

# Summary of Performance and Financial Information

SAVINGS



EFFICIENCY



SERVICE



2014



# GSA Mission and Goals

The U.S. General Services Administration's (GSA) mission is to deliver the best value in real estate, acquisition, and technology services to government and the American people. Our response to the challenges in program and financial management over the past year demonstrates our commitment to 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.

We are working to manage the federal government's building inventory more efficiently by negotiating effective contracts, leasing only when necessary, and disposing of excess property. We have negotiated leases that are, on average, more than eight percent below market rates at the time of signing. 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.

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.

Our newly launched 18F program 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.

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 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.

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.

GSA connects with the public through social media technologies that enhance communication, collaboration, and information exchange. By openly sharing knowledge, best practices, and lessons learned, GSA provides efficient and outstanding service to the American People. Connect with GSA on [Facebook.com/gsa](https://www.facebook.com/gsa), [Youtube.com/usgsa](https://www.youtube.com/usgsa), and [Twitter.com/usgsa](https://twitter.com/usgsa).

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# GSA Performance

In FY 2014, through accomplishing our mission, GSA aspired to achieve three strategic goals:

- **Savings – Provide savings to federal departments and agencies.** We used 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 streamlined 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 delivered excellent customer service to federal agencies and departments by making it easier to reliably meet their real estate, acquisition, and technology needs

## Delivering Better Value and Saving

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.

## 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 improve efficiency, while also delivering solid benefits to the selected industry partners and maximizing opportunities for small businesses.

## 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.

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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 helped 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, been used by 67 federal agencies to crowd source solutions, and 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.

### **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 accomplish 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.

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# GSA Financial Results

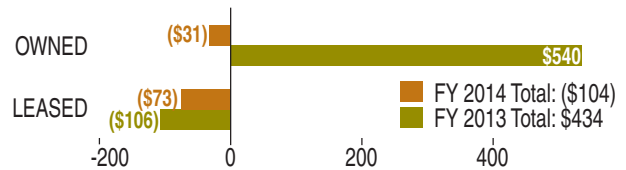
KPMG LLP issued an unmodified (“clean”) opinion on GSA’s FY 2014 financial statements. GSA’s financial statements and the audit opinion results demonstrate the agency’s commitment to accountability and integrity in financial management.

## Federal Buildings Fund

The Federal Buildings Fund (FBF) is the primary fund of the Public Buildings Service (PBS). PBS provides workplaces for federal agencies and their employees. The FBF is primarily supported by rent paid to GSA from other federal entities. It also operates a Reimbursable Work Authorization program that provides alterations and leasehold improvements above those in the agencies’ base rental agreements.

In FY 2014, FBF gross revenue was \$11.4 billion. Revenues and expenses in the FBF come primarily from building operations and rent. 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. The 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, which was partially offset by a \$33 million reduction of losses in Building Operations Leased compared to the previous fiscal year. The significant decline

## FBF Net Revenues from Operations *in millions*



in net operating results was attributable to increases in estimates of the long-term cost of environmental liabilities, totaling \$513 million.

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 American Recovery and Reinvestment Act 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 those federal agencies.

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## Acquisition Services Fund

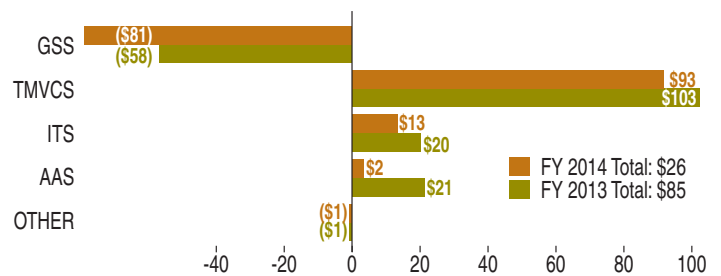
The Acquisition Services Fund (ASF), the primary fund of the Federal Acquisition Service (FAS) is a revolving fund, which operates on the revenue generated from its business lines rather than an appropriation received from Congress. FAS business operations are organized into five business portfolios 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 gross revenues. Revenues and expenses in ASF come primarily from the sale of goods and services and the respective costs associated with them. 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. The 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, wherein

GSA's two large supply depot warehouse operations were 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 available of the various Federal departments and agencies that GSA serves.

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. Overall, unpaid obligations have also increased, as customer order volume is recovering from the reductions experienced in FY 2013.

### ASF Net Revenues from Operations *in millions*



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# Management Challenges Facing GSA

Each year, GSA's Office of Inspector General produces a report on "GSA's Major Management Challenges." Here are the highlights of those challenges and GSA's response:

## Acquisition Programs

**Issue:** GSA continues to face challenges within the GSA Schedules program.

**Response:**

GSA is addressing the Schedules program challenges by:

- working to define appropriate standards for price variability at the Schedule contract level and implement these standards to reduce variability
- implementing a new, risk-based contractor visit model
- looking at ways to streamline the acquisition process and automate additional functions
- examining intern and rotation programs consistent with the Office of Personnel Management Human Capital Guidance
- evaluating modernization opportunities for the schedules program
- proposing amendments to the General Services Administration Acquisition Regulation (GSAR) Part 538, Federal Supply Schedule Contracting

**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:** GSA has consolidated responsibility for all professional services contracts, including the One Acquisition Solution for Integrated Services (OASIS). The value provided by the OASIS program is exemplified by the US Air Force, which has made OASIS and OASIS Small Business (SB) preferred vehicles for requirements within scope of those contracts.

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

**Response:** 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. 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 19 projects in 13 states across the country that will save federal agencies \$17 million in rent payments annually, reduce the federal footprint by 507,000 square feet, and reduce the government's leasing costs by \$38 million.

**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 set up Recovery projects so

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that all project funds would be obligated by September 30, 2015. As of October 2014, the agency has obligated 96.7 percent of the original \$5.55 billion we received.

**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:** The agency is 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, the agency has completed nearly all of the investments associated with the Recovery Act.

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

**Response:** 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 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.

**Issue:** Through the consolidation of Finance, Information Technology, Human Resources, Administration, and Communications (CXO) 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.

### **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. 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.

### **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,

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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.

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

**Response:** The agency has 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. In partnership with the Office of Communications and Marketing (OCM), GSA IT has implemented a number of controls within the 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 has been developed to enhance employee awareness.

### **Financial Reporting**

**Issue:** GSA continues to face challenges with its internal controls over financial management and reporting and its accounting and business processes. Improvements are needed in the implementation of policies and procedures over the accounting and reporting of environmental liabilities.

**Response:** 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. GSA refined the due care process for estimating probable future cleanup costs for environmental contamination related to asbestos-containing materials, thereby eliminating the need to perform a significant year-end adjustment to the financial statements. The agency also reinvigorated the Management Controls Oversight Council (MCOC) to improve efforts in managing and monitoring the entity-level control environment.

### **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.

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.

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