report in its financial statements. In addition to the financial impact, GSA also faces taxpayers' concerns, negative publicity, and possible lawsuits for exposing employees and the public to environmental hazards.

AGENCY ACTIONS:

In its *FY 2015 Congressional Justification*, GSA stated that "PBS, in conjunction with the Office of the Chief Financial Officer, has revised its due care process to appropriately identify environmental contamination in its properties."

GSA'S GREENING INITIATIVE – SUSTAINABLE ENVIRONMENTAL STEWARDSHIP

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

GSA plays a major role in federal construction, building operations, acquisition, and governmentwide policy. GSA was assigned additional responsibilities to lead change towards sustainability in these areas with the enactment of the Energy Independence and Security Act of 2007 (EISA), the Recovery Act, Executive Order 13514 - *Federal Leadership in Environmental, Energy, and Economic Performance*, and the 2011 Presidential Memorandum on Federal Fleet Performance. Under these initiatives, GSA is required to increase energy efficiency, reduce greenhouse gas emissions, conserve water, reduce waste, support sustainable communities, determine optimal fleet inventory, reduce oil imports while achieving maximum fuel efficiency, and leverage federal purchasing power to promote environmentally responsible products and technologies. Further, the regulations require that 95 percent of new contract actions, including task and delivery orders,[12] be energy-efficient, water-efficient, bio-based, environmentally preferable, non-ozone depleting, and contain recycled content or use non-toxic or less-toxic alternatives.

In response to its sustainability responsibilities, GSA issued its *FY 2013 Strategic Sustainability Performance Plan* (sustainability plan); however, GSA faces challenges in executing the sustainability plan. Specifically, it requires the implementation of sustainable practices within the Agency, and in coordination with customer agencies and contractors. It also requires actions at the building and occupant level as specific emerging technologies and measures are implemented and occupants are tasked with changing their behaviors. The FY 2013 sustainability plan shows that GSA has made progress toward achieving several of its sustainability targets and goals, while committing to several new sustainability efforts. GSA is awaiting OMB's approval of the FY 2014 sustainability plan, which will include a discussion of new standards in PBS's *Facilities Standards for the Public Buildings Service* and new green lease provisions. We identified two obstacles to GSA's sustainability initiatives: (1) collecting data to support goals and evaluate results, and (2) resources for sustainability programs.

[12] Excluding weapons systems.

Collecting Data to Evaluate Sustainability Results

GSA needs to be able to demonstrate the benefits of investing in new sustainable technologies, as they tend to be more costly up-front than conventional technologies. Accurate, complete, and replicable data is crucial to quantifying these benefits; however, capturing this data may prove to be a challenge. For example, the benefits of investing in high-performance green buildings range from increased application of reuse and recycling programs to reduced consumption of water, energy, and material resources. However, these types of benefits are often difficult to accurately measure.

Resources for Sustainability Programs

GSA has had difficulty in funding specific sustainability programs, especially for building-related programs. For example, the Office of Federal High-Performance Green Buildings was established by EISA, but was not funded until the Recovery Act provided $4 million for the program in FY 2009. The Office of Federal High-Performance Green Buildings works toward facilitating efficient and effective operations of the Federal Government, leading the marketplace to sustainability, and minimizing the federal footprint through efficient use of energy, water, and resources. However, it has faced potential budget cuts in the past and its staffing has also been reduced. In addition, GSA established the Green Proving Ground program to identify, acquire, implement, and evaluate the performance of innovative technologies. However, PBS is currently using gifting authority[13] to acquire technologies, while the program's limited funding is used for technical evaluations and installing the tested technologies.

AGENCY ACTIONS:

In its *FY 2015 Congressional Justification*, GSA described its goal of reducing the Federal Government's environmental footprint. GSA placed an emphasis on pursuing environmentally friendly practices in its operations. These practices include: increasing employee telework and hoteling at Agency worksites; purchasing green information technology resources; promoting cost savings through sustainable use of space, travel, fleet, technology, and resources; and greening the federal supply chain.

GSA established the Senior Sustainability Advisory Group to serve as the central strategy, planning, and management body for GSA sustainability initiatives. It promotes the collaborative development and planning of Agency sustainability initiatives; identifies opportunities for shared resources; tracks and assures progress towards meeting Agency sustainability goals; increases the awareness and visibility of sustainability activities occurring across the organization; and facilitates meeting customer agency

[13] The FY 2015 Request for Information for the Green Proving Ground requires the respondents to agree to donate the technology unconditionally to GSA.

needs through sustainability. The Senior Sustainability Advisory Group is charged with developing, submitting, and tracking the implementation of the annual GSA sustainability plan and is also responsible for working with GSA regions to ensure lessons learned and best practices are disseminated and followed across the organization.

The Green Proving Ground program is assessing technologies in the areas of building envelope (*i.e.*, electrochromic windows), HVAC/energy management (*i.e.*, high efficiency HVAC, modular absorption chiller), lighting (*i.e.*, wireless lighting controls, integrated daylighting systems), onsite power generation, and water. The Green Proving Ground program evaluated ten new technologies in FY 2014 and released findings for three technologies tested in FY 2013. The findings support where new technologies might be used to improve efficiencies and reduce costs in the PBS portfolio. PBS is currently planning to deploy two new technologies - advanced power strips and wireless sensor networks.[14]

GSA recently announced that it will be using Green Button technology, designed to save energy and shrink costs across the Federal Government. Green Button is an industry-led effort that allows electricity customers to download their household or building energy-use data in a user-friendly format. GSA, along with agency partners, has worked to launch a pilot demonstrating integrated Green Button energy analytics. The Green Button pilot builds upon earlier GSA energy management activities where energy management of 100 GSA buildings uncovered $16 million in total energy savings. Adopting Green Button technology across GSA's real property portfolio could improve building performance and save taxpayer dollars.

FAS offers a variety of options for purchasing sustainable products through *GSA Advantage!*, including the ability to search for and purchase BioBased and BioPreferred products, EnergyStar and energy efficient products, environmentally preferred products, non-ozone depleting substances, recycled content products, and WaterSense and water efficient products. Further, FAS can provide the ability to procure services that directly address environmental issues, such as waste management or energy metering services and other services performed in an environmentally friendly manner (*i.e.*, green accounting services or green conferences). Government customers can also acquire Green vehicles, including alternative fuel or biodiesel fuel vehicles, from GSA AutoChoice, through lease from GSA Fleet, or by using GSA schedules to lease automobiles and light trucks directly from vendors.

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[14] Advanced power strips will be installed in 80 facilities. Wireless sensor networks will be installed in two data centers.

FAS launched the Electric Vehicle Pilot Program to help meet federal sustainability standards to decrease petroleum consumption and alternative fuel vehicle requirements. The pilot is a targeted expenditure to incorporate electric vehicles and charging infrastructure into the Federal Government's vehicle and building portfolios. This is a first step to increasing the number of electric vehicles in the federal fleet over time. The initial expenditure for electric vehicles is intended to support the growing electric vehicle market. During the pilot program, FAS is leasing 116 electric vehicles to 20 agencies in five cities. GSA will also work with agencies to install charging infrastructure at the federal buildings in the pilot cities.

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

U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405
www.gsa.gov

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 Networx 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.

Improper Payments Elimination and Recovery Act *(Unaudited)*

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) increases agency payment recapture efforts by expanding the types of payments to be reviewed and requires agencies to conduct payment recapture audits for each program and activity that expends $1 million or more annually if conducting such audits would be cost-effective. In addition, agencies continue to be required to review their programs and activities annually to identify those susceptible to significant improper payments. Significant improper payments is defined as gross annual improper payments in a program exceeding both the threshold of 1.5 percent and $10 million of total program funding, or $100 million in improper payments regardless of the improper payment percentage. Furthermore, the Improper Payments Elimination and Recovery Improvement Act of 2012 requires agencies to perform a risk assessment of employee payments and purchase cards to identify if those programs are susceptible to significant improper payments.

GSA provides the following improper payment reporting details in accordance with IPERA, Office of Management and Budget (OMB) Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, and OMB Circular A-136, Financial Reporting Requirements.

1. Risk Assessment

In accordance with IPERA and OMB Circular A-123, Appendix C, GSA conducted a risk assessment of employee payments including travel.

The susceptibility of programs making significant improper payments was determined by qualitative and quantitative factors. These factors included:

- **Operating Environment –** Existence of factors which necessitate or allow for loosening of financial controls; any known instances of fraud.
- **Payment Processing Controls –** Management's implementation of internal controls over payment processes including existence of current documentation, the assessment of design and operating effectiveness of internal controls over payments, the identification of deficiencies related to payment processes, and whether or not effective compensating controls are present.
- **Quality of Internal Monitoring Controls –** Periodic internal program reviews to determine if payments are made properly; strength of documentation requirements and standards to support testing of design and operating effectiveness for key payment controls.
- **Human Capital –** Experience, training, and size of payment staff; ability of staff to handle peak payment requirements; level of management oversight, and monitoring against fraudulent activity.

GSA reviewed additional risk factors including:

- **Complexity of Program –** Program complexity in respect to laws and regulations, determining the correct payment amount, and the length of the program.

- **Nature of Payments** – Volume of transactions
- **Quantitative Risk** – Based on the total payments made by the program during the fiscal year and materiality of the payments to the overall program.

These seven risk factors are consistent with OMB Circular A-123, Appendix C risk factors that must be addressed at a minimum for the qualitative assessment.

A weighted average of these qualitative factors was calculated. This figure was then weighted with the size of the payment population to calculate an overall risk score. The risk assessment identified no additional programs or activities susceptible to significant improper payments.

2. Statistical Sampling

For FY 2014 GSA measured, estimated, and reported improper payment percentage and dollars for the five high risk programs identified in the FY 2012 risk assessment. A stratified sampling design was used to test payments based on FY 2013 disbursements. The design of the statistical sample plans and the extrapolation of sample errors across the payment populations were completed by a statistician under contract.

The sampling plan provided an overall estimate of the percentage of improper payment dollars within +/-2.5 percent precision at the 90 percent confidence level, as specified by OMB M-15-02 guidance. An expected error rate of 3 to 10 percent of total payment dollars was used in the sample size calculation.

Using a stratified random sampling approach, payments were grouped into mutually exclusive "strata," or groups based on total dollars. A stratified random sample typically required a smaller sample size than a simple random sample to meet the specified precision goal at any confidence level. Once the overall sample size was determined, the individual sample size per stratum was determined using the Neyman Allocation method.

The following procedure describes the sample selection process:

- Grouped payments into mutually exclusive strata;
- Assigned each payment a random number generated using a seed;
- Sorted the population by stratum and random number within stratum; and
- Selected the number of payments within each stratum (by ordered random numbers) following the sample size design. For the certainty strata, all payments are selected.

To estimate improper payment dollars for the population from the sample data, the stratum-specific ratio of improper to total payment dollars was calculated.

Hurricane Sandy Disaster Relief Fund

In accordance with Section 904(b) of the Disaster Relief Act, GSA estimated and measured the use of the funds as it was required to be reported as "susceptible to significant improper payments" for the purposes of the Improper Payments Information Act (IPIA) of 2002 (IPIA; Public Law 107-300). Rather than sampling, GSA tested the entire population of FY 2013 payments for the Hurricane Sandy Disaster Relief Fund because there were only three transactions.

3. Corrective Actions

GSA determined that none of the programs or activities reviewed is susceptible to significant improper payments based on measurement and estimation results conducted in FY 2013. However, per OMB M-15-02, GSA is required to report corrective actions for programs and activities that estimate an improper payment amount that exceeds $10 million. GSA has one program that meets this requirement: Rental of Space.

The root cause of improper payments for the Rental of Space program was due to Administrative and Documentation errors as defined by OMB Circular A-136. GSA further defined this root cause into sub-categories. Corrective actions and target completion date for the major sub-category is provided in the following table:

Rental of Space Root Cause: Administrative and Documentation Errors

Sub-Category	Corrective Action	Target Date	Anticipated Result
Lease Digest Not Processed Timely	Send a joint memo to regional Leasing, Portfolio, and PBS Financial Services offices notifying them of the regional scoring requirements (green, yellow, and red) and distributing the CPI desk guide.	October 2014	Reduce the number of lease digests not processed timely and continuously monitor progress and resolve issues by Region.
	Central office representatives from Leasing, Portfolio, and PBS FS will meet with those regions showing red and yellow scores to discuss specific corrective actions for their regions	March 2015	
	All regions should be producing positive (green) results; corrective action plan revisited if results are not improving.	April 2015	
	Continue payment recapture audit efforts for the Rental of Space Program on a yearly-basis.	On-going	Identify improper payments to determine root causes for continuous process improvement.

4. Improper Payment Reporting

The risk assessment identified two programs and three activities as susceptible to significant improper payments. Estimation and measurement of improper payments for these programs and activities yielded results below the IPERA significant improper payment threshold for two consecutive years. See Table 1 Improper Payment Reduction Outlook on Page 117.

5. Recapture of Improper Payments Reporting

GSA considered all programs and activities that expended $1 million or more annually for payment recapture audits. However, GSA focused on reviewing the Public Buildings Service (PBS) Rental of Space program based on the existing improper payment risk identified from previous years. This included in-depth reviews of lease contracts and related payments in 5 of 11 regions. Furthermore, GSA initiated payment recapture audit efforts for the Federal Acquisition Service (FAS) supply contracts in FY 2013 and identified claims in FY 2014. The GSA Smartpay Tax Recovery Pilot was initiated in FY 2014 and focused on detecting and recovering erroneous charged taxes on centrally billed account cards in all 50 states, and on individually billed account travel cards in the 11 states that exempt individually billed cards. Lastly, GSA performed a duplicate payments review for PBS and FAS payments.

GSA establishes claims in accordance with the Debt Collection Improvement Act. Unsatisfied debt is referred to the Treasury Offset Program for further collection efforts. Current and prior-year results of the Payment Recapture Audit program are presented in Table 2 on Page 117.

GSA is required to establish annual targets to drive annual payment recovery performance. The existing collection process poses an inherent challenge in recovering the total amount of identified claims in the current FY. See Table 3 Payment Recapture Audit Targets on Page 117.

Table 4 on page 118 provides the aging schedule of the amount of outstanding overpayments identified through the payment recapture audit (i.e., overpayments that have been identified but not recovered). GSA starts aging of an overpayment the time the overpayment is detected, that is, certified by the program office and approved by the Payment Recapture Program Manager.

GSA's payment recapture audit identified claims related to the rental of space program and supply programs. These programs are funded through a revolving fund. Therefore, funds recaptured are credited back to their original purpose. The GSA Smartpay Tax Pilot returned all funds to Treasury as miscellaneous receipts. Table 5 provides a summary of GSA's disposition of funds on Page 118.

GSA identifies and recovers improper payments through other post-payment reviews performed by the program offices and the Finance Centers. A summary of this effort is provided in Table 6 Overpayments Recaptured Outside of Payment Recapture Audits on Page 118.

6. Accountability

GSA has identified internal control deficiencies that contributed to improper payment occurrences. OCFO will be assisting program offices to develop and track action steps with milestones to remediate these internal control deficiencies in FY 2015.

7. Agency Information Systems and Other Infrastructure

Through the IPERA risk assessment and payment recapture efforts, GSA identified internal control issues that contributed to improper payments. Based on these efforts, GSA has implemented recommendations to address root causes.

8. Barriers

GSA has not identified any statutory or regulatory barriers, which may limit GSA's ability to implement corrective actions to reduce improper payments.

9. Additional Comments

GSA continues to highly prioritize its improper payment reduction and recovery efforts. Process improvements efforts are on-going and GSA continues to make additional improvements as issues are identified.

10. Agency Reduction of Improper Payments with the Do Not Pay Initiative

GSA participates in the continuous monitoring program to review the vendor master database file. When enrolling in Do Not Pay, GSA elected to match against the Death Master File (DMF) and the General Services Administration's Excluded Parties List System (EPLS) database. The enrollment process included evaluating which Do Not Pay database options were available to GSA to determine which ones would meet our needs based on the types of work GSA does. The Do Not Pay agency coordinator also provided guidance to GSA in making this determination. As other databases become available for Do Not Pay, GSA will work with our agency coordinator to assess if GSA should pursue enrolling for a new database option. The GSA vendor table is transmitted to Do Not Pay on the 10th of every month. GSA extracts the resulting matches and researches them for both the EPLS Private (matches Social Security Number) and DMF. Vendors that have exclusions are annotated and inactivated in the GSA vendor master database file. No corrections to the SAM/ EPLS Private database have been identified by GSA in our review process. Additionally, GSA utilizes the online single search Do Not Pay functionality to check for any matches prior to establishing a new vendor record in the GSA vendor table. Our first vendor file was reviewed as of March 2013.

GSA also receives results for our payments processed on a monthly basis from Do Not Pay. These results reflect matches to the System for Awards Management (SAM) Exclusion Records and to Deceased Individuals Records as a result of post payment matching of GSA payments schedules to these databases. Each month we research the Possible Match Summary payments to determine if they are proper or improper payments. Most matches are false name matches and these are verified by checking the name in the Do Not Pay Portal utilizing the online single search functionality. We maintain a database of the false name matches to expedite the research for future months results. Payments which were made with a vendor code that has exclusion are reviewed in depth to determine if the exclusion is applicable to the payment. The first payments files we reviewed were March 2013. An adjudication report is submitted once the monthly payment results have been assessed for each Agency Location Code GSA is responsible for, including 47000016, 47000017, and 47000018.

Table 1 Improper Payment Reduction Outlook (in millions)

Program or Activity	PY Outlays	PY IP%	PY IP$	CY Outlays	CY IP%	CY IP$	CY Over Payment $	CY Under Payment $	CY+1 Est. Outlays	CY+1 IP%	CY+1 IP$	CY+2 Est. Outlays	CY+2 IP%	CY+2 IP$	CY+3 Est. Outlays	CY+3 IP%	CY+3 IP$
Rental of Space	$5,556	1.07%	$59.55	$5,591.77	0.68%	$38.22	$23.39	$14.83	$5,736	0.60%	$34	$5,736	0.55%	$32	$5,736	0.5%	$29
Building Operations - Utilities	$400	0.06%	$0.24	$376.86	0.88%	$3.31	$3.31	$-	$370	0.83%	$3	$370	0.78%	$3	$370	0.73%	$3
Integrated Technology Service - Wide Area Network	$753	0%	$-	$749.64	0%	$-	$-	$-	$855	0%	$0	$855	0%	$-	$855	0%	$-
Purchase Cards	$55	7.79%	$4.28	$33.88	8.68%	$2.94	$2.94	$-	$23	8%	$2	$23	7.5%	$2	$23	7.00%	$2
Other Sensitive Payments	$18	1.67%	$0.30	$9.73	0.09%	$0.01	$0.01	$-	$12	0.08%	$0	$12	0.07%	$0	$12	0.06%	$0
Hurricane Sandy Disaster Relief Fund	N/A	N/A	N/A	$0.11	0%	$-	$-	$-	$0.57	0%	$0	$0.57	0.00%	$-	$0.57	0%	$-

Table 2 Payment Recapture Audit Reporting

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported (CY)	Amount Identified for Recovery (CY)	Amount Recovered (CY)	% of Amount Recovered out of Amount Identified (CY)	Amount Outstanding (CY)	% of Amount Outstanding out of Amount Identified (CY)	Amount Determined Not to be Collectable (CY)	% of Amount Determined Not to be Collectable out of Amount Identified (CY)	Amounts Identified for Recovery (PYs)	Amounts Recovered (PYs)	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)	Cumulative Amounts Outstanding (CY+PYs)	Cumulative Amounts Determined Not to be Collectable (CY+PYs)
Rental of Space	Contract	$3,354,547,177	$3,354,547,177	$14,379,807	$9,870,357	69%	$4,509,451	31%	$-	$-	$117,948,750	$89,631,453	$132,328,557	$99,501,810	$32,826,747	$839,384
Supply	Contract	$-	$-	$279,824	$23,334	8%	$256,490	92%	$-	$-	$-	$-	$279,824	$23,334	$256,490	$-
PBS Duplicates	Contract	$8,540,865,179	$8,540,865,179	$-	$-	0%	$-	0%	$-	$-	$-	$-	$-	$-	$-	$-
FAS Duplicates	Contract	$12,288,848,832	$12,288,848,832	$-	$-	0%	$-	0%	$-	$-	$-	$-	$-	$-	$-	$-
GSA SmartPay Tax Pilot	Other	$86,129	$86,129	$38,817	$5,235	13%	$33,582	87%	$-	$-	$-	$-	$38,817	$5,235	$33,582	$-
Total		$24,184,347,317	$24,184,347,317	$14,698,448	$9,898,925	67%	$4,799,523	33%	$-	$-	$117,948,750	$89,631,453	$132,647,198	$99,530,379	$33,116,820	$839,384

Table 3 Payment Recapture Audit Targets

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY	CY	CY	CY +1	CY + 2	CY + 3
		Amount Identified	Amount Recovered	Recovery Rate (Amount Recovered / Amount Identified)	Recovery Rate Target	Recovery Rate Target	Recovery Rate Target
Rental of Space	Contract	$14,379,807	$9,870,357	69%	72%	75%	80%
Supply	Contract	$279,824	$23,334	8%	50%	55%	60%
GSA SmartPay Tax Pilot	Other	$38,817	$5,235	13%	18%	23%	28%

Table 4 Aging of Outstanding Overpayments

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	CY Amount Outstanding (0 – 6 months)	CY Amount Outstanding (6 months to 1 year)	CY Amount Outstanding (over 1 year)
Rental of Space	Contract	$2,904,738	$1,604,713	--
Supply	Contract	$0	$256,490	--
GSA SmartPay Tax Pilot	Other	$2,941	$30,641	--
Total		$2,907,679	$1,891,844	--

Table 5 Disposition of Recaptured Funds

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury
Rental of Space	Contract	$-	$-	$-	$9,870,357	$-	$-
Supply	Contract	$-	$-	$-	$23,334	$-	$-
GSA SmartPay Tax Pilot	Other	$-	$-	$-	$-	$-	$5,235

Table 6 Overpayments Recaptured Outside of Payment Recapture Audits

Source of Recovery	Amount Identified (CY)	Amount Recovered (CY)	Amount Identified (PY)	Amount Recovered (PY)	Cumulative Amount Identified (CY+PYs)	Cumulative Amount Recovered (CY+PYs)
GSA Identified	$54,660,616	$38,655,909	$31,607,266	$31,111,531	$86,267,882	$69,767,440

Table 7 Implementation of the Do Not Pay Initiative to Prevent Improper Payments*

	Number (#) of payments reviewed for improper payments	Dollars ($) of payments reviewed for improper payments	Number (#) of payments stopped	Dollars ($) of payments stopped	Number (#) of improper payments reviewed and not stopped	Dollars ($) of improper payments reviewed and not stopped
Reviews with the DMF only (Required for FY 2014)	2,340,720	$16,495,157,026	0	$-	0	$-
Reviews with all other databases (Optional for FY 2014)	2,340,720	$16,495,157,026	0	$-	0	$-

* Note: Payment data reviewed and reported for FY 2014 includes October 2013 through July 2014.

Summary of Financial Statement Audit and Management Assurances *(Unaudited)*

Table 1. Summary of Financial Statement Audit

Audit Opinion: Unmodified

Restatement: No

MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	ENDING BALANCE
Financial Management and Reporting	1	0	0	0	1
Total Material Weaknesses	1	0	0	0	1

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 Reporting	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance: Unqualified						
MATERIAL WEAKNESSES	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**REASSESSED**	**ENDING BALANCE**
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance: Systems conform to financial management system requirements						
NON-CONFORMANCES	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**REASSESSED**	**ENDING BALANCE**
Financial Management Systems, Budgetary Controls, and Financial Reporting	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	Agency		AUDITOR			
1. System Requirements	No lack of substantial compliance noted		No lack of substantial compliance noted			
2. Accounting Standards	No lack of substantial compliance noted		No lack of substantial compliance noted			
3. USSGL at Transaction Level	No lack of substantial compliance noted		No lack of substantial compliance noted			

Other GSA Statutorily Required Reports *(Unaudited)*

Debt Management

GSA reported $158.1 million of outstanding debt from non-federal sources, of that amount, $38.2 million or 24.1 percent of the outstanding debt was delinquent at the end of FY 2014. Non-federal receivables consist of debts owed on third-party claims, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the U.S. Department of the Treasury (U.S. Treasury), Financial Management Service for cross-servicing collection. During FY 2014, the Office of the Chief Financial Officer (OCFO) referred over $12.7 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 $803.1 million.

The OCFO has continued to implement and initiate actions to improve our debt collection efforts and reduce the amount of debt written off as uncollectible for GSA.

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. GSA continues to place a high priority on resolving delinquent accounts receivable and claims.

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). In FY 2014, GSA paid interest of $201,402 thousand on disbursements of $17.5 billion, or $11.51 in interest per million disbursed. GSA paid less in interest penalties this year primarily due to timelier payment of taxes due on GSA leases. The statistics for the current and preceding two fiscal years are as follows:

	FY 2012	FY 2013	FY 2014
Total Number of Invoices Paid	1,564,274	1,476,006	**1,650,972**
Total Dollars Disbursed	$21.0 Billion	$18.4 Billion	**$17.5 Billion**
Total Dollars of Interest Penalties	$653,117	$219,290	**$201,402**
Interest Paid per Million Disbursed	$31.10	$11.88	**$11.51**
Percentage of Invoices Paid On Time	99.4%	99.5%	**99.4%**
Percentage of Invoices Paid Late	0.60%	0.46%	**0.52%**
Percentage of Invoices Paid Electronically	98.5%	91.5%	**98.7%**

Freeze the Footprint *(Unaudited)*

The U.S. General Services Administration (GSA) is meeting and exceeding the requirement to freeze its own real property footprint. GSA reduced its total workspace by approximately 19.4 percent since the Fiscal Year (FY) 2012 baseline. GSA is accomplishing this by improving the utilization of space, through various workplace strategies, including: right-sizing individual, collaborative, and support spaces; desk-sharing; a continued emphasis on enabling and supporting mobile work; and shifting from traditional office space to more flexible, equitable, open-plan workplace environments.

In September 2013, GSA began implementation of its nationwide initiative with the vision of creating an inspiring workplace portfolio focused on enabling GSA's workforce to improve service to the American taxpayer, boost innovation and collaboration, and build stronger connections between business lines and our customers while maximizing assets and better utilizing resources. Additionally, GSA has created an internal space allocation, design, and management policy, applied to GSA occupied space that:

- Establishes clear roles and responsibilities;
- Sets a 136-Usable Square Feet/person allocation limit on all new projects;
- Establishes a space utilization target of 70 percent;
- Establishes sizes for workstations;
- Sets limitations on private offices; and
- Focuses on design quality, including acoustics and ergonomics.

Schedule of Spending
(Unaudited)

The Schedule of Spending presented below is an overview of the fiscal year (FY) 2014 resources of GSA and how they were used. This schedule is presented to help the public better understand what money is provided to GSA, how GSA spent that money, and to whom the money was paid. Simplified terms were used to improve understanding of budgetary accounting terminology used on the Combining Statements of Budgetary Resources (CSBR), on page 29.

What Money is Available to Spend represents the authority that GSA was given to spend by law and the status of that authority. In this section:

- Total Resources represents amounts approved for spending by law.
- Less Amount Available but Not Agreed to be Spent represents amounts that GSA was allowed to spend but did not take actions to spend.
- Less Amount Not Available to be Spent represents the amount of total budgetary resources that were not approved for spending.
- Total Amounts Agreed to be Spent represents the amount of spending actions taken by GSA for the fiscal year. This represents contracts, orders and other legally binding obligations of the federal government to pay for goods and services when received.

How was the Money Spent provides additional details, by major cost category, of the Total Amounts Agreed to be Spent.

Who did the Money go to identifies the major recipients, by federal and non-federal entities, of Amounts Agreed to be Spent.

The data contained in USASpending.gov does not align perfectly with data in the Schedule of Spending or the Statement of Budgetary Resources. Differences in timing and recording requirements contribute to this variance. For example, USASpending.gov does not require that transactions under $25,000 be reported nor does it include salary and wage data for federal employees, federal retirement and disability benefits, utilities, leases, and inter-government transfers, which are included in the Schedule of Spending and the Statement of Budgetary Resources.

U.S. General Services Administration

Schedule of Spending

For the Fiscal Years Ended September 30, 2014 and 2013
(Dollars in Millions)

	Federal Buildings Fund		Acquisition Services Fund		Other Funds		GSA Totals	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
What Money is Available to Spend?								
Total Resources (Note 1)	**$15,214**	$14,892	**$12,832**	$11,882	**$1,216**	$954	**$29,262**	$27,728
Less Amount Available but Not Agreed to be Spent (Note 2)	**4,442**	4,097	**2,074**	2,078	**89**	76	**6,605**	6,251
Less Amount Not Available to be Spent (Note 3)	**23**	21	**-**	31	**158**	130	**181**	182
Total Amounts Agreed to be Spent (Note 4)	**$10,749**	10,774	**$10,758**	9,773	**$969**	748	**$22,476**	21,295
How was the Money Spent?								
Building Leases	**5,770**	5,678	**28**	41	**41**	32	**5,839**	5,751
Mission Support & Consulting Services	**865**	1,147	**4,847**	4,731	**282**	213	**5,994**	6,091
Operations & Maintenance	**1,406**	1,223	**179**	191	**39**	52	**1,624**	1,466
Personnel Salaries/Benefits	**679**	767	**386**	435	**420**	298	**1,485**	1,500
Other Contractual Services	**411**	351	**368**	209	**99**	99	**878**	659
Land and Buildings	**916**	889	**2**	1	**2**	-	**920**	890
Equipment	**73**	124	**2,500**	1,785	**45**	18	**2,618**	1,927
Utilities	**440**	410	**1**	1	**-**	-	**441**	411
Communication	**7**	8	**1,215**	1,067	**28**	24	**1,250**	1,099
Supplies and Materials	**12**	8	**1,161**	1,213	**1**	1	**1,174**	1,222
Other	**170**	169	**71**	99	**12**	11	**253**	279
Total Amounts Agreed to be Spent (Note 4)	**$10,749**	10,774	**$10,758**	9,773	**$969**	748	**$22,476**	21,295
Who did the Money go to?								
Federal Entities	**740**	603	**1,754**	1,107	**277**	171	**2,771**	1,881
Non-Federal								
Commercial and Other Non-Federal Entities (Note 5)	**9,492**	9,585	**8,706**	8,328	**380**	356	**18,578**	18,269
Employees	**517**	586	**298**	338	**312**	221	**1,127**	1,145
Total Amounts Agreed to be Spent (Note 4)	**$10,749**	10,774	**$10,758**	9,773	**$969**	748	**$22,476**	21,295

Notes:
1. This amount ties to balances reported on the CSBR as Total Budgetary Resources.
2. This amount ties to balances reported on the CSBR as Unobligated Balance-Apportioned.
3. This amount ties to balances reported on the CSBR as Unobligated Balance-Unapportioned.
4. This amount ties to balances reported on the CSBR as Total Obligations Incurred.
5. Commercial and Other Non-Federal Entities include non-profit organizations, state and local governments, and businesses or individuals that sell products or services to GSA.

Description of Independent and Central Offices *(Unaudited)*

Office of Administrative Services (OAS): OAS delivers innovative, responsive, timely, and sustainable policies and solutions for GSA's workspace and administrative needs for today and tomorrow, which enable and foster the cost-effective use of government resources across the Agency and support GSA customers' missions.

Office of the Chief Financial Officer (OCFO): OCFO provides financial, payroll, and systems services for the agency and its staff offices, as well as more than 50 external clients. The Office provides policy leadership in strategic planning, budgeting and financial management.

Office of GSA IT (OGSAIT): OGSAIT provides innovative, mobile-ready and collaborative solutions so you can work anywhere.

Civilian Board of Contract Appeals (CBCA): CBCA encourages the prompt, efficient and inexpensive resolution of contract disputes through the use of alternative dispute resolution (ADR). It uses a variety of techniques intended to shorten and simplify, when appropriate, the formal proceedings normally used to resolve cases. The Board also provides to executive agencies, when jointly requested by an agency and its contractor, alternative dispute resolution services on contract-related matters not covered by the Contract Disputes Act, whether those matters arise before or after a contract has been awarded.

Office of Communications and Marketing (OCM): OCM is your singular resource for all your internal and external communications needs. Our main job is to use communications to help you meet the agency's mission and business goals.

Office of Congressional and Inter-governmental Affairs (OCIA): OCIA maintains Agency liaison with Congress; prepares and coordinates GSA annual legislative program; communicates GSA legislative program to OMB, Congress, and other interested parties; and works closely with OMB in the coordination and clearance of all proposed legislation impacting GSA.

Office of Human Resources Management (OHRM): OHRM primary focus is to help GSA attract, motivate, develop, retain, and reward our most valuable resource: our employees.

Office of Civil Rights (OCR): OCR ensures equal employment opportunity (EEO) for all GSA employees and applicants for employment on the basis of sex, race, color, national origin, religion, disability, and age; and protects employees from retaliation for protected EEO activity. OCR protects recipients of GSA's federal financial assistance program and participants in federally conducted programs from discrimination.

Office of Citizen Services and Innovative Technologies (OCSIT): OCSIT, which includes 18F, is the nation's focal point for information and services offered by the federal government. Our primary goal is to find new ways for citizens, businesses, other governments, and the media to easily obtain information and services from the government on the web, via e-mail, in print, and over the telephone.

Office of Mission Assurance (OMA): OMA 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. OMA coordinates GSA national continuity responsibilities by: developing 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. OMA 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.

Acronyms and Abbreviations

(Unaudited)

AAS	Assisted Acquisition Services
ADP	Automated Data Processing
AFR	Agency Financial Report
AFV	Alternative Fuel Vehicle
ALOHA	Authorized Leave and Overtime Help Application
ASF	Acquisition Service Fund
APR	Annual Performance Report
ARRA	American Recovery and Reinvestment Act
ATO	Authorized to Operate
BAAR	Billing and Accounts Receivable
CBCA	Civilian Board of Contract Appeals
CEQ	Council on Environmental Quality
CERCLA	Comprehensive Environmental Response Compensation and Liability Act
CGE	Concur Government Edition
CHRIS	Comprehensive Human Resources Integrated System
CIP	Construction-in-Progress
CMa	Construction Manager as Agent
CMc	Construction Manager as Constructor
Commissioning	Building Commissioning
CSBR	Combining Statements of Budgetary Resources
CSRS	Civil Service Retirement System
CXO	Consolidation of Finance, Information Technology, Human Resources, Administration, and Communications
DHS	Department of Homeland Security
DLA	Defense Logistics Agency
DM&R	Deferred Maintenance and Repairs
DMF	Death Master File
DOC	U.S. Department of Commerce
DOD	U.S. Department of Defense
DOI	U.S. Department of the Interior
DOJ	U.S. Department of Justice
DOL	U.S. Department of Labor
DOS	U.S. Department of State
EFT	Electronic Funds Transfer
EPA	Environmental Protection Agency
EPLS	Excluded Parties List System
EOP	Executive Office of the President
ETAMS	Electronic Time and Attendance Management System
FAI	Federal Acquisition Institute
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FASAB	Federal Accounting Standards Advisory Board
FBF	Federal Buildings Fund
FCI	Facility Condition Index
FCSF	Federal Citizen Services Fund
FECA	Federal Employees' Compensation Act
FedRamp	Federal Risk and Authorization Management
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FFA	Federal Aviation Administration
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
FPS	Federal Protective Service
FRPP	Federal Real Property Profile
FSSI	Federal Strategic Sourcing Initiative
FTE	Full-time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GHG	Greenhouse Gas
GPG	Green Proving Ground
GSA	U.S. General Services Administration
GSAM	General Services Administration Acquisition Manual
GSAR	General Services Administration Acquisition Regulation
GSS	General Supplies and Services
HHS	U.S. Department of Health and Human Services
ICE	U.S. Immigrations and Customs Enforcements
IDIQ	Indefinite Delivery/Indefinite Quantity
IEEUIT	Integrated, Efficient and Effective Uses of Information Technology
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPA	Independent Public Accountant
IPIA	Improper Payments Information Act
IT	Information Technology
ITS	Integrated Technology Services
JANSAN	Janitorial and Sanitation
LEED	Leadership in Energy and Environmental Design
MAS	Multiple Award Schedules
MCOC	Management Controls Oversight Council
MRO	Maintenance, Repair, and Operations
NEAR	National Electronic Accounting and Reporting
NIST	National Institute of Standards and Technology
NS2020	Network Services 2020
OAS	Office of Administrative Services
OASDI	Old-Age, Survivors, and Disability Insurance
OASIS	One Acquisition Solution for Integrated Services
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCIA	Office of Congressional and Intergovernmental Affairs
OCISO	Office of the Chief Information Security Officer
OCM	Office of Communications and Marketing
OCR	Office of Civil Rights
OCSIT/18F	Office of Citizen Services and Innovative Technologies/18F
OFPP	Office of Federal Procurement Policy's
OGP	Office of Government-wide Policy
OGPL	Open Government Platform
OGSAIT	Office of GSA IT
OHRM	Office of Human Resources Management
OIG	Office of Inspector General
OPM	Office of Personnel Management
OMA	Office of Mission Assurance
OMB	Office of Management and Budget
OS3	Office Supplies Third Generation
O&M	Operations and Maintenance
PACS	Physical Access Control Systems
PADC	Pennsylvania Avenue Development Corporation
PAR	Performance and Accountability Report
PBS	Public Buildings Service
PCB	Polychlorinated Biphenyls
PCS	Physical Condition Survey
PMR	Procurement Management Review
PP&E	Property Plant and Equipment
Recovery Act	The American Recovery and Reinvestment Act of 2009
REXUS	Real Estate Across the United States
R&A	Repairs and Alterations
ROE	Return on Equity

RRB	Ronald Reagan Building
RWA	Reimbursable Work Authorization
SAM	System Awards Management
SB	Small Business
SEC	Securities and Exchange Commission
SF 133s	Reports on Budget Execution and Budgetary Resources
SFFAS	Statements of Federal Financial Accounting Standards
SSA	Social Security Administration
TAFS	Treasury Account Fund Symbol
TSP	Thrift Savings Plan
TMVCS	Travel, Motor Vehicles, and Card Services
USF	Usable square feet
USSGL	U.S. Standard General Ledger
U.S. Treasury	U.S. Department of the Treasury
VCSS	Vendor and Customer Self Service
VoIP	Voice over Internet Protocol
WAN	Wide Area Network
WCF	Working Capital Fund

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