U. S. General Services Administration

2013 Agency Financial Report

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Letter from the Administrator

The General Services Administration (GSA) Fiscal Year (FY) 2013 Agency Financial Report (AFR), details our accomplishments and challenges in program and financial management over the past year. The audit opinion and financial results reported in the AFR verify that GSA financial operations comply with the U.S. Department of the Treasury guidance, federal financial regulations, and generally accepted accounting principles.

Effective and efficient government has never been more important. Federal budgets are shrinking and the demand for government services is greater than ever before. In this climate GSA must deliver on its mission to provide the best value in real estate, acquisition, and technology services to government and the American people. By leveraging the buying power of the federal government, we are helping agencies buy smarter, reduce their real estate footprint, and create a better, smarter, faster government.

GSA's programs save taxpayer dollars and allow agencies to reinvest in their mission. GSA procures goods and services for government agencies through its Strategic Sourcing Initiative, saving more than $300 million for federal agencies since 2010. While saving money we have also increased participation of small businesses and reduced duplication across government. By offering innovative technologies to our federal partners, we have been able to deliver more effective services and create a more transparent government. As part of this effort, we are working across federal agencies to develop many of the government's most innovative projects. These projects include Data.gov, which has eased access to more than 75,000 government data sets, and the MyUSA platform, which will save significant time filling out government forms.

We are also using the buying power of the government to better manage the federal government's building inventory. This allows us to negotiate leases that are, on average, more than 11 percent below market rates, creating annual savings of more than $30 million. In addition, we work aggressively to ensure that the facilities we own are being used as optimally as possible. At the same time, we are working to support the President and Congress' commitment to freeze the federal footprint. In FY 2013, GSA disposed of 213 properties with $98 million in sales proceeds. Of these properties, eight were GSA-owned assets, generating $32 million in proceeds.

GSA is working to ensure that the buildings we are using are suited for the needs of the federal government in the 21st century. GSA is leading the way in this effort, with employees throughout the country beginning to use an open, mobile work environment to increase productivity and reduce costs. Adopting this approach at our headquarters has reduced workspace per individual to 141 usable square feet per employee and saved American taxpayers over $24 million in rent. We are working to help other federal agencies adopt this model through our Total Workplace program.

GSA knows how to use the buying power of the federal government to drive down costs, increase collaboration, and promote efficiency. We are committed to building a responsive and effective government to best serve federal employees, agencies, and the American people. This report will show 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 inthe 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 in 2013, recognize opportunities for improvement, and look forward to making continued progress in the new fiscal year.

Dan Tangherlini
Administrator
December 9, 2013

How GSA Benefits the Public

GSA was established on July 1, 1949, as a result of the Hoover Commission's recommendation that consolidating administrative functions across government into one organization would be more effective and economical for the government and would avoid "senseless duplication, excess cost, and confusion in handling supplies, and providing space." Today, GSA continues to make government more effective and economical by providing savings to federal departments and agencies, improving the efficiency of operations and service delivery, and delivering excellent customer service. GSA benefits the public through delivering the best value in real estate, acquisition, and technology services to government and the American people.

GSA has an annual business volume of over $60 billion and manages over 200,000 fleet vehicles. GSA also manages buildings for the entire federal government a significant portfolio that included 9,184 owned or leased assets, more than 375 million rentable square feet of workspace, and 471 historic properties. At a time when budgets are shrinking across the federal government, GSA is providing the value that our partner agencies need so that they can focus their resources on fulfilling their own important missions to the American people.

GSA is currently focusing on six priorities to ensure that we fulfill our mission and best serve 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.

Through the buying power of the federal government GSA negotiates leases that are more than 10 percent below market rates, on average. Nationally, GSA's vacancy rate is 4.3 percent, far below the private sector average of 16.9 percent.[1]

GSA also worked to support the President and Congress' directive to Freeze the Federal Footprint. As a part of this effort, GSA's Total Workplace initiative is providing resources and expertise to encourage federal agencies to reduce their office space, foster collaboration, better manage information technology spending, and increase energy efficiency. Ultimately, in a time of shrinking budgets, this initiative will save taxpayer dollars and allow agencies to invest more in their missions and better serve the American people.

GSA was able to deliver $1.37 billion in savings in FY 2013 to federal customers by

[1] For purposes of providing an appropriate comparison to the market rate, the 4.3 percent represents an unadjusted vacancy rate. For government reporting, consistent with our OMB external performance measure, GSA excludes vacant space with ongoing prospectus level renovation. In FY 2013, the reported vacancy rate was 3.8 percent.

providing technology solutions at prices that are below prices available from other sources. Our focus on streamlining operations in the Global Supplies and Services Portfolio enabled this program to reduce its markup in FY 2013 by 1.3 percent from the FY 2012 level.

DELIVERING BETTER VALUE & SAVINGS

SERVING OUR PARTNERS

EXPANDING OPPORTUNITIES FOR SMALL BUSINESSES

MAKING A MORE SUSTAINABLE GOVERNMENT

LEADING WITH INNOVATION

BUILDING A STRONGER GSA

GSA is committed to delivering the best savings and service for its partners. That is why we are committed to increasing our market share of the government's business. The more agencies we purchase for, the more we are able to drive down prices and create savings for all of our partner agencies.

One example of this is GSA's strategic sourcing initiative. Strategic sourcing creates savings by getting agencies to collectively commit to purchasing certain commodities at the best value. By buying once and buying well, strategic sourcing has saved the American public more than $300 million since 2010.

GSA is currently focusing on six priorities to ensure that we fulfill our mission and best serve the American people.

By leveraging the purchasing power of the federal government, GSA negotiates prices for office supplies that are 13 percent below prior paid pricing. This has already saved more than $127 million. At the same time we realized these significant savings, we directed more than 76 percent of the dollars spent to small businesses.

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.

An example of this is our wireless contracts. Today, we have 4,000 wireless agreements and more than 800 wireless plans. A 2010 Gartner report indicated that the federal government pays more than twice the amount paid by top commercial customers for basic cellular voice service. Earlier this year, GSA announced the award of new wireless agreements which will save an estimated $300 million over the next five years. These new agreements will also improve the overall management of wireless services.

We are also responding to the needs of our partners by developing tools like One Acquisition Solution for Integrated Services (OASIS). OASIS will be a one stop shop for key professional services and will allow for one contract with multiple areas of professional services. Ambitious, multibillion dollar professional services contracts such as this is key to GSA's future. OASIS is a way of responding to customer concerns while delivering multipart service results.

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 2012, GSA spent $1.3 billion through Small Businesses and received our second consecutive A+ rating from the SBA[2]. The GSA Multiple Award Schedules is one way GSA provides small and disadvantaged

[2] FY 2013 SBA data will not be published until March 2014.

businesses access to the federal marketplace. In FY 2013, 34.7 percent of the business conducted through the Multiple Award Schedules was awarded to small and disadvantaged businesses.

Making a More Sustainable Government

Going green saves green, and we are committed to a sustainable government that reduces energy and water use in federal buildings, responsibly disposes of electronic waste, and greens the federal fleet. GSA will also continue to work with businesses to make sustainable products and services readily available and affordable to our partner agencies.

GSA supported federal customers in purchasing alternative fuel vehicles to reduce the environmental impact of the federal fleet. In FY 2013, GSA initiated an incentive program to offer hybrids for the price of a regular sedan by funding the incremental costs. In addition, over 80 percent of the vehicles purchased by GSA this fiscal year were classified as alternative fuel vehicles.

GSA is reducing energy costs by implementing high-performing green features, such as photovoltaic rooftop arrays, rainwater recapture and reuse systems, green roofs, solar panels, and high efficiency building systems. GSA developed and implemented a new building operations and management system, GSALink, to collect and quickly respond to real time building data. GSA also implemented the Shave Energy Program, which focuses on low or no-cost measures to reduce energy consumption. The goal of the program is to reduce facility energy consumption by approximately 10 percent. GSA is applying these principles to help drive savings to agencies as they convert to a more efficient and effective workplace.

Leading with Innovation

In FY 2013, GSA made its headquarters in Washington, DC into a testing ground for a new kind of federal workplace. By transforming conventional office space into a collaborative, flexible work environment, GSA is "walking the walk" and demonstrating to our customer agencies how we can effectively utilize space and significantly reduce costs. GSA is saving over $24 million a year by reorganizing its workspace and expanding workspace use to approximately 3,300, from 2,000 employees, and vacating leases that are no longer required.

GSA provides direct access to a wide range of digital services, as well as consumer protection information through the official Web portals of the federal government, USA.gov and GobiernoUSA.gov. GSA's USA Services provides a one-stop source for information about federal government programs and services and provides consumer information on money management, scams, federal benefits, identity theft, government auctions, health, housing, and jobs.

GSA manages Data.gov which provides access to hundreds of thousands of open government datasets from 172 agencies. This data helps to power American businesses that are creating products and services in sectors ranging from energy to consumer finance to education. Thousands of services from hundreds of businesses use data such as real-time weather feeds, crime statistics, hospital rating data, and consumer safety information to deliver their services. Data.gov increases the access to this treasure trove of data for all citizens, through communities (like Safety.Data.gov) that put context around the data, showcase government and citizen apps, and allow people to ask questions.

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.

Beginning in April of 2012, GSA conducted a comprehensive Top to Bottom Review. The goal of this review was to build a stronger GSA and deliver the greatest possible value to the American people and our federal partners. The Top to Bottom review showed us that the broad duplication of services has complicated our work, added cost and impaired outcomes. It became clear that the best way to build a stronger GSA would be to streamline and consolidate the information technology, human resources, administrative, and financial functions of GSA. This will integrate each administrative function into a single team: teams that not only work together smoothly and efficiently, but also with clear responsibility and accountability. We anticipate that this process will save the American taxpayer over $200 million over the next ten years.

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 Discussion & Analysis

Organization

GSA delivers goods and services to its federal customers through 11 regional offices and the headquarters office in Washington, D.C. GSA is comprised of 16 services and staff offices supporting the 22 programs identified in the FY 2012 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 $54 billion in information technology solutions and telecommunications services, assisted acquisition services, travel and transportation management solutions, motor vehicles and fleet services, and charge cards. FAS manages over 205 thousand leased vehicles, more than 3.5 million charge cards, 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 and 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 9,184 assets and maintains an inventory of more than 375.7 million square feet of rentable workspace for 1.1 million federal employees. Within this inventory, PBS has 647 owned and leased historic properties. PBS provides high quality facility and workspace solutions to more than 60 federal agencies, disposes of excess or unneeded federal properties, and promotes the adoption of innovative workplace solutions and technologies. Through lease and purchase transactions, PBS delivers the

workspace necessary to meet the respective missions of its federal customers. PBS is working with its federal customers to design the workplace of the 21st Century, seeking to reduce overall workspace needs and associated costs. These services are also coordinated to obtain the best available pricing.

Office of Citizen Services and Innovative Technologies

OCSIT 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

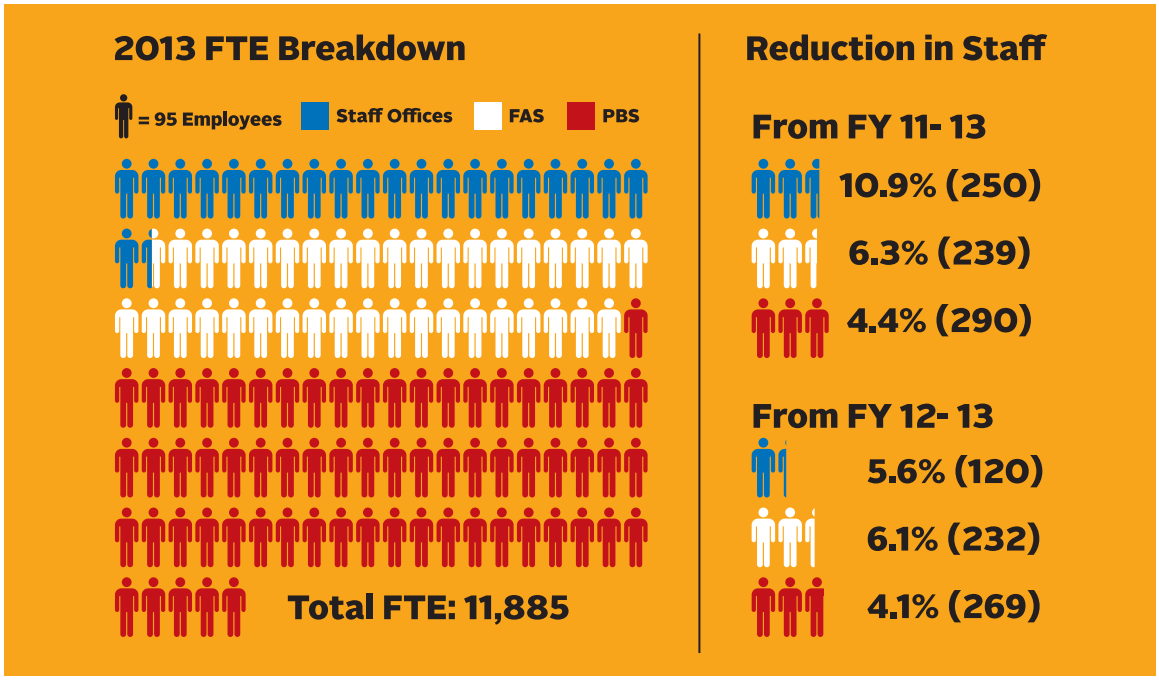
OGP uses information and ideas to drive efficiency and savings in the agencies across key administrative areas: including travel and transportation, acquisition, information technology, and green buildings. OGP helps drive agency behavior in these administrative areas through the development of government-wide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

Staff Offices

The GSA staff offices support the enterprise. They ensure GSA is prepared to meet the

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

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.



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 ten GSA staff offices (the Office of Administrative Services, the Office of Congressional and Intergovernmental Affairs, the Office of the Chief Financial Officer, Office of the Chief Information Officer, Office of the Chief People Officer, Office of General Counsel, Office of Emergency Response and Recovery, Office of the Chief Acquisition Officer, Office of Communications and Marketing, and the Office of Small Business Utilization).

FTE Breakdown by Organization

In FY 2013, the GSA full-time equivalent (FTE) employment level was 11,885. This total represents a 5 percent reduction (620 FTE) from the FY 2012 level of 12,505, and a 6.1 percent reduction (779 FTE) from the FY 2011 level of 12,664. Staff Offices realized a 10.9 percent reduction (250 FTE) from the FY 2011 level of 2,288 due to consolidation efforts. 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 2011	FY 2012	FY 2013	FTE Reduction (FY 12-13)	FTE Reduction (FY 11-13)	% Reduction from FY 12	% Reduction from FY 11
Staff	2,288	2,157	2,038	-120	-250*	5.6%	10.9%
FAS	3,812	3,805	3,573	-232	-239	6.1%	6.3%
PBS	6,564	6,543	6,274	-269	-290	4.1%	4.4%
Total	**12,664**	**12,505**	**11,885**	**-620**	**-779**	**5.0%**	**6.1%**

** FTE reductions reflect net reductions, which include the impact of internal transfers due to reorganization.*

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.*** The purchasing power of the federal government will reduce costs to our customer agencies, enabling them to focus on their core missions. We will further improve this area 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 services. 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.

- ***Greater transparency and openness in government.*** GSA developed and delivered ten new, innovative, and cost-effective technology-enabled solutions that improve government effectiveness and lead to government-wide cost savings.

  Solution 1. The American Job Center provides a single, streamlined website where job seekers and employers can access key federal programs and critical local resources to help people find a job, identify training programs, and gain skills in growing industries.

  Solution 2. The Federal Risk and Authorization Management (FedRAMP) Program provides federal agencies a standardized approach to cloud security assessment, authorization and monitoring. By using the FedRAMP program, federal agencies save money, time and staff resources.

  Solution 3. Data.gov Open Government Platform (OGPL) provides an open source platform that other government entities can use to quickly launch their own open government platform. Using the OGPL lowers the cost of providing public access to government data and documents.

  Solution 4. BusinessUSA provides a centralized, one-stop web-based platform to support the development and expansion of small and medium sized businesses, to facilitate exports and to grow jobs.

  Solution 5. Federal Infrastructure Projects Permitting Dashboard provides the public and agencies with a central website for visibility of high priority infrastructure projects, including descriptions of the expedited processes and status information on permits, reviews and approvals.

  Solution 6. The Social Media registry provides a central, authoritative registry of authentic government social media accounts, enabling the public to easily differentiate legitimate government social media accounts from those that are fraudulent.

  Solution 7. The Digital Analytics Program and Toolkit provides federal agencies with leading practices, guidance, training and a no-cost automated tool to measure effectiveness of and customer satisfaction of government websites. This solution enables effective, consistent government-wide measurement and analysis of federal website effectiveness and drives improvement in public-facing websites.

  Solution 8. MyUSA (formerly MyGov) develops a prototype virtual environment that enables citizens to much more easily and effectively access information and services across government, transforming the way they interact with government.

  Solution 9. The Data Center Consolidation Cost Estimation Application is an open source application that enables federal agencies to more accurately plan and estimate potential cost savings from data center consolidations and closures.

  Solution 10. The MYUSA Discover program consists of tools and application programming interfaces (APIs) for connecting the government's numerous websites. Agencies can embed this tool into existing web pages to help citizens

discover services and information relevant to their interests and needs.

- ***Increased sustainability of the federal supply chain.*** GSA has increased the sustainability of the federal supply chain by increasing the sales of green products and service offerings to 4.7 percent of total business volume in FY 2013 from the baseline of 2.4 percent in FY 2010.

  GSA is an intermediary to the market and provides an avenue through which commercially available products and services can be purchased by federal agencies. Since GSA does not have the authority to mandate other federal agencies to purchase green offerings, GSA must rely on education and outreach to influence federal green purchasing. For example, GSA focuses its efforts to increase green product and service purchases by using external communications to increase awareness of environmentally friendly products and services and inform federal agencies on where they can be purchased, while working with the federal vendor community to increase the number of green products and services offered to federal agencies.

  GSA will continue to identify additional sustainable product and service offerings and use focused communications to educate federal agencies about available green products and services and where they can be purchased.

- ***Managing customer agency real estate portfolios to be more cost-effective and environmentally sustainable.*** GSA accomplished its FY 2013 target by completing a cumulative total of nine Customer Portfolio Plans (CPP) for: the Department of State, the Social Security Administration, the Department of Health and Human Services, the Department of Commerce, the Security and Exchange Commission, the Federal Emergency Management Agency (FEMA), the Environmental Protection Agency (EPA), Immigration and Customs Enforcement (ICE), and the Federal Aviation Administration (FAA). In FY 2013, GSA completed a total of three plans for EPA, ICE, and FAA.

  Working with agencies, GSA develops action plans to reduce space, improve utilization and leverage market opportunities. Through the CPPs, we identified opportunities to reduce the federal footprint by 3.5 million rentable square feet and could avoid $115 million in rental expenses annually. Executing these opportunities would require $315 million in investment and result in a payback period of only 2.7 years.

  GSA's work to implement CPP opportunities on behalf of individual agencies has been successful. For example, GSA and FAA identified six high impact opportunities aimed at reducing FAA's overall portfolio occupancy expenses to potentially save FAA $27 million annually and reduce their portfolio footprint by 627,536 rentable square feet.

  GSA also worked closely with FEMA to significantly reduce their real estate footprint. FEMA requested that GSA's CPP team help FEMA meet their $10 million rent budget reduction. By developing a nationwide portfolio strategy, GSA identified nearly $12 million in annual rent cost avoidance. FEMA agreed with the recommended strategies, including a consolidation of five leases into FEMA headquarters in Washington, DC. Before this consolidation, FEMA leased over 625,000 in rentable square feet, costing approximately $30 million annually. By embracing innovative workplace strategies, FEMA is working with GSA to reduce the portfolio by over 200,000 rentable square feet, saving $9.7 million in annual rent. This savings represents a 33 percent reduction of FEMA's DC portfolio and 11 percent reduction of FEMA's nationwide portfolio.

  Additionally, GSA updated the six previously completed CPPs for any new opportunities. These opportunities focus on: (1) consolidating higher cost lease space into federally owned space, (2) more effectively managing space through workplace strategies and improved office standards, and (3) optimizing rents in depressed markets for favorable lease rates.

  GSA is leading efforts to improve asset utilization, reduce agency space requirements, effectively manage real property, and pursue innovative proposals to leverage resources.

"...GSA focuses its efforts to increase green product and service purchases by using external communications to increase awareness of environmentally friendly products and services ..."

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 2013 performance targets will be included in the Annual Performance Report.

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 reduce space utilization by 3.5 million square feet. As a result of GSA's efforts to help agencies consolidate and reduce space, the GSA percentage of vacant space increased. However, reducing space will help federal agencies reduce costs, saving taxpayers money.

PERFORMANCE INDICATOR	2011 Actual	2012 Actual	2013 Target	2013 Actual	Status
Global Supply blended markup	27.8%	28.1%	26.0%	24.7%	Exceeded Target
Cost of lease space relative to market rates	-12.9%	-11.5%	-9.5%	-10.1%	Exceeded Target
Integrated Technology Service cost savings in billions	$1.05	$1.36	$0.96	$1.37	Exceeded Target
Agencies with completed Customer Portfolio Plans	3	6	9	9	Met Target
Percent of vacant space in inventory	3.4%	3.0%	3.2%	3.8%	Target Not Met
Percent green business volume	2.2%	5.4%	5.0%	4.7%	Target Not Met
Percent alternative fuel vehicles purchased	80%	75%	80%	82%	Exceeded Target

Efficiency – Improve the efficiency of operations and service delivery. GSA has streamlined our 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 3.1 percent below the private sector average. Although we did not meet the Return on Equity (ROE) target for our portfolio in FY 2013, GSA continues to improve the timeliness and accuracy of its rent billing, more effectively manage expenses, backfill vacant space, and dispose of underperforming assets to increase ROE next year.

PERFORMANCE INDICATOR	2011 Actual	2012 Actual	2013 Target	2013 Actual	Status
New construction projects on schedule	83%	93%	90%	100%	Exceeded Target
Percent of government-owned assets achieving a return on equity of at least six percent	76.1%	71.8%	78.9%	72.4%	Target Not Met
Cost of cleaning and maintaining space against private sector benchmarks	0.1%	3.7%	+/-5%	3.1%	Met Target

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. Through workplace strategies, GSA works to improve tenant satisfaction. GSA is also improving communication efforts and developing an aggressive action plan to address tenant concerns.

PERFORMANCE INDICATOR	2011 Actual	2012 Actual	2013 Target	2013 Actual	Status
Tenant satisfaction with government-owned and leased space	76%	73%	74%	63%	Target Not Met
FAS customer loyalty	8.0	7.6	8.3	7.6	Target Not Met
Percent of MAS business volume coming from small businesses	33.5%	34.0%	33.0%	34.7%	Exceeded Target
Cumulative number innovative solutions	0	5	10	10	Met Target
Cumulative number of citizen engagement events and activities conducted	344	458	567	571	Exceeded Target
Citizen touch points in millions	272	539	674	1,018	Exceeded Target
Attendance levels for Federal Acquisition Institute training courses	75%	86%	80%	89%	Exceeded Target

Financial Statements Analysis and Summary

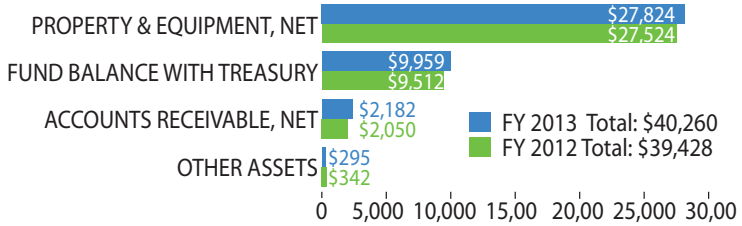
KPMG LLP issued an unqualified "clean" opinion on GSA's FY 2013 financial statements. Agency management is accountable for the integrity of the financial information presented in the financial statements. The financial statements and financial data presented in this report have been prepared from GSA accounting records in conformity with generally accepted accounting principles (GAAP) as prescribed by the Federal Accounting Standards Advisory Board (FASAB). 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.

Consolidated Financial Results

GSA Assets

GSA assets include federal buildings, motor vehicles, and office equipment (Property and Equipment); Fund Balance with Treasury; and accounts receivable to GSA mainly from other federal agencies, primarily for sales transactions or uncollected rent. In FY 2013 GSA reported Total Assets of $40.3 billion compared to FY 2012 Total Asset of $39.4 billion, a net increase of $832 million. The value of GSA-owned buildings increased by $3.6 billion. This increase was mostly due to the transfer of approximately $1.9 billion in completed Construction-in-Progress (CIP), which was transferred to the Buildings account. Many of these were Federal Buildings Fund (FBF) and American Recovery and Reinvestment Act (ARRA) construction projects. The Fund Balance with Treasury also increased by $447 million, due to an increase of $319 million in the Acquisition Services Fund (ASF), mostly as a result of proceeds on the sale of motor vehicles, positive net operating results, and fewer capitalized purchases.

GSA Assets *in millions*

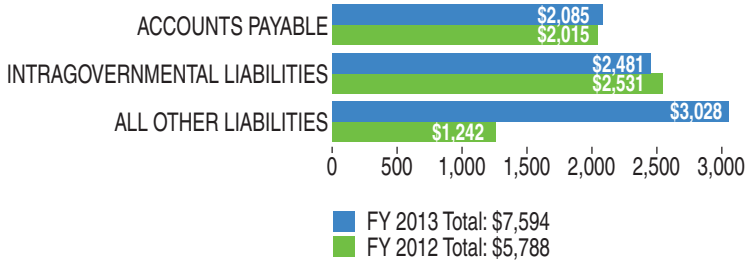


GSA Liabilities

GSA liabilities are primarily amounts owed to commercial vendors but not yet paid (Accounts Payable) and amounts GSA owes to other federal entities (Intragovernmental Liabilities).

In FY 2013, Total Liabilities were $7.6 billion; a net increase of $1.8 billion compared to FY 2012 Total Liabilities of $5.8 billion. Environmental and Disposal Liabilities increased by $1.7 billion due to asbestos cleanup costs. This resulted from the implementation of FASAB

GSA Liabilities *in millions*



Technical Bulletin 2006-1 Recognition and Measurement of Asbestos related clean up costs, which includes the current estimates for cleanup of existing environmental hazards and future costs of asbestos remediation. The focus of Technical Bulletin 2006-1 is the recognition of an unfunded liability and related expense for asbestos related cleanup costs and became effective October 1, 2012.

GSA Revenue

GSA reported $20.7 billion in revenue during FY 2013 compared to $21.0 billion reported in FY 2012, a decrease of $358 million. FY 2013 Expenses were $20.3 billion compared to FY 2012 Expenses of $20.9 billion, which is a decrease of $528 million. Net Revenues from Operations were $306 million, a $170 million increase compared to FY 2012 Net Revenues from Operations of $136 million.

Financial Results by Major Fund – 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. FBF is primarily supported by rent paid to GSA from other federal entities.

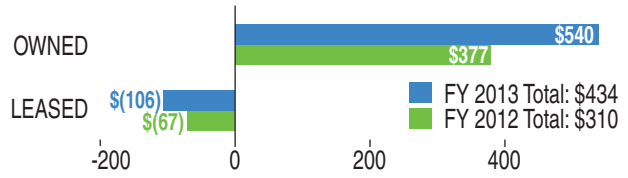
FY 2013 FBF gross revenue was $11.6 billion, with over half the revenue from five federal customer agencies shown in the "FBF Top 5 Federal Customers" table.

FBF Top 5 Federal Customers	Revenues ($ in Millions)	% of Total Revenues
Department of Homeland Security	$1,909	17%
Department of Justice	$1,847	16%
Federal Judiciary	$1,182	10%
Department of the Treasury	$791	7%
Social Security Administration	$776	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 revenue of $434 million compared to $310 million reported in FY 2012. Overall net revenues increased by $124 million. This was due to a $540 million increase in net revenue in Building Operations Government owned and a $106 million decrease in Building Operations Leased.

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, 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 $211 million between FY 2012 and FY 2013. Gross Outlays also decreased by $1.6 billion during FY 2013. 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 $158 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*)	2013	2012	Change ($)	Change (%)
Obligations Incurred	$10,774	$10,985	($211)	-1.92%
Gross Outlays	$11,463	$13,097	($1,634)	-12.48%
Offsetting Collections	$11,694	$11,536	$158	1.37%

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 four 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); and Assisted Acquisition Services (AAS). 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.

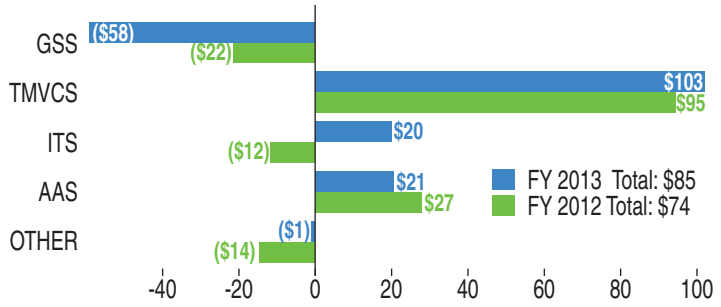
In FY 2013, ASF realized $9.4 billion in revenues. The majority of revenues were from the five agencies shown in the "ASF Top 5 Federal Customers" table.

ASF Top 5 Federal Customers	Revenues ($ in Millions)	% of Total Revenues
Department of Defense	$5,485	58%
Deparment of Homeland Security	$514	5%
Department of Agriculture	$483	5%
Department of Veterans Affairs	$302	3%
Department of Health and Human Services	$273	3%

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 $85 million during FY 2013, which is $11 million more than FY 2012 net revenue of $74 million. While this is not a material change in net operating results, ASF did have a reduction of $410 million in expenses and $399 million in revenues, primarily due to a decline in business volume with the Department of Defense.

ASF Net Revenues from Operations *in millions*



ASF Obligations and Outlays (*Dollars in Millions*)	2013	2012	Change ($)	Change (%)
Obligations Incurred	$9,773	$10,912	($1,139)	-10.44%
Gross Outlays	$10,088	$11,085	($997)	-8.99%
Offsetting Collections	$10,413	$10,956	($543)	-4.96%

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 decreased by more than $1.1 billion between FY 2012 and FY 2013. Overall, unpaid obligations for Assisted Acquisition Service (AAS) and General Supply and Services (GSS) programs have declined due to demand from defense customers. Large information technology projects have been completed or canceled and not replaced with new orders. Orders for the AAS programs have declined by $569 million from the previous year.

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 prescribed 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 control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA).

GSA conducted its assessment of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, GSA provides reasonable assurance that management internal controls over the effectiveness and efficiency over operations and compliance with applicable laws and regulations were operating effectively in its design and operation and no material weaknesses were identified as of September 30, 2013. 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 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 control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this assessment, GSA provides a reasonable assurance that internal controls over financial reporting were operating effectively as of September 30, 2013, with the exception of the financial reporting process, where a material weakness has been identified. GSA implemented procedures to correct key elements that caused the material error, which were corrected prior to the final presentation of financial statements. Remaining issues associated with internal controls over financial reporting will continue to be addressed in fiscal year 2014. Refer to the Other Information section for details.

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-127, Financial Management Systems, 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, 2013.

Dan Tangherlini
Administrator
December 9, 2013

GSA Management and Internal Control Program

Federal Managers' Financial Integrity Act Section 2

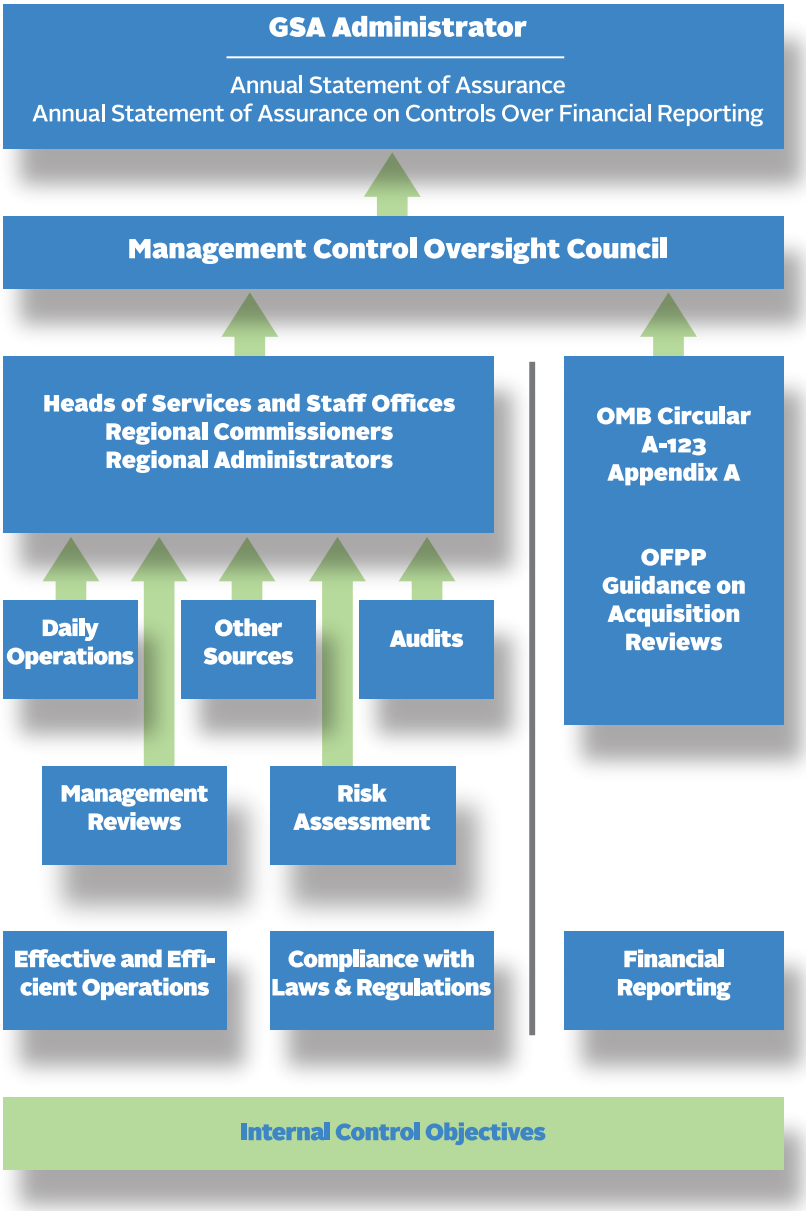
The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish internal control and financial systems that provide reasonable assurance that the three objectives of internal control are achieved:

- 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. The 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 all significant risks are identified, tested, evaluated, and mitigated timely and effectively. These reviews also ensure that audit findings are responded to in a timely and effective manner and corrective action plans are implemented. GSA provides assurance on the effectiveness of the internal control over operations, management systems, and financial reporting for FY 2013 with consideration to all internal and external reviews of the agency except as noted below. The "Summary of GSA's Financial Statement Audit and Management Assurances" table is provided in the Other Information section of this report.

In FY 2013, 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-127 *Financial Management Systems*; 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.

FMFIA Annual Assurance Process



In FY 2013, the Procurement Management Review (PMR) team collaborated with the Office of the Chief Financial Officer A-123 Internal Control Review team to jointly conduct financial and acquisition reviews in several regions. By analyzing activities from both an acquisition and financial perspective, GSA addressed control issues that involved financial and acquisition functions. As these reviews are completed, all review results are presented to management through the GSA Management Control and Oversight Council as the basis for determining the state of management assurances.

Based on the results of Internal Control Program reviews and assurance statement questionnaires, GSA identified no material weakness in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2013. 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 processes, consistent application of business rules, and effective communications across the agency.

GSA conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. As part of the evaluation, Appendix A requires agencies to develop a process to identify changes in the internal control environment that could potentially impact management's assessed effectiveness of internal control over financial reporting, including identification of material weaknesses resulting from reviews and audits that were not detected during the Appendix A assessment. The external auditor identified one material weakness related to financial reporting. One major component of the material weakness was related to estimation methodology for asbestos liability, which was not properly supported for the first two quarters of FY 2013, and resulted in an inaccurate preparation and reporting in the quarterly financial statements.

Remediation efforts were undertaken throughout the fiscal year. GSA implemented procedures to correct key elements of the material error prior to the final presentation of financial statements as provided below.

Asbestos Liabilities Estimation Methodology

- GSA implemented procedures to develop a reasonable methodology in Q3 and Q4 for estimating asbestos liability that uses cost factors derived from third-party contractor's estimates per square footage, linear feet and units of each which were normalized to Washington, DC locality. The cost factors were calculated against 100 percent of gross square footage for the owned building inventory built prior to calendar year 2000 and escalated to present value. Furthermore, Marshall & Swift locality rates were applied based upon building locations.
- GSA established an Asbestos Working Team which included representatives from PBS Design and Construction, PBS Portfolio Management, PBS Property Disposal, OGC, PBS Facilities Management and OCFO to address implementation of this new accounting standard.
- PBS Senior Management and OCFO met on a weekly basis to discuss various methods of estimating asbestos liabilities to consider if the resulting accounting estimate is consistent with the operational plans of the entity.
- PBS Senior Management and OCFO reviewed all sources of factors used in calculating the estimate, including the sensitivity analysis.

While GSA implemented key components of the corrective action plans in fiscal year 2013, residual issues associated with this material weakness will continue to be addressed in

fiscal year 2014. These include, but are not limited to:

- Refine the asbestos liability estimation methodology.
- Issue and communicate final accounting policies to the affected stakeholders.
- Revisit the financial reporting process related to lease footnote disclosures.

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 2013, GSA evaluated its financial management systems controls and compliance by completing independent systems certification and accreditation reviews as part of the billing and accounts receivable phase 2 implementation, submitting Senior Agency Information Security Officer (SAISO) reports, 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 2013, remediated all prior year SSAE16 audit recommendations, and discussed the details of pertinent systems-related control issues with senior managers and auditors.

In FY 2013, improvements were made to strengthen GSA IT systems controls in the areas of user recertification, audit logging and monitoring controls.

In assessing compliance with FFMIA, GSA adheres to the revised 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 2013.

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 16,000 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 OMB direction.

Financial Management Systems Framework

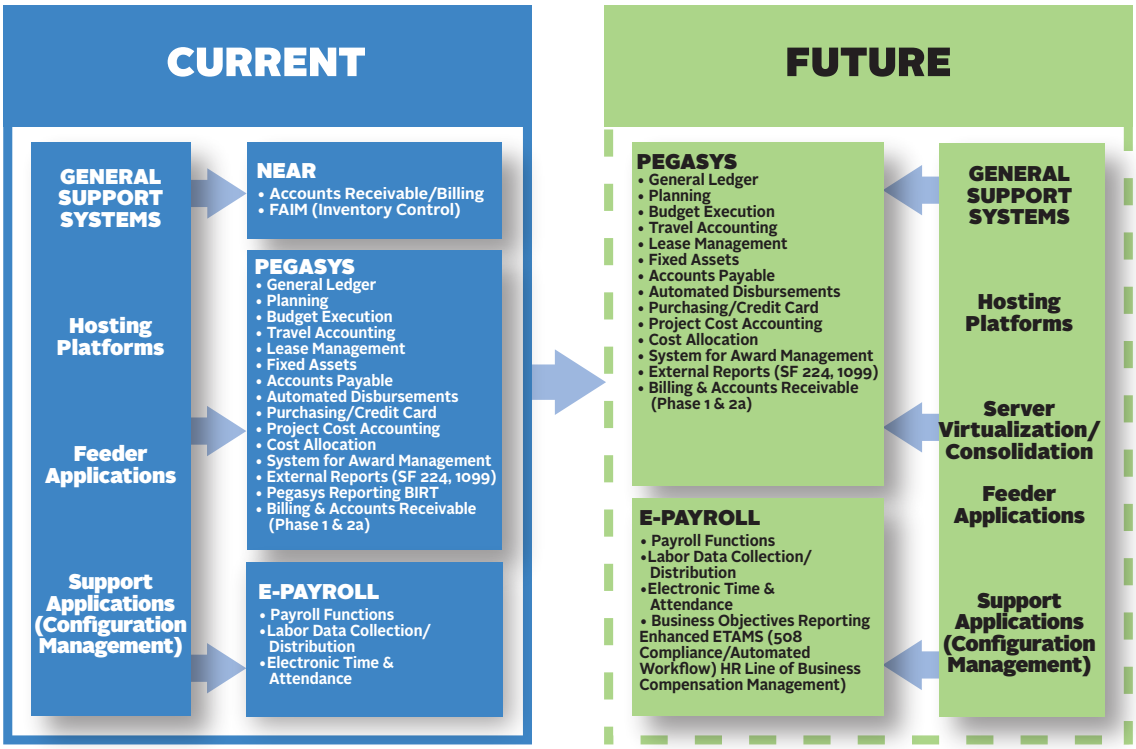
The Chief Financial Officers Act assigns responsibilities for planning, developing, maintaining, and integrating financial management systems within federal agencies. As depicted on the Financial Management Systems Framework chart below, GSA currently maintains a core accounting system, Pegasys; E-Payroll 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 2013, 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:

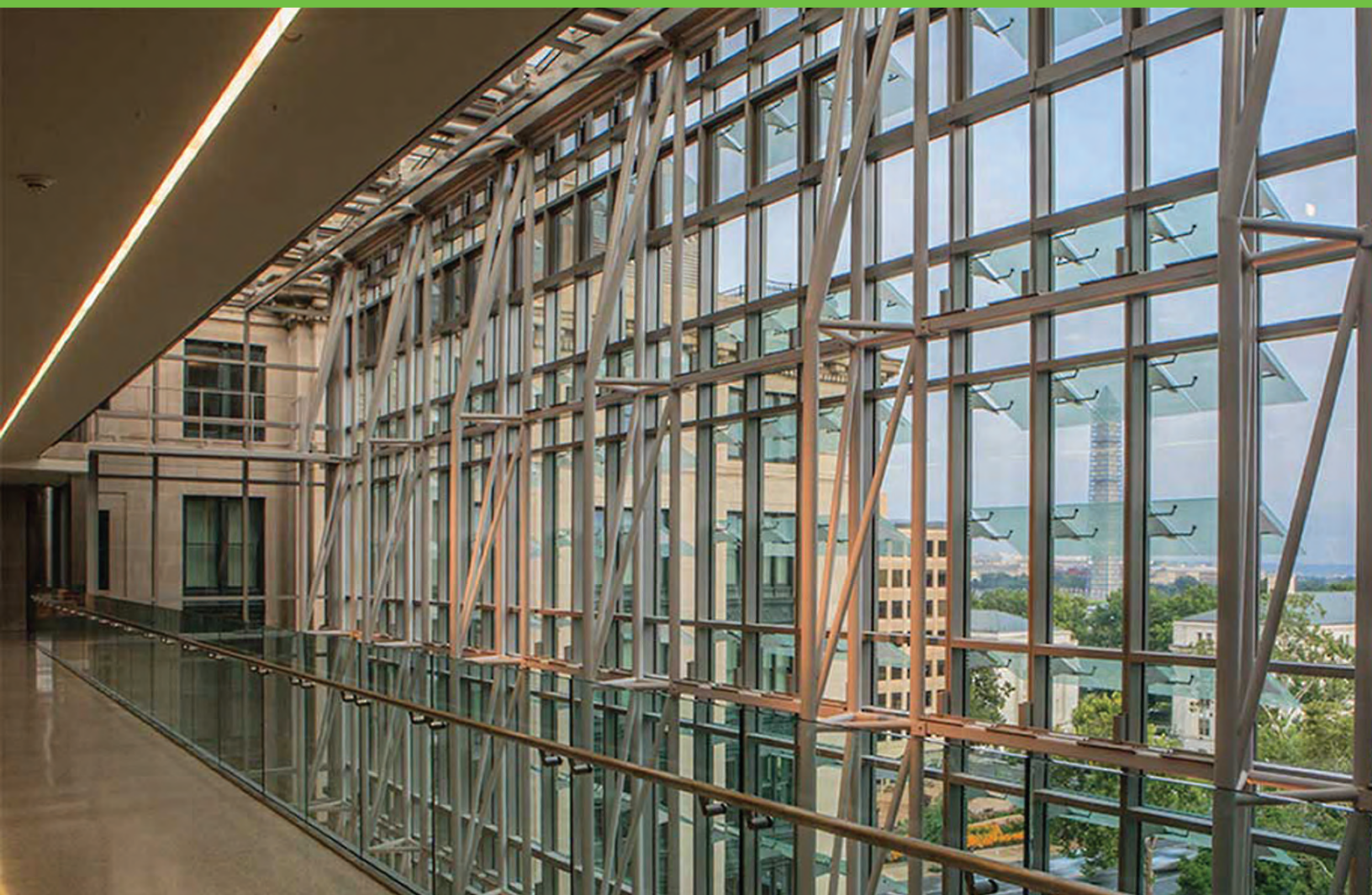
- Retire NEAR by transferring billing and accounts receivable and other remaining functionality to Pegasys; and
- Streamline, consolidate, and modernize financially oriented general support systems.

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 2013 financial statements for the U.S. General Services Administration.

In FY 2013 GSA continued the work started in FY 2012 by Administrator Dan Tangherlini to implement three key agency priorities: savings, efficiency, and service. The Office of the Chief Financial Officer (OCFO) played a key role in supporting these priorities and working to expand and institutionalize many of the reforms instituted in FY 2012. These efforts resulted in reduced administrative spending across the agency, including a 7 percent reduction in Working Capital Fund obligations compared to FY 2012. Other significant accomplishments in FY 2013 include:

- A new quarterly review process and revised billing methodology helped to ensure that the Working Capital Fund bills only what is needed to support GSA's mission, resulting in the return of $41 million of initially-billed funds to GSA service and staff offices in late FY 2013.
- The further implementation of the Billing and Accounts Receivable (BAAR) modules for Public Buildings Service (PBS) Reimbursable Work Authorization (RWA) programs. This will enhance the accounts receivable and billing portion of the accounting system and help ensure completeness, accuracy, and the validity of financial transactions.
- Significant progress has been made in improving GSA's controls over financial management systems, which, as a result, is no longer considered a significant deficiency by GSA's external auditors.

The OCFO continued the important work of streamlining and consolidating GSA's financial operations. This process, started late in FY 2012, with the review of financial functions across GSA, and the identification of areas where effectiveness can be improved and additional efficiencies can be gained. As a result of this review, over 200 additional staff, performing core financial functions, such as budget execution and control, will be consolidated into OCFO in December 2013. In FY 2014, the OCFO will develop a comprehensive concept of operations document, which will guide further realignment of activities within OCFO to increase the efficiency of our financial operations and to build greater consistency in our practices, rooted with sound internal controls. The OCFO expects to complete its realignment in FY 2014.

Based on an independent audit, GSA has received an unqualified "clean" audit opinion on its financial statements, representing the seventh consecutive clean opinion. The audit opinion reflects a financial operation that meets U.S. Department of the Treasury guidance, federal financial regulations, and generally accepted accounting principles.

The independent audit includes a new material weakness in internal controls over GSA financial reporting, due in large part to the use of an inaccurate methodology during the first two quarters of FY 2013 for assessing the total potential liability of asbestos in GSA-owned buildings. GSA applied a new, more accurate methodology in developing its final FY 2013 statements, and OCFO will continue in FY 2014 to take aggressive action to address all reporting issues and reverse this finding in the FY 2014 audit, as well as collaborate with 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
December 9, 2013

U.S. General Services Administration

Consolidating Balance Sheets

As of September 30, 2013 and 2012
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
ASSETS										
Intragovernmental Assets:										
Fund Balance with Treasury (Notes 1-D, 2)	**$7,964**	$7,813	**$1,414**	$1,095	**$581**	$604	**$-**	$-	**$9,959**	$9,512
Accounts Receivable - Federal, Net (Note 4)	**699**	577	**1,378**	1,353	**13**	8	**22**	19	**2,068**	1,919
Prepaid Expenses and Advances - Federal	**-**	3	**1**	1	**-**	-	**-**	-	**1**	4
Total Intragovernmental	**8,663**	8,393	**2,793**	2,449	**594**	612	**22**	19	**12,028**	11,435
Inventories (Note 1-E)	**-**	-	**99**	151	**-**	-	**-**	-	**99**	151
Accounts Receivable - Public, Net (Note 4)	**11**	19	**91**	95	**12**	17	**-**	-	**114**	131
Other Assets (Note 5)	**169**	129	**25**	57	**1**	1	**-**	-	**195**	187
Property and Equipment: (Notes 1-F, 6)										
Buildings	**40,811**	37,142	**-**	-	**-**	-	**-**	-	**40,811**	37,142
Leasehold Improvements	**299**	299	**40**	34	**-**	-	**-**	-	**339**	333
Telecommunications and ADP Equipment	**-**	-	**85**	85	**-**	-	**-**	-	**85**	85
Motor Vehicles	**-**	-	**4,878**	4,868	**-**	-	**-**	-	**4,878**	4,868
Other Equipment	**202**	190	**277**	265	**196**	170	**-**	-	**675**	625
Less: Accumulated Depreciation and Amortization	**(20,802)**	(19,377)	**(2,063)**	(2,010)	**(144)**	(127)	**-**	-	**(23,009)**	(21,514)
Subtotal	**20,510**	18,254	**3,217**	3,242	**52**	43	**-**	-	**23,779**	21,539
Land	**1,652**	1,602	**-**	-	**-**	-	**-**	-	**1,652**	1,602
Construction in Process and Software in Development	**2,382**	4,352	**11**	22	**-**	9	**-**	-	**2,393**	4,383
Total Property and Equipment, Net	**24,544**	24,208	**3,228**	3,264	**52**	52	**-**	-	**27,824**	27,524
Total Assets	**$33,387**	$32,749	**$6,236**	$6,016	**$659**	$682	**$22**	$19	**$40,260**	$39,428
LIABILITIES AND NET POSITION										
Intragovernmental Liabilities:										
Accounts Payable and Accrued Expenses - Federal	**$89**	$54	**$27**	$24	**$7**	$12	**$22**	$19	**$101**	$71
Judgment Fund Liability	**424**	424	**-**	-	**-**	-	**-**	-	**424**	424
Intragovernmental Debt (Note 7)	**1,733**	1,819	**-**	-	**-**	-	**-**	-	**1,733**	1,819
Other Intragovernmental Liabilities (Notes 10, 12)	**146**	118	**14**	14	**63**	85	**-**	-	**223**	217
Total Intragovernmental	**2,392**	2,415	**41**	38	**70**	97	**22**	19	**2,481**	2,531
Accounts Payable and Accrued Expenses - Public	**1,072**	1,099	**999**	907	**14**	9	**-**	-	**2,085**	2,015
Environmental and Disposal Liabilities (Notes 6, 11, 12)	**1,884**	119	**-**	-	**75**	102	**-**	-	**1,959**	221
Capital Lease and Installment Purchase Liability	**361**	404	**-**	-	**-**	-	**-**	-	**361**	404
Workers' Compensation Actuarial Liability (Notes 8, 12)	**90**	87	**32**	30	**17**	16	**-**	-	**139**	133
Unamortized Rent Abatement Liability	**353**	292	**-**	-	**-**	-	**-**	-	**353**	292
Annual Leave Liability (Notes 1-G, 12)	**53**	54	**32**	34	**21**	22	**-**	-	**106**	110
Deposit Fund Liability	**-**	-	**-**	-	**34**	31	**-**	-	**34**	31
Other Liabilities (Notes 10, 12)	**48**	25	**9**	8	**19**	18	**-**	-	**76**	51
Total Liabilities	**6,253**	4,495	**1,113**	1,017	**250**	295	**22**	19	**7,594**	5,788
NET POSITION (Note 15)										
Cumulative Results of Operations	**26,618**	27,049	**5,123**	4,999	**256**	292	**-**	-	**31,997**	32,340
Unexpended Appropriations	**516**	1,205	**-**	-	**153**	95	**-**	-	**669**	1,300
Total Net Position	**27,134**	28,254	**5,123**	4,999	**409**	387	**-**	-	**32,666**	33,640
Total Liabilities and Net Position	**$33,387**	$32,749	**$6,236**	$6,016	**$659**	$682	**$22**	$19	**$40,260**	$39,428

The accompanying notes are an integral part of these statements.

Consolidating Statements of Net Cost

For the Fiscal Years Ended September 30, 2013 and 2012
(Dollars in Millions)

	2013			2012		
	Revenues	**Expenses**	**Net Revenues from (Cost of) Operations**	Revenues	Expenses	Net Revenues from (Cost of) Operations
FEDERAL BUILDINGS FUND:						
Building Operations - Government Owned	**$4,839**	**$4,299**	**$540**	$4,657	$4,280	$377
Building Operations - Leased	**6,722**	**6,828**	**(106)**	6,822	6,889	(67)
Subtotal	**11,561**	**11,127**	**434**	11,479	11,169	310
ACQUISITION SERVICES FUND:						
General Supplies and Services	**1,352**	**1,410**	**(58)**	1,568	1,590	(22)
Travel, Motor Vehicles, and Card Services	**1,832**	**1,729**	**103**	1,995	1,900	95
Integrated Technology Services	**1,520**	**1,500**	**20**	1,553	1,565	(12)
Assisted Acquisition Services	**4,634**	**4,613**	**21**	4,621	4,594	27
Other Programs	**60**	**61**	**(1)**	60	74	(14)
Subtotal	**9,398**	**9,313**	**85**	9,797	9,723	74
OTHER FUNDS:						
Working Capital Fund	**447**	**478**	**(31)**	439	432	7
GSA OE and OGP Funds	**17**	**138**	**(121)**	12	148	(136)
Other Funds	**7**	**105**	**(98)**	11	145	(134)
Subtotal	**471**	**721**	**(250)**	462	725	(263)
INTRA-GSA ELIMINATIONS:						
Less: Intra-GSA Eliminations	**745**	**782**	**(37)**	695	710	(15)
GSA Consolidated Totals	**$20,685**	**$20,379**	**$306**	$21,043	$20,907	$136

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

Consolidating Statements of Changes in Net Position

For the Fiscal Years Ended September 30, 2013 and 2012
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
BEGINNING BALANCE OF NET POSITION:										
Cumulative Results of Operations	**$27,049**	$25,142	**$4,999**	$4,878	**$292**	$277	**$ -**	$ -	**$32,340**	$30,297
Adjustments - Change in Accounting Principles	**(1,802)**	-	**-**	-	**-**	-			**(1,802)**	-
Cumulative Results of Operations, as adjusted	**25,247**	25,142	**4,999**	4,878	**292**	277	**-**	-	**30,538**	30,297
Unexpended Appropriations	**1,205**	2,739	**-**	-	**95**	95	**-**	-	**1,300**	2,834
Net Position Beginning Balance	**26,452**	27,881	**4,999**	4,878	**387**	372	**-**	-	**31,838**	33,131
RESULTS OF OPERATIONS:										
Net Revenue From (Cost of) Operations	**434**	310	**85**	74	**(250)**	(263)	**(37)**	(15)	**306**	136
Appropriations Used (Note 1-C)	**695**	1,534	**-**	-	**236**	224	**-**	-	**931**	1,758
Non-Exchange Revenue (Notes 1-C, 1-D)	**17**	1	**-**	-	**83**	221	**-**	-	**100**	222
Imputed Financing Provided By Others	**66**	56	**46**	44	**21**	23	**37**	15	**96**	108
Transfer of Earnings Paid and Payable to U.S. Treasury	**-**	-	**-**	-	**(58)**	(199)	**-**	-	**(58)**	(199)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	**159**	6	**(6)**	3	**(65)**	11	**-**	-	**88**	20
Other	**-**	-	**(1)**	-	**(3)**	(2)	**-**	-	**(4)**	(2)
Net Results of Operations	**1,371**	1,907	**124**	121	**(36)**	15	**-**	-	**1,459**	2,043
CHANGES IN UNEXPENDED APPROPRIATIONS:										
Appropriations Received	**7**	-	**-**	-	**239**	239	**-**	-	**246**	239
Appropriations Used	**(695)**	(1,534)	**-**	-	**(236)**	(224)	**-**	-	**(931)**	(1,758)
Appropriations Adjustments and Transfers From Other Agencies or Funds	**(1)**	-	**-**	-	**55**	(15)	**-**	-	**54**	(15)
Net Change in Unexpended Appropriations	**(689)**	(1,534)	**-**	-	**58**	-	**-**	-	**(631)**	(1,534)
ENDING BALANCE OF NET POSITION:										
Cumulative Results of Operations	**26,618**	27,049	**5,123**	4,999	**256**	292	**-**	-	**31,997**	32,340
Unexpended Appropriations	**516**	1,205	**-**	-	**153**	95	**-**	-	**669**	1,300
Net Position Ending Balance	**$27,134**	$28,254	**$5,123**	$4,999	**$409**	$387	**$ -**	$ -	**$32,666**	$33,640

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

Combining Statements of Budgetary Resources

As of September 30, 2013 and 2012
(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		GSA COMBINED TOTALS	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
BUDGETARY RESOURCES								
Unobligated Balance from Prior Year Budget Authority: Unobligated Balance, Brought Forward, October 1	**$4,717**	$5,246	**$1,899**	$1,781	**$222**	$233	**$6,838**	$7,260
Recoveries of Prior Year Unpaid Obligations	**326**	306	**317**	400	**15**	10	**658**	716
Other Changes in Unobligated Balance	**(87)**	(80)	**(6)**	-	**(1)**	(6)	**(94)**	(86)
Unobligated Balance from Prior Year Budget Authority, Net	**4,956**	5,472	**2,210**	2,181	**236**	237	**7,402**	7,890
Appropriations, Net	**6**	-	**-**	-	**251**	260	**257**	260
Spending Authority from Offsetting Collections:								
Collections	**11,694**	11,536	**10,413**	10,956	**474**	491	**22,581**	22,983
Change in Uncollected Customer Payments	**(315)**	(266)	**(741)**	(326)	**(7)**	30	**(1,063)**	(562)
Previously Unavailable	**3,280**	2,239	**-**	-	**-**	-	**3,280**	2,239
Resources Temporarily Not Available	**(4,729)**	(3,280)	**-**	-	**-**	-	**(4,729)**	(3,280)
Transfers	**-**	1	**-**	-	**-**	-	**-**	1
Total Spending Authority from Offsetting Collections	**9,930**	10,230	**9,672**	10,630	**467**	521	**20,069**	21,381
Total Budgetary Resources	**$14,892**	$15,702	**$11,882**	$12,811	**$954**	$1,018	**$27,728**	$29,531
STATUS OF BUDGETARY RESOURCES								
Obligations Incurred:								
Direct								
Category A	**-**	-	**-**	-	**237**	245	**237**	245
Category B	**141**	48	**-**	-	**12**	11	**153**	59
Reimbursable								
Category A	**-**	-	**8,723**	9,768	**499**	540	**9,222**	10,308
Category B	**10,633**	10,937	**1,050**	1,144	**-**	-	**11,683**	12,081
Total Obligations Incurred	**10,774**	10,985	**9,773**	10,912	**748**	796	**21,295**	22,693
Unobligated Balance:								
Apportioned	**4,097**	4,679	**2,078**	1,850	**76**	79	**6,251**	6,608
Unapportioned	**21**	38	**31**	49	**130**	143	**182**	230
Total Unobligated Balance, End of Period	**4,118**	4,717	**2,109**	1,899	**206**	222	**6,433**	6,838
Total Status of Budgetary Resources	**$14,892**	$15,702	**$11,882**	$12,811	**$954**	$1,018	**$27,728**	$29,531
CHANGE IN OBLIGATED BALANCE								
Unpaid Obligations:								
Unpaid Obligations, Brought Forward, October 1, Gross	**4,650**	7,068	**5,004**	5,577	**237**	202	**9,891**	12,847
Obligations Incurred	**10,774**	10,985	**9,773**	10,912	**748**	796	**21,295**	22,693
Outlays, Gross	**(11,463)**	(13,097)	**(10,088)**	(11,085)	**(728)**	(751)	**(22,279)**	(24,933)
Recoveries of Prior Year Unpaid Obligations	**(326)**	(306)	**(317)**	(400)	**(15)**	(10)	**(658)**	(716)
Unpaid Obligations, End of Period, Gross	**3,635**	4,650	**4,372**	5,004	**242**	237	**8,249**	9,891
Uncollected Payments:								
Uncollected Customer Payments, Brought Forward, October 1	**(4,807)**	(5,073)	**(5,808)**	(6,134)	**(39)**	(9)	**(10,654)**	(11,216)
Change in Uncollected Customer Payments from Federal Sources	**315**	266	**741**	326	**7**	(30)	**1,063**	562
Uncollected Customer Payments from Federal Sources, End of Period	**(4,492)**	(4,807)	**(5,067)**	(5,808)	**(32)**	(39)	**(9,591)**	(10,654)
Obligated Balance, Start of Year, Oct 1:	**(157)**	1,995	**(804)**	(557)	**198**	193	**(763)**	1,631
Obligated Balance, End of Period:	**(857)**	(157)	**(695)**	(804)	**210**	198	**(1,342)**	(763)
BUDGET AUTHORITY AND OUTLAYS, NET								
Budget Authority, Gross	**9,936**	10,230	**9,672**	10,630	**718**	781	**20,326**	21,641
Actual Offsetting Collections	**(11,694)**	(11,536)	**(10,413)**	(10,956)	**(474)**	(491)	**(22,581)**	(22,983)
Change in Uncollected Customer Payments from Federal Sources	**315**	266	**741**	326	**7**	(30)	**1,063**	562
Budget Authority, Net	**(1,443)**	(1,040)	**-**	-	**251**	260	**(1,192)**	(780)
Gross Outlays	**11,463**	13,097	**10,088**	11,085	**728**	751	**22,279**	24,933
Less: Offsetting Collections	**(11,694)**	(11,536)	**(10,413)**	(10,956)	**(474)**	(491)	**(22,581)**	(22,983)
Net Outlays from Operating Activity	**(231)**	1,561	**(325)**	129	**254**	260	**(302)**	1,950
Distributed Offsetting Receipts	**-**	-	**-**	-	**(64)**	(193)	**(64)**	(193)
Total Net Outlays	**$(231)**	$1,561	**$(325)**	$129	**$190**	$67	**$(366)**	$1,757

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

For the Fiscal Years Ended September 30, 2013 and 2012

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 funds have been combined under Other Funds.

The FBF is the primary fund used to record activities of the Public Buildings Service (PBS). The ASF 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, 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
- Operating Expenses, Government-Wide Policy
- 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 Fund accounts are considered non-entity funds since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury (U.S. Treasury) automatically transfers all cash balances in these receipt accounts to 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 2013 and 2012, GSA has allocation accounts in this regard with the Departments of Treasury and Commerce.

During FYs 2013 and 2012, GSA received an allocation transfer from OMB, where GSA (child), is executing certain activities of the Integrated, Efficient and Effective Uses of Information Technology Fund on behalf of the Executive Office of the President (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 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 purchases from other federal agencies. Each fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that 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. Revenue under nonrecurring reimbursable building repairs and alterations (R&A) projects is recognized under the percentage-of-completion method. For these reimbursable projects, GSA charges customers only 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 provided 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 based on rental arrangements 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 $282 million in fees, constituting three percent of ASF revenues in FY 2013, and $299 million, three percent of ASF revenues, in FY 2012. 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. Non-Exchange Revenues are reported net of allowances for uncollectible accounts.

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

D. Fund Balance with Treasury (See Note 2)

This total represents all unexpended balances for GSA accounts with the U.S. Treasury. Amounts in Fund Balance

with Treasury are based on the balances reported on the books of the U.S. Treasury, as the official record of the federal government. Adjustments are only made to those amounts when significant differences are considered errors on the books of 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

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.

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 capitalize construction costs in the Land and Buildings accounts upon project completion. Buildings acquired under capital lease agreements are also depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years and 10 years, respectively.

Telecommunications and Automated Data Processing (ADP) Equipment are used in operations to perform services for other federal agencies for which billings are rendered. Most of the assets comprising Other Equipment are used internally by GSA. Telecommunications and ADP Equipment, and Other Equipment categories 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, 2013, and 2012.

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):

	2013	2012
Revolving Funds	**$251**	$271
Appropriated and General Funds	**119**	109
Clearing Funds	**12**	15
Special Receipt Funds	**115**	136
Special and Trust Expenditure Funds	**48**	41
Deposit Funds	**36**	32
Total Other Funds	**$581**	$604

C. Relationship to the Budget

In accordance with FASAB SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, the following information is provided to further identify amounts in Fund Balance with Treasury as of September 30, 2013, and 2012, 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
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**
2012				
FBF	$ (157)	$ 4,653	$ 3,317	$7,813
ASF	(804)	1,850	49	1,095
Other Funds	198	79	327	604
Total	$ (763)	$ 6,582	$ 3,693	$9,512

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 $116 million and $136 million at September 30, 2013, and 2012, respectively, of which $26 million and $49 million, respectively, were recorded as liabilities in the Consolidating Balance Sheets.

In FYs 2013 and 2012, $1.2 million and $1.0 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 $68 million and $71 million at September 30, 2013, and 2012, 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 $4,729 million and $3,280 million at September 30, 2013, and 2012, 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. At the end of FY 2012, management determined that all earnings would be retained in accordance with this process. During FY13, FAS identified $6 million of balances that exceeded our current operating needs and subsequently returned those funds to the U.S. Treasury. As of the end of FY 2013, FAS has not identified any additional balances to be returned in FY14.

3. NON-ENTITY ASSETS

As of September 30, 2013, and 2012, 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 $48 million and $47 million, respectively.

4. ACCOUNTS AND NOTES RECEIVABLE, NET

Substantially all accounts receivable are from other federal agencies, with only five 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, 2013, and 2012, accumulated interest on this note totaled $111 million and $97 million, respectively.

A summary of Accounts Receivable as of September 30, 2013, and 2012, is as follows (dollars in millions):

	FBF		ASF		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Accounts Receivable - Billed	**$160**	$241	**$ 118**	$ 135	**$13**	$17	**$ -**	$ -	**$ 291**	$ 393
Accounts Receivable - Unbilled	**577**	392	**1,364**	1,323	**12**	8	**22**	19	**1,931**	1,704
Allowance for Doubtful Accounts	**(27)**	(37)	**(13)**	(10)	**-**	-	**-**	-	**(40)**	(47)
Total Accounts Receivable, Net	**$710**	$596	**$1,469**	$1,448	**$25**	$25	**$22**	$19	**$2,182**	$2,050

5. OTHER ASSETS

As of September 30, 2013, and 2012, Other Assets were comprised of the following balances (dollars in millions):

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Investments in Capital Leases	**$ 84**	$ 57	**$ -**	$ -	**$ -**	$ -	**$ 84**	$ 57
Surplus Property Held for Sale	**3**	6	**25**	57	**1**	1	**29**	64
Unamortized Deferred Charges and Prepayments	**69**	55	**-**	-	**-**	-	**69**	55
Artworks	**9**	6	**-**	-	**-**	-	**9**	6
Miscellaneous	**4**	5	**-**	-	**-**	-	**4**	5
Total Other Assets	**$169**	$129	**$25**	$57	**$ 1**	$1	**$195**	$187

6. PROPERTY AND EQUIPMENT, NET

A. Summary of Balances

Balances in GSA Property and Equipment accounts subject to depreciation as of September 30, 2013, and 2012, are summarized below (dollars in millions):

	2013			2012		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
Buildings	**$40,811**	**$20,456**	**$20,355**	$37,142	$19,073	$18,069
Leasehold Improvements	**339**	**242**	**97**	333	221	112
Telecom and ADP Equipment	**85**	**85**	**-**	85	85	-
Motor Vehicles	**4,878**	**1,725**	**3,153**	4,868	1,694	3,174
Other Equipment	**675**	**501**	**174**	625	441	184
Total Property and Equipment	**$46,788**	**$23,009**	**$23,779**	$43,053	$21,514	$21,539

B. Cleanup Costs

GSA's FBF recognized $1,884 million and $119 million for Environmental and Disposal Liabilities in FYs 2013 and 2012, 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. Accordingly, GSA recognized liabilities totaling $80 million and $119 million for these environmental cleanup costs in FYs 2013 and 2012, respectively.

In instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized the estimated costs for related environmental studies as is prescribed in the guidance noted above. Management has estimated an additional $13 million and $15 million as of September 30, 2013, and 2012, respectively, of potential cleanup costs where it is only possible that GSA could incur additional costs. In some instances, GSA has been named as a party in certain environmental cases where the subject property is no longer in the GSA or federal property inventory. GSA's liability for such cases is further discussed in Note 11.

- 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 were 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 determined a building useful life of 30 years for purposes of amortizing the long term estimated asbestos cleanup costs. In FY 2013, GSA recognized a total asbestos liability of $1,803 million,

in which $1,802 million is attributable to prior years' amortized cost. In GSA's Consolidating Statements of Changes in Net Position, the FBF recognizes the prior years' amortized cost as a prior period adjustment in FY 2013. The unamortized costs that will be recognized in future years as of September 30, 2013, are estimated to be $83 million

C. Heritage Assets

The average age of GSA buildings is over 48 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 315 buildings on the National Register, up from 305 at the end of FY 2012, of which 81 are designated as National Historical Landmarks. An additional 156 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.

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 borrows monies (as advance payments) through the Federal Financing Bank (FFB) or executes lease-to-own contracts to finance the lease purchases. Mortgage loans and construction advances held by the FFB are due at various dates from June 28, 2021, through August 1, 2035, at interest rates ranging from 2.005 percent to 8.561 percent. The program authorizes total expenditures of $1,945 million for 11 projects. In FYs 2013 and 2012, the FFB made advance payments on behalf of GSA totaling $0.5 million and $2 million, respectively. As of September 30, 2013, and 2012, $26.9 million and $27.4 million, respectively, of borrowing authority under the lease purchase program remained available for additional advance payments. However, during FY 2013, GSA completed all new borrowing actions related to these projects and has yet to determine any further use of the remaining authority.

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.

C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the FBF at September 30, 2013, and 2012, were as follows (dollars in millions):

	2013	2012
Lease Purchase Debt	**$1,174**	$1,235
Pennsylvania Avenue Debt	**559**	584
Total GSA Debt	**$1,733**	$1,819

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities at the end of FY 2013 are as follows (dollars in millions):

AGGREGATE DEBT MATURITIES

FISCAL YEAR	LEASE PURCHASE DEBT	PA AVE DEBT	TOTAL
2014	$ 66	$ 26	$ 92
2015	71	28	99
2016	75	30	105
2017	81	32	113
2018	86	35	121
2019 and thereafter	795	408	1,203
Total future aggregate debt maturities	$ 1,174	$ 559	$ 1,733

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 2013 and 2012 were calculated by DOL using the following discount rates:

	FY 2013		FY 2012	
	Year 1	**Year 2 and there-after**	Year 1	Year 2 and there-after
Wage Benefits	**2.727**	**3.127**	2.293	3.138
Medical Benefits	**2.234**	**2.860**	2.293	3.138

At September 30, 2013, and 2012, GSA's actuarial liability totaled $139 million and $133 million, respectively.

9. LEASING ARRANGEMENTS

As of September 30, 2013, 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**
2014	$4,037
2015	3,461
2016	2,920
2017	2,512
2018	2,084
2019 and thereafter	8,612
Total future minimum lease payments	$23,626

CAPITAL LEASES	
FISCAL YEAR	**FBF**
2014	$ 45
2015	40
2016	33
2017	33
2018	33
2019 and thereafter	83
Total future minimum lease payments	267
Less: Amounts representing-	
Interest	57
Executory Costs	2
Total obligations under capital leases	$208

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 at any time. 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 in the short term. 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 RENTALS	
FISCAL YEAR	**TOTAL**
2014	$ 1,689
2015	1,339
2016	1,243
2017	1,172
2018	1,091
2019 and thereafter	7,231
Total future minimum lease rentals	$13,765

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 $83 million, and a residual balance in deferred revenues of $25 million as of September 30, 2013. The remaining minimum rental payments due from these agreements are as follows (dollars in millions):

DIRECT FINANCING LEASE RENTALS	
FISCAL YEAR	**TOTAL**
2014	$ 8
2015	8
2016	8
2017	8
2018	8
2019 and thereafter	43
Total future minimum lease rentals	$83

Rental income under subleasing agreements and related reimbursable arrangements for tenant improvements and above standard service requirements approximated $6.7 billion and $6.8 billion for the FYs ended September 30, 2013, and 2012, respectively. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately $5.8 billion and $5.7 billion in FYs 2013 and 2012, respectively. The Consolidating Balance Sheets as of September 30, 2013, and 2012, include capital lease assets of $523 million and $524 million for buildings, respectively. Aggregate accumulated amortization on such structures totaled $349 million and $330 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, 2013, and 2012, 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Other Intragovernmental Liabilities:								
Workers' Compensation Due to DOL	**$ 20**	$20	**$ 8**	$ 7	**$ 3**	$ 4	**$ 31**	$ 31
Federal Benefit Withholdings	**3**	3	**2**	2	**2**	1	**7**	6
Deposits in Clearing Funds	**-**	-	**-**	-	**12**	15	**12**	15
Earnings Payable to Treasury	**-**	-	**-**	-	**29**	54	**29**	54
Deferred Revenues/Advances - Federal	**123**	95	**4**	5	**17**	11	**144**	111
Total Other Intragovernmental Liabilities	**$146**	$118	**$14**	$14	**$63**	$85	**$223**	$217
Other Liabilities:								
Salaries and Benefits Payable	**$ 14**	$ 12	**$ 8**	$ 7	**$ 8**	$ 6	**$ 30**	$ 25
Deferred Revenues/Advances from the Public	**8**	7	**-**	-	**-**	-	**8**	7
Contingencies	**26**	6	**1**	1	**-**	1	**27**	8
Pensions for Former Presidents	**-**	-	**-**	-	**11**	11	**11**	11
Total Other Liabilities	**$ 48**	$ 25	**$ 9**	$ 8	**$ 19**	$18	**$ 76**	$ 51

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, 2013, and 2012, were as follows (dollars in millions):

	2013	2012
FBF	**$2,464**	$3,443
ASF	**3,335**	4,062
Other Funds	**215**	211
Total Undelivered Orders	**$6,014**	$7,716

In FY 2007, GSA awarded eight contracts for worldwide telecommunications and network services (Networx Universal and Networx Enterprise) to replace the previous FTS2001 contracts, and to provide voice, wireless, IP, satellite, and related telecommunications services for the federal community. These contracts are primarily funded through the ASF Integrated Technology Services portfolio. The contracts provide minimum revenue guarantees totaling $575 million, of which $1 million and $12 million remained outstanding as of September 30, 2013, and 2012, respectively. Given the value of services GSA estimates it will procure over the 10 year life of these contracts, management considers the risk of not meeting the minimum revenue guarantees to be remote.

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, 2013, and 2012, GSA recorded liabilities in total of $27 million 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 $15 million to $141 million as of September 30, 2013, 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, 2012 reasonably possible claims ranged from $17 million to $63 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 $76 million and $103 million in FYs 2013 and 2012, respectively, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Of those amounts, approximately $75 million and $102 million result from several environmental cases outstanding at the end of FYs 2013 and 2012, 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 $196 million to $323 million at September 30, 2013, and ranged from $206 million to $290 million at September 30, 2012.

  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 $2 million and $29 million in FYs 2013 and 2012, respectively. Of these amounts, $0.2 million and $19 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, 2013, and 2012, 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):

	2013	2012
Judgment Fund Liability	**$424**	$424
Other Intragovernmental Liabilities	**199**	100
Environmental and Disposal	**1,959**	221
Capital Lease and Installment Purchase Liability	**321**	353
Workers' Compensation Actuarial Liabilities	**139**	133
Annual Leave Liability	**106**	110
Deposit Fund Liability	**34**	31
Other Liabilities	**45**	19
Total Liabilities Not Covered By Budgetary Resources	**$3,227**	$1,391

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 2014 President's Budget, which contains FY 2012 financial statement results. The FY 2015 President's Budget, containing FY 2013 actual results is expected to be released in February 2014 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 2012 CSBR and FY 2014 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	$18,982	$18,930	$12,811	$12,811	$1,018	$976	$32,811	$32,717	$94
Obligations Incurred	10,985	10,968	10,912	10,912	796	793	22,693	22,673	20
Unobligated Balances	7,997	7,962	1,899	1,899	222	183	10,118	10,044	74
Balance of Obligations	(157)	(155)	(804)	(803)	198	198	(763)	(760)	(3)
Outlays	1,561	1,560	129	128	67	259	1,757	1,947	(190)

	Bugetary Resources	Obligations Incurred	Unobligated Balance	Obligated Balance	Net Outlays
Combined Statement of Budgetary Resources	$32,811	$22,693	$10,118	$(763)	$1,757
Expired Funds, Not Reflected in the Budget	(90)	(19)	(71)	-	-
Offsetting Receipts Not Reflected in the Budget	-	-	-	-	193
Other	(4)	(1)	(3)	3	(3)
Budget of the U.S. Government	$32,717	$22,673	$10,044	$(760)	$1,947

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 FY 2013, changes to the presentation were made in accordance with guidance provided in OMB Circular A-136. Comparative FY 2012 balances were reclassified to conform to the presentation in the current year. 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. In FY 2013, immaterial prior period adjustments were reported to Treasury for the FBF that were not significant enough to warrant a restatement of the CSBR.

As a result, the following differences exist 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 and $138 million as of September 30, 2013, and 2012, respectively. 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, 2013, and 2012, balances reported as unexpended appropriations were as follows (dollars in millions):

	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**

2012			
Unobligated Balances:			
Available	$ 41	$ 31	$ 72
Unavailable	33	14	47
Undelivered Orders	1,131	52	1,183
Unfilled Customer Orders	-	(2)	(2)
Total Unexpended Appropriations	$ 1,205	$ 95	$ 1,300

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 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 2013, 12.2 percent (down from 14.2 percent in FY 2012) 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 $11 million and $14 million in FYs 2013 and 2012, 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, 2013, 87.6 percent (up from 85.5 percent in FY 2012) 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 and $17,000 in their TSP account in calendar years 2013 and 2012, 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 2013 and 2012, total contributions made on behalf of an employee could not exceed $51,000 and $50,000, respectively. During FYs 2013 and 2012, GSA (employer) contributions to FERS (26.3 percent of base pay for law enforcement employees and 11.9 percent for all others) totaled $115 million and $114 million, respectively. Additional GSA contributions to the TSP totaled $42 million in FYs 2013 and 2012.

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 $113,700 and $110,100 in calendar years 2013 and 2012, respectively) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2013. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2013. In FYs 2013 and 2012, 0.2 percent and 0.3 percent, respectively, of GSA employees are covered exclusively by these programs. Payments to these programs in FYs 2013 and 2012, amounted to $73 million and $75 million, respectively.

E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2013 and 2012, in accordance with FASAB SFFAS No. 5, for imputed post-employment benefits were as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
2013			
FBF	**$19**	**$28**	**$47**
ASF	**14**	**16**	**30**
Other Funds	**9**	**9**	**18**
Total Unfunded Benefit Costs	**$42**	**$53**	**$95**
2012			
FBF	$17	$33	$50
ASF	13	19	32
Other Funds	9	11	20
Total Unfunded Benefit Costs	$39	$63	$102

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, 2013, and 2012 (dollars in millions):

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
RESOURCES USED TO FINANCE ACTIVITIES										
Obligations Incurred	**$ 10,774**	$ 10,985	**$ 9,773**	$ 10,912	**$ 748**	$ 796	**$ -**	$ -	**$ 21,295**	$ 22,693
Less: Spending Authority From Offsetting Collections and Adjustments	**(11,705)**	(11,576)	**(9,989)**	(11,030)	**(482)**	(531)	**-**	-	**(22,176)**	(23,137)
Financing Imputed for Cost Subsidies	**66**	56	**46**	44	**21**	23	**37**	15	**96**	108
Other	**(200)**	3	**11**	7	**(60)**	205	**-**	-	**(249)**	215
Total Resources Used to Finance Activities	**(1,065)**	(532)	**(159)**	(67)	**227**	493	**37**	15	**(1,034)**	(121)
RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS										
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	**982**	2,153	**727**	210	**(4)**	(47)	**-**	-	**1,705**	2,316
Increase/(Decrease) in Unfilled Customer Orders	**(401)**	(285)	**(764)**	(204)	**(5)**	36	**-**	-	**(1,170)**	(453)
Costs Capitalized on the Balance Sheet	**(1,862)**	(3,062)	**(692)**	(759)	**(16)**	(38)	**-**	-	**(2,570)**	(3,859)
Financing Sources Funding Prior Year Costs	**149**	(185)	**(6)**	2	**(5)**	(11)	**-**	-	**138**	(194)
Other	**192**	78	**(1)**	(2)	**64**	(194)	**-**	-	**255**	(118)
Total Resources Used That Are Not Part of the Net Cost of Operations	**(940)**	(1,301)	**(736)**	(753)	**34**	(254)	**-**	-	**(1,642)**	(2,308)
COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS										
Depreciation and Amortization	**1,460**	1,367	**499**	495	**16**	19	**-**	-	**1,975**	1,881
Net Book Value of Property Sold	**53**	3	**311**	250	**-**	-	**-**	-	**364**	253
Other	**24**	91	**-**	-	**-**	-	**-**	-	**24**	91
Total Costs Financed by Resources Received in Prior Periods	**1,537**	1,461	**810**	745	**16**	19	**-**	-	**2,363**	2,225
COSTS REQUIRING RESOURCES IN FUTURE PERIODS										
Unfunded Capitalized Costs	**51**	59	**-**	-	**-**	-	**-**	-	**51**	59
Unfunded Current Expenses	**(17)**	3	**-**	1	**(27)**	5	**-**	-	**(44)**	9
Total Costs Requiring Resources in Future Periods	**34**	62	**-**	1	**(27)**	5	**-**	-	**7**	68
Net (Income From) Cost of Operations	**$ (434)**	$ (310)	**$ (85)**	$ (74)	**$ 250**	$ 263	**$ 37**	$ 15	**$ (306)**	$ (136)

18. SUBSEQUENT EVENTS

GSA recognized the following two subsequent events that occurred after September 30, 2013; however, prior to the issuance of the financial statements for FY 2013:

- In an effort to modernize its supply chain, GSA decided on November 8, 2013, to cease operations at its two distribution centers. The western distribution facility in French Camp, CA and the eastern distribution facility in Burlington, NJ are scheduled to close on September 30, 2014 and December 31, 2014, respectively. This decision is based on declining demand, high overhead expenses, and operational inefficiencies that create difficulties in achieving desired delivery times. For FY 2013, the Stock and Stock Direct Delivery programs combined to generate a net loss of $46 million. Through advances in technology and business practices, GSA is transitioning from stocking inventory in distribution centers to establishing a vendor direct delivery supply method known as strategic partner delivery. The new business model is expected to yield in excess of $100 million annually in cost savings related to leasing, labor, infrastructure, maintenance, storage, and transportation, while significantly reducing delivery times. GSA expects to incur approximately $68 million in expenses related to the transition to include: $44 million for the early termination of the lease agreement for the Burlington

facility; $19 million for employee separation expenses; $4 million for the write-off of leasehold improvements; and $1 million for transportation expenses to move inventories. Inventories of $76 million will be managed closely to minimize excess and pricing incentives may be used to accelerate inventory depletion. Commercially readily available items will transition from stock inventory to strategic partner delivery while all other items will be transferred to the Defense Logistics Agency (DLA) to be stocked and managed from Department of Defense (DOD) facilities. Inventory that is not depleted or transferred by the facility closure dates will be an additional expense of the transition; however, an estimate of excess inventory is not determinable at this time.

- In the first quarter of FY 2014, GSA management accepted two violations of the Antideficiency Act (ADA) and is in the process of taking appropriate actions, which includes reporting the matter to the OMB, the Comptroller General, the Congress, and the Office of the President of the United States. In FY 2010, the FAS's AAS business line awarded two task orders for severable services with a period of performance of 12 months, funded through the American Recovery and Reinvestment Act (ARRA) of 2009. The AAS incorrectly modified the task orders by adding additional months that extended beyond the period of availability for the ARRA funding. The errors were promptly corrected before any funds had been spent; however, the actions proved to be a violation of the bona-fide needs rule.

Required Supplementary Information

DEFERRED MAINTENANCE AND REPAIRS

In FY 2012, GSA implemented FASAB SFFAS No. 40, Definitional Changes Related to Deferred Maintenance and Repairs, which amended the definition of deferred maintenance to the following:

"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, therefore, is put off or delayed for a future period. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventative 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."

In accordance with FASAB SFFAS No. 40, 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. This will include all such tasks whether they could be expensed or potentially associated with a capital project. The surveys are conducted biennially to inspect and electronically document such 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.

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 FY 2013, based on the analysis of the PCS results, GSA estimates the total cost of DM&R to be approximately $1.3 billion, for activities categorized as work needing to be performed immediately to restore or maintain acceptable condition of the building inventory.

Prior to issuance of FASAB SFFAS No. 40, deferred maintenance was defined to only include maintenance expensed in the normal course of business. In accordance with this definition, prior to FY 2012, GSA determined that there was no material backlog of such deferred maintenance costs to report.

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 2013, 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, 2013, and 2012 (dollars in millions):

	FBF - MAIN ACCOUNT		FBF - ARRA		FBF TOTAL	
	2013	2012	**2013**	2012	**2013**	2012
BUDGETARY RESOURCES						
Unobligated Balance from Prior Year Budget Authority:						
Unobligated Balance Brought Forward, October 1	**$4,681**	$5,243	**$36**	$3	**$4,717**	$5,246
Recoveries of Prior Year Unpaid Obligations	**207**	236	**119**	70	**326**	306
Other Changes in Unobligated Balance	**(87)**	(80)	**-**	-	**(87)**	(80)
Unobligated Balance from Prior Year Budget Authority, Net	**4,801**	5,399	**155**	73	**4,956**	5,472
Appropriations	**6**	-	**-**	-	**6**	-
Spending Authority from Offsetting Collections:						
Collections	**11,694**	11,535	**-**	1	**11,694**	11,536
Change in Uncollected Customer Payments	**(315)**	(266)	**-**	-	**(315)**	(266)
Previously Unavailable	**3,280**	2,239	**-**	-	**3,280**	2,239
Resources Temporarily Not Available	**(4,729)**	(3,280)	**-**	-	**(4,729)**	(3,280)
Transfers	**-**	1	**-**	-	**-**	1
Total Spending Authority from Offsetting Collections	**9,930**	10,229	**-**	1	**9,930**	10,230
Total Budgetary Resources	**14,737**	15,628	**155**	74	**14,892**	15,702
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred:						
Direct Category B	**8**	10	**133**	38	**141**	48
Reimbursable Category B	**10,633**	10,937	**-**	-	**10,633**	10,937
Total Obligations Incurred	**10,641**	10,947	**133**	38	**10,774**	10,985
Unobligated Balance:						
Apportioned	**4,096**	4,676	**1**	3	**4,097**	4,679
Unapportioned	**-**	5	**21**	33	**21**	38
Total Unobligated Balance, End of Period	**4,096**	4,681	**22**	36	**4,118**	4,717
Total Status of Budgetary Resources	**14,737**	15,628	**155**	74	**14,892**	15,702
CHANGE IN OBLIGATED BALANCE						
Unpaid Obligations:						
Unpaid Obligations, Brought Forward, October 1, Gross	**3,434**	4,308	**1,216**	2,760	**4,650**	7,068
Obligations Incurred	**10,641**	10,947	**133**	38	**10,774**	10,985
Outlays, Gross	**(10,723)**	(11,585)	**(740)**	(1,512)	**(11,463)**	(13,097)
Recoveries of Prior Year Unpaid Obligations	**(207)**	(236)	**(119)**	(70)	**(326)**	(306)
Unpaid Obligations, End of Period, Gross	**3,145**	3,434	**490**	1,216	**3,635**	4,650
Uncollected Payments:						
Uncollected Customer Payments, Brought Forward, October 1	**(4,807)**	(5,073)	**-**	-	**(4,807)**	(5,073)
Change in Uncollected Customer Payments from Federal Sources	**315**	266	**-**	-	**315**	266
Uncollected Customer Payments from Federal Sources, End of Period	**(4,492)**	(4,807)	**-**	-	**(4,492)**	(4,807)
Obligated Balance, Start of Year, Oct 1:	**(1,373)**	(765)	**1,216**	2,760	**(157)**	1,995
Obligated Balance, End of Period:	**(1,347)**	(1,373)	**490**	1,216	**(857)**	(157)
BUDGET AUTHORITY AND OUTLAYS, NET						
Budget Authority, Gross	**9,936**	10,230	**-**	-	**9,936**	10,230
Actual Offsetting Collections	**(11,694)**	(11,535)	**-**	(1)	**(11,694)**	(11,536)
Change in Uncollected Customer Payments from Federal Sources	**315**	266	**-**	-	**315**	266
Budget Authority, Net	**(1,443)**	(1,039)	**-**	(1)	**(1,443)**	(1,040)
Gross Outlays	**10,723**	11,585	**740**	1,512	**11,463**	13,097
Less: Offsetting Collections	**(11,694)**	(11,535)	**-**	(1)	**(11,694)**	(11,536)
Net Outlays from Operating Activity	**(971)**	50	**740**	1,511	**(231)**	1,561
Total Net Outlays	**$(971)**	$50	**$740**	$1,511	**$(231)**	$1,561

U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

DEC 12 2013

MEMORANDUM FOR: DANIEL M. TANGHERLINI
ADMINISTRATOR (A)

MICHAEL CASELLA
CHIEF FINANCIAL OFFICER (B)

FROM: BRIAN D. MILLER
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 Years 2013 and 2012.

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 Years 2013 and 2012 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]

Results of Independent Audit

"In [KPMG's] opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of GSA and the financial position of each of the Funds as of September 30, 2013 and 2012, and the consolidated and 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."

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

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However, KPMG identified certain deficiencies in internal control it considers to be a material weakness. 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.

Specifically, KPMG noted several matters that highlighted the need for improved financial management and reporting oversight at GSA in the areas of estimated liabilities for asbestos-related cleanup costs, manual journal entries, and disclosures related to future minimum lease payments required under applicable accounting standards. As a result of these observations, GSA adjusted its financial records by a combined amount of approximately $2.95 billion to ensure that its financial statements were not significantly misstated as of September 30, 2013. Collectively, KPMG considered these matters to be a material weakness in internal control.

In addition, KPMG reported significant deficiencies in internal control, including: Accounting and Reporting of Property and Equipment; Budgetary Accounts and Transactions; Accounting and Reporting of Leases and Occupancy Agreements; and Entity-Level Controls. 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.

KPMG is responsible for the attached, unqualified auditor's opinion, dated December 9, 2013. 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.

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

Independent Auditors' Report

Administrator and 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, 2013 and 2012, 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, 2013 and 2012 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 opinions 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GSA and the financial position of each of the Funds as of September 30, 2013 and 2012, and the consolidated and 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.

Emphasis of Matter

As discussed in Note 6 to the consolidated financial statements, in fiscal year 2013, GSA adopted Federal Accounting Standards Advisory Board (FASAB) Technical Bulletin No. 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, as amended. Our opinion is not modified with respect to this matter.

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 consolidated financial statements and the Funds' 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 consolidated financial statements and the Funds' 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 consolidated financial statements and the Funds' individual financial statements, and other knowledge we obtained during our audits of GSA's consolidated financial statements and the Funds' 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 consolidated financial statements and the Funds' individual financial statements as a whole. The information in the Other Information, Table of Contents, Letter from the Administrator, and "How GSA Benefits the Public" sections of GSA's *2013 Agency Financial Report* is presented for purposes of additional analysis and is not a required part of GSA's consolidated financial statements and the Funds' individual financial statements. Such information has not been subjected to the auditing procedures applied in the audit of GSA's consolidated financial statements and the Funds' individual financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG

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, we considered GSA's and the Funds' 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 the GSA's and the Funds' internal control. Accordingly, we do not express an opinion on the effectiveness of the GSA's and the Funds' 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 material weaknesses 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 GSA's 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02, and which are described in Exhibit III.

We also performed tests of GSA's 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's Responses to Findings

GSA's responses to the findings identified in our audits are described in Exhibits I, II, and III. GSA's responses were not subjected to the auditing procedures applied in the audits of GSA's consolidated financial statements and the Funds' 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
December 9, 2013

I. Financial Management and Reporting

During fiscal year 2013, we noted several matters that highlighted the need for improved financial management and reporting oversight at GSA in the areas of estimated liabilities for asbestos-related cleanup costs, manual journal entries, and disclosures related to future minimum lease payments required under applicable accounting standards. As a result of our observations in the areas noted above, GSA adjusted its financial records by a combined amount of approximately $2.95 billion to ensure that its financial statements were not significantly misstated as of September 30, 2013. Collectively, these matters are considered to be a material weakness in internal control.

a. Estimated Liabilities for Asbestos-Related Cleanup Costs

GSA manages over 1,300 owned properties with an average age of 48 years, including 315 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. In addition, FASAB Technical Bulletin No. 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, as amended (TB 2006-1), and FASAB Technical Release No. 10, *Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment*, contain specific guidance for entities to record and measure asbestos-related environmental liabilities.

As we reported in the fiscal year 2012 *Internal Control Over Financial Reporting* section of our Independent Auditors' Report, noted control weaknesses over environmental liabilities combined with the implementation of FASAB's TB 2006-1, could have a significant impact on GSA's environmental liabilities balance in fiscal year 2013. GSA needs to continue to improve controls over the reporting of environmental liabilities and, as outlined below, GSA needs to improve its controls over the estimation methodology for liabilities related to asbestos cleanup costs. As a result of our observations, GSA introduced certain modifications to its methodology for estimating the liability for asbestos-related cleanup costs and adjusted its records for approximately $1.59 billion to ensure that environmental liabilities were not significantly misstated as of September 30, 2013.

Early in fiscal year 2013, the Office of the Chief Financial Officer (OCFO) prepared an initial estimate of GSA's liability for asbestos-related cleanup costs, resulting in an estimated liability of approximately $194 million. The OCFO planned to make significant refinements to this initial estimate by March 31, 2013 using a methodology based on a more sophisticated statistical approach. However, the OCFO could not implement such refinements because it did not initiate the process to accumulate reliable and relevant data with sufficient lead time to develop an effective estimating methodology for a technically complex estimate.

Based on our procedures, we noted several deficiencies in the design of GSA's methodology for estimating the liability for asbestos related cleanup costs (hereinafter referred to as the "estimating methodology"). The OCFO developed multiple assumptions and cost factors for its estimating methodology based on data that was not relevant, reliable, and validated. Specifically:

- GSA did not fully reconcile the property listing initially considered in the liability estimate to the subsidiary ledger and the general ledger as of December 31, 2012. As a result, GSA did not apply the estimating methodology's assumptions consistently by including properties that should have been excluded and excluding costs that should have been considered in the cleanup cost estimate;

- The initial estimates were based on information related to gross square footage with asbestos-containing materials. However, such data was incomplete, never validated, or based on unsupported estimates;
- GSA used a cost factor from another federal agency that was not representative of GSA's properties. In an attempt to introduce refinements to the cost factor, GSA's Office of Design and Construction developed a combination of 24 different cost factors based on different levels of severity of potential asbestos contamination. However, GSA was unable to provide sufficient audit evidence supporting such cost factors; and
- Part of the refinements to the initial methodology consisted of developing a statistical model to derive the estimated cleanup cost of gross square footage with asbestos-containing materials. However, the statistical sample was designed and extracted based on a set of parameters that did not match GSA's risk profile associated with the level of uncertainty for this type of estimate and the level of reliability of the underlying data used.

GSA recognized the limitations of its initial methodology for estimating the liability for asbestos-related cleanup costs and, based on our recommendations, implemented certain corrective actions and adjustments to its estimating methodology during the fourth quarter. These corrective actions included:

- Revising cost factors to be based on asbestos cost surveys from multiple regions;
- Performing a sensitivity analysis to evaluate the reasonableness of the cost factors ultimately used in the estimate. Such sensitivity analysis included actual cleanup costs incurred during major renovation projects;
- Streamlining the number of assumptions and factors, eliminating those that were based on incomplete, inaccurate, unsupported or invalid data; and
- Completing its analysis of properties to be included in the estimating methodology.

b. Manual Journal Entries

As reported in the previous year, GSA continues to record transactions based on draft policies as authoritative guidance. GSA needs to continue to improve controls over the preparation and review of manual journal entries. The information and communication processes are not sufficient to enable the OCFO and the Public Buildings Service (PBS) to identify, resolve and correct accounting issues in a timely manner in accordance with applicable accounting standards. Specifically, we noted the following conditions:

- As part of the implementation of TB 2006-1 mentioned in condition I.a above, GSA misapplied the accounting standards for recognizing liabilities related to general Property, Plant, and Equipment (PP&E) that were already in service at the time of the implementation of the applicable Federal accounting standards. For the purpose of recognizing the liabilities for asbestos cleanup costs, GSA established a different estimated useful life for PP&E through an accounting policy that was in draft and not properly approved. Consequently, the adjusting entry prepared by the OCFO to record the liability for asbestos cleanup cost was incorrect, understating the environmental liabilities balance by approximately $390 million. We recommended, and GSA recorded, an audit adjustment to correct the $390 million understatement in environmental liabilities that would have been recorded as of September 30, 2013.

- GSA continues to account for "build-to-suit" and construction of buildings using other agency's funding which is not in accordance with applicable accounting standards. The OCFO recorded a journal entry increasing other liabilities by approximately $160 million without proper supporting documentation. In addition, during fiscal year 2013, GSA developed an accounting policy in an attempt to address our prior year recommendations. However, such accounting policy was not fully developed and approved before year-end and included incorrect accounting guidance to account for "build-to-suit" transactions. We recommended, and GSA recorded, an audit adjustment for approximately $160 million to correct these balances as of September 30, 2013.

These conditions underline the need for the OCFO to fully develop policies and procedures that are sufficiently analyzed, vetted and approved before recording adjusting entries.

c. Disclosure Related to Future Minimum Lease Payments

GSA needs to improve controls and the process in place to prepare the tables supporting the future minimum lease payments included in the Leasing Arrangement footnote disclosure. Of the 61 leases selected for test work over the future minimum lease payments for operating leases included in the Leasing Arrangement disclosure, we noted 6 instances where the future minimum lease payments did not match the terms of the lease agreement; 3 instances where cancelable leases and leases with terms less than one year were improperly included in future minimum payment disclosure; 14 instances where the cancelable period for a lease was improperly included in the future minimum payments disclosure; and 3 instances where non-cancelable leases were improperly excluded from the future minimum payment disclosure.

Upon our request, GSA analyzed the Leasing Arrangements footnote disclosure and supporting data, and identified an understatement of approximately $444 million due to the omission of step rent, expansions, and reductions, and an overstatement of approximately $370 million due to the improper inclusion of cancelable leases. As a result of our observations, GSA adjusted its future minimum lease payments included in the Leasing Arrangement footnote disclosure as of September 30, 2013.

Recommendations

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

a. Estimated Liabilities for Asbestos-Related Cleanup Costs

1. Continue to accumulate relevant, sufficient, and reliable data on which to base future refinements to the estimating methodology;

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. Evaluate whether the assumptions continue to be consistent with each other, the supporting data, relevant historical data, and industry data; and

5. Continue to monitor and refine the estimation methodology on a regular basis. Such improvements may consist of the following:

a. On a regular basis, obtain updated asbestos surveys, including for those properties that GSA has performed significant asbestos cleanup, for the specific purpose of estimating asbestos-related cleanup costs for financial reporting;

b. Consider expanding the number of asbestos survey reports used in development of the cost factors to ensure that the calculated cost factors continue to be representative of asbestos related cleanup costs;

c. Apply the methodology consistently for all properties considered in the estimate, including those for which a survey was used to calculate the cost factors;

d. Develop cost factors to further enhance the estimate for additional anticipated costs (e.g., design, management & inspection) as part of abatement projects using accurate, reliable, and verifiable data; and

e. Maintain an adequately updated, approved, and documented estimating methodology.

b. Manual Journal Entries

1. Enforce existing worksheet adjustment review policies and increase the precision of the review's thoroughness in ensuring accurate adjustments are recorded;
2. Develop and implement effective information and communication processes to help ensure that technical accounting issues are identified, analyzed and resolved in a timely manner; and
3. Ensure journal entries are prepared and recorded based on OCFO approved policies and procedures.

c. Disclosure Related to Future Minimum Lease Payments

1. As part of the financial statement preparation process, review and obtain understanding of the relevant accounting and disclosure standards to ensure that the lease disclosures are in accordance with such standards;
2. Perform a comprehensive analysis of all data needed (e.g., cancelable/non-cancelable, step rent, expansion/reduction, CPI adjustments, firm term, etc.) to properly report the future minimum lease payments disclosure and ensure the data are appropriately captured in the future minimum lease payments disclosure; and
3. Effectively monitor the preparation of the annual leasing arrangement disclosures.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

II. Accounting and Reporting of Property and Equipment

GSA reported $27.8 billion in property and equipment, net of accumulated depreciation, as of September 30, 2013. 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 Federal financial accounting standards and OMB Circular No. A-123. During our fiscal year 2013 testwork, we continued to note the following control weaknesses over general property and equipment, many of which were reported in the fiscal year 2012 *Internal Control Over Financial Reporting* section of our Independent Auditors' Report:

a. Buildings

As reported in the previous year, GSA did not consistently record property disposals when they occurred. 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. As a result of our analysis over the buildings account, we noted 38 instances where the property and equipment was not transferred to excess property or was not transferred timely and as a result, GSA continued to incur depreciation expenses, and 41 instances where the asset disposals were not recorded or were not recorded timely. In addition, we noted 28 instances where costs were incorrectly capitalized to leased properties and 27 instances where leasehold improvements were incorrectly classified as buildings.

As a result of our testwork, we identified an overstatement of the buildings balance and related accumulated depreciation of approximately $71 million and $68 million, respectively, as of September 30, 2013. We performed additional analysis to obtain evidence that the buildings and associated accumulated depreciation accounts were not significantly misstated.

b. Construction in Process (CIP)

GSA needs to continue improving the effectiveness of controls over the proper classification of projects that are deemed substantially complete. GSA did not consistently record transfers of substantially completed projects from CIP to the buildings balance in a timely manner for 28 of 40 CIP transfers tested. In addition, neither GSA's applicable feeder nor the fixed asset subsidiary systems have functionality to capture the substantial completion date for multi-phase or multi-asset building projects. Further, costs associated to multi-phase or multi-asset building projects must be tracked manually outside the applicable feeder systems and fixed asset subsidiary ledger. As a result, we noted 1 instance where GSA transferred an incorrect amount to the building account resulting in a projected overstatement of approximately $40 million.

Due to 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 system functionality to properly track substantial completion dates and costs associated with multi-phase or multi-asset building projects; and the lack of a policy over documentation requirements for multi-phased or multi-asset transfers, there is an increased risk that asset transfers may not be recorded to the general ledger in an accurate or timely manner, which also could lead to misstatements in depreciation expense. We performed additional analysis to obtain evidence that the CIP accounts were not significantly misstated.

Recommendations

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

a. Buildings

1. Perform regular verifications of the building status listed in the fixed asset subsidiary ledger and make the necessary corrections in the financial management system, when applicable;
2. 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;
3. 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 in a timely manner;
4. 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 of the appropriate requirements are fulfilled and consistently recorded in accordance with GSA policies and procedures;
5. Enforce GSA's existing policy on reporting asset disposal or conveyance; and
6. Continue to review and verify both leased and owned buildings to ensure existing issues are identified and remedied timely.

b. Construction in Process (CIP)

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 multi-phase or multi-asset 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 OCFO;
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 CIP 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 ledger to ensure that substantially completed CIP projects are transferred to the appropriate building account in a timely manner; and
6. PBS Central Office's effort to correct the validity of substantial completion dates needs to be supported by regional efforts (e.g., making continuous improvements toward entering actual substantial completion dates into the system) in order to ensure effective controls.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

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. Additionally, OMB Circular No. A-127, *Financial Management Systems, Revised*, provides a framework for Federal agencies to develop financial management systems that should generate reliable, timely, and consistent information necessary for

meeting management's responsibilities, including the preparation of financial statements. In addition, GSA policies require each of GSA's Services, PBS and the Federal Acquisition Service (FAS), to address the need to strengthen internal controls over budgetary reporting and to mitigate known weaknesses in the budgetary transaction level controls.

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 2012 *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.

Of the 112 PBS obligations selected for test work, we noted 6 instances where the contract was signed after the period of performance start or ending date; 10 instances where the obligating documents did not provide a period of performance; 3 instances where the obligation was recorded without valid support; 1 instance where the obligation was recorded before the obligating documents were signed; and 17 instances where signed contracts were not entered into the financial management system within five business days of being signed. We performed additional analysis and determined that the undelivered orders balance was not significantly misstated.

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 obligations. GSA needs to improve the effectiveness of its controls over unfilled customer orders. During our test work of 117 unfilled customer orders for PBS, we noted 8 instances where the goods and services related to these orders had been completed and the remaining unfilled customer orders were not cancelled in a timely manner. In addition, we noted 13 instances where PBS did not record the signed unfilled customer order in the financial management system in a timely manner and 1 instance where the unfilled customer orders were entered in the subsidiary ledger prior to official acceptance by GSA.

Further, PBS needs to improve the effectiveness of its controls over the tracking of obligations (and related expenses) associated with corresponding unfilled customer orders. As a result, GSA initially obligated an amount in excess of the corresponding unfilled customer order by approximately $7.1 million. This control weakness exposes GSA to an increased risk of possible violations of laws and regulations. We performed additional analysis and determined that the unfilled customer orders balance was not significantly misstated.

c. Funds Control

As outlined in OMB Circular 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 A-11. Specifically, we noted the following control deficiencies:

1. On May 2, 2012, the GSA Office of Inspector General (OIG) reported that, in fiscal year 2010, GSA awarded two severable services task orders which included periods of performance exceeding one year and extending past the period of availability of the funds. The OIG concluded that these contract actions violated the bona fide needs rule of fiscal law (Title 31, United States Code (U.S.C.) 1502(a)) and, accordingly, the *Antideficiency Act* (Title 31 U.S.C. Section 1341 et seq). Upon notification of these violations, GSA requested an opinion from the Department of Justice's Office of Legal Counsel (OLC) as to whether the actions reported by the OIG constituted *Antideficiency Act* violations. Early in FY 2014, and prior to the release of our report, OLC rendered their final opinion confirming that these actions violated the *Antideficiency Act*. GSA accepted the positions of the OIG and OLC and has taken the actions required under Title 31 U.S.C. 1517(b) to report the violations. Refer to Finding A, Non-Compliance with the *Antideficiency Act*, included in Exhibit III – *FY 2013 Compliance and Other Matters*.

2. During our test work over Reimbursable Work Authorizations, Obligations, and Leases for PBS, we noted 6 instances where the contracting officer did not obtain the required certification of fund availability from the budget analyst before signing the obligating documents; 9 instances where the required requisition form was not signed by the budget analyst; and 19 instances where the budget analyst approved the certification of funds without using the required requisition forms. Instead, these fund certifications were approved electronically in the contract management system.

3. 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. There is no 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 lacks functionality to identify the transactions that were recorded while the controls were turned off.

We performed additional analysis to determine that its budgetary account balances were not significantly misstated.

The lack of integrated financial and acquisition systems and the ineffective monitoring and oversight over the apportionment process, combined with 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, continue to be main contributing factors for the control deficiencies over budgetary accounts and transactions. As a result, GSA management continued 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 additional violations of laws and regulations.

Recommendations

We recommend that GSA management continue to implement the following recommendations 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 and to ensure that all obligations are recorded in the financial system timely and accurately;
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, 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; and
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.

c. Funds Control

1. Ensure that funds certifying officers receive proper training and guidance over the evaluation of the legal availability of funding against the proposed contract terms;
2. Continue to monitor 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 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 initiate appropriate corrective actions.

IV. Accounting and Reporting of Leases and Occupancy Agreements

GSA processes approximately $8 billion and $10 billion, respectively, in lease expenses and revenues from Occupancy Agreements. GSA needs to improve controls over leases and Occupancy Agreements to ensure that transactions are recorded promptly, accurately, and in accordance with requirements outlined in Federal financial accounting standards and OMB Circular A-123. Many of these conditions were reported in the fiscal year 2012 *Internal Control Over Financial Reporting* section of our Independent Auditors' Report. In addition, GSA management's assessment of internal control, performed as part of their OMB Circular A-123, Appendix A, indicated similar issues as noted below.

a. Leases

GSA needs to improve the effectiveness of its controls over the processing of leases to ensure that leases are properly classified and accurately and timely recorded in the financial management system. Of the 64 leases selected for test work, we noted 36 instances where delays in processing the lease action forms caused delays in the recognition of lease expense; 2 instances where the lease payments made to the vendor were inaccurate; and 7 instances where the Consumer Price Index (CPI) adjustments were not applied to the respective lease payment in a timely manner. Also, of the 4 lease terminations selected for test work, we identified 1 instance where the lease termination was not recorded timely in the financial management system, which led to overpayments and overstatement of lease expense. We performed additional analysis to obtain evidence that the lease expense account was not significantly misstated.

In addition, GSA needs 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 standard. Of the 64 leases selected for test work, we noted 1 instance where the lease classification analysis was incomplete; 3 instances where the lease classification analysis was not performed after a change in terms of the lease; 5 instances where the lease classification analysis was not reviewed and signed by the appropriate level of management; and 7 instances where the lease classification analysis contained incorrect data. We performed additional analysis to obtain evidence that lease expense were properly classified as operating or capital leases in accordance with applicable accounting standards.

The lack of sufficient monitoring, oversight, and training over the leasing function, as evidenced by existing policies not being followed as written, continue to be the main contributing factors for lease transactions not being recorded promptly and recorded accurately.

b. Occupancy Agreements

Of the 53 Occupancy Agreements selected for test work, we identified 31 instances where the Occupancy Agreements were not recorded timely in the financial management system, which led to back billings and delays in recognizing revenue. In addition, we identified 3 instances where the revenue associated with an Occupancy Agreement was misstated and 2 instances where the Occupancy Agreement was not terminated timely.

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 Federal financial accounting standards. We performed additional analysis to obtain evidence that revenue from Occupancy Agreements was not significantly misstated.

Recommendations

We recommend that GSA management implement the following recommendations 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 leases are properly classified as operating or capital leases in accordance with Federal financial accounting standards;
2. Develop a lease classification model that captures relevant data accurately and consistently;
3. Update policies and procedures to define lease modifications that would require re-evaluation for classification purposes; and
4. 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, as well as customer agencies are billed on a timely manner; and
2. Regional personnel should be trained, properly supervised, and made accountable for adhering to accounting policies and procedures related to Occupancy Agreements.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

V. 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 2012 *Internal Control Over Financial Reporting* section of our Independent Auditors' Report, we continued to observe four entity-wide control environment conditions through our procedures that have a pervasive influence on the effectiveness of controls. These common themes are described below; however, they also contribute to several of the conditions presented in findings II through IV listed above.

1. Development and implementation of effective information and communication processes to help ensure that technical accounting issues are identified, analyzed 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. For example, the OCFO issued policies and procedures for the accounting of environmental liabilities; however, the OCFO depends on the PBS Central Office for the implementation of such policies and procedures. The PBS Central Office does not report directly to the OCFO. Further, these policies and procedures are subject to execution by regional environmental personnel, who do not report directly to PBS Central Office or 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; and
4. Certain financial systems functionality limitations are contributing to control deficiencies reported in Findings II, *Accounting and Reporting for Property and Equipment*; III, *Budgetary Accounts and Transactions*, and IV, *Accounting and Reporting of Leases and Occupancy Agreements* 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 manual 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:
   - PBS lack of integrated financial and acquisition systems;
   - Funds controls in the financial management system can be overridden without proper controls over transactions recorded when such edit checks were switched off;
   - Aging feeder systems that do not capture proper information for the correct recognition of expenses and related revenue for certain FAS lines of businesses;
   - Configuration of the fixed asset subsidiary ledger within the financial management system that overstates gains and losses relating to asset disposals; 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.

Recommendations

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

1. Design and implement strategies to ensure that technical accounting issues are identified, analyzed and resolved in a timely manner. GSA components, working with the OCFO support, should be able to discuss initial accounting positions, with basic rationale and supporting facts, and reach an initial conclusion within a short period of time of the issue being identified. Final resolution may take longer depending on the complexity of the issues and impact on the agency. However, even difficult matters should be resolved and documented properly in a timely manner;
2. As a part of the centralization of the FAS and PBS regional budget and financial management functions under the OCFO, consider realignment of financial accounting and reporting personnel to devote more resources to technical accounting issue resolution, and reduce reliance on external audit;
3. As part of consolidation of the Agency's information technology functions under the Chief Information Officer, continue the assessment of the agency's financial information technology infrastructure with the objective of improving the effectiveness of information technology controls, both general and application, and of timely and accurate financial reporting. In the interim, as part of the overall control deficiency assessment, the OCFO must improve the efficiency of transaction-level, process-driven controls to help ensure completeness, accuracy, authorization and validity of financial transactions reported in the financial statements and reduce the dependency of manual-intensive processes; and
4. Regional and operations personnel should be trained and properly supervised on financial management matters that affect the financial statements, including adhering to accounting policies and procedures, as appropriate and performing key internal control functions in support of financial reporting.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

Non-Compliance with the *Antideficiency Act:*

On May 2, 2012, the GSA Office of Inspector General (OIG) reported that, in fiscal year 2010, GSA awarded two severable services task orders which included periods of performance exceeding one year and extending past the period of availability of the funds. The OIG concluded that these contract actions violated the bona fide needs rule of fiscal law (Title 31, United States Code (U.S.C.) 1502(a)) and, accordingly, the *Antideficiency Act* (Title 31 U.S.C. Section 1341 et seq). Upon notification of these violations, GSA requested an opinion from the Department of Justice's Office of Legal Counsel (OLC) as to whether the actions reported by the OIG constituted *Antideficiency Act* violations. Early in FY 2014, and prior to the release of our report, OLC rendered their final opinion confirming that these actions violated the *Antideficiency Act*. GSA accepted the positions of the OIG and OLC and has taken the actions required under Title 31 U.S.C. 1517(b) to report the violations. In addition, GSA disclosed these instances of non-compliance in its fiscal year *2013 Agency Financial Report*.

Recommendations

We recommend that GSA management implement the following recommendations to improve controls over compliance with the *Antideficiency Act*:

1. Continue to monitor 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 reviewed and approved by appropriate members of management;
2. Ensure that funds certifying officers receive proper training and guidance over the evaluation the legal availability of funding against the proposed contract terms; and
3. The GSA Office of Budget should ensure that funds certifying officers receive guidance reminding them to evaluate the legal availability of funding against the proposed contract terms.

Management Response

Management concurs with these recommendations and will initiate appropriate corrective actions.

Other Information

U.S. General Services Administration
Office of Inspector General

DATE: NOV 7 2013

MEMORANDUM FOR: Daniel M. Tangherlini
Administrator (A)

FROM: Brian D. Miller
Inspector General (J)

SUBJECT: GSA's Management Challenges, Fiscal Year 2014

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 those 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 2013

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) 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's fundamental purpose is to create efficiency for the Federal Government in the acquisition of goods and services by consolidating the buying power of the Federal Government to obtain quality products and services at the best available price. However, even with this as its primary focus, GSA still faces challenges in ensuring that its acquisition programs and procurements achieve this result.

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 20,000 contracts and over $38 billion in sales in fiscal year (FY) 2012.[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. We have identified several challenges facing the GSA Schedules Program, including: pricing; contractor compliance; contract workload management; hiring, development, and retention of the contracting officer workforce; meeting small business goals; sustainability; and proposed changes to the General Services Administration Acquisition Manual.

Pricing

In GSA's Schedules Program, the contracting officer evaluates a contractor's offered prices or discounts by comparing them to prices or discounts the contractor offers to commercial customers. Therefore, the contracting officer's price analysis is a key step in determining fair and reasonable pricing. Given the volume of Schedule sales, even minor changes to pricing and discount structures can have a substantial impact.

The broad definition of a commercial item in the Federal Acquisition Regulation (FAR) also impacts Schedule pricing. Under the current definition, a commercial item is any product or service that is customarily used by the general public. The Schedules Program operates under the premise that contractors routinely sell commercial products and services in competitive

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

markets and market forces establish fair and reasonable prices. However, the FAR does not require contractors to actually sell their products or services in the commercial marketplace, thus removing the critical link between the Schedules Program and competitively-established market pricing. It has been our experience that many Schedule contractors sell exclusively to the Federal Government or create corporate structures to organizationally segregate their commercial business from their government business. We have also found that contractors reduce the likelihood of triggering the Price Reductions Clause by minimizing the amount of business done with its basis of award customers, or proposing a basis of award customer or class of customers to whom they do not intend to give the best discounts. These scenarios present challenges to a contracting officer's ability to perform valuable price analyses.

The GSA OIG conducts preaward audits to assist contracting officers in negotiating Schedule contracts. However, the results of our audits have not been fully implemented. In FY 2012, we recommended price and discount adjustments that, if realized, would result in over $566 million in contract cost avoidances and over $3 million in recoverable overcharges. For those contracts audited in FY 2012, FAS contracting officers agreed with 100 percent of the auditors' recommended cost avoidances. However, only a portion of this amount was actually achieved when the options were awarded. Given the billions of dollars of Schedule sales each year, it is essential that contracting officers use all tools available to leverage the Federal Government's buying power when negotiating contracts.

Contractor Compliance

We are concerned that some Schedule contractors do not fully comply with the terms and conditions of their Schedule contracts. Contractors are responsible for identifying discounts offered; identifying and reporting all Schedule contract sales; and ensuring Industrial Funding Fee (IFF) reports and payments for those sales are accurate. In October 2011, a Schedule contractor agreed to pay $199.5 million (our largest recovery to date) to settle allegations of failure to disclose discounts offered to commercial customers. In addition, as recently as FY 2013, two other Schedule contractors agreed to pay nearly $61 million and $70 million, respectively, to the Federal Government to settle alleged overbillings. We also previously reported to the Multiple Award Schedule Advisory Panel that 70 percent of Commercial Sales Practices documents provided by contractors contained data that was not current, accurate, or complete. In addition to misrepresenting their actual sales practices, we identified contractors with inadequate systems to accumulate and report IFF, and have improperly computed the IFF in many cases, resulting in monies owed to the Government. Currently, GSA cannot reconcile IFF payments with quarterly sales reported and thus has no way to know whether Schedule contractors are making current and accurate IFF payments.

Contract Workload Management

The Schedules Program is challenged with managing the workload associated with awarding and administering approximately 20,000 contracts. This workload includes processing contract actions such as new offers, modifications, and options to extend existing contracts, as well as ongoing contract oversight. The primary challenge is ensuring that the workload does not affect the timeliness and quality of contract actions. 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. 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 $38 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 an acquisition workforce with the skill sets and knowledge necessary to provide innovative solutions for customer agencies at the best value. 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.

Meeting Small Business Goals

Congress has previously proposed, through the Small Business Goaling Act of 2012, to increase small business contracting goals across the Federal Government from 23 to 25 percent.[2] GSA, having received an 'A+' on its FY 2012 Small Business Procurement Scorecard, is currently meeting its small business goals as well as the proposed 25 percent performance metric. However, many federal agencies are not meeting their own small business goals and the Federal Government as a whole is not currently meeting the accepted 23 percent small business contracting goal. As the leader in federal procurement, GSA should continue to provide tools to assist other agencies in meeting their respective small business goals. This should include awarding and managing small business contracting vehicles and marketing small business opportunities to increase customer bases.

Sustainability

Executive Order 13514, *Federal Leadership in Environmental, Energy, and Economic Performance,* issued in October 2009, required that 95 percent of new contract actions, including task and delivery orders (excluding weapons systems), be energy-efficient, water-efficient, bio-based, environmentally preferable, non-ozone depleting, and contain recycled content, or use non-toxic or less-toxic alternatives. Currently, products offered on GSA *Advantage!®* with environmental labels, such as Energy Star, are certified and approved by the U.S. Department of Energy and the U.S. Environmental Protection Agency. However, other environmental symbols listed for many products on GSA *Advantage!®* are self-certified by the contractor. As outlined in a March 2010 U.S. Government Accountability Office (GAO) report on the Energy Star Program, even the processes used by the U.S. Department of Energy and the U.S. Environmental Protection Agency have control weaknesses that allow products to be erroneously certified.[3] FAS must consider how it will verify that the products and services it provides are accurately certified. This is particularly important as GSA is a leader in advancing the Administration's most visible environmental initiatives.

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[2] The Small Business Goaling Act of 2012 was introduced on May 22, 2012, but was not enacted. It has been referred to the Senate Small Business and Entrepreneurship Committee.

[3] GAO-10-470, Energy Star Program: Covert Testing Shows the Energy Star Program Certification Process is Vulnerable to Fraud and Abuse.

On May 24, 2011, the President issued Presidential Memorandum, *Federal Fleet Performance*. This memorandum emphasized that the Federal Government should lead by example, contributing to meeting national goals of reducing oil imports by one-third by 2025 and putting one million advanced vehicles on the road by 2015. This memorandum also required each agency to use a Vehicle Allocation Methodology for determining their optimum fleet inventory, and to set internal goals for achieving those results annually.[4] GSA is challenged with continuously setting internal goals to ensure that its fleet remains optimized in terms of size and its ability to successfully support GSA's mission.

Proposed Changes to the General Services Administration Acquisition Regulation

In January 2009, GSA proposed a rule to amend Part 538 of the General Services Administration Acquisition Regulation (GSAR), Federal Supply Schedule Contracting. The rule was issued as a *single all-inclusive* case rewrite to update the GSA acquisition policy and regulations for the Federal Supply Schedule (FSS) program. The single case approach was intended to involve significant changes to the FSS program. GSA's objectives of the rewrite were to: (1) update FSS policy to reflect and address evolving programmatic needs; (2) achieve greater consistency across the FSS program; (3) consolidate FSS existing policy into the GSAR; and (4) strengthen the program's ability to achieve better value for the Government and taxpayer. However, in late 2012, due to the extent of proposed changes and strong stakeholder interest, GSA decided to abandon this effort and withdrew its single all-inclusive GSAR Case 2006-G507; Rewrite of GSAR Part 538. GSA concluded that an internal review of the current implementation plan was appropriate.

In early 2013, FAS presented a *Multiple Cases* format to rewrite the Part 538 as individual, smaller business cases. The *Multiple Cases* format focuses on areas that require immediate modernization to maintain currency in the FSS program as well as on strategically positioning the FSS program to meet the current and future needs of the ordering activities. Our concern is that FAS's new strategy is even more time-consuming and the current prolonged delays already leave the Schedules Program vulnerable by not addressing the policy issues needed to strengthen controls over the program.

AGENCY ACTIONS:

As the number of contracts within the Schedules Program continues to increase, price disparity among the same commercial items is becoming more prevalent. In FY 2012, FAS outlined a Schedules Modernization Strategy to update its business model with improved practices and increased flexibility. Each of the four major areas of modernization – data driven pricing, enhanced service delivery, flexible contracting, and increased knowledge management capabilities – have an established goal to offer improved contract solutions for products and services. These solutions will permit GSA to increase price visibility, allowing contracting officers to negotiate more favorable pricing, better serve federal agencies, increase flexibility, send clearer signals to industry, and save taxpayer dollars. Ultimately, the goal of the Schedules Modernization Strategy is to revamp the way GSA, customer agencies, and contractors utilize the Schedules Program.

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[4] *Federal Fleet Performance* directed GSA to develop and distribute the Vehicle Allocation Methodology to federal agencies.

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 disagree with the conclusions regarding the underlying causes of these problems. In essence, the 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 these 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.

In an effort to provide resources to help small businesses create jobs, the Small Business Jobs Act of 2010 was signed into law on September 27, 2010. The Act gives federal agencies the discretion to set aside part or parts of multiple award contracts for small business concerns. GSA is currently waiting for guidance from the Small Business Administration to implement sections of the Act, including the reservation of prime contract awards for small businesses. GSA has been involved in the discussions for the proposed small business rule; however, the Agency does not set the timeframes nor make any final determinations in the process. Once there is a final rule, the Small Business Administration will be able to update Title 13 of the Code of Federal Regulations. Then, the FAR can be updated to include clauses regulating the reservation of prime contract awards for small businesses.

GSA reported in its FY 2012 Strategic Sustainability Performance Plan (SSP Plan) that, as a result of the Vehicle Allocation Methodology, the Agency identified and started eliminating 48 vehicles from its internal fleet, approximately a 4 percent reduction. As part of its efforts to continue optimizing its internal fleet, GSA will continue to use the Vehicle Allocation Methodology to identify additional vehicles to eliminate.

GSA recognizes the entire Part 538 rewrite has been a lengthy one. GSA's estimated timeframe for completing the Part 538 cases rewrite is 2016.

ISSUE: *FAS needs to properly plan and award its new multiple award contract vehicle and ensure it adds value.*

One Acquisition Solution for Integrated Services

FAS is currently accepting proposals for One Acquisition Solution for Integrated Services (OASIS), a new government-wide multiple award contract for complex integrated professional services, such as engineering, scientific, and logistics services. OASIS is a full-and-open, 10-year, indefinite-delivery, indefinite-quantity unrestricted procurement alongside OASIS Small Business, which is a 100 percent small business set-aside.

Since the issuance of the request for proposal, several formal protests against OASIS have been submitted directly to GSA and GAO. Generally, the protests allege unfair evaluation criterion, unduly restrictive competition, and conflict with federal policy governing contractor team arrangements.

In addition to the protests received, FAS should be cognizant of the significant drain this procurement can have on its already overextended acquisition resources. Despite the priority of bringing OASIS to market, it is imperative that FAS does not rush this procurement and risk making costly mistakes.

AGENCY ACTIONS:

FAS issued the request for proposal on July 31, 2013. As a result of the government shutdown, contractors have until October 30, 2013, to submit proposals.

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; one of the largest telecommunications services transitions ever undertaken by the Federal Government. This transition involved more than 135 agencies, more than 50 services, and thousands of voice and data circuits. The contracts were awarded in FY 2007 and the initial period of performance for the Networx Universal and Enterprise contracts expired in March 2011 and May 2011, respectively. Each contract includes three 2-year option periods, and currently both contracts are in the second option period. Several delays impacted the transition and as of July 2012, twelve agencies still had not transitioned to Networx, even as FAS began planning for the contract vehicle to replace Networx, Network Services 2020 (NS2020).

The transition delays necessitated multiple extensions to the FTS2001 contracts and led to an inefficient use of federal resources. As of March 2013, all remaining agencies were automatically disconnected from the FTS2001 contracts. Agencies that did not transition to the Networx contracts by the end of the Emergency Action Period were required to execute short-term task orders to temporarily move the remaining services to Networx contracts. GSA is now challenged to transition all agencies to NS2020. Given the difficulties GSA encountered with the Networx transition, GSA should identify, assess, and address similar risks when planning the NS2020 transition.

AGENCY ACTIONS:

FAS's Network Services Program conducted a lessons learned process analysis of the Networx transition in response to a GAO request. GSA plans to apply these lessons learned to the NS2020 acquisition strategy. The NS2020 Interagency Advisory Panel is currently meeting on a monthly basis and development activities are already underway. The Panel anticipates each program area to complete the acquisition strategies by early FY 2014, and to complete the Operational Methods and Procedures, Enterprise Services and Migration Strategy, and Roadmap by the end of December 2013.

GSA's Organizational Structure

Issue: *While GSA has restructured its organization, it still requires a reassessment of the Agency's controls and systems, as well as a change in its culture.*

In the past, GSA has been 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, the Public Buildings Service (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 where each service was often motivated by its own self-interests, especially with regard to funding.

After the management deficiencies of the 2010 Western Regions Conference were reported, GSA's new management conducted an agency-wide, top-to-bottom review that examined how the Agency operates and identified reforms intended to help the Agency better accomplish its mission. In response to the review, GSA elected to consolidate 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 (CFO), Chief People Officer, Chief Information Officer, and Chief Administrative Officer. 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.

In moving forward with the consolidation, GSA needs to reassess many aspects of its controls and systems. The consolidation requires 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.

To achieve the consolidation's goals, the Agency will need to undergo a change in culture. First, to more effectively meet its mission, many decisions impacting the operations of the services are now made centrally, rather than by the services. As a result, the priorities should be driven more by the Agency as a whole and not solely by the particular service. Second, senior management needs to establish and maintain a positive and supportive environment, and ensure operations are effective, efficient, and comply with laws and regulations.

Agency Actions:

GSA has moved forward with the consolidation of its support services and administrative functions. The consolidation began in FY 2012, when GSA moved the PBS CFO under the GSA CFO and continued in FY 2013 with the integration of the FAS CFO. GSA has also

consolidated the other support services and administrative functions. Within its budget justification, GSA outlined a plan for funding the consolidated organizations.

Improving the Management and Utilization of Federal Real Property

Issue: *GSA faces difficult resource constraints requiring proactive and flexible management practices.*

PBS is one of the largest real property organizations in the world. Its building inventory consists of over 9,100 assets, mostly general purpose office space, in federal buildings and leases. With an average age of 48 years, the buildings in PBS's portfolio require approximately $4.8 billion in reinvestment for repairs and alterations. Historically, GSA's inventory represents 1 percent of the number of all federal assets, as well as 12 percent of the square footage and 20 percent of the total annual operating costs.

PBS's mission is to provide superior workplace solutions for federal workers and superior value to the American taxpayer. GSA has met customer needs through growth in its real property inventory. The inventory grew, primarily through leasing, from 336 million rentable square feet in FY 2002 to 375.7 million rentable square feet in FY 2012.

While GSA's real property inventory has increased, the Federal Government's focus has shifted to improving the management and utilization of federal real property. 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 utilization and occupancy rates, annual operating cost, energy efficiency, and sustainability. In addition, Congress has held multiple hearings regarding the need to identify and dispose of vacant and underutilized space.

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

In addition to the emphasis on improved management and utilization, GSA and its customers are facing the reality of reduced budgets. Since FY 2011, GSA's real property budget authority, specifically its construction funding, has been decreased. GSA's budget has dropped from $8.5 billion in FY 2010 to $8.0 billion in FY 2013. Customer agency budgets have also been tight due to the funding sequester that took effect in FY 2013. With these limited budgets, customer agencies may look to cut costs by reducing their space needs.

However, funding will be needed by both GSA and customer agencies for move costs and reconfiguration of space. Such space reconfigurations could increase vacant space and decrease revenue if customers vacate leased space, leaving GSA without a corresponding revenue stream to pay rent.

Given this environment, PBS needs to align its programs and operations to solutions that address both short and long term needs. Although immediate customer need often drives workload, local real property portfolios must be examined to assess whether they are suitable to meet long term goals. This is especially important to portfolios where vacant owned space could replace expiring leases. PBS will need to be proactive in planning renovations to coincide with lease expirations in order to provide space that meets long term customer needs.

AGENCY ACTIONS:

GSA will be working with customer agencies as part of the "Freeze the Footprint" initiative to reduce space requirements. The Agency is also working with customer agencies to develop profile plans to optimize the Agency's existing portfolio, while more effectively anticipating, capturing, and advising on future requirements. GSA is also seeking "Net Zero" budget authority, allowing complete expenditure of its revenue to fund real property programs. If this budget authority is granted, this additional funding could be used in future years to consolidate space.

REDUCING GSA'S FOOTPRINT – MANAGING A MOBILE WORKFORCE

ISSUE: *GSA's reduction in workspace for its central and regional offices will create challenges in managing a mobile workforce.*

As the Federal Government's landlord, GSA is playing a leadership role in the "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.

In FY 2013, GSA consolidated the majority of its Central Office functions and personnel in the Washington, DC area under one roof. As a result, GSA has increased the staff in its Central Office building from about 2,500 employees to approximately 3,300. To accommodate the increase, GSA used the building renovation to implement a mobile workforce strategy. GSA transformed its Central Office building from traditional closed offices into open and flexible shared workspace. Employees individually now occupy less than half of the space 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, DC consolidation, GSA is reducing space and implementing a mobile workforce strategy nationwide. In FY 2014, GSA's Mid-Atlantic regional office in Philadelphia, Pennsylvania is moving to newly leased space. In the Heartland Region, GSA is planning to vacate the Bannister Federal Complex and move to leased space in downtown Kansas City, Missouri. Finally, in the Pacific Rim Region, GSA plans to move to a newly renovated office building in San Francisco, California. 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 estate costs, reduced carbon footprint, and improved work-life balance for employees. To achieve

these benefits, GSA must overcome the challenges to this strategy, including: collaboration, management and supervision, document security, and information technology capability and support. These changes will have a significant effect on employee collaboration as physical contact is limited. Increasing telework requires employees to complete the majority of their duties off-site 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. Further, many of GSA's files, including contract and lease files, are still maintained in hardcopy. This lack of digital documentation impacts employees' ability to telework efficiently and effectively, and requires off-site security for the documentation until files are completely digitized and systems are developed to support these functions electronically.

Lastly, improving information technology support and capabilities is critical for the success of GSA's mobile workforce strategy. GSA's mobile strategy includes incorporating multiple devices including 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 information technology systems for working off-site, the Agency will need to emphasize system continuity and security more than ever before.

AGENCY ACTIONS:

Even before it began reducing its real estate 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, 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 information technology systems are needed to ensure quality data, support business decisions, and improve investments.*

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, which has led to duplicative systems that are costly and difficult to maintain and operate. These challenges include a decentralized operating environment, 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 significant delays. 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. Further, GSA has had difficulty ensuring that its system inventory is complete, understanding what data is associated with each system, and tying

budget information to each system. Integrated information systems and enhanced oversight of information technology (IT) investments are needed to allow for more efficient investments.

Data Quality

GSA's Initial Information and Data Quality Plan, identifies enterprise architecture and the management of IT as critical factors to consider when constructing a data quality program. Despite this, GSA IT systems do not always use effective data models, business rule validation checks, or data exchange specifications to ensure data quality.

AGENCY ACTIONS:

In February 2013, the then Acting Administrator announced that all Agency IT personnel, budgets, and systems would be consolidated under the Office of the Chief Information Officer (OCIO). The OCIO was subsequently given the ability to provide all IT services and support directly to the entire Agency, which would allow for direct control over IT within GSA. GSA has implemented a Platform as a Service system for small applications development throughout the Agency and has migrated legacy small applications to the system.

GSA has taken several actions relating to the management of its IT investments. GSA has begun piloting investment gate reviews (called Milestone Reviews) to ensure IT investments develop business cases, complete an analysis of alternatives, address integration issues, and align with the enterprise architecture. GSA has created an Enterprise Data Management Working Group to implement its enterprise data management strategy,[5] which established an enterprise data management program and developed an information classification. GSA has deployed an enterprise architecture tool to identify the Agency's full inventory of legacy systems. In addition, GSA has implemented an IT Spend Tracker tool to facilitate new oversight of spending within 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 faces 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 are not performed timely. Additionally, the GSA OCIO lacks comprehensive guidance for the secure development of mobile applications to mitigate mobile threats.

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 has established a goal of allowing GSA employees to access any system, from any location, at any time. During FY 2013, GSA established initiatives to allow employees to access GSA resources via their personal and government-issued mobile devices. Further, mobile application development

[5] The Enterprise Data Management Working Group will advise and facilitate data-business owners, capture data definitions from the business owners, define data standards for exchange and representation, governance, and other strategic artifacts, as well as make decisions as to how enterprise data will be shared.

continues without comprehensive standards in security, privacy, and development. Challenges in implementing these initiatives include the increased risk of data loss due to portability, and the difficulty in maintaining these initiatives in the frequently changing mobile environment.

With regard to its own operations, as well as its role as facilitator for customer agencies, GSA's migration to cloud computing environments remains a risk area that must also be managed. Potential benefits achieved with cloud computing technologies include cost efficiencies, green efficiencies (lower power consumption and a reduction in carbon footprints), and enhanced security. However, to realize these potential benefits, GSA must continue to address the challenges of using cloud computing for records management, privacy, security, continuous monitoring, e-discovery, and application portability.

AGENCY ACTIONS:

As part of the larger reorganization of GSA's IT governance structure, many employees and contractors responsible for security in GSA's Services and Staff Offices are being centralized under GSA's Office of the Senior Information Security Officer with the aim of consolidating security expertise and tools that are currently spread throughout the Agency.

GSA updated its IT security policy and issued additional guidelines in two areas: mobile computing and continuous monitoring. In mobile computing, GSA established mobile device and application security requirements. In continuous monitoring, GSA created a continuous monitoring program that allows systems with certain attributes to be exempted from requirements to conduct security reauthorizations every three years, which would allow for reallocation of security resources to high priority areas.

To support agencies' migration to cloud computing environments, GSA awarded 12 Infrastructure as a Service blanket purchase agreements to provide government entities with cloud storage,[6] virtual machines, and web hosting services and has completed security authorizations for four of these contractors as of August 31, 2013.

As the managing partner, GSA began processing security authorizations through Federal Risk and Authorization Management Program (FedRAMP) in 2012. FedRAMP is a government-wide initiative to provide joint security authorization and accreditation, and continuous monitoring services for large, outsourced, and multi-agency systems. FedRAMP has accredited 6 Cloud Service Providers and 20 third-party assessment organizations as of June 2013. FedRAMP standards will be required for all legacy cloud computing environments used throughout the Federal Government.

[6] These solutions provide the customer the ability to provision processing, storage, networks, and other fundamental computing resources to deploy and run arbitrary software, including operating systems and applications. The customer does not manage or control the underlying cloud infrastructure but has control over operating systems, storage, deployed applications, and possibly limited control of select networking components (*e.g.*, host firewalls).

FINANCIAL REPORTING

GSA's systems of accounting, financial management, and internal controls need to ensure management has reliable, useful, and timely financial and performance information for day-to-day decision making and accountability; as well as to deter fraud, waste, and abuse. However, despite on-going efforts, weaknesses in internal controls and financial processes still hamper GSA's financial reporting efforts.

ISSUE: *Improvements of the controls over budgetary accounting and financial reporting are needed.*

In prior financial statements audits, the Independent Public Accountant (IPA) has identified internal control deficiencies over budgetary accounts and transactions. Specifically, the IPA has identified control weaknesses in GSA's financial management systems and financial reporting processes related to the recording of undelivered orders and recoveries of prior years' obligations, processing of unfilled customer orders, apportionments, and funds controls. As it pertains to apportionments and funds control, the IPA recommended that GSA enforce existing policies and procedures related to funds certification to ensure certification is obtained before contracting officers sign obligating documents, and consider updating policy over funds control to establish consistency across the Agency. While GSA has made improvements to correct the reported deficiencies, the deficiencies noted in the past continue. Contributing factors to these deficiencies include the absence of an integrated procurement and acquisition system, ineffective information and communication processes, and the lack of effective supervision over regional and operational personnel.

AGENCY ACTIONS:

FAS and PBS are continuing to work on developing a comprehensive acquisition system to address their specific requirements. Also, the OCFO has developed the Budget Management Control Policy to manage the budgetary controls within Pegasys, GSA's primary financial system of record, to improve financial reporting. In addition, GSA continues to work with contractors to assess the internal control environment to identify ways to improve: (1) the effectiveness of key controls following the reorganization; (2) adequate delegation of authority and approval protocols to ensure accountability; (3) effective lines of communication to ensure reliable reporting; and (4) the effectiveness and efficiency of budgetary and financial management controls and operations.

ISSUE: *Improvements are needed in the implementation of the due care process over environmental liabilities.*

Federal regulations require GSA to assess the existence of environmental contamination in Agency properties, determine the anticipated remediation costs, and report the anticipated costs as environmental liabilities in the financial statements. GSA manages over 1,500 government buildings throughout the country. As reported in the financial statements audit, these buildings are, on average, 48 years old. A number of them may contain environmental hazards that will

have to be remediated. Currently, GSA does not have an effective due care process to investigate and identify properties that may contain hazardous substances.

Without an effective process in place, GSA is challenged with identifying the existence of environmental contamination in its properties. As a result, it is difficult for GSA to determine remediation costs of environmental liabilities 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.

To compound the already existing challenge of estimating environmental liabilities, the Agency is now required to report asbestos contamination. Federal Accounting Standards Advisory Board Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, requires all federal agencies to report liabilities and related expenses arising from asbestos-related cleanup costs.

AGENCY ACTIONS:

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. The revised process is scheduled for an FY 2014 release.

PROTECTION OF FEDERAL FACILITIES AND PERSONNEL

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

GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at approximately 9,184 owned and leased federal facilities nationwide. This role was reaffirmed by Presidential Policy Directive 21 on *Critical Infrastructure Security and Resilience*. It designated 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, the GSA OIG is not undertaking any protection-related audits in FY 2014.

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 to 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 the Agency's ability to manage its facility assessment program. Consequently, FPS had limited assurance that critical risks at federal facilities were being prioritized and mitigated. FPS also continued to be challenged in overseeing the contract guard workforce.

Lastly, GAO reported that agencies are inconsistently implementing Interagency Security Committee (ISC) standards. It found that the ISC standards, developed based on leading security practices across government, are used in limited ways by agencies depending on their specific conditions. However, the ISC 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 ISC to conduct outreach to improve ISC standard implementation.

AGENCY ACTIONS:

As part of GSA's reorganization, the responsibility for facility security is now under the Office of Mission Assurance. This alignment is expected to enhance the Agency's capacity to fulfill its missions, including those directed by Presidential Policy Directive 21 relating to critical infrastructure. Additionally, GSA now has a permanent liaison at FPS for improved data coordination among the agencies.

The Office of Mission Assurance has assumed executive leadership for GSA's relationship with FPS. It initiated a broad spectrum of interactions, 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, the Office of Mission Assurance has already disclosed concerns with accountability and unobligated funds regarding security goods and services provided by FPS.

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 government-wide policy. GSA has received additional responsibilities to lead change towards

sustainability in these areas with the enactment of the Energy Independence and Security Act of 2007 (EISA), the American Recovery and Reinvestment Act of 2009 (Recovery Act), and Executive Order 13514 - *Federal Leadership in Environmental, Energy, and Economic Performance*. Under these initiatives, GSA is required to increase energy efficiency, reduce greenhouse gas emissions, conserve water, reduce waste, support sustainable communities, and leverage federal purchasing power to promote environmentally responsible products and technologies.

In response to its sustainability responsibilities, GSA issued its FY 2012 SSP Plan; however, GSA faces challenges in executing the SSP 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 2012 SSP Plan shows that GSA has made progress toward achieving several of its sustainability targets and goals established by Executive Orders, regulations, and statutes, while committing to several new sustainability efforts.

We identified three obstacles to GSA's sustainability initiatives: (1) developing a management framework, (2) collecting data to support goals and evaluate results, and (3) funding specific programs.

Management Framework for Sustainability

To implement its SSP Plan successfully, GSA needs a transparent management framework that uses a collaborative approach to "drive things down" throughout the organization and support coordination efforts with customer agencies and contractors. GSA's sustainability initiatives span all of the Agency's business lines, but there is no clear process to merge the disparate parts and implement overall program management.

Success is highly dependent on communication that crosses program lines and extends to external partners. When GSA began its sustainability initiatives, it did not develop a management framework that could be used to lead its efforts and evaluate results. GSA needs to continue development of an efficient management framework that is then communicated to employees across the entire Agency. The Office of the Chief Greening Officer (CGO) within the PBS Commissioner's Office struggles with a matrix organization, a lack of influence, and difficulties integrating sustainability requirements with business line processes.

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.

Funding for Sustainability Programs

To date, 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 plans to facilitate the Federal Government operating more efficiently and effectively, leading the marketplace to sustainability, and minimizing the federal footprint through efficient use of energy, water, and resources. However, this office now relies upon annual appropriations.

In addition, GSA established the Green Proving Ground (GPG) program under the CGO to identify, acquire, implement, and evaluate the performance of innovative technologies. It is the only funded program in the CGO as of March 2013. However, due to resource constraints, PBS was only able to select 5 new technologies in FY 2013, although it had a goal of selecting 12 new technologies. PBS is currently using gifting authority to acquire technologies while funding is used for technical evaluations and installing the tested technologies.

AGENCY ACTIONS:

In its FY 2014 congressional budget justification, GSA discussed 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 IT resources; promoting cost savings through sustainable use of space, travel, fleet, technology, and resources; and greening the federal supply chain.

GSA also took several steps to address the challenges to its overall sustainability program. PBS developed a database, known as gBUILD, to track Recovery Act funded high-performance green building projects. gBUILD was developed to collect and track information on a project's scope of work details. These details include energy efficiency, water conservation measures, and renewable energy systems. It is also expected to include Leadership in Energy and Environmental Design targets and ratings, Energy Star scores, baseline and anticipated performance, and compliance with Guiding Principles for New Construction and Major Renovations.

The Office of Federal High-Performance Green Building's Sustainable Facilities Tool website and mobile application continue to provide guidance for greening projects. Its Green Procurement Compilation facilitates the procurement of green/sustainable products and services. In addition, GSA is able to monitor greenhouse gasses through the Carbon Footprint Tool to track progress towards achieving its reduction goal.

In accordance with the Federal Buildings Personnel Training Act of 2010, GSA developed a curriculum for core competencies, including sustainability. The goal is to implement transformational concepts across the Federal Government. GSA is leading federal implementation efforts by conducting a national assessment of all its building manager personnel using the Core Competency Web Tool hosted at www.fmi.gov. The information gathered will

be used to identify gaps in personnel qualifications and to define strategies and costs necessary to fill those gaps.

The GPG program continues to look for technologies that show promise in helping GSA achieve sustainability goals. The GPG tests, monitors, and evaluates these technologies while using its findings to determine whether to deploy the technologies and practices in the future. Twelve technologies were selected in both FY 2011 and FY 2012. PBS plans to deploy three of the tested technologies from FY 2012 across the country in calendar year 2014. These technologies include lighting, power strips, and wireless occupancy sensors. The U.S. Department of Energy is a partner that assists with measurements and verification and advises GSA on how to share information throughout the Federal Government.

The Sustainability Governance Board and the National Sustainability Council meet on a monthly basis and are instrumental in developing strategies contained in the SSP Plan. The CGO worked with the PBS business lines to identify 34 projects for FY 2013 that will help meet the Agency's sustainability goals.

GSA completed its most recent evaluation of the Green Building Certification System in 2012. This review of organized certification system information is based on EISA Section 436(h) review criteria to enable a comparable evaluation of systems. EISA requires the Director of GSA's Office of Federal High-Performance Green Buildings to provide the findings to the Secretary of Energy who, in consultation with the Department of Defense and GSA, formally identifies the system(s) to be used across the Federal Government.

American Recovery and Reinvestment Act of 2009

Issue: *GSA will continue to be impacted throughout the conclusion of Recovery Act projects.*

The Recovery Act provided GSA with $5.55 billion to convert federal buildings into high-performance green buildings, as well as to construct buildings, courthouses, and land ports of entry. The Recovery Act mandated that $5 billion of the funds be obligated by September 30, 2010, and the remaining funds by September 30, 2011.

This increased workload has challenged GSA since the inception of the Recovery Act. The Agency was required to obligate the majority of these funds, roughly four times its typical construction budget for a single year, within a 20-month period. As a result, GSA project management and contracting personnel moved these projects forward hastily in shortened timeframes. As of August 16, 2013, 420 Recovery Act projects have been completed with 124 still in progress. Of the 124 projects still in progress, 118 are more than 50 percent complete, leaving 6 projects less than 50 percent complete. Although many of these projects are complete or near completion, challenges remain. Specifically: (1) managing projects with reduced travel; (2) preparing for a future inflow of construction claims; (3) performing effective commissioning; and (4) evaluating projects for reduced energy consumption and cost savings.

Reduced Travel Increases the Difficulty of Oversight

In the past year, GSA has reduced employee travel. This may result in a lack of GSA oversight on Recovery Act projects, as reduced travel budgets prevent project managers from performing site visits on a consistent basis. Less physical oversight for projects could result in potential risk for claims, compromised quality of work, and ineffective commissioning processes. GSA needs to develop cost-efficient alternatives to provide necessary and effective oversight for construction projects.

Potential Increase in Construction Claims

Given the Recovery Act workload, GSA is likely to experience an increase in construction claims. Contractors submit claims for increased costs on many construction projects, asserting that costs increased because the Federal Government increased scope or federal actions resulted in delays. According to PBS management, the GSA Office of General Counsel, and regional contract officials, claims on Recovery Act projects have already been, and are expected to continue to be, submitted through FY 2014. GSA contracting officers, project managers, and legal staff need to prepare for the inflow of claims as more Recovery Act projects are completed.

Commissioning

PBS uses a process known as 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 GSA, 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.

GSA manages independent agents who perform the commissioning of Recovery Act projects, relying on their expertise with respect to measurement, verification, and adjustments. To obtain the benefits of Recovery Act projects, GSA needs to ensure the commissioning process is effective in achieving lower building operating costs, increasing energy and maintenance savings, and avoiding potential customer dissatisfaction.

Reporting on Reduced Energy Consumption and Cost Savings

The majority of GSA's Recovery Act funds were provided for measures to convert federal buildings to high-performance green buildings. To achieve this, GSA'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*, and the Energy Policy Act of 2005. In addition to meeting these requirements, GSA 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, GSA 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, GSA had not implemented the processes and systems for measurement and reporting. To demonstrate leadership in sustainability, energy efficiency, and reducing environmental impact, GSA will need to accurately evaluate and quantify reduced energy consumption and cost savings from high-performance green buildings.

AGENCY ACTIONS:

GSA management is working to provide policy updates and training to personnel in order to mitigate the impact of reduced travel. In addition, GSA management has been in discussion with the GSA OIG in anticipation of audits needed to assist Agency staff in evaluating contractor claims and proposals. GSA has also been providing training to personnel involved in the commissioning process to ensure they are prepared. Finally, GSA has developed a tracking system (*i.e.*, gBUILD) to collect information directly supporting the impact on investing in new green technologies.

GSA

GSA Administrator

MEMORANDUM FOR BRIAN D. MILLER
INSPECTOR GENERAL (J)

FROM: DAN TANGHERLINI
ADMINISTRATOR (A)

SUBJECT: GSA's Management Challenges, Fiscal Year 2014

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

Agency Management Comments on the Inspector General's Assessment *(Unaudited)*

Acquisition Programs

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 completed a lessons learned analysis and will be communicating the analysis to stakeholders in the coming months. In addition, GSA is incorporating these lessons learned into the NS2020 acquisitions as well as transition planning. As part of this, GSA is contemplating an extension to the Networx contract to ensure a well planned transition. The NS2020 interagency panel continues to meet to address these issues.

The program area acquisition strategies and an Operational Methods and Procedures, Enterprise Services and Migration Strategy, and Roadmap will be completed by end of December 2013. However, GSA anticipates additional feedback on these items and expects them to be finalized in the middle of calendar year 2014.

Information Technology

ISSUE: Improved planning, development, and implementation of information technology systems and services are needed to ensure quality data to support business decisions.

RESPONSE: GSA has completed five Milestone Reviews of major IT programs, leading to recommendations and review by the agency's Investment Review Board. GSA has also completed an inventory refresh of legacy systems, and readily accesses that information for analysis in the Enterprise Architecture Troux tool.

GSA also expanded use of the IT Spend Tracker to include professional services. This has provided the agency's leadership with additional insight and visibility into both IT and professional services acquisitions.

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

RESPONSE: To support agencies' migration to cloud computing environments, GSA awarded 12 Infrastructure as a Service blanket purchase agreements (BPAs) to provide government entities with cloud storage, six virtual machines, and web hosting services and has completed security authorizations for four of these contractors as of August 31, 2013. None of the contractors/cloud vendors are allowed to sell their services on the BPA until they finish their assessment and authorization.

GSA's Greening Initiative – Sustainable Environmental Stewardship

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

RESPONSE:

Management Framework for Sustainability

The Senior Sustainability Advisory Group (SSAG) serves as the central strategy, planning, and management body for GSA sustainability initiatives. It harnesses the sustainability expertise within the agency for 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 needs through sustainability. The SSAG is chaired by the Senior Sustainability Officer (SSO) and supported by the SSAG support team, which is comprised of GSA staff detailed to the SSAG, including a representative from the Office of the Chief Financial Officer (OCFO). All SSAG leads and members are either sustainability experts and/or individuals responsible for sustainability initiatives within their business unit including but not limited to: Federal Acquisition Service, Public Buildings Service, Office of Governmentwide Policy, OCFO, Office of Administrative Services, Office of the Chief Information Officer, Office of the Chief People Officer.

Collecting Data to Evaluate Sustainability Results

GSA's Green Proving Ground (GPG) program leverages the agency's real estate portfolio to demonstrate and validate emerging building technologies. Annually, the program selects a limited number of technologies for evaluation based on GSA's programmatic needs. Findings resulting from measurement and validation provide insight on environmental benefits and economic considerations. In addition, GSA tracks energy use reduction, water use reduction and waste diversion at the portfolio level on a quarterly basis. Advanced meters providing real time energy consumption data allows GSA to monitor eighty percent of the agency's electric consumption.

Funding for Sustainability Programs

Each PBS business line budgets for programs that support sustainability mandates. For example, programs such as rapid building assessments, GSA Link, Shave Energy and the Green Proving Ground were funded in 2013.

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.

GSA provides the following improper payment reporting details in accordance with IPERA, 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 all its programs in Fiscal Year (FY) 2012 for FY 2011 payments. The risk assessment identified the following two programs and three activities as susceptible to significant improper payments: Rental of Space and Purchase Card, and three activities Building Operations and Other Payments - Utilities[1], ITS - Wide Area Network (WAN)[2]; and Other Sensitive Payments[3].

In FY 2013, GSA measured and estimated the improper payment rate for each program as required under OMB Circular A-123, Appendix C.

2. Statistical Sampling

For FY 2013 measurement and estimation reporting of programs that are susceptible to significant improper payments, a stratified sampling design was used to test payments based on FY 2012 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-11-16 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

[1] Utilities is an activity under major program: Building Operations and Other Payments.
[2] Wide Area Network is an activity under major program: Integrated Technology Services.
[3] Other Sensitive Payments are discretionary costs that are determined to be high risk to the agency throughout all programs, which include conferences, speaking honoraria, gifts, training, and membership fees. This was determined based on FY 2012 publicity, including the Western Conference event.

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.

3. Corrective Actions

GSA determined that none of the programs or activities that produced improper payment estimates in FY 2013 yielded results above the IPERA threshold. However, per OMB M-11-16, 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 each sub-category is provided in the following table:

Rental of Space Root Cause: Administrative and Documentation Errors			
Sub-Category	**Estimated Improper Payment Amount[4]**	**Corrective Action**	**Target Date**
Duplicate Payment	$11,048,913.88	GSA OCFO has implemented a pre-payment review of all lease payments over $500K to identify duplicate payments and keying errors.	Complete and implemented in October FY2013
Keying Error	$15,628,643.97		
Miscalculation of Payment	$56,201.80		
Lease Digest Not Processed Timely	$32,811,232.08	GSA is currently evaluating the lease process to further identify root causes of improper payments on a nation-wide basis. The assessment began in FY 2013 and will continue in FY 2014. Based on the assessment, GSA will determine an appropriate corrective action plan that addresses short and long-term efforts to help reduce the improper payment amount.	On-going
		Continue payment recapture audit efforts for the Rental of Space Program on a yearly-basis.	On-going
Total	$59,544,991.73		

[4] Note: Estimates by detailed root cause were calculated using an allocation methodology, not a statistical estimation.

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 above the IPERA significant improper payment threshold. The results of the estimation are provided in Table 1.

[See Table 1 Improper Payment Reduction Outlook on Page 103]

5. Recapture of Improper Payments Reporting

In FY 2013, 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 five of 11 regions. Furthermore, GSA initiated payment recapture audit efforts for the Federal Acquisition Service (FAS) regional telecommunication and supply contracts. No improper claims were identified for the regional telecommunication contracts under review and results of the supply contracts audit remain in-process at the end of the fiscal year.

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.

[See Table 2 Payment Recapture Audit Reporting on Page 103]

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 103]

Table 4 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.

[See Table 4 Aging of Outstanding Overpayments on Page 104]

GSA's payment recapture audit identified claims related to the rental of space program. This program is funded through the Federal Buildings Fund, a revolving fund. Therefore, funds recaptured are credited back to their original purpose. Table 5 provides a summary of GSA's disposition of funds.

[See Table 5 Disposition of Recaptured Funds on Page 104]

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.

[See Table 6 Overpayments Recaptured Outside of Payment Recapture Audits on Page 104]

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 2014.

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. Furthermore, GSA is conducting a process evaluation on a nation-wide basis to identify inconsistencies across regions and areas for standardization.

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 improvement efforts are on-going and GSA continues to make additional improvements as issues are identified.

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	N/A	N/A	N/A	$5,556	1.07%	$59.55	$29	$30.6	$5,593	1.02%	$57	$5,593	1%	$56	$5,593	1%	$56
Building Operations - Utilities	N/A	N/A	N/A	$400	0.06%	$0.25	$-	$0.249	$383	0%	$-	$383	0%	0	$383	0%	$-
Integrated Technology Service - Wide Area Network	N/A	N/A	N/A	$753	0%	$-	$-	$-	$743	0%	$-	$743	0%	$-	$743	0%	$-
Purchase Cards	N/A	N/A	N/A	$54.9	7.79%	$4.28	$4.28	$0.00	$34	7.3%	$2.3	$34	6.8%	$2.3	$34	6.2%	$2.1
Other Sensitive Payments	N/A	N/A	N/A	$17.7	1.67%	$0.30	$0.29	$0.01	$18	1.5%	$2.7	$18	1.3%	$0.23	$18	1.1%	$0.20

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	$3,206,976,558	$3,206,976,558	$9,085,958	$4,474,860	49%	$4,437,802	49%	$173,296	2%	$108,862,792	$81,777,989	$117,948,750	$86,252,849	$30,856,517	$839,384
Regional Telecommunications	Contract	$630,000	$630,000	$0	$-	0%	$-	0%	$-	0%	$-	$-	$-	$-	$-	$-
Supply	Contract	$1,777,294	$1,777,294	$0	$-	0%	$-	0%	$-	0%	$-	$-	$-	$-	$-	$-

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	$9,085,958	$4,474,860	49%	50%	55%	60%

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	$4,024,700	$413,102	--

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	$-	$-	$-	$ 4,474,860	$-	$-

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)
OCFO Identified	$31,607,265	$31,111,530	$38,218,665	$37,389,991	$69,825,930	$68,501,521

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	0	1	0	0	1
Total Material Weaknesses	0	1	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	0	1	0	0	0	1
Total Material Weaknesses	0	1	0	0	0	1
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance: Unqualified						
MATERIAL WEAKNESSES	**BEGINNING BALANCE**	**NEW**	**RESOLVED**	**CONSOLIDATED**	**REASSESSED**	**ENDING BALANCE**
Financial Reporting	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)						
	GSA			AUDITOR		
1. System Requirements	No noncompliance noted			No noncompliance noted		
2. Accounting Standards	No noncompliance noted			No noncompliance noted		
3. USSGL at Transaction Level	No noncompliance noted			No noncompliance noted		

Other GSA Statutorily Required Reports *(Unaudited)*

Debt Management

GSA reported $119.1 million of outstanding debt from non-federal sources, of that amount, $18.9 million or 15.8 percent of the outstanding debt was delinquent at the end of FY 2013. 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 Department of the Treasury (Treasury), Financial Management Service for cross-servicing collection. During FY 2013, the Office of the Chief Financial Officer (OCFO) referred over $13.1 million of delinquent non-federal claims to the Treasury for cross-servicing collection activities. Collections on non-federal claims during this period exceeded $856.4 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 2013, GSA paid interest of $219,290 thousand on disbursements of $18.4 billion, or $11.88 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 2011	FY 2012	FY 2013
Total Number of Invoices Paid	1,565,084	1,564,274	**1,476,006**
Total Dollars Disbursed	$20.1 Billion	$21.0 Billion	**$18.4 Billion**
Total Dollars of Interest Penalties	$1,379,234	$653,117	**$219,290**
Interest Paid per Million Disbursed	$68.41	$31.10	**$11.88**
Percentage of Invoices Paid On Time	98.8%	99.4%	**99.5%**
Percentage of Invoices Paid Late	1.11%	0.60%	**0.46%**
Percentage of Invoices Paid Electronically	98.3%	98.5%	**91.5%**

Schedule of Spending
(Unaudited)

The Schedule of Spending presented on page 106 is an overview of the fiscal year (FY) 2013 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 30.

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, 2013 and 2012
(Dollars in Millions)

	Federal Buildings Fund		Acquisition Services Fund		Other Funds		GSA Totals	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
What Money is Available to Spend?								
Total Resources (Note 1)	**$14,892**	$15,702	**$11,882**	$12,811	**$954**	$1,018	**$27,728**	$29,531
Less Amount Available but Not Agreed to be Spent (Note 2)	**4,097**	4,679	**2,078**	1,850	**76**	79	**6,251**	6,608
Less Amount Not Available to be Spent (Note 3)	**21**	38	**31**	49	**130**	143	**182**	230
Total Amounts Agreed to be Spent (Note 4)	**$10,774**	$10,985	**$ 9,773**	$10,912	**$748**	$ 796	**$21,295**	$22,693
How was the Money Spent?								
Building Leases	**$ 5,678**	$ 5,584	**$ 41**	$ 44	**$ 32**	$ 31	**$ 5,751**	$ 5,659
Mission Support & Consulting Services	**1,147**	1,203	**4,731**	5,208	**213**	196	**6,091**	6,607
Operations & Maintenance	**1,223**	1,386	**191**	206	**52**	42	**1,466**	1,634
Personnel Salaries/Benefits	**767**	792	**435**	457	**298**	311	**1,500**	1,560
Other Contractual Services	**351**	353	**209**	226	**99**	156	**659**	735
Land and Buildings	**889**	916	**1**	3	**-**	-	**890**	919
Equipment	**124**	133	**715**	840	**18**	26	**857**	999
Utilities	**410**	425	**1**	2	**-**	-	**411**	427
Communication	**8**	7	**1,067**	1,076	**24**	20	**1,099**	1,103
Supplies and Materials	**8**	11	**2,283**	2,755	**1**	3	**2,292**	2,769
Other	**169**	175	**99**	95	**11**	11	**279**	281
Total Amounts Agreed to be Spent (Note 4)	**$10,774**	$10,985	**$9,773**	$10,912	**$748**	$796	**$21,295**	$22,693
Who did the Money go to?								
Federal Entities	**$ 603**	$ 654	**$1,107**	$ 1,216	**$171**	$192	**$ 1,881**	$ 2,062
Non-Federal								
Commercial and Other Non-Federal Entities (Note 5)	**9,585**	9,712	**8,328**	9,338	**356**	369	**18,269**	19,419
Employees	**586**	619	**338**	358	**221**	235	**1,145**	1,212
Total Amounts Agreed to be Spent (Note 4)	**$10,774**	$10,985	**$9,773**	$10,912	**$748**	$796	**$21,295**	$22,693

Notes:
1. This amount ties to balances reported on the CSBR as Total Bugetary 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): The OCFO provides financial management services for GSA and over 50 external customers. The OCFO manages the strategic planning, budgeting and performance management cycle within GSA; manages the core accounting system; and prepares financial statements and reports.

Office of the Chief Information Officer (OCIO): The OCIO provides enterprise IT services and solutions by leveraging IT resources to support GSA business needs.

Civilian Board of Contract Appeals (CBCA): CBCA serves as an independent and objective tribunal in contract disputes between government contractors and GSA, and contractors and other executive agencies. CBCA provides alternative dispute resolution services to all federal agencies and contractors. The board also hears claims involving transportation rate determinations, federal employee travel, relocation and expense claims, and a small number of other types of claims.

Office of Communications and Marketing (OCM): OCM focuses on conveying information about GSA to federal employees and external audiences, including the media, agency customers, stakeholders, and the American public.

Congressional and Intergovernmental 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 the Chief People Officer (OCPO): The OCPO develops and delivers programs, policies, and services that promote GSA strategic management of human capital.

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 is the nation's focal point for data, information and services offered by the Federal Government to citizens. OCSIT plays a leadership role in identifying and applying new technologies to effective government operations and excellence in customer service in the government. OCSIT creates a more citizen-centric, results-oriented Federal Government. OCSIT helps citizens to interact with the government by creating a single electronic front door to the services and information they require in the medium preferred: the Web, e-mail, telephone, fax, or print. OCSIT also provides in-house communications support to the rest of GSA, and is a liaison with the media.

Office of Emergency Response and Recovery (OERR): OERR is responsible for ensuring that GSA maintains a constant state of readiness to provide emergency acquisition support and emergency real property to federal agencies in the event of a disaster or catastrophic event. OERR coordinates GSA 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. OERR coordinates emergency management services throughout GSA, and develops emergency preparedness procedures, shelter-in-place guidelines, and training to assist employees in the event of an emergency.

Acronyms and Abbreviations
(Unaudited)

AAS	Assisted Acquisition Services
ADP	Automated Data Processing
AFR	Agency Financial Report
ASF	Acquisition Services Fund
APIS	Application Programming Interfaces
ARRA	American Recovery and Reinvestment Act
BAAR	Billing and Accounts Receivable
CBCA	Civilian Board of Contract Appeals
CERCLA	Comprehensive Environmental Response Compensation and Liability Act
CFO	Chief Financial Officer
CIP	Construction-in-Progress
CPP	Customer Portfolio Plans
CSBR	Combining Statements of Budgetary Resources
CSRS	Civil Service Retirement System
DHS	Department of Homeland Security
DLA	Defense Logistics Agency
DM&R	Deferred Maintenance and Repairs
DOC	Department of Commerce
DOI	Department of Interior
DOJ	Department of Justice
DOL	Department of Labor
DOS	Department of State
EFT	Electronic Funds Transfer
EPA	Environmental Protection Agency
EOP	Executive Office of the President
FAA	Federal Aviation Administration
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
FTE	Full-time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GPG	Green Proving Ground
GSA	U.S. General Services Administration
GSS	General Supplies and Services
HHS	Department of Health and Human Services
ICE	U.S. Immigrations and Customs Enforcements
IEEUIT	Integrated, Efficient and Effective Uses of Information Technology
IPERA	Improper Payments Elimination and Recovery Act
IT	Information Technology
ITS	Integrated Technology Services
MAS	Multiple Award Schedule
NEAR	National Electronic Accounting and Reporting
NIST	National Institute of Standards and Technology
OASIS	One Acquisition Solution for Integrated Services
OCFO	Office of the Chief Financial Officer
OCSIT	Office of Citizen Service and Innovative Technologies
OFPP	Office of Federal Procurement Policy
OGP	Office of Government-wide Policy
OGPL	Open Government Platform
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OASDI	Old-Age, Survivors, and Disability Insurance
PADC	Pennsylvania Avenue Development Corporation
PBS	Public Buildings Service
PCS	Physical Condition Survey
PMR	Procurement Management Review
PP&E	Property Plant and Equipment
R&A	Repairs and Alterations
ROE	Return on Equity
RRB	Ronald Reagan Building
RWA	Reimbursable Work Authorization
SAISO	Senior Agency Information Security Officer
SEC	Securities and Exchange Commission
SFFAS	Statements of Federal Financial Accounting Standards
SSA	Social Security Administration
SSAE 16	Statement on Standards for Attestation Engagements 16
SSAG	Senior Sustainability Advisory Group
SSO	Senior Sustainability Officer
SSP Plan	Strategic Sustainability Performance Plan
TAFS	Treasury Account Fund Symbol
TSP	Thrift Savings Plan
TMVCS	Travel, Motor Vehicles, and Card Services
USSGL	U.S. Standard General Ledger
VCSS	Vendor and Customer Self Service
VoIP	Voice over Internet Protocol
WAN	Wide Area Network
WCF	Working Capital Fund

U.S. General Services Administration
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