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

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

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[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

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[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.

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[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.