

FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 2013

WEDNESDAY, APRIL 18, 2012

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:33 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Richard J. Durbin (chairman) presiding.

Present: Senators Durbin and Moran.

GENERAL SERVICES ADMINISTRATION

STATEMENT OF DANIEL M. TANGHERLINI, ACTING ADMINISTRATOR

OPENING STATEMENT OF SENATOR RICHARD J. DURBIN

Senator DURBIN. Good afternoon. Today, we convene the hearing of the Appropriations Subcommittee on Financial Services and General Government, to discuss the report of the Inspector General of the General Services Administration (GSA), as well as budget issues facing the GSA.

I welcome my colleague, Senator Jerry Moran of Kansas, the ranking member. I also welcome the Acting Administrator, Daniel M. Tangherlini. Did I pronounce that right, Dan? Thank you. And GSA Inspector General Brian D. Miller.

Earlier this year, I made decisions about which of the many agencies under our jurisdiction—and we have quite a few of them—would actually appear for a formal public hearing for the fiscal year 2013 funding needs. GSA was 1 of the 4 that I designated, and we started preparing for this hearing some time ago.

The inspector general's recent release of disturbing findings disclosing serious mismanagement deficiencies related to an internal conference have added a new dimension to this hearing. Today, we'll attempt to gain a clear understanding of what transpired and what is being done to change it.

I was outraged and embarrassed to learn about the spending that occurred as a result of that conference, and I'm eager to hear how GSA will ensure that it never happens again.

We'll also examine GSA's ability to fulfill its program obligations and the future space needs of Federal agencies during a time of debt reduction.

Recently, the Office of Inspector General of GSA issued a management-deficiency report detailing an array of highly troubling

findings resulting from the investigation into a 4-day internal staff conference held in October 2010. The report describes how a host of Federal contracting rules were skirted, ignored, or violated in the planning and execution of this event.

Issuance of the report on April 2 sparked the immediate resignation of the GSA Administrator and two other key agency officials and the imposition of other personnel decisions for five other high-level regional management staff.

It also has generated a flurry of attention here in the Congress. I think we're the fourth of four hearings in 4 days on this issue.

Some of the more appalling lapses are not necessarily the activities that have caught a lot of media attention, some of the sensational events, such as renting a clown costume or a session featuring a mentalist.

What's baffling to me is that there were apparently numerous examples of excessive spending and improper adherence to contracting rules, brazen finagling of event sessions to justify food and other expenditures, multiple occurrences of advance long-distance travel to the site and appalling lack of adherence to longstanding Federal law about holding Federal events in lodging facilities that meet fire-safety specifications.

It's also mind-boggling that somewhere along the way during the year of planning for this conference that someone didn't say, "Wait a minute. Isn't this going overboard?"

What is most regrettable is that incidents such as this tarnish the public perception of the workings of the entire Federal Government, the services delivered by an otherwise dedicated workforce and the stewardship of precious Federal funds, taxpayers' dollars.

In fact, the investigation began because the Deputy Administrator of the GSA asked the inspector general to examine the matter as soon as two employees mentioned to her activities that sounded improper. I expect action to be taken swiftly to ensure that all rules are explicitly followed in the future.

This all contributes to my dismay as to how all of this was allowed to happen. And I look forward to hearing from the Acting Administrator and the inspector general about the situation that led up to these findings and corrective actions.

While this fiasco in the western regions of the Public Buildings Service (PBS) deserves attention it's been receiving, and corrective measures, as I've mentioned, there are other issues relating to the GSA of importance as well. Those include the ability of GSA to fulfill its statutory responsibility and to meet the needs of Federal agencies across the board that depend on good management.

Most GSA annual spending comes from a large revolving fund, the Federal Buildings Fund (FBF), which finances real property management of the U.S. Government. Through this account, GSA operates, maintains, and repairs federally owned and leased buildings and constructs Federal buildings, courthouses, and border stations. It is financed largely through proceeds from rental payments from other agencies.

Prior to fiscal year 2010, typically between 10 and 20 major construction and repair projects were requested by the President and funded. Most of the balance is used for rent payments to private landlords and building operations.

Once debt-reduction efforts hit in fiscal year 2010, those accounts were dramatically reduced in order to stay within the subcommittee funding allocation.

As GSA examines where it can spend less, certain bills, such as rent and utility charges, must be paid, and those have continued to increase.

The FBF has two contractually obligated bills which continue to increase substantially. The biggest and fastest growing is the rental of space account and, to a lesser degree, the building operations account.

When GSA does not receive full funding for these accounts to meet its contraction obligations, it is legally liable for default. Reductions within the FBF also impact other Federal agencies.

I'm going to put the rest of my remarks in the record, but I'm going to be asking questions along the lines of what has been the impact of these budget and appropriations decisions on ongoing building projects that have been stopped or delayed. Will it cost us more when we resume? Are we actually saving any money by putting off the completion of some of these construction projects?

PREPARED STATEMENT

In addition to the requested increases this year, the fiscal year 2013 request reduces spending by \$16.2 million, 20-percent less than the fiscal year 2010 levels for certain administrative expenses and to keep consulting and advisory contract spending levels on GSA operations at \$32.8 million (or 15 percent) less than fiscal year 2010 levels.

[The statement follows:]

PREPARED STATEMENT OF SENATOR RICHARD J. DURBIN

Good afternoon. Today, we convene this hearing of the Appropriations Subcommittee on Financial Services and General Government to discuss the report of the Inspector General (IG) of the General Services Administration (GSA) as well as budget issues of the GSA.

I welcome Senator Jerry Moran, the ranking member, and other colleagues who have joined me on the dais today. I also welcome GSA Acting Administrator Daniel M. Tangherlini and GSA IG Brian D. Miller to the hearing.

Earlier this year, I made decisions about which of the many agencies under the jurisdiction of this subcommittee should appear for a formal public hearing relating to their fiscal year 2013 funding needs. GSA was 1 of the 4 I designated, and my staff have been preparing for this hearing for a few months. The IG's recent release of disturbing findings disclosing serious management deficiencies relating to an internal conference have added a new dimension to our discussion.

Today, we'll attempt to gain a clear understanding of what transpired with regard to the conference held a year-and-a-half ago by the western regions of the Public Buildings Service (PBS).

I was outraged to learn about the spending that occurred as a result of that conference and I am eager to hear how GSA will ensure that it never happens again. We'll also examine GSA's ability to fulfill its program obligations and the future space needs of Federal agencies during a time of debt reduction.

GENERAL SERVICES ADMINISTRATION INSPECTOR GENERAL REPORT ON THE WESTERN REGIONS CONFERENCE

Recently, the GSA IG issued a management deficiency report detailing an array of highly troubling findings as a result of an investigation into a 4-day internal staff conference held in October 2010. The report describes how a host of Federal contracting rules were skirted in the planning and execution of this event.

Issuance of this report on April 2 sparked the immediate resignations of the GSA Administrator and two other key agency officials, and the imposition of other per-

sonnel decisions for five other high-level regional management staff. It also has generated a flurry of attention here in the Congress with at least four hearings this week alone and others perhaps in the offing.

Some of the more appalling lapses are not necessarily the activities that are garnering some of the sensationalized media attention such as the rental of a clown costume for a skit or a session featuring a mentalist. What is baffling to me is that there were apparently:

- numerous examples of excessive spending and improper adherence to contracting rules;
- brazen finagling of event sessions to justify the provision of food;
- multiple occurrences of advance long-distance travel to the site; and
- an appalling lack of adherence to long-standing Federal law about holding Federal events in lodging facilities that meet fire-safety specifications.

It is also mind-boggling that somewhere along the way during the year of planning for this conference someone didn't say, "Wait. Stop. This is out-of-line. This does not look right."

What is most regrettable is that incidents such as this tarnish the public perception of the workings of the entire Federal Government, the services delivered by its dedicated workforce, and the stewardship of precious Federal funds. In fact, the investigation began because the Deputy Administrator of the GSA asked the IG to examine the matter as soon as two employees mentioned to her activities that sounded improper. I expect actions will be taken swiftly to ensure that all rules are explicitly followed in the future and that proper oversight mechanisms are established.

This all contributes to my dismay as to how all of this was allowed to happen, and I look forward to hearing from Acting Administrator Tangherlini and IG Miller today about the situation that led to the management deficiency findings and the forecast for corrective actions.

While this fiasco in the western regions of the PBS deserves the attention it has been receiving, along with corrective measures to address it, there are other issues that deserve our attention as well. And those include GSA's ability to fulfill its program obligations and the future space needs of Federal agencies during a time of debt reduction.

THE FEDERAL BUILDINGS FUND

Most GSA annual spending comes from a large revolving fund—the Federal Buildings Fund (FBF)—which finances real property management for the Federal Government. Through this account, GSA operates, maintains, and repairs federally owned and leased buildings and constructs Federal buildings, courthouses, and border stations. It is financed largely through proceeds from rental payments from other agencies (using appropriated funds).

Prior to fiscal year 2010, typically, between 10 and 20 major construction and repair projects were requested in the President's budget and funded. Most of the balance is used for rent payments to private landlords and building operations. Once debt reduction efforts hit in fiscal year 2010, those accounts were drastically reduced in order to stay within the subcommittee's funding allocation, which couldn't provide for all the priority needs.

As GSA examines where it can spend less, certain bills, such as rent and utility charges, must be paid and those have continued to increase.

WE MUST PAY THE OBLIGATORY BILLS

The FBF has two contractually obligated bills which continue to increase substantially. The biggest and fastest growing is the rental of space account (the leasing of privately owned buildings) and, to a lesser degree, the building operations account (the cleaning, utilities, and maintenance expenses of leased and Government-owned space). When GSA does not receive full funding for these accounts to meet its contractual obligations, GSA is legally liable for default.

Reductions within the FBF also impact other Federal agencies.

EFFECTS OF LITTLE CONSTRUCTION AND OF NO MAJOR REPAIRS TO BUILDINGS

The construction and repair accounts have been drastically reduced, significantly impacting Federal agencies' abilities to operate efficiently.

The near-elimination of construction projects also makes these projects more expensive by delaying them. It will have the effect of requiring more leasing of Federal buildings, which is more expensive over the long-term than federally owned space. A good example of this is the Department of Homeland Security (DHS) St. Elizabeths headquarters consolidation project, which has slowed to a crawl, prompting

fears that not all Department elements will move and costing the Government more than planned as DHS agencies stay in leased space.

The complete elimination of major repair projects for the past 2 years has put some current projects on hold, such as the Daniel Patrick Moynihan U.S. Courthouse in New York, which is a top priority of the Federal judiciary. This Courthouse is one of the buildings housing the Southern District of New York—the busiest and largest Federal court in the country. Also, this has meant no funding for the requested main Interior Department building (currently under refurbishment, including hazardous material abatement) or the requested final phase of the State Department building (Truman Building).

The American Recovery and Reinvestment Act allowed GSA to begin to reduce the backlog of \$8.4 billion in buildings needing repairs or alterations by \$1.4 billion, while creating more than 60,000 jobs in the process. Now, that backlog is growing again and how long that will continue is anyone's guess.

I recognize that all agencies need to do their part to address our current economic situation, but we need to do it in a way that makes sense; not this drastic approach that leaves our agencies in substandard facilities or ill-equipped to carry out their missions efficiently, often costing the Government more money in the long run.

Now, we turn to GSA's fiscal year 2013 budget request.

FISCAL YEAR 2013 BUDGET REQUEST

The fiscal year 2013 request for GSA's appropriated accounts is a net increase of \$33 million from the fiscal year 2012 enacted level, the majority of which (\$21 million) is for modernization, upgrades, and continued operation of a Governmentwide information system. This new system will improve contract and grant award management and reporting.

In addition to the requests increases, the fiscal year 2013 request reduces spending \$16.2 million, 20-percent less than fiscal year 2010 levels, for certain administrative expenses and keep consulting and advisory contract spending levels on GSA operations, at \$32.8 million (or 15 percent) less than fiscal year 2010 levels.

I now turn to my Ranking Member, Senator Moran, for any remarks that he would like to make.

Senator DURBIN. I'm now going to turn the floor over to my ranking member and friend, Senator Moran, for any remarks he'd like to make.

STATEMENT OF SENATOR JERRY MORAN

Senator MORAN. Chairman Durbin, thank you very much for conducting this hearing. As members of the Senate Appropriations Committee, our oversight of spending by Federal agencies, in my view, is our most-critical responsibility.

I was appalled, as you said you were, to read the accounts of the inappropriate actions of some GSA employees outlined in the inspector general's report of abuses connected to a regional conference held in 2010.

I have since learned that this was not an isolated incident of abuse of taxpayer dollars and that other questionable expenditures have come to light as a result of the inspector general's investigation.

I would also add that it reminds me of the value of inspector generals and the investigations that they conduct on behalf of seeing that the right is wrong, that wrong is altered.

This conduct on the part of these few Federal employees is an unacceptable abuse of the American taxpayers' trust. It is unconscionable that, at a time when our national debt stands at more than \$15 trillion, individuals within the Federal Government completely ignore our country's fiscal reality and behave in ways that reflect an attitude that the funding of their particular agency belongs to them rather than to the American taxpayer.

This is the kind of behavior that exacerbates opposition to Federal spending, even where that spending is legitimate. It is also important to note that every dollar misspent by GSA was funding that could have been used to fund other critical Federal programs.

If Americans lack faith in the Federal Government as a responsible steward of taxpayer dollars, why would they ever support decisions related to Federal spending?

I welcome this opportunity to ask our witnesses today for answers to how this type of conduct could happen. How can an agency responsible for providing guidance to the rest of the Federal Government on correct use of taxpayer dollars tolerate a lack of accountability?

Those responsible should be held accountable. An agency culture which allowed such behavior to flourish must be altered.

I hope that this is just not the tip of the iceberg. Billions in taxpayer dollars have been spent on Government conferences. We must have safeguards in place to ensure that this conduct, this spending pattern never happens again at GSA or any other Federal agency.

I welcome the opportunity to work with my colleagues to determine whether legislative action is necessary to institute more stringent safeguards to ensure appropriate spending on legitimate Government functions, transparency and accountability.

All Federal agencies have a duty to act as careful stewards of the taxpayer dollar, and those who disregard that duty should and will be held accountable.

Senator MORAN. Thank you, Mr. Chairman.

Senator DURBIN. Thank you, Senator Moran.

Mr. Tangherlini, the floor is yours.

SUMMARY STATEMENT OF DANIEL M. TANGHERLINI

Mr. TANGHERLINI. Thank you, Chairman Durbin, and thank you, Ranking Member Moran and members of the subcommittee.

My name is Daniel M. Tangherlini and I'm the Acting Administrator of GSA.

I appreciate the opportunity to come before the subcommittee today to discuss the GSA inspector general's report as well as the GSA fiscal year 2013 budget request.

First and foremost, I want to state that the waste and abuse outlined in the inspector general's report is an outrage and completely antithetical to the goals of this administration.

The report details violations of travel rules, acquisition rules, and good conduct. But, just as importantly, those responsible violated rules of common sense, the spirit of public service and the trust that the American taxpayers have placed in all of us.

I speak for the overwhelming majority of GSA staff when I say that we are as shocked, appalled, and deeply disappointed by these indefensible actions as you are.

We've taken strong action against those officials who are responsible and will continue to do so where appropriate. I intend to uphold the highest ethical standards at this agency, including referring any criminal activity to appropriate law enforcement officials and taking any action that is necessary and appropriate.

If we find any irregularities, I will immediately engage GSA's Inspector General, Brian D. Miller, and, as indicated in the joint letter that the inspector general and I sent to all GSA staff, we expect an employee who sees waste, fraud, or abuse to report it. We want to build a partnership with the inspector general, while respecting their independence, that will ensure that nothing like this will ever happen again.

There'll be no tolerance for employees who violate or in any way disregard these rules. I believe this is critical, not only because we owe it to the American taxpayers, but also because we owe it to the many GSA employees who work hard, who follow the rules and deserve to be proud of the agency that they serve.

We have also taken steps to improve internal controls and oversight to ensure this never happens again. Already, I have cancelled all future Western Regions Conferences (WRC). I have also cancelled 35 previously planned conferences, saving nearly \$1 million in taxpayer expenses.

I've suspended the Hats Off stores and have already demanded reimbursement from Mr. Bob Peck, Mr. Robert Sheppard, and Mr. Jeff Neely for private, in-room parties.

I've cancelled most travel through the end of the fiscal year GSA-wide, and I am centralizing budget authority and have already centralized procurement oversight for regional offices to make them more directly accountable.

I look forward to working in partnership with this subcommittee to ensure that there's full accountability for these activities, so that we can begin to restore the trust of the American people.

I hope that in so doing GSA can refocus on its core mission, saving taxpayers money by efficiently procuring supplies, services, and real estate and effectively disposing of unneeded property.

We believe that there has seldom been a time of greater need for these services and the savings they bring to the Government and the taxpayer.

There's a powerful value proposition to a single agency dedicated to this work, especially in these austere fiscal times. We need to ensure we get back to basics and conduct this work better than ever. And at GSA our commitment is to service, to duty, and to our Nation and not to conferences, awards, or parties.

The unacceptable, inappropriate, and possibly illegal activities at the WRC stand in direct contradiction to the express goals of this agency and the administration. And I'm committed to ensuring that we take whatever steps are necessary to hold responsible parties accountable and to make sure that this never happens again.

We need to refocus this agency and get back to the basics, streamlining the administrative work of the Federal Government to save taxpayers money. The goal is supported by the GSA fiscal year 2013 budget request. This will help to deliver a more effective and efficient Government.

PREPARED STATEMENT

To conclude, I look forward to working with this subcommittee moving forward, and I welcome the opportunity to take any questions.

Senator DURBIN. Thank you.

[The statement follows:]

PREPARED STATEMENT OF DANIEL M. TANGHERLINI

Chairman Durbin, Ranking Member Moran, and distinguished members of the subcommittee: My name is Daniel M. Tangherlini, and I am the Acting Administrator of the General Services Administration (GSA). Thank you for inviting me to appear before you today to discuss the GSA Inspector General's (IG) report as well as the GSA fiscal year 2013 budget request.

First and foremost, I want to state my agreement with the President that the waste and abuse outlined in the IG report is an outrage and completely antithetical to the goals and directives of this administration. We have taken strong action against those officials who are responsible and will continue to do so where appropriate. We are taking steps to improve internal controls and oversight to ensure this never happens again. I look forward to working in partnership with this subcommittee to ensure there is full accountability for these activities so that we can begin to restore the trust of the American people.

At the same time I am committed to renewing GSA's focus on its core mission: saving taxpayers' money by efficiently procuring supplies, services, and real estate, and effectively disposing of unneeded Government property. There is a powerful value proposition to a single agency dedicated to this work, especially in these fiscal times, and we need to ensure we get back to basics and conduct this work better than ever.

PROMOTING EFFICIENCY AND REDUCING COSTS

The shocking activities and violations outlined in the IG report run counter to every goal of this administration. The administration makes cutting costs and improving the efficiency of the Federal Government a top priority. On June 13, 2011, the President issued Executive Order 13576, "Delivering an Efficient, Effective, and Accountable Government". This Executive order emphasized the importance of eliminating waste and improving efficiency, establishing the Government Accountability and Transparency Board to enhance transparency of Federal spending and advance efforts to detect and remediate fraud, waste, and abuse.

The President further established the goals of this administration in Executive Order 13589, "Promoting Efficient Spending", which set clear reduction targets for travel, employee information technology (IT) devices, printing, executive fleets, promotional items, and other areas. The President's fiscal year 2013 budget request for GSA would achieve \$49 million in savings under this Executive order, including \$9.7 million in travel.

HOLDING OFFICIALS RESPONSIBLE

It is important that those responsible for the abuses outlined in the IG's report be held accountable. We are taking aggressive action to address this issue and to ensure that such egregious actions will never occur again. We have taken a series of personnel actions, including the removal of two senior political appointees. We have also placed 10 career employees on administrative leave, including 5 senior officials.

I intend to uphold the highest ethical standards at this agency and take any action that is necessary and appropriate. If we find any irregularities, I will immediately engage the IG. As I indicated in my joint letter with GSA's IG, I intend to set a standard that complacency will not be tolerated, and waste, fraud, or abuse must be reported.

I believe this commitment is critical, not only because we owe it to the American taxpayers, but also because we owe it to the many GSA employees who conform to the highest ethical standards and deserve to be proud of the agency for which they work.

TAKING ACTION

I have taken a number of steps since I began my tenure on April 3, 2012, to ensure this never happens again. GSA has consolidated conference oversight in the new Office of Administrative Services, which is now responsible for:

- Oversight of contracting for conference space, related activities, and amenities;
- Review and approval of proposed conferences for relation to GSA mission;
- Review and approval of any awards ceremonies where food is provided by the Federal Government;
- Review and approval of conference budgets as well as changes to those budgets;

- Oversight and coordination with GSA conference/event planners and contracting officers on conference planning;
- Review of travel and accommodations related to conference planning and execution;
- Handling of procurement for all internal GSA conferences; and
- Development of mandatory annual training for all employees regarding conference planning and attendance.

Additionally, we have cancelled the 2012 Western Regions Conference (WRC) as well as a number of other conferences that only or primarily involved internal staff. To date, I have cancelled 35 conferences,¹ saving taxpayers \$995,686. As we put in place greater controls and oversight, we are reviewing each event to make sure that any travel is justified by a mission requirement.

We have also begun review of employee relocations at Government expense, and will require all future relocations to be approved centrally by both the Chief People Officer and the Chief Financial Officer.

To strengthen internal controls, we are bringing in all Public Buildings Service regional budgets under the direct authority of GSA's Chief Financial Officer. The autonomy of regional budget allocations is, in part, what led to this gross misuse of taxpayer funds on both the regional conference and the employee rewards program known as "Hats Off". The additional approvals and centralized oversight are intended to mitigate the risk of these problems.

In response to concerns over spending on employee rewards programs, I have eliminated the "Hats Off" store that was operating in the Pacific Rim region, as well as all similar GSA programs.

I am moving aggressively to recapture wasted taxpayer funds. As a first step, on April 13, I directed that letters be sent to Bob Peck, Jeff Neely, and Robert Shepard demanding reimbursement for private, in-room receptions at the WRC. I will pursue other fund recovery opportunities.

I am engaged in a top-to-bottom review of this agency. I will continue to pursue every initiative necessary to ensure this never happens again and to restore the trust of American taxpayers.

FISCAL YEAR 2013 BUDGET REQUEST

The GSA fiscal year 2013 budget proposal aligns with our value proposition: GSA helps agencies deliver more for their missions.

Across a range of program areas including the move to cloud email, developing one-stop shop IT security protocols through Federal Risk and Authorization Management Program (FedRAMP), leveraging the bulk cooperative buying power of the Government with Federal Strategic Sourcing opportunities, and using the latest in real estate portfolio planning, GSA brings expertise and efficiency to the table in service of our customers and the taxpayer.

COST SAVINGS AT THE GENERAL SERVICES ADMINISTRATION

In accordance with Executive Order 13589, "Promoting Efficient Spending", our fiscal year 2013 budget would achieve \$49 million in savings, including \$9.7 million in travel. In addition, GSA will maintain consulting and advisory contract spending at \$32.8 million less than fiscal year 2010 levels.

TARGETED INVESTMENTS IN CRITICAL INFRASTRUCTURE

Federal Buildings Fund

Our fiscal year 2013 budget requests \$8.6 billion in New Obligational Authority (NOA) for the FBF associated with \$9.7 billion in estimated fiscal year 2013 revenue. This request includes a capital investment program of \$551 million. GSA is not requesting an appropriation to the FBF, and would fund the fiscal year 2013 new obligation authority request from balances in the FBF. This year we are requesting a very limited amount of funding to support exigent need and high return on investment capital projects. Over the longer term, we will need to work with the Congress to ensure adequate investment in the capital program to ensure the Federal buildings portfolio does not deteriorate, and we complete critical construction projects already initiated such as the Department of Homeland Security consolidation at St. Elizabeths.

¹ A conference is "a symposium, seminar, workshop, or other organized or formal meeting lasting portions of 1 or more days where people assemble to exchange information and views or explore or clarify a defined subject, problem or area of knowledge."

Our request for \$56 million in NOA for new construction and acquisition would allow GSA to acquire, through existing purchase options, two buildings under lease to the Federal Government in Martinsburg, West Virginia, and Riverdale, Maryland. The Government has the option to purchase both buildings at a set price prior to the lease expirations. Both facilities are fully utilized by the Federal Government, specifically the Internal Revenue Service in Martinsburg, West Virginia and USDA in Riverdale, Maryland—and both locations have been identified as a long-term Federal need. The execution of these purchase options would eliminate costly lease obligations and result in millions of dollars in out-year cost avoidance to the Government.

GSA requests NOA of \$495 million for repairs and alterations to Federal buildings. Our proposed repairs and alteration program includes:

- Exigent needs projects in 20 Federal buildings to repair critical building and safety systems including elevators; fire and life safety, electrical, and heating and ventilation systems; and repairing structural deficiencies (\$123 million);
- Nonprospectus repairs and alterations projects (\$341 million);
- Energy and water retrofit and conservation measures (\$15 million); and
- Consolidation activities to alter interior space in the Daniel Patrick Moynihan Courthouse, New York, New York, and Peachtree Summit Federal Building, Atlanta, Georgia, to consolidate various agencies from lease space into federally owned space (\$16 million).

Like the lease purchase options outlined above, consolidation of Federal activities from leased to owned space will result in millions of dollars in annual cost avoidance.

In addition to our capital program, GSA requests NOA for our operating program, in the amount of:

- \$5.5 billion for the Rental of Space program, which will provide for 199 million rentable square feet of leased space;
- \$2.4 billion for the Building Operations program; and
- \$120 million for the Installment Acquisition Payments program.

We intend to assure PBS dollars will be spent on cost-effective projects and services that advance our customer's missions. We will not fund projects or services that have questionable returns or excessive overhead expenses.

General Services Administration Operating Appropriations

The GSA fiscal year 2013 budget requests \$272 million for our operating appropriations that provide for the Office of Governmentwide Policy, the governmentwide programs of the Operating Expenses account, the GSA IG, the Electronic Government Fund, the pensions and office staffs of former Presidents, the Federal Citizen Services Fund, and, if needed, Presidential transition.

Our budget requests an additional \$23 million more than the fiscal year 2012 level for the Governmentwide policy appropriation, including \$21 million for the continued modernization of the Integrated Acquisition Environment (IAE) investment in the Systems for Awards Management (SAM) project and \$2 million for Information Sharing and Identity Management (ISIM). GSA is the program manager for the IAE, an Electronic Government (EGov) program. On behalf of all Federal agencies, GSA is managing 10 outdated, separate systems which will be consolidated into a single, integrated platform to support Federal acquisition, grants, and loans management. The first phase of the ongoing consolidation effort will launch May 2012. For fiscal year 2013, GSA is requesting SAM investment funding to further consolidate and simplify the disparate systems. Further consolidation will improve Governmentwide reporting on how Federal tax dollars are spent, reduce redundancy and the burden on all businesses—in particular on small businesses who do work for the Federal Government, significantly improve data quality as well as the exchange of information across the acquisition, financial, grants, and loan communities.

The ISIM program is providing the civilian agencies with standards for the Federal information-sharing environment. ISIM will establish capabilities for sharing information—grant, financial, acquisition, and other data—within and across Federal departments using secure, common standards. This investment is critical to allow Federal agencies to share and rapidly access secure information that supports mission delivery. GSA will develop common data standards or attributes in collaboration with agencies that complement our responsibilities for the Federal Identity and Access Management program and ensure security, privacy, and interoperability best practices.

We have requested an increase of \$4.3 million for the Electronic Government Fund to improve citizen engagement with the Government through innovative technologies and to improve delivery of Government services to the public. The additional funding will support expanded efforts to improve Government service by pro-

viding other agencies with technology and expertise to improve their interactions with the public. GSA will continue to build governmentwide capability to engage citizens in dialogues and challenges to solve complex issues directly impacting the public.

In accordance with the Presidential Transition Act of 1963, as amended, GSA requests \$8.9 million for an orderly transfer of Executive power in connection with the expiration of the term of office of the President and the Inauguration of a new President. This funding is required only in the event of a change in administration.

GSA requests an additional \$1 million for the IG. The request also includes \$0.3 million for the fiscal year 2013 Federal pay raise and \$0.1 million for benefits and contract support for former Presidents.

The proposed fiscal year 2013 increases are offset by net administrative cost reductions of \$2.1 million in operating expenses and \$2.3 million in the Federal Citizen Services Fund.

SUMMARY STATEMENT

The unacceptable and inappropriate activities at the WRC stand in direct contradiction to the express goals of this agency and the administration, and I am committed to ensuring that we take whatever steps are necessary to hold those responsible accountable and to make sure that this never happens again. At the same time, I believe that the need for a high-quality GSA is more acute today than in any time in its history. We need to refocus this agency and get back to the basics: streamlining the administrative work of the Federal Government to save taxpayers money.

With that said, this goal is directly supported by the GSA fiscal year 2013 budget request as it will help to deliver a more effective and efficient Government.

CLOSING STATEMENT

Mr. Chairman, this concludes my formal statement. I look forward to continuing this discussion on the GSA IG report and our fiscal year 2013 budget request with you and the members of the subcommittee.

Senator DURBIN. Inspector General Miller, the floor is yours.

STATEMENT OF BRIAN D. MILLER, INSPECTOR GENERAL

Mr. MILLER. Good afternoon, Chairman Durbin, Ranking Member Moran. Thank you for inviting me here to testify about our report.

While my report details what went wrong at GSA in connection with the WRC, I want to take a moment to focus on what went right.

The system worked. The excesses of the conference were reported to my office by a high-ranking political appointee, and our investigation ensued. Not one person prevented us from conducting that investigation or obstructed what turns out to be a lengthy investigation.

As each layer of evidence was peeled back, we discovered that there was more to look into. So our investigation continued independently.

While some have suggested that the investigation took too long to produce the final report, anyone familiar with law enforcement investigations understands that when you turn over one stone you often find more stones that need to be turned over as well.

Most people also understand the need to be careful and certain before making public allegations such as those contained in the report, because careers and reputations are on the line, and my office does not take that lightly.

Moreover, the then GSA Administrator ultimately had control over the date on which this report was released because it was the Administrator's response to the final report that triggered its public release.

Finally, the system has been strengthened by the release of the report and by the public attention it has received in the media and from both chambers of the Congress.

While not one of the many career employees and political appointees who were involved in the WRC came forward and reported the waste, fraud, and abuse that occurred there, perhaps for fear of reprisal, GSA's honest and hard-working employees now have been empowered to bring issues to our attention and they are doing so. We have more work than ever.

And I'd like to take this opportunity to thank the numerous dedicated professionals from throughout the Office of Inspector General that worked so many long hours to ensure that the report was accurate and fair and drew no conclusions beyond those fully supported by the evidence. They do great work.

PREPARED STATEMENT

And I would like to thank all the special agents, forensic auditors, and lawyers that worked on it.

Thank you. I ask that you make my written statement and the report part of the record. Thank you.

Senator DURBIN. Without objection.

[The statement follows:]

PREPARED STATEMENT OF BRIAN D. MILLER

Chairman Durbin, Ranking Member Moran, and members of the subcommittee, I thank you for inviting me to testify here today. As you know, on April 2, 2012, the General Services Administration Office of Inspector General (GSA OIG) published a report regarding GSA mismanagement of its Western Regions Conference (WRC) in the fall of 2010.

It may be very difficult to find among all the bad news and repugnant conduct, but there is at least a glimmer of good news. The oversight system worked. My office aggressively investigated, audited, interviewed witnesses, and issued a report. No one stopped us from writing the report and making it public. Based on the final report, swift action has been taken, hearings have been scheduled, and the whole ugly event now lay bare for all to see. Justice Brandeis said that sunlight is said to be the best of disinfectants.

Almost every Federal agency has an inspector general, someone watching and reporting fraud, waste, and abuse of taxpayer dollars. The Congress recently strengthened offices of inspectors general so that we can better perform our oversight work. We are often the last resort for protecting taxpayer dollars—unfortunately catching the fraud, waste, and abuse after the money is spent. More needs to be done to establish early warning systems. This is why Acting Administrator Daniel M. Tangherlini and I recently reminded GSA employees to alert us as soon as they see anything wrong. The WRC could only occur in an environment where the best lack all conviction while the worst skirt the rules.

Benjamin Franklin warned us at our Nation's founding: "There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the Government." Those tempted to engage in fraud, waste, and abuse need to know they will be caught. The ultimate deterrence against fraud, waste, and abuse is criminal prosecution. We frequently partner with the Department of Justice in civil and criminal cases.

The GSA OIG has about 300 employees to oversee an agency of more than 12,000 employees, who are responsible for almost \$50 billion in civilian contracts, most Federal buildings, and the Federal automotive fleet. Despite the ratio of OIG personnel to GSA personnel, our office has achieved more than \$6.5 billion in savings to the taxpayer since 2005. In 2008, GAO found that the GSA OIG had an average return of \$19 per \$1 budgeted (GAO Report 09-88, 2008).

Our special agents, forensic auditors, and lawyers deserve the recognition for this report. But our office and other offices of inspectors general produce great work like this day after day. My own office has issued numerous audit reports relating to GSA's construction and renovation contracts under the American Recovery and Re-

investment Act. We discovered and investigated 11 Federal property managers and contractors taking bribes and kickbacks. All 11 are now convicted. Criminals selling counterfeit IT products were caught and convicted, and are now serving time in Federal prison, because of the work of our office and other law enforcement agencies. Federal contractors have paid back hundreds of millions of dollars, because of our audits. Most recently, Oracle paid \$199.5 million to settle False Claims Act allegations.

The core mission of GSA is to provide low-cost goods and services. When GSA wastes its own money, how can other agencies trust it to handle the taxpayer dollars given to them? GSA also has the sole responsibility for the Federal travel regulation, which governs travel and conference planning by agencies across the executive branch. 5 U.S.C. 5707(a)(1). As detailed in my office's report, in putting on the WRC, GSA committed numerous violations of contracting regulations and policies, and of the Federal travel regulation. This is of special concern because other Federal agencies need to be able to look to GSA as a model of how to conduct their contracting and procurement efforts, and manage their travel and conference planning.

In attempting to model the entrepreneurial spirit of a private business, some in the public buildings service seemed to have forgotten that they have a special responsibility to the taxpayers to spend their money wisely and economically. While a private business may use its profits to reward employees in a lavish fashion, a Government agency may not. Even so, this report should not obscure the fact that thousands of GSA employees work hard and do a great job for the American taxpayers. It is only a minority of employees that are responsible for this debacle.

In preparing the WRC report, numerous dedicated professionals from throughout the OIG worked long hours to ensure that the report was accurate and that it drew no conclusions beyond those fully supported by the evidence. My office continued to receive documents relating to this report as late as this January. We are still receiving documents relating to ongoing investigations. It is my hope that these efforts will enable GSA to improve its contracting and conference planning practices in the future, so that GSA may not only be a better steward of taxpayer dollars, but act as a leader within the Federal Government in efficient procurement and conference planning.

I thank you for an opportunity to discuss this important work of the OIG with the subcommittee. I request that the attached report and this statement be made part of the record, and I welcome your questions.

WESTERN REGIONAL CONFERENCE

Senator DURBIN. Mr. Tangherlini, far be it for me to suggest that people sitting on this side of the podium, in our profession, have not been guilty of bad judgment. It's happened. It's been recorded. It's been acknowledged.

Some of us feel that maybe we had the right teachers in life along the way, and I was lucky to work for a number of people who I thought were as honest as could be, and I tried my best to follow their example.

There was always this basic standard before you made a decision, how will it look on the front page of tomorrow's paper. And that has, in many ways, I think, brought me back down to Earth for something that wouldn't have looked very good at all. We decided we're not going there.

My question is when it gets to this conference in region 9 here, it appeared to be a much different mentality. It was, you know, we'll take care of our own. We'll keep quiet. And if it wasn't for the whistleblower sometime later, it appears that this pattern of regional conferences might have just continued.

What have you found since you've been at the agency about that region or that experience or that attitude?

Mr. TANGHERLINI. We're working very closely with the inspector general. We've learned that there is more than just this conference in this region we should be concerned about. And there are other issues that we should be concerned about across the agency.

In fact, in the first week, after I had met with the inspector general, I did that on the first day, and we subsequently had other follow-up meetings.

We agreed to do a joint letter to all 13,000, roughly 13,000, GSA employees, asking them, in the future, to please, if you see something you suspect is wrong to talk to your fellow employees, talk to your supervisor, talk to your supervisor's supervisor, and/or, certainly, if you see waste, fraud, and/or abuse, call the inspector general. Reach out to the inspector general through their FraudNet Hotline.

And then I think both of us are discouraged by the fact that there were 300 attendees that saw what was intentionally designed to be over the top and didn't raise a concern up to the inspector general.

Senator DURBIN. So how do you explain that after this occurred, after this event occurred, this Mr. Neely got more than \$11,000 in bonuses? It was almost, not just a seal of approval, but it was congratulations, job-well-done bonuses.

Tell me how the sequence of his decisionmaking didn't come to the attention of those higher up when they're deciding whether he should get even more taxpayers dollars for his malfeasance?

Mr. TANGHERLINI. I regret, Mr. Chairman, I'm not sure I'm able to describe what happened. I have been there a short time. What I've learned I've simply learned through the hearings over the last several days, what I heard through the inspector general's report.

So what I can say, though, is as we look at the agency, we go top-to-bottom. I think the performance appraisal system is one place that we have to start and make sure that we have strong controls in our performance evaluation system that emphasize integrity in our senior leaders, because, to your earlier comment, I think that people watch what their leaders are doing and they model that behavior.

INTERN CONFERENCE

Senator DURBIN. So what about this interns conference in Palm Springs? I mean, I love my interns. I started off as an intern in a Senate office. They do a great job. They don't get paid for it. So why would you hold or why would they hold an interns conference in Palm Springs, California?

Mr. TANGHERLINI. I have no ability to explain what they were thinking in having that conference. I know my experience as an intern had really been about hard work, late hours, low or no pay—

Senator DURBIN. An occasional slice of pizza.

Mr. TANGHERLINI. Which I bought. So, you know, I understand the value of interns. I'm just concerned that a conference like this was almost trying to implicate people from the beginning in this approach to that work.

Senator DURBIN. And the other thing that seemed, I mean, we're aware of advance teams with Presidential candidates and others. The advance work that was being done for these conferences involved lengthy trips, many employees being treated, you know, in kind of lavish circumstances. Was that a standard just in this region or did you find it to apply to other regions as well?

Mr. TANGHERLINI. Again, we haven't had a chance to dig into other regions. What I understand was that certainly was a culture to the approach of this leader within that region.

But I think what it really tells us is we need to look at the way we've structured ourselves, so that other people have a chance to raise the alarm if they see this kind of thing happening.

And so, last week, I asked that all the regional offices' financial staff report up to our Chief Financial Officer (CFO), Alison Doone. In the past, they had been given a budget allocation and they were allowed, within the region, to work within that allocation entirely autonomously.

WESTERN REGIONAL CONFERENCE

Senator DURBIN. So, Mr. Miller, as I understand it, two people who attended the conference came forward to a GSA employee who had worked on Capitol Hill, and she, in turn, notified your office—if that sequence is accurate. I guess my question to you is the environment where a whistleblower feels safe enough to come forward with that kind of information is critically important.

Mr. MILLER. It is.

Senator DURBIN. For us to have oversight on taxpayer spending. What has been your experience before and after this particular investigation?

Mr. MILLER. Well, Mr. Chairman, the Deputy Administrator, Susan Brita, who did work on Capitol Hill, came to our office in December 2010. I believe she overheard conversations. I'm not aware of specific individuals coming to her to complain about it. But she came forward to our office.

We immediately investigated and found a whole string of problems, not only with the WRC, but with other conferences, such as the intern conference and other conferences.

Having whistleblowers is invaluable to our investigations. We rely on the good, hardworking, honest GSA employees who come forward and tell us that things are wrong. That often starts our investigation.

Senator DURBIN. I'm asking you if, before this event was reported to you, and since, can you tell me what the environment is? Do whistleblowers feel that they can come to you?

Mr. MILLER. We have been receiving a lot of whistleblower complaints since this report was released. It has gotten tremendously better in terms of complaints in terms of whistleblowers.

The witnesses we interviewed in connection with this investigation reported an atmosphere where people were not encouraged to speak up. One witness said that when someone spoke up, they were "squashed like a bug".

Others said that the regional commissioner had a way of putting people down in a very uncomfortable way when they would raise concerns about expenditures. And it came forward from a number of witnesses that there was an environment where people were discouraged from coming forward, raising questions, calling into question expenditures.

And, as a result, there are a number of over-the-top conferences, not just the WRC, but the intern conference that you brought up,

where they had a team-building exercise focused on a jeep tour and many other events.

Senator DURBIN. Senator Moran.

Senator MORAN. Mr. Chairman, thank you.

OFFICE OF INSPECTOR GENERAL REPORTS

First of all, let me ask Mr. Miller, you have issued the inspector general's report dated April 2, 2012.

Mr. MILLER. Correct.

Senator MORAN. What is the extent of the problem that this, at GSA, that this report covers? Is this the sum total of the problems that you see at this agency or is this more the proverbial tip of the iceberg?

Mr. MILLER. Senator, it is one event. As an inspector general, we produce reports that we can verify every which way, and it's totally accurate. We did the report on the WRC. We have a number of ongoing investigations. We have not produced reports yet on the number of ongoing investigations, and there are many other ongoing investigations.

Senator MORAN. Can you quantify that, the magnitude of the investigations that you are now conducting?

Mr. MILLER. It's a little difficult because, as I said in my opening statement, every time we turn over a stone, we find 50 more, and, you know, we find other instances.

You know, even today we found out that the wife of the regional commissioner had a parking space throughout the entire year of 2012 at the Federal building. And, you know, we just find one thing after another, and it's difficult for me, even now, to quantify it.

Senator MORAN. Would we expect additional inspector general reports in the near future?

Mr. MILLER. Well, we are doing investigations. Our normal course would be to complete the investigation and then refer it for criminal prosecution, if it's merited.

Civil liability, under the False Claims Act or under another civil statute or for administrative action, we sometimes will do the report, give it to the Administrator to take administrative action against individuals.

REGIONAL OVERSIGHT

Senator MORAN. Mr. Tangherlini indicated about the autonomous nature of the management policy, style, and conduct in this region. Mr. Miller, was that unique to that region?

And I prefer to call you Dan, because I will struggle with your last name, but perhaps Dan would like to answer this question as well.

And is that something that was new at GSA? You indicated now that you've centralized the process, that the CFO now is involved in the decision about paying bills as compared to relegating that authority to somebody in the field. Is that unique to this region, to GSA? And when did that begin? Is that something that occurred in Dan's predecessor's tenure?

Mr. MILLER. Well, there's a number of levels to the answer to that question. With region 9, the regional commissioner for PBS

was also the acting regional administrator in charge of the entire region, because that is normally a political appointment and that was vacant. So he was acting regional administrator for the whole region.

So, in that sense, region 9 was a little bit different. The other acting regional administrators had a shorter tenure because political appointments were made.

But, generally, regions have a somewhat awkward relationship with the central office. They always have. That was exacerbated when Acting Administrator Paul Prouty, when he was acting during the interim before Martha Johnson was confirmed, he was a PBS regional commissioner for region 8, I believe, and he became Acting Administrator.

One of the orders he put into place was to lower the regional administrator from a political appointment of an Senior Executive Service employee down to the equivalent of a GS-15 political appointment and restrict the duties of the regional administrator.

The result was the regional commissioner for PBS had more authority within the region and the regional commissioner for the Federal Acquisition Service had more authority within the region. But, Dan, perhaps you'd like to—

Senator MORAN. Let me follow up before you respond. That would be a change in policy at GSA.

Mr. MILLER. Correct.

Senator MORAN. And that would have been at what point in time?

Mr. MILLER. It was before Martha Johnson was confirmed. I would say about 6 months prior, maybe 8 months prior.

Senator MORAN. Thank you.

Mr. MILLER. I can find the exact date.

[The information follows:]

The exact date was September 15, 2009.

Mr. TANGHERLINI. My understanding of the timeline is as the inspector general described. But it gets to a bigger problem that we had allowed the regions to become almost fully autonomous to the purposes of budget authority and acquisition authority.

One of the steps we've already taken is to centralize the CFO function and make all the regional CFOs, our financial management employees, report up the chain through the central CFO.

We've also required, for conferences and for travel, our chief administrative officer, our Office of the Chief Administrative Officer, in headquarters, to review and approve justifications for conferences and conference travel.

REGIONAL OVERSIGHT

Senator MORAN. Is that because it's the best management practice, regardless of the evidence that you discovered how poorly things were managed, the problems that the inspector general determined?

If you had come to this agency without the inspector general's report describing what had happened in this region, would this be the same policy that you would want to put in place as a new man-

ager, regardless of the facts that the inspector general demonstrated?

Mr. TANGHERLINI. The ability at a senior level to have visibility straight down into expenditures at the field level, at the ground level I think is key to any—

Senator MORAN. So you, as a manager, would have put those policies in place even if we didn't know about what went on in this region?

Mr. TANGHERLINI. I don't know if we would have put the exact ones we put in place. Right now, we're trying to make sure that we get a handle on any kind of travel, any kind of conferencing, get a sense of what the expenditures are.

But I believe that having good central office oversight into the expenditures and operations of a regional office is, frankly, just good, basic best practices management, yes.

Senator MORAN. I have additional questions, but I assume—

Mr. MILLER. With the indulgence of the chairman, the year was 2009 that the order was entered changing the structure.

Senator MORAN. Thank you very much.

WESTERN REGIONAL CONFERENCE

Senator DURBIN. Mr. Miller, I don't know if this is for you or Mr. Tangherlini, but what's next? Are we going to get any taxpayers' money back from this fiasco? And, second, what's going to happen to the people who were responsible for it?

Mr. MILLER. Well, when Dan was appointed, we met immediately, and one of our first conversations was about sending demand letters to the officials that had parties in their room and for the excesses at the conference. And I'll let Dan tell you more about that.

Mr. TANGHERLINI. As I mentioned in my testimony, we sent demand letters to three individuals who had inappropriate parties in their rooms.

We also have, using the inspector general's report, started going through to try to identify those activities, extensions of activities, related activities for which we can very easily, well, very clearly seek reimbursement to the Federal Government, and we're working on that right now.

Senator DURBIN. Has there been a determination made as to whether what you've found so far merits review by the Department of Justice (DOJ) for criminal action?

Mr. MILLER. Mr. Chairman, we have met with DOJ, and we've made a criminal referral.

Senator DURBIN. I won't go into any further. I'm sure you can't either.

Mr. MILLER. Thank you.

CONSTRUCTION

Senator DURBIN. Let me ask about some other issues related to the GSA as an agency. For many years, typically, GSA would spend about \$700 to \$900 million annually from the FBF to build buildings to house Federal agencies. Because of cutbacks in Federal spending, that funding reached a new low last year of \$50 million, compared to the \$700 to \$900 million in previous years.

I'm trying to establish what I mentioned at the opening. What do you believe is the real cost of delayed construction to specific projects? And I can get into those, the Department of Homeland Security (DHS), the Food and Drug Administration (FDA) and others. And what is the general impact on cost to the Federal Government, realizing that leased space is usually more expensive than an owned building?

Mr. TANGHERLINI. Given that I have just come to this job very recently and have been working very much on the earlier issue we were discussing, I don't know if I'm best equipped to answer those questions fully today, but I would like to work with you and your staff.

I will say, though, the fact that we have reduced our expenditures to the level we have has some concern about this incredibly large and valuable asset that we maintain. And that's something that, collectively, we have to work on to make sure that we are actually investing sufficiently to maintain the quality of those facilities.

Building things, delaying construction can cost additional money, just through the sheer power of inflation and the costs of raw materials, and so that's an additional concern.

Senator DURBIN. I'm going to ask you, when you get back to me, if you would look specifically at the DHS project at St. Elizabeths here in Washington.

The \$3 billion project began in 2009 and now is limping along with limited funding. What will be the impact on the cost of this project to not bring it to conclusion and the cost to the Federal Government of delaying the expenditure?

Same thing is happening in Denver, the Denver Federal Center, where there's substantial evidence of hazardous materials. And a remediation effort was underway, a protective effort, that I understand has either been slowed down or suspended as a result of budgetary issues.

And the FDA—White Oak Campus. That's been going on for as long as I can remember. Definitely overdue, with FDA agencies spread around in many different leased buildings.

So if you would get on those three, I would appreciate that very much.

Mr. TANGHERLINI. Yes, Sir.

[The information follows:]

St. Elizabeths and the Denver Federal Center will be addressed in the questions submitted for the record.

With regard to the Food and Drug Administration White Oak campus, General Services Administration (GSA) revised and reduced the project scope to accomplish portions of the campus with fewer funds. GSA originally requested funding for a parking structure on the campus in fiscal year 2012, but changed the plan to instead offer surface parking. The surface parking will provide approximately 1,600 fewer parking spaces than the original plan of a parking structure.

Additionally, GSA will not be able to construct a distribution building that was included in the master plan in order to complete the project within the funding level provided. With the exception of this distribution building and the change in parking, the 2006 master plan will be complete in December 2013.

FEDERAL TRADE COMMISSION BUILDING

Senator DURBIN. This is kind of parochial, but it happens to relate to Capitol Hill and our Appropriations Committee.

There has been a proposal from a Member of Congress to move or to acquire the Federal Trade Commission (FTC) building, which can be seen from the Capitol Complex here, and that it be given to the National Gallery of Art as an annex or a new facility. And, clearly, that suggestion comes with some controversy.

Recently, the Commissioners at FTC sent us a statement—a bipartisan, unanimous statement—that stated serious concerns about the significant and unnecessary cost to the American taxpayer if the historic FTC building is given away to the National Gallery of Art.

I happen to agree with the Commissioners in this regard. As I understand, the proposal is that FTC would be removed from this building, where I believe they started, and sent to some other location. Are you familiar with where that location might be or whether there is a Federal building currently vacant that could accommodate this agency?

Mr. TANGHERLINI. I have met with a number of representatives from the FTC just to gain some initial awareness of this issue. I will actually be meeting with the interested Member of Congress tomorrow to hear that side.

I'm not exactly sure what the proposal is for where the entirety of the FTC would go, because I haven't heard that version yet. But I do know that there is concern on the FTC side about moving out of the Apex Building.

Senator DURBIN. And the Federal Government owns the FTC's current headquarters?

Mr. TANGHERLINI. Yes.

Senator DURBIN. And any replacement building, unless we have a vacant one ready to be moved into that the Federal Government owns, will be a lease expense, at whatever the costs of the lease may be?

Mr. TANGHERLINI. From what I understand, one proposal that's being discussed would be a leased building.

Senator DURBIN. And there would typically be a cost in moving, physically moving the FTC? We have testimony from them that they believe that will be between \$70 and \$83 million.

Mr. TANGHERLINI. Yes, that's what they told me. A large part of that, I gather, has to do with some high-tech equipment associated with the headquarters facility.

Senator DURBIN. It's my understanding they have forensic labs and a sophisticated information technology system that would have to be moved, relocated at considerable expense to the taxpayers.

There's also this notion that if the National Gallery of Art moves into this building it will cost about \$150 million to bring it up to whatever standards they expect to use the space.

And the suggestion is that there would be a solicitation of charitable contributions to the Federal Government to the National Gallery of Art for that purpose, at least that is the proposal.

I look out my window and look down the Mall and notice that there's some construction at the National Gallery of Art Annex. Are you familiar with that construction?

Mr. TANGHERLINI. I am familiar with that construction.

Senator DURBIN. And they're replacing the marble veneer on the building.

Mr. TANGHERLINI. Right.

Senator DURBIN. And I asked my staff to check how much was being paid for by charitable donations, and the answer is nada, nothing. This is all at taxpayers' expense.

So the idea of tens, hundreds of millions of dollars flowing into the National Gallery of Art to renovate the FTC building seems to me to be speculative at least.

So this notion of FTC leaving its traditional place at considerable expense, moving to another space at taxpayers' expense, and then the National Gallery of Art moving into the FTC building and remodeling it seems fairly inconsistent with the notion of a national deficit that has been motivating a lot of our budget decisions recently. You don't have to comment on that.

I will just add that I understand work has been done at the FTC building recently, in terms of plumbing, electrical and such, and that it is in fairly good shape for a building of its vintage to continue to serve the FTC as is. Is that your understanding?

Mr. TANGHERLINI. That's what I've heard from the FTC.

Senator DURBIN. Thank you.

Senator Moran.

WESTERN REGIONAL CONFERENCE

Senator MORAN. Chairman, thank you.

Mr. Miller, you indicated that there's been a referral to DOJ. Do you expect other referrals?

Mr. MILLER. We're working with DOJ every day. We're working very closely with them. When I say referral, I'm specifically being nonspecific. I think I've said everything I can say about it.

We've met with DOJ. Our special agents are working closely with DOJ lawyers.

Senator MORAN. So when you say a referral, that doesn't necessarily mean an individual is under consideration for criminal charges by DOJ. It could be something broader than that.

Mr. MILLER. Well, let me—

Senator MORAN. Tell me what you mean by the word "referral".

Mr. MILLER. Okay. I will tell you what happens in the normal course, and that is that when we do an investigation generally, we will have a matter, we may have one individual. We may have a number of individuals, and they may be related. It may be a scheme. It may be a conspiracy. They may be related in many different ways.

We bring the entire matter to DOJ or to the U.S. Attorney's Office, and DOJ will either accept or decline the case, and then we will do further investigation.

And what we hope will come out of it is indictments against individuals, an individual or more than one individual, as a result of the criminal conduct that is the highest criminal charge that is the most readily provable by the evidence.

Senator MORAN. That answers my question for purposes of what you can answer.

Mr. MILLER. Thank you.

WESTERN REGIONAL CONFERENCE PER DIEM

Senator MORAN. I don't understand how, for example, Mr. Miller, the rooms got paid for. There's a per diem that I assume every Federal employee would be able to utilize when traveling, including to this location. I can't imagine that the per diem is sufficient to cover the cost of what the hotel rooms or at least some of those hotel rooms would cost.

In fact, I understand when the inquiry was made of the M Resort, they indicated that some of the rooms that were utilized in this conference were reserved for their, "high rollers" in the casino.

How is it that a Federal employee is able to be reimbursed for the room? How does the per diem that they receive cover the costs that they incurred?

Mr. MILLER. Okay. The per diem for Las Vegas, at that time, was \$93. And the hotel then would, what they say is they comp the room. They will give an upgrade, theoretically, for free.

And so what they did was instead of a regular room, they gave an upgraded room. And these rooms were upgraded to the very highest, which was a two-story loft room that normally goes for more than \$1,100 a night. And so they were giving these loft rooms.

Now, the hotel can afford to do that because they expect to do catering. And it's part of the overall negotiation with the hotel that the Government has with the hotel to try and get the lowest, theoretically, try and get the lowest price for the taxpayer.

Senator MORAN. Were any of the rooms available for \$93 a night?

Mr. MILLER. Yes. Yes.

Senator MORAN. Okay. So some of them were within the per diem.

Mr. MILLER. Correct.

Senator MORAN. Others paid the per diem, other employees received the \$93 and paid the hotel that \$93, but they got better rooms than what a normal \$93 room would be as a result of the inducement by the hotel to have the conference there?

Mr. MILLER. Correct. It was part of the negotiation. Certain upgrades were included. And the upgrades would be charged at the per-diem rate of \$93. So even though it was a two-story loft, it was charged \$93.

Senator MORAN. Did you discover in your investigation any inappropriate relationship between the vendors, the hotel or the caterers, the folks that GSA contracted with to provide services for this conference? Anything inappropriate between the vendor, any vendor and anybody at GSA in arranging for the conference to occur here and for the entertainment, et cetera to occur? No better word, is there some kind of kickback or inappropriate payment, inappropriate illegal gift provided to the folks who were organizing the conference?

Mr. MILLER. That is under investigation. As we talked about before, we have a criminal referral.

Senator MORAN. Thank you.

Any suggestion in your investigation, when you talk to GSA employees or the management in the region, was there a defense that

kind of this goes on everywhere all the time kind of thing, either within GSA or outside the agency?

Mr. MILLER. Yes. Many of the witnesses we talked to said that this conference was similar to previous WRC, and they cited a number of them that occurred in Oklahoma, New Orleans, and Lake Tahoe.

And the witnesses we talked to said this was along the same lines, that each of the so-called hosts for the conference tried to outdo one another, and the regional commissioner for region 9 for this one said, "I want this to be over the top. I want this to be the best and most lavish sort of conference."

Senator MORAN. In your investigation, did people say, Well, this goes on at other Government agencies, not just the GSA?

Mr. MILLER. Not that I know of, but I'll check the transcripts of the interviews.

TRANSITION AT THE GENERAL SERVICES ADMINISTRATION

Senator MORAN. And then, finally, this may be for you, Mr. Tangherlini. I've been practicing while I've been sitting here. Tell me about Ms. Johnson's resignation. What precipitated that? Was she asked to resign? Was this on her own volition? How did this vacancy occur and then you take that position, at least acting or interim?

Mr. TANGHERLINI. And, Senator, Dan is fine.

Senator MORAN. Thank you.

Mr. TANGHERLINI. But I can only speak to what I've heard former Administrator Johnson say at other hearings that I've participated in over the last couple of days. And from what I understand is that she made the choice herself to resign as a way to allow the agency to move forward.

I was asked by the White House to step in the weekend before her resignation and began my job Tuesday. I guess that would be April 3.

Senator MORAN. So the White House was aware of her pending resignation and had come to you to ask if you would serve in that capacity, and then she ultimately resigned?

Mr. TANGHERLINI. That's what I understand what led them to ask me over the weekend.

Senator MORAN. And do you have any understanding as to whether or not she was asked by the White House or administration officials to resign?

Mr. TANGHERLINI. From what I understand, and this was based on what I heard at these other hearings, was that she made the choice herself.

Senator MORAN. Mr. Chairman, thank you.

CIVILIAN PROPERTY REALIGNMENT BOARD

Senator DURBIN. Mr. Tangherlini, one of the issues proposed by the administration is the Civilian Property Realignment Board. Are you familiar with that concept?

Mr. TANGHERLINI. I'm familiar with it.

Senator DURBIN. Best I understand it, it's something like a base closure commission, where we'd find a way to sell unneeded Federal property. And there have been versions that have originated

in the House, now, in the Senate with Senators Carper and Portman. So what is GSA's view of these bills?

Mr. TANGHERLINI. So as far as I know, the GSA view is that the proposal that the administration put forward is our preferred approach, that it is the most-aggressive proposal. It's the one that will raise the most funds.

I'm not familiar with the Senate draft, but I would be happy to work with my staff to come back and find out what our position is.

[The information follows:]

GENERAL SERVICES ADMINISTRATION POSITION ON PENDING LEGISLATION ON
CIVILIAN PROPERTY REALIGNMENT

General Services Administration (GSA) supports the administration's proposal, which addresses the key challenges that exist in the current process and should streamline and accelerate the disposal process. With respect to the current bills being discussed in the Congress, GSA supports legislation that provides additional realty tools and incentives that encourage sound management of real estate portfolios. GSA supports, for example, retention of proceeds by individual agencies and their reinvestment in agency portfolios. Retention of sales proceeds allows land-holding agencies to direct equity from unneeded assets to needed assets. Such incentives will foster portfolio management as opposed to individual asset management.

CIVILIAN PROPERTY REALIGNMENT BOARD

Senator DURBIN. As I understand it, and I may be wrong, and this is just a press report, that what they are suggesting is an alternative that would basically eliminate the board. I think our experience with BRAC has us a little shellshocked.

Mr. TANGHERLINI. Okay.

Senator DURBIN. These boards that are supposed to be apolitical and turn out to be totally political, and that may be their motivation. I can't speak for them.

But what are the safeguards that you think need to be maintained when we talk about the disposal of Federal property?

Mr. TANGHERLINI. Again, that's an issue I'm going to have to get much further into, but I think one of the things we just need to make sure is that we have gone through a thorough and thoughtful process, so that we're not disposing of property merely to maximize revenue, but also thinking about the long-term needs of the Federal Government.

Senator DURBIN. And I hope also take into consideration the state of the real estate market at the time that this is taken into consideration.

Mr. TANGHERLINI. Fair enough.

Senator DURBIN. Fair enough.

I don't have any further questions. Do you, Senator Moran?

Senator MORAN. Mr. Chairman, I do not have any further questions.

I just would compliment Mr. Miller and his staff, as he did in his opening statement. It appears to me that you've done a good and thorough job. I thank you for your service to the public.

Mr. MILLER. Thank you.

Senator MORAN. And, Mr. Tangherlini, I welcome you to the GSA at very difficult times. It's pleasing to me that there are individuals who are willing to step forward and perform public service. And I

wish you well in your new position at what obviously is a very difficult time.

Mr. TANGHERLINI. Thank you.

Senator MORAN. And I thank you both for your testimony today.

Mr. TANGHERLINI. Thank you.

Senator DURBIN. And let me echo that sentiment, and also note the subcommittee has received a prepared statement for the record signed by all five members of the bipartisan FTC expressing serious concern about the significant cost to taxpayers resulting from proposals to gift FTC headquarters to the National Gallery of Art, and without objection, the statement will be placed in the record.

[The statement follows:]

PREPARED STATEMENT OF THE FEDERAL TRADE COMMISSION

At the subcommittee's invitation, we write as the five members of the bipartisan Federal Trade Commission (FTC)—Jon Leibowitz, J. Thomas Rosch, Edith Ramirez, Julie Brill, and Maureen Ohlhausen—to voice our serious concerns about the significant and unnecessary costs to the American taxpayer if the historic FTC building is given away to the National Gallery of Art and the FTC is forced to move into commercial leased space.

Instead of saving the Government money, the proposed transfer would needlessly forfeit a valuable Federal building and could initially cost well more than \$100 million, with substantial additional costs incurred for years to come. Such an unprecedented giveaway would be contrary to the interests of American taxpayers, especially in this time of fiscal austerity.

First, under proposals in the House of Representatives, the Federal Government would simply give away a Federal building that was recently appraised at \$92 to \$95 million. In addition, appropriated funds still would be required to pay for the maintenance of the FTC building if given to the National Gallery of Art. Although the National Gallery of Art's East and West Buildings were acquired with private money, their maintenance and operations fall to taxpayers under the National Gallery of Art's charter. For example, over the past several years, the Congress has appropriated more than \$80 million just for repairs to the marble façade of the East Building. More troubling, in its fiscal year 2013 congressional budget justification, the National Gallery of Art identified \$45 million in additional critical maintenance and repair needs for its East and West Buildings. Although the National Gallery of Art purports to have the ability to raise hundreds of millions of dollars to repurpose the FTC building, if this building is given to the National Gallery of Art, taxpayers would be responsible for paying to maintain and operate it.

Second, American taxpayers would incur \$70 to \$83 million in estimated costs to move the FTC out of its headquarters building. Moving the FTC headquarters would require the replication of the FTC's sophisticated Internet and forensic labs, litigation support technology, and pre-merger filing databases, as well as the Commission's data center.

The costs to move would represent about one-quarter of the FTC's annual appropriation. We would be extremely concerned if any of these costs had to be taken out of FTC's operational budget, and the Commission had to cut back on its critical work on behalf of American consumers. As this subcommittee knows, FTC has consumer protection and competition jurisdiction over broad sectors of the economy, including healthcare, privacy, technology, and energy. FTC is also working to protect consumers struggling with the economic downturn against all manner of schemes—bogus job opportunities, sham debt relief, and fraudulent mortgage modification plans. At a time when all Federal agencies face budget cuts, FTC is particularly concerned that the Commission might have to bear the wholly unnecessary cost of being moved out of the FTC building and into commercial space.

Third, the latest proposal to transfer the FTC building to the National Gallery of Art would move FTC into privately owned space. To occupy its headquarters, FTC currently pays \$6 million annually to the Federal Building Fund (FBF) in lieu of rent. If FTC headquarters were moved to commercial space and the FTC building given to the National Gallery of Art, the FBF would lose that revenue, and more of the FTC's appropriation would be needed to pay a substantially higher rent to a commercial landlord. Moreover, the move out of a Federal building into commercial space could mean that FTC costs to move, including the costs to replicate its technology systems, could recur periodically. Additional appropriations could be

needed every 10 years or so as leases expire and are replaced, through the competitive bidding procurement process, with new leases.

Finally, the facts do not support claims that the proposed FTC building giveaway would save taxpayers hundreds of millions of dollars in building repair expenses because the National Gallery of Art would pay them with private funds. The FTC building is in excellent condition and needs no significant renovation, repair, or maintenance. In particular, the 75-year-old building has up-to-date electrical, plumbing, and HVAC systems, which are in excellent working order. The General Services Administration has listed no major projects on its 5-year maintenance and renovation schedule for the FTC building.

Any money that would be privately raised to pay for hundreds of millions of dollars in renovations to the FTC building apparently represents the costs of repurposing the FTC building to suit the specifications of the National Gallery of Art. This constitutes no savings to taxpayers, but is an estimate of the costs associated with remodeling the building for a completely different purpose than the one for which it was designed and built.

We believe the most cost-effective plan for housing the FTC headquarters is the status quo—keep the FTC in the FTC building. There is no need to appropriate significant additional funds to move the FTC headquarters now and every 10 years or so—and there is no reason the Federal taxpayer should give away a valuable asset. The historic headquarters building was designed and built for the FTC,¹ has been adapted to meet its evolving needs, and well supports the FTC's mission into the 21st century.

ADDITIONAL COMMITTEE QUESTIONS

Senator DURBIN. The record of the hearing will remain open for a period of 1 week, until noon on Wednesday, April 25, for subcommittee members if they wish to submit statements and/or questions.

[The following questions were not asked at the hearing, but were submitted to the Administration for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

QUESTIONS SUBMITTED TO DANIEL M. TANGHERLINI

WAS TRAINING TO ENHANCE JOB SKILLS CONDUCTED?

Question. There is a long-standing Governmentwide general provision carried in the Financial Services and General Government appropriations bill relating to funds permitted to be expended for training.¹

To what extent did the General Services Administration (GSA) take this funding limitation into account in planning the Western Region Conference (WRC) for 2010, with respect to ensuring that training met identified needs for knowledge, skills, and abilities bearing directly upon the performance of official duties?

¹ When laying the cornerstone for the FTC building on July 12, 1937, President Franklin Roosevelt stated: "May this permanent home of the Federal Trade Commission stand for all time as a symbol of the purpose of the Government to insist on a greater application of the Golden Rule to the conduct of corporation and business enterprises in their relationship to the body politic."

¹ FSGG bill language:

SEC. 714. (a) None of the funds made available in this or any other Act may be obligated or expended for any employee training that—

(1) does not meet identified needs for knowledge, skills, and abilities bearing directly upon the performance of official duties;

(2) contains elements likely to induce high levels of emotional response or psychological stress in some participants;

(3) does not require prior employee notification of the content and methods to be used in the training and written end of course evaluation;

(4) contains any methods or content associated with religious or quasi-religious belief systems or "new age" belief systems as defined in Equal Employment Opportunity Commission Notice N-915.022, dated September 2, 1988; or

(5) is offensive to, or designed to change, participants' personal values or lifestyle outside the workplace.

(b) Nothing in this section shall prohibit, restrict, or otherwise preclude an Agency from conducting training bearing directly upon the performance of official duties.

Answer. GSA is aware of funding limitations listed in the Financial Services and General Government appropriations bill which outlines how funds can be expended for training. In light of what happened at the 2010 WRC, Acting Administrator Daniel M. Tangherlini has taken a number of steps to ensure that training addresses identified needs for knowledge, skills, and abilities that are directly related to the performance of official duties since beginning his tenure on April 3, 2012. The individuals responsible for the 2010 WRC conference are no longer employed by GSA, and GSA does not know whether or to what extent these limitations were taken into account.

GSA has consolidated conference oversight in the Office of Administrative Services (OAS), which is now responsible for:

- Oversight of contracting for conference space, related activities, and amenities.
- Review and approval of proposed conferences for relation to GSA mission.
- Review and approval of any awards ceremonies where food is provided by the GSA.
- Federal Government.
- Review and approval of conference budgets as well as changes to those budgets.
- Oversight and coordination with GSA conference/event planners and contracting officers on conference planning.
- Review of travel and accommodations related to conference planning and execution.
- Handling of procurement for all internal GSA conferences.
- Development of mandatory annual training for all employees regarding conference planning and attendance.

Additionally, we have cancelled the 2012 WRC as well as a number of other conferences that only or primarily involved internal staff, saving taxpayers \$995,686.

GENERAL SERVICES ADMINISTRATION'S CORRECTIVE ACTIONS

Question. On April 2, 2010, then Administrator Martha Johnson issued her response to the Inspector General's (OIG) February 12, 2010 draft "Management Deficiency Report." (As part of that response, Martha Johnson states how on August 9, 2011, she established OAS to provide greater oversight and accountability for all administrative functions of the agency.) How long do you expect it will take for GSA to determine whether it can recover funds improperly expended for nonemployee meals?

Answer. We have formally initiated collection actions for some of the improper expenses incurred at the WRC, including the cost of food provided during in-room parties. We continue to review the invoices and records of the conference to determine whether additional actions are appropriate. GSA is required to conduct debt collection in accordance with the Debt Collection Improvement Act and 41 CFR parts 105-55 and 105-56. These authorities require us to give individuals a minimum of 30 days to examine documents and the right to request hearings regarding GSA's claims. If hearings are requested, it could be several months before the process is complete, and GSA is able to recover funds.

Question. How long do you expect it will take the Senior Procurement Executive to determine whether any of the payment to Royal Productions (the conference A/V firm) can be recouped as a result of double-payment of the lodging charges?

Answer. Royal Productions has already reimbursed GSA for lodging charges by check for \$1,962 on April 17, 2012.

Question. What are the procedures and processes that are underway internally within GSA to address disciplinary action against the 10 officials that were placed on administrative leave following the publication of the OIG's report?

Answer. Requirements for taking an adverse action against an employee are outlined in 5 CFR part 752, to which GSA is adhering. GSA placed individuals on paid administrative leave while the agency has been conducting internal reviews and following specified processes. Disciplinary actions have been proposed and employees have due process rights under applicable statutes and regulations.

Question. When do you expect the new OAS to have fully functioning oversight of contracting for conference planning?

Answer. Fully functioning oversight by OAS began as of April 15, 2012.

IMPROPER CONTRACTING

Question. What system or processes are currently in place to ensure that required contract terms are expressly included in documents executed by GSA?

Answer. GSA currently uses two primary systems to ensure that required terms are included in its contracts. The Federal Acquisition Service uses the Solicitation Writing System to automatically insert required contract clauses in its Multiple

Awards Schedules Program. GSA's Public Buildings Service (PBS) uses an acquisition system called Comprizon, in which contract clauses are added manually, using existing clause databases and templates. Comprizon is expected to be replaced by a new acquisition system starting in the second quarter of fiscal year 2013. The new system will have automatic clause insertion capability and, as a result, will better ensure that PBS contracts contain all required clauses and provisions. The clauses and provisions will be maintained in the system to ensure that they are current at the time the solicitation is issued.

Question. As you evaluate the omission of mandatory contract clauses, would a spot review in the approval chain or other checklist help flag this to avoid future incidents of this nature?

Answer. Yes, spot reviews and checklists would serve to flag incidents. Moving forward, GSA will enhance information technology (IT) system capabilities to better manage the contract clause process. GSA is set to test a Web-based clause engine already developed by the Department of Defense's (DOD) Defense Procurement and Acquisition Policy organization. The Clause Logic Service is a centralized tool that will enable increased efficiency, consistency, and accuracy of clause selection in contracts. The use of this system will alleviate the need to develop and maintain similar systems for each service and/or office. The system will automatically include clauses and provisions in contract documents based on their particular prescriptions, and input from the contracting officer on contract attributes. The application of this system will reduce risk to the Government by ensuring all applicable clauses are included in each contract. GSA will work with DOD to add GSA-specific clauses to Clause Logic and commence system testing of the Graphic User Interface feature in October 2012. In the interim, GSA will take steps to strengthen management review of acquisitions to include a focus on contract clauses.

LOST CONFERENCE SURVEY FORMS

Question. In the investigative interviews conducted by agents of the OIG, it is disclosed that the conference survey forms completed by the attendees at the final general session at the 2010 WRC to be boxed and shipped back for review cannot be accounted for, have never been found, and are apparently declared "lost". What procedures are in place to prevent future situations where valuable information including training evaluations can be safeguarded from loss?

In general, GSA's National Records Program (NRP) establishes procedures, from a recordkeeping perspective, to safeguard agency information. Record maintenance and disposition procedures are documented in GSA Order CIO P 1820.1 (June 8, 2007). Within that directive, several key requirements for the successful execution of GSA's records program include:

- Each Service and Staff Office (SSO) and each region is responsible for implementing and operating an effective records management program.
- Heads of SSOs and Regional Administrators must designate a qualified records officer to operate the records management program within their area of jurisdiction.
- Records officers are responsible for ensuring proper records maintenance and disposition within their program and for training, or arranging training for, associates. GSA's National Records Officer is responsible for planning, developing, administering, and providing oversight of records management agency-wide.

During approximately the past 18 months, and continuing today, GSA is on a path to improving our NRP. Specifically, GSA is currently:

- Modernizing our records management policies by updating them to take advantage of National Archives and Record Administration (NARA) bulletins and incorporating cloud computing.
- Updating GSA's records schedules to take advantage of the NARA general records schedules and GSA's new cloud-based applications.
- Rebuilding our records management program infrastructure.
- Supporting GSA's increased usage of electronic documents.

To accomplish these goals, GSA has:

- Contracted with the NARA for expert assistance;
- Requested all SSOs and regions ensure proper personnel are placed in Records Officer roles; and
- Contracted with the Government Printing Office for digitization support to facilitate GSA's move to increased use of electronic documents.

GSA understands the need for safeguarding agency records and information from improper destruction and loss. In addition to the remedial steps noted above, GSA conducts annual records officer training. GSA also conducts records management

training for employees online at GSA Online University. GSA's goal this year is for all employees to have taken this training by September 30, 2012.

INTERNS CONFERENCE

Question. What was the purpose of the conference held near Palm Springs for interns?

Answer. GSA has determined that the conference for interns that was planned by then Acting Regional Commissioner Jeff Neely does not reflect the current priorities for GSA. Mr. Neely is no longer employed as GSA and the agency does not know what his purpose was.

Question. Why would an off-site conference be held for interns?

Answer. The conference was planned by then Acting Regional Commissioner Jeff Neely and does not reflect the current goals and priorities for GSA. As previously stated, Mr. Neely is no longer employed by GSA and the agency does not know what his purpose was. As a part of the Acting Administrator's top-to-bottom review of GSA operations, we concluded that all upcoming conferences should be reviewed in light of new controls over conferences and travel. Many conferences and meetings were cancelled as part of this review. All upcoming conferences must meet the new requirements which became effective on April 15, 2012.

Question. Did the Region 9 Commissioner make that decision?

Answer. Yes. The then Acting Region 9 Commissioner, Jeff Neely, made the decision to have the conference.

Question. Have there been intern conferences before?

Answer. To the best of our knowledge after a review of our records we have not found any evidence of other intern conferences in region 9 or any other region or GSA central office.

REGION 9 COMMISSIONER—HISTORY OF EXCESSIVE EXPENDITURES?

Question. In one of the many documents from the OIG provided to the subcommittee, a special agent of the OIG asserts that the Region 9 Commissioner's travel for almost 5 years is almost \$250,000. What should the budget be for a regional commissioner for 5 years?

It appears there may have been additional examples of region 9 excessive expenditures:

- “Interns Conference” in Palm Springs at a cost of \$60,000;
- 35 off-site visits conducted in 2010;
- Episodes of lengthy travel while minimal work conducted (e.g., in connection with a ribbon-cutting and site visits); and
- Spouse attended a GSA conference with registration paid by GSA.

Answer. PBS headquarters budget office provides a funding limitation to each region for its building operations and maintenance budget. Within that amount, regional management makes decisions about funding priorities within the region, including travel and other budget items. Although the regions and PBS headquarters offices were issued targets for travel obligations starting in fiscal year 2011 in response to Executive Order 13589 “Promoting Efficient Spending”, PBS does not set specific travel budgets for each office of the Regional Commissioners.

The amount of necessary travel for a Regional Commissioner during the last 5 years would be dependent on various factors, including:

- geographic composition of the specific region;
- the number and type of construction or major leasing projects;
- the number and type of initiatives or issues with customer agencies;
- responsibilities with national initiatives or teams; and
- the number of management meetings that they attended.

Question. Apparently, the Chief Financial Officer (CFO) for PBS did not review the region's expenditures prior to expenditure. Which GSA official(s) should and will be responsible for catching excessive expenditures like this in the future?

Answer. The GSA CFO is responsible for the expenditure of all funds, including travel costs, for PBS. In addition, the Acting GSA Administrator instituted several layers of review and approval for conferences and travel, including Head of Services or Staff Offices, Regional Administrators, Regional Commissioners, the Chief Administrative Services Officer, and CFO. Travel by a Regional Commissioner for normal business travel would be approved by the Regional Administrator.

Question. How are we going to ensure that this never happens again?

Answer. GSA is realigning financial overview and operations from PBS to the Office of the GSA CFO. GSA is working on the formal restructuring of this organization to achieve the additional levels of control to ensure that there is more oversight over budgeting and expenditures and prevent this type of spending.

One of the first changes we made was to implement measures to catch excessive spending. Importantly, the Acting Administrator consolidated all PBS financial operations into GSA's Office of the Chief Financial Officer, which will ensure that there is more oversight over budgeting and expenditures. As soon as feasible, all GSA financial operations will be consolidated into the CFO's office.

As of April 15, 2012, the Acting Administrator implemented new controls over travel and conferences. Under this policy, all travel is suspended unless it meets certain criteria. Only travel for designated GSA operational mission-related activities is permitted upon approval of the Regional Administrator or other approving office. Travel may also occur for an approved conference. Travel may be incurred for a routine management meeting upon waiver by the Deputy Administrator or Acting Administrator. Travel must be justified and approved, prior to the departure date, by the Head of Service or Staff Office. In addition, conferences must be approved by the Head of Service or Staff Office, Regional Administrator, the Chief Administrative Services Officer, and the CFO before any procurement activity takes place or cost is incurred by the organization sponsoring the event.

GSA continues to work on our top-to-bottom review of its operations. As GSA goes through this review, it is deliberately looking for additional control mechanisms to implement so it can catch excessive spending, save taxpayer dollars, and ensure the most efficient delivery of services to GSA's customer agencies.

PROBLEMS AT PUBLIC BUILDINGS SERVICE—SYSTEMIC?

Question. Clearly, there has been a culture of excessiveness and lax accountability within PBS, region 9, and perhaps even in some of the other regions. To what degree might this be a problem in other parts of GSA?

Answer. GSA is committed to renewing our focus on our core mission. GSA currently is conducting a top-to-bottom review of the agency and is pursuing every initiative necessary to ensure this type of excessive spending does not occur in GSA. In the meantime we have taken the following steps to improve internal controls and oversight to ensure this type of excessive spending and lax accountability never happens again:

- Established an OAS responsible for oversight and accountability of all administrative functions;
- Require mandatory annual training for all employees regarding conference planning and attendance;
- Canceled or reduced 35 conferences;
- Suspended internal travel unless it is mission-critical;
- Begun to move PBS regional budget under the direct authority of GSA's CFO;
- Implemented new controls over travel and conferences as described above in response to question 14 (How are we going to ensure that this never happens again?); and
- Realigned reporting lines for Regional Administrators directly to Deputy Administrator.

In addition, GSA's Acting Administrator Daniel M. Tangherlini made it one of his priorities to ensure that there is a culture of integrity and responsibility at all levels of the agency and that any questionable activity be reported, investigated, and any appropriate disciplinary action taken. In a joint notice signed by himself and GSA Inspector General Brian D. Miller on April 11, 2012, he instructed all GSA employees that if they suspect any wrongdoing by any employee of the agency, they discuss it with their colleagues, supervisors, or higher levels in the organization. In addition, the notice stated that GSA will not tolerate retaliatory actions against anyone who raises concerns.

EFFECT OF REDUCED SPENDING ON THE GENERAL SERVICES ADMINISTRATION'S ABILITY TO PAY BILLS AND THE EFFECT ON FEDERAL AGENCIES

Question. In recent years, the amount of funding that the Congress has allowed GSA to spend (particularly with regard to amounts allowed from the Federal Buildings Fund [FBF]) has been drastically reduced from the budget requests. How have you been able to pay your contractually obligated bills such as rental of space and building operations, and what effect has this had on building projects, and Federal agencies?

Answer. The administration directed agencies to make additional reductions in travel, administrative support, and contracts. To meet the goals of this Administrative Cost Savings Initiative GSA PBS began making reductions in fiscal year 2011 and continues to do so into fiscal year 2012. These efforts have made it possible for GSA to reallocate funds within our Building Operations account to maintain all es-

essential services at current levels and avoid reductions to the number of Federal employees.

In addition, through the joint efforts of GSA and our customer agencies to focus on consolidating current occupancies and curtail new space and expansions, where possible, GSA has been able to operate the Rental of Space program at the appropriated funding level.

EFFECT ON BUILDING PROJECTS

While GSA has been able to pay our contractual obligations, the reduced funding in our Building Operations account has curbed our ability to make necessary and prudent investments in our buildings. Reduced funding in both the Building Operations and Minor Repairs and Alterations accounts have limited our ability to lead efforts to reduce space, which requires up-front costs associated with planning and delivering the optimal portfolio plan.

The reduced funding in our capital program limits our ability to build out vacant or underutilized Federal space that could be used to consolidate agencies, assist agencies in reducing their overall space utilization, reduce the amount of costly leased space, and maximize the efficiency of our existing Federal assets. Reduced funding for repairs and alterations could also result in Federal agencies needing to move out of Federal buildings if they are unable to carry out their mission due to the repair and reinvestment needs of that building.

EFFECT ON FEDERAL AGENCIES

Consecutive years of reduced levels of funding prevent GSA from reducing repair and alteration liabilities and could lead to major equipment failures and a need to conduct emergency repairs and replacements, which cost more than conducting ongoing repairs and maintenance. Emergency repair and alterations cost more than conducting ongoing repairs and maintenance. This could disrupt customer agency operations and potentially impede them from carrying out their missions.

GSA's fiscal year 2012 Major Capital Program request included repairs at seven Federal buildings throughout the United States and was submitted in support of the operations and missions of several customer agencies including the operations for the Headquarter Offices for the Departments of Agriculture, State and the Interior, the Veterans Benefits Administration, the Federal Bureau of Investigation, and numerous other Federal agencies. The scope of work involved in these projects included space consolidations and interior construction, exterior renovations, roof replacements, mechanical, electrical, heating, ventilation, and air conditioning systems (HVAC) repairs, fire and life-safety upgrades, entrance screening security upgrades, and hazardous materials abatement. In addition to the impact to our minor and major building repairs and alterations, GSA is unable to undertake major life-safety and fire protection, energy and water conservation, and wellness projects in Federal buildings throughout the country.

Finally, GSA will not be able to provide sufficient alterations to owned space to meet agency changing requirements; facilitate consolidation efforts on behalf of our customer agencies to reduce vacant Federal space, and reduce leased space needs, which is more expensive to the taxpayer.

Question. What will be the effect, if this trend continues for long?

Answer. Consecutive years of reduced levels of funding will prevent GSA from being able to fully fund those activities that are essential to our mission and to improving our financial performance. If this trend continues GSA will be unable to make needed repairs and alterations, which can lead to major equipment failures and a need to conduct emergency repairs and replacements, at a greater cost to the taxpayer than conducting ongoing repairs and maintenance. Making necessary investments in facilities extends the life of the equipment and buildings, while also improving overall customer satisfaction.

The reductions in funding in recent years for both new construction and modernization projects prevents the Federal Government from being able to take advantage of the favorable pricing conditions of the current market. This will lead to increased costs as agencies are forced to remain in more costly leased space and higher costs when modernization projects are ultimately executed in the out years.

In addition, GSA's inability to undertake construction and expansion projects at our land ports of entry (LPOE) is a critical concern and impacts both pedestrian and vehicular traffic at our Nation's borders. A majority of the Nation's LPOE facilities currently in operation were designed to accomplish legacy missions from decades ago and require significant refurbishment or replacement to function effectively. Some of these facilities were built more than 70 years ago and cannot fulfill today's increased traffic demands and additional safety requirements resulting from the

1994 North American Free Trade Agreement, the increasing security requirements after September 11, 2001, and the increasing need for 24-hour operations.

If this trend continues it will greatly affect GSA's ability to fund our Building Operations allocation. We need to invest in energy studies and equipment upgrades, such as advanced meters in order to identify ways to save utility costs and implement changes that will pay for themselves through utility savings. While travel costs have been greatly reduced, there is still a need for mission-critical travel, including that for inspectors to visit construction and repair sites to ensure that contractors are complying with contracts and regulations; inadequate oversight could lead to waste, fraud, and abuse. In addition, it is necessary for GSA to train our personnel in order to ensure all staff remains current on applicable laws, regulations, and policies.

Substantial reductions in funding could also impact GSA's ability to meet contractual obligations in our Rental of Space account, of which approximately 98 percent is associated with existing contractual obligations for current leased space that require payment on a monthly basis.

Question. What has GSA done to help lower costs?

Answer. GSA is closely managing and monitoring spending with the goal of increasing efficiency and reducing costs.

PBS has already achieved significant reductions in travel spending in fiscal year 2011, meeting a GSA-established 25-percent travel reduction goal based on the fiscal year 2010 level. GSA will continue to reduce travel in fiscal year 2012 with a cumulative reduction of 30 percent in fiscal year 2013, in accordance with Office of Management and Budget (OMB) Memorandum M-12-12. The reductions have been and will continue to be achieved through implementing new GSA-wide travel approval procedures, leveraging technology where it makes sense, and limiting travel to that which is necessary to support of mission-critical needs of the agency and customer needs.

PBS has taken an active role in reducing management support contracts. In early fiscal year 2012, PBS issued both guidance and reduction targets to the regions and units within the headquarters, and we will continue to monitor the progress toward meeting those targets. In addition, the PBS IT Governance Board currently reviews all IT expenses to ensure that they are meeting the PBS mission in the most cost-efficient manner. Systems reviews have targeted systems for migration or elimination as a means of streamlining business information and reducing operations and maintenance costs.

PBS is looking at cost-savings measures in cleaning, maintenance, and utilities. For cleaning and maintenance, we are reviewing and re-evaluating current contract requirements and models to gain efficiencies and drive costs down. PBS is engaging industry partners and the vendor community to calibrate PBS practices against those used by private industry. We are placing a stronger emphasis on operational audits to ensure that buildings are running at optimum efficiency and that contract services are scoped properly.

PBS is also achieving significant savings in its utility and operational budgets through energy and water reductions. Energy Independence and Security Act 2007 requires Federal agencies to reduce energy consumption by 3 percent per year in British Thermal Units (Btu) per gross square foot (gsf) compared to a baseline of fiscal year 2003, to reach a total of 30-percent reduction in fiscal year 2015. Additionally agencies are required under Executive Order 13423 to reduce water consumption on a gallon per gsf basis by 2-percent per year over a baseline of fiscal year 2007 to achieve an end result of 16-percent reduction by 2015. Reducing agency's energy by the mandated 3-percent Btu/gsf per year would result in approximately 425,230 mmBtus and \$11.1 million savings annually. Additionally for each 2-percent reduction in gallons/gsf in water consumption, GSA will save an estimated \$440,000 and 49.6 million gallons of water annually.

GSA requested \$40 million for Energy and Water line item project funding in the fiscal year 2012 budget request. If fully funded, GSA would realize an estimated annual savings of 400,000 million Btus and \$6.4 million. The average payback for these projects is 6.25 years.

PBS is also achieving savings through the energy reverse auction program, which provides a framework and a mechanism to assist more than 300 Federal facilities to purchase natural gas. This real-time auction process allows PBS to receive bids for multiple-term lengths and pricing products in a matter of minutes as each auction only takes 5 minutes in total while providing significant reductions in costs from the 2003 baseline. Based on the auctions held to date, GSA estimates \$9.3 million in annual cost reductions comparing old contract rates to new contract rates, and \$17 million over the full term of these contracts. From a percentage perspective,

rates have decreased by 25 percent comparing the old contract rate of \$5.85 per decatherm (dth) to \$4.40 per dth for fiscal year 2012 awards.

Question. How does GSA determine agencies' rental costs?

Answer. GSA's Fair Annual Rent (FAR) process establishes the rates Federal tenants pay for occupancy in federally owned (GSA) space. In federally owned space, rent is based on a rent appraisal specific to the building.

FAR appraisals are developed by independent professional appraisers with local market expertise, based on FAR appraisal instructions provided by GSA. They are intended to reflect rental rates that would be realized for occupancy in GSA buildings, from a private sector perspective, and account for characteristics of the building and its market. As markets are dynamic, GSA has the rental rates in every building appraised at least every 5 years. Every appraisal, developed and reported by independent professionals with local market expertise, is subject to a thorough, four-level review process, involving Regional and Central Office appraisers.

For leased space, rent is a pass-through of the underlying lease contract rent, plus any standard operating costs not performed through the lease, the PBS lease fee (7 percent of the lease contract), and security charges.

Question. I am hearing from some of the other agencies funded by this subcommittee, that they are being asked by GSA to "improve utilization of their space" or to reduce their rental space. But even reducing space has costs associated with it. Would you please discuss how improving space utilization can have costs?

Answer. Improving utilization requires agencies to reduce their real estate footprint and possibly move to a mobile workplace environment, which necessitates up-front investments in up-to-date information technology, furniture solutions, and retrofitting of current Federal space at times. The entire Federal community must find ways to finance the investments needed to improve utilization and produce long-term savings.

REDUCED FEDERAL BUILDING CONSTRUCTION AND EFFECT ON AGENCIES

Question. For years, typically in a given year, we allowed GSA to spend about \$700 to \$900 million from the FBF in order to construct buildings to house Federal agencies. In the past 2 years, that funding has been drastically reduced, to a new low last year of only \$50 million. Will this result in agencies being required to move to leased space, which is more expensive for the Federal Government, and is contrary to OMB policy and Government Accountability Office (GAO) recommendations?

Answer. In markets where no other suitable federally owned space exists and a Federal agency has a long-term space requirement, reduced funding in our construction budget could lead to increased occupancy of leased space, often times at a higher cost to the taxpayer.

The reduction in repair and alterations funding also limits our ability to build out vacant or underutilized Federal space that could be used to consolidate agencies out of costly leased space, assist agencies in reducing their overall space utilization, and maximize the efficiency of existing Federal assets.

Question. Aren't we being short-sighted by not doing Federal construction since the market is competitive now, resulting in lower costs than at other times, and projects will only get more expensive in the future?

Answer. It always is preferable to house our tenants in federally owned space for long-term housing needs, as it is the best value overall to the Government and the taxpayer.

GSA has realized significant savings during this competitive bidding climate, particularly through the American Recovery and Reinvestment Act (ARRA), which allowed GSA to fund needed new construction and renovation projects at a time when construction costs were at an all-time low. Building materials costs were rapidly escalating when GSA began identifying projects for ARRA funding. However, market conditions changed and GSA realized lower construction bid estimates, resulting in approximately \$565 million in immediate savings from awarding contracts in this bidding climate. GSA's preliminary analysis reports that larger projects were awarded at 8-10-percent less than estimated cost.

With the construction market still favorable, GSA could award additional modernization and new construction projects previously approved for design by the Congress, if construction funding became available. These projects are either fully or partially designed and could be procured for construction quickly. The work would support specific systems and modern workplace needs while creating new and durable jobs in a hard-hit sector of the economy.

Question. Apart from some of the giant Federal department consolidations (such as the Department of Homeland Security's (DHS) St. Elizabeths campus and the

Federal Drug Administration's White Oak campus), some of the larger Federal building construction projects have been courthouses. In recent years, through design guide requirements and courtroom-sharing policies, courthouse construction projects are now smaller. How else have you been working with the courts to reduce costs?

Answer. GSA and the Administrative Office of the U.S. Courts (AOUSC) have taken numerous steps to reduce courthouse costs. After the Judiciary declared a moratorium on courthouse construction in 2004, the AOUSC, with GSA's participation, began an Asset Planning Process to re-examine all of the projects that previously were on the 5-year plan. The new process redefined the selection criteria used by the Courts to select projects for inclusion in the 5-year plan and has eliminated many projects that previously were on the 5-year plan for new construction.

GSA and the AOUSC are reviewing projects to reduce scope and costs and discussing other ways to save on courthouse construction costs, including reducing the size of all projects currently in design or planned for design in the Courts' 5-year plan by eliminating courtrooms and chambers for future projected judges. Courtroom sharing among senior district, magistrate, and bankruptcy judges has dramatically reduced the cost of new courthouses. In addition, the AOUSC is considering limiting raised access flooring to the well of the courtroom, and introduction of flexible office environments where appropriate.

EFFECTS OF SLOWING DOWN THE DEPARTMENT OF HOMELAND SECURITY
HEADQUARTERS CONSTRUCTION PROJECT (ST. ELIZABETHS)

Question. The consolidation of the DHS headquarters at St. Elizabeths has been the highest-priority construction project of this and the previous administration's, and is a \$3 billion project that will consolidate DHS offices in the Washington area, many of which are in leased space.

Construction began in July 2009, and typically, construction funding requests amounted to a significant investment. Now, this project is limping along, due to the reduced amount of funding the Congress is able to provide for GSA construction due to funding constraints. What are the effects of slowing down this huge project?

Answer. Completion of the consolidated DHS headquarters project was projected for 2016, but curtailed funding of both GSA and DHS has delayed completion by at least 5 years. The Congress has appropriated \$1.36 billion to the project through fiscal year 2012, and GSA and DHS will seek remaining appropriations in the coming fiscal years.

GSA and DHS are working collaboratively to update the original project plan to reflect appropriations to date and the impact on cost and schedule for completion. GSA anticipates finalizing the revised project plans this summer and will provide the Congress with the revised plan once finalized.

The effects of the schedule slowdown include increases in total project cost due to escalation, lack of project integration, inability to take advantage of bulk purchases, and continued lease payments in high rental rate submarkets in Washington, DC. For example, there is approximately 1.5 million square feet of leased space in the East End and another 1.9 million square feet in southwest D.C., two submarkets with the highest average rental rates in the Washington, DC area.

The slowdown also affects DHS housing requirements. The DHS National Capital Region Housing Master Plan and the DHS Consolidation Headquarters Collocation Plan provide the mission and operational needs for headquarters campus. DHS is better able to answer questions about specific implications for DHS's mission.

Question. What changes are you considering to the project as a result of construction funding levels?

Answer. Due to the reduced fiscal year 2011 and fiscal year 2012 funding levels for St. Elizabeths, GSA and DHS are working to finalize a revised project schedule. GSA and DHS currently are evaluating the overall consolidation program, including mission support within the national capital region and St. Elizabeths, in order to more efficiently utilize the space at St. Elizabeths.

DENVER FEDERAL CENTER REMEDIATION

Question. Most of the buildings on the Federal Center were constructed in 1941 for the Denver Ordnance Plant that produced ammunition in support of World War II. The site has since been used by more than 27 different Federal agencies for more than 67 years.

Since fiscal year 2004, GSA has received \$39 million over 6 years in requested construction funds for remediation of the Denver Federal Center, a 640-acre secured Federal facility located west of Denver in the city of Lakewood, Colorado. GSA has identified more than 600 areas on the site that could be impacted by hazardous ma-

terials, so the Federal Government must conduct remediation under three Colorado State consent orders. Is GSA on track to meet the requirements of the consent orders and what will happen if GSA does not receive the funding?

Answer. The \$3 million identified in the fiscal year 2012 the reprogramming request that accompanied the fiscal year 2012 spend plan submitted to the Congress was adequate for GSA to continue to comply with the consent decree through fiscal year 2013 and until such time that future funds can be secured. Based on the consent order, no punitive action will occur if GSA requests funding from the Congress. However, if GSA cannot demonstrate that funding has been requested, the Colorado Department of Public Health and Safety can fine GSA \$25,000 per day per incident under the Resource Conservation and Recovery Act.

Question. When do you expect the project to be finished?

Answer. The original project schedule was fiscal year 2008 through fiscal year 2012. This schedule assumed all fiscal year 2012 funds would be provided in full. Due to the limited availability of funding in fiscal year 2012, GSA determined that a lower level of funding could be dedicated to continue the remediation and still adhere to the terms of the consent decrees. GSA will need to request additional funds in a future fiscal year to complete the remediation efforts. We anticipate completion of the project 2 years after receipt of necessary funding, assuming that no new, unanticipated issues are discovered on-site during excavation for ongoing remediation.

It is important to note that as investigation and remediation continue, the estimate of future needs may change as we may identify better defined areas requiring remediation as well as the volume of waste and/or contaminated soil.

REDUCED FEDERAL BUILDING REPAIRS

Question. Prior to the enactment of ARRA, GSA had a backlog of \$8.4 billion in buildings needing repairs or alterations. Through ARRA, GSA has been able to reduce that backlog by \$1.4 billion, while improving the energy-efficiency in 257 of the Nation's buildings, and creating 60,326 jobs. However, for the past 3 years, we have not been able to meet the requested levels for repair projects. In fact, for the past 2 years, no funding has been allowed for major repair projects. How has that affected the backlog and what is the effect on the health, safety, and mission of Federal agencies?

Answer. Prior to the enactment of ARRA, GSA had identified \$8.4 billion in its 10-year investment liability, which is the funding GSA should invest in their buildings over the next 10 years. GSA's financial statements did not record a deferred maintenance backlog. In fiscal year 2012, GSA did not have the funds for major modernizations as we needed the allocated funds for minor repairs and alterations in order to maintain our buildings at a basic level. Consecutive years of reduced levels of funding prevent GSA from being able to reduce our current repairs and alterations investment liability of an estimated \$4.7 billion, which will continue to increase without adequate funding. GAO has issued audit reports discussing the impacts and concerns over this large backlog estimate. While ARRA has helped, the pool of these needed repairs is still significant with an average age of buildings totaling 47 years. The inability to fund these needed repairs will lead to major equipment failures and a need to conduct emergency repairs and replacements, costing taxpayers more than conducting ongoing repairs and maintenance. These emergency repairs could disrupt customer operations and potentially impede them from carrying out their mission.

Question. What are some of the critical repair projects not able to be addressed?

Answer. GSA's nonprospective basic repairs and alterations program funds alterations in 1,599 Federal buildings nationwide. Enacted budgets cut GSA's minor repair and alterations budget request by nearly 20 percent in fiscal year 2011 and approximately 35 percent in fiscal year 2012, limiting our ability to do necessary upkeep to maintain the condition of GSA PBS's portfolio.

GSA's fiscal year 2011 Major Capital Program request included repairs at eight Federal buildings throughout the United States and was submitted in support of the operations and missions of such Federal agencies as the Department of State, the Internal Revenue Service, the Social Security Administration, the U.S. Courts, Federal Bureau of Investigation (FBI), and Immigration and Customs Enforcement. The scope of work for these projects included space consolidations and interior construction; exterior renovations; roof replacements; repairs to mechanical, electrical, and HVAC; fire and life-safety upgrades; entrance screening security upgrades; and abatement of hazardous materials.

In addition to preventing GSA from making minor and major building repairs and alterations, these cuts affected our ability to undertake major life-safety and fire

protection, energy and water conservation, and wellness projects in Federal buildings throughout the country.

For example, the proposed but unfunded fiscal year 2012 project at the Major General Emmett J. Bean Federal Center in Indianapolis, Indiana provides for security upgrades to bring the complex into compliance with the DOD's Unified Facilities Criteria standards which is necessary in order for DOD's continued occupancy of the Federal Complex. The project includes important security features such as the introduction of a setback, the installation of blast-resistant windows, the relocation of the loading dock and mailroom, and protection of air intakes. Additionally, the project would remedy drainage deficiencies that plague the complex through the installation of an underground storm water drainage system. GSA has utilized stop-gap measures to address the problem, but prospectus level funding is required to resolve the root cause of the problem. This project is critical to ensure the Bean Federal Center remains occupied by DOD as a safe, well maintained asset within the GSA portfolio.

GSA'S SPEND PLAN BASED ON ENACTED LEVELS

[In thousands of dollars]

Repair and alteration	President's budget	Enacted level
Nonprospectus basic repairs and alterations	335,297	271,724
Indianapolis, Indiana—Major General Emmett J. Bean Federal Center	65,813	.....
Van Nuys, California—James C. Corman Federal Building	11,039	.....
New York, New York—Daniel Patrick Moynihan U.S. Courthouse ¹	28,000	2,031
Richmond, California—Frank Hagel Federal Building	113,620	.....
Washington, District of Columbia—West Wing Design Phase II	6,245	6,245
Los Angeles, California—Federal Building/Parking Garage [FBI]	51,217	.....
San Diego, California—Edward J. Schwartz U.S. Courthouse and Federal Building [ICE] ..	22,336	.....
Washington, District of Columbia—E. Barrett Prettyman U.S. Courthouse	22,900	.....
Energy and water retrofit and conservation measures	20,000	.....
Fire Prevention Program	20,000	.....
Wellness and fitness program	7,000	.....
Washington, District of Columbia—West Wing/East Wing Infrastructure Systems Replacement ² .....	.....	46,000
NOA repairs and alterations	703,467	326,000

¹ Design only

² Reprogrammed funds

GSA's fiscal year 2012 Major Capital Program request included repairs at seven Federal buildings in support of operations and missions of the Department of Agriculture, the headquarters operations for the Departments of State and the Interior, the Veterans Benefit Administration, the FBI, and numerous other agencies. The scope of work for these projects included space consolidations and interior construction; exterior renovations; roof replacements; repairs to mechanical, electrical, and HVAC systems; fire and life-safety upgrades; entrance screening security upgrades; and abatement of hazardous materials.

In addition to preventing GSA from making minor and major building repairs and alterations, these cuts affected our ability to undertake major life-safety and fire protection, energy and water conservation, and wellness projects in Federal buildings throughout the country.

GSA'S FISCAL YEAR 2012 REPAIR AND ALTERATIONS PROGRAM

[In thousands of dollars]

Repair and alteration	President's budget	Enacted level
Non-Prospectus Basic Repairs and Alterations	402,388	260,000
Washington, District of Columbia—Main Interior Building	50,400	.....
Washington, District of Columbia—Harry S Truman Building	11,039	.....
Honolulu, Hawaii—Prince J. Kuhio Kalaniana'ole Federal Building and Courthouse	198,650	.....
San Francisco, California—Phillip Burton FBI Consolidation	49,900	.....
Overland, Missouri—Prevedel Federal Building	24,386	.....
Washington, District of Columbia—Eisenhower Executive Office Building Pennsylvania Avenue screening facility	17,000	.....
Los Angeles, California—Federal Building [ICE] Design	9,478	.....

GSA'S FISCAL YEAR 2012 REPAIR AND ALTERATIONS PROGRAM—Continued

[In thousands of dollars]

Repair and alteration	President's budget	Enacted level
Energy and water retrofit and conservation measures	40,000	.....
Fire prevention program	15,000	.....
Wellness and fitness program	7,000	.....
Judiciary capital security program		20,000
NOA repairs and alterations	868,902	280,000

PROPOSAL TO MOVE THE FEDERAL TRADE COMMISSION FROM ITS HEADQUARTERS
BUILDING

Question. H.R. 2844 would require GSA to transfer ownership of the current headquarters of Federal Trade Commission (FTC) to the National Gallery of Art. Please provide a status update on the condition of the FTC headquarters building, including the most recent upgrades and the cost of such upgrades. Please include specific detail on the following:

- the electrical system;
- the plumbing system;
- the HVAC systems;
- the roof;
- the windows; and
- any other items GSA deems critical for proper maintenance of the building.

Answer. The administration opposes legislation that would require GSA to transfer ownership of the current headquarters of the FTC to the National Gallery of Art. The FTC headquarters is fully utilized and does not require significant renovation. Investment in FTC headquarters by both FTC and GSA has exceeded \$30 million over the last decade. This work entailed capital improvements to the building such as a new roof, a new chiller plant, repairs to the air handling system, new security windows, a new energy management and control system, and upgrades to the building's fire alarm system. This also includes sizable information technology investments made by FTC in its data center and technology labs. Repairs to building plumbing and electrical systems have been minor.

Question. Does GSA have any major projects on its 5-year maintenance and renovation schedule for FTC headquarters?

Answer. GSA has no major projects on its 5-year maintenance and renovation schedule for FTC headquarters building.

Question. Does the current FTC headquarters space fit the needs of FTC, now and in the future?

Answer. Yes. FTC is very satisfied with their current headquarters space and it fits their requirements, including special space and hearing rooms. Currently, the building is in relatively good condition and is therefore not included in GSA's 5-year plan for renovation.

Question. FTC Commissioners submitted unanimous testimony for the record stating that physically moving FTC headquarters operation would cost \$70 to \$83 million. Are these costs in line with typical moving costs for agencies? What other costs are associated with physically moving an agency?

Answer. Based on FTC's requirements to relocate headquarters components and associated special space (including their data center, technology laboratories, and hearing rooms), these costs are within the average range for agency moving costs.

The cost of physically moving an agency may include moving services, tenant fit-outs, furniture, fixtures and equipment, information technology, and telephone needs. If the agency is moving from federally owned to leased space, the rent revenue flows to a third-party lessor rather than another Government agency. Finally, there may be additional costs if the moving agency is displacing a current or intended occupant as a result of the move.

Question. GAO, Congressional Budget Office, and OMB have found that it is more cost-effective to house agencies in federally owned space rather than leased space. Does GSA concur with this assessment?

Answer. Yes. Ideally, GSA would use Federal construction to meet all long-term Federal agency space needs, as leasing is the most expensive form of space acquisition for long-term requirements. GSA relies on the FBF to operate, maintain, and reinvest in all of its owned assets in the Federal inventory, to meet all current lease commitments, and to fund the acquisition of new leased or owned assets. Funds to acquire new assets for emerging Federal agency space requirements are limited to

the FBF resources that remain available after GSA meets all existing commitments for its owned and leased assets. The long-term cost advantages of ownership are preferable to leasing.

Question. If the FTC headquarters building is given to the National Gallery of Art, is there vacant federally owned space for the FTC to occupy, or, would GSA be forced to move the agency into leased space? Would this impose an increased cost on the taxpayer?

Answer. There is no vacant federally owned space available and suitable for housing FTC. In order to accommodate FTC in Federal space, another Federal agency would be forced to move out of the space, and this would be a significant increase in the cost to taxpayers.

Question. Given these findings, what does GSA believe is the best use for the FTC headquarters building?

Answer. GSA believes the taxpayer is best served by maintaining the FTC headquarters' current location. A forced move of FTC would increase the net amount of Government leased space and incur relocation costs and rent, both of which would occur if the building was given to a quasi-governmental entity such as the National Gallery of Art.

Additionally, whenever a federally owned property is transferred to a quasi-Governmental entity, existing laws and regulations require that entity to compensate the Federal Government for the full value of the property involved. In this instance, the value of the FTC headquarters' current location is \$92.8 million. Thus the Federal Government risks the potential loss of the building, plus relocation expenses and dislocation costs, if any.

Given the overall negative impact to the American taxpayer, the administration opposes proposed legislation that would direct the transfer of the FTC headquarters.

FISCAL YEAR 2013 BUDGET FOR THE FEDERAL BUILDINGS FUND

Question. Your request for rental of space is a \$338.4 million or a 6.5-percent increase. What will you do if forced to be on a continuing resolution of significant duration?

Answer. Typically, obligations for rental of space are higher in the second half of the fiscal year as leases are renewed. Over the last 4 years, obligations through March have only amounted to 47.7 percent of the annual obligations. Unobligated balances and recoveries of prior year obligations, along with the timing of the obligations will allow the Rental of Space account to operate for several months while on a continuing resolution.

Question. Last year, you requested almost \$470 million for seven construction projects and this year, you are requesting \$56 million for two acquisition (building purchase) projects. Does this represent a shift in your thinking?

Answer. GSA has proposed a responsible budget reflective of the current budget climate. We are prioritizing our existing financial obligations and the most critical and exigent investment needs in our inventory. While there remain additional valuable investments in consolidations like the acquisition of the currently leased buildings in Martinsburg, West Virginia, and Riverdale, Maryland, we must acknowledge the reality of the budget climate.

Question. How much funding do you expect to save with the acquisition of these buildings?

Answer. Purchasing the two buildings at Martinsburg, West Virginia, and Riverdale, Maryland, will eliminate costly lease obligations and result in millions in out year cost avoidance to the Government. The purchase of Riverdale alone could save the Federal Government more than \$10 million in annual rent. For Martinsburg, the Congress authorized the appropriations for acquisition, through an existing purchase option, of this building as part of the fiscal year 2011 Capital Investment and Leasing Program. GSA has continued to lease the building and since fiscal year 2011 has spent more than \$6 million in rental payments. The current lease expires in 2015, and if it is allowed to expire GSA will lose the purchase option. If GSA is required to extend the lease versus purchasing the building it is anticipated that the rental rate for continued occupancy will be as much as \$6 million, or approximately double the current rent rate.

Question. In a departure from your typical requests for major Federal building repair projects, instead, this year you are requesting \$123 million for "Exigent Needs" at 16 Federal buildings. Can you give us a few examples of the highest-priority and most-critical needs?

Answer. GSA considers all of the projects requested in the fiscal year 2013 Exigent Needs program to be of high priority and a critical need. GSA is requesting a limited amount of funding to support exigent need projects in 20 Federal buildings

to repair and update critical building and safety systems including elevators; fire and life-safety, electrical, and heating and ventilation systems; and to repair structural deficiencies.

The program addresses such essential work items as fire alarm system replacements on antiquated and irreparable systems that could jeopardize the safety of occupants and the building if left unaddressed. The program also intends to secure the façade and parking structure at two facilities that could pose hazards to building occupants and the general public if unrepaired, and remove hazardous materials at two other locations. Upgrades and repairs to electrical and elevator systems are designed to ensure continued operations of several Government-owned facilities and prevent disruption to agency missions and service to the American taxpayer.

Question. Do you expect that these types of acquisition and repair projects will become a trend in the short-term (in lieu of construction and major repair projects)?

Answer. GSA will continue to assess and prioritize the conditions and needs of our assets, as well as the needs of our Federal tenant agencies. We will work with OMB to discuss these needs in relation to competing priorities from other executive branch agencies. GSA's budget requests for FBF obligational authority will reflect efforts to balance our needs with those of other agencies within the overall Federal budget framework.

COST-CUTTING MEASURES

Buyouts

Question. Of the buyouts GSA is offering, what percentage of employees do you believe will accept them and what will be the effect on the agency?

Answer. GSA implemented a buyout program in March 2012 with an 18-percent take rate. GSA is considering additional requests for Voluntary Early Retirement Authority/Voluntary Separation Incentive Payment authority. If that authority is granted, GSA expects the take rate to be in the same 18-percent range. The agency will be able to reduce the workforce commensurate with the decline in the workload. Also, where the nature of the work has shifted and requires new skills due to process improvements, technology and changing business delivery models, GSA intends to recruit and hire people with the skills required to accomplish the mission.

Question. How will you avoid or mitigate the loss of knowledge when workforce reductions occur?

Answer. The buyout is targeted and focused on specific organizational components or occupations across the enterprise. GSA balanced the need to acquire different skills with the need to avoid or mitigate the loss of knowledge by offering buyouts to a percentage of the organization/population, not the organization/population as a whole.

Effort To Streamline Acquisitions and Reduce Costs

Question. In 2001, OMB established a Governmentwide initiative, to be carried out by GSA, to bring together different acquisition data systems in a unified and fully integrated manner. This effort, called the Integrated Acquisition Environment (IAE), will enable Federal agencies to share data and make informed decisions, make it easier for contractors to do business with the Government, and result in cost savings to the taxpayer. In 2008, GSA began consolidating its own portfolio of 10 stove-piped systems with different contractors into one integrated system called the System for Award Management (SAM), under IAE.

GSA has requested various levels of funding for the past 3 years for IAE.² While some costs have increased due to lack of funding in fiscal year 2012, since 2009, development costs for the System for Award Management have increased significantly. Why is this?

Answer. The SAM program encompasses a range of activities beyond just the specific development of the SAM application itself. These activities include requirements definition, architecture and technical design, consolidation of help desk support, transition planning, coordination, and execution for the legacy IAE systems, interface design, and associated support services.

The projected development costs remain substantially the same; however, the overall program costs have increased. For example, GSA has needed to expand the scope and level of support services to meet the needs of the Federal grants and loans communities and incorporate new requirements that were not anticipated at the onset of the SAM planning and costs have increased as a result of needing to incorporate changes to the Federal Acquisition Regulations (FAR) and other legisla-

²Fiscal year 2013 request of \$21 million; fiscal year 2012 request of \$38 million (received zero); and fiscal year 2011 request of \$15 million (received \$7 million).

tive changes. Funding limitations have also delayed GSA's ability to meet the originally scheduled objectives, which has resulted in the need to retain contract support longer than anticipated for our legacy systems, as well as for SAM program management and integration support. In addition, several contracts were inflexibly structured and payments for services were not well-aligned to the actual work being performed and delivered. GSA is presently taking corrective action to address this.

Question. Do you believe that your current acquisition strategy is the most cost-effective alternative or have you reassessed your plans—where does this stand?

Answer. GSA is actively reassessing its plans, including the acquisition strategy. A GSA conducted "TechStat" to review the current project management and governance structure to determine what additional oversight or change in direction might be needed, in light of the GAO findings. The TechStat validated the findings of the GAO and identified gaps in governance. As a result, GSA established an Integrated Project Team (IPT), comprised of technical, legal, program, and acquisition experts, to assess and ensure a more comprehensive, objective, and transparent understanding of current needs and challenges and to develop options and recommendations on the best way to move ahead. The IPT is in the process of further assessing program and project management, the SAM architecture, performance reporting, cost drivers and corresponding budget requirements, and other control processes.

GSA management is committed to ensuring improved overall management of IAE/SAM. The objective is to develop a new executable vision of IAE/SAM that comprehensively addresses governance, business, technology, program and project management, contracting, and funding requirements.

Question. While the subcommittee is supportive of initiatives that will enable agencies to share data, make it easier to conduct business with the Federal Government, and save taxpayer dollars, there is often an upfront cost as well as annual maintenance costs, as is the case here. You are requesting \$21 million, but apparently, we need to fund all of it—it can't be broken into smaller funding amounts?

Answer. The amount of funding that GSA receives directly impacts the schedule and scope of continuing to implement SAM, as well as GSA's ability to retire the legacy systems associated with the functionality that is incorporated into SAM. (For example, Phase One of SAM is focused on "Entity Management" functionality and, once in production, will allow GSA to decommission the Central Contractor Registration system, the Online Representations and Certifications Application system, and the Excluded Parties List System).

That said, GSA is prepared to implement SAM in phases and revise its project schedules as necessary. However, implementing SAM in phases will extend the amount of time that GSA must continue to maintain parallel legacy. Operations and support services for the remaining IAE systems. In addition to increasing costs over the long-term, a phased implementation of SAM would:

- result in the need to revise acquisition plans;
- hamper GSA's ability to readily and more cost-effectively incorporate legislative and FAR changes;
- negatively impact the acquisition workforce's ability to efficiently perform their duties due to the need to access multiple systems; and
- limit how quickly we can move forward on improving data quality and transparency objectives.

CIVILIAN PROPERTY REALIGNMENT BOARD

Question. The administration has proposed an independent entity—the Civilian Property Realignment Board, modeled after the Base Realignment and Closure (BRAC) process—which would sell unneeded Federal property in a streamlined manner. The funding requested for the Board and the Revolving Fund totals \$57 million for fiscal year 2013. The House has passed two bills relating to Federal real property disposal and the Senate has introduced a bill on the topic. None of these matches exactly the administration's proposal. What is GSA's view of these various bills (please discuss each one)?

Answer. GSA supports the administration's proposal, which addresses the key challenges that exist in the current process and should streamline and accelerate the disposal process. With respect to the current bills being discussed in the Congress, GSA supports legislation that provides additional realty tools and incentives that encourage sound management of real estate portfolios. GSA defers to OMB to address the administration's position on the various bills drafted.

Question. What are the safeguards that must be maintained if an expedited disposal process is authorized?

Answer. There are four important safeguards that must be maintained as part of the development of an expedited disposal process:

- A process to ensure that disposals are authorized as a consolidated package, as opposed to one-by-one;
- Methods to evaluate which assets are mission-critical and which assets are not;
- Utilization of authorities, resources, and expertise available within the Federal Government to achieve asset repositioning objectives; and
- Incentives such as retention or reinvestment of proceeds from the sale of real estate assets for all landholding agencies to promote broader portfolio management.

Question. For several years, the figure of \$15 billion in savings has been stated as the savings that could be achieved by ridding the Government's property inventory. Do you really believe that figure is still accurate?

Answer. From fiscal year 2005 to the end of fiscal year 2011, PBS has disposed of approximately 286 assets, consisting of more than 13 million rentable square feet of unneeded real estate. Proceeds from fiscal year 2005 to fiscal year 2011 were approximately \$244 million. PBS estimates that through these disposals, the agency avoided approximately \$298 million in reinvestment needs and liabilities during this time period.

QUESTIONS SUBMITTED BY SENATOR MARK KIRK

Question. At a House Oversight and Government Reform Hearing on April 16, 2012, you testified: "Well, I think we definitely had a cultural problem in region 9. Probably tied to a leadership problem. But I can't say that I know enough—enough about General Services Administration (GSA) to say whether we do or do not have a cultural problem across the organization when it comes to these issues." In your testimony for this subcommittee you said, ". . . I am committed to renewing GSA's focus on its core mission: saving taxpayers' money by efficiently procuring supplies, services, and real estate, and effectively disposing of unneeded Government property."

The "Mission, Vision and Goals" of GSA, as listed on the Web site, use the word "green" three times and some variant of the word "sustainable" three times. However, the words "budget" and "cost" never appear, nor does any variant of the word "spending". The word "waste" appears, but in the context of environmental waste, not wasted tax dollars. There are passing mentions of efficiency, but it is unclear if this refers to the environment or efficient use of tax dollars.

Do you believe the failure of the "Mission, Vision, and Goals" of the GSA to clearly make cost efficiency or low spending the top priority is indicative of a broader "cultural problem" or "leadership failure"? I recommend that you begin at the top, and rewrite your "Mission, Vision, and Goals" statement so that cost efficiency is your top priority.

Answer. GSA is currently conducting a top-to-bottom review of our operations and goals with the objectives of streamlining the way we do our business, saving taxpayer dollars, and ensuring the most-efficient delivery of services to our customer agencies and American citizens. We are continuing to pursue every initiative necessary to restore the trust of the American taxpayer.

Question. In the wake of the scandal surrounding the 2010 Western Regions Conference (WRC), you canceled all GSA conferences, creating fairly substantial cost savings. Why were these conferences approved in the first place if they were non-essential enough to be canceled and could create substantial cost-savings?

Answer. As part of the top-to-bottom review of GSA operations, it was determined that all upcoming conferences should be reviewed in light of new controls over conferences and travel. Many, but not all, previously scheduled conferences and meetings were cancelled as a result of this review, saving \$995,000. The conferences that were cancelled either did not meet the new standards or were cancelled because we did not have adequate time to conduct the review. All upcoming conferences must meet the new requirements which became effective on April 15, 2012.

Question. What is the oversight protocol for compliance with the terms of Blanket Purchase Agreements (BPAs)? Specifically, what actions does GSA take to ensure that purchases from vendors under BPAs are made at prices matching the bid prices? What protocol is followed if a payment to a BPA vendor substantially in excess of the bid price is reported to the GSA? What, if any, enforcement measures have been taken against BPA vendors whom have charged in excess of their bid prices?

Answer. GSA has risk-management controls in place to ensure that the prices contractors propose when establishing BPAs or placing task and delivery orders are at or below the GSA Multiple Award Schedule (MAS) price. Specifically, Acquisition Management has the Supplier Management Division which has approximately 100

Industrial Operation Analysts (IOAs) who perform contract-compliance reviews of MAS contracts every 2–3 years through the life of the contract. One of the areas the IOAs review for compliance is adherence to GSA schedule pricing. These reviews are performed by taking a sample of the BPA or order information. Review findings are documented in a report that is sent to the Contracting Officer (CO) and Administrative Contracting Officer (ACO) to take action, if necessary as appropriate. The possible actions the CO or ACO can take in response to findings of mischarging could include requesting a postaward audit from the GSA Office of Inspector General (OIG), requiring the vendor to perform a self-audit and develop an action plan to take corrective action measure, and seeking recoveries of overcharges and sending it back to customer agencies or the Treasury.

As an example, GSA recently issued an instructional letter (IL 2011–07) entitled “Procedures for Reviewing Contractor Compliance with prompt Payment Discount (PPD) Terms on Federal Supply Schedules (FSS) contracts”. This IL specifically addresses noncompliance with prompt payment discount terms as a result of a GSA audit. The same process will be followed for overcharges to the GSA schedule price.

Question. In a March report, OIG found that some cost-reimbursement contracts entered into by GSA were not in compliance with regulations and that such contracts provide no incentive for contractors to control costs. What does GSA estimate the excess cost of such contracts have been over the past several years? What steps is GSA taking to transition to more cost-effective and regulation compliant contracting processes?

Answer. As a result of the OIG findings, GSA will continue to take steps to ensure that proper incentives are in place to control costs for current and future contracts. The OIG audit did not identify any estimate of excess costs for these types of contracts.

In addition, the July 2009 Office of Management and Budget (OMB) Memorandum M–09–25, “Improving Government Acquisition” and the Office of Federal Procurement Policy’s (OFPP) October 27, 2009 guidance, “Increasing Competition and Structuring Contracts for the Best Results” called for heightened management attention on agency use of various types of high-risk contracts and provided strategies for reducing their use. OFPP defined high-risk contracts as those that are awarded noncompetitively, received only one bid in response to a competitive solicitation, are cost-reimbursement awards, and/or are time and material labor awards.

To date, GSA has taken a number of actions to comply with the OMB and OFPP guidance and ensure more cost-effective and regulation-compliant contracting processes, which include:

- Developed a Governmentwide working group team (AcqStat) comprised of representatives from GSA’s Office of Governmentwide Policy, Public Buildings Service (PBS) and Federal Acquisition Service (FAS), which has been meeting regularly since fiscal year 2010.
- Conducted quarterly Federal Procurement Data System reporting, which is reviewed by FAS and PBS and discusses high-risk reduction and any specific areas that require attention or training emphasis.
- Established FAS and PBS action plans, which are updated based on quarterly reviews.
- Developed a yearly Competition Advocate report, which summarizes a variety of best practices, lessons learned, and necessary actions.
- Issued an Acquisition Alert (2012–01), which increases awareness among the Acquisition community.
- Developed a training webinar for the acquisition workforce.
- Continued review of high-risk action plans by the Procurement Management Review (PMR).
- Releasing an Acquisition Planning Wizard to aid execution of the acquisition planning process.
- Established a FAS “ask competition advocate” link that allows and encourages contracting professionals to ask questions related to increasing competition and reducing high risk.
- Issued a FAS IL (July 27, 2011), regarding the reduction of high-risk contracting. The instructional letter was intended to provide directions to acquisition personnel for adhering to the new FAR rule on managing cost reimbursement activities—to include requiring documentation on why a contract type was selected, how it will manage and mitigate risk, whether consideration was given to firm-fixed price, and sets rules for appropriate approval and staffing of the contract.
- Continued training to the workforce on high-risk contracting through FAS Acquisition Industry Days.

- Implemented a BPA for strategic sourcing aimed to provide efficiency, lower costs, and reduced environmental impact, while improving competition and reducing high-risk contracting.
- Continued emphasis on proper acquisition planning as outlined in the (OFPP Myth Busting memorandum), to include:
 - early engagement with industry;
 - development of sound requirements packages;
 - ensuring sufficient time for proposals/quote responses;
 - challenging brand name specifications;
 - limiting period of performance on sole-source/noncompetitive awards;
 - encouraging industry days to communicate requirements; and,
 - releasing requests for information and proposals, through GSA eBuy and FedBizOpps, as appropriate.

Question. I am encouraged to see that GSA has moved to dispose of excess Federal buildings, a step that will raise revenues and encourage more efficient use of high-cost buildings. What congressional actions could expedite the sale of excess buildings?

Answer. Based on our experience, we believe that a reform to real property asset management must address these central challenges:

- Incentivizing disposals by enabling agencies to realize the benefits of proceeds.
- Addressing the upfront costs associated with disposals and consolidations.
- Resolving competing stakeholder interests that can slow down or prevent good asset management decisions.

To address these challenges the President proposed a bill last year that would usher in a new approach to Federal real estate. The President's proposal would create an independent board of experts to identify opportunities to consolidate, reduce, and realign the Federal civilian real estate footprint as well as expedite the disposal of properties.

This proposal would utilize bundled recommendations, a fast-track congressional procedure, streamlined disposal and consolidation authorities, and a revolving fund replenished by proceeds to provide logistical and financial support to agencies in their disposal of high-value properties. It would serve as a comprehensive solution to key obstacles that hinder the Federal Government's progress on improving real estate management decisions. The proposal expands upon the June 2010 Presidential Memorandum that directed Federal civilian agencies to increase efforts to dispose of unneeded Federal real estate and to maximize the utilization of the current inventory to achieve billions in savings.

GSA supports the administration's goals and those of this subcommittee and other Members of Congress to dispose of unneeded Federal real property and streamline the current disposal process.

The administration's efforts anticipate working with the Congress to create a successful program, and GSA welcomes the efforts of this subcommittee and other Members of Congress to successfully reform and improve Federal real property management.

Question. According to OIG's report on the 2010 WRC, there were multiple violations of contracting regulations resulting in wasted taxpayer dollars. Given the GSA's central role in the procurement process for the Government as a whole, it is very troubling that oversight and controls did not prevent these violations, which included disclosing a competitor's proposal price to a favored contractor, contracting to a large business in violations of small-business set-asides and disclosing to a contractor GSA's maximum budget for 1 day of training, then agreeing to pay the contractor that amount.

What steps is GSA taking, both internally and Governmentwide, to ensure these types of violations do not happen going forward? Specifically, what changes are going to be made to improve contracting oversight, ensure access to contracts for small business and prevent overpayments?

Answer. Internally, GSA has taken corrective action to ensure these violations do not happen going forward. To improve contracting oversight, small business, and overpayment concerns GSA will take the following steps:

- Increase resources devoted to the PMR function to assess the effectiveness of oversight measures and to mandate corrective action where needed.
- Explore changes to the GSA Head of Contracting Activity structure.
- Provide refresher training to Heads of Contracting Activities on key roles and responsibilities.
- Conduct training on ethics and procurement integrity, conference planning, and contracting.
- Continue to encourage employees to report waste, fraud, and abuse.
- Redouble efforts to ensure that small-business set-aside protocols are followed.

- Realign management of Chief Financial Officer (CFO) regional functions to report to the GSA Central Office CFO to provide greater ability to detect and prevent improper payments.
- Centralizing oversight of GSA internal travel activities in the Office of Administration.

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

QUESTIONS SUBMITTED TO BRIAN D. MILLER

WAS TRAINING TO ENHANCE JOB SKILLS CONDUCTED?

Question. Based on your year-long probe of this event, can you identify any specific seminars or sessions from the Western Regional Conference (WRC) that had the objective of enhancing job skills for the attendees?

Answer. We made the decision not to assess the quality or substance of the training seminars or sessions held at the WRC, but instead focused our investigation on the excessive costs and impermissible contracting actions associated with the planning and execution of the WRC.

IMPROPER CONTRACTING

Question. In your report, you describe the circumstances surrounding the execution of the original agreement with M Resort as the conference site. You state that, among the weaknesses, “the agreement was missing many clauses that statutes and regulations required to be included in contracts with the Federal Government.” Can you elaborate on what particular necessary contract terms were omitted?

Answer. Our investigation revealed that the WRC event planner simply signed and returned the M Resort’s standard-form contract as opposed to a Government standard-form contract, which would have included the Federal Acquisition Regulation (FAR 12.301) and the General Services Administration Acquisition Regulation (GSAR 512.301 and 552.212–71) clauses (or equivalents) required for the acquisition of commercial items by the Government. The original agreement with the M Resort also failed to include a clause that should per diem rates change for the selected site, the hotel will honor the Government’s prevailing per diem rate. The inclusion of such a clause, while not required by the FAR, would be necessary to preserve the Government’s interest, because, as GSA should be well aware the per diem rates are subject to change.

Question. What problems arise as a result of omitting required clauses?

Answer. These clauses are intended to protect the United States Government. For example, FAR 52.212–4, one of the required clauses, states the Government’s rights under a termination for convenience, sets forth the terms of payment, and requires the contractor to keep its Central Contractor Registration entry up to date, which correspondingly binds the contractor to those representations. It does not appear that GSA needed to use these particular provisions. If, however, GSA had needed to terminate the contract, or had encountered a dispute regarding timely payment, it would have lacked the protection of these clauses. As you are aware, GSA did encounter problems with a change in the Government per diem rate. Had GSA included a clause to anticipate this problem, it might not have felt a need to increase catering in order to cover the “loss” to the M Resort.

Question. Were you able to determine whether omission of the required clauses was negligent or was it deliberate/intentional?

Answer. We do not have sufficient evidence to make a determination as to whether the omission of the required clauses and the use of the hotel’s standard contract were negligent or willful.

Question. Based on your experience, was this omission an unusual aberration or have you detected any similar omissions and cited the GSA for them?

Answer. We are currently reviewing other conferences on a case-by-case basis and will examine whether these clauses have been omitted in other contracts with conference vendors.

NONCOMPLIANCE WITH FIRE SAFETY ACT

Question. You also explain that “Federal conferences may only be held at a hotel that is on FEMA’s list of Fire Safety Act-approved accommodations.” You note that the GSA conference site—the M Resort—is not on that list. While the requirement may be waived, you find no evidence in the contract documents indicating that a waiver was granted. Does the curriculum for contracting officers include a discussion of this? If not, shouldn’t it?

Answer. The provision of the Fire Safety Act which mandates that Federal conferences be held at a hotel that is on FEMA's list of approved accommodations is in section 301-11.11 of the Federal Travel Regulation. We do not believe this requirement is discussed in the curriculum for contracting officers. We also believe, however, that this provision should be known to contracting officers and event planners responsible for selecting a hotel.

PROBLEMS AT PUBLIC BUILDINGS SERVICE—SYSTEMIC?

Question. Clearly, there has been a culture of excessiveness and lax accountability within the Public Buildings Service (PBS) Region 9, and perhaps even in some of the other regions. To what degree might this be a problem in other parts of GSA?

Answer. Since the release of the WRC report, our Office of Investigations has seen a noteworthy increase in hotline tips and complaints, and our agents are diligently looking into these. Our office is also looking into other conferences. We would not want to make generalizations about other regions or components without the necessary supporting facts. We do note, however, that systemic changes can be put into place to eliminate opportunities for excessive, impermissible, and unchecked spending in the future. We have proposed that the Chief Financial Officer's (CFO) office be centralized to assure that the CFO has direct authority over all regional and service budget offices as well as visibility into all agency budgeting, down to the dollar level. In his testimony before the Subcommittee on Financial Services and General Government, Acting Administrator Daniel M. Tangherlini stated his intention to pursue these reforms. We also believe that the agency should separate the contracting function from the program function—a contracting officer should not report to the program officer. We believe that, if implemented, these steps could produce the necessary checks and balances to ensure top-down accountability in GSA's financial operations.

“HATS OFF” PROGRAM—EMPLOYEE REWARDS PROGRAM

Question. PBS Region 9 developed an awards program store known as the “Hats Off Store” in 2001. The Hats Off program initially maintained items of nominal value such as mugs, mouse pads, and backpacks, labeled with GSA logos or insignia. However, over time, high-value items such as iPods, digital cameras, GPS devices, and other electronics were introduced into the program. The budget for this program went from \$45,000 in fiscal year 2007 to \$212,000 in fiscal year 2009 and the Inspector General found significant control weaknesses, plus the loss of \$20,000 worth of Apple iPods. What began with nominal reward items and gift cards turned into high-value items, and store and restaurant gift cards. Did anyone other than in region 9 have oversight over this program?

Answer. Our investigation identified a serious lack of oversight over this program. In fact, our major concerns with the Hats Off program were the lack of oversight of the inventory and on the exchange of awards between employees. The abuse of the Hats Off employee award store is another example of the importance of a centralized CFO. If GSA's CFO has greater visibility into regional spending, down to the dollar level, these types of abuses might not occur as easily.

Question. What did you find with regard to the employees who received the awards—how many and what types benefited from the program?

Answer. We identified many problems with the exchange of awards. First of all, employees appeared to “swap” awards, meaning that within minutes of one employee receiving award cards, the employee returns the same or nearly the same number of award cards back to the original employee. This occurred no fewer than 300 times. Second, we found that on at least one occasion, a supervisor accepted an award from a subordinate. Additionally, we found that some of the top receivers of awards were actually involved with the awards store administration.

Question. Did you examine what types of actions employees performed to receive awards?

Answer. Exhibit 9 of our Hats Off Report of Investigation lists some of the reasons or justifications for points-swapping, including “taking charge”, “promoting fun in the workplace”, and “thrilling the customer”. We question the value and substance of these justifications, particularly because of the “swapping” patterns we found between employees.

QUESTIONS SUBMITTED BY SENATOR MARK KIRK

Question. At a House Oversight and Government Reform Hearing on April 16, 2012, Acting Administrator Daniel M. Tangherlini testified: “Well, I think we definitely had a cultural problem in region 9. Probably tied to a leadership problem. But I can’t say that I know enough—enough about GSA to say whether we do or do not have a cultural problem across the organization when it comes to these issues.”

In your experience as Inspector General at the General Services Administration (GSA), and in light of the events surrounding the 2010 Western Regions Conference (WRC), would you say the GSA has a cultural problem across the organization? Do you believe any such problems are tied to a leadership problem?

Answer. We hesitate to make generalizations about other regions or components without the necessary supporting facts and sufficient evidence. We do note, however, that systemic changes can be put into place to eliminate the opportunities for excessive, impermissible, and unchecked spending in the future that were abused by some in region 9. We have proposed that the Chief Financial Officer’s (CFO) office be centralized to assure that the CFO has direct authority over all regional and service budget offices as well as visibility into all agency budgeting, down to the dollar level. In his testimony before the Subcommittee on Financial Services and General Government, Acting Administrator Daniel M. Tangherlini stated his intention to pursue these reforms. We believe, if implemented, these steps could produce the necessary checks and balances to ensure top-down accountability in GSA’s financial operations.

Question. In your testimony, you mentioned numerous investigations of Federal property managers and contractors taking bribes and kickbacks under the American Recovery and Reinvestment Act (ARRA), specifically saying, “My own office has issued numerous audit reports relating to GSA’s construction and renovation contracts under the American Recovery and Reinvestment Act. We discovered and investigated eleven Federal property managers and contractors taking bribes and kickbacks.” Did the rapid manner in which projects under ARRA were selected and funded increase the likelihood of malfeasance and corrupt practices?

Answer. ARRA provided GSA with \$5.5 billion to convert Federal buildings into “High Performance Green Buildings” as well as to construct Federal buildings, courthouses, and land ports of entry. As you know, ARRA mandated that \$5 billion of the funds be obligated by the end of fiscal year 2010, with the remaining \$0.5 billion obligated by the end of fiscal year 2011. This short timeframe strained the capabilities of project teams, even with the addition of contract support staff, and forced the acceleration of planning and executing multiple large-scale projects simultaneously. This resulted in contracting irregularities, Federal Acquisition Regulation and Competition in Contracting Act (CICA) requirement violations, and improper negotiations. Our Offices of Audits and Investigations are currently conducting oversight activities related to ARRA-funded projects. We anticipate these activities will continue for the next several fiscal years.

Question. In your testimony you mentioned, “The core mission of GSA is to provide low-cost goods and services. When GSA wastes its own money, how can other agencies trust it to handle the taxpayer dollars given to them?” Do you think that GSA’s current statement of “Mission, Vision, and Goals” is consistent with a core mission of providing low-cost goods and services or does it provide greater emphasis on other priorities? Do you think this is indicative of a larger culture of departing from cost efficiency as a central mission and instead focusing on parochial or political priorities?

Answer. We believe that GSA should get back to basics and align its programmatic activities and strategic goals with the core mission of providing low-cost goods and services, as stated by the Acting Administrator. During our WRC investigation, we found that many agency contracting personnel did not fully understand fiscal law or the Federal Travel Regulation, or were unaware of the existence of agency policies that directly governed their daily work. We also believe that the accountability requirement associated with the Anti-Deficiency Act (ADA) should be applied to CICA. Currently, agencies that violate the ADA must “report immediately to the President and Congress”, as well as the Comptroller General, the facts surrounding each violation and the actions taken to remedy the program (31 U.S.C. 1517(b)). If agencies fail to “obtain full and open competition through the use of competitive procedures” as mandated by CICA, they should be held to the same accountability standards for violating the ADA. An emphasis on contracting knowledge and the implementation of these accountability standards could achieve greater cost savings. Additionally, GSA must separate its contracting function from its program functions—a contracting officer should not report to the program officer. Fur-

thermore, as mentioned earlier, centralizing the CFO's office could produce the necessary checks and balances to ensure top-down accountability in GSA's financial operations. These steps, and a continued emphasis by the Acting Administrator on cost savings, would help bring GSA back to its core mission.

SUBCOMMITTEE RECESS

Senator DURBIN. At this point, the hearing stands recessed. Thank you.

[Whereupon, at 3:23 p.m., Wednesday, April 18, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

MATERIAL SUBMITTED SUBSEQUENT TO THE HEARING

[CLERK'S NOTE.—The following testimony was received subsequent to the hearing for inclusion in the record.]

ADDENDUM ON AGENCY IMPROVEMENTS

To build on a familiar General Services Administration (GSA) theme as emphasized by previous Administrators, the Administration needs to become "One GSA." One GSA, with top-to-bottom control and accountability should replace a system of diffused "matrix" management that has led to fiefdoms and feudal kingdoms. No Administrator should have to plead ignorance or weakness when the public trust is being abused. If GSA's senior leaders are going to be held accountable for the work of the agency—and they will be as recent events show—leadership must have the authority and tools for carrying out their responsibility. As it is, with senior regional leadership having two supervisors, accountability becomes divided and diffused. The supervisory matrix really becomes a sieve through which oversight is lost. This is the problem with a weak Chief Financial Officer's (CFO) structure. One GSA accountable to the Administrator, as the Western Regions Conference failures attest, also requires One CFO. When financial responsibilities are so dispersed they fall beyond the control of the CFO, there is no CFO—and the Administrator is deprived of one of an agency head's lead reins to control spending and provide leadership over agency programs. A theme of a unified GSA leads to a unified CFO and a unified CIO. Diffused information systems lead to redundancies, cost, and barriers that are inimical to the concept of accountability and transparency.

CENTRALIZE PROGRAM AND BUDGET MANAGEMENT

GSA's CFO testimony before the Subcommittee on Economic Development, Public Buildings and Emergency Management of the House Committee on Transportation and Infrastructure indicated that the CFO is essentially a figurehead.

The CFO should have direct authority over all regional and service budget offices (and should be the only employee with the title "CFO"). The CFO should have visibility into all agency budgeting, down to the dollar level.

CENTRALIZE AGENCY INFORMATION MANAGEMENT

Likewise, the Office of the Chief Information Officer (OCIO) should have control over all agency information systems. Currently, it is not clear that the OCIO is even aware of the full list of the agency information systems that exist. The OCIO should have final authority to access and manage all systems.

Despite the Inspector General Act's requirement that the Office of Inspector General (OIG) is authorized "to have access to all records" of the agency that relate to the OIG's responsibilities, currently requests by the OIG for read-only access to agency information systems are often met with extraordinary delays (sometimes more than a year) or are never fulfilled. GSA systems "owners" who fail to provide access to the OIG within 14 days should be required to make an explanation of that failure to the Administrator, with a copy to the Inspector General, by the end of the 14-day period.

GET BACK TO BASICS

As the Acting Administrator has stated, GSA needs to re-focus on its core missions—procurement and building operations. We found that many agency contracting personnel did not understand fiscal law or the Federal Travel Regulation, or were unaware of the existence of agency policies that directly governed their daily work. This is unacceptable.

The agency must separate its contracting function from its program functions. That is, the Contracting Officer should not report to the program officer.

GET OUT OF THE "MATRIX"

As the former GSA Administrator testified, GSA employee supervision is not presently linear; it is a "matrix". Because many high-level personnel report to two supervisors, each supervisor can deflect supervisory responsibility onto the other, or claim to. The matrix is really a sieve.

REQUIRE PROCUREMENT ACCOUNTABILITY

Currently, agencies that violate the Anti-Deficiency Act must "report immediately to the President and Congress", as well as the Comptroller General, the facts surrounding each violation and the actions taken to remedy the problem (31 U.S.C. 1517(b)). This same accountability requirement should be added to the Competition in Contracting Act, which requires that agencies "obtain full and open competition through the use of competitive procedures in accordance with the requirements of (CICA) and the Federal Acquisition Regulation." (41 U.S.C. 3301(a)(1)). This accountability would indicate that the agency takes seriously the concerns of businesses, particularly small businesses, that have not received a full and fair opportunity to compete for Federal contracts.