GSA 1998 Annual Report

"A Destination and an Urban Link"

"The only thing that could make this day more special is if President Reagan could be here himself. But, if you look at this atrium, I think we feel the essence of his presence: his unflagging optimism, his proud patriotism, his unabashed faith in the American people."

President William J. Clinton

The Ronald Reagan Building and International Trade Center in downtown Washington, DC, was dedicated by President Clinton on May 5, 1998, with President Reagan's wife Nancy, GSA Administrator David J. Barram and a dais-full of other dignitaries in attendance. Located in the heart of the nation's capital, the Ronald Reagan Building is unique in many ways. It occupies an 11-acre site and, at 3.1 million gross square feet, it is the second largest Federal building after the Pentagon. The Indiana-limestone edifice completes the Federal Triangle, an enclave of monumental Federal office buildings constructed along Pennsylvania Avenue in the 1920's and 1930's. With its soaring spaces and monumental design, it is the last great Federal building of the 20th century.

According to its architect, James Freed, "The Ronald Reagan Building and International Trade Center has been designed as both a destination and an urban link, inside and outside, both for the Government and the public it serves. In its unusually rich mix of uses as an office/cultural/commercial/ entertainment/ education center, it belongs as much to the world outside the Federal Triangle as to the Government agencies housed within."

The building embodies much of what GSA is about today. It houses more than 5,100 Federal employees of the Customs Service, the Agency for International Development, the Environmental Protection Agency, and the Woodrow Wilson International Center for Scholars. Some 500,000 square feet are set aside for a privately managed International Trade Center, which includes a state-of-the-art conference and exhibition center, a 620-seat auditorium, class-A private sector office space for nearly 2,000 employees of trade-related organizations, reception rooms, retail shops and restaurants. With its mix of uses and its inviting courtyard, it serves as a magnet to draw people in from Pennsylvania Avenue and the national Mall and provides activity in downtown Washington into the evening hours and on weekends.

The new building offers state-of-the-art technology. Its design represents the best in contemporary architecture, looking forward to the 21st century. The historic Oscar S. Straus Memorial Fountain, installed adjacent to 14th Street in 1947, was removed, restored, and rebuilt close to its original location. Works of art by three prominent contemporary artists, commissioned by GSA's *Art-in-Architecture* program, grace the building's plaza and atrium. A child care center in the building contributes to GSA's goals for family-friendly workplaces.

At their best, Federal buildings are legacies shared by employees, visitors, the community, the nation, and the world. This building will evoke the ideals of American democracy and the openness of American society for generations to come.

"The Ronald Reagan Building and International Trade Center stands for the ages. One hundred years from now, our citizens will look at this building and marvel at its grandeur and scope."

GSA Administrator David J. Barram

GSA 1998 Annual Report

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The 1998 GSA Annual Report is an Accountability Report produced under the guidelines of the Government Management Reform Act of 1994. This report provides a 360-degree view of the General Services Administration by augmenting the traditional audited consolidated financial information, as required under the Chief Financial Officers Act of 1990, with performance information and reviews of management controls. Reports consolidated within this document include: the financial statements and associated auditors' reports; the Federal Managers' Financial Integrity Act Assurance Letter; Prompt Payment Report; Cash Management and Electronic Payments, Receivables Management and Civil Monetary Penalties; and Executive Summaries of the Inspector General's Semiannual Reports and the Administrator's Semiannual Management Reports to the Congress.

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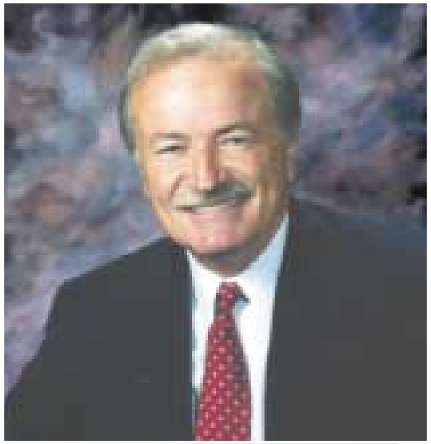
GSA Leadership

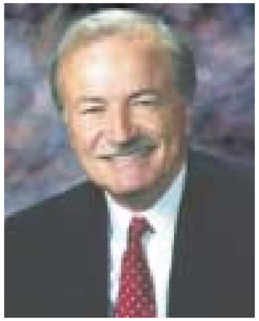


Administrator
David J. Barram

Deputy Administrator
Thurman M. Davis, Sr.

Chief of Staff
Martha N. Johnson

Letter from the Administrator



The countdown to the millennium has influenced, in some way, almost everything we did at GSA in FY 1998. Tackling complex issues, from the Y2K technology problem to the human-scale conflicts faced by working parents, GSA endeavors to stay abreast of change, while providing leadership and solutions for our customer agencies.

If there is one theme that has guided GSA's thinking and actions throughout this fiscal year, it is the critical importance of customer service. Old ways of doing business, with GSA as the mandatory supplier of goods and services for civilian agencies, have been swept away. Federal agencies are free to go into the marketplace to obtain quality products and services at the best price. So GSA is facing the same struggles as any former monopoly that now must compete to be the provider of choice.

These changes have been both challenging and exhilarating. Redefining the way GSA has done business for almost half a century is tough work. But it is also liberating. We've been freed to rethink how we do everything for our customers, from providing reams of copier paper to designing and installing complex telecommunications systems. We now offer competitive pricing, value and flexibility. We are learning to become visionaries and risk-takers. Above all, we are committed to thrilling our customers. For GSA today, the customer has to be at the heart of everything we think and do.

GSA has much to offer the Federal agencies we serve: integrated services, added value, more choices, technological expertise, environmentally sound products, marketplace leverage, locally based professional expertise, and policies that make Government work better. In addition, GSA meets Federal social responsibilities with programs that reach out to our cities with cooperative programs and excess property; encourage Federal contracting with small and disadvantaged businesses, the blind, severely handicapped and prison industries; develop ergonomic tools and equipment; and help society deal with natural and man-made disasters. At the same time, GSA is producing measurably good business results.

With the future in view, GSA is also introducing non-traditional ways to do business, while maintaining flexibility for maximum responsiveness. We have created an Investment Board to support innovative product development. As a result, we are developing innovative products, such as an "adaptable workplace" for retrofitting historic buildings with modern climate-controls and fixtures; a shopping mall-based Government Center, where several government services are conveniently co-located for better service to taxpayers; and the "Anywhere Office," which consists of all the technology a Federal employee needs to conduct Government business, from any place at any time.

GSA's FY 1998 *Annual Report* provides many other examples of the ways GSA is adding value and offering the best in customer service to Federal agencies across the country and around the world.

David J. Barram
Administrator

Letter from the Chief Financial Officer

This is the first GSA *Annual Report* since I joined the agency in February 1998, and I am proud to report the endurance of a fine tradition: FY 1998 is the 11th consecutive year that GSA's consolidated financial statements have received an unqualified audit opinion from our outside auditors. It is one of many fine traditions I have discovered here.

GSA's mission is to provide policy leadership and expertly managed space, products, services and solutions—at the best value—to enable Federal employees to accomplish their missions. The role of the Chief Financial Officer (CFO) is to ensure that this is done in a fiscally prudent and responsible manner.

GSA's first strategic goal is to promote responsible asset management. The CFO's Office is key to achieving this objective. Our fundamental responsibility *is* responsible asset management: controlling GSA's three multi-billion-dollar funds, which altogether accounted for over $13.8 billion in Federal spending in FY 1998. We bring care and conservatism to the management of our funds and other assets, while taking advantage of the innovative techniques and technology available to ensure that taxpayers get the best value for their dollars.

I am a strong proponent of moving as much of our business to electronic commerce as possible. So we are constantly seeking ways to take advantage of the broad reach, cost-savings, instant communications, and interactivity of the Internet. We will avail ourselves of the latest technological advances and adopt innovative applications as soon as they become viable.

The CFO's Office is working hard to improve the way we do business, keeping a keen eye on the bottom line. We believe strong financial leadership should drive our business lines. To that end, we have adopted four Financial Management Rules of the Road to provide our managers a clear map of my vision for GSA:

1. Implement the new agencywide integrated financial management system *(Pegasys).*
2. Eliminate redundancies.
3. Provide less data and more information for our GSA managers.
4. Grow an interdependent GSA financial management community.

With these rules as a guide, we approach the 21st century confident that GSA will continue to fulfill its mission to offer the highest quality service to Federal agencies while providing the best value for taxpayers' dollars.

Thomas R. Bloom
Chief Financial Officer

THE U.S. GENERAL SERVICES ADMINISTRATION was created in 1949 as a centralized Federal procurement and property management agency whose primary objective was to save taxpayers' money. It has evolved from a mandatory supplier of space and supplies for Federal civilian agencies to a non-mandatory provider of competitively priced quality office space, commercial products and professional, state-of-the-art services to the civilian and military workforce.

GSA encompasses:

· the Public Buildings Service (PBS)
· the Federal Supply Service (FSS)
· the Federal Technology Service (FTS)
· the Office of Governmentwide Policy (OGP).

GSA's Mission

GSA's mission reflects the personal commitment of its 14,309 employees in Washington, DC, and in 11 regions across the country:

We provide policy leadership and expertly managed space, products, services, and solutions, at the best value, to enable Federal employees to accomplish their missions.

The agency's three-year Strategic Plan, issued September 30, 1997, is GSA's guide for fulfilling this mission as we move into the next century. It incorporates four strategic goals:

GSA's Strategic Goals

1: *Promote Responsible Asset Management*
GSA will conserve Government resources and the assets in its care and provide policies and best practices for Governmentwide asset management.

2: *Compete Effectively for the Federal Market*
GSA will be the preferred provider of space, products, services, technology, and telecommunications for all Federal agencies by efficiently and economically delivering consistently high quality and best value.

3: *Excel at Customer Service*
GSA will thrill its customers and agency partners by developing and delivering creative solutions to meet their needs for space, products, and services; technology and telecommunications; and policy guidance.

4: *Anticipate Future Workplace Needs*
GSA will design, develop, and model future Federal work environments with state-of-the-art technology, innovation, and best practices in use of space, furniture, equipment, telecommunications, contracts, and other tools.

Through contracts with the private sector, GSA enables Federal agencies to obtain the resources they need to accomplish their missions. GSA constructed a new building for the National Oceanic and Atmospheric Administration on this Boulder, CO, site.

PUTTING THE CUSTOMER AT THE HEART OF EVERYTHING WE DO

A much leaner organization in FY 1998 than just a few years ago, GSA has continued to streamline its operations, while shifting its focus from headquarters to those Federal communities across the country where customers are served. Acknowledging the benefits of operating close to its customers, GSA designated FY 1998 "The Year of the Field" and moved many of its centralized functions to regional offices.

At nearly 50 years old, GSA has been rethinking, reinventing, and reorganizing to better serve its customers, to add value in everything it does, and to help its customers meet the challenges and opportunities of the approaching millennium. At the heart of GSA are the people in the regional offices who interact on a day-to-day basis with the executives, facilities managers, procurement officers, supply clerks, fleet managers, and telecommunications and technology specialists in other Federal agencies. GSA employees bring a wealth of experience and expertise to their jobs. They know their business, and they know their customers well. Even the names of GSA's regional offices suggest a closeness to the constituents they serve: **Pacific Rim, Heartland, Rocky Mountain, Great Lakes, Greater Southwest, Southeast Sunbelt, Northwest/Arctic, Northeast & Caribbean, New England, Mid-Atlantic** and **National Capital Region**.

This *Annual Report* emphasizes regional accomplishments in FY 1998 and recognizes the contributions of GSA employees in the field – the foot soldiers on the front lines of customer service who are finding new and innovative ways to better serve their customers.

Reinventing How GSA Does Business

GSA has been at the forefront of reinventing Government since 1993, when President Clinton and Vice President Gore created the National Performance Review (now the National Partnership for Reinventing Government) and initiated a Governmentwide improvement effort. While GSA has streamlined and expanded its programs at headquarters, the regional offices have also found ways to improve their service to customers—reorganizing around customers, realigning to mirror commercial practices, restructuring for responsiveness, building relationships and reinventing the ways GSA provides integrated solutions for customers and contracting opportunites for small businesses.

Reorganizing around Customers. PBS is reorganizing all its operations at headquarters and in the regions. In FY 1998, the **National Capital Region**, for example, created 8 service delivery teams to handle property management, realty services, property development, and physical security issues for customer agencies. The change from a geographically aligned organization facilitates cross-functional service delivery and improves communication with customers, while building long-term customer relationships. PBS in the **Northwest/Arctic Region** reorganized to enhance customer service by placing more employees in the field, establishing five Customer Service Centers that provide a multidisciplinary response to customer needs.

> ***"GSA employees bring a wealth of experience and expertise to their jobs. They know their business, and they know their customers well."***

Realigning to Mirror Commercial Practices. FSS is realigning its Acquisition Centers to make them more consistent with commercial practices and easier for customers to locate and use. The Paints and Chemicals Center in the **Northwest/Arctic Region** was disbanded. Its functions were transferred to the Hardware (formerly Tools) and Appliances Center in the **Heartland Region** and the General Products Center in the **Greater Southwest Region**. A new FSS Acquisition Center in the **Northwest/Arctic Region** provides Management, Organizational, and Business Improvement Services

(MOBIS). The market for these services is growing exponentially as Federal agencies downsize and seek outside help in managing their workloads.

Restructuring for Responsiveness. In FY 1998, PBS opened six new Centers of Expertise across the country to round out a total of 12 Centers that function as “corporate knowledge centers,” offering specialized information and hands-on assistance quickly and efficiently to GSA clients. Only four Centers are based at GSA headquarters (Courthouse Management, Design Programs, Historic Buildings and Fine Arts, and Property Disposal). Each of the other eight is based in a regional office, but provides specialized expertise to customers throughout the country. With a director on hand, and “virtual” members around the country who participate in special projects as needed, each Center plays an integral role in PBS’ day-to-day operations, exemplifying the kinds of structural changes GSA is making to anticipate its customers’ needs in a rapidly changing marketplace.

The FTS Information Technology Integration operations were reorganized into 13 Client Support Centers and several Solution Development Centers around the country. The Client Support Centers offer all FTS products to all clients, regardless of geographic location and work with clients to meet their unique IT product and service needs. The Solution Development Centers award and administer master contracts for use by the Client Support Centers.

Relationship-building. GSA recognizes the value of developing strong customer relationships. The **Mid-Atlantic Region** turned a routine web site inquiry on telecommunications maintenance into a comprehensive ongoing relationship with the U.S. Naval Academy. The total technology package that the region ultimately provided for the Academy included solving their Y2K compliance problems, providing a billing system, Internet access for all midshipmen, and a funding mechanism that enables the Navy to implement this improved technology network.

Reinventing How GSA Provides Integrated Solutions for Customers. In FY 1998, GSA reached an historic agreement with the Bureau of the Census to provide support services for the Year 2000 Census, launching a series of firsts for GSA:

- the first nationwide partnership with a customer agency;
- the first unified approach to a customer as a full-service agency;
- the first time GSA organized around a customer's regional structure rather than its own; and

Courtrooms in the Mark O. Hatfield U.S. Courthouse are in the heart of the building, yet receive natural light from adjacent corridors through "light scoops" near the ceilings.

- the first use of a comprehensive reporting system to identify and track specific facility costs.

The census is a massive and complicated undertaking. The Census Bureau needs more than 500 temporary offices around the country. It needs real estate and space design services, furniture, equipment, supplies, physical security, telecommunications, computers and transportation services. It needs to install them quickly and to dispose of them quickly when the census is complete. In GSA, Census found a partner it can rely on to take care of these needs.

To get the Census 2000 business, GSA developed a coordinated marketing strategy that demonstrated the agency's technical expertise, innovative problem-solving, strategic vision, and a long-term commitment to the customer. GSA had to offer single-point-of-contact, date-certain delivery, and budget sensitivity. GSA's highly skilled, flexible, and semi-autonomous regional managers were important factors in reaching the partnership agreement. In some instances, they helped GSA create "virtual regions" to conform to the customer's regional needs. Census chose GSA as the provider of choice.

"In FY 1998, GSA exceeded its goals, with small business contracting dollars totaling a record-high $3 billion."

By September 1998, GSA had delivered 402 Census field offices, and had another 130 early-opening local Census offices ready, fulfilling the requirements of its partnership agreement for Census 2000, and, along the way, building the model for a new way of doing business at GSA.

Recognizing the Role of Small Business. GSA assumes major responsibility for making Federal contracting opportunities available to small businesses, particularly women- and minority-owned businesses. As an advocate in GSA for the small business community, the Office of Enterprise Development focuses on programs, policy and outreach. It ensures that GSA policies and programs reflect the needs of small businesses, and tracks the achievement of Government small business procurement goals.

GSA is a leader in using innovative techniques to encourage broad participation in Federal procurement. It helps small businesses become approved vendors on the Federal Supply Schedules, the preferred source of products and services for many agencies. The Schedules provide a rich source of minority- and women-owned contract-holders, from which Federal agencies can select world-class vendors who will also help them meet their small business contracting goals. In addition to getting small businesses listed on the Schedules, GSA sponsors meetings with GSA commissioners and program heads to identify opportunities for small business participation.

In FY 1998, GSA exceeded its goals, with small business contracting dollars totaling a record-high $3 billion, 7% more than the FY 1997 total of $2.8 billion. The $3 billion in GSA contracts for small, small disadvantaged and woman-owned small businesses in FY 1998 constituted 40% of all GSA contract obligations reported to the Federal Procurement Data Center for FY 1998. This amount includes $256 million for women-owned small businesses, and $780 million for minority-owned small businesses, up 52% and 6%, respectively, over FY 1997 results.

Providing Workspace for Federal Agencies

In FY 1998, GSA initiated—and in some cases, completed—construction or renovation of a number of monumental Federal buildings, border stations and courthouses that will mark the last decade of the 20th century as milestones of civic architecture. Drawing on the best in contemporary design and urban planning, GSA is recreating a majestic Federal presence in communities across the country while encouraging maximum use of Federal spaces. With construction of more than 40 new courthouses, Federal buildings like the Ronald Reagan Building and International Trade Center, and smaller buildings like border stations and child care centers, GSA is making a lasting impression on the American landscape.

The GSA Courthouse Construction Program accounts for most of the agency's construction projects. In partnership with the Judiciary and private industry, GSA is producing landmark buildings that represent the best in American architecture and win praise for their functionality under this most ambitious courthouse construction program since the 1930's. The Federal Government will have spent more than $3.7 billion on these projects between 1991 and 1999; and the Judiciary estimates that approximately $4.5 billion in additional budget authority will be needed for design and construction of approximately 114 more projects over the next decade. In FY 1998:

- The **New England Region** dedicated the new U.S. Courthouse in Boston. The building is dramatically situated on the waterfront and replaces an abandoned pier. It features an innovative conoidal or curved 32,000 square-foot glass wall that overlooks Boston Harbor. The courthouse has 27 courtrooms and

The new U.S. Courthouse in Boston, dedicated in September 1998, has a connoidal glass wall that overlooks the city and a public Harborpark landscaped with trees and plants indigenous to the New England seashore.

accommodates nearly 825 employees. Its community outreach programs are also unique. Visitors are welcomed to the building for educational events, lectures, tours, and exhibits; 150,000 square feet of interior space and the 2 1/4 acre Harborpark are all dedicated to public use.

- The Mark O. Hatfield U.S. Courthouse in Portland, OR, was dedicated in the **Northwest/Arctic Region**. The building consists of a 16-story tower and an 8-story "sidecar" with a public roof terrace. It has 15 courtrooms, with provision for six more, and commanding views of the Willamette River and Mt. Hood.
- The **Heartland Region** completed the Charles Evans Whittaker Federal Courthouse in Kansas City, MO. As with courthouses under construction in St. Louis and Omaha, this new Kansas City landmark was located in a downtown area to serve as a catalyst for urban development, in accordance with community planning.
- The **Greater Southwest Region** moved the U.S. Bankruptcy Courts into the newly renovated and expanded U.S. Bankruptcy Courthouse, formerly the Old Law School, in Little Rock, AR.

Courtrooms in the new U.S. Courthouse in Boston convey dignity and restraint appropriate to places where justice is served. The oak woodwork implies strength, while the white plaster walls with stencil decoration reflect historic New England frugality.

- The **Rocky Mountain Region** completed expansion of the Quentin N. Burdick Courthouse in Fargo, ND. The building features a limestone interior, stone floors, and walnut paneling, as well as indoor parking, state-of-the-art technology, and modern security features.
- With six courthouses underway, the **Pacific Rim Region** has undertaken one of the largest construction programs in the region's history. Projects are underway in Las Vegas, NV; Phoenix and Tucson, AZ; Santa Ana and Sacramento, CA; and Agana, Guam, involving, in total, construction of over 2.5 million square feet of space and 76 courtrooms.

- The **Southeast Sunbelt Region** had more courthouse construction projects than any other region. In FY 1998, it dedicated the Howard H. Baker, Jr. Courthouse in Knoxville, TN, formerly a corporate headquarters, and the first building ever acquired for re-use as a Federal courthouse. The Federal courthouse in Jackson, TN, pioneered a new type of public/private partnership. Leased to GSA, it was built by a private developer to GSA, Judiciary and U.S. Marshals Service specifications. It is situated across from the old courthouse on a street donated by the City of Jackson to create a plaza that also acts as a security buffer. A new courthouse was also completed this year in Tampa, FL, and a new Federal Building and Courthouse in Fort Myers, FL, was built after the City of Fort Myers donated $1 million toward purchasing the site. The region also had courthouses underway in Montgomery and Mobile, AL; Jacksonville, Miami, Orlando, Pensacola, and Tallahassee, FL; Albany and Savannah, GA; Covington and London, KY; Biloxi/Gulfport, MS; Columbia, SC: and Greeneville and Nashville, TN.

Providing Products and Services

GSA touches almost everyone who works in the Federal Government, providing millions of products and services, from airline tickets and automobiles to zip drives for computers. In FY 1998, GSA expanded its presence on military bases in the United States and overseas, increased the number of items it offers over the Internet, restructured the FSS Customer Supply Center program to improve its responsiveness, and extended the range of commercial services it offers. Agencies now can tap a broad spectrum of GSA contracts for assistance ranging from compliance with the Government Performance and Results Act to temporary professional or clerical services, employee relocation services and financial management.

The **Rocky Mountain Region** launched the GSA Express Mobile Van, a rolling showroom to bring products and services to regional customers. The 16-foot long Ford van contains

Troops of the Georgia National Guard line up to board buses leased and maintained through GSA's Vehicle Acquisition and Leasing Services.

cabinets, product racks, shelving, and brochure displays. It boasts a wireless computer station and Internet access to *GSA Advantage!™*, the agency's on-line catalog offering nearly half a million items for purchase using a Government purchase card or GSA account number.

The **Pacific Rim Region** opened the first FSS store in Asia as a joint venture with the U.S. Navy at the Yokosuka, Japan, Naval Base. The success of this partnership has led to two other stores in Japan, one for the Navy at Sasebo, and one for the Marine Corps at Iwakuni. Similar stores are being planned for the Air Force and the Army at a number of Pacific Rim locations. Altogether, these stores will generate approximately $30 million in annual sales.

The GSA Furniture Center in the **Mid-Atlantic Region** continues to streamline its systems for outfitting the European operations of the State and Defense Departments. Through partnerships with these agencies, the *GSA Direct* program has eliminated almost a third of the steps in the traditional supply process and reduced by half the time required to ship orders. This translates into savings in both transportation and inventory costs, and U.S. forces overseas are receiving quality, American-made products faster and more inexpensively than ever before.

Federal employees shop for products and services using GSA's on-line catalog, GSA Advantage!™ in the FSS "Access Store" in San Francisco's Federal Building.

Providing Technology and Telecommunications

GSA provides state-of-the-art technology and telecommunications services to Federal agencies across the country.

The **National Capital Region** is a key player in providing voice, data and video services in the city that is home to most agency headquarters. A new Washington Interagency Telecommunications Service WITS2001 contract is in the works to provide up-to-date, cost-effective telecommunications services to users in the Washington area. The WITS2001 contractor will leverage the significant Federal investment in network assets by using and maintaining Government-furnished equipment as well as its own. Customers in the Great Lakes, Pacific Rim and **Northeast & Caribbean Region**s expect to be the first to benefit from immediate and sustained price reductions in local telecommunications costs promised by up-coming Metropolitan Area Acquisition contracts.

Initiating an approach that could revolutionize the way the Federal Government acquires information technology, GSA awarded *Seat Management* contracts to eight companies in FY 1998. *Seat Management* provides integrated desktop computing as a non-owned service that encompasses hardware, software, connectivity, management, operation, and maintenance of desktop components and associated networks. The contractor is responsible for replacing equipment and software to ensure state-of-the-art systems.

GSA provides engineering, technical, procurement and project management support to the new Defense Message System, which gives the Department of Defense the capability of sending and receiving encrypted and electronically signed messages. GSA's Office of Information Security made it possible to provide the new messaging service to over 14,000 users around the world.

"Initiating an approach that could revolutionize the way the Federal Government acquires information technology, GSA awarded Seat Management contracts to eight companies in FY 1998."

The **New England Region** installed a steerable satellite dish at the John F. Kennedy Federal Building in Boston, providing direct satellite transmission to customers. A new high-speed wireless technology for connections for voice transmission has replaced local telephone service with a competitive-access provider, resulting in significant savings. In response to customer demand, the region has also upgraded its video-conferencing equipment to support business class transmission and to provide cost-effective service.

In the **Greater Southwest Region**, GSA is working closely with the Indian Health Service (IHS) to modernize telecommunications at IHS hospitals in New Mexico. In Shiprock, GSA combined a state-of-the-art digital switching system with the FTS2000 Integrated Systems Service Network to advance "telemedicine" at the IHS hospital there. Use of a microwave transmission system offers remote IHS locations access to the network, and a voice mail system is being installed for use in its prescription medicine program.

Providing Art with Public Architecture

Placing fine art in Federal buildings has been a tradition since 1855 when Congress commissioned frescoes for hearing rooms in the U.S. House of Representatives. Today, GSA has one of the largest and most diverse art collections in the nation. The 17,000 works span two centuries and all art disciplines. GSA continues to commission fine contemporary art for new or newly restored Federal buildings and courthouses nationwide through its *Art-in-Architecture* Program.

- In FY 1998, the **New England Region** celebrated the opening of the new border station in Highgate Springs, VT, and the installation of the sculpture, "SUNFIX for Judy," by Kate Pond. The **Southeast Sunbelt Region** dedicated four paintings with regional themes at the James Lawrence King Federal Justice Building in Miami, FL. Artworks were also installed in the Charles Evans Whittaker U.S. Courthouse in Kansas City, MO, in GSA's **Heartland Region**, and in the Federal Building and U.S. Courthouse in Charleston, WV, in the **Mid-Atlantic Region**.
- The **Northeast & Caribbean Region** is conducting a national design competition for an interpretive center and exterior memorial at the site of the colonial-era African Burial Ground in New York City. The site was discovered in 1991 during construction of the Federal Office Building at Foley Square. In FY 1998, two original works of art were installed in the building's lobby to commemorate approximately 400 Africans who were buried there in the 17th century.
- In the **Great Lakes Region**, two of the largest sculptures commissioned by the *Art-in-Architecture* program underwent conservation: "Flamingo" by Alexander Calder and Claes Oldenburg's "Bat Column." Both are installed on Federal property in downtown Chicago.

Artist John Valadez and his daughter, Sadie, work on the mural commissioned by GSA for the new Ronald Reagan U.S. Courthouse in Santa Ana, CA. The mural encapsulates elements of the past and present in Orange County.

Providing Support to the Community

The Federal Government has a significant presence in cities and towns nationwide and touches the lives of most Americans in some way. Given its vast reach, GSA has both an economic and civic responsibility to contribute positively to the life of the communities in which it has a presence. The Agency's commitment to communities is evident around the country. Where possible, GSA locates Federal facilities in central business areas and downtown historic districts, and promotes the use of the nation's historic buildings. In addition, GSA provides access to the Federal market for less-advantaged groups and brings Federal leverage to bear in serving the general public.

GSA conveyed this Lake Michigan lighthouse to the village of Wind Point, WI, which uses it for Board meetings and court sessions. It is one of 37 Great Lakes lighthouses GSA is disposing for the U.S. Coast Guard.

Good Neighbor. GSA has built new partnerships with cities, reinforced downtown locations, and encouraged civic, educational and retail activities in Federal buildings and plazas through its *Good Neighbor* program, which also sponsors special events such as festivals, noontime concerts, and farmers' markets in and around Federal buildings. In a follow-on effort, GSA is developing a collaborative planning process to bring Federal space requirements into city planning discussions and to bring community considerations into GSA property acquisition and disposition decisions. Under the *Good Neighbor* program, GSA is working to enhance the communities in which there is a Federal presence. For example, the **National Capital Region** contracts with business improvement districts in Washington, DC, to provide street lighting, security, and sidewalk cleaning around Federal properties. The **Southeast Sunbelt Region** is partnering with the City of Atlanta to clean up the neighborhood around the Atlanta Federal Center; fixed security posts and walking patrols cover a five-block area. In Chicago, the **Great Lakes Region** is contributing to revitalization of the Rush Street Corridor by out-leasing part of the historic Railroad Retirement Building for shops and restaurants. In the **New England Region**, Boston's new Federal courthouse is generating civic activity and development on historic Fan Pier.

Excess Property. GSA also donates un-needed Federal properties to communities or eligible non-profit organizations. In FY 1998, for example, GSA's **Great Lakes Region** transferred the title to a 117-year-old Lake Michigan lighthouse to the Village of Wind Point, WI. The local government converted part of the lighthouse caretaker's dwelling into the Village Hall and uses it for board of trustees meetings, municipal court sessions and other gatherings. The lighthouse is one of the 37 Great Lakes lighthouses deemed excess property that GSA is disposing for the U.S. Coast Guard.

Blue Pages. GSA manages the *Blue Pages Project,* an initiative of the National Partnership for Reinventing Government. It is designed to make it easier for the public to find Federal telephone numbers in local telephone directories throughout the country. By the end of calendar year 1998, revised directories will be available to 62% of all U.S. households. GSA has made available a standard national Blue Pages template for all directories, developed a system for equitably sharing blue pages costs among all Federal agencies, and created a "Blue Pages Online" web site.

NIB, NISH and Federal Prison Industries. GSA serves as the primary distribution channel for commodities produced by workshops affiliated with the National Institutes for the Blind and Severely Handicapped (NIB, NISH), and Federal Prison Industries. They provide 30% of FSS Stock Program sales. In FY 1998, GSA partnered with NIB/NISH affiliates to provide support, valued at over $20 million, to 60 base supply center stores. In the **Northeast & Caribbean Region**, GSA and NIB opened stores at the U.S. Military

Academy at West Point, NY, and at Westover Air Force Base, MA, and a “virtual” store at the Naval Submarine Base in Groton, CT. In the **Southeast Sunbelt Region**, GSA runs 13 base service stores in partnership with NIB, NISH and the military.

As the leader in Federal telecommunications, GSA provides telecommunications services for people with hearing or speech disabilities. Through a contract managed by FTS, the Federal Relay Service (FRS) allows them to communicate and conduct business with hearing employees within the Federal Government. FRS introduced 7-day, 24-hour domestic and international coverage in September 1998, and plans are being developed to add video relay and speech-to-speech services.

Providing Environmental Protection

The Federal Government, as the nation’s largest single consumer of products and services, has an opportunity and an obligation to direct its purchasing power into responsible environmental uses. In FY 1998, the agency instituted a new initiative – *Planet GSA* – to underscore GSA’s commitment to sound environmental policies and practices on four fronts, broadly described as *buying green, building green, driving green* and *saving green*.

Buying Green. GSA offers thousands of environmentally oriented products and services to help Federal agencies comply with environmental laws, regulations and Executive orders. Over 5,000 items on the Federal Supply Schedules have an environmental attribute. They account for about $1.4 billion in sales, and include:

- 2,000 pieces of equipment, including *Energy Star* computers, printers, and other office equipment.
- 1,000 recycled-content paper products.
- 2,000 other recycled-content items, energy-efficient appliances, and a number of paints, cleaners, and other chemical items.

GSA produces the annual *Environmental Products Guide*, which lists over 3,000 environmentally oriented products available from FSS. In FY 1998, FSS began requiring contractors to clearly identify environmental products.

GSA’s regions have been leaders in promoting environmental sensitivity. The GSA Office Products Center in the **Northeast & Caribbean Region** began stocking only recycled copier paper in FY 1998. All copier paper provided by the agency is now, at a minimum, 20% post-consumer content. That figure will rise to 30% in FY 1999 in response to

GSA provides thousands of environmentally friendly products, including recycled paint. Here, a paint factory technician checks colors in daylight.

Executive Order 12995. In the **Heartland Region**, the GSA Hardware and Appliance Center took the lead in addressing EPA's request to eliminate the use of toxic chromium. The Center focused on chrome plating for hand tools and developed innovative procedures that offer environmentally friendly alternatives to the use of chromium. This effort could have an impact on as much as $4.5 billion in annual Government and commercial sales. Also, in FY 1998, GSA created the *Evergreen Award* to recognize industry partners whose operations respect and protect the environment. It was presented to Milliken Carpet, whose *Earth Square* program, developed in partnership with GSA's **Mid-Atlantic Region**, allows customers to ship their used carpet to Milliken to be renewed—cleaned and given new colors and patterns—for half the cost of new carpet. Instead of disposing of old carpet in landfills, GSA reduces the energy, natural resources, and pollution associated with recycling carpet components or manufacturing new products.

Building Green. GSA uses sustainable principles in designing, constructing, modernizing and disposing of its buildings, and seeks to minimize construction waste. In the **Mid-Atlantic Region**, a routine lease expiration for EPA became an opportunity to provide space that embodies EPA's mission. The Region constructed a cutting-edge "green"

The new VA Insurance Center in Philadelphia has a spacious parking lot where the former building stood. Bricks, metal, and concrete from its demolition (inset) were recycled.

building to house EPA's Philadelphia office, using methods and materials that capitalize on recycling to reduce environmental toxins and achieve energy efficiency. Another building in that city, demolished for construction of the Department of Veterans Affairs Regional Office and Insurance Center, provided bricks that were recycled in construction of the new building and other materials that were used to build State highways. Also in the region, a partnership of Federal, local government and private sector entities came together to recycle an endangered building, the historic Stegmaier Brewery in Wilkes-Barre, PA. By converting it into first-class Federal office space, GSA transformed a local eyesore into a vibrant business center.

Driving Green. To encourage the use of renewable energy sources, GSA has taken a leadership role in promoting broader use of Alternative Fuel Vehicles (AFVs) in both the public and commercial sectors. Since 1991, GSA has purchased approximately 21,000 AFVs for Federal agencies, with almost 19,000 going to the GSA interagency fleet. In FY 1998 alone, the agency purchased 3,480 AFVs. The cars run on methanol, ethanol, electricity, propane or compressed natural gas. To demonstrate the technology, GSA employees drove a vehicle fueled by compressed natural gas from Washington, DC, to the first-ever Fleet Managers Workshop and Information Fair in Scottsdale, AZ. Meanwhile, back at home, GSA Administrator David J. Barram began driving a fully functional electric vehicle, the GM EVI, which is one of only a handful operating in the DC metropolitan area.

To conserve fuel, GSA promotes teleworking, and has established 25 telecommuting centers around the country. In the **Southeast Sunbelt Region**, more than 7% of GSA's downtown Atlanta workforce teleworks on ozone-alert days—working from one of the area's four telecommuting centers or from home—or reduces pollution by carpooling or using public transportation rather than driving alone.

Saving Green. As a national leader in resource conservation, GSA conducts Federal recycling efforts in approximately 1,100 buildings housing over 600,000 Federal employees. In FY 1998, recycling diverted approximately 41,000 tons of recyclable materials (primarily paper) away from landfills, saving more than $3.7 million in landfill and transportation costs. Sale of recycled materials generated more than $261,000, which was distributed among the participating agencies. (GSA uses its recycling income for tuition assistance to users of Federal child care facilities.)

GSA also recycles property. As the leader of the Administration's *Brownfields* initiative, GSA is identifying for possible redevelopment underutilized parcels of Federal land in urban areas that may have environmental issues associated with prior industrial or commercial use. Through the National Brownfields Partnership, public and private sector organizations assist communities with environmental clean-up and a coordinated approach to redevelopment. In FY 1998, 71 new grants totaling more than $14 million were awarded to help communities clean up these properties and return them to productive use.

Four GSA buildings have been recognized by the Department of Energy (DOE) as "Showcase Buildings" because they incorporate a number of new energy-efficient or renewable-energy technologies. The Federal Office Building at Foley Square in New York City was the only Federal facility selected to be one of 14 charter members of the EPA/DOE *Energy Star Building Program.* The program maximizes energy efficiency and prevents pollution by using specially designed software to measure the building's energy-efficiency.

"GSA Administrator David J. Barram began driving a fully functional electric vehicle, the GM EVI, which is one of only a handful operating in the DC metropolitan area."

Providing Emergency Assistance

GSA has traditionally been on the front lines during natural and manmade disasters. In FY 1998, GSA's Federal Protective Service established a

National Emergency Response Team to support Federal agencies, such as the U.S. Marshals Service and the Federal Emergency Management Agency (FEMA), during emergency situations. In FY 1998, GSA offices responded to 62 crisis situations, large and small, from catastrophic hurricanes to local incidents. The agency provided nearly $50 million in security, emergency telecommunications service for field offices and recovery centers, supplies, equipment, and the freight services to move them.

- When fire struck at the J.W. McCormack Post Office and Courthouse in Boston, MA, GSA's **New England Region** had a team on-site within three hours to remove water and begin repairing damage.

"In FY 1998, GSA offices responded to 62 crisis situations, large and small, from catastrophic hurricanes to local incidents."

- From tornadoes and flooding in Tampa, FL, through Hurricane Bonnie's pounding of North Carolina in August, the **Southeast Sunbelt Region** deployed its emergency response team 13 times in FY 1998. The team opened nine disaster field offices in seven states and provided supplies and services ranging from bulldozer rentals for fighting wildfires in Florida to 200,000 furring strips to secure protective plastic sheets for damaged roofs in North Carolina.
- When a major ice storm struck in January 1998, GSA provided cars, property for storage and administrative space, communications, and numerous supplies. The **New England Region** provided emergency equipment and temporary office space and ensured that border stations remained in full operation. The **Northeast & Caribbean Region** provided around-the-clock service to keep its 10 border stations operating throughout a nearly total power failure along the Canadian border. The following summer, the region's emergency response team headed south to deal with the destruction from Hurricane Georges in Puerto Rico and the U.S. Virgin Islands.
- In the **Greater Southwest Region**, the FSS General Products Center played a significant role in supporting wildfire suppression efforts, helping to combat major fires in Florida, Alaska, New Mexico and Arizona and equipping firefighters in Mexico, Guatemala, Honduras, Costa Rica, Nicaragua, and El Salvador.
- GSA also supported disaster relief efforts during and after Typhoon Paka in Hawaii, flooding in Minnesota, and tornadoes in Alabama.

Making Government Work Better—Electronically

As the designated leader of the effort to make electronic commerce a key feature of doing business in the Federal Government, GSA has been working on many fronts to increase the number of ways the Government has of transacting its business electronically.

Federal Charge Cards. In FY 1998, GSA announced the award of five contracts for the next generation of Federal charge cards, which can be used for routine purchases, travel, or fleet services. The new cards simplify financial transactions, save on administrative costs, and offer customers a broader range of choices. They also offer innovative methods to provide financial data for accounting and performance measurement. These GSA SmartPay contracts help the Government move toward electronic commerce by providing services that streamline processes and improve accountability, as well as advanced technologies such as ATMs, debit cards and stored-value cards.

Federal Smart Cards. In the future, a single smart card, embedded with a small computer microchip that can store large amounts of information, will enable users to purchase a wide variety of items, from computers to telephone calls to gasoline. It will carry identification information, personal records, special orders and cash. In partnership with the Navy, GSA has opened a Smart Card Technology Center at GSA headquarters to demonstrate the many applications of the technology. These include the use of biometric identifiers to control access, a "property-pass" function to manage tools and other property, access to medical and dental records, and making a purchase from a soft drink dispenser.

Electronic Catalogs. GSA is teaming with a consortium of companies using the Internet for electronic commerce (CommerceNet), and with the Federal Interagency Acquisition Internet Council to provide broad and easy access to electronic catalogs over the Internet. Using a secure smart card with a digital signature for access, some 50 participants from Government and industry are testing interoperable technology that will allow buyers to search any agency electronic catalogs, such as *GSA Advantage!™*, which now offers half a million products and services on-line.

Electronic Posting System. Working with NASA, Treasury, Interior, Transportation, and the Air Force, GSA piloted the Electronic Posting System (EPS) on its Acquisition Reform Network (ARNet) in FY 1998. This extension of the *Commerce Business Daily* makes detailed Government contract information, including solicitations, available on the Internet to those interested in doing business with the Government. GSA will begin using EPS agency-wide early in FY 1999 and is moving toward making it available throughout the Federal Government in the near future.

Using the Internet. GSA uses the Internet to facilitate many of its business functions: OGP provides training to Federal acquisition personnel on-line, PBS is placing its building asset management plans on-line, and FTS provides its FTS2000 customers with electronic Monthly Statements of Account and management reports over the Internet. The agency's most popular web sites provide Federal per-diem travel expense reimbursement rates and the latest Y2K information.

GSA's contracts for the new SmartPay charge cards allow Federal agencies to choose among five vendors for purchase, travel and fleet card services.

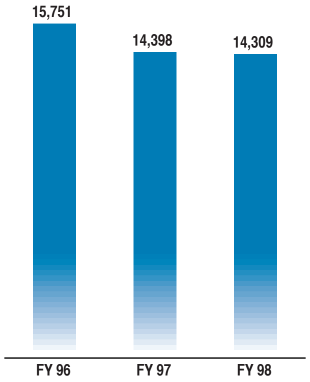
GSA Organization & Performance

As a Federal agency, GSA must comply with numerous Government reporting requirements. This section describes GSA's overall performance in various categories that are not limited to any of its components. The performance of the three Services and a policy office that make up GSA—the Public Buildings Service (PBS), the Federal Supply Service (FSS), the Federal Technology Service (FTS) and the Office of Governmentwide Policy (OGP)—is discussed in detail in subsequent sections.

Obligations

GSA obligated $13.8 billion in FY 1998, 7% more than in FY 1997. Over 98% represented reimbursements from other Federal agencies; only $144 million came from direct appropriations to fund operations. Over 93.5% was passed through to the private sector; only 6.5% went for GSA salaries and benefits. By providing space, goods and services and negotiating high-volume contracts for use by the entire Government, GSA has a direct impact on over $52 billion in Federal purchases. As a major player in developing Federal policies on acquisition, property management, information technology and transportation, GSA influences over $195 billion in spending Governmentwide.

Total GSA Employees



Workforce

While GSA's sphere of influence has expanded, the size of its workforce has declined. After years of downsizing, the number of employees began to stabilize in FY 1998 to a level almost 30% lower than in 1993. Employment in the agency dropped less than 1% to 14,309, from 14,398 in FY 1997.

The distribution of GSA's workforce is shown below.

Component	Employees
PBS	7,400
FSS	3,460
FTS	1,295
OGP	300
Other	1,854

Financial Operations

GSA was one of the first Federal agencies to have audited financial statements, and FY 1998 is the 11th consecutive year in which GSA received an unqualified opinion from its auditors. Its operations are equivalent in size and complexity to those of a large corporation, and its financial management challenges are similar in scope. GSA's financial operations included the following in FY 1998:

- GSA billed Federal clients $9.5 billion for services and supplies in FY 1998. Although more than 72% of this amount was collected directly through the Treasury Department, the Office of the Chief Financial Officer sent out over 455,700 bills in FY 1998 and followed up on average monthly delinquencies of $219.7 million.
- GSA paid almost 1.6 million invoices in FY 1998. Ninety-four percent of vendor payments were made on time, up from 92% in FY 1997. The agency earned $2.7 million in vendor discounts, 94% of all possible discounts, up from 86% in FY 1997. At the same time, GSA reduced the amount it paid vendors in late-payment interest from $124 to $102 per million dollars disbursed, 17% less than last year.
- GSA's cash management function continues to be increasingly electronic. In FY 1998, GSA disbursed $10.9 billion, 36% of it by electronic funds transfer. In addition, 8% of GSA's invoices were received electronically, an increase from 7% in FY 1997. This was short of the goal of 25%, chiefly because of vendors' inability to provide electronic invoices.
- GSA provided payroll services for over 10,300 client-agency employees in FY 1998, in addition to maintaining its own payroll. All new employees and 97% of all GSA employees were paid by electronic funds transfer through GSA's Direct Deposit Program, an increase of 1% over FY 1997.
- GSA pursues the assessment of civil monetary penalties, which include non-criminal penalties, fines and other monetary sanctions imposed by administrative proceedings or Federal court actions. With a balance of $50,000 outstanding at the start of FY 1998, GSA assessed $17,523, collected $37,523, and reduced by agreement $30,000, leaving no outstanding penalties at the end of the year.

In FY 1998, GSA awarded a contract for *Pegasys*, its new integrated financial management system, which will reduce paperwork and duplicative data entry while improving funds management capabilities and controls and adding customized desktop financial reporting. The new system's name, selected through an employee competition, evokes both the classical value of sound financial management and the speed and efficiency of state-of-the-art technology.

Pegasys

The Financial Management System That Soars

Financial Statements

GSA's audited financial statements, incorporated in this *Annual Report* (see page 64), report GSA's financial position and results of operations pursuant to the requirements of 31 U.S.C. 3515(b) and in accordance with prescribed formats. They 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 understanding that, as GSA is a component of the U.S. Government, its liabilities cannot be liquidated without legislation that provides resources to do so.

Internal Controls

GSA's outside auditors and its Office of Inspector General (OIG) identified needed improvements to GSA's internal controls. The auditors found a need to strengthen access controls over the IT systems that support GSA's financial statements. They also found that GSA's IT security policies and procedures were incomplete, outdated and not uniformly applied across the agency's service lines. As a result, the agency could not ensure that its mission-critical applications and data were protected from unauthorized access, modification or deletion. Their audit report (see page 67) recommends the agency adopt specific policies, procedures and corrective measures to reduce the risk of unauthorized access to its resources and to improve its password administration and management, monitoring of access violations and security awareness training. The auditors also found a need for improvements in the controls over the integrity of rent and leasing data in the PBS billing system. In a separate report, the OIG found there was no clear understanding among GSA management of who was responsible for verifying performance data at the Service level and for GSA overall. The report recommends the CFO establish a process to identify and define managers' accountability for valid and reliable performance measure reporting.

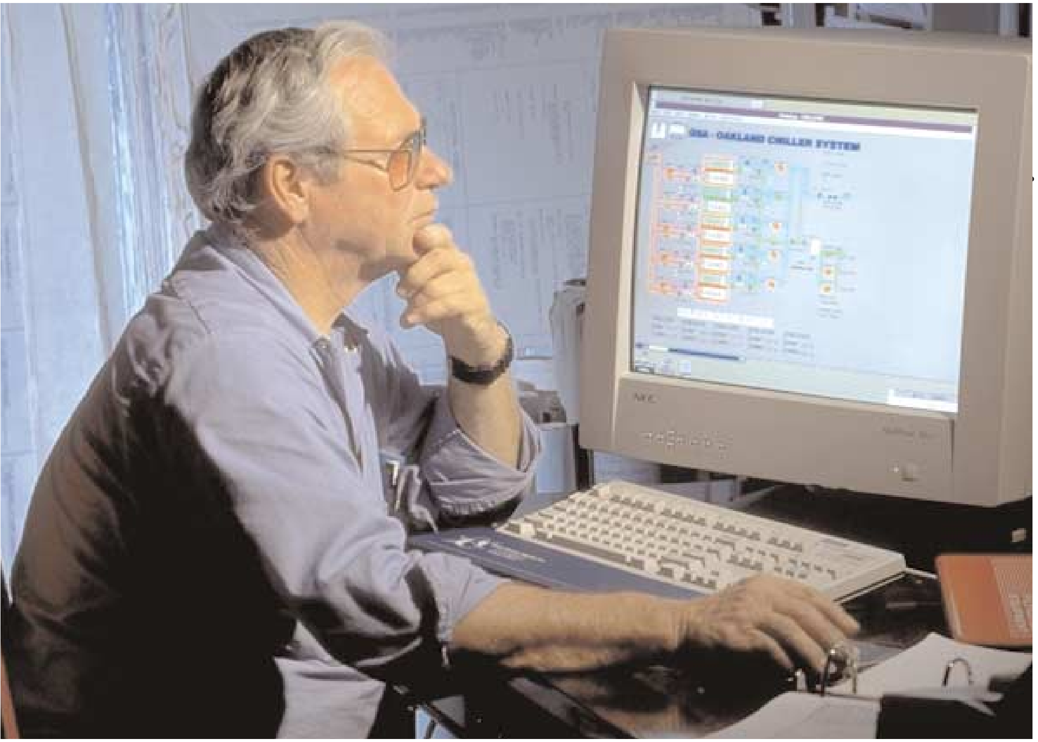
> ***"GSA has received high marks from Congress and OMB for its progress toward identifying, repairing and replacing problem equipment, and expects to become fully Y2K-compliant"***

Year 2000 (Y2K) Issues

GSA has been working hard to ensure that all its computerized systems will function properly after January 1, 2000, when the internal calendars on many computers may cause widespread systems failures because of what is known as the "Y2K problem." GSA has received high marks from Congress and OMB for its progress toward identifying, repairing and replacing problem equipment, and expects to become fully Y2K-compliant before the year 2000.

GSA's Chief Information Officer (CIO) anticipates that all of the agency's mission-critical systems will be Y2K-compliant by January 1999; and all non-mission critical systems will be Y2K-compliant by March 1999. At the end of FY 1998, 51 of 58 mission-critical systems were Y2K-compliant and implemented. Of the 138 non-mission critical systems, 77 were Y2K-compliant, 31 were being repaired, 27 had been or were in the process of being retired, and three were being replaced.

All GSA buildings have been surveyed for problems with embedded chips in HVAC systems, fire alarms, security systems, elevators, lighting and



HVAC systems in the Oakland, CA, Federal building are monitored at this computer. GSA anticipates that all its buildings operations systems will be Y2K-compliant before January 1, 2000.

control systems. GSA is leading an interagency group on Y2K issues in building operations, and anticipates that GSA-managed facilities will be compliant on time.

FTS has completed renovations to ensure that 96% of its Government-owned PBX switch stations and 76% of its voice mail upgrades are Y2K-compliant, and is confident of meeting the March 1999 deadline for full compliance. FTS continues to work with Local Exchange Carriers regarding the status of leased CENTREX phone lines that provide service to client agencies.

GSA's business lines have also contacted all their data-exchange partners and determined that 1,506 out of 1,748 were compliant and tested, 27 were "ready but not tested" and 142 were "non-compliant/testing in progress." GSA's costs for Y2K compliance were estimated to total $16.2 million between 1996 and 2000.

The costs of activities related to the Y2K computer conversion were estimated at $8.7 million, including $0.2 million in 1996, $0.8 million in 1997, $4.7 million in 1998 and $3 million in 1999, with no costs projected for 2000.

The costs of ensuring telecommunications compliance were estimated at $7.5 million in FY 1998-1999. Of this, $2.5 million was for PBX and voice mail upgrades and $5 million was for Washington Interagency Telecommunication Systems subsystems. No costs were incurred in 1996 or 1997, or projected for 2000.

Although all of GSA's computers will have been upgraded, tested and re-tested before the critical date, the CIO has determined that a worst-case scenario could encompass isolated incidences of multiple system outages that could temporarily affect any of the following systems:

- Security systems that control building access
- Fire alarms, elevators and escalators, computer control centers and other buildings systems
- Electricity, natural gas, water and other utilities

- GSA management and billing systems
- FTS telecommunications systems
- FSS order-processing, inventory management and billing systems
- GSA financial management systems.

In the event of any system failures, the agency's plans call for work-arounds using manual processes in building operations and employing backup communications systems using radios, wireless telephones and other portable equipment. GSA is developing Y2K contingency plans and guidelines for its use and for use by other Federal agencies. These include:

- Year 2000 Business Continuity Plan and detailed contingency plans for five core business processes, which contain risk-mitigation strategies, milestones, contingency plans for mission-critical systems, and plans to return to normal operations.
- Year 2000 Day 1 Plan. This plan will be completed by June 1999.
- Telecommunications Contingency Plan for the Year 2000, which contains very detailed approaches and information for business continuity and contingency planning for telecommunications services.
- Guidelines for developing detailed GSA Year 2000 Building Contingency Plans for each of the 8,300 GSA-owned and -managed buildings.

As a service to GSA customers and the public, GSA web sites and newsletters provide several sources of Y2K compliance information. OGP supports the President's Council on Year 2000 Conversion and manages its web site, along with several other Y2K web sites, and the FTS Commissioner serves as co-chairman of the Council's telecommunications subcommittee.

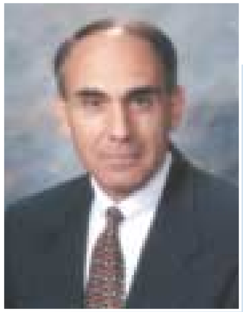
Contract Appeals, Prosecution and Litigation Cases, and Audits

Contract Appeals. The GSA Board of Contract Appeals is an independent tribunal that hears and decides contract disputes between Government contractors and GSA, as well as between contractors and other Executive agencies. In FY 1998, 143 appeals and cost applications were filed with the Board and 118 were resolved; 236 requests for transportation audit reviews and travel and relocation claims were filed and 348 were resolved. In all, the Board received 420 filings (including other types of cases) during FY 1998 and resolved 511 cases.

General Counsel. In addition to supporting GSA's legislative, ethics, contracting, construction and environmental initiatives, the Office of General Counsel resolved 62 PBS litigation cases with a value of $24 million. These cases were resolved either by trial, motion or settlement, for $6.3 million, representing savings of $17.7 million to taxpayers.

Inspector General. In FY 1998, the Office of Inspector General made 159 referrals for criminal prosecution, civil litigation and administrative actions. Criminal referrals resulted in 19 successful prosecutions. Management decisions agreeing with audit recommendations, civil settlements, and court-ordered and investigative recoveries totaled over $89 million.

The following sections describe the organization and performance of GSA's Services and the Office of Governmentwide Policy in FY 1998.



Public Buildings Service
Robert A. Peck
Commissioner

Paul Chistolini
Deputy Commissioner

Anthony Costa
Chief of Staff

Assistant Commissioners
- *Financial and Information Systems:* Frederick T. Alt
- *Portfolio Management:* Pamela Wessling
- *Federal Protective Service:* Clarence Edwards
- *Business Performance:* Henry Singer
- *External Affairs:* Joel Odum
- *Strategic Innovations:* Sharon Roach
- *Property Disposal:* Brian K. Polly
- *Centers of Expertise:* Joseph Gerber

Employees: 7,400

Revenue:
- Federal Buildings Fund - $5.7 billion (Direct and Reimbursable)
- Other Funding - $0

The Public Buildings Service (PBS) is the largest commercial-style real estate organization in the United States, providing 335 million rentable square feet of workspace for over a million Federal employees. This includes 270 million square feet of office space, which constitutes most of the Federal office space not controlled by the Defense Department or U.S. Postal Service. The source of real estate and related services for more than 100 Federal organizations, PBS constructs, leases, manages, and maintains facilities such as Federal courthouses, border stations, laboratories, and data processing centers, and disposes of surplus Government properties.

PBS manages space in approximately 8,300 buildings. Over 1,800 are Government-owned and 6,500 are leased from the private sector. More than 400 of the Government's properties have historic significance based on their age, building type, architectural style, or involvement in culturally significant events. PBS customers include all Federal departments, independent agencies and commissions, the Judiciary, and Members of Congress.

The new U.S. Port of Entry at Point Roberts, WA, saw its first full year of service in FY 1998. Its design takes its cue from its setting—a marine community on a remote, forested peninsula.

The funding mechanism for almost all PBS activities is the Federal Buildings Fund, which receives rental income set at commercially equivalent rates from Federal agency tenants. Income in excess of operating expenses is used to fund repair and renovation projects and a small amount of new construction. In FY 1998, virtually all PBS new obligational authority was funded out of rents. Overall, 90% of all PBS program dollars flowed through contracts to the private sector for construction, leases, maintenance, repairs and other services.

The PBS vision is to be recognized as the best public real estate organization in the world. Achieving this vision requires improving the external perception of PBS and recapturing market share lost to other providers or internal agency staffs. It also requires improving PBS internal operations by instilling new accountability standards, benchmarking against commercial equivalents and emphasizing financial and other performance measurements. To support this approach, the new PBS System for Tracking and Administering Real Property (STAR) will provide better real-time information for managing real property assets and ensuring accurate billing.

PBS Real Estate Functions

In support of its mission to provide quality work environments for Federal employees, PBS performs six major real estate functions from GSA's 11 regional offices:

- Property Management
- Portfolio Management
- Leased Space Acquisition
- Federal Protective Service
- Property Development
- Property Disposal.

GSA maintains and manages more than 400 buildings of historic significance, including the U.S. Court of Appeals for the 9th Circuit building in San Francisco, which GSA restored following severe damage in the 1989 Loma Prieta earthquake.

Property Management

Property Management provides the day-to-day operations in GSA-managed properties, including repairs, minor alterations, utilities and tenant services, managing properties nationwide through 11 regional offices and 32 property management centers. It maintains the building inventory in acceptable condition, and ensures an acceptable level of customer service and of revenue to the Federal Buildings Fund.

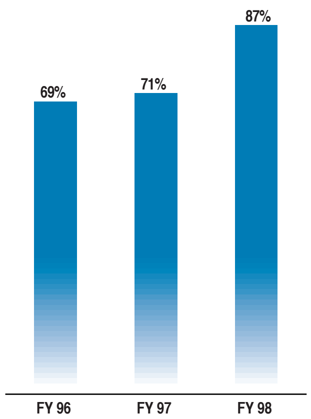
Annual Customer Surveys. One of the ways GSA confirms its customers' needs are being met is through annual customer surveys. PBS surveyed tenants in half of its building inventory in FY 1998 and plans to survey half each year. The survey questionnaire, similar to those used by the International Facility Management Association (IFMA), was developed and administered by The Gallup Organization. Baseline surveys taken in 1994 and 1995 yielded an average customer satisfaction rating of 74%. Customer satisfaction ratings increased in FY 1998 to 80% for Government-owned space and 81% for leased space.

Operating Costs. According to a benchmark study conducted by the Logistics Management Institute (LMI), operating costs per square foot in 87% of PBS-managed office space were equivalent to or lower than comparable private sector costs in FY 1998. LMI compared cleaning, utilities, and maintenance costs for 80 million square feet of GSA office space with private sector costs for the same type of space. Overall, GSA's operating costs per rentable square foot of office space were 11.2% below comparable private sector costs.

Repairs and Alterations. The average building in the GSA inventory is 45 years old. Only 25% of these buildings have had extensive modernization; consequently, there is a large backlog of capital Repair and Alteration (R&A) projects. To address these needs in FY 1999, Congress has approved $668 million of Federal Buildings Fund revenue in new obligational authority for the annual capital R&A program.

PBS Office Space Operating Costs per Square Foot vs. Comparable Private Sector Costs

Percent of Total Space at Lower or Comparable Costs



Portfolio Management

Portfolio Management has broad responsibility for managing GSA's portfolio of Government-owned and leased buildings and for maximizing its value and performance. Principal activities include capital investment and divestment, and analysis of portfolio and asset performance. Asset business plans are used to monitor the performance of each Government-owned building and major lease and provide a common direction for the management, operation, and use of assets. These plans focus performance management down to the individual building and form the basis for investment and divestment decisions.

Non-Revenue-Producing Space. To maximize the value of its portfolio, PBS is committed to minimizing the amount of unoccupied space in GSA's inventory, which includes space under renovation and occupiable vacant space. Approximately 13% of the Government-owned space inventory fit this category in FY 1998, and 3% of the PBS leased space was unoccupied. Occupiable vacant space represented 9% of GSA's total rentable inventory in FY 1998, down from 10% in FY 1997. PBS will control vacancies in the Government-owned and leased space it manages by expeditiously renovating and back-filling vacant space, realigning space assignments to consolidate vacant space, and, where possible, buying out leases and moving tenants from leased to vacant available space in Government-owned buildings.

New Rent Pricing. In FY 1998, PBS revised its rent pricing structure to eliminate rigidity and complexity in pricing. This approach incorporates market-based mechanisms for flexibility and choice, and provides customers incentives to economize. The new pricing was effective for all new leased space in FY 1998. It is designed to recover the full costs of leasing, including the lease payments made by GSA and an administrative fee. The new pricing policy will be applied to all new assignments in Government-owned space beginning in FY 1999 and extended to all existing assignments in FY 2000. Rents will continue to be based on real estate market appraisals, but now PBS and customer agencies will enter into occupancy agreements that clearly set out rental rates and terms and conditions of the customers' space requirements at the outset.

Funds from Operations. PBS measures the financial performance of its inventory using Funds from Operations (FFO), a measure of net income and depreciation. In FY 1998, national FFO per rentable square foot (rsf) was $2.36. The FFO for Government-owned space was $4.53/rsf; for leased space, it was -$0.64/rsf. PBS goals for FY 1999 are to increase the former to $5.44/rsf and to reduce the loss for leased space to $0.46/rsf.

STAR Billing. In FY 1998, for the first time, PBS rent bills were generated using its STAR billing system. The new bills break out space and rent rate information so it can be easily understood and compared with the market. The STAR system generates monthly bills in arrears, which will reduce customer chargebacks, and will make customers' rent bills available to them over the Internet. GSA's annual audit, conducted by outside auditors, surfaced certain discrepancies in the STAR data that could have an impact on GSA's financial statements (see page 64). PBS has established teams to focus on improving the validity of STAR data.

Eliminating the "Rent Gap." In FY 1998, PBS successfully eliminated the 7% difference between estimated and actual rent revenues that had accumulated in FY 1996 and FY 1997. Although this difference did not represent a financial loss to the Government or delay execution of any major PBS capital projects, PBS closed the "gap" in FY 1998 by reducing expenditures, overhauling its estimating procedures and sharpening collection practices.

"PBS continues to improve its leasing program, benchmarking against commercial leasing operations to improve customer service and reduce leasing costs."

Leased Space Acquisition

GSA leases space for Federal agencies in approximately 6,500 buildings at an annual rental of $2.5 billion. The *Can't Beat GSA Leasing* program initiated in FY 1997 streamlined the PBS leasing program, reducing cycle-time by 10% to 180 days and providing levels of service comparable to those in the private sector. PBS continues to improve its leasing program, benchmarking against commercial leasing operations to improve customer service and reduce leasing costs. In addition to its own experienced leasing specialists, PBS also provides the services of private real estate firms under eight innovative contracts awarded in 1997. These contracts can be used by any Federal agency to acquire new space or a variety of other services, including development of requirements, lease administration services, market surveys, lease re-negotiation and out-leasing. GSA also extended to Federal agencies the option either to continue using PBS to satisfy their space needs or to request a delegation of authority to procure their own leases. In FY 1998, PBS delegated this authority for 11 actions, covering a total of 71,600 square feet. PBS awarded 687 new leases in FY 1998, for a total 8.1 million square feet. Leases awarded under acquisition delegations accounted for less than 2% of these awards and less than 1% of awarded square footage.

Federal Protective Service

The Federal Protective Service (FPS) provides security in and around GSA-controlled facilities nationwide. Services provided by FPS include

Federal Protective Service officers use bicycles to patrol the area around the Federal complex in Los Angeles. FPS increased its number of officers by 10 percent in FY 1998.

perimeter and internal facility protection, risk assessments of Federal facilities, investigation of incidents and criminal complaints occurring on GSA properties, expert advice concerning security systems and technology, and crime prevention seminars.

The FPS Workforce. FPS employs physical security specialists, police officers, criminal investigators, and contract guards. In FY 1998, FPS increased the ranks of its police officers by 10% to 681 uniformed officers. Contracts for security guards were also expanded 8%, from 4,923 in FY 1997 to more than 5,300 positions. A continuing national effort is underway to reexamine the FPS program and organizational design.

Security Enhancements. The focus of the FPS security program has been redirected in recent years toward counteracting threats of domestic and foreign terrorism. Since the 1995 bombing of the Alfred P. Murrah Federal Building in Oklahoma City, PBS has obligated $386 million for substantial capital and operating improvements in each of four critical areas: perimeter, entry and interior security, and security planning. Approximately 7,300 of the 7,800 security countermeasures recommended in the wake of the Justice Department's post-Oklahoma City Vulnerability Assessment of Federal Facilities have been fully implemented. Approximately 94% of the highest priority recommendations – those for large, multi-tenant (Level 4) buildings – have been completed. Although security in Federal facilities was better in 1998 than it had been in 1995, some control weaknesses remained, according to a report by the GSA

GSA representative (right) and developer review plans for low- and moderate-income housing on former Federal property near downtown Seattle. The new houses have revitalized the neighborhood.

Inspector General. These concerned the implementation and reported status of security countermeasures, and the use of "fenced funds" for projects that did not involve a recommended countermeasure and that lacked central office approval. These conditions are reported as a material weakness in the FY 1998 *Federal Managers' Financial Integrity Act Report* (see page 96).

Security Megacenters. In FY 1998, FPS opened its state-of-the-art Megacenter in Denver to handle the new technology and communications requirements of upgraded security in Government facilities. The FPS Megacenters ensure the uninterrupted delivery of security services in the event of a national emergency. Three additional centers – in Philadelphia, Chicago and Washington, DC – are scheduled to open in FY 1999.

Property Development

PBS constructs new buildings; performs complex repair, modernization and alteration projects; and manages major lease-construction projects. To manage these functions, Property Development draws on the services of architectural, engineering and project management professionals in all 11 GSA regions, with key support provided by various PBS Centers of Expertise.

Property Disposal

PBS manages the use and disposal of excess and surplus real property, which is redistributed to other Federal agencies, donated to State and local governments and eligible nonprofit institutions, or sold competitively to the general public. The Property Disposal program is a Center of Expertise, described below.

PBS Centers of Expertise

In FY 1997, PBS reorganized some of its operations to become more responsive to its customers' needs. In FY 1997 and 1998, PBS created 12 Centers of Expertise—four based in PBS' National Office and eight in the regions—as operating units with nationwide responsibility to provide specialized functions. Bringing together core groups of specialists in one place, they were established to leverage dwindling resources; to accommodate fluctuating regional workloads; and to deliver state-of-the-art expertise, proven best practices, and operational guidance as needed nationwide.

These children attend the "Little Aviators" child care center at the Hawthorne Federal Building in Lawndale, CA—one of 112 centers providing quality care in GSA-managed space.

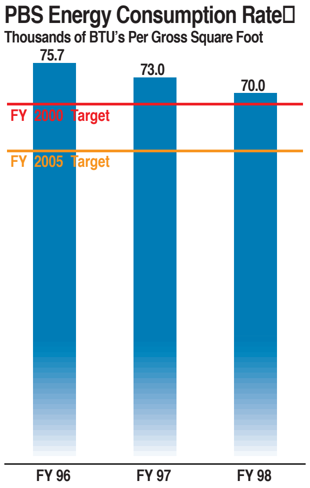
Border Stations. Aside from courthouses and the Food and Drug Administration headquarters consolidation project, the border station program is GSA's major construction initiative. This Center of Expertise, based in Fort Worth, provides assistance in planning, design, construction and expansion of border facilities to the Customs Service, the Immigration and Naturalization Service and the Department of Agriculture. In FY 1998, GSA hosted the first Border Station Partnership Council meeting with these three agencies.

Child Care Operations. GSA is the largest provider of child care centers for the civilian Federal family. The Child Care Operations Center of Expertise, based in New York City, oversees 112 child care centers in Federal facilities around the country, five of which opened in FY 1998. Located in GSA-managed space, GSA centers offer high quality and affordable child care for over 7,100 children, half of whom are children of Federal employees. Centers are operated through contracts with private entities that offer developmental child care programs. The centers meet stringent requirements, and 68% are professionally accredited, far more than the 5% accreditation rate for child care centers in general. PBS' goal is to achieve 100% accreditation by FY 2000.

Complex Leases. This Center of Expertise, based in San Francisco, provides hands-on technical assistance to PBS employees nationwide who are responsible for acquiring complex lease space. The Center supports regional realty specialists and, if asked, executes complex leases. Complex leases are build-to-suit leases or those with complicated requirements; environmental, historical preservation or flooding issues; non-traditional financing; highly technical build-outs; or high political interest. Five leases within this category were awarded in FY 1998.

Courthouse Management. Located at GSA headquarters, this Center of Expertise is responsible for the consistent and cost-effective delivery of the largest Federal courthouse construction program since the 1930s. It calls for the construction of approximately 160 new courthouses and annexes to existing court facilities. Sixteen have been completed. Seven were completed in FY 1998, providing 82 new courtrooms in Boston, MA; Charleston, WV; Fargo, ND; Ft. Myers, FL; Knoxville, TN; Kansas City, MO; and Tampa, FL. Twenty courthouses were under construction in FY 1998, 10 projects had been funded but were not yet under construction, and another114 had not yet been funded.

Design Programs. The Design Center of Expertise, headed by GSA's Chief Architect, is based at PBS headquarters. Over the past five years, the PBS *Design Excellence* Program has become internationally recognized as a model for achieving high standards of quality in public buildings. It has attracted renowned private-sector architects to design the nation's most important public buildings. In awarding commissions, the program uses peer selection panels of distinguished architects to ensure adherence to the highest design standards. *Design Excellence* projects under way in FY 1998 included the U.S. Mission to the United Nations in New York City and U.S. Courthouses in Central Islip and Brooklyn, NY; Tucson, AZ; Scranton, PA; Miami, FL; Omaha, NE; and Hammond, IN; Washington, DC; Savannah, GA; Beckley, WV; and Las Vegas, NV.



Energy. The mission of the Energy Center of Expertise, located in Kansas City, MO, is to reduce Federal operating costs by promoting energy efficiency and the purchase of cost-effective utilities. PBS is partnering with many local utility companies to deliver innovative energy conservation projects to comply with Executive Order 12902, which mandates the reduction of energy consumption in Federal buildings. In FY 1998, the energy consumption rate in GSA buildings was 70,000 BTUs per square foot, 3,000 less than the FY 1997 rate, but still short of the FY 2000 target of 67,800 BTUs per square foot and the 59,300-BTU target for FY 2005. As it seeks ways to reduce the energy costs in its buildings, PBS hopes to establish itself as the Government's preferred provider of electricity, natural gas and other utilities.

Historic Buildings and the Arts. This Center of Expertise, located at PBS National Office, provides the knowledge and expertise to manage the historic buildings and fine arts assets in the PBS inventory. These include approximately 400 buildings that are historically significant. Twelve are listed as National Historic Landmarks. More than 200–either individually or within districts–are listed on the *National Register of Historic Places,* with nearly 200 others eligible for this designation. GSA's technical experts are dedicated to maintaining historic buildings through the use of sound and economic repair, rehabilitation, restoration, and reuse alternatives.

The PBS *Art-in-Architecture* Program commissions artists to create works of art for new or substantially renovated Federal buildings and courthouses. Guidelines were revised in FY 1998 to emphasize artworks that are an integral part of a building's architecture and its adjacent landscape. The program had 104 projects in progress and completed 17 installations during the year.

The *Fine Arts Program* oversees all curatorial and collection management activities for GSA's fine arts assets. In FY 1998, GSA conducted workshops and orientation sessions to increase collaboration among artists, architects, engineers, lighting specialists, landscape architects, and others on the relationship between contemporary art and Federal architecture. *The Fine Arts Program* approved 32 conservation projects at a cost of $800,000 in FY 1998.

Presidential Libraries. The Presidential Libraries Center of Expertise provides program and project management and technical support to the National Archives and Records Administration (NARA) for the construction, repair and alteration of all Presidential Libraries nationwide. This Center of Expertise is based in the **National Capital Region** to be close to NARA headquarters.

Project Management. PBS manages the construction of new buildings, complex repair, modernization and alteration projects, and major lease-construction projects in all regions. The Project Management Center of Expertise, based in Kansas City, MO, ensures that the best, most experienced, project managers—no matter what regions they work in—are assigned to large, complex and politically sensitive projects. This gives all regions access to the nationwide PBS talent pool and encourages regional cooperation. PBS has adopted several project management tools to control project scheduling and costs. In FY 1998, 76% of PBS construction and repair and alterations projects (weighted by cost) were delivered on time. Cost escalation was limited to 2% on construction projects completed in FY 1998 that were valued at $20 million or more.

Property Disposal. This Center of Expertise, located in Washington, DC, acts as a central broker to meet the Government's real property disposal needs, with an expansive network of market contacts in both public and private sectors. It provides assistance and advice on complex disposal issues to Congress and other public and private organizations, primarily on a reimbursable basis, and conducts outreach through industry and customer roundtables, memoranda of understanding and partnering agreements. Disposal actions range from releasing small easements to the conveyance of large, historically significant properties such as Governors Island in New York Harbor. In FY 1998, the value of disposed properties declined to $342 million from $398 million in FY 1997, but Property Disposal maintained a 12:1 ratio of the value of disposals to the cost of the disposal program. On average, sales prices were 15% higher than anticipated fair market value.

Property Disposal coordinates Government-owned Real Estate (GORE) sales for Federal agencies through joint real estate fairs and auctions, providing coordinated advertising and public access through the Internet and toll-free telephone numbers. Revenues from GORE sales rose 33% from $64 million in FY 1997 to $85 million in FY 1998. Participating Government agencies realized average marketing-cost savings of 10% to 15% by using shared resources and eliminating the costs of multiple auctions.

Retail Tenant Services. Based in Chicago, this Center of Expertise is responsible for the PBS Concessions program, including contract food facilities and implementation of the Randolph-Shepherd program, which sponsors blind individuals as managers of Federal buildings concessions. This Center also manages all out-leasing programs, including out-leases for retail stores, restaurants, office space, parking, warehouses and rooftop and ground antennas. Leases awarded during the past two years, that place communications antennas on the rooftops of 67 Government-owned buildings, generated over $1 million in income to the Federal Buildings Fund in FY 1998.

Site Acquisition and Relocation. Real property acquisition and site selection have become increasingly complex and risky due to funding, environmental and socio-economic concerns. This Center of Expertise, based in Atlanta, provides a source of well-trained, experienced individuals with the interdisciplinary knowledge, skills and abilities required for successful site selection and acquisition, and for the relocation of individuals, organizations and farms displaced by Federal projects.

The co-managers of the ultra-modern food court in the Atlanta Federal Center represent a private company and the State of Georgia Randolph-Shepherd program that provides opportunities for vision-impaired individuals.

Federal Supply Service
Frank P. Pugliese, Jr.
Commissioner

Donna D. Bennett
Deputy Commissioner

Barney Brasseux
Chief of Staff

Assistant Commissioners
Controller:
Jon A. Jordan
Business Management and Marketing:
Gary Feit
Contract Management:
Patricia M. Mead
Acquisition:
William N. Gormley
Chief Information Officer:
Raymond J. Hanlein
Distribution Management:
John R. Roehmer
Transportation and Property Management:
Allan J. Zaic
Vehicle Acquisition and Leasing:
Lester Gray

Employees: 3,460

Revenue:
General Supply Fund: $2.7 billion
Other Funding: $22.2 million
(Appropriated - Direct and Reimbursable)

The worldwide network of the Federal Supply Service (FSS) provided Federal agencies with products and services worth $17.4 billion in FY 1998. FSS leverages the Government's vast buying power and the professional expertise of its staff to offer quality products and efficient service, helping agencies reduce their own investments in acquisition and in the management of Federal personal property assets.

FSS serves customer agencies through four business lines: Supply and Procurement, Vehicle Acquisition and Leasing Services, Travel and Transportation, and Personal Property Management. With few exceptions, these business lines cover their costs of operations with the revenue they generate through their competitive, easy to use, and accessible programs.

Supply and Procurement

From furniture and office equipment to computers and lab equipment, FSS provides the products Federal employees need to do their jobs. But products are only one side of the story. Today, with over 6,800 contracts in place to meet Federal agencies' needs, FSS has seen the fastest growth in its service and technology offerings.

FSS is constantly expanding its range of products and services and streamlining processes, making it easier to shop, order, and pay. FSS Supply and Procurement programs, which include stock, special order, and Federal Supply Schedules programs, add value by saving Government resources, shortening lead times, and eliminating hassles. These programs delivered $13.3 billion in products to Federal customers in FY 1998, a 25% increase over FY 1997.

Sales for the FSS Stock and Special Order Programs declined 6% from FY 1997 levels to $1.3 billion in FY 1998. The decline in Stock program sales from $880 million in FY 1997 to $817 million in FY 1998 is largely attributable to Government downsizing and widespread use of Government purchase cards. Special Order Program sales for items such as furniture and appliances, declined from $498 million to $477 million. (In the past, the Special Order Program also covered vehicle purchases through the FSS Automotive Center, which totaled $1 billion in FY 1998. Since the Center merged with the Fleet Management Division this year, these purchases are now reported by the Vehicle Acquisition and Leasing business line.)

The overall growth in the Supply and Procurement business line, attributable to growth in Schedules sales, reduced its cost per $100 sales by 25%, from $4.71 in FY 1997 to $3.51 in FY 1998. (Costs for both years reflect the transfer of the automotive volume.)

FSS Customer Supply Centers. FSS Customer Supply Centers offer 7,000 of the most-often-needed products. In FY 1998, the amount of time for taking customer orders—by phone, mail, fax or electronically—was extended from 9 to 12 hours a day. Additional process improvements and technology upgrades are planned for implementation in FY 1999.

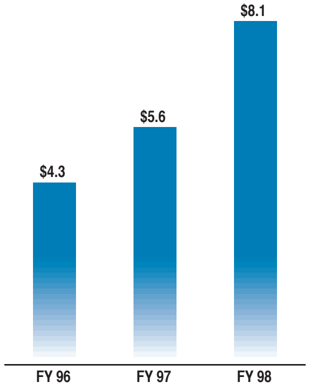
FSS Express Stores. To efficiently serve regions with large concentrations of Federal customers and to compensate for the reduction in the number of military base supply stores, FSS began opening Express Stores in FY 1997. In FY 1998, the number of stores expanded to 11 in the United States and 7 abroad (in Europe and Japan), with 6 more planned for 1999. Many of the stores are NIB-NISH-Department of Defense-GSA partnerships. Sales in the Express Stores totaled $67 million in FY 1998.

Federal Supply Schedules. The $8.1 billion FSS Federal Supply Schedules program is the FSS growth engine, due largely to information technology and services expansion. Sales rose 45% in FY 1998, from $5.6 billion last year. The program, which is financed by a 1% industrial funding fee on sales, allows Federal customers to select from over 4 million commercial products and services, to place orders and to receive delivery directly from 6,800 Schedule contractors. In FY 1998, FSS improved the schedules program by:

- Simplifying ordering instructions.
- Allowing vendors to introduce new products and services at any time during the term of the Schedule.
- Requiring that all Schedule contractors accept Government commercial purchase cards for orders under $2,500.
- Developing new procedures for standing solicitations and variable contract periods.
- Developing a Schedules E Library, which customers can access on the Internet to get a listing of all schedules and schedule contractors.

The Schedules program also helps meet Government socioeconomic and environmental goals, as customer agencies now get credit for small business purchases under it. In FY 1998, 77% of Federal Supply Schedules contracts were awarded to small businesses.

Federal Supply Schedules Sales
Dollars in Billions

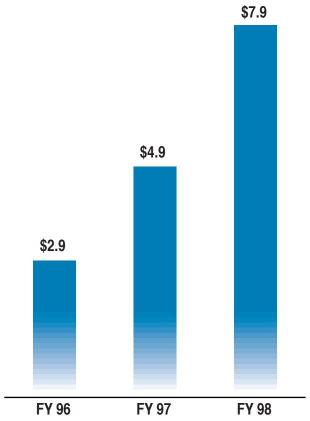


Service Schedules. FSS has been widely recognized for its expertise in service contracting, with information technology (IT) services continuing as the major growth area. In FY 1998, the number of IT-service providers doubled to 570 companies. Sales of IT services increased from $125 million in FY 1997 to close to $1 billion in FY 1998. FSS expanded its financial services offerings in FY 1998 by implementing multiple award schedules for auditing, financial management, and financial asset services. Through the Auditing and Financial Management Services Schedules, agencies can now quickly and easily hire contractors to perform consolidated financial audits, feasibility and efficiency studies, and accounting and budgeting services. The Financial Asset Services Schedule enables agencies to conduct all aspects of receivables management, including loan and asset servicing and asset sales.

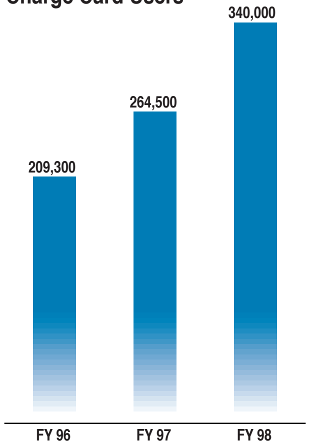
Electronic Shopping. *GSA Advantage!™*, the FSS electronic shopping service, offered more than half a million products on-line in FY 1998. Internet access and ease of browsing put FSS product offerings just a keystroke away from Federal customers, who can pay with GSA SmartPay charge cards as well as by traditional methods. In FY 1999, FSS plans to make twice as many products available on-line, offering a million items by the end of the year.

Charge Card Programs. Federal employees used IMPAC/VISA purchase cards, provided under an FSS contract, for more than 16 million transactions worth $7.9 billion in FY 1998, a 200% increase since FY 1996. More than 340,000 Federal employees held purchase cards in FY 1998. Their use saved the Government more than $800 million in administrative costs. GSA first offered a charge card in 1983, for use by Federal employees on travel. The individually billed cards have substantially reduced administrative costs associated with official travel and have provided agencies with valuable information for monitoring travel costs. In FY 1998, Federal employees purchased $3.9 billion in travel and related services using the card provided through an FSS contract with American Express. American Express paid the Government $21 million in refunds during the year, which were distributed proportionally among user agencies. The number of travel cardholders held steady at 1.5 million. In FY 1998, FSS also offered a Wright Express fleet services card. About 380,000 cards were used to charge $199 million in fuel and maintenance.

Government Purchase Card Sales
Dollars in Billions



Number of Government Charge Card Users



In FY 1998, FSS moved from having a single contractor provide each type of card to a multi-contractor approach by awarding contracts to five companies to offer travel, purchase, and/or fleet cards to Federal agencies. Under this new GSA SmartPay program, agencies may combine all their travel, purchase, and fleet needs on one integrated card, saving administrative time and money and improving accountability. The contracts also cover such services as ATM, debit cards, stored-value cards, and account maintenance and financial processes. In the future, GSA SmartPay cards may incorporate advanced technologies used in electronic purchasing and smart cards.

Vehicle Acquisition and Leasing

In FY 1998, FSS merged its Fleet Management Division and the Automotive Center into a single business line–Vehicle Acquisition and Leasing Services. This merger provides customers with one-stop shopping, making it easier for them to choose between having GSA purchase vehicles for their internally run fleets or having GSA own and manage their fleets. In either case, customers benefit from FSS' vehicle acquisition and management expertise and savings derived from volume buying. In FY 1998, FSS bought more than 56,800 vehicles worth around $1 billion, at an average savings of 13% to 18%. Of these, 28,225, worth $562 million, were acquired for the FSS Fleet, which leased vehicles to 75 Federal agencies.

In FY 1998, FSS expanded its interagency fleet to over 160,000 vehicles, by incorporating nearly 5,400 vehicles from other agencies, resulting in a cost-avoidance for taxpayers of approximately $6.4 million this year.

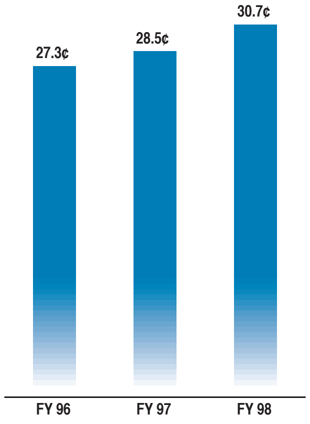
Another 7,400 vehicles will be consolidated in FY 1999 and 4,300 in FY 2000. FSS bills agencies for a monthly lease fee and a per-mile charge. In FY 1998, the cost per mile increased from 28.5 cents to 30.7 cents due to additional vehicle depreciation and leasing costs associated with expanding the vehicle consolidation program, and a soft consumer market for used vehicles that resulted in lower-than-anticipated proceeds.

FSS multi-vendor programs allow customers seeking to acquire vehicles to choose among several contractors through large, competitive contracts that offer low prices. The FSS vehicle leasing program offers low lease costs for a modern fleet, timely replacement of vehicles, engineering services for agencies needing customized vehicles, and a selection of alternative-fuel vehicles. Its Maintenance Control Centers provide maintenance and repair services and professional maintenance management.

FY 1998 was the first full year FSS provided a commercial fleet services card for purchases of fuel and maintenance and repair services. The card allowed FSS to track time and place of purchase, fuel consumption, and other information (such as unauthorized purchases) that is essential for efficient fleet management.

FSS Fleet Operating Costs

Cents Per Mile



Travel and Transportation

In recent years, Federal travel and transportation budgets have totaled approximately $18 billion annually. By leveraging this huge market, the FSS Travel and Transportation business line is able to negotiate favorable rates and provide agencies with significant savings. Travel services include discounted airfares, train tickets and lodging; travel agency services through Travel Management Centers; and a travel expense payment system. Transportation services include high-volume contracts for shipment of parcels, freight, and household goods.

City-Pairs Program. The Contract Airline City-Pairs Program provided discounts of 68% from published unrestricted coach fares, with no advanced booking requirements or penalties for changes. Business volume for city-pairs contracts totaled $1.2 billion in FY 1998. With discounts available from 14 airlines, the Government saved $2.5 billion. The contracts covered 4,840 domestic and 933 international routes, with non-stop service in 99% of markets where non-stop service was offered. New contracts awarded for FY 1999 cover 5,108 domestic and 618 international routes and will provide similar savings.

Travel Management Centers. FSS Travel Management Centers reduce Federal administrative costs by shifting the burden of arranging travel from in-house staffs to commercial travel agents. They ensure that Federal travelers take advantage of GSA's airline city-pairs contracts and other cost-saving programs and provide a mechanism for centrally billing and reconciling airline charges through the Government's charge card program. Travel agents have provided these services at no cost to the Government, relying instead on commissions from the airlines. As airlines change their commission policies, however, the Government will begin paying for these services. FSS will implement fee-for-service programs in FY 1999.

Freight and Household Goods Relocation. FSS consolidates civilian agency requirements and negotiates discount transportation rates and services from carriers. During FY 1998, Federal rates for the shipment of freight and household goods were at least 45% less than commercial rates for comparable services. Federal agencies

using these programs saved about $100 million during the year. FSS is also exploring better ways to manage the Government's transportation requirements. In FY 1999, FSS will pilot the use of a third-party logistics provider to perform transportation-related services at a major distribution center. The pilot test will be evaluated for Governmentwide application.

Small Package Express Shipments. Federal agencies saved more than $90 million on overnight and second-day express delivery service through the FSS contract with Federal Express. Agencies sent more than 19 million packages at rates 45% less than comparable corporate customer service. Small package business volume totaled over $110 million, 9% more than the $101 million spent to send 17.9 million shipments in FY 1997. This contract has two types of service – overnight delivery by 10:30 a.m. and second-day delivery by 4:30 p.m.— with an automatic, money-back guarantee if delivery is even one minute late. The contract also provides for weekend and holiday pick-up and delivery.

Transportation Audits. FSS audits Federal freight and transportation vouchers to recover or avoid excess charges. In FY 1998, pre-payment audits reduced transportation costs by $2.6 million, and post-payment audits recovered $15.7 million in overpayments. In view of recent legislation requiring mandatory prepayment audits for all Federal agencies beginning in FY 2000, FSS will accelerate its efforts to educate customers on the benefits of prepayment audits.

Federal agencies used the FSS contract for small-package express shipments to send more than 19 million packages in 1998 at rates 45% below comparable service to corporate customers.

Personal Property Management

FSS manages Federal personal property assets, arranging for the redistribution of excess property among Federal agencies, donation of excess property to eligible State and local governments and public nonprofit groups, and sale of surplus property to the public. Redistribution of personal property among Federal agencies avoided expenditures of $1.1 billion in FY 1998, unchanged from FY 1997. Donations to State and local governments and other qualifying institutions saved these groups $651 million, 6% more than in FY 1997, when donations were valued at $617 million. FSS also oversees the donation of personal property to approximately 70,000 tax-supported organizations, including schools, day care centers, hospitals, homeless shelters, senior citizens organizations and programs, vocational training facilities, fire and police departments, and drug treatment and rehabilitation programs. The value of Federal personal property sold to the public was $265 million in FY 1998, up from $216 million the previous year.

In FY 1998, FSS made available on the Internet its nationwide inventory of personal property available for utilization and donation. The Federal Disposal System (FEDS) provides a single, central, electronic clearinghouse for personal property information and makes it possible for agencies to report, search for, screen, and select property on-line. Information about sales of surplus property to the public is on the FSS web site at ***www.fss.gsa.gov.***

Federal Technology Service
Dennis J. Fischer
Commissioner

Sandra N. Bates
Deputy Commissioner

Cheryl R. Ward
Chief of Staff

Assistant Commissioners
Chief Financial Officer:
Robert E. Suda
Service Delivery:
Frank E. Lalley
Regional Services:
Margaret C. Binns
Service Development:
Bruce Brignull
Information Security:
Thomas R. Burke
Acquisition:
Al Olson
Strategic Planning and Business Development:
Abby Pirnie
Information Technology Integration:
Charles A. Self

Employees: 1,295

Revenue:
Information Technology Fund - $ 3.4 billion
Other Funding: $ 3.6 million (Appropriated - Direct and Reimbursable)

The Federal Technology Service (FTS) provides reimbursable local and long-distance telecommunications, information technology, and information security services to Federal agencies and other authorized entities. At the beginning of FY 1998, FTS changed the "T" in its name from "Telecommunications" to "Technology" to better reflect its capability to provide a broad range of information technology products and services as well as complete telecommunications services. FTS programs are consolidated into two business lines–Network Services and Information Technology Solutions. FY 1998 revenues were $3.4 billion, an increase of 38% over FY 1997.

Network Services

Deregulation in the telecommunications industry is bringing about increased integration of local and long-distance services. GSA continues to evolve its long-distance and local telecommunications programs to better meet the challenges of these changes.

FTS2000 Long-Distance Telecommunications Services

Low-cost Long-distance Service. As the provider of low-cost long-distance service for the Federal Government, FTS2000 carried an average of 526 million minutes per month of voice traffic–a total of 6.3 billion minutes—in FY 1998. FTS2000 prices again were lower than the lowest commercial equivalents and savings were realized in every category of service: Switched Data Service was 22.1% lower; Dedicated Transmission Service, 22.9% lower; Packet Switched Service, 60.5% lower; and Frame Relay Service for Enhanced Packet Switched Service was 14.3% lower than commercial service. Switched voice calls cost less than 5 cents a minute on average, compared to the lowest commercial equivalent of over 5 cents. In the aggregate, FTS2000 prices were 15.9% lower than the lowest commercial equivalent, saving $90 million in FY 1998.

The two FTS2000 contracts combined generated $748 million in revenue, 10% over the FY 1997 revenue of $681 million. The Sprint and AT&T FTS2000 mandatory-use contracts were set to expire in December 1998 after generating nearly $5 billion in services over their original 10-year term. However, FTS negotiated a 1-year extension to allow for a smooth transition to the follow-on FTS2001 contracts. The new long-distance contracts will be non-mandatory. They will provide Government agencies with core telecommunications services–circuit switched, switched data, and dedicated transmission—as well as optional offerings such as wireless and satellite and an array of value-added services.

FTS is establishing a Transition Coordination Center that will provide management guidance and technical support to the customers that choose to transition current FTS2000 services to FTS2001 networks. FTS expects to transition more than 160,000 circuits, serving 109 agencies at 26,700 service delivery points in 5,000 cities. In addition, the FTS Billing Analysis and Reporting Tool (BART) software, which more than 260 FTS2000 customers use to analyze and control telecommunications costs, is being modified to provide valuable services-inventory information for the transition.

International, Wire and Cable, and Wireless Applications. FTS provided Federal agencies with nearly $48 million in services through these contracts in FY 1998. Agencies acquired another $62 million in services directly from vendors through direct-order/direct billing from the FTS contracts.

- The Telecommunications Support Contract 2 (TSC2) is a worldwide contract that spans six functional telecommunications areas: planning; analytical support services; design and engineering support; acquisition support; installation, integration, and implementation; and operations and maintenance support. TSC2 sales in FY 1998 were over $44 million. Another $40 million in TSC2 support was provided through direct-order/direct-billing.
- The Technical and Management Support Services (TMS) contracts provide worldwide technical, management, financial and analytical support services to FTS customers. Direct-order sales in FY 1998 were $4.4 million. The TMS contracts have a $3 billion limit.
- The International Direct Distance Dialing (ID3) Service is a non-mandatory, single vendor, two-year international long-distance telecommunications contract. It provides services to over 280 countries, including calling card services, international 800/888 services, operator assistance, and international directory assistance. Prices are generally 35% to 45% below commercial prices. FTS sales totaled $52,000; additional direct-order sales were $850,000.
- The Wire and Cable Services Contract is a multiple award contract that enables users to economically maintain and upgrade cable and wiring to support Local Area Networks. This contract generated $14 million in direct-order sales.

GSA contracts provide Federal employees with the technology to work anytime, anywhere. Here, a GSA employee uses a wireless laptop to work in an airport terminal.

- The Federal Wireless Telecommunications Services (FWTS) contract provides wireless services and equipment at competitive rates. FWTS offers analog and digital cellular services (where commercially available), cellular equipment, Cellular Digital Packet Data and paging services. Future contract enhancements may include other specialized wireless technologies. FY 1998 FTS sales were more than $2.9 million; direct-order sales totaled $3 million.

Electronic Messaging. The FTS Electronic Commerce, Internet, and E-mail Access (CINEMA) program offers Internet access—from single-user analog service to full T-3, X.400 e-mail and X.500 directory services—and electronic commerce services. Contract modifications in FY 1998 permit users to transition from mainframe to Web-based technology and add secure remote access dial services, toll-free dial-up metered access, and Web page hosting. CINEMA generated $5,000 in sales to FTS in FY 1998 and $50,000 in direct-order sales.

In-flight Telecommunications. In cooperation with the Federal Supply Service, FTS now offers in-flight voice, data, and fax services at discounts of 10% to 50% below commercial rates for Federal travelers who use their Government-issued travel cards.

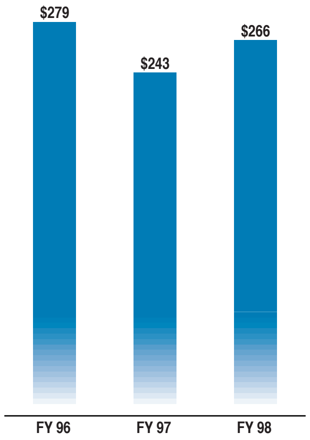
Local Telecommunications Services

FTS Local Telecommunications Services provides local voice and data telecommunications to Federal agencies. These programs generated $266 million in FY 1998, 10% more than the $243 million in FY 1997. The number of FTS phone lines declined by 4%, however, from 554,366 in FY 1997 to 531,676 in FY 1998.

FTS provides switched services through more than 400 local telecommunications systems, offering all the features of modern telecommunications systems. The FTS average monthly line rate increased 5% to $21.01 in FY 1998 (after dropping 17% to $19.98 in FY 1997). FTS continues to reduce overhead costs, and uses competitive local exchange carriers where feasible to realize savings of 30% to 50%. However, rate increases were required in FY 1998 because reductions in vendor line charges that had been expected to result from deregulation were not fully realized. FTS has adopted a number of process improvements that are expected to result in a significant drop in line rates in FY 1999.

FTS Local Telecommunications Revenues

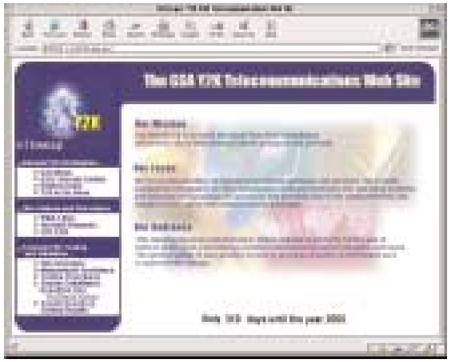
Dollars in Millions



Metropolitan Area Acquisition (MAA). This program is designed to take advantage of competition in major markets to achieve an immediate, substantive, and sustained price reduction for local telecommunications services. In FY 1998, Requests for Proposals were issued in the three initial MAA cities: New York , Chicago, and San Francisco. Contract awards are anticipated for each of these cities during FY 1999, and additional MAA acquisitions will be completed later from a list of 43 other potential cities.

Year 2000 (Y2K) Support

FTS has taken the lead in assisting and supporting Federal agencies as they make their telecommunications systems Y2K-compliant. FTS has established a web site (*y2k.fts.gsa.gov*) that provides a central source of telecommunications compliance information for agencies and the telecommunications industry. The Interagency Management Council (IMC) authorized FTS to coordinate a Y2K database and information exchange to minimize duplication of effort and costs associated with equipment and software. The database contains agency services inventories, vendor compliance updates, and links to other Government and industry web sites.



As a member of the Telecommunications Sector Committee of the President's Council on Y2K Conversion, FTS provides liaison with the telecommunications industry and supports industry and government outreach programs. FTS leads monthly meetings of the CIO Council Y2K Telecommunications Subcommittee designed to promote a Governmentwide exchange of information.

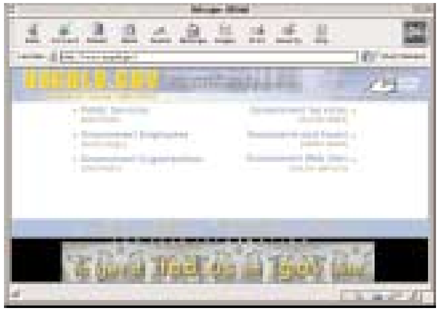
GSA's web site for Y2K telecommunications issues is a central source of compliance information. The USGold site links to commonly requested Government services.

On-line Directory Services

In addition to managing the Blue Pages Project to make it easier for the public to find Federal numbers in local telephone directories, FTS manages directory and registration services for the civilian Federal Government. The U.S. Government On-Line Directory (USGold), located at ***www.usgold.gov***, contains links to commonly requested Government services and a directory of Government agencies and top-level personnel. Registration services include providing Internet domain names that end with ".gov" (e.g., gsa.gov) and other networking names and identifiers to facilitate Government electronic communications. In 1998, FTS worked closely with industry, interagency organizations and the public to develop a new, on-line registration service at ***www.nic.gov*** and a new initiative to create an on-line directory of all Federal employees. Numbers and links to Federal organizations can be obtained from the Government Information Exchange at ***www.info.gov***.

Information Technology Solutions

The Information Technology Solutions business line helps agencies acquire, manage, integrate, and use automated data processing resources in a secure environment. This business line consists of two programs: Information Technology Integration (ITI) and Information Security.



Information Technology Integration

In FY 1998, ITI programs grew by $833 million to a total business volume of $2.3 billion, 57% over FY 1997 sales. The sharp increase was accomplished without a significant staffing increase, but was, instead, the result of greater emphasis on bottom-line financials and measures, greater use of automation and electronic commerce, and significant structural changes. The most important of these was the ITI Concept of Operations. It eliminates the development of unnecessary FTS acquisition vehicles, ensures that all new FTS contracts fit into a strategic acquisition plan, and makes FTS and other contract vehicles available to all FTS Client Support Centers. It also reduces FTS' costs of developing and awarding new contracts, reduces contractors' costs to bid on FTS contracts, and encourages industry partners. The ITI programs are described below:

- The ***Federal Information Systems Support Program (FISSP)*** provides agencies with contracts for systems definition and design, business and scientific software services, computer security studies and risk analyses, facilities management, and other related services. FISSP business volume increased by 13% from $389 million in FY 1997 to $441 million in FY 1998.
- The ***Federal Computer Acquisition Center (FEDCAC)*** delivers full-service management of computer acquisitions worth more than $100 million and conducts full and open competitions for contracts required by FTS Client Support Centers. During FY 1998, FEDCAC made two major contract awards, the 10-year, $10 billion GSA Seat Management contract, and the replacement contract for Disaster Recovery Services. The Seat Management contract, awarded to eight vendors, allows agencies to outsource all desktop automation services. The Disaster Recovery Contract supports Federal Data Centers. FEDCAC also undertook a $450 million project with the FBI and awarded seven task orders worth $292 million under the Virtual Data Center Services contract.

"In FY 1998, Information Technology Integration programs grew by $833 million, the result of greater emphasis on bottom-line financials and measures, greater use of automation and electronic commerce, and significant structural changes."

- The ***Federal Systems Integration and Management Center (FEDSIM)*** helps agencies acquire and use information systems and information technology, including hardware, software, maintenance, training, and analyst support. FEDSIM focuses on large, complex systems integration projects. Its revenues increased significantly in FY 1998, due in large part to its highly successful 9600 systems integration multiple-award contract. Fifty task orders were awarded under the contract, with an average estimated value of $15 million and an average time-to-award of less than eight weeks. More than $300 million in FEDSIM orders were placed with small businesses. Business volume for FEDSIM and FEDCAC totaled $881 million in FY 1998, 83% more than the FY 1997 level of $481 million.

- The ***Federal Acquisition Services for Technology (FAST)*** program enables Federal agencies to quickly purchase commercial, off-the-shelf information technology software, equipment, and non-complex services. It offers products and services, plus value-added contractor support. FAST focuses on the shortest time, lowest cost, and highest quality as a composite procurement approach. The program's success relies on quick contracting solutions, including use of: 1) GSA's Multiple Award Schedule (MAS); 2) non-GSA Government-Wide Acquisition Contracts (GWACs) for specialized buys; 3) multiple award 8(a) contracts with small businesses; and 4) non-competitive, definite quantity contracts. FAST revenues increased by 76%, from $552 million in FY 1997 to $973 million in FY1998.

"More than 60 agencies to date have used Financial Management Systems Software Schedule (FMSS) to install full-featured financial management systems, enabling them to streamline financial operations, reduce waste and inefficiency...."

FTS has implemented several improvements to address problems resulting from the rapid growth of the FAST program. An agreement with the Department of Defense to pay FAST bills via the automated online payment and collection system has resulted in the immediate payment of FAST (and other FTS) bills. This should resolve a material weakness reported in the FY 1997 Federal Managers' Financial Integrity Act Report concerning IT Fund cash shortages resulting from dilatory Defense Department payments. FTS developed its Integrated Task Order Management System (ITOMS) to better manage the large number of transactions generated by the rapidly expanding FAST and FISSP programs. ITOMS is an automated document processing and accounting entry system that automatically records income and expense accruals and reconciles customer accounts.

Financial Management Systems Software Schedule (FMSS). FMSS has been a valuable tool for agencies in meeting the requirements of the Government Management Reform Act of 1994, which requires annual, audited financial statements. More than 60 agencies to date have used FMSS to install full-featured financial management systems, enabling them to streamline financial operations, reduce waste and inefficiency, ensure the accountability and auditability of spending, and efficiently implement new financial management systems that are Y2K-compliant. FMSS sales totaled $328,000 in FY 1998.

Information Security

The Office of Information Security (OIS) provides worldwide information systems and infrastructure security solutions to Federal agencies, and supports the security needs of U.S. allies in the conduct of classified, sensitive, diplomatic and military missions. Its services range from supporting U.S. intelligence missions in Europe to working with Government and industry to develop a secure Federal infrastructure. OIS employs a team of engineers and technical specialists to deal with complex information systems and security of mission-critical communications requirements. Revenues were $115 million in FY 1998, 11% above the FY 1997 level of $104 million.

OIS programs include the following:

- The ***Federal Computer Incident Response Capability (FedCIRC),*** a cross-government initiative managed by OIS, brings Federal agencies together to handle security incidents, share related information, and solve common security problems. Drawing on the capabilities of Federal civil agencies, the Defense Department, law enforcement, industry, and academia, FedCIRC has created a virtual team of professionals dedicated to the protection of the nation's IT infrastructure.
- The ***Access Certificates for Electronic Services (ACES) Project,*** managed jointly by OIS and GSA's Office of Governmentwide Policy, offers a multiple-award-schedule contract, which will put digital signature certificates in the hands of the public and enable agencies to purchase public key infrastructure services to use them.
- ***Presidential Decision Directive 63 (PDD63).*** FTS is spearheading an effort to help Federal agencies identify critical infrastructure threats and vulnerabilities, and to develop and implement a critical infrastructure protection plan in compliance with PDD63. The directive calls for a national level-of-effort to ensure the security of increasingly vulnerable and interconnected national infrastructures such as telecommunications, banking and finance, energy, transportation, and essential government services.

Office of Government-wide Policy
G. Martin Wagner
Associate Administrator

John G. Sindelar
Chief of Staff

Stephanie A. Fontenot
Executive Officer

Deputy Associate Administrators
Real Property:
David Bibb
InterGovernmental Solutions:
Francis A. McDonough
Transportation and Personal Property:
Becky Rhodes
Acquisition Policy:
Ida Ustad
Information Technology:
Joan Steyaert

Directors
Committee Management Secretariat Staff:
James L. Dean
Regulatory Information Service Center:
Ronald C. Kelly (Acting)
Electronic Commerce:
Tony Trenkle

Employees: 300

Funding: $53.8 million – Appropriated (Direct and Reimbursable)

The Office of Governmentwide Policy (OGP) collaborates with other Federal agencies, State and local governments, private industry, and other entities to build and maintain a policy infrastructure for the Federal Government. OGP coordinates the identification, development, and dissemination of policies and guidelines, education and training opportunities, and best practices in the areas served by GSA's business lines—information technology, acquisition, real and personal property, travel and transportation, regulatory information, and use of federal advisory committees. OGP is the Federal focal point for intergovernmental collaboration, shared systems, acquisition, professional development, information technology policy, electronic commerce, and regulatory information.

Intergovernmental Collaboration

OGP works with foreign governments, industry organizations and over 70 interagency groups representing Federal, State, and local governments to develop and refine policies and share best practices in the areas that fall within OGP's purview.

Information Technology. OGP chairs the U.S. Intergovernmental Advisory Board, which focuses on educating IT professionals nationwide. It participates in the Intergovernmental Enterprise Panel, which identifies issues and priorities and addresses IT challenges in delivering human services, and in the International Council for IT in Government Administration, which helps senior managers in 25 countries formulate IT policies to improve public administration. OGP also supports the international G-8 Government On-line Project, which emphasizes innovation in service delivery to citizens.

Intergovernmental Solutions. Worldwide trends and perspectives on issues that may be of interest to all levels of government worldwide are compiled and published three times a year in OGP's *Intergovernmental Solutions Newsletter* and in special reports. Topics have included smart card technology, electronic commerce, outsourcing, and Web-enabled systems.

Real Property. OGP is the Federal advocate for sound and effective real property asset management. It established the Federal Real Property Council as a forum for Federal agencies to discuss concerns, develop policies, and build consensus on issues of mutual interest. The Council's objective is to ensure that all agencies acquire, manage, and use their real estate assets economically and efficiently. FY 1998 projects in the areas of real property asset management and operations included:

- Integrated Workplace: This collaborative, multidisciplinary approach to developing and providing workspace aligns an organization's strategic real property plans with its strategic business goals.
- Governmentwide Real Property Performance Measurement: OGP developed seven key real property performance measures and a

method of collecting annual data. These key measures are: owned cost per square foot, leased cost per square foot, vacancy rate, cost per person, customer satisfaction, total square feet, and employees housed.

- Strategic Storage Study: A pilot review is focusing on potential savings through more efficient use of Federal storage facilities, including interagency sharing of warehouse space.
- Governmentwide Real Property Information Sharing (GRPIS) Study: Following a successful pilot in Washington State in FY 1997, OGP is conducting two additional GRPIS pilots in Boston and South Florida communities, looking at opportunities for interagency information exchange and cooperation to improve real property asset management by Federal agencies.

Motor Vehicle and Aircraft Fleets. OGP develops goals and performance measures for managing the Federal motor vehicle and aircraft fleets, working with the 28 agencies that manage vehicles and the 18 that manage aircraft. In FY 1998, OGP held the first-ever Aircraft Fleet Modernization Planning Workshop in San Diego. It automated the process for ordering Federal vehicle license plates, reducing the 62 different forms previously required to a single form. It also issued the publication, *Locations of Federal Light Duty Conventional and Alternative Fuel Vehicles by Zip Code*, which lists the locations of over 350,000 Federal vehicles and gives a point of contact for each fleet.

GSA provides policy leadership in the acquisition, use, and disposal of the Federal civilian aviation fleet.

Personal Property. OGP develops policies and guidance on the use of Federal personal property and the disposal of surplus property. The rules for acquiring personal property through exchange/sale were made more business-oriented in FY 1998. Agencies were provided with guidance on the information required to evaluate their requests for exchange/sale authority. The Federal Property Management Regulation was rewritten to permit the donation of retired law enforcement dogs to their handlers.

Federal Advisory Committees. OGP coordinates management, administration, and reporting requirements for Federal Advisory Committees. During FY 1998, it successfully worked with Congress on passage of the Federal Advisory Committee Act Amendments of 1997, which provide new and important ways for the public and other stakeholders to participate in the activities of certain committees in support of executive branch decision-making processes. OGP also worked with the Senate Committee on Governmental Affairs to introduce legislation that would terminate unneeded committees created directly by Congress, and could save taxpayers $25 million. Finally, OGP wrote a new rule in "plain language" to more effectively convey how executive branch advisory committees must be managed under the Federal Advisory Committee Act.

Surplus Federal fleet vehicles are sold at public auctions under property management policies developed by OGP.

Shared Systems

OGP develops and maintains computer systems and databases that are used Governmentwide, including the following:

- ***Foundation Information for Real Property Management (FIRM).*** Modernization of the inventory system in FY 1998 permits more timely access to information on leasing, construction, renovation, and asset management for about 25% of all civilian Government-owned and leased property. OGP now has installed FIRM software and provided training and technical support for 17 Federal agencies and bureaus.
- ***OGP's Federal Procurement Data Center*** assembled detailed information on more than 20 million contract actions for Federal contracts for $25,000 or more. It now offers on-line access and editing, as well as batch data submissions, and it provides data to its customers via CD-ROM and the Internet.

- The ***Acquisition Reform Network (ARNet)*** is the primary hub for Internet-based acquisition tools and information. It is the entryway to various databases such as the Federal Acquisition Regulation, Commerce Business Daily, the List of Parties Excluded from Federal Procurement and Nonprocurement Programs, and electronic catalogs such as *GSA Advantage!™*, and the electronic posting system for Government solicitations (***eps.arnet.gov***).
- OGP also launched a new Internet-based, Governmentwide shared system for disseminating information and reporting on Federal advisory committees. Agencies now have an electronic, user-friendly tool to fulfill their reporting and oversight obligations under the Federal Advisory Committee Act.

Acquisition Systems and Support

As one of three agencies responsible for promulgating the Federal Acquisition Regulation (FAR), GSA is actively involved in implementing procurement laws that affect all Federal agencies. OGP supports the Federal acquisition system, through which the Government obligates nearly $200 billion annually, and is leading the effort to create an efficient, timely, and customer-focused procurement system. It provides crosscutting management systems and support to the Federal community. During FY 1998, OGP:

- Developed and issued new rules, in cooperation with the Department of Defense, NASA and the Office of Federal Procurement Policy, which will dramatically change the way Government contracting dollars are distributed throughout the economy. These new rules will help small disadvantaged businesses obtain Federal contracts and subcontracts while satisfying the standard of review required by a recent Supreme Court decision. One of the rules was needed to implement the Administration's initiatives to "mend, not end" affirmative action contracting. Another provides several mechanisms that will be used by Federal contracting offices to increase awards to historically underutilized small businesses.
- Worked with senior Federal procurement executives to create and implement performance measures that will help identify methods for creating and maintaining a highly efficient procurement system through self-assessment, awareness, and change. The ultimate goal is to create a world-class acquisition system for the Federal Government.
- Working with GSA's Office of Enterprise Development, streamlined direct 8(a) contracting procedures by eliminating offering and acceptance letters for acquisitions under $100,000 and simplifying acquisitions over $100,000.
- Conducted an audit of the Federal Procurement Data System, which found a 95.4% accuracy rate for 10

key data elements in randomly selected contracts awarded in FY 1997. Seventy-nine contracting offices from 50 customer agencies participated in the audit, and 828 contracts were reviewed.

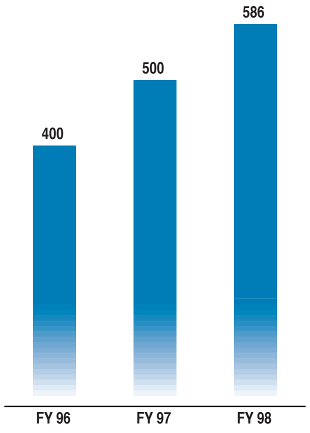
- Published and distributed the 1998 *Catalog of Federal Domestic Assistance* and the *Formula Report to the Congress.* A CD-ROM was developed in partnership with the Census Bureau that contains catalog program information and tracks award recipient data. The Catalog Internet site at www.gsa.gov/fdac hosted 309,000 sessions and 592,000 searches.

Professional Development

To ensure that the Government has a highly trained procurement workforce and remains in the forefront of information technology use, OGP identifies, develops, and makes available professional development opportunities for Federal employees.

OGP's ***Federal Acquisition Institute (FAI)*** develops training programs to help Federal procurement personnel acquire the skills and knowledge they need to award and administer contracts competently. FAI provides career development services for the Federal acquisition workforce, helps agencies recruit highly qualified personnel, and coordinates research to improve the procurement process. FAI also created Internet-based training materials for

1,000 by the Year 2000 Graduates to Date



Contracting Officer's Representatives (CORs), affording them the opportunity for continuous learning and on-line assistance as needed to do their jobs.

In FY 1998, FAI made significant strides toward getting agencies to agree to adopt, for the first time, a common curriculum of core courses that will be used Governmentwide for educating the workforce on acquisition policy. The Institute also has entered into a $2 million agreement with Arizona State University (ASU) and the National Association of Purchasing Managers to establish a body of knowledge for Internet-based education and training for public and private sector acquisition professionals.

The OGP-sponsored ***Interagency Resources Management Conference*** brought together two influential Federal communities – top managers and top information technology executives (Federal Chief Information Officers Council) to focus on strategic planning and major information technology developments and initiatives. Some 300 senior officials from more than 50 agencies attended.

1,000 by the Year 2000. In partnership with 29 colleges and universities nationwide, OGP has for many years supported the *"1,000 by the Year 2000"* program, which prepares Government IT managers for leadership roles in information resources management. Its objective is to train 1,000 information technology professionals by the year 2000. To date, 586 students have graduated from the program, of whom 191 have received Master's degrees.

The ***Trail Boss*** program trains managers of Federal IT systems. During FY 1998, OGP hosted four *Trail Boss* Seminars in IT project management, three critical-issue *Trail Boss* Forums with OMB, and a major interagency conference on IT management, the *Trail Boss* Roundup. The average rating for the seminars was 9.2 out of 10. The FY 1998 *Trail Boss* Roundup was described by many as "the best ever" with an overall rating of 8.7. *Trail Boss* graduates manage most major Federal IT systems.

Electronic Commerce Education. OGP signed a memorandum of understanding with the University of

"OGP provides executive and interagency IT support, including critical policy-level support to the CIO Council, in acquisition pilot projects, training, planning, outreach, and resolution of Year 2000 (Y2K) computer programming problems."

Maryland-Baltimore County (UMBC) and Rutgers University/Newark to develop a new generation of electronic commerce experts. Additional universities will be added as the program develops. Another OGP initiative, the Electronic Commerce Student Educational Employment Program, will link university students and interns with electronic commerce projects in Federal agencies. The program will provide agencies with a fresh source of high-technology skills. A related program is being developed to provide additional training and academic credits for Federal employees working in, or hoping to work in, electronic commerce. Both UMBC and Rutgers will offer advanced programs in electronic commerce beginning in spring 1999.

Information Technology (IT)

OGP provides executive and interagency IT support, including critical policy-level support to the CIO Council, in acquisition pilot projects, training, planning, outreach, and resolution of Year 2000 (Y2K) computer programming problems, and provides IT tools to support agencies' missions. In response to increasingly complex issues arising from use of the Internet, OGP created a Federal Webmasters Working Group to identify, discuss, and collaborate on policy concerns imposed by the Privacy Act and the Freedom of Information Act.

Support for IT Management. During FY 1998, OGP expanded its planning and operations management support to the three key Federal IT management groups: The CIO Council, the Government Information Technology Services Board (GITSB), and the Information Technology Resources Board (ITRB).

The CIO Council has been called a model for other interagency groups. Key to the Council's success is OGP's management of the Council's infrastructure, including electronic communication, strategic planning and budgeting, and responsiveness to members' requests.

OGP has created several Web-based products to enable the GITSB to effectively communicate with its public customers. Access America for Students, *Access America Online Magazine*, and Access America Action Plan all use Internet technology to reach a wide audience with up-to-date information about how the Federal Government is reinventing itself.

OGP streamlined the ITRB assessment process and produced three highly acclaimed publications for the ITRB: *Project Management for Mission Critical Systems, Practical Strategies for Managing Information Systems,* and *The Diminishing Pool of Skilled Federal IT Executives.*

Federal Webmaster Forum. OGP hosted the interagency Federal Webmaster Forum to address Internet issues and provide opportunities for networking and sharing best practices. In support of the forum, OGP provided training for over 400 Federal Webmasters nationwide. The training covered copyright, trademarks, patents, the Freedom of Information Act, and other policy issues, as well as design and technology matters.

Y2K Support. OGP is supporting a variety of Government activities addressing the Y2K challenge. It manages a number of Y2K web sites, including those for the President's Council on the Year 2000 Conversion (***www.y2k.gov***) and the U.S. Federal Gateway for Year 2000 Information Directories (***www.itpolicy.gsa.gov***). The directories provide one-stop access to information, solutions, and other Internet sites dealing with the Y2K issue. They also link to the OGP-sponsored International Virtual Y2K Conference web site, which was developed to encourage a collaborative global effort in developing solutions for the Y2K challenge.

Electronic Commerce

Electronic commerce is the comprehensive, end-to-end electronic exchange of information needed to do business. OGP has taken the lead in coordinating Federal electronic commerce policies, as co-chair, with the Department of Defense, of a Governmentwide electronic commerce program office that provides continuity and focus for several activities. These include: (1) Government card services; (2) electronic benefits transfer rollout; (3) acquisition of management and technical support; (4) design, development, and prototyping of technology; and (5) development of new policies to promote the use of electronic commerce.

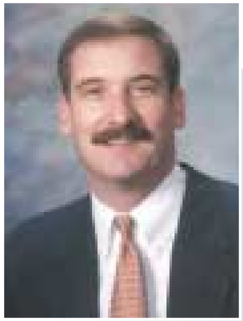
OGP is supporting the development of a nationwide standard Electronic Benefits Transfer (EBT) system to electronically deliver Government benefits, such as food stamps, by 1999. In FY 1998, OGP began working with the Western Governors Association to implement the Health Passport pilot of smart card technology, which puts health and demographic information on a smart card that is common to several Federal programs, particularly those providing assistance to women and children.

Regulatory Information

OGP's Regulatory Information Service Center compiles and disseminates information about Federal regulatory activity. Its principal publication is the *Unified Agenda of Federal Regulatory and Deregulatory Actions.* This provides a unique, comprehensive source of information about regulatory actions that Federal agencies are considering. It includes The Regulatory Plan, which discusses agencies' regulatory priorities and provides fuller descriptions of their significant rulings. Both Agenda and Plan are available on the Internet (***www.policyworks.gov/mi***).

In FY 1998, the Center expanded its services by establishing a new Internet site, ***reginfo.gov***, that provides links to sources of information on Federal, State, and local regulations. These include databases and search tools for legislation and regulations, Federal agency home pages, and information about pending and recently completed OMB regulations.

GSA Staff Offices

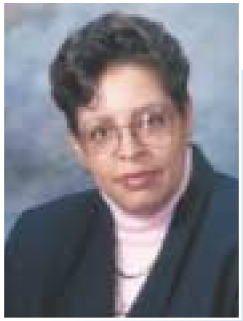


Chief Financial Officer
Thomas R. Bloom

- Manages GSA financial operations: accounting, cash management, payroll, financial reporting, strategic planning, and performance measurement.
- Prepares and administers GSA's budget; reviews financial plans, legislation, and regulations.
- Manages more than 30 GSA funds.
- Provides reimbursable payroll and accounting services for more than 40 agencies and commissions.

Chief Information Officer
Shereen G. Remez

- Principal advisor to the Administrator and all GSA offices on information technology, maximizing the agency's return on IT investments.
- Manages GSA's corporate information network, establishing standards and ensuring that employees have the state-of-the-art technology and IT training to do their jobs.
- Manages testing and verification of GSA mission-critical systems to ensure Y2K readiness. Oversees the agency's Y2K Business Continuity and Contingency Plan.
- Responsible for maintaining security of GSA systems.

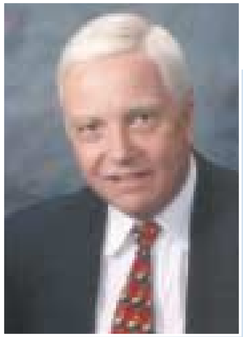


Chief People Officer
Gail T. Lovelace
(Acting)

- Created in 1998 on a par with the Chief Financial Officer and the Chief information Officer to emphasize the importance of employees to the agency's success.
- Provides personnel and labor-relations services, employee development and incentive programs, administrative support and facilities management.
- Manages a national management intern program with 45 interns assigned to headquarters and the regions.
- Works with the GSA Technology Council to establish an electronic document-management system.

Child Care
Susan D. Clampitt
Associate Administrator

- Provides policy leadership, guidance, oversight and information on quality child care in Federal facilities.
- Leads the Interagency Federal Child Care Council, which represents all agencies that sponsor the more than 245 Federal civilian child care programs. Works with local law enforcement authorities and the FBI to ensure adequate background checks for child care workers; and works to obtain 100% accreditation of all eligible centers by the year 2000.



Congressional and Inter-governmental Affairs
William R. Ratchford
Associate Administrator

- GSA's liaison with Congress, coordinating testimony and meetings for the agency's senior staff, shepherding GSA's legislative program and budget through Congress, and helping Congressional offices resolve GSA-related problems.
- Responded to approximately1,000 Congressional inquiries in FY 1998, regarding chiefly child care, Federal buildings, FTS and doing business with the Government.
- Supports GSA's regional Congressional Services Representatives, who coordinate space, furnishings and supplies for 1,413 State offices for Senators and Members of Congress and arrange for storage and relocation services.
- Was instrumental in the passage of Federal travel reform, advancing legislation on child care, and obtaining $500 million in new money for capital construction.

Communications
Beth W. Newburger
Associate Administrator

- Coordinates agency communications and public affairs activities and disseminates information to the media, the public, other Government offices, and GSA employees.
- Amplifies GSA's message through the news media and professional publications, public events (e.g., dedication of the Ronald Reagan Building and International Trade Center and Boston Courthouse), and outreach to the public.
- Leads the GSA Marketing Council, which consolidates and focuses the agency's strategic analysis, research and customer tracking activities.
- Manages the Consumer Information Center, which provides free and low-cost publications of broad consumer interest via Internet and mail from Pueblo, CO.

Enterprise Development
Dietra L. Ford
Associate Administrator

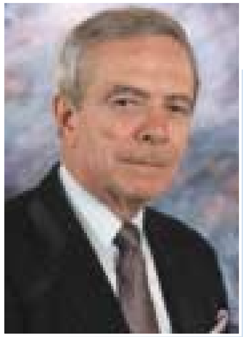
- Advocate in GSA for the small business community, including small disadvantaged businesses, small women-owned businesses, Historically Black Colleges and Universities, and HUBZone businesses.
- Develops and coordinates policies to implement the President's annual small business goals, monitors GSA contracting activities to ensure compliance with these goals, and provides compliance training for contracting personnel.
- Conducts outreach activities to introduce small businesses to Federal acquisition procedures and encourage them to seek Federal contracts.

General Counsel
Emily C. Hewitt

- Provides legal support for GSA programs in areas such as Government travel and transportation, litigation, personnel and labor relations, equal employment opportunity, appropriations and finance, the Freedom of Information Act, the Federal Advisory Committee Act, the Privacy Act, and all aspects of ethics compliance.
- Supports GSA's response to Congressional investigations.
- Develops and manages GSA's ethics program.

GSA Board of Contract Appeals
Stephen M. Daniels
Chairman

- Hears and decides contract disputes between Government contractors and GSA, as well as between contractors and other executive agencies.
- Encourages resolution of contract disputes through alternative dispute resolution (ADR) and makes ADR services available to all executive agencies on contract-related matters.
- Hears and decides requests for review of transportation audit rate determinations and claims by Federal civilian employees regarding travel and relocation expenses.



Inspector General
William R. Barton

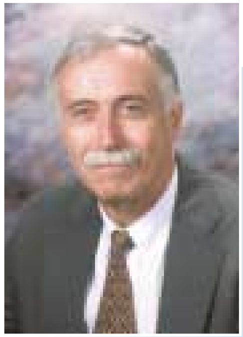
- Conducts independent audits and investigations of GSA's internal operations and external contractors; produces audit and investigative reports, advisory and evaluation reports and legal opinions; makes civil and criminal referrals to the Department of Justice and other legal authorities; and refers to GSA officials cases of misconduct by GSA employees and contractors.
- Reviews existing and proposed legislation and regulations that could affect GSA's operations and policies.
- Works closely with GSA management to identify opportunities for program and operations improvements; informs the Administrator and Congress of GSA's progress in meeting organizational objectives.

GSA Regions

New England Region
Robert J. Dunfey, Jr.
Regional Administrator

Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

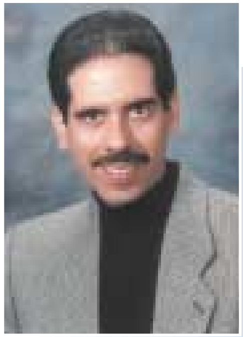
The New England Region is based in Boston and has 268 employees and an operating budget of $524 million. Its real estate inventory includes 94 Government-owned buildings and 250 leased locations that house 32 agencies with 36,224 employees.



Northeast & Caribbean Region
Robert Martin
Acting Regional Administrator

New York, New Jersey, Puerto Rico, U.S. Virgin Islands

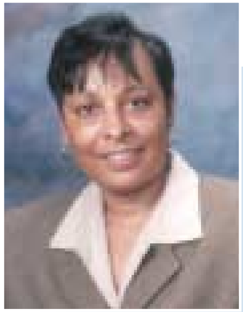
The Northeast and Caribbean Region is based in New York City and has 877 employees and an operating budget of $1.9 billion. Its real estate inventory includes 109 Government-owned buildings and 450 leased locations that house 43 agencies with 72,286 employees. The region manages a 14,900-vehicle fleet that also serves the New England Region.



Mid-Atlantic Region
Rafael Borras
Regional Administrator

Delaware, Maryland, Pennsylvania, Southern New Jersey, Virginia, West Virginia

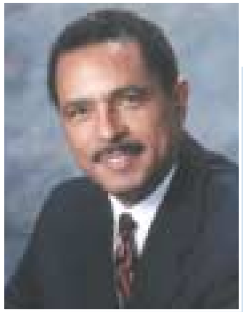
The Mid-Atlantic Region is based in Philadelphia and has 1,334 employees and an operating budget of $382 million. Its real estate inventory includes 184 Government-owned buildings and 563 leased locations that house 153 agencies with 103,961 employees. The region manages a 19,354-vehicle fleet.



Southeast Sunbelt Region
Carole A. Dortch
Regional Administrator

Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee

The Southeast Sunbelt Region is based in Atlanta and has 1,158 employees and an operating budget of $459 million. Its real estate inventory includes 173 Government-owned buildings and 1,111 leased locations that house 45 agencies with 126,884 employees. The region manages a 29,750-vehicle fleet.



Great Lakes Region
William C. Burke
Regional Administrator

Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin

The Great Lakes Region is based in Chicago and has 1,027 employees and an operating budget of $381 million. Its real estate inventory includes 195 Government-owned buildings and 801 leased locations that house 107 agencies with 97,727 employees. The region manages an 11,822-vehicle fleet.

The Heartland Region
Woody Overton
Regional Administrator

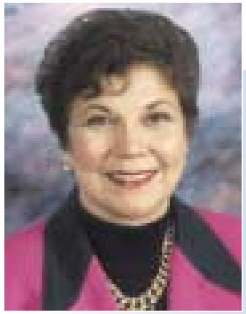
Iowa, Kansas, Missouri, Nebraska

The Heartland Region is based in Kansas City, MO, and has 778 employees and an operating budget of $699 million. Its real estate inventory includes 94 Government-owned buildings and 301 leased locations that house 50 agencies with 59,000 employees. The region manages a 6,966-vehicle fleet.

Greater Southwest Region
John C. Pouland
Regional Administrator

Arkansas, Louisiana, New Mexico, Oklahoma, Texas

The Greater Southwest Region is based in Fort Worth and has 1,521 employees and an operating budget of $401 million. Its real estate inventory includes 378 Government-owned buildings and 736 leased locations that house 38 agencies with 94,287 employees. The region manages a 36,500-vehicle fleet that also covers the Rocky Mountain Region.



Rocky Mountain Region
Polly B. Baca
Regional Administrator

Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming

The Rocky Mountain Region is based in Denver and has 404 employees and an operating budget of $152 million. Its real estate inventory includes 248 Government-owned buildings and 375 leased locations that house 27 agencies with 45,209 employees.

Pacific Rim Region
Kenn N. Kojima
Regional Administrator

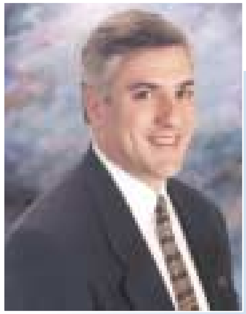
Arizona, California, Guam, Hawaii, Nevada, Pacific Trust Territories, American Samoa, U.S. installations in the Far East

The Pacific Rim Region is based in San Francisco and has 1,267 employees and an operating budget of $631 million. Its real estate inventory includes 177 Government-owned buildings and 904 leased locations that house approximately 45 agencies with 95,000 employees. The region manages a 25,314-vehicle fleet.

Northwest/ Arctic Region
L. Jay Pearson
Regional Administrator

Alaska, Idaho, Oregon, Washington

The Northwest/Arctic Region is based in Auburn, WA, near Seattle. It has 580 employees and an operating budget of $515 million. Its real estate inventory includes 119 Government-owned buildings and 381 leased locations that house 131 agencies with 35,000 employees. The region manages a 13,129-vehicle fleet.



National Capital Region
Nelson B. Alcalde
Regional Administrator

Washington, DC, and Metropolitan Area

The National Capital Region is based in Washington, DC. It has 1,849 employees and an operating budget of $1.6 billion. Its real estate inventory includes 194 Government-owned buildings and 470 leased locations that house 91 Federal agencies with 389,489 employees.

Consolidating & Combining Financial Statements

General Services Administration
Office of Inspector General
Washington, DC 20405

February 25, 1999

MEMORANDUM FOR DAVID J. BARRAM
ADMINISTRATOR (A)

THOMAS R. BLOOM
CHIEF FINANCIAL OFFICER (B)

FROM: WILLIAM R. BARTON William R. Barton
INSPECTOR GENERAL (J)

SUBJECT: **Audit of the General Services Administration's Fiscal Year 1998 Financial Statements**

This letter transmits PricewaterhouseCoopers LLP's (PwC) report on its Fiscal Year 1998 financial statement audit of the General Services Administration (GSA), and the Office of Inspector General's (OIG) report on internal controls over performance measures.

Results of Independent Audit

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires GSA's Inspector General or an independent external auditor, as determined by the Inspector General, to audit the Agency's financial statements. Under a contract monitored by the OIG, PwC, an independent public accounting firm, performed the audit of GSA's Fiscal Year 1998 financial statements. The contract required that the audit be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States, and the Office of Management and Budget's Bulletin No. 98-08, "Audit Requirements for Federal Financial Statements."

PwC issued unqualified opinions on GSA's Fiscal Year 1998 consolidated and combined financial statements and individual funds' (Federal Buildings Fund, General Supply Fund, and Information Technology Fund) financial statements. Also, PwC issued unqualified opinions on GSA management's assertion regarding the internal controls over financial reporting and substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA). However, PwC did identify three reportable conditions concerning GSA's need to (1) strengthen computer logic and physical access controls, (2) improve and implement entity-wide system security policies and (3) improve the integrity of rent and leasing data. PwC also reported a potential instance of noncompliance arising from a $50 million advance between two GSA funds, the Federal Buildings Fund (FBF) and the Information Technology Fund (ITF). PwC requested the Counsel to the Inspector General to review this advance of funds. The OIG issued a legal opinion stating that GSA violated the "Purpose Statute" (31 U.S.C. ß 1301) when the FBF advanced funds to the ITF, and these funds were "not properly used to carry out Public Buildings Service [FBF] activities." While GSA's Office of General Counsel disagreed with the OIG opinion, GSA, nevertheless, intends to take steps to avoid this situation in the future.

OIG Evaluation of PwC's Audit Performance

To ensure the quality of the audit work performed, we conducted a review of PwC's audit of GSA's Fiscal Year 1998 financial statements. Specifically, we:

- reviewed PwC's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- examined working papers related to assessing internal controls over GSA's financial reporting process;
- reviewed PwC's audit report;
- coordinated issuance of the audit report; and
- performed other procedures we deemed necessary.

However, due to the timing for completing the GSA Fiscal Year 1998 Annual Report, we have not completed our review of the working papers prepared by PwC.

PwC is responsible for the attached auditor's report dated January 29, 1999, and the conclusions expressed therein. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and accordingly we do not express, an opinion on GSA's financial statements, management's assertions about the effectiveness of its internal controls over financial reporting or substantial compliance with FFMIA, or GSA's compliance with certain laws and regulations. However, our review, as qualified above, disclosed no instances where PwC did not comply with generally accepted government auditing standards.

Report on Internal Controls Over Performance Measures

We did not contract with PwC to perform the audit work relating to internal controls over performance measures. However, in accordance with the Office of Management and Budget Bulletin No. 98-08, we performed the necessary audit procedures to obtain an understanding of the design and operation of internal controls over the reliability of data supporting the performance measures reported in the GSA Annual Report Overview. The results of this audit identified a reportable condition regarding the need to clearly assign responsibility and accountability within GSA for verifying and ensuring the reliability of the data supporting the reported performance measures.

The Office of Inspector General appreciates the courtesies and cooperation extended to PricewaterhouseCoopers LLP and to our audit staff during the audit and review. If you or your staff have any questions, please contact me or Eugene L. Waszily, Assistant Inspector General for Auditing.

PRICEWATERHOUSECOOPERS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Inspector General of the United States General Services Administration:

This report presents our opinions on:

- The fiscal year 1998 financial statements of the United States General Services Administration (GSA Consolidated and Combined) and its three primary revolving funds - the Federal Buildings Fund (FBF), the General Supply Fund (GSF), and the Information Technology Fund (ITF).
- Management's assertion that, as of September 30, 1998, it maintained effective internal control over financial reporting for GSA Consolidated and Combined, the FBF, the GSF, and the ITF.
- Management's assertion that except for two identified areas of non-conformance pertaining to Office of Management and Budget (OMB) Circular No. A-130, *Management of Federal Information Resources*, GSA's financial management systems substantially complied with all other requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996 during fiscal year ended September 30, 1998.

This report also presents results of our tests of GSA's compliance with selected provisions of applicable laws and regulations. This report describes management's responsibilities for financial reporting, the internal control over financial reporting, compliance with FFMIA requirements, and compliance with other applicable laws and regulations. Finally, the report describes our responsibilities for auditing the financial statements, examining management's assertion regarding the internal control over financial reporting, examining management's assertion regarding GSA's substantial compliance with FFMIA requirements, and reporting on GSA's compliance with other applicable laws and regulations.

Opinion on the Financial Statements

In our opinion, the accompanying balance sheets of the General Services Administration (GSA Consolidated), the Federal Buildings Fund (FBF), the General Supply Fund (GSF), and the Information Technology Fund (ITF) as of September 30, 1998, and the related GSA Consolidated and individual fund statements of net cost and changes in net position, and GSA Combined and individual fund statements of budgetary resources and financing for the fiscal year then ended, present fairly, in all material respects, the:

- financial position of GSA Consolidated, the FBF, the GSF, and the ITF as of September 30, 1998,
- net cost and changes in net position of GSA Consolidated, the FBF, the GSF, and the ITF for the fiscal year ended September 30, 1998, and
- financing and budgetary resources of GSA Combined, the FBF, the GSF, and the ITF for the fiscal year ended September 30, 1998,

on the basis of accounting described in Note 1-B to the financial statements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note 1, GSA, effective for the fiscal year ended September 30, 1998, adopted OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, and Statements of Federal Financial Accounting Standards, incorporated by reference within OMB Bulletin 97-01.

Consolidating and Combining Information

Our audits were performed for the purpose of expressing opinions on GSA Consolidated and Combined, the FBF, the GSF, and the ITF financial statements as of and for the fiscal year ended September 30, 1998. The financial statements of Other

Funds and the Intra-GSA Eliminations, presented in the consolidating and combining financial statements, are presented for purposes of additional analysis of GSA Consolidated and Combined financial statements. This consolidating and combining information has been subjected to the auditing procedures applied in our audit of GSA Consolidated and Combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the fiscal year 1998 GSA Consolidated and Combined financial statements taken as a whole.

Opinion on Management's Assertion Regarding the Effectiveness of Internal Control over Financial Reporting

In our opinion, management's assertion included in its representation letter to us dated January 29, 1999, that, as of September 30, 1998, the internal control over financial reporting for GSA Consolidated and Combined, the Federal Buildings Fund (FBF), the General Supply Fund (GSF), and the Information Technology Fund (ITF) was effective, is fairly stated, in all material respects, based on the objectives stated below in relation to GSA's combined and consolidated financial statements and each fund's financial statements. Management has evaluated the effectiveness of the internal control over financial reporting for each of the aforementioned entities as of September 30, 1998, as part of the evaluation required under the Federal Managers' Financial Integrity Act (FMFIA). Based on this evaluation, management asserted that it believes that, as of September 30, 1998, the internal control over financial reporting for GSA Consolidated and Combined, the FBF, the GSF, and the ITF was effective in achieving the objectives described below.

- Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with Federal accounting standards, and the safeguarding of assets against loss from unauthorized acquisition, use, or disposition.
- Transactions are executed in accordance with: (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (ii) any other laws, regulations, and government-wide policies identified by the Office of Management and Budget (OMB) in Appendix C of OMB Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements.*

Because of inherent limitations in any internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under standards established by the American Institute of Certified Public Accountants (AICPA), reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect GSA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness, as defined by the AICPA, is a reportable condition in which the design or operation of the internal control over financial reporting does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties. We believe that none of the three reportable conditions that follow is a material weakness as defined by the AICPA.

As discussed in management's assertion, the following reportable conditions involving the internal control over financial reporting and its operation existed as of September 30, 1998: (1) GSA needs to strengthen logical and physical access controls over its information technology environment; (2) security policies and procedures need to be uniformly applied across GSA's service lines; and (3) improvements are needed in the controls over the integrity of rent and leasing data used in management of the Federal Buildings Fund (FBF).

We noted other matters involving the internal control and its operation that we will communicate in a separate management letter.

1. GSA Needs To Strengthen Logical and Physical Access Controls over Its Information Technology Environment

Access controls over mission critical systems that support GSA's financial statements need to be strengthened. Because disclosure of detailed information about these weaknesses might further compromise controls, we are providing no further details here. Instead, additional details of the testing results will be provided in a separate management letter. During our review of four GSA systems — National Electronic Accounting and Reporting (NEAR) system, System for Tracking and Administering Real Property (STAR), Federal Supply System (FSS-19), and Fleet Management System (FMS), we found the following control weaknesses in each system:

- Logical access granted to users was not consistent with their organizational or individual job responsibilities.
- Controls to monitor, detect and follow up on unauthorized access to systems from external sources were not adequate.
- Controls over physical access to computer resources needed improvement.
- Controls over revocation and modification of access privileges for users who had been terminated or had changed their job responsibilities needed strengthening.

In the absence of adequate preventive and detective controls over users' access to computer resources (data, programs, equipment and facilities) in accordance with organizational and individual job responsibilities, the data relevant to GSA's financial statements remains susceptible to unauthorized access or modification. Without such controls, the requirements set by OMB Circular No. A-130 Appendix III are not being met.

Recommendation

We recommend that GSA implement appropriate policies, procedures, and corrective measures to reduce the risk of unauthorized access to its resources. Suggested corrective actions to be taken, across GSA, include:

- Evaluate system privileges of all users to ensure that these privileges are consistent with the users' job responsibilities.
- Implement automated tools to monitor and detect unauthorized system access from external sources and promptly follow up on such activity.
- Restrict physical access to computer rooms and other facilities, where computer resources are located, to individuals based on their operational responsibilities.
- Promptly revoke or modify system access privileges for users who have been terminated or transferred.

2. Security Policies and Procedures Need To Be Uniformly Applied Across GSA's Service Lines

GSA's entity-wide security policies and procedures in effect at the time of our fieldwork were incomplete and outdated. Furthermore, the service lines' security policies and procedures were not consistent with the entity-wide requirements. Specifically, the security policies and procedures throughout GSA did not in all cases address the following control issues:

- Implementing security controls, including password administration and management.
- Monitoring access violations.
- Developing and implementing Security Awareness training.

In the absence of standardized security policies and procedures implemented on an entity-wide basis, GSA cannot ensure that its mission critical applications and data are protected from unauthorized access, modification or deletion by internal users or external sources. Furthermore, without policies and procedures, GSA is not meeting the requirements set out by OMB Circular No. A-130 Appendix III. GSA is in the process of updating its entity-wide policies and procedures and expects to complete this task by February 1999.

Recommendation

To enhance information protection, we recommend GSA ensure the above-noted deficiencies be addressed in finalizing the updating of its entity-wide security policies and procedures. Service lines should then determine whether supplemental policies and procedures need to be developed to address their unique needs. To the extent such supplemental guidance is needed, it should be in line with the entity-wide guidance and free of the specific deficiencies noted above. For effective implementation and enforcement across all service lines, GSA's overall information system security policies and procedures should encompass, but not be limited to, the following issues:

- Definition of uniform security controls to be implemented across GSA, including consistent and strong password administration and management.
- Security monitoring over critical systems on a regular basis to detect unauthorized access from internal users and external sources.
- Development and dissemination of a single GSA-wide Security Awareness training manual outlining guidelines for system managers and users in all service lines.

3. Improvements Are Needed in the Controls over the Integrity of Rent and Leasing Data Used in Management of the Federal Buildings Fund

During fiscal year 1998, the Public Buildings Service (PBS) continued changing the shape of its operations to mirror private industry through new business practices and controls over rent and leasing activities. Changes included increased monitoring of rental projections, conversion to the System for Tracking and Administering Real Property (STAR) for billing customers, and the pilot of PBS' new pricing policy. The success of these changes depends, to a large degree, on the reliability of rent and leasing data.

During our audit, we tested controls over the integrity of rent and leasing data. Controls at the regions, such as the use of preview bills and supervisory approval in STAR for new leases, are intended to prevent errors and omissions. Despite these controls, we found discrepancies that could have a financial statement impact, including inaccurate rent bills, overpayments to lessors, inaccuracies in STAR's space inventory, and possible adverse funding effects for new leases. Following is a summary of relevant findings:

- We noted several errors on the rent bills due to missing data, data entry errors, or errors in calculations.
- Adequate documentation could not always be located for leasing data in STAR.
- We found instances where leasing data either had not been updated or had not been updated in a timely manner.
- We found inconsistent implementation of Occupancy Agreements across regional offices.
- STAR did not provide some critical information needed for space management such as transaction level history.

Recommendations

GSA has begun to establish internal teams to focus on several critical areas such as the validity of STAR data. We also recommend that GSA:

- Use the Occupancy Agreements as the basis for supporting space assignment in federally owned and leased buildings.
- Continue with present plans for data verification.
- Consider the costs versus the benefits of modifications to STAR.
- Move forward with plans to validate space in federally owned and leased buildings, as funding becomes available.

Opinion on Management's Assertion Regarding Substantial Compliance with FFMIA

In our opinion, management's assertion included in its representation letter to us dated January 29, 1999, that except for two identified areas of non-conformance pertaining to OMB Circular No. A-130, GSA's financial management systems substantially complied with all other Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger (SGL) at the transaction level during fiscal year 1998, is fairly stated, in all material respects.

The two areas of non-conformance identified in management's assertion are described below and are considered to represent substantial noncompliance with the Federal financial management systems requirements under the Federal Financial Management Improvement Act (FFMIA) of 1996:

- GSA needs to strengthen logical and physical access controls over its information technology environment.
- Security policies and procedures need to be uniformly applied across GSA's service lines.

All significant facts pertaining to noncompliance referred to above and recommended remedial actions are included in the first two reportable conditions presented with our opinion on management's assertion regarding the effectiveness of internal control over financial reporting. GSA should assign a high priority to the corrective actions consistent with the requirements of OMB Circular No. A-50, Revised, *Audit Follow-up*.

Results of Tests of Compliance with Certain Laws and Regulations

During our audit, we identified a potential instance of noncompliance arising from a $50 million transaction characterized as an advance from the FBF to the ITF. We requested the Office of Inspector General to review this advance of funds. Subsequently, the Counsel to the Inspector General issued a legal opinion that GSA violated the "Purpose Statute," 31 U.S.C. § 1301, when the FBF advanced to the ITF funds, "which were not properly used to carry out PBS [Federal Buildings Fund] activities." The OIG opinion was based on the fact that GSA did not liquidate the advance as the FBF placed orders with the ITF; rather, the FBF paid for the orders separately on a monthly basis. The OIG opinion also stated that advanced funds may only be spent by an activity receiving the funds when the advancing agency or activity has placed orders against that advance, and then only in the amount of the orders actually so placed. GSA's Office of General Counsel (OGC) does "not believe that the advance for the Information Technology Fund resulted in a violation of law." In OGC's opinion, "because the advance was properly made for a proper purpose, and subsequently returned to the Federal Buildings Fund within a reasonable time, it did not violate the Purpose Statute or any other provision of law." OGC also concluded "that it was legally permissible to intermingle the advance into the corpus of the Information Technology Fund." Nevertheless, it is our understanding that GSA intends to take steps to ensure that future advances to the ITF are liquidated as orders are placed.

Except as noted in the preceding paragraph and in our opinion on management's assertion regarding substantial compliance with FFMIA, our tests of compliance with selected provisions of applicable laws and regulations disclosed no other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 98-08.

GSA Management's Responsibilities

Management is responsible for:

- Preparing the annual financial statements referred to above in conformity with the comprehensive basis of accounting described in Note 1-B to the financial statements and preparing the other information contained in the Annual Report.
- Establishing, maintaining, and assessing internal control over financial reporting.
- Complying with laws and regulations applicable to the agency, including the requirements of the FFMIA.

Auditors' Responsibilities

We have audited the accompanying balance sheets of the General Services Administration (GSA Consolidated), the FBF, the GSF, and the ITF as of September 30, 1998, and the related GSA Consolidated and individual fund statements of net cost and changes in net position, and GSA Combined and individual fund statements of budgetary resources and financing for the fiscal year then ended. Our responsibility is to express an opinion on these financial statements based on our audits. The balance sheets of GSA Consolidated, the FBF, the GSF, and the ITF as of September 30, 1997, were audited by other independent accountants whose report dated November 19, 1997, expressed an unqualified opinion on those statements.

We conducted our audits of the financial statements in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Also, except for the provisions of paragraph 6.c. relating to internal control over performance measures, we conducted our audits in accordance with OMB Bulletin No. 98-08. The work required by paragraph 6.c. was performed by the GSA OIG, and the objective of that

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work was to gain an understanding and report deficiencies in the design of internal control over performance measures, rather than to plan the financial statement audit. Generally accepted auditing standards and *Government Auditing Standards* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

We have examined management's assertion included in its representation letter to us dated January 29, 1999, that as of September 30, 1998, it maintained effective internal control over financial reporting for GSA Consolidated and Combined, the FBF, the GSF, and the ITF. Our examination was made in accordance with standards established by the AICPA and *Government Auditing Standards* issued by the Comptroller General of the United States, and, accordingly, included obtaining an understanding of the internal control over financial reporting, testing and evaluating the design and operating effectiveness of the internal control, and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We have examined management's assertion included in its representation letter to us dated January 29, 1999, that except for two identified areas of non-conformance pertaining to OMB Circular No. A-130, GSA's financial management systems substantially complied with all other Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger (SGL) at the transaction level during fiscal year 1998. Our responsibility is to express an opinion on management's assertion about GSA's compliance based on our examination. Our examination was made in accordance with standards established by the AICPA, *Government Auditing Standards* issued by the Comptroller General of the United States, and using implementation guidance included in OMB Bulletin No. 98-08. Accordingly, it included examining, on a test basis, evidence about GSA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion and to meet the requirement of FFMIA that we report on whether GSA's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger (SGL) at the transaction level. Our examination does not provide a legal determination on GSA's compliance with specified requirements.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of GSA's compliance with certain provisions of applicable laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

* * * * *

This report is intended solely for the information and use of the management and the Inspector General of GSA, the OMB and the Congress; and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

Arlington, Virginia
January 29, 1999

General Services Administration
Office of Inspector General
Washington, DC 20405

February 25, 1999

MEMORANDUM FOR DAVID J. BARRAM
ADMINISTRATOR (A)

THOMAS R. BLOOM
CHIEF FINANCIAL OFFICER (B)

FROM: WILLIAM R. BARTON *William R. Barton*
INSPECTOR GENERAL (J)

SUBJECT: **Report on Internal Controls Over Performance Measures**

This report presents our conclusions regarding the design and operation of the internal controls over performance measures reported in the Overview of GSA's Fiscal Year 1998 Annual Report. This report also describes our auditor responsibilities for conducting the performance measure review.

Results of Audit

We identified a reportable condition in the design and operation of the internal controls related to performance measures that, in our judgement, could adversely affect GSA's ability to collect, process, record, and summarize performance information and report performance measures in accordance with management's criteria. Specifically, GSA has not adequately defined and documented its system of internal controls to ensure that appropriate levels of management understand and are performing the necessary reviews of performance data to enable them to make an assertion of completeness and existence of the data and systems supporting the measures. We found that there is no clear understanding of who is responsible for verifying performance data at the individual Service level and for GSA overall. GSA has generally relied upon its financial statement audit and its internal General Performance Reviews to identify data problems with performance measures. While these practices may provide some assurance, they are not specifically intended to address the integrity of performance measures and, as such, are no substitute for effective front-end procedures and controls directly targeting management's responsibility for performance data reliability. Accordingly, we recommend that the Chief Financial Officer establish a process that will identify and define managers' responsibility, as well as accountability at the Service level and for GSA as a whole for the performance measures, and require managers to formally assert that the data supporting performance measures exist and are complete.

Under guidance established by the Office of Management and Budget (OMB), reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgement, could adversely affect GSA's ability to record, process, summarize, and report performance information. A material weakness is a reportable condition in which the design or operation of the internal controls does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We do not consider the reportable condition described above to be a material weakness.

PricewaterhouseCoopers LLP (PwC), GSA's independent public auditor, will be issuing a management letter at the conclusion of its audit of GSA's financial statements. The Office of Inspector General (OIG) will fully describe this reportable condition and will include specific recommendations for GSA management in the management letter report.

Scope and Methodology

The Office of Management and Budget (OMB) Bulletin No. 98-08 sets forth the audit requirements for Federal financial statements. These requirements include the annual preparation and audit of organization-wide financial statements. Under a contract monitored by the OIG, PwC performed the audit of GSA's Fiscal Year 1998 financial statements. However, the OIG conducted the portion of the audit related to internal controls over performance measures. Accordingly, with respect to performance measures reported in GSA's Fiscal Year 1998 Annual Report Overview, we obtained an understanding of the design of the significant internal controls relating to the existence and completeness assertions, and determined whether they have been placed in operation, as required by OMB Bulletin No. 98-08. Our procedures, however, were not designed to provide assurance on internal controls over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

We conducted our audit in accordance with Government Auditing Standards and the provisions in OMB Bulletin No. 98-08.

U.S. General Services Administration

CONSOLIDATING STATEMENTS OF NET COST

For the Fiscal Year Ended September 30, 1998 (Dollars in Millions)

Federal Buildings Fund:	
Revenues:	
Building Operations - Government Owned	$ 2,807
Building Operations - Leased	2,903
Expenses:	
Building Operations - Government Owned	2,429
Building Operations - Leased	3,033
Deferred Maintenance (Note 9)	-
Net Income From (Cost of) Operations	248
General Supply Fund:	
Revenues:	
Supply Operations	1,373
Vehicle Acquisition and Leasing	1,326
Other Programs	17
Expenses:	
Supply Operations	1,351
Vehicle Acquisition and Leasing	1,213
Other Programs	19
Net Income From (Cost of) Operations	133
Information Technology Fund:	
Revenues:	
Network Services	1,012
IT Solutions	2,403
Expenses:	
Network Services	1,070
IT Solutions	2,398
Net Income From (Cost of) Operations	(53)
Other Funds:	
Revenues:	
Working Capital Fund	212
GSA Operating Expense Fund	3
Other Funds	61
Expenses:	
Working Capital Fund	207
GSA Operating Expense Fund	110
Other Funds	249
Net Income From (Cost of) Operations	(290)
Intra-GSA Eliminations:	
Revenues	422
Expenses	422
GSA Consolidated:	
Revenues	11,695
Expenses	11,657
Net Income From (Cost of) Operations	$ 38

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

CONSOLIDATING BALANCE SHEETS

As of September 30, 1998 and 1997 (Dollars in Millions)

	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
ASSETS	1998	1997	1998	1997	1998	1997	1998	(Unaudited) 1997	1998	1997	1998	1997
Entity Assets:												
Intragovernmental Assets:												
Funds with U.S. Treasury (Note 1-D)	$ 2,766	$ 3,573	$ 312	$ 317	$ 79	$ 98	$ 253	$ 234	$ -	$ -	$ 3,410	$ 4,222
Accounts Receivable - Federal, Net (Note 7)	468	297	306	270	1,003	777	862	758	877	768	1,762	1,334
Prepaid Expenses and Advances - Federal	-	-	-	2	-	-	-	-	-	-	-	2
Total Intragovernmental	3,234	3,870	618	589	1,082	875	1,115	992	877	768	5,172	5,558
Inventories (Note 1-E)	4	5	192	201	1	1	-	-	-	-	197	207
Accounts Receivable - Public, Net (Note 7)	7	9	10	6	-	-	11	15	-	-	28	30
Prepaid Expenses and Advances - Public	-	-	22	10	2	2	-	-	-	-	24	12
Other Assets	1	1	-	-	-	-	2	2	-	-	3	3
Property and Equipment (Notes 1-F,2,8):												
Buildings	15,306	13,280	-	-	-	-	-	-	-	-	15,306	13,280
Leasehold Improvements	230	190	6	6	-	-	-	-	-	-	236	196
Telecommunications and ADP Equipment	-	-	-	-	292	287	-	-	-	-	292	287
Motor Vehicles	-	-	2,573	2,442	-	-	-	-	-	-	2,573	2,442
Other Equipment	56	51	62	60	39	39	10	11	-	-	167	161
Less: Accumulated Depreciation and Amortization	(6,172)	(5,487)	(771)	(734)	(202)	(185)	(3)	(4)	-	-	(7,148)	(6,410)
Subtotal	9,420	8,034	1,870	1,774	129	141	7	7	-	-	11,426	9,956
Land	1,056	995	-	-	-	-	20	20	-	-	1,076	1,015
Construction in Process	2,017	2,249	-	-	1	1	-	-	-	-	2,018	2,250
Total Property and Equipment	12,493	11,278	1,870	1,774	130	142	27	27	-	-	14,520	13,221
Total Entity Assets	15,739	15,163	2,712	2,580	1,215	1,020	1,155	1,036	877	768	19,944	19,031
Non-Entity Assets											-	-
Funds with U.S. Treasury (Note 1-D)	-	-	-	-	-	-	132	72	-	-	132	72
Other Non-Entity Assets (Note 7)	-	-	-	-	-	-	4	2	-	-	4	2
Non-Entity Assets	-	-	-	-	-	-	136	74	-	-	136	74
Total Assets	$ 15,739	$15,163	$ 2,712	$ 2,580	$ 1,215	$ 1,020	$ 1,291	$ 1,110	$ 877	$ 768	$ 20,080	$19,105

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

CONSOLIDATING BALANCE SHEETS (CONTINUED)

As of September 30, 1998 and 1997 (Dollars in Millions)

	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
LIABILITIES AND NET POSITION	1998	1997	1998	1997	1998	1997	1998	(Unaudited) 1997	1998	1997	1998	1997
Liabilities Covered by Budgetary Resources:												
Intragovernmental:												
Accounts Payable and Accrued Expenses - Federal	$ 94	$ 83	$ 25	$ 17	$ 105	$ 26	$ 106	$ 68	$ 50	$ 54	$ 280	$ 140
Deferred Revenue and Advances - Federal	54	100	1	3	119	89	1	1	-	-	175	193
Intragovernmental Debt (Note 3)	1,792	1,832	-	-	-	-	713	868	-	-	2,505	2,700
Total Intragovernmental	1,940	2,015	26	20	224	115	820	937	50	54	2,960	3,033
Accounts Payable and Accrued Expenses - Public	681	684	149	184	589	503	27	47	-	-	1,446	1,418
Deferred Revenue and Advances - Public	12	2	1	1	-	-	-	-	-	-	13	3
Total Liabilities Covered by Budgetary Resources	2,633	2,701	176	205	813	618	847	984	50	54	4,419	4,454
Liabilities Not Covered by Budgetary Resources:												
Intragovernmental - Unfunded												
Unfunded Intragovernmental Debt (Note 3)	87	97	-	-	-	-	71	76	-	-	158	173
Workers' Compensation Actuarial Liability (Note 1-J)	107	122	27	31	10	11	15	20	-	-	159	184
Other Unfunded Intragovernmental Liabilities (Note 10)	854	738	6	6	2	2	60	20	827	714	95	52
Total Intragovernmental - Unfunded	1,048	957	33	37	12	13	146	116	827	714	412	409
Environmental and Disposals (Notes 6-B, 8-B)	64	-	-	-	-	-	211	122	-	-	275	122
Obligations Under Capital Leases (Note 2)	284	29	-	-	1	10	-	-	-	-	285	39
Annual Leave Liability (Note 1-H)	32	31	13	13	8	8	14	13	-	-	67	65
Deposit Fund Liability	-	-	-	-	-	-	53	57	-	-	53	57
Earnings Payable to U.S. Treasury	-	-	-	-	-	-	44	15	-	-	44	15
Other Liabilities (Note 10)	100	93	5	5	55	-	7	8	-	-	167	106
Total Liabilities Not Covered by Budgetary Resources	1,528	1,110	51	55	76	31	475	331	827	714	1,303	813
Total Liabilities	4,161	3,811	227	260	889	649	1,322	1,315	877	768	5,722	5,267
Net Position (Note 5):												
Cumulative Results of Operations	11,578	11,352	2,485	2,320	326	371	(98)	(270)	-	-	14,291	13,773
Unexpended Appropriations	-	-	-	-	-	-	67	65	-	-	67	65
Total Net Position	11,578	11,352	2,485	2,320	326	371	(31)	(205)	-	-	14,358	13,838
Total Liabilities and Net Position	$ 15,739	$15,163	$ 2,712	$ 2,580	$ 1,215	$1,020	$1,291	$ 1,110	$ 877	$ 768	$20,080	$19,105

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, 1998 and 1997 (Dollars in Millions)

	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		GSA Consolidated Totals	
	1998	(Unaudited) 1997	1998	(Unaudited) 1997	1998	(Unaudited) 1997	1998	(Unaudited) 1997	1998	(Unaudited) 1997
Beginning Balance of Net Position	$ 11,352	$ 10,772	$ 2,320	$ 2,177	$ 371	$ 393	$ (205)	$ (21)	$ 13,838	$ 13,321
Results of Operations:										
Net Income From (Cost of) Operations	248	176	133	119	(53)	(28)	(290)	(209)	38	58
Appropriations Used (Note 1-C)	-	392	-	-	-	-	412	166	412	558
Non-Exchange Revenue (Notes 1-C, 1-G)	-	-	-	-	-	-	85	13	85	13
Imputed Financing Provided By Others	45	32	20	15	9	7	39	14	113	68
Transfer of Earnings Paid and Payable to U.S. Treasury	-	-	-	-	-	-	(27)	6	(27)	6
Receipts Appropriated to Finance Special Funds Activities	-	-	-	-	-	-	(17)	(17)	(17)	(17)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	(4)	(19)	11	9	(1)	-	4	-	10	(10)
Receipts Paid and Reclassified as Payable From (To) the Land and Water Conservation Fund	-	-	-	-	-	-	(35)	(38)	(35)	(38)
Other	1	(1)	1	-	-	(1)	1	(1)	3	(3)
Net Results of Operations	290	580	165	143	(45)	(22)	172	(66)	582	635
Prior Period Adjustment (Note 8-B)	(64)	-	-	-	-	-	-	(121)	(64)	(121)
Net Change in Cumulative Results	226	580	165	143	(45)	(22)	172	(187)	518	514
Increase in Unexpended Appropriations	-	-	-	-	-	-	2	3	2	3
Net Position Ending Balance	$ 11,578	$ 11,352	$ 2,485	$ 2,320	$ 326	$ 371	$ (31)	$ (205)	$ 14,358	$ 13,838

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

COMBINING STATEMENTS OF BUDGETARY RESOURCES

For the Fiscal Years Ended September 30, 1998 and 1997 (Dollars in Millions)

	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		GSA Combined Totals	
	1998	(Unaudited) 1997	1998	(Unaudited) 1997	1998	(Unaudited) 1997	1998	(Unaudited) 1997	1998	(Unaudited) 1997
Budgetary Resources:										
Budget Authority	$ -	$ 401	$ -	$ -	$ -	$ -	$ 419	$ 180	$ 419	$ 581
Unobligated Balance, Net - Beginning Balance	1,690	1,939	367	381	999	526	98	87	3,154	2,933
Spending Authority From Offsetting Collections	6,104	6,477	3,275	3,209	3,809	3,483	219	205	13,407	13,374
Adjustments	188	65	11	8	119	71	(81)	3	237	147
Total Budgetary Resources	7,982	8,882	3,653	3,598	4,927	4,080	655	475	17,217	17,035
Status of Budgetary Resources:										
Obligations Incurred	5,919	6,194	3,265	3,231	4,075	3,081	568	384	13,827	12,890
Unobligated Balance - Available	2,044	1,587	388	367	852	999	54	57	3,338	3,010
Unobligated Balance - Not Available	19	1,101	-	-	-	-	33	34	52	1,135
Total Budgetary Resources	7,982	8,882	3,653	3,598	4,927	4,080	655	475	17,217	17,035
Outlays:										
Obligations Incurred	5,919	6,194	3,265	3,231	4,075	3,081	568	384	13,827	12,890
Less: Spending Authority from Offsetting Collections and Adjustments	(6,390)	(6,625)	(3,286)	(3,217)	(3,929)	(3,554)	(231)	(219)	(13,836)	(13,615)
Obligated Balance, Net - Beginning Balance	1,435	2,550	(50)	(68)	(900)	(383)	177	338	662	2,437
Less: Obligated Balance, Net - Ending Balance	(196)	(1,435)	76	50	773	900	(102)	(177)	551	(662)
Total Outlays	$ 768	$ 684	$ 5	$ (4)	$ 19	$ 44	$ 412	$ 326	$ 1,204	$ 1,050

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

COMBINING STATEMENTS OF FINANCING

For the Fiscal Year Ended September 30, 1998 (Dollars in Millions)

	Federal Buildings Fund	General Supply Fund	Information Technology Fund	Other Funds	GSA Combined Totals
	1998	1998	1998	1998	1998
Obligations and Nonbudgetary Resources:					
Obligations Incurred	$ 5,919	$ 3,265	$ 4,075	$ 568	$ 13,827
Less: Spending Authority From Offsetting Collections and Adjustments	(6,390)	(3,286)	(3,929)	(231)	(13,836)
Financing Imputed for Cost Subsidies	45	20	9	39	113
Other	-	4	2	1	7
Total Adjusted Obligations and Nonbudgetary Resources	(426)	3	157	377	111
Resources That Do Not Fund Net Cost of Operations:					
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	552	(46)	(465)	76	117
Increase/(Decrease) in Unfilled Customer Orders	394	9	365	(1)	767
Costs Capitalized on the Balance Sheet	(1,516)	(535)	(17)	(2)	(2,070)
Financing Sources Funding Prior Year Costs	73	-	(7)	(158)	(92)
Other	2	(24)	-	(94)	(116)
Total Resources That Do Not Fund Net Cost of Operations	(495)	(596)	(124)	(179)	(1,394)
Costs Not Requiring Current Resources:					
Depreciation and Amortization	709	232	22	2	965
Net Book Value of Property Sold	-	220	-	-	220
Other	-	7	(2)	2	7
Total Costs Not Requiring Current Resources	709	459	20	4	1,192
Financing Sources Yet to Be Provided:					
Unfunded Capitalized Costs	(45)	-	-	-	(45)
Unfunded Current Expenses	9	1	-	88	98
Total Financing Sources Yet to be Provided	(36)	1	-	88	53
Net (Income From) Cost of Operations	$ (248)	$ (133)	$ 53	$ 290	$ (38)

The accompanying notes are an integral part of these statements.

ORGANIZATION

The U.S. General Services Administration (GSA) was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended (the Act). The U.S. 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 three largest revolving funds: the Federal Buildings Fund (FBF), General Supply Fund (GSF), and Information Technology Fund (ITF). All other funds have been combined under Other Funds.

The accompanying financial statements of GSA include the accounts of all funds under GSA control which have been established and maintained to account for resources of GSA management. The entities included in the Other Funds category are as follows, 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 the U.S. Congress. The revolving funds in the Other Funds category consist of the following:

Consumer Information Center Fund
Land Acquisition and Development Fund
Pennsylvania Avenue Activities Fund
Working Capital Fund

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 12 General Fund accounts of which three are funded by current year appropriations, two by no-year appropriations, and seven cannot incur new obligations. The general funds included in the Other Funds category are as follows:

Allowances and Office Staff for Former Presidents
Excess and Surplus Real and Related Personal Property Holding Account
Expenses, Presidential Transition
Office of Inspector General
Office of Inspector General (Automation Program)
Operating Expenses, Federal Property Resources Service
Operating Expenses, General Services Administration
Operating Expenses, Information Resources Management
Operating Expenses, Personal Property
Real Property Relocation
Salaries and Expenses, General Management and Administration
Salaries and Expenses, Pennsylvania Avenue Development Corporation

Special Funds are accounts established for receipts earmarked 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. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property and for funding of the Transportation Audits Program. GSA's special funds consist of the following:

Expenses, Disposal of Real and Related Personal Property
Expenses, Transportation Audits
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
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 Receipts Fund accounts hold receipts and accounts receivable resulting from miscelleneous 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 automatically transfers all cash balances in these receipt accounts to general funds of the 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:

Budget Clearing Account
Credits for Withholding and Contributions, Civil Service Retirement and Disability Fund
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
Suspense
Suspense, Transportation Audits
Unconditional Gifts of Real, Personal or Other Property
Withheld State and Local Taxes

B. Basis of Accounting

The principal financial statements are prepared in accordance with accounting principles promulgated by the Federal Accounting Standards Advisory Board (FASAB) and the hierarchy prescribed in OMB Bulletin 97-01, "Formats and Instructions for the Form and Content of Agency Financial Statements" as follows:

1. Individual standards agreed to by the Director of OMB, the Controller General, and the Secretary of the Treasury and published by the General Accounting Office.

2. Interpretations related to the SFFASs issued by OMB in accordance with the procedures outlined in OMB Circular A-134, "Financial Accounting Principles and Standards".

3. Requirements contained in OMB's Form and Content Bulletin in effect for the period covered by the financial statements.

4. Accounting principles published by other authoritative standard-setting bodies and other authoritative sources (a) in the absence of other guidance in the first three parts of this hierarchy, and (b) if the use of such accounting principles improves the meaningfulness of the financial statements.

GSA's financial statements are prepared in accordance with formats prescribed in OMB Bulletin 97-01. These formats are considerably different from the business-type formats used in previous years. The Statements of Net Cost present the operating results of GSA by major programs and responsibilities. The Balance Sheets present the financial position of GSA using a format clearly identifying: 1) entity versus non-entity activity; 2) intra-governmental balances; and 3) funded versus unfunded liabilities. The Statements of Changes in Net Position replace a previously used footnote displaying the changes in equity accounts. The Statements of Budgetary Resources present the sources, status, and uses of GSA's budgetary resources. Lastly, the Statements of Financing bridge the gap between the uses of budgetary resources with the operating results reported as the net cost of operations.

Effective October 1, 1997, GSA adopted FASAB Statements of Federal Financial Accounting Standards Number 4, "Managerial Cost Accounting Concepts and Standards," Number 6, "Accounting for Property, Plant, and Equipment," and Number 7, "Accounting for Revenue and Other Financing Sources." Generally, there was no significant impact of these standards on GSA's Balance Sheet. For the Consolidating Statements of Net Cost, the most noteworthy impact of these standards was changes which recognize Appropriations Used and Non-Exchange Revenues as elements of Results of Operations on the Consolidating Statements of Changes in Net Position. Previously, Appropriations Used and Non-Exchange Revenues were recognized as sources of revenue when determining revenues in excess of expenses on the former Consolidating Statements of Operations.

Certain prior year balances have been reclassified to conform with the current year's presentation.

On the Statements of Net Cost, Balance Sheets, Supplemental Statements of Operations and Supplemental Statements of Cash Flows, all significant intra-agency balances and transactions have been eliminated in consolidation. No such eliminations have been made on the Combining Statements of Budgetary Resources and Financing.

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.

C. Revenue Recognition and Appropriations Used

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered. Revenue under nonrecurring reimbursable building repair and alteration projects is recognized under the percentage-of-completion method. Non-Exchange revenues are recognized on an accrual basis on the 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's operations where ultimate collections must be deposited in miscellaneous receipt accounts of the Treasury. Non-Exchange revenues are reported net of associated bad debt expense on uncollectable 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 Balance Sheets.

D. Funds with U.S. Treasury

This total represents all unexpended balances for GSA's accounts with the U.S. Treasury. Amounts in Funds with U.S. Treasury are based on the balances recorded by GSA in the National Electronic Accounting and Reporting (NEAR) system. No significant differences existed between the total balance reported by GSA and those reported by the Department of the Treasury at September 30, 1998 and 1997.

Included in GSA's accounts are certain amounts that may be transferred to either the U.S. Treasury or the Land and Water Conservation Fund (see Note 1-G). These amounts, related to the Transportation Audits program and surplus real property disposals, are subject to transfer subsequent to GSA's determination of the internal working capital needs of these programs. Such amounts totaled $85 million and $78 million at September 30, 1998 and 1997, respectively, of which $51 million and $15 million were recorded as liabilities in the Consolidating Balance Sheets.

At the end of fiscal year 1998 and 1997, respectively, $3 million and $5 million in Funds with Treasury were no longer available for expenditure. Of these amounts, $3 million and $4 million were transferred back to the Special Fund Receipt Accounts from which they were appropriated, and the balance returned to Treasury.

In accordance with Statement of Federal Financial Accounting Standards Number 1, "Accounting for Selected Assets and Liabilities," the following information is provided to further identify amounts in Funds with U.S. Treasury as of September 30, 1998 against which obligations have been made, and, for unobligated balances, to identify amounts budgetarily available for future expenditures and those only available to liquidate prior obligations (dollars in millions).

	Obligated	Unobligated Balance		
	Balance, Net	Available	Unavailable	Total
FBF	$ 196	$ 2,570	$ -	$ 2,766
GSF	(76)	388	-	312
ITF	(773)	852	-	79
Others	83	67	103	253
Total	$ (570)	$ 3,877	$ 103	$ 3,410

E. Inventories

Operating supplies, which are consumed in operations, are valued at the lower of cost, determined principally on the first-in, first-out method, or market. Inventories held for sale to other Federal agencies consist primarily of General Supply Fund inventories which are valued at the lower of cost, generally determined on a moving average basis, or market. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan.

In the Federal Buildings Fund, inventory balances consist of operating supplies. In all other instances, inventory balances reported are inventories held for sale. In the General Supply Fund, $2 million 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 8)

Property and equipment purchases and additions of $5,000 or more and having a useful life of 2 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 are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of repair and alteration and of leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA's financial statements as such amounts are transferred to the other agencies upon completion of the project. Substantially all land, buildings, and leasehold improvements are leased to other Federal agencies under short-term cancellable agreements. Generally, these agencies are billed for leased space at rent based upon commercial rates for comparable space.

Depreciation and amortization of property and equipment, exclusive of that acquired under capital leases, 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 or the unexpired lease term. Buildings capitalized by the Federal Buildings Fund at its inception in 1974 were assigned remaining useful lives of 30 years. Prior to 1974, no depreciation was recorded by GSA. Upon completion, construction costs are capitalized in the Land and Buildings accounts. Major and minor building renovation projects carry estimated useful lives of 20 years, and 10 years, respectively. In fiscal year 1998, GSA recorded capitalized interest costs of $7 million in the Construction in Process account associated with debt provided by the U.S. Treasury's Federal Financing Bank, as discussed in Note 3. Interest capitalized in fiscal year 1997 amounted to $41 million.

Telecommunications equipment and automated data processing 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 other equipment, exclusive of that acquired under capital leases, is depreciated over periods generally ranging from 3 to 10 years. Telecommunications equipment under capital leases are generally depreciated over their estimated useful lives (approximately 10 years). Automated data processing equipment is depreciated over periods generally ranging from 3 to 5 years.

Motor vehicles are generally depreciated over 4 to 6 years.

G. Receipts from Disposal of Property and Equipment

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's legislative authorities, the gross proceeds from some sales are deposited in GSA's Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidating Statements of 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. Transfers in fiscal years 1998 and 1997 were $1 million and $2 million, respectively.

H. Annual, Sick, and Other Types of Leave

Annual leave is accrued as it is earned and the accrual is relieved 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.

I. Supplemental Consolidating Statements of Cash Flows

These statements identify cash receipts and payments and classify them into operating, financing, and investing activities. This additional disclosure of information is intended to help assess the ability to generate funds from current operations, to identify financing acquired from outside sources, and to identify the major non-operating (investing) uses of funds. Cash, for the purposes of these schedules, equals Funds with U.S. Treasury as defined in Note 1-D.

J. Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides income 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. The 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' compensation, and medical and miscellaneous costs for approved compensation cases. The present value of these estimates at the end of fiscal year 1998 was calculated by DOL using a discount rate of 5.6 percent for fiscal year 1999 and thereafter. At the end of fiscal year 1997, the discount rates by fiscal year were as follows: 1998 - 6.24 percent; 1999 - 5.82 percent; 2000 - 5.60 percent; 2001 - 5.45 percent; and 2002 and thereafter - 5.40 percent. The actuarial liability recorded by GSA totaled $159 million and $184 million as of September 30, 1998 and 1997, respectively.

K. Statements of Net Cost

Revenues reported by GSA's funds on the Statements of Net Cost are primarily generated from intra-governmental sales of goods and services. Each fund has established rate setting processes governed by the laws authorizing their activities. In most cases, the rates charged are intended to cover the full cost that the 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 costs covered by other funds or entities of the U.S. Government, such as for postemployment and other inter-entity costs. Revenues from non-Federal entities make up an immaterial portion of GSA's total sales. Accordingly, where not otherwise governed by law, unique rates for non-Federal customers have generally not been established.

L. Statements of Budgetary Resources

Due to timing differences between dates required by the U.S. Treasury for reporting of fund balances and budget execution results versus the timing of this report, additional adjustments to the balances reported to Treasury have been made to more fully reflect the activity for the fiscal year ending and for balances as of September 30, 1998 as reported on the Statements of Budgetary Resources. The most significant impact of this timing difference is that outlays reported on the Statements of Budgetary Resources are greater (less) than amounts reported to Treasury as follows (dollars in millions):

Federal Buildings Fund	$ (2)
General Supply Fund	25
Information Technology Fund	20
Other Funds	3
Total	$ 46

2. LEASING ARRANGEMENTS

A. Rental Income

Under agreements transferred to GSA from the former Pennsylvania Avenue Development Corporation, GSA receives rental income from non-cancellable long-term operating leases. Two of these leases, in the Land Acquisition and Development Fund (LADF) are with developers of PADC properties that also contain contingent rental amounts, based on the developers' actual cash flows. In the Pennsylvania Avenue Activities Fund (PAAF), GSA accounts for a capital lease agreement established between the former PADC and GSA's Federal Buildings Fund (FBF) for the Ronald Reagan Building in Washington, D.C. The investment in this capital lease and the related lease liability in the FBF are eliminated in consolidation (see Note 11).

The future minimum rental revenues under these leasing activities are as follows (dollars in millions): 1999 - $64; 2000 - $64; 2001 - $64; 2002 - $64; 2003 - $64; 2004 and beyond - $1,492.

B. Rental Costs

As of September 30, 1998, GSA was committed to various noncancellable operating leases primarily covering administrative office space and storage facilities maintained by the Federal Buildings Fund (FBF), and for motor vehicles in the General Supply Fund (GSF). Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options.

GSA was also committed to various capital leases covering telecommunications equipment maintained through the Information Technology Fund (ITF). Capital leases covering telecommunications equipment generally transfer ownership to GSA at the end of the lease term. For those capital leases that do not transfer ownership, GSA has the right to renew such leases at the fair rental value.

The following are schedules of future minimum rental payments required under leases that have initial or remaining noncancellable lease 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	FBF	GSF	Total
1999	$ 2,092	$ 37	$ 2,129
2000	1,841	31	1,872
2001	1,635	9	1,644
2002	1,434	-	1,434
2003	1,212	-	1,212
2004 and thereafter	6,530	-	6,530
Total minimum lease payments	$14,744	$ 77	$14,821

Capital Leases

Fiscal Year	FBF	ITF	Total
1999	$ 88	$ 1	$ 89
2000	88	-	88
2001	88	-	88
2002	88	-	88
2003	88	-	88
2004 and thereafter	1,909	-	1,909
Total minimum lease payments	2,349	1	2,350
Less: Amounts representing-			
Interest	(1,279)	-	(1,279)
Executory costs	-	-	-
Total obligations under capital leases	$ 1,070	$ 1	$ 1,071

Of the Federal Buildings Fund obligations under capital leases, $786 million is eliminated in consolidation.

Substantially all leased space maintained by the Federal Buildings Fund is sublet to other Federal agencies at rent charges based upon approximate commercial rates for comparable space. The agreements covering the sublease arrangements allow customer agencies, among other things, to terminate the sublease at any time. In most cases, however, GSA believes the subleases will continue without interruption. Rental income under subleasing agreements approximated $2.7 billion and $2.6 billion for the fiscal years ended September 30, 1998 and 1997, respectively. Rent expense under all operating leases, including short-term noncancellable leases, was approximately $2.5 billion and $2.4 billion in fiscal years 1998 and 1997, respectively.

The Consolidating Balance Sheets as of September 30, 1998, includes capital lease assets of $1,136 million for buildings, and $4 million for telecommunications equipment, and $56 million of aggregate accumulated amortization on such structures and equipment. Construction on the Ronald Reagan Building in Washington, DC and recognition of the Atlanta Federal Center in Atlanta, GA as a capital lease accounted for increases of $90 million and $254 million, respectively, in leased real property in fiscal year 1998.

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.

3. DEBT FINANCING

A. Federal Buildings Fund

Purchase Contract and Lease Purchase Debt

Purchase contract debt consists of two distinct financing methods employed to finance construction of Federal buildings. The Dual System provided monies via publicly issued Participation Certificates and Participation Certificates of the Department of the Treasury's Federal Financing Bank (FFB). The Package System, originally consisted of mortgage notes where construction and financing were arranged by the same party. GSA is not authorized to obtain any additional purchase contract debt without congressional approval.

In fiscal years 1993 through 1995, GSA refinanced all outstanding publicly issued Participation Certificates and Package System mortgage notes with the FFB. GSA now has title to all purchase contract buildings.

Starting in fiscal year 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the Federal Buildings Fund (FBF) lease purchase authority. Under these agreements, the FBF borrows monies through the FFB or executes lease-to-own contracts to finance the lease purchases. The program authorizes total expenditures of $1,945 million for 11 projects. In fiscal years 1998 and 1997, the FFB made advance payments on the behalf of GSA totaling $49 million and $21 million, respectively. As of September 30, 1998, $498 million of borrowing authority under the lease purchase program remains available for obligation.

Interest costs incurred during the construction period are funded in the year repayment is due to the FFB and are reflected as Unfunded Intragovernmental Debt in the Liabilities Not Covered By Budgetary Resources section of the Balance Sheet.

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities are as follows (dollars in millions): 1999 - $170; 2000 - $112; 2001 - $78; 2002 - $78; 2003 - $84; 2004 and beyond - $1,357

B. Pennsylvania Avenue Debt

The Land Acquisition and Development Fund (LADF), transferred to GSA from the Pennsylvania Avenue Development Corporation (PADC) on April 1, 1996, accounted for various borrowings from the Department of the Treasury that financed several of PADC's property development activities from 1978 through 1994. The terms of the loan agreements provided for the accumulation and deferral of interest over the 40-year life of the loans, with no payment required prior to the end of the loan term. At the loan expiration date, all principal and accrued interest was to become due. Periodically, PADC made payments to pay off portions of the accrued interest. As resources from the former PADC's property development activities were not expected to be sufficient to retire these loans and the associated accrued interest, GSA sought and received legislation to provide additional resources to extinguish these balances. Included in the Treasury and General Government Appropriation Act, 1998 (Public Law 105-61) enacted October 10, 1997, GSA was provided appropriations to retire the entire amount of this debt and associated accumulated and deferred interest. On March 31, 1998, the original principal and accumulated interest balances totaling $85 million and $172 million, respectively, were retired.

The former PADC also had authority to borrow from the FFB to finance construction of the Ronald Reagan Building in Washington, D.C., with a project budget of $738 million. Balances financed for this project have been accounted for in GSA's Pennsylvania Avenue Activities Fund (PAAF). In 1990, PADC entered into a long-term lease agreement with the FFB and GSA, whereby GSA leases and would ultimately receive title to the building. The agreement required GSA to make rental payments over a 30-year period to retire the PADC debt with the FFB (see note 2). In fiscal year 1998 and 1997, the FFB made $93 million and $150 million, respectively, in advance payments on the behalf of GSA for this project (see Note 11).

Aggregate maturities on FFB advances made are as follows (dollars in millions): 1999 - $10; 2000 - $10; 2001 - $11; 2002 - $12; 2003 - $12; 2004 and beyond - $728.

C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements at September 30, 1998 and 1997 were as follows (dollars in millions):

	1998	1997
FBF:		
Purchase Contract Debt:		
Dual System:		
Participation certificates held by the Federal Financing Bank, due at various dates from March 2, 1998 through November 15, 2004, at interest rates ranging from 4.703 percent to 9.162 percent	**$ 340**	$ 418
Package System:		
Mortgage loans held by the FFB due at various dates from March 25, 2003 through March 25, 2005, at interest rates ranging from 6.399 percent to 7.939 percent	**31**	36
Lease Purchase Debt:		
Mortgage loans and construction advances held by the FFB, due at various dates from April 1, 1999 through September 2, 2025, at interest rates ranging from 5.833 percent to 8.561 percent	**1,508**	1 ,475
Total FBF Purchase Contract and Lease Purchase Debt	**$ 1,879**	$ 1,929
LADF:		
Mortgage loans held by the Department of the Treasury, due at various dates from November 1, 2018 through September 30, 2033, at interest rates ranging from 5.500 percent to 14.528 percent	**$ -**	$ 243
PAAF:		
Ronald Reagan Building, mortgage loans due September 2, 2025, at interest rates ranging from 6.032 percent to 7.185 percent	**784**	701
Total LADF and PAAF Debt	**$ 784**	$ 944

4. EMPLOYEE BENEFIT PLANS

A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System and the Federal Employees Retirement System and makes the necessary payroll withholdings from them, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the Office of Personnel Management (OPM). Reporting of health care benefits for retired employees are also the direct responsibility of OPM.

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) Number 5, "Accounting for Liabilities of the Federal Government," GSA recognizes the normal cost of pension programs and the normal cost of other postemployment health and life insurance benefits, as defined in that standard, on the Consolidating Statements of Net Cost. While these costs will ultimately be funded out of direct appropriations made to OPM and do not require funding by GSA activities, they are an element of government-wide costs incurred as a result of GSA's operations.

B. Civil Service Retirement System

Certain GSA employees were covered by the Civil Service Retirement System (CSRS), a defined benefit plan, during 1998 (47.2) percent of employees). Total GSA (employer) contributions (9.01 percent of base pay for law enforcement employees, and 8.51 percent for all others) to CSRS for all employees in fiscal years 1998 and 1997 were $31 million and $27 million, respectively.

C. Federal Employees Retirement System

On January 1, 1987, the Federal Employees Retirement System (FERS), a defined contribution plan, 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 prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 1998, 52.3 percent of GSA's 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. Under CSRS, employees can invest up to 5 percent of their base pay in the TSP. Employees under FERS can invest up to 10 percent of base pay, plus GSA will automatically contribute 1 percent of base pay and then match employee contributions up to an additional 4 percent of base pay. During both fiscal years 1998 and 1997, total GSA (employer) contributions (23.3 percent of base pay for law enforcement employees, and 10.7 percent for all others) to FERS totaled $34 million. Additional GSA contributions to the TSP in both fiscal years 1998 and 1997 totaled $13 million.

D. Social Security System

GSA also makes matching contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, GSA contributed matching amounts of 6.20 percent of gross pay (up to $68,400) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 1998. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to SSA's Medicare Hospital Insurance program in calendar year 1998. Only 0.5 percent of GSA's employees are covered exclusively by these Social Security programs. Payments to these programs in fiscal years 1998 and 1997 amounted to $33 million and $32 million, respectively.

E. Schedule of Unfunded Benefit Costs

Amounts recorded in fiscal year 1998 in accordance with SFFAS Number 5 for postemployment benefits are as follows (dollars in millions.)

	Pension Benefits	Health/Life Insurance	Total
FBF	$ 13	$ 15	$ 28
GSF	6	6	12
ITF	3	2	5
Other Funds	7	5	12
Total	$ 29	$ 28	$ 57

5. 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 formerly presented as invested capital. Invested capital represented U.S. Government resources invested in 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). Increases to invested capital were recorded only when assets were acquired with direct appropriations or with monies transferred to GSA for that purpose, when existing properties were transferred to or out of GSA without reimbursement, or when appropriated capital was received to supplement a fund's capital position. Under FASAB and OMB reporting guidance, changes in invested capital are now reflected on the Statement of Changes in Net Position as elements of Net Results of Operations. As a result, balances previously reported as Invested Capital have been combined with Cumulative Results of Operations.

GSA's Federal Buildings Fund (FBF), General Supply Fund (GSF), Information Technology Fund (ITF), Working Capital Fund (WCF), and Consumer Information Center Fund (CICF) 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 GSF, earnings are retained to cover the cost of replacing the motor vehicle fleet and supply inventory. The ITF retains cumulative results to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains earnings to finance future operations. The CICF retains cumulative results to finance future operations, subject to appropriation by Congress.

B. Unexpended Appropriations

Unexpended Appropriations of GSA's general appropriated and special funds consist of unobligated balances, and undelivered orders, net of unfilled customer orders. 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, 1998 balances reported as unexpended appropriations were as follows (dollars in millions):

Unobligated Balances:	
Available	$ 24
Unavailable	11
Undelivered Orders, Net	32
Total	$ 67

6. COMMITMENTS AND CONTINGENCIES

A. Commitments

In addition to future lease commitments discussed in Note 2, GSA is committed under obligations for goods and services which have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities amounted to $3.7 billion in fiscal years 1998 and 1997.

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.

Contingencies Covered by GSA Funds

As of September 30, 1998 and 1997, GSA recorded contingent liabilities in total of $143 million and $101 million, respectively, for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, GSA funds will probably incur losses. Of these balances, $141 million and $94 million, respectively, were reported as Other Liabilities on the Consolidating Balance Sheets, with the remainder reported as Accounts Payable - Public, therein.

In addition, GSA had another $63 million and $126 million in contingencies at September 30, 1998 and 1997, respectively, 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.

In most 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.

Contingencies Covered by the Judgment Fund

In most cases, tort and environmental claims are administered and resolved by the U.S. Department of Justice and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the Department of the Treasury. In accordance with the FASAB's Interpretation Number 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 $224 million, and $127 million in fiscal years 1998 and 1997, respectively, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Of those amounts, $211 million and $122 million, result from several environmental cases outstanding at the end of fiscal years 1998 and 1997, respectively, where GSA has been named as a potentially responsible party.

Additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible but not probable ranged from $177 million to $3.6 billion at September 30, 1998 and ranged from $158 million to $2.7 billion at September 30, 1997. GSA has also been named as a potentially responsible party in two environmental cases that are in very early stages of litigation. As crucial facts needed to estimate liability for these cases are not yet known, estimates of possible losses cannot be made at this time.

The recognition of claims to be funded through the Judgment Fund on GSA's 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 $51 million and $16 million in fiscal years 1998 and 1997, respectively. Of these amounts $25 million and $13 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 contacts in dispute. The balance of claims paid on the behalf of GSA do not require reimbursement to the Judgment Fund.

7. ACCOUNTS AND NOTES RECEIVABLE

Substantially all accounts receivable are from other Federal agencies. 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 writeoffs. Other Funds includes $2 million of accounts receivable reported as Other Non-Entity Assets on the Balance Sheet.

Notes receivable are from the sale of surplus real and related personal property, from motor vehicle damage claims, and from contract claims. Interest rates range from 0.0 percent to 10.375 percent.

A summary of Accounts and Notes Receivable is as follows (dollars in millions).

	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
	1998	1997	**1998**	1997	**1998**	1997	**1998**	1997	**1998**	1997	**1998**	1997
Current:												
Accounts receivable - Billed	**$309**	$ 209	**$145**	$113	**$ 328**	$ 243	**$ 16**	$ 17	**$ 3**	$ -	**$ 795**	$ 582
Accounts receivable - Unbilled	**186**	108	**179**	171	**675**	534	**859**	754	**874**	768	**1,025**	799
Allowance for doubtful accounts	**(20)**	(12)	**(8)**	(8)	**-**	-	**(4)**	(4)	**-**	-	**(32)**	(24)
	475	305	**316**	276	**1,003**	777	**871**	767	**877**	768	**1,788**	1,357
Add: Notes receivable - Current	**-**	1	**-**	-	**-**	-	**3**	-	**-**	-	**3**	1
Subtotal Receivables - Current	**475**	306	**316**	276	**1,003**	777	**874**	767	**877**	768	**1,791**	1,358
Add: Notes Receivable - Noncurrent (Net of allowance of $58 and 51 in 1998 and 1997, repsectively)-	**-**	-	**-**	-	**-**	-	**1**	6	**-**	-	**1**	6
Total Accounts and Notes Receivable	**$475**	$ 306	**$316**	$276	**$1,003**	$ 777	**$875**	$773	**$ 877**	$ 768	**$1,792**	$1,364

8. PROPERTY AND EQUIPMENT

A. Summary of Balances

Balances in GSA's Property and Equipment accounts are summarized below (dollars in millions).

	Buildings	Leasehold Improvements	Telecom & ADP Equipment	Motor Vehicles	Other Equipment	Land	Construction In Process	Total
Federal Buildings Fund:								
Cost	$ 15,306	$ 230	$ -	$ -	$ 56	$ 1,056	$ 2,017	$ 18,665
Accumulated Depreciation	5,975	168	-	-	29	-	-	6,172
Net Book Value	9,331	62	-	-	27	1,056	2,017	12,493
General Supply Fund:								
Cost	-	6	-	2,573	62	-	-	2,641
Accumulated Depreciation	-	2	-	741	28	-	-	771
Net Book Value	-	4	-	1,832	34	-	-	1,870
Information Technology Fund:								
Cost	-	-	292	-	39	-	1	332
Accumulated Depreciation	-	-	180	-	22	-	-	202
Net Book Value	-	-	112	-	17	-	1	130
Other Funds:								
Cost	-	-	-	-	10	20	-	30
Accumulated Depreciation	-	-	-	-	3	-	-	3
Net Book Value	-	-	-	-	7	20	-	27
Total:								
Cost	15,306	236	292	2,573	167	1,076	2,018	21,668
Accumulated Depreciation	5,975	170	180	741	82	-	-	7,148
Net Book Value	$ 9,331	$ 66	$ 112	$ 1,832	$ 85	$ 1,076	$ 2,018	$ 14,520

B. Cleanup Costs

In GSA's Federal Buildings Fund, 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 of 1980, the Clean Air Act, and the Resource Conservation and Recovery Act.

In accordance with the Federal Accounting Standards Advisory Board's Statements of Federal Financial Accounting Standards (SFFAS) Numbers 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 Number 2" issued by the 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 $64 million for Environmental and Disposals costs as of September 30, 1998, for properties currently in GSA's property inventory. Since the environmental hazards arose in previous years, those costs are reflected as Prior Period Adjustments on the Statements of Changes in Net Position in accordance with SFFAS 6. 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. 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 6.

One of the most significant environmental hazards on GSA property is asbestos in buildings. By law, asbestos must be either removed if certain conditions exist, or contained and managed where permissible. Generally, GSA has contained and is managing asbestos in place. As part of GSA's long-term buildings modernization plans, asbestos will be removed when a building undergoes renovation. Without factoring in the potential effects of inflation, current GSA estimates indicate the long-term cost to remove all asbestos from GSA owned buildings to be approximately $562 million. Such costs will be capitalized as capital improvements when incurred.

9. DEFERRED MAINTENANCE (UNAUDITED)

As of the end of fiscal year 1998, GSA had no material amounts of deferred maintenance cost to report. GSA administers the Building Maintenance Management Program that, on an ongoing basis, maintains the Building Class inventory in acceptable condition, as defined by GSA management. GSA utilizes a condition assessment survey methodology, applied at the overall portfolio level, for determining reportable levels of deferred maintenance. Under this methodology, GSA defines "acceptable condition" and "acceptable level of service" in terms of certain National Performance Measures, formulated under the provisions of the Government Performance and Results Act (GPRA) of 1993.

GSA expenses normal repair and maintenance costs as incurred. Although GSA has no substantive backlog of deferred maintenance tasks, the average building in the GSA inventory is 45 years old, and only 25 percent of these buildings have had extensive modernization. This has led to a large backlog of capital Repair and Alteration (R&A) projects. At the end of FY 1998, the total work item inventory of below prospectus ($1.89 million) R&A projects was in excess of $1 billion; over 20 percent of this inventory dates from prior to fiscal year 1996. For fiscal year 1999, GSA has obtained new obligational authority of $344 million for the below prospectus work item inventory.

For fiscal year 1999, GSA has obtained new obligational authority of approximately $324 million for the prospectus level program.

10. OTHER LIABILITIES

As of September 30, 1998, amounts reported on the balance sheet as Other Unfunded Intragovernmental Liabilities and Other Liabilities consisted of the following (dollars in millions):

	FBF	GSF	ITF	Others	Less: GSA Eliminations	Total GSA Consolidated
Other Unfunded Intragovernmental:						
Capital Lease Obligations	$786	$ -	$ -	$ -	$ 786	$ -
Workers' Compensation Due to DOL	24	6	2	4	-	36
Deposits Held in Suspense	- -	-	-	56	41	15
Payments Due to the Judgment Fund	44	-	-	-	-	44
Total	$854	$ 6	$ 2	$ 60	$ 827	$ 95
Other Liabilities:						
Contingencies	$ 93	$ 5	$ 55	$ 1	$ -	$ 154
Installment Purchase Liabilities	7	-	-	-	-	7
Pensions for Former Presidents	-	-	-	6	-	6
Total	$100	$ 5	$ 55	$ 7	$ -	$ 167

11. SUBSEQUENT EVENTS

In the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (Public Law 105-277 dated October 21, 1998), GSA was authorized to merge the assets, liabilities and fund balances of the Pennsylvania Avenue Activities Fund (PAAF) into the Federal Buildings Fund (FBF). The most significant impact of this action will be to close out the capital lease agreement between the two funds for the Ronald Reagan Building (see Notes 2 and 3). Through fiscal year 1998, this lease has been carried as an investment in capital lease receivable on the books of the PAAF, and as a capitalized leased asset with associated lease liability on the books of the FBF. The investment and the lease liability have been elements of GSA's consolidating eliminations.

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF OPERATIONS

For the Fiscal Years Ended September 30, 1998 and 1997 (Dollars in Millions)

	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals			
											1998		1997	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	Amount	Percent of Revenues	Amount	Percent of Revenues
Operating Revenues (Note 1):														
Building Rents and Services	$ 5,708	$ 5,396	$ -	$ -	$ -	$ -	$ -	$ -	$ 79	$ 81	$ 5,629	48.1 %	$ 5,315	50.7 %
Sales of Supplies	-	-	1,734	1,888	-	-	-	-	34	16	1,700	14.5	1,872	17.9
Information Technology Services	-	-	-	-	3,415	2,468	-	-	53	85	3,362	28.8	2,383	22.7
Motor Vehicle Services	-	-	864	787	-	-	-	-	7	6	857	7.3	781	7.4
Reimbursements	-	-		-	-	-	200	168	192	158	8	0.1	10	0.1
Other	2	2	118	93	-	-	76	85	57	51	139	1.2	129	1.2
Total Operating Revenues	5,710	5,398	2,716	2,768	3,415	2,468	276	253	422	397	11,695	100.0	10,490	100.0
Expenses (Note 1):														
Cost of Supply Sales	-	-	1,470	1,620	-	-	-	-	34	16	1,436	12.3	1,604	15.3
Personnel Salaries and Benefits	411	433	187	193	100	109	186	208	-	-	884	7.6	943	9.0
Rent	2,495	2,421	45	44	10	12	24	25	79	81	2,495	21.3	2,421	23.1
Information Technology	-	-	-	-	3,324	2,333	-	-	53	85	3,271	28.0	2,248	21.4
Motor Vehicles	-	-	362	274	-	-	-	-	7	6	355	3.0	268	2.5
Contracted Services	1,315	1,247	89	87	-	-	148	133	192	158	1,360	11.6	1,309	12.5
Depreciation and Amortization	709	611	232	212	22	25	2	1	-	-	965	8.3	849	8.1
Utilities	249	249	-	-	-	-	-	-	-	-	249	2.1	249	2.4
Operating Supplies	69	70	110	122	5	8	4	5	-	-	188	1.6	205	1.9
Interest	202	144	-	-	-	1	65	64	51	39	216	1.9	170	1.6
Travel and Transportation	11	17	5	5	4	4	7	6	-	-	27	0.2	32	0.3
Shipping Expenses	-	-	51	59	-	-	-	-	-	-	51	0.4	59	0.6
Workers' Compensation Actuarial Expense (Note 1-J)	(15)	23	(4)	6	(1)	2	(2)	4	-	-	(22)	(0.2)	35	0.3
Other Expenses	16	7	36	27	4	2	132	16	6	12	182	1.6	40	0.4
Total Operating Expenses	5,462	5,222	2,583	2,649	3,468	2,496	566	462	422	397	11,657	99.7	10,432	99.4
Net Income From (Cost of) Operations	248	176	133	119	(53)	(28)	(290)	(209)	-	-	38	0.3	58	0.6
Other Results of Operations:														
Appropriations Used (Note 1-C)	-	392	-	-	-	-	412	166	-	-	412	3.5	558	5.3
Non-Exchange Revenue (Note 1-C, 1-G)	-	-	-	-	-	-	85	13	-	-	85	0.8	13	0.1
Imputed Financing Provided By Others	45	32	20	15	9	7	39	14	-	-	113	1.0	68	0.7
Transfers of Assets and Liabilities, Net	(4)	(19)	11	9	(1)	-	4	-	-	-	10	0.1	(10)	(0.1)
Transfers and Reclassifications of Earnings	-	-	-	-	-	-	(79)	(49)	-	-	(79)	(0.7)	(49)	(0.5)
Other	1	(1)	1	-	-	(1)	1	(1)	-	-	3	0.0	(3)	(0.0)
Net Results of Operations	$ 290	$ 580	$ 165	$ 143	$ (45)	$ (22)	$ 172	$ (66)	$ -	$ -	$ 582	5.0 %	$ 635	6.1 %

U.S. General Services Administration

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended September 30, 1998 and 1997 (Dollars in Millions)

	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Cash Flows from Operating Activities:												
Net Income From (Cost of) Operations	$ 248	$ 176	$ 133	$ 119	$ (53)	$ (28)	$ (290)	$(209)	$ -	$ -	$ 38	$ 58
Adjustments to Net Income From (Cost of) Operations -												
Depreciation and Amortization	709	611	232	212	22	25	2	1	-	-	965	849
Non-Exchange Revenues	-	-	-	-	-	-	85	13	-	-	85	13
Other Adjustments and Write-offs	8	13	-	-	-	-	-	3	-	-	8	16
(Gain) Loss on Disposal of Equipment	-	-	5	(10)	-	-	-	-	-	-	5	(10)
Changes in Current Assets and Liabilities -												
(Increase)/Decrease												
Accounts Receivable, Net	(169)	(81)	(40)	(36)	(226)	(206)	(28)	(24)	(109)	(31)	(354)	(316)
Inventories	1	2	8	2	-	-	-	1	-	-	9	5
Prepaid Expenses and Advances to Others	-	(1)	(10)	1	-	1	-	3	-	-	(10)	4
Increase/(Decrease)												
Accounts Payable and Accrued Expenses	8	52	(27)	13	165	150	(8)	(10)	(4)	34	142	171
Deposit Fund Liability	-	-	-	-	-	-	(4)	9	-	-	(4)	9
Deferred Revenue and Advances From Others	(36)	5	(2)	(3)	30	20	-	-	-	-	(8)	22
Other Liabilities	4	44	(4)	5	54	5	(27)	27	113	-	(86)	81
Total Adjustments	525	645	162	184	45	(5)	20	23	-	3	752	844
Net Cash Provided by (Used in) Operating Activities	773	821	295	303	(8)	(33)	(270)	(186)	-	3	790	902
Cash Flows from Investing Activities:												
Proceeds from Sales of Property and Equipment	1	-	215	172	-	-	-	-	-	-	216	172
Payments Received from Notes Receivable, Net	-	1	-	-	-	-	-	4	-	-	-	5
Capital Expenditures	(1,516)	(1,489)	(535)	(513)	(17)	(24)	(2)	(3)	-	-	(2,070)	(2,029)
Other	4	-	-	1	-	(1)	4	-	-	1	8	(1)
Net Cash (Used in) Provided by Investing Activities	(1,511)	(1,488)	(320)	(340)	(17)	(25)	2	1	-	1	(1,846)	(1,853)
Cash Flows from Financing Activities:												
Principal Payments Under Capital Lease Obligations	(12)	(5)	-	-	(3)	(7)	-	-	-	(4)	(15)	(8)
Additional Appropriated Capital, Net	-	392	-	-	-	-	422	167	-	-	422	559
Principal Payments on Long-Term Debt	(102)	(99)	-	-	-	-	(91)	(5)	-	-	(193)	(104)
Financing Sources Provided By Others	45	32	20	15	9	7	39	14	-	-	113	68
Receipts Transferred Out, Net	-	-	-	-	-	-	(23)	(23)	-	-	(23)	(23)
Net Cash Provided by (Used in) Financing Activities	(69)	320	20	15	6	-	347	153	-	(4)	304	492
Net Increase (Decrease) in Funds with U.S. Treasury	(807)	(347)	(5)	(22)	(19)	(58)	79	(32)	-	-	(752)	(459)
Funds with U.S. Treasury at Beginning of Year	3,573	3,920	317	339	98	156	306	338	-	-	4,294	4,753
Funds with U.S. Treasury at End of Year	$ 2,766	$ 3,573	$ 312	$ 317	$ 79	$ 98	$ 385	$ 306	$ -	$ -	$ 3,542	$ 4,294

U.S. General Services Administration

SUPPLEMENTAL CONSOLIDATING STATEMENTS OF CASH FLOWS (CONTINUED)

For the Fiscal Years Ended September 30, 1998 and 1997 (Dollars in Millions)

	Federal Buildings Fund		General Supply Fund		Information Technology Fund		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Supplemental Disclosure of Cash Flow Information:												
Total Interest Paid	$ 200	$ 165	$ -	$ -	$ -	$ 1	$ 220	$ 20	$ 48	$ 20	$ 372	$ 166
Supplemental Schedule of Financing and Investing Activities:												
Property and Equipment Acquired Under Capital Lease Obligations	$ 346	$ 158	$ -	$ -	$ -	$ 2	$ -	$ -	$ 80	$ 158	$ 266	$ 2
Property Acquired Under Long-Term Financing Arrangements	$ 48	$ 22	$ -	$ -	$ -	$ -	$ 92	$ -	$ -	$ -	$ 140	$ 22

Federal Managers' Financial Integrity Act Report

U.S. GENERAL SERVICES ADMINISTRATION
Administrator

February 22, 1999

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to report that the General Services Administration's (GSA's) management control and financial management systems, taken as a whole, provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA), Section 2 and Section 4 are being achieved. The content of the enclosed FMFIA report is based on information provided by GSA's managers, as well as on advice provided by the agency's Management Control Oversight Council (MCOC). It is also based on the results of the audit of GSA's Financial Statements, which produced an unqualified opinion for the 11th consecutive year.

Management officials have fully implemented the schedules of corrective actions concerning two material weaknesses—Inadequate Timely Access to PBS Business and Program Related Information, and Inappropriate Controls Imposed on the Information Technology Fund—which were cited in earlier FMFIA reports. Managers have evaluated their programs and have attested that their management controls comply with the Office of Management and Budget's (OMB) Circular A-123, Management Accountability and Control. The responsible systems managers and financial management officials have evaluated GSA's financial management systems in accordance with OMB Circular A-127, Financial Management Systems.

During fiscal year 1998, management control issues surfaced from a variety of sources. The MCOC, under the chairmanship of the Deputy Administrator, examined these issues and corrective actions were developed and implementation began immediately. The Inspector General, in his role as an advisory member of the MCOC, continues to provide useful, constructive suggestions for improving the agency's management control and financial management policies and practices.

The plans and actions to correct our six material weaknesses and one material nonconformance are addressed in the enclosure to this letter. I consider none of the weaknesses reported as critical to the performance of the agency's missions.

Respectfully,

David J. Barram

David J. Barram
Administrator

Enclosure

Contents

ENCLOSURE A — Statistical Summary of Performance

Section 2, Internal Control Systems

	Number of Material Weaknesses		
	Number reported for the first time in	For that year, number that have been corrected	For that year, number still pending
Prior Years	43	43	0
1995 Report	3	0	3
1996 Report	1	0	1
1997 Report	2	1	1
1998 Report	1	0	1
Total	50	44	6
Of the total number corrected, how many were corrected in 1998? 2			

NOTE: *The material weakness that is indicated as being reported for the first time in the 1996 report represents the Multiple Award Schedule Program which was previously reported as a high risk area.*

Section 4, Financial Management Systems

	Number of Nonconformances		
	Number reported for the first time in	For that year, number that have been corrected	For that year, number still pending
Prior Years	8	8	0
1995 Report	0	0	0
1996 Report	0	0	0
1997 Report	1	0	1
1998 Report	2	0	2
Total	11	8	3
Of the total number corrected, how many were corrected in 1998? 0			

ENCLOSURE B — Schedule of Corrective Actions, Material Control Weaknesses

Section 2, Material Weaknesses Summary

Title	Year First Reported	Target Date for Correction in FY 1997 Report	Current Target for Correction
Programmatic Weaknesses in the Child Care Program	1995	1998	1999
GSA/FPS Control Centers	1995	1999	1999
Level of Federal Protective Police Officers	1995	1998	1999
Multiple Award Schedule Program	1996	1999	1999
Rent Revenue Shortage	1997	1999	1999
Security Enhancements in Federal Buildings	1998		1999

Material Weakness: PROGRAMMATIC WEAKNESSES IN CHILD CARE PROGRAM

Several program weaknesses have been identified in the Child Care Program involving staffing, governance, controls over criminal background checks, licensing and financing. GSA is in non-compliance with Public Law (P.L. 101-647) that requires criminal history background checks for all child care employees in Federal facilities. Additionally, some centers were operating in GSA-controlled space without proper licensing agreements.

At the completion of all action items, a management control review or other detailed review will be performed to ensure that the actions taken are producing the intended positive results.

Pace of Corrective Action

- Year Identified: 1995
- Current Correction Date : 12/99

- Name of Responsible Program Office: *Public Buildings Service Child Care Operations Center of Expertise*

Corrective Actions—Major Milestones	Milestone Dates		
Programmatic Weakness in the Child Care Program	**Original Plan**	**Revised Plan**	**Actual Date**
Criminal Background Checks:			
Develop new procedures to clarify responsibilities of regional child care coordinators and Federal Protective Service on the progress of getting checks initiated and completed			10/95
Eliminate backlog at the regional level			10/95
Hold training session for regional child care coordinators on implementation of new guidelines	02/96	12/96	12/96
Federal Protective Service and Childcare Operations Center of Expertise develop a nationwide database to track and manage the childcare employee clearance process	06/96	12/99	
Revise new procedures developed during 10/95	07/96	12/96	04/97
Federal Protective Service work with the FBI and other external organizations to expedite background check process	09/96		07/96
Licensing:			
Determine specific barriers to licensing	03/96		06/96
Meet with Board(s) of Directors and higher level agency officials, when and where necessary, to resolve barriers	06/96		06/96
To the extent feasible, reduce to zero the number of unsigned licenses	06/96	12/97	08/97
Conduct review to determine if the corrective actions are producing the intended results	TBD		

Material Weakness: GSA/FEDERAL PROTECTIVE SERVICE (FPS) CONTROL CENTERS

A study conducted of GSA's control centers disclosed significant risks related to the GSA/FPS control centers. The study indicated that due to budgetary and personnel constraints accumulating over more than a decade, the control centers have been degraded to a point at which various systems are functioning, but raise risk and liability concerns in the ability to provide an acceptable, efficient, and effective FPS level of performance to preserve life and property. The initial plan was to upgrade all regional control centers with state-of-the-art equipment; however, to gain economies of scale, the project has been redirected to consolidate some control centers into megacenters and establish regional dispatch centers.

At the completion of all action items, a management control review or other detailed review will be performed to ensure that the actions taken are producing the intended positive results.

Pace of Corrective Action

- Year Identified: 1995
- Current Correction Date: 03/99

- Name of Responsible Program Office: *Public Buildings Service Federal Protective Service*

Corrective Actions—Major Milestones	Milestone Dates		
GSA/Federal Protective Service (FPS) Control Centers	**Original Plan**	**Revised Plan**	**Actual Date**
Establish a Control Center Quality Improvement Team to address issues relating to National equipment standardization, standard operating procedures, staffing and organization, site selection of mega-centers and other related issues			09/94
Awarded contract for design and building of two prototype control centers in Regions 3 and 10 (Region 8 replaced Region 10 due to funding, and Region 2 replaced Region 3)			04/95
Conduct 30%, 60%, 90% design reviews by GSA/FPS Team			06/95
Conduct 95% design reviews by GSA/FPS Review team			07/95
Conduct 100% design reviews by GSA/FPS Review team			10/95
Begin design of Region 5 site	01/96		01/96
Complete design of Region 8 site	03/96		03/96
Determine location of NCR site [1/]	03/96		03/96

[1/] *Originally this action included the Region 2 site; however, Region 2 is being carried as a separate action. This occurred because of changes in methodology from a design/build to a lease/build.*

Corrective Actions—Major Milestones	Milestone Dates		
GSA/Federal Protective Service (FPS) Control Centers—continued	**Original Plan**	**Revised Plan**	**Actual Date**
Hold pre-construction conference for Region 8 site	04/96		04/96
Start construction of Region 8 site	04/96		04/96
Complete requirements report for Region 5 site [2/]	05/96	11/96	11/96
Complete requirements report for NCR site [2/]		11/96	11/96
Begin Region 2 requirements report	10/96	11/96	11/96
Issue solicitation for NCR and Region 5		05/97	08/97
Issue solicitation for lease/build, Region 2		04/97	08/97
Award contract for lease/build, Region 2 (Contract award for lease/build is canceled)	07/97	10/97	05/98
Complete Region 8 site	10/96	09/97	09/97
Award design build contract for Region 5 and NCR	07/97	09/97	09/97
Start construction of Region 5 and NCR sites	06/96	10/98	
Complete Region 2 design (Region 2 megacenter program is canceled)	01/97	04/98	05/98
Complete design of Region 5 and NCR	02/98	04/98	04/98
Completion of construction for Region 2 (Region 2 megacenter program is canceled)	07/98	10/98	05/98

[2/] *Region 5 and NCR are design/build and will utilize a requirements report.*

Corrective Actions—Major Milestones	Milestone Dates		
GSA/Federal Protective Service (FPS) Control Centers—continued	**Original Plan**	**Revised Plan**	**Actual Date**
Complete Region 5 and NCR site construction	11/96	03/99	
Buildout Region 3's existing control center into a megacenter [3/]	09/98	10/98	
Conduct review to determine if the corrective actions are producing the intended results		Ongoing	

[3/] *Region 3 was elected to host a megacenter*

Material Weakness: LEVEL OF FEDERAL PROTECTIVE POLICE OFFICERS (FPPO'S)

A material weakness exists in the Law Enforcement Program which relates to the level of Federal Protective Police Officers (FPPO's). As of September 1995, the current level of FPPO's was 401. This figure does not meet the requirements of section 10 of the general provisions of Public Law 100-440, which states, "The Administrator of the General Services is authorized and directed to hire up to and maintain an annual average of not less than 1,000 (full time equivalent) positions for Federal Protective Police Officers." GSA continues to review the FPPO's to assure a satisfactory level of officers.

GSA has developed a resource allocation model to specifically identify and establish the proper level of FPPO's. Initial results indicate a need for an FPPO force of less than 1,000, but higher than the current on-board level. The 1,000 FPPO requirement was repealed in the fiscal year 1998 Appropriations Act. We are working to increase the number of FPPO's so that we reach the level that we believe best supports the Federal Government and our mission.

At the completion of all action items, a management control review or other detailed review will be performed to ensure that the actions taken are producing the intended positive results.

Pace of Corrective Action
- Year Identified: 1995
- Current Correction Date: 09/99

- Name of Responsible Program Office: *Public Buildings Service Federal Protective Service*

Corrective Actions—Major Milestones	Milestone Dates		
Level of Federal Protective Police Officers (FPPO's)	**Original Plan**	**Revised Plan**	**Actual Date**
Request repeal of Public Law 100-440			09/95
Develop resource model identifying required number of FPPO's			09/95
Direct regions to recruit for FPPO staffing	09/96		11/95
Hire additional FPPO's for FY 96			09/96
Public Law repealed			10/97
Hire additional FPPO's to bring staffing level to 724	09/97	09/99	
Conduct review to determine if the corrective actions are producing the intended results		Ongoing	

Material Weakness: MULTIPLE AWARD SCHEDULE (MAS) PROGRAM

Federal agencies collectively acquire goods and services valued at approximately $5 billion annually through MAS contracts. The MAS program has several problems which were identified by agency management and cited in General Accounting Office (GAO) and GSA Office of Inspector General (OIG) audits. First, the information that GSA receives from vendors to evaluate prices offered to the Government is not always accurate, current and complete. Second, the heavy workload in the MAS program may adversely affect the ability of contracting officers to award the most favorable prices for the Government. Third, agencies that use the MAS program may not always comply with applicable ordering procedures.

In previous years, this material weakness was reported as a high risk area, because the solutions necessitated the involvement of the Office of Management and Budget and, perhaps, the Congress. Also, the Federal Acquisition Streamlining Act significantly altered the conduct of Federal procurement. Implementation of this law continues to be evaluated as to the effect on the MAS program.

At the completion of all action items, a management control review or other detailed review will be performed to ensure that the actions taken are producing the intended positive results.

Pace of Corrective Action
- Year Identified: 1992
- Current Correction Date: 12/99

- Name of Responsible Program Office: *Office of Governmentwide Policy Office of Acquisition Policy*

Corrective Actions—Major Milestones	Milestone Dates		
Multiple Award Schedule (MAS) Program	Original Plan	Revised Plan	Actual Date
Clarify MAS Policy			
Issue revised policy on a test basis			02/92
Issue five solicitations using revised policy	12/92		01/93
Receive evaluations of revised policy from test participants	08/93		03/93
Analyze participant evaluations	11/93		03/93
Implementation in FAR (Office of Federal Procurement Policy)	04/95	10/95	09/95
Alleviate Imbalance in MAS Workload			
Establish task group	12/92		12/92
Assess test results; modify	12/93		12/93
Federal Acquisition Streamlining Act			
Review FAR changes to determine impact on MAS program	07/95	01/96	02/96
Review and evaluate impact of GSAR changes on MAS program:			
Preparation and publication of a final rule			08/97
Analysis of impact of the final rule and other changes on the MAS program		08/99	
Alleviate Imbalance in MAS Workload			
Request OIG follow-up audit to determine if MAS workload imbalance has been alleviated			12/96
Follow-up audit completed			03/98

Corrective Actions—Major Milestones	Milestone Dates		
Multiple Award Schedule (MAS) Program—continued	**Original Plan**	**Revised Plan**	**Actual Date**
Ensure Sufficient Contract Automation Data			
Implement FSS-Online Contract Programs	07/98		07/98
Provide status report on implementation of FSS-Online Contract Modification Audit Trail	10/98	04/99	
Implement FSS-Online Contract Modification Audit Trail	01/99	08/99	
Implement offer Registration System within FSS-Online	04/99	11/99	
After implementation of the above listed contract automation data actions, evaluate and prepare revised action plan to establish goals	05/99	12/99	

Material Weakness: PUBLIC BUILDINGS SERVICE RENT REVENUE SHORTAGE

Actual Federal Buildings Fund (FBF) rent revenues for fiscal years 1996 and 1997 were $680.5 million less than the amount needed to fund spending authorities provided by the Congress. GSA has taken the actions necessary to ensure that we will operate within available revenue for these fiscal years. In the fiscal year 1998 President's budget, GSA requested the Congress score $680.5 million from fiscal year 1998 income that will be used to accomplish spending authorities approved in prior years. Immediate action was taken to identify and correct the weakness in revenue projection methodologies and procedures. As a result, GSA notified the Congress in July of its revised income estimates for fiscal years 1997 and 1998. GSA continues to work to improve its income projection and collection systems and is streamlining both these processes and the lines of accountability for them.

At the completion of all action items, a management control review or other detailed review will be performed to ensure that the actions taken are producing the intended positive results.

Pace of Corrective Action

- Year Identified: 1997
- Current Correction Date: 09/99

- Name of Responsible Program Office: *Public Buildings Service*
  Office of the Chief Financial Officer

Corrective Actions—Major Milestones	Milestone Dates		
Public Buildings Service Rent Revenue Shortage	Original Plan	Revised Plan	Actual Date
PBS organized a "GO TEAM" to recommend improvements to revenue estimates.			05/97
The Commissioner of the Public Buildings Service (PBS) reorganized PBS and created the position of Chief Financial Officer (CFO) which is responsible for revenue estimates and allow greater oversight over income projections.			07/97
The CFO created a full time rent team within the Office of Financial and Information Systems (FIS) to be responsible for organizing revenue forecasts and adjustments, monitoring income collections in the current year to provide an early warning system for revenue problems, completing documentation of all elements forecasting and monitoring processes critical to GSA's credibility with OMB and the Congress, and completing lessons learned to improve the process.			07/97
In the formulation of the fiscal year 1999 revenue estimate, we used project specific occupancy schedules and rent rates as opposed to averages.			06/97
The Commissioner of PBS holds weekly meetings with senior service and agency financial managers to discuss financial issues.			06/97
The PBS CFO created standing teams made up of representatives of PBS program offices and GSA budget and finance, which meet regularly to help develop forecasts, review execution, reconcile estimates to actual receipts and monitor delivery schedules, and review and verify assumptions.			05/97
PBS will use a complementary method for calculating revenue estimates for fiscal year 1999.	11/97		12/97
FIS asked Arthur Anderson to review key processes, critical decision points, and existing controls within PBS. PBS is reviewing the report to determine which recommendations will be accepted.	11/97		12/97
In June 1997, PBS and the Office of the Inspector General signed a Memorandum of Understanding for the OIG to audit the rent billing data. The OIG has selected a sample of 62 buildings in PBS' inventory to survey.	11/97		02/98
PBS plans to implement the System for Tracking and Administering Real Property (STAR).			
(a) Billing module	2/98	06/98	06/98
(b) Budget estimate module		09/99	
(c) Rent forecasting module		09/99	

Material Weakness: SECURITY ENHANCEMENTS IN FEDERAL BUILDINGS

Improvements are needed in GSA's implementation of security equipment and structural enhancements recommended by the Building Security Committees. The lack of programmatic controls and approaches has resulted in concerns over the implementation and reported status of security countermeasures and the use of designated security upgrade funds for projects that: (1) did not involve a Committee-recommended countermeasure, and (2) lacked Central Office approval.

Pace of Corrective Action

- Year Identified: 1998
- Current Correction Date: 12/99

- Name of Responsible Program Office: *Public Buildings Service Federal Protective Service*

Corrective Actions—Major Milestones	**Milestone Dates**		
Security Enhancements in Federal Buildings	**Original Plan**	**Revised Plan**	**Actual Date**
Establish Program Accountability at Central Office and Regional Levels			
Implement control procedures for regional FPS offices to ensure they inspect all future countermeasure installations	5/98		5/98
Maintain documentary evidence for completion entries in the BSCS	8/98		8/98
Address BSCS accuracy concerning additions and deletions from GSA's building inventory	12/98		
Seek to have Security Countermeasure Funding Remain Prioritized			
Request to maintain facilities at the DOJ minimum security standards without having to compete for resources with other PBS entities	11/98		11/98
Physical Security Specialists to Review Countermeasure Implementation			
Reinstitute physical security surveys and reassessments for all facilities	5/98		5/98
Review and Certify the Accuracy of Countermeasure Entries			
Direct FPS regional offices to certify counter-measure completion entries entered in BSCS	8/98		8/98

Corrective Actions—Major Milestones	Milestone Dates		
	Original Plan	Revised Plan	Actual Date
Security Enhancements in Federal Buildings—continued			
Building Security Committee Countermeasures			
Introduce identified topic at Interagency Security Committee Group meeting	11/98		11/98
Formulate subgroup to define and ensure appropriate membership in Building Security Committee composition	2/99		
Subgroup to draft initial policy or procedures for BSC composition with facilities	3/99		
Subgroup to issue final policy/procedures on BSC composition to FPS Regional Directors and Physical Security Specialists nationwide for implementation	4/99		
Establish a Perpetual Inventory over X-ray Units and Portable Equipment			
Request regional listing of excess equipment	12/98		
Develop BSCS data field to electronically track excess inventory	12/99		
Require FPS Regional Offices to Track and Report Actual Cost Data for all Future Countermeasures			
Develop BSCS data field to record actual countermeasure cost	12/99		

ENCLOSURE C — Schedule of Corrective Actions, Systems Nonconformances

As required by Section 4 of the FMFIA and the FFMIA, GSA conducts an annual evaluation to determine whether its financial management systems comply substantially with Federal financial management system requirements (i.e., OMB Circular No. A-127 requirements), applicable Federal accounting standards, and the U.S. Government Standard General Ledger (SGL) at the transaction level.

Based on all review work performed in fiscal year 1998, two areas of nonconformance were identified with regard to OMB Circulars No. A-127 and A-130. The two areas of nonconformance specifically relate to the need to strengthen logical and physical access controls over GSA's information technology environment and the need to improve and implement GSA security policies and procedures.

The conditions cited above were identified by GSA's independent financial statement auditors, PricewaterhouseCoopers LLP during their annual financial statement audit and detailed financial management system review work for four significant financial management systems. The auditors did not identify any material impact(s) to GSA's fiscal year 1998 financial statements as a result of these conditions. However, unless corrected, these areas of nonconformance could potentially impact the data integrity of these systems in the future. A related area of systems nonconformance was also identified last year by Arthur Andersen, LLP, for three GSA automated information systems that were transferred to a commercial data center.

Systems Nonconformance: Logical and Physical Access Controls over GSA's Information Technology Environment

During fiscal year 1998, a review of four significant GSA financial management systems disclosed control weaknesses relating to logical access, access monitoring and follow up, physical access to computer resources, and revocation of access and modification of access privileges. In the absence of adequate preventative and detective controls to control users' access to computer resources (i.e., data, programs, equipment and facilities) in accordance with organizational and individual job responsibilities, the data relevant to GSA's financial statements remains susceptible to unauthorized access or modification. Accordingly, corrective actions are needed to ensure better compliance with OMB Circular A-130, Automated Information Systems Security Control Requirements. To correct this condition, management will develop an appropriate set of planned corrective actions and monitor the implementation of all such actions in accordance with the established process for addressing Management Letter findings and recommendations.

Systems Nonconformance: Information Technology Security Policies and Procedures

During fiscal year 1998, a review of four significant GSA financial management systems disclosed that GSA's entity-wide information technology security policies and procedures were incomplete and outdated. Furthermore, inconsistencies were noted between entity-wide requirements and service line information technology security policies and procedures. More specifically, GSA's security policies and procedures did not always address the control issues of: implementing security controls including password administration and management; monitoring access violations; and developing and implementing security awareness training. Without more standardization of information technology security policies and procedures on an entity-wide basis, GSA cannot ensure that its mission critical applications and data are protected from unauthorized access, modification or deletion by internal users or external sources. Accordingly, corrective actions are needed to improve conformance with the requirements set out in appendix III of OMB Circular No. A-130. To correct this condition, management will develop an appropriate set of planned corrective actions and monitor the implementation of all such actions in accordance with the established process for addressing Management Letter findings and recommendations.

Systems Nonconformance: Automated Information Systems Security Controls

During fiscal year 1997, the responsibility for the general support system for three GSA automated information systems was transferred to a commercial data center. Subsequently, these three systems were discovered to be potentially at risk with respect to unauthorized access and the various possible consequences thereof. Although additional followup work concluded that there were mitigating controls and that no adverse consequences occurred to GSA from this condition, corrective actions are being taken to ensure better compliance with OMB Circular No. A-130, Automated Information Systems Security Control Requirements.

During fiscal year 1998, corrective actions were initiated to begin to address this area of nonconformance. FSS management assigned responsibility for information technology security of FSS' general support and the three application systems that were the basis for this finding. In addition, FSS management expanded the scope of corrective actions to be taken in this area to *all* of its FSS financial management systems. A contractor was also obtained to develop a comprehensive information technology security plan for all FSS financial management systems. As a result of these initiatives, the milestone dates for completing corrective actions for this nonconformance have been extended.

Pace of Corrective Action

- Year Identified: 1997
- Revised Correction Date: 09/00

- Name of Responsible Program Office: *Federal Supply Service Office of the Chief Information Officer*

Corrective Actions—Major Milestones	Milestone Dates		
Automated Information Systems Security Controls	**Original Plan**	**Revised Plan**	**Actual Date**
Formally assign responsibility for security of FSS' general support system and each of the three system application systems affected by the above condition.	2/98		2/98
Develop formal security plans, per NIST guidance, for the general support system (working in cooperation with responsible data center officials) and for each of the major application systems that are affected by the above condition.	08/98	03/00	
Obtain an independent assessment of the security plan to ensure that it fully addresses all A-130 requirements and revise the plan as necessary to fully address any issues that might arise from such an assessment.	10/98	06/00	
Train all personnel regarding the security plan.	11/98	07/00	
Implement the security plan and provide for ongoing maintenance of the plan.	12/98	07/00	
Obtain an independent assessment of actions taken to ensure that all necessary corrective actions have been completed to eliminate this nonconformance.	02/99	09/00	

Supplemental Information

Inspector General's Semiannual Reports to the Congress

Executive Summary for the Period October 1, 1997-March 31, 1998

During this period, we expanded our efforts to provide professional assistance through enhanced consulting services, and the use of alert reports designed to quickly inform management of potentially serious deficiencies or other concerns prior to completion of all analytical work and formal report issuance. These services have been added while we continue to offer our more traditional services, including program evaluations, contract and financial auditing, internal controls reviews, investigative coverage, and litigation support in contract claims, civil fraud and enforcement actions, and criminal prosecutions.

Program/Operational Reviews

The OIG continued its efforts to conduct large-scale reviews of major programs and operations throughout GSA's various components. During this period, we continued our review of GSA's efforts to upgrade security at Federal facilities. Based on concerns raised in our audit work, we issued three alert reports and a separate audit report to management. These reports addressed inaccuracies in installation status reporting on security equipment and the misuse of security enhancement funding. One alert report disclosed that almost $2 million of security equipment purchased for GSA's enhanced security program was on hand with no immediate plans for installation. Another report revealed that security at many of one region's Federal facilities had not been upgraded to minimally acceptable standards. Also, the database did not accurately represent the status of the upgrade effort . The third alert report covering three other regions stressed the need for GSA to ensure that security countermeasures at all Federal buildings are accurately reported and completed. Furthermore, a review of the use of funds disclosed that GSA expended approximately $375,000 allocated to security enhancements for other purposes. Consequently, we recommended that the funds be restored to the security-upgrading project. Management has taken positive steps in response to these reports and is initiating corrective action. We are continuing our review and will be monitoring the Agency's efforts in this critically important area.

Other program reviews reported on: findings that a project to ready office space in connection with the 1997 Presidential Inaugural was inadequately managed and that project costs exceeded the prospectus threshold requirements in contravention of the Public Buildings and Antideficiency Acts; determining which computer systems are critical and need to be prioritized for conversion to operate in the year 2000; and enhancing the monitoring of GSA's progress for planned system conversions. In addition, we made recommendations to improve the accuracy of GSA's rent billing data. Furthermore, we reviewed systems used by hotels and car rental companies to directly bill GSA for employee travel expenditures. We found that controls are adequate to ensure that GSA only pays direct-billed charges for lodging and car rentals. However, we did recommend control improvements to ensure that charges for legitimate business travel, taxes, and rates are correct, that vendors are not paid twice, and that travelers are not reimbursed for direct-billed charges. In another review, we found that the Agency needs to ensure that the training and experience requirements for procurement personnel are met, and needs to include performance standards as part of the contract administration function. We also reported in a review of a regional Customer Supply Center that GSA was satisfactorily meeting customer needs for popular supply items and did so with adequate controls to protect assets.

We also evaluated the administration and operation of a regional commercial facilities management contract, and recommended improvements in the administration of the contract which would improve services to client agencies and at the same time lower costs. In addition, we made recommendations to improve the management of guard contract services by improving controls over the award process and ensuring that required training is completed before new guards are allowed to work.

We completed three significant internal audits at the request of management. In one report on contract workload management, we reported that while some improvements to workload management had been made, further improvements were needed to automate key activities of scheduling and performance assessment. The second report involved a review of a major customer's shipment discrepancy reports. We found that the GSA customer's receiving and processing procedures contributed to the numerous adjustment requests. Our third report supported GSA's plans to consolidate the Federal Protective Service's various regional security control center functions into four megacenters, which would allow them to support their dispatch functions. We did, however, recommend a continuation of the regional dispatch capability to address natural disasters, and pointed out that many alarm systems still need to be upgraded.

Consulting Services

At the request of Agency management, we continued to provide our consulting services to cover a range of GSA activities cutting across all GSA components. We suggested ways to improve shipping information provided to vendors; surveyed realty specialists and client agencies to determine their satisfaction with a new lease acquisition program; analyzed procurement practices and sales data for special order procurements; and evaluated a performance indicator and its validity for allocating costs. In addition, we analyzed financial reports of prospective vendors seeking award of an electric power contract; assessed the accuracy of data within a management information system; and examined a GSA payment process to determine whether vendor payments are being made in a timely manner.

Procurement Integrity

An important part of our work effort is to provide support to the Agency's contracting officers and to protect the integrity of GSA's procurement programs and operations by detecting and preventing fraud, waste, and abuse. This period, based on our audit and investigative work, several private sector contractors agreed to pay a total of over $4 million to resolve potential civil liability under the False Claims Act. These contractors provided a wide array of products and services, such as water treatment chemicals for heating and cooling systems, office systems furniture, hospital-grade disinfectants, and computer hardware and software. The settlements involved allegations that they had misrepresented their commercial discount practices in seeking and performing under GSA contracts, in violation of the False Claims Act and other statutory and contractual provisions.

Summary of Results

The OIG made over $32 million in financial recommendations to better use Government funds, and in other program costs savings; made 242 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 236 legislative and regulatory actions; and received 1,384 Hotline calls and letters. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling $45 million.

Emerging Issues and Concerns

We continue our practice of highlighting emerging issues and matters of particular concern.

One previously reported matter remains of continuing concern: an issue relating to the Agency's authority to compromise debt, particularly as it relates to the ability of the Inspectors General to seek authoritative and binding resolutions of legal disputes with their Agencies.

Copies of the semiannual reports may be obtained directly from GSA's Office of Inspector General

During this period, we expanded our efforts to provide professional assistance through enhanced consulting services and the use of alert reports designed to quickly inform management of potentially serious deficiencies or other concerns prior to completion of all analytical work and formal report issuance. These services have been added while we continue to offer our more traditional services, including program evaluations, contract and financial auditing, management control reviews, investigative coverage, and litigation support in contract claims, civil fraud and enforcement actions, and criminal prosecutions.

Program/Operational Reviews

The OIG continued its efforts to conduct large-scale reviews of programs and operations throughout GSA's various components. A major effort involved our ongoing review of GSA's efforts to upgrade security at Federal facilities. We issued one alert report and completed our report on the review of the security program. The alert report disclosed that although many security upgrade countermeasures were accomplished, many had not been documented in the official project database. Also, non-security work was procured with buildings security funds. An overall program report of GSA's program for upgrading security at Federal buildings revealed that GSA: lacked an overall management plan for accomplishing the mission; needed to improve its control over the implementation and reporting status of security countermeasures; and needed to improve control over the proper use of security upgrade funds.

In another program review in which we assessed the security measures of six major Internet and Intranet Agency applications, we reported that GSA: should clearly define information technology security roles and responsibilities, including defined responsibilities for management; needed security plans that include both Internet and Intranet operations; and should require plans to periodically review controls for these systems.

The OIG also began an assessment of GSA's efforts to place four million items in GSA Advantage!(tm), a worldwide, on-line, electronic commerce shopping system. However, as a result of encountering numerous technological complexities during GSA's implementation process, the need for reliance on vendor input, and the need for conformity in readable data, GSA decided to reevaluate the Advantage program. To aid in this reevaluation, we recommended that the Agency, among other things, develop a comprehensive plan which considers the design and development of the entire Advantage program and define tasks and timeframes for realistic completion of project objectives.

In other program reviews, we reported on a wide range of GSA's programs and operations. For example, we provided GSA with our observations regarding the strengths and weaknesses of the new rent pricing strategy , and reported that forecasted revenues were insufficient to cover projected costs to provide travel services contracts to Federal customer agencies. Furthermore, we reviewed the Agency's responsibilities resulting from receiving real estate from a quasi-government development corporation. We found that GSA successfully resolved two significant management and financial issues arising from the corporation's transfer of assets, liabilities, and responsibilities to the Agency. At the request of the U.S. Senate Committee on Governmental Affairs, we evaluated complaints from minority-owned firms selling supplies to GSA. We did not identify any evidence of discriminatory practices, harassment, or ethnic bias as charged by the firms.

We made recommendations to improve personnel management by improving controls over documentation of applications received for vacancy announcements. We also reviewed customer order shipment discrepancies, and recommended improvements to the database which would resolve these discrepancies.

As part of our management controls review program, we reported that controls over Agency conference site selections and expenditures need to be strengthened; that the audit follow-up process is effective in tracking and closing audit action plans, but does not ensure that the actions taken remedy the conditions addressed in the recommendations; and that control improvements were needed to ensure that the Government received the mechanical and repair services provided by private contractors. In addition, our examination of simplified procurement operations in one region found that procurements were made in accordance with policy and guidance. However, controls pertaining to credit card purchases could be strengthened. Also, following a review of a field office we recommended procurement-control improvements to ensure that credit card users and approving officials are trained and reminded of their responsibilities, approving officials perform reviews over controls, and control-contract log and data system are updated.

Procurement Integrity

An important part of our work effort is to provide support to the Agency's contracting officers and to protect the integrity of GSA's procurement programs and operations by detecting and preventing fraud, waste, and abuse. This period, based on our audit and investigative work, several private sector contractors agreed to pay over $1.9 million to resolve potential civil liability under the False Claims Act. These contractors provided office systems furniture, office products, and information technology hardware. The settlements involved allegations that they had misrepresented their commercial discount practices in seeking and performing under GSA contracts, in violation of the False Claims Act and other statutory and contractual provisions. We also completed an investigation which resulted in a contractor employee pleading guilty to embezzlement and conversion of Government property. It was determined that the employee converted parking space revenue to his own personal use. Other investigations resulted in convictions involving theft of Government property and converting surplus property.

Consulting Services

At the request of Agency management, we continued to provide our consulting services to cover a range of GSA activities cutting across all GSA components. We examined shipment confirmations to determine whether they are being entered into the information system; analyzed the policies, procedures, and practices of a GSA credit card contractor; suggested techniques to make records more accessible to various user entities; and determined that GSA could potentially provide stock sale items to contractors. Furthermore, we identified staffing needs, operating functions, levels of service, and costs for operating the Federal Protective Service's control centers; evaluated inventory records and suggested actions to improve program oversight; and reviewed procurement and financial controls over certain projects to determine whether they were adequate to protect the Government's interests. In addition, we issued an advisory report concerning the Agency's efforts to implement the Government Performance and Results Act.

Summary of Results

The OIG made over $287 million in financial recommendations to better use Government funds, and in other program costs savings; made 157 referrals for criminal prosecution, civil litigation, and administrative actions; reviewed 302 legislative and regulatory actions; and received 1,473 Hotline calls and letters. This period, we achieved savings from management decisions on financial recommendations, civil settlements, and investigative recoveries totaling over $44 million.

Copies of the semiannual reports may be obtained directly from GSA's Office of Inspector General

Administrator's Semiannual Management Reports to the Congress

Executive Summary Combining the Semiannual Reports for Fiscal Year 1998

In accordance with the Inspector General Act Amendments of 1988, the Administrator of General Services reports directly to Congress on management decisions and final actions taken regarding audit recommendations issued by GSA's Office of Inspector General (OIG). The Administrator must also provide an explanation when final action has not been taken within one year of an audit's management decision date.

The Administrator's reports are statutorily required on a semiannual schedule for periods ending March 31 and September 30 of each fiscal year. The information below represents a compilation of summary statistics from the two reports issued for fiscal year 1998. Where appropriate to be consistent with this Annual Report presentation, six months totals have been combined to reflect full fiscal year performance.

For a fuller understanding of the statistics presented below, it should be known that the OIG identifies audit recommendations for cost avoidance as "funds to be put to better use" and distinguishes whether the funds have or do not have an impact on the agency's budget. Funds categorized as having budget impact involve the obligation process, and audit-related savings of this category may be available for reprogramming. Funds identified as having no budget impact do not involve obligated monies and, therefore, do not have a material effect on the agency's appropriated funds.

During the fiscal year ending September 30, 1998, management decisions were issued on 213 audit reports. Of this total, 111 audit reports represented $27,532,825 in disallowed costs and $55,802,775 in funds to be put to better use. The latter category is comprised of estimated and actual cost avoidance determined to have no impact on the agency's budget.

By the fiscal year's end, final action was achieved for 184 audits with management decisions identifying disallowed costs or funds to be put to better use. These audits represent the recovery of $9,535,016 and the implementation of $14,687,393 of actual cost avoidance determined to have no impact on the agency's budget.

As of March 31, 1998, 181 audit reports remained open without final action a year after management decision, with 90 of this total under formal administrative or judicial appeal. As of September 30, 1998, 167 audits remained open without final action a year after management decision, with 85 under appeal. The full reports for each semiannual period cite the reasons final actions were not yet taken on the open audits that were not under appeal.

Copies of the semiannual reports may be obtained directly from GSA's Office of the Chief Financial Officer.

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