

**Moving from Scandal to Strategy:
The Future of the General Services Administration
Senate Homeland Security and Governmental Affairs Committee
Chairman Joe Lieberman
September 12, 2012**

Good morning and welcome to our hearing today on how the General Services Administration is doing to move beyond the scandals that have recently dominated its activities and its public image and get back to saving the taxpayers significant sums of money through the efficient acquisition of goods and services and smart management of government property.

The agency's mission has been sadly compromised these past six months by scandals that have occupied the time and energy of top GSA officials. Administrator Martha Johnson stepped down in April after the Inspector General reported outrageous spending on a GSA Western Regions conference that cost over \$800,000.

Her replacement, Acting Administrator Daniel Tangherlini is with us today to discuss what he has done since then and where the agency goes from here. I've been impressed by your efforts, Mr. Tangherlini, to curb irresponsible spending and to conduct a top-to-bottom review of GSA policies and operations to determine if there are other areas where the agency has been a careless steward of taxpayer dollars.

The Committee's interest in this subject is based on our jurisdiction over government operations generally and the General Services Administration specifically. To most Americans, the General Services Administration is probably unknown, or just another obscure federal agency. But its purpose could not be more important to the way the federal government spends taxpayer dollars.

It has an interesting history. In 1947, Congress established the Commission on Organization of the Executive Branch of the Government to recommend ways to streamline the government while spending – quote - “the lowest amount consistent with the efficient performance of essential services.” End quote.

The Commission recommended creation of a separate agency to purchase goods and services and maintain public property across the government as a way to eliminate duplication, streamline operations, limit government spending, and help other agencies be more efficient.

In its final report, the Commission stated, and I quote: “To the general public, the ‘housekeeping activities’...are little-known, but unless they are properly administered, the executive branch cannot be effectively managed.” End of quote.

The words of the Commission ring as true today as they did in 1947, in some ways even more loudly because of the period of economic stress we’ve been in and the enormous debt....when we are obligated to do more with less. GSA has an enormous portfolio: it negotiates contracts worth more than \$40 billion a year; manages \$500 billion in assets, mostly real estate; and owns or leases 9,600 buildings around the country. That’s a big operation.

The agency is critical to the maintenance, for instance, of our courthouses, ports of entry, and Social Security offices. It makes sure that federal workers have what they need to perform their jobs, from office supplies to IT services. It takes care of those “housekeeping” matters so that the agencies of the federal government can focus exclusively on their missions. And it leverages the purchasing power of the entire federal government to get the best deal for the taxpayer.

We know that most GSA employees go to work every day with one overriding goal and that is to serve their country, not themselves. But that was not the case for some GSA employees. Eight trips by GSA employees to plan for a Las Vegas conference and awards ceremony, all of which cost the taxpayers \$822,000. Conference organizers spent over \$146,000 on food, \$75,000 for a “team-building exercise” that involved building bicycles, thousands of dollars more on after-hours parties, and over \$6,000 for commemorative coins. You’ve heard that litany before, but it bears repeating.

Unfortunately, the Las Vegas conference was not an isolated instance of bad judgment. The evidence we’ve collected reveals a culture of abuse in GSA’s Region 9, where we’ve learned of extravagant travel, misuse of

government purchase cards, and a poorly-run awards program that allowed employees to treat themselves to iPods and DVD players.

We found questionable bonuses awarded throughout the agency; thousands of dollars spent on cooking classes for employees in the Kansas City region, and a \$270,000 award ceremony where taxpayers paid for GSA employees to beat on drums. In many ways, GSA has become an agency out of control.

Acting Administrator Tangherlini has shown he understands this and agrees by instituting new procedures for the approval of conferences and travel and cancelling 47 questionable conferences. These changes alone have saved the taxpayer over \$11 million. He also has strengthened the Chief Financial Officer's authority over GSA's regional offices and has cut 85% of senior executive bonuses.

Today, Mr. Tangherlini will report on his comprehensive review of GSA to get the agency back on track to fulfill its core mission. GSA Inspector General Brian Miller is also here with us today. He is a real hero in this story. His work helped uncover the flagrant and inexcusable spending by some GSA employees, and today he will help us understand how these scandals fit into the agency's overarching management problems.

Every day that our Committee spends looking at conference and travel costs of GSA employees is a day NOT devoted to the oversight of GSA's programmatic activities. First and foremost, we need to make sure agencies use GSA. It's a pretty simple concept: We save money when we buy in bulk. Billions of dollars in potential savings can be made applying this concept, which is frequently referred to as "strategic sourcing." GAO is finalizing a report for our Committee on this very subject, so we will have more to say on that topic soon. But there are plenty of other issues that need our continued attention. For example:

- We've been looking at the Integrated Acquisition Environment, which is an effort to merge nine different procurement data systems used by government contracting officers, contractors, and the general public. This program is off to an extremely rocky start, and according to GAO, costs have already increased by \$85 million.

- We've also been looking at the fees GSA collects from agencies for use of its contract schedules – which have routinely exceeded \$250 million annually in recent years. We need to know whether those fees can be lowered to help agencies save money.
- We are examining why agencies were slow to transition to GSA's suite of telecommunications contracts, known as the Networx program, which have a collective value of about \$62 billion. We need to make sure GSA documents the lessons learned, because it's already time for the agency to start planning for the next generation of telecomm contracts.
- The committee has also been following GSA's leading role in implementing the federal government's move towards cloud technology and its collaboration with other agencies to ensure the cloud systems are secure.
- The Committee has also been long concerned with the federal government's management of its real property. This task has been on GAO's high risk list for years. Other agencies often turn to GSA for help disposing of underused or surplus property, which is costing the taxpayers over \$1 billion a year.

Bottom line: We must go forward together – the GSA, Congress, and the Administration – to ensure spending abuses like those uncovered at the agency are not repeated and to help GSA return to the fundamentals of helping our government do more with less. I hope our hearing today helps to keep that process in motion.