



U.S. General Services Administration
Office of Inspector General

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ADMINISTRATOR (A)

FROM: CAROL F. OCHOA *Carol F. Ochoa*
INSPECTOR GENERAL (J)

SUBJECT: Assessment of GSA's Management and Performance Challenges for Fiscal Year 2021

As required by the Reports Consolidation Act of 2000, Public Law 106-531, we have prepared for inclusion in the Fiscal Year 2020 Agency Financial Report the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA in Fiscal Year 2021.

This year we have identified significant challenges in the following areas:

1. Establishing and Maintaining an Effective Internal Control Environment
2. Improving Contract Administration
3. Enhancing Government Procurement
4. Maximizing the Performance of GSA's Real Property Inventory
5. Implementing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch
6. Managing Agency Cybersecurity Risks
7. Managing Human Capital Efficiently to Accomplish GSA's Mission
8. Safeguarding Federal Facilities and Providing a Secure Work Environment
9. Managing the Impact of COVID-19

Please review at your earliest convenience. If you have any questions or wish to discuss our assessment further, please call me at (202) 501-0450. If your staff needs any additional information, they may also contact R. Nicholas Goco, Assistant Inspector General for Auditing, at (202) 501-2322.

Attachment

Challenge 1: Establishing and Maintaining an Effective Internal Control Environment

GSA continues to face significant challenges in establishing a comprehensive and effective system of internal control. GSA is required to establish and maintain internal controls through the Federal Managers' Financial Integrity Act of 1982; Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*; and the Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government*. However, we remain concerned about GSA's control environment.

Importance of Internal Control

Internal control is integral to an agency's success. An effective internal control system helps an agency adapt to shifting environments, evolving demands, changing risks, and new priorities. Most importantly, it helps government program managers achieve desired results by providing reasonable assurance that the agency is meeting three fundamental objectives:

- Effectiveness and efficiency of operations;
- Reliability of reporting for internal and external use; and
- Compliance with applicable laws and regulations.

To meet these objectives, management is responsible for designing, implementing, and monitoring control activities to ensure the system of internal control is operating effectively. Internal control must be built into the agency's infrastructure to ensure the proper stewardship of public resources. The system of internal control should be the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Accordingly, management must recognize that internal control is not one event, but a series of actions that occur throughout the entity's operation to achieve its objectives.

Continuing Internal Control Problems

In our *Assessment of GSA's Management and Performance Challenges* for Fiscal Years (FYs) 2019 and 2020, we cited pervasive internal control weaknesses as a challenge for GSA. In response, GSA asserted that it has placed significant management attention toward demonstrating the Agency's commitment to improving its system of internal controls. Among other things, GSA management has implemented mandatory internal control training for all Agency employees, heightened its focus on audit resolution, and established an internal control working group designed to examine audit findings and develop corrective action plans from an Agency-wide perspective.

Notwithstanding these efforts, our office continues to identify internal control weaknesses across a broad spectrum of GSA programs, operations, and acquisitions. Taken together, our

findings indicate the need for direct management attention to develop a more effective internal control environment across GSA.

Over the past year, we have identified numerous internal control breakdowns, which demonstrate that GSA should continue its efforts to address this management challenge. For example:

- In June 2020, we found that GSA failed to timely update the exclusion status for suspended and debarred contractors in its eTools, which consist of GSA *Advantage!*, GSA eLibrary, and GSA eBuy.¹ As a result, federal agencies can unknowingly execute contract actions, including new contract awards, with contractors that have been suspended or debarred. We found several instances where excluded contractors were incorrectly listed on GSA's eTools and one instance where an agency purchased services off a GSA Multiple Award Schedule (MAS) contract from an excluded contractor. In addition, exclusion information for suspended and debarred contractors was not entered into GSA's System of Award Management in accordance with federal regulations. We found that agencies are selecting incorrect classification types, omitting the unique entity identifier, inputting incorrect contractor addresses, and omitting cross-reference data. This can prevent agencies from discovering the affiliations between entities with active exclusions and could lead to suspended and debarred contractors improperly receiving government awards.
- In June 2020, we issued an alert memorandum stating that GSA's Public Buildings Service (PBS) did not take appropriate action to protect the city of Raleigh, North Carolina, from environmental hazards identified at the Terry Sanford Federal Building and Courthouse.² According to PBS studies, cross-connected pipes were causing raw sewage to discharge from the Terry Sanford Federal Building and Courthouse into the local stormwater system and adjoining waterways, likely in violation of the Clean Water Act and various local ordinances. PBS records indicate that personnel in GSA's Southeast Sunbelt Region were made aware of the issues at least as far back as November 2012. Nonetheless, PBS failed to take appropriate action to fix the problem or report it to the City of Raleigh or the Environmental Protection Agency. Pervasive non-compliance with rules and regulations continue to plague GSA. In this instance, its slow response to address the contamination led to violations of local environmental regulations.

In some cases, GSA failed to acknowledge identified internal control problems and subsequently failed to take the appropriate corrective actions to address the issue. This serves

¹ *Audit of GSA's Controls to Prevent Contracting With Suspended and Debarred Contractors* (Report Number A180104/Q/2/P20004, June 19, 2020).

² *Alert Memorandum: Raw Sewage from the Terry Sanford Federal Building and Courthouse in Raleigh, North Carolina, is Discharging into Local Waterways* (Memorandum Number A190100-2, June 3, 2020).

to undermine the effectiveness of GSA's internal control environment, as illustrated by the example below:

- The GSA Federal Acquisition Service's (FAS's) failure to enforce existing policy and ensure that contracting officers' use of pricing tools complied with the Federal Acquisition Regulation (FAR) resulted in contracting officers using flawed methodologies and practices when performing analyses with pricing tools.³ In December 2019, we issued a report that found that FAS contracting officers relied either solely or primarily on pricing tools to establish price reasonableness, inappropriately based pricing comparisons on labor categories that were not the "same or similar," used inconsistent sampling methods, and used an inappropriate basis to establish acceptable price ranges. We also found that the data in the Contract-Awarded Labor Category tool is incomplete, inaccurate, and duplicative; and as a result, may skew the price analyses. Finally, we found that FAS contracting officers did not adequately document their use of the pricing tools to support price analyses and pricing determinations.

We recommended that FAS discontinue the use of the Contract-Awarded Labor Category tool and Contract Operations Division Contractors Database pricing tools until comprehensive policy, guidance, and controls are established and implemented to ensure resultant price analyses are valid. Although FAS agreed to develop and maintain a user guide for the Contract-Awarded Labor Category tool to support FAS contracting officers in appropriate use of the tool, the then-Acting FAS Commissioner disagreed to suspend the use of these pricing tools while that guidance was developed. She asserted that a temporary cessation in the use of these tools would result in decreased efficiencies and increased costs. However, it is highly inefficient and ineffective for FAS to use flawed methodologies and practices when performing analyses with the pricing tools. Using defective price analyses decreases the government's buying power in negotiations and could result in federal agencies overpaying for services. Moreover, FAS's response to this recommendation contradicts the fundamental internal control objective of effective and efficient operations.

During FY 2020, we continued to find cases where GSA has acknowledged control deficiencies but has not taken comprehensive actions necessary to address the problems. This has resulted in long-standing deficiencies in key Agency programs. As discussed below, our office identified significant problems with GSA's management of contract employee access cards, compliance with federal contract competition requirements in GSA's National Capital Region (NCR), and performance and appraisal system for senior executives:

- In March 2016, the GSA Office of Inspector General's (OIG's) Office of Inspections issued an evaluation of GSA's management of contract employee access cards, or Personal

³ *FAS's Use of Pricing Tools Resulted in Insufficient Price Determinations* (Report Number A180068/Q/3/P20002, December 23, 2019).

Identity Verification (PIV) cards.⁴ The Office of Inspections found that: (1) GSA did not consistently collect and destroy inactive GSA contract employee PIV cards in accordance with the FAR and Agency policy; (2) contract employees used expired PIV cards to access GSA-managed facilities; (3) GSA did not comply with PIV card issuance requirements; and (4) data in the GSA Credential and Identity Management System (GCIMS), the authoritative source of information for PIV card and background investigation processes, was inaccurate and incomplete. These security control weaknesses increase the risk of unauthorized access to GSA-managed facilities, which in turn increases the risk of a security event, such as an active shooter, terrorist attack, theft of government property, or exposure of sensitive information. GSA agreed with our findings to address vulnerabilities, stating it would implement corrective actions for the recommendations.

Since the release of the Office of Inspections' report in 2016, we have highlighted concerns over GSA's access card management in our annual assessments of the Agency's management and performance challenges.⁵ Our assessments reiterated that GSA's mismanagement of access cards has increased the risk of unauthorized access of Agency facilities and data.

Based on an audit conducted in response to these long-standing concerns, we issued an alert memorandum in November 2019 in which we identified continuing concerns with GSA's tracking of contract employee PIV cards.⁶ We found that, according to the data in GCIMS, GSA could not account for approximately 15,000 PIV cards issued to contract employees. These cards can be used to gain unauthorized access to federal buildings and systems, thereby presenting a significant security risk to GSA personnel, property, and data. GSA initiated steps to address the findings in our alert memorandum; nonetheless, as of July 2020, over 12,000 contractor PIV cards remained unaccounted for, according to GCIMS data.

- Since 2013, our office has repeatedly reported on PBS National Capital Region's (PBS NCR's) noncompliance with federal competition requirements when awarding contracts.⁷ Most recently, in September 2020, we reported that PBS NCR's poor contracting practices and insufficient oversight contributed to missed opportunities to

⁴ *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Management of Contractor HSPD-12 PIV Cards* (Report Number JE16-002, March 30, 2016).

⁵ *Assessment of GSA's Major Management Challenges* for FYs 2017, 2018, 2019, and 2020.

⁶ *Alert Memorandum: GSA Cannot Account for Thousands of Personal Identity Verification Cards Issued to GSA Contract Employees* (Memorandum Number A190085-2, November 22, 2019).

⁷ See for example, *Summary of Systemic Procurement Issues within GSA's National Capital Region* (Memorandum Number A120171, November 7, 2013); *Limited Scope Audit – Operations and Maintenance Services Contract at St. Elizabeths* (Report Number A150048/P/R/R16001, March 2, 2016); and *PBS National Capital Region's \$1.2 Billion Energy Savings Performance Contract for White Oak Was Not Awarded or Modified in Accordance with Regulations and Policy* (Report Number A150009/P/5/R17006, August 24, 2017).

compete contracts and ensure fair and reasonable prices for the federal government.⁸ We found that PBS NCR contracting staff often did not prepare acquisition plans and justifications for other than full and open competition, and PBS NCR management often did not provide oversight of the procurements. Additionally, PBS NCR's contract files for contracts awarded without competition lacked evidence of price reasonableness determinations.

Although PBS NCR acknowledged our findings and has provided ongoing and planned actions to address our concerns, management's failure to establish effective internal controls to ensure PBS NCR acquisition personnel comply with federal competition requirements is troubling. Competition in contracting is critical to ensuring the federal government awards contracts to responsible and high-performing contractors at fair and reasonable prices. However, PBS NCR, which manages the largest inventory of federal workspace in the smallest geographic area of all GSA regions, has maintained a pattern of competition violations, continually failing to comply with competition laws, rules, and regulations.

- In May 2013, we issued a report identifying significant problems with GSA's performance and appraisal system for senior executives. Among other things, we reported that GSA's performance and award practices for senior executives violated legal requirements. We also reported that GSA did not have adequate award policy in place for its senior executives. Further, it failed to accurately disclose its senior executive evaluation and award processes and results to the Office of Personnel Management (OPM) and Congress.

In a June 2020 report, we detailed continued deficiencies in GSA's performance and appraisal system for senior executives.⁹ Although GSA acknowledged deficiencies in the executive performance recognition and awards process identified in our May 2013 report, it failed to take corrective actions to address all of the report findings.¹⁰ We found continuing issues with practices regarding initial summary ratings and meaningful higher-level review, timely performance plans, publication of Performance Review Board membership, and prohibited award practices.

For example, we noted that persistent problems with timely performance plans continued from our May 2013 report through FY 2018. Specifically, from FY 2016 through FY 2018, we found 126 instances in which executives received their plans more

⁸ *Audit of Competition in the Public Buildings Service's Nation Capital Region* (Report Number A190019/P/R/R20010, September 23, 2020).

⁹ *GSA's Performance and Appraisal System for Senior Executives Remains Deficient* (Report Number JE20-001, June 9, 2020).

¹⁰ *GSA Practices for Executive Performance Recognition and Awards* (Report Number JEF12-017-000, May 16, 2013).

than 90 days after the beginning of their appraisal period, violating federal regulations. Of particular concern, in FY 2018, 89 percent of executives received their performance plans more than 90 days after the appraisal period began, and the executives and their supervisors did not sign most plans until approximately 180 days after the performance period started.

In addition to untimely performance plans, we found that GSA adjusted one executive's annual summary rating based on information obtained after issuance, a violation of federal regulations. This resulted in a second performance award payment to the executive, despite federal regulations permitting only a single, lump-sum payment. GSA also provided inaccurate information to OPM that portrayed these two performance awards as one. GSA continues to violate federal regulations previously identified in 2013 and does not adhere to internal policy and guidance.

Internal control serves as the first line of defense in safeguarding assets and helping managers achieve desired results through effective stewardship of public resources. However, the examples above demonstrate the need for direct management attention to develop a more effective internal control environment across GSA. GSA management should therefore continue its efforts to implement a more effective system of internal control to ensure the Agency consistently complies with laws and regulations, produces accurate and reliable reports, and operates effectively.

Challenge 2: Improving Contract Administration

GSA faces a challenge in providing appropriate oversight of its contracts and leases. As the acquisition and real property management arm of the federal government, GSA is responsible for the procurement of billions of dollars' worth of products, services, and facilities for federal government agencies. After award, GSA is required to provide effective oversight of its contracts and leases to ensure that the government is receiving the goods and services it is paying for and to protect taxpayer dollars against the risk of waste, fraud, and abuse. Although oversight is a requirement for all contracts and leases, our audit reports have repeatedly identified instances where oversight was either insufficient or lacking entirely.

Although GSA has taken, or is taking, corrective actions to address specific audit findings, issues remain. GSA should take comprehensive and proactive steps to improve contract and lease administration practices across the Agency. Without the appropriate level of oversight, GSA risks undetected fraud, waste, and abuse and violations of the FAR.

In FY 2019 and FY 2020, our reports cited numerous examples of poor contract and lease administration practices, resulting in violations of laws and regulations, deviations from policies, unfulfilled customer support, and waste of taxpayer funds. For example:

- In March 2020, we issued an audit report that identified ineffective and inconsistent oversight of how Energy Savings Performance Contracts (ESPCs) complied with the requirements of the Federal Energy Management Program and the FAR, which resulted in PBS not achieving expected energy and cost savings.¹¹ Due to inadequate oversight, PBS failed to achieve guaranteed cost savings on two ESPC projects and continues to risk paying for unsupported and overstated operations and maintenance savings.

PBS did not maintain complete contract files or complete contractor performance assessments as required by the FAR. As a result, PBS did not provide effective oversight of the ESPCs, which could jeopardize the government's investment and waste taxpayer dollars. Additionally, a lack of training on measurement and verification and staff continuity issues contributed to the inadequate oversight by PBS.

- In February 2020, we reported that the PBS Northwest/Arctic Region Service Center did not provide effective oversight of its lease and service contracts.¹² We found that lease administration managers did not conduct annual lease inspections and maintain complete lease file documentation as required. Additionally, contracting officer's representatives did not ensure that service contractors met the contracts' performance standards. As a result, PBS and tenant agencies paid for services that they did not receive.
- In June 2019, we issued an audit report that identified deficiencies in FAS's oversight of a task order awarded to assist the government-wide transition to the new 15-year, \$50 billion Enterprise Infrastructure Solutions (EIS) contract.¹³ We found that FAS's ineffective administration of the task order resulted in high rates of spending with minimal transition progress. Further, we found that inadequate oversight of the task order invoices led to payments for unqualified employees and travel claims that were inaccurately billed and not pre-approved.
- In our FY 2019 Federal Information Security Modernization Act of 2014 evaluation, performed by an independent public accountant (IPA), the IPA determined that GSA lacked a formal review and acceptance process for deliverables designed to monitor security and compliance for both third-party systems selected for testing. The IPA determined that for the tested contractor information systems, there was only partial or no evidence of certain required deliverables used to monitor contractors' compliance with GSA security requirements. Although GSA received the information from the

¹¹ *PBS's \$1.7 Billion Energy Savings Performance Contracts Are Not Achieving Energy and Cost Savings Due to Inadequate Oversight* (Report Number A180017/P/5/R20004, March 27, 2020).

¹² *GSA's PBS Northwest/Arctic Region Service Center Does Not Effectively Administer Lease and Service Contracts* (Report Number A180053/P/4/R20002, February 20, 2020).

¹³ *Insufficient Management of Transition Support May Impede the Government-Wide Transition to Enterprise Infrastructure Solutions* (Report Number A170103/Q/T/P19003, June 28, 2019).

contractors, there was no formal review and acceptance of the deliverables. Failure to properly review and accept the deliverables might result in security weaknesses that are not tracked by GSA for remediation by the contractor. The IPA has identified control deficiencies every year since the FY 2015 evaluation.

Taken together, these examples demonstrate that GSA needs to address challenges in its oversight of its contracts and leases. Accordingly, GSA should take comprehensive and proactive steps to improve its oversight of contracts and leases to protect the Agency against the risk of undetected fraud, waste, and abuse and violations of applicable laws and regulations.

Challenge 3: Enhancing Government Procurement

One of GSA's strategic goals for FY 2021 is to establish itself as the premier provider of efficient and effective acquisition solutions across the federal government. As an integral part of GSA, FAS has significant responsibility in meeting this goal and is undertaking the following acquisition solution initiatives:

- Transforming the Multiple Award Schedules Program (Schedules Program);
- Managing supply chain risk in accordance with FY 2019 National Defense Authorization Act (NDAA), Section 889;
- Implementing procurement through commercial e-commerce portals; and
- Transitioning customers to the new EIS contract.

While the above initiatives are intended to help FAS meet GSA's strategic goal and ensure compliance with recent legislation, they also significantly change FAS's processes and programs and create challenges to meeting FAS's own mission, which according to its FY 2021 Budget Estimate is to "provide an exceptional customer experience by delivering best value goods and services through an increasingly digital environment."

Transforming the Schedules Program

FAS has implemented several initiatives and tools, dating back to 2016, to transform its Schedules Program. These include distinct transformation projects aimed at consolidating schedules, improving pricing using transactional data reporting (TDR) and automated pricing tools, and changing rules and regulations to make the buying experience easier for user agencies. As detailed below, these projects will have a significant effect on the Schedules Program. With the simultaneous deployment of these initiatives and tools, FAS is challenged to ensure they are effectively implemented, managed, and evaluated so that FAS meets its core objective to leverage the government's buying power.

Consolidated Schedules. In an effort to reduce redundancy and duplication of services, products, and solutions across multiple acquisition centers, FAS is consolidating its current 24

schedules into a single, all-encompassing GSA schedule. FAS rolled out a new solicitation for the consolidated schedule at the start of FY 2020 that applied to new schedule offers. Existing schedule contracts were converted to the new consolidated schedule via a required contract modification, which contained an acceptance cutoff date of July 31, 2020.

FAS expects this consolidation to reduce the administrative and contractual burden of maintaining duplicate contracts and allow schedule contractors to provide “total solutions” without maintaining multiple schedules. As the consolidation enters its final phase, FAS continues to work through the challenges created by transforming a program as large as the Schedules Program. These final challenges include helping companies develop a plan for merging multiple contracts into one and ensuring each surviving contract is assigned to an acquisition center with the expertise to administer it properly.

Pricing for MAS Contracts. Since 2016, FAS has been changing how it determines fair and reasonable pricing for some of its MAS contracts. Prior to 2016, FAS negotiated pricing for all MAS contracts to achieve the contractor’s “most favored customer” pricing and discounts under similar conditions based on the contractor’s commercial sales. However, FAS has moved away from using commercially comparable pricing on all of its contracts. FAS has instead taken steps to base some fair and reasonable pricing determinations on government contracts for similar items.

In 2016, FAS implemented the TDR pilot, GSA Acquisition Regulation (GSAR) 538.270-2, *Evaluation of offers with access to transactional data*, which does not require commercial sales practices information but, rather, establishes an order of preference that prioritizes prices paid information as the primary basis to determine price reasonableness. Since then, GSA has collected nearly 7 million line items of schedule contractors’ TDR data; however, we question the reliability of the TDR data for use in price analysis. In GSA Administrator Emily Murphy’s November 15, 2019, *Response to OIG’s Assessment of GSA’s Management and Performance Challenges, Fiscal Year 2020*, she acknowledged ongoing data quality issues, as has FAS throughout the TDR pilot. Nonetheless, GSA extended the pilot through 2021.

When a price reasonableness determination cannot be made using prices paid information, contracting officers are advised to use contract-level pricing information from other MAS and government-wide contract vehicles for same or similar items to determine price reasonableness. Typically, FAS contracting personnel use automated pricing tools developed by FAS, such as the Contract Awarded Labor Category (CALC) tool on services contracts and the Price Point Plus Portal Tool on products to gather contract-level pricing information.

The CALC tool is designed to assist contracting officers in conducting market research using a database of MAS contract prices for approximately 58,000 labor categories on over 2,300 contracts. The Price Point Plus Portal Tool is a price evaluation tool that collects data on tens of millions of products and their pricing and identifies if an offered item’s pricing is too expensive compared to other suppliers selling identical items. According to FAS, automated pricing tools are used as one of several methods to conduct market research. However, in December 2019,

we reported that FAS contracting officers often relied exclusively on automated pricing tools to make pricing determinations for services contracts, especially when a contractor opted into the TDR pilot.¹⁴

Our report identified significant flaws in FAS's use of these pricing tools, particularly when used as the sole basis for pricing determinations. For example, we found that contracting officers failed to use the tools in accordance with federal regulations, FAS pricing policies, and the intent of the Schedules Program. When using these tools, FAS contracting officers also failed to document their price analyses as required. Additionally, we found that the data in the CALC tool was incomplete and unreliable. Taken together, these findings demonstrate that FAS faces significant challenges to ensure that its use of pricing tools achieves fair and reasonable pricing that represents the best value for government purchasers.

Managing Supply Chain Risk

Section 889, Part A, of the FY 2019 NDAA, effective August 13, 2019, prohibits the government from purchasing restricted telecommunications equipment or services (prohibited telecom) from certain Chinese telecommunications companies and from working with contractors that use such products. Section 889, Part B, effective August 13, 2020, prohibits the government from contracting with any entity that uses telecommunications equipment or services produced by certain Chinese companies as a substantial or essential component of any system, or as a critical technology as part of any system. To comply with Section 889, Parts A and B, GSA is challenged with identifying prohibited telecom and contractors that should be removed from government-wide contracts.

GSA plays an important role in the federal government's Supply Chain Risk Management initiatives. Supply chain risk can include:

- Product and service risk (e.g., cybersecurity vulnerabilities, counterfeit goods, and product tampering);
- Contractor organization and employees risk (e.g., bribery, prohibited companies, and human trafficking);
- Regulatory compliance risk (e.g., Buy American Act, Trade Agreements Act);
- Price risk (e.g., fluctuation in cost of materials and currencies); and
- Disruptions risk (e.g., natural disasters, geopolitical events, and commodity shortage).

GSA is challenged with developing an overall Supply Chain Risk Management strategy and implementation plan to govern Supply Chain Risk Management activities, including prioritizing risk assessments of critical assets, systems, mission, components, and services.

¹⁴ *FAS's Use of Pricing Tools Results in Insufficient Price Determinations* (Report Number A180068/Q/3/P20002, December 23, 2019).

Implementing Procurement through Commercial E-Commerce Portals

Section 846 of the FY 2018 NDAA, *Procurement through Commercial E-Commerce Portal*, requires FAS, in coordination with OMB, to establish a government-wide program to procure products through multiple commercial e-commerce portals. The intent of the program is to enhance competition, expedite procurement, and gather market research for routine commercial acquisitions to enable contracting officers to focus on complex, high-value acquisitions. In June 2020, FAS awarded three contracts for a preliminary test version of the e-commerce portals.

The implementation of government-wide e-commerce portals is a complex endeavor requiring FAS to address multiple challenges as it tests the portals, including:

- **Use of benchmarks and metrics.** FAS needs effective benchmarks and metrics to evaluate the results from commercial e-commerce portals; however, necessary baseline data may not exist or may only be obtained once the portals are in use. Moreover, FAS cannot meaningfully evaluate the performance and benefits of the portals until significant adoption occurs. The adoption rate is unknown as use of these commercial e-commerce portals is voluntary. FAS will be further challenged to differentiate the results related to the commercial e-commerce portals from those related to other recent changes throughout the acquisition marketplace, such as the Schedules Program consolidation and the increase of the micro-purchase threshold to \$10,000.¹⁵
- **Balancing commercial practices with federal regulations.** FAS needs to balance adopting commercial practices while adhering to federal regulations and policies. FAS and other stakeholders have acknowledged this challenge since Section 846 of the FY 2018 NDAA was enacted. For example, federal regulations and policies related to competition, data and physical security, and small business usage were established to protect the government and support various public policy initiatives. Moreover, an Executive Order and a Department of Homeland Security report, both released earlier this year, have heightened attention to counterfeiting and supply chain risk in e-commerce acquisitions.¹⁶ Applying federal requirements to purchases made through the e-commerce portals may hinder the government's ability to streamline procurement, reduce the pool of companies vying to be portal providers, negatively affect pricing, and contravene the instructions of Section 846 to maximize the use of commercial terms and conditions.

¹⁵ A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures below an established dollar threshold.

¹⁶ Executive Order 13904, *Ensuring Safe and Lawful E-Commerce for US Consumers, Businesses, Government Supply Chains, and Intellectual Property Rights Holders* (January 31, 2020); U.S. Department of Homeland Security report, *Combating Trafficking in Counterfeit and Pirated Goods* (January 24, 2020).

- **Use of e-commerce portal data.** To address portal providers' use of data from purchases, FAS incorporated the data protection requirements of Section 838 of the FY 2019 NDAA into the e-commerce portal solicitation. In addition, the solicitation specifies that the data is proprietary to the government. While these inclusions establish contractual requirements, FAS must monitor and enforce them to ensure the appropriate protection and use of collected data by portal providers.
- **Impact on existing acquisition programs.** FAS needs to assess the effects of the e-commerce portals on existing acquisition programs. While FAS's goal is to focus on open-market spending, it is possible that the portals could have unintended negative consequences for other acquisition programs. For example, purchases through these portals cannot exceed the micro-purchase threshold and the Trade Agreements Act does not apply to purchases under the micro-purchase threshold. This could economically incentivize suppliers to choose the commercial e-commerce portals over the Schedules Program, which must comply with the Trade Agreements Act.
- **Agency participation.** FAS is competing for government business with existing commercial offerings and agency-specific e-commerce programs, which may limit participation in its e-commerce program. Commercial portals benefit from prominent name recognition and some government agencies have established their own programs. FAS will be challenged to engage with potential government users and demonstrate that its program offers more value-added benefits than open-market purchasing and other, existing government e-commerce programs.

As FAS attempts to fulfill its responsibilities under Section 846 of the FY 2018 NDAA and tests the e-commerce portals, it must consider these challenges and remain vigilant in monitoring the unintended consequences of implementing this initiative.

Leading the Transition to the Enterprise Infrastructure Solutions Contract

FAS is leading the government-wide transition from the expiring Networx telecommunications and information technology (IT) infrastructure contracts to the new EIS contract. EIS is a 15-year, \$50 billion contract that provides customer agencies with common telecommunication services and IT infrastructure such as voice, cloud services, call and data centers, satellites, and wireless services. To reduce overlap and duplication, EIS aims to consolidate offerings currently provided by national and regional contracts and leverage the government's buying volume to reduce prices. Additionally, customer agencies are using the transition to EIS as an opportunity to enhance cybersecurity and modernize federal IT.¹⁷

Since the transition began in April 2016, FAS has encountered significant challenges in its efforts to move customer agencies to EIS. From delays in awarding the EIS contract to issues with

¹⁷ American Technology Council's *Report to the President on Federal IT Modernization* (December 13, 2017).

administering a task order meant to provide direct support to customer agencies, these challenges substantially affected FAS's ability to transition more than 200 customer agencies by the initial March 2020 deadline.

In December 2018, FAS announced that it was extending the transition deadline by 3 years to allow more time for transition execution. However, customer agencies are only eligible to use the extended Networkx contracts if they meet certain transition milestones. As of July 31, 2020, two interim transition deadlines have passed without much progress. Solicitations were to be issued to industry by March 31, 2019, but medium and large agencies only issued 75 percent of the expected solicitations.¹⁸ Similarly, task orders were to be awarded by September 30, 2019, but medium and large agencies only awarded 37 percent of task orders. In addition, the Coronavirus Disease 2019 (COVID-19) pandemic may create an added challenge by compounding slow progress and delaying the transition further.

FAS acknowledges that the delay in completing the acquisition phase of the transition has created significant risk that agencies cannot disconnect their services from the expiring contracts by the target deadline of September 30, 2022. Further, GAO recently reported that 11 of 19 agencies sampled said they did not plan to meet FAS's milestone to fully transition to EIS by September 30, 2022.¹⁹ However, these agencies said they did plan to transition before the current contracts expire in May 2023.

To mitigate risk and enforce the eligibility conditions for using the extended Networkx contracts, FAS developed a *Project Plan for Closeout of EIS Transition*. The plan's goal is to ensure all services are disconnected from the expiring contracts by May 2023. In an effort to meet this goal, in July 2020, FAS started removing agencies from the Networkx Authorized Users List to limit the use of the Networkx contracts to only those agencies that meet critical milestones. In addition, as of October 1, 2020, FAS put into effect a freeze on modifications and orders for new services in an effort to limit the growth of services under the Networkx contracts. As FAS tracks agencies' progress, it will know which agencies are at risk of not completing transition by the September 30, 2022, deadline. Under "extreme circumstances," FAS said it may approve a few specific agencies to use an "Emergency Action Period" that would allow use of the expiring contracts from October 1, 2022, to May 31, 2023. Consequently, FAS is developing potential options to assist Agencies that cannot complete their transitions by May 31, 2023.

To ensure the success of its *Project Plan for Closeout of EIS Transition*, FAS must enforce the actions outlined in the plan to compel agencies to execute their transitions. Otherwise, the government's prolonged use of the Networkx contracts continues to decrease potential cost savings from reduced acquisition costs and volume buying available under EIS and increases FAS's expense of administering both contracts simultaneously.

¹⁸ FAS categorizes agencies by business volume into three groups: small, medium, and large. FAS transition reports focus on the 42 medium and large agencies.

¹⁹ GAO's *Agencies Should Fully Implement Established Transition Planning Practices to Help Reduce Risk of Costly Delays* (GAO-20-155, April 7, 2020).

Challenge 4: Maximizing the Performance of GSA's Real Property Inventory

PBS must maximize the performance of its real property inventory in order to provide its tenant agencies with space that meets their needs at a reasonable cost to American taxpayers. To achieve this goal, PBS should plan the best approach to reduce and consolidate space, dispose and exchange federal property, reduce leasing costs, administer the capital construction program, meet the operations and maintenance needs of aging buildings, and ensure effective management of energy and utility contracts.

Reducing and Consolidating Space

Federal space consolidation is a continuing federal initiative. According to GSA's *FY 2021 Congressional Justification*, PBS's goal is to use \$50 million for the reconfiguration and renovation of space within government-owned and leased buildings. Accordingly, PBS gives preference to projects that result in an office utilization rate of 130 usable square feet per person or less and a total project payback period of 10 years or less. While this strategy represents positive steps to save taxpayer dollars, PBS faces a host of challenges as it implements initiatives and works to obtain the desired results.

In GSA's *FY 2021 Congressional Justification*, PBS's plans to reduce spending include footprint optimization. According to GSA:

[the Agency] optimizes its footprint by focusing on real estate solutions in owned assets. When space can be made available through consolidation or improvements to existing owned space, that space becomes available to house tenants from expiring leases. This is the ideal solution to reduce the Government's reliance on leased space and optimize our footprint.

However, consolidations provide additional challenges because they require significant upfront funding. For example, in advance of any consolidations, GSA needs to reconfigure and renovate space to accommodate agencies and provide necessary upgrades to heating, ventilation, and air conditioning systems.

Since FY 2014, Congress has provided GSA with the authority to use funds for space consolidation projects. However, GSA did not receive funding for its consolidation activities in FY 2019 or FY 2020. While GSA has requested \$50 million in its *FY 2021 Congressional Justification* to fund consolidation activities, it is faced with the challenge of delaying consolidations without the necessary upfront funding.

Although GSA has tools for evaluation of property for consolidation, we have found that these are not always considered. One tool is Funds from Operations (FFO). FFO is a key metric of a GSA-owned or leased asset's financial performance. It is calculated by subtracting expenses (exclusive of depreciation) from revenues. The consideration of FFO and occupancy rates is

integral to ensuring that PBS makes effective decisions aimed at reducing and consolidating space in its owned and leased portfolio. However, we have found issues with consideration of these factors. For example, in our March 2019 report on the financial performance of leases in PBS NCR, we found significant financial losses caused by poor planning and execution of leases.²⁰ For one major lease consolidation project, we found that PBS NCR did not consider the costs associated with the vacant space generated by the consolidation. When the consolidation occurred, it generated over 430,000 square feet of vacant leased space. GSA was forced to absorb the rental costs and real estate taxes associated with the vacant space, resulting in an FFO loss of \$8.3 million. We found similar concerns with leases sampled in PBS's Great Lakes and Pacific Rim Regions.²¹

While considering factors like FFO in its decision-making process for consolidation projects, GSA must also evaluate the effects of the COVID-19 pandemic on its future square footage reduction goals. In the past, GSA has used open workspace and hoteling concepts as strategies to reduce agencies' overall space requirements. However, current open-space designs pose significant challenges in the pandemic. Among other things, open-space designs may prevent tenants from meeting social distancing requirements, which could prevent agencies from fully re-populating their offices as they did before the pandemic struck. Accordingly, GSA should evaluate the future of open-space design and its effect on the Agency's overall strategy for reducing the federal footprint.

Reducing Leasing Costs

PBS is focused on achieving taxpayer savings by avoiding increased lease costs through the timely replacement of expiring leases. PBS's leasing portfolio consists of more than 8,000 leases equating to more than 187 million rentable square feet of space.

According to GSA's *FY 2021 Congressional Justification*, approximately 60 percent of PBS's leases will expire by FY 2023. PBS states that it will focus on the high-value leases that represent nearly 61 percent of the rent through FY 2025. In FY 2018, PBS initiated its Lease Cost Avoidance Plan to replace these leases with longer, firm-term leases at better rates and restructure the PBS portfolio. PBS's Lease Cost Avoidance Plan aims to save \$4.7 billion by 2023.

The Lease Cost Avoidance plan consists of three strategies:

- Achieve below-market rental rates by executing long-term leases rather than short-term extension actions;

²⁰ *Audit of the PBS National Capital Region's Lease Financial Performance* (Report Number A170047/P/R/R19003, March 20, 2019).

²¹ *Audit of the PBS Great Lakes Region's Lease Financial Performance* (Report Number A170047/P/5/R19007, August 23, 2019); *Audit of PBS Pacific Rim Region's Lease Financial Performance* (Report Number A170047/P/9/R19005, June 13 2019).

- Replace expiring leases with less square footage through space consolidations and moves to federally owned space; and
- Increase the percentage of expiring leases that are replaced with long-term solutions.

PBS's challenges in implementing the Lease Cost Avoidance Plan include the need for a centralized strategy across all 11 regions, obtaining tenant agency space requirements in a timely manner, and the potential adverse effects on lease financial performance. PBS should ensure its strategies address these challenges and ensure it has adequate controls in place to manage a majority of its leases expiring within 3 years.

We have documented additional challenges PBS will have in implementing its strategies. In our June 2020 report on lease extensions and holdovers, we found that, although PBS has taken a number of steps to reduce its use of extensions and holdovers and encourage the use of more economical long-term lease agreements, PBS leasing staff face obstacles in adhering to this guidance and using the simplified lease process. The short-term nature of extensions and holdovers often limits GSA's ability to obtain favorable contract terms, resulting in higher leasing costs. PBS's issues in adhering to the guidance and using the simplified lease process has contributed to delays in lease actions and increased the likelihood that PBS will have to enter into costly extensions or holdovers.²²

Finally, PBS will face challenges to address the Lease Cost Avoidance Plan's potential adverse effects on lease financial performance. Leadership from both PBS and the Office of the Chief Financial Officer have asserted that implementation of the plan will require management to devote more resources toward larger leases that are more likely to generate long-term savings. However, this will lead to increased overhead expenses for these leases and contribute to FFO losses until the leases are fully occupied. PBS and Office of the Chief Financial Officer management have stated that they are willing to accept these losses in pursuit of potential long-term lease savings goals. Nonetheless, management should retain focus on FFO, as it remains an important financial measure that can indicate problems with a lease that may require management attention.

Federal Property Disposal

The 2016 Federal Assets Sale and Transfer Act (FASTA) was passed to reduce the costs of federal real estate. As GSA is the central agency in federal real estate, FASTA resulted in GSA simplifying and streamlining the federal real property disposal process and enhancing the productivity of GSA's real estate portfolio. A major component of FASTA is to expedite the sale of federal real property through bypassing GSA's *Federal Property and Administrative Services Act of 1949* screening process for public conveyance and imposing strict deadlines for GSA to complete the sale.²³

²² *Audit of PBS's Lease Extensions and Holdovers* (Report Number A190033/P/R/R20007, June 22, 2020).

²³ *Federal Property and Administrative Services Act of 1949*, Section 484, *Disposal of surplus property*.

To achieve the objectives outlined in the act, FASTA established the Public Buildings Reform Board (PBRB) for a 6-year term. The PBRB identified 12 properties at a market value of no less than \$500 million, but no more than \$750 million, as required by FASTA and submitted a recommendation for disposal to OMB.²⁴ On January 24, 2020, OMB approved the PBRB's recommendation. OMB's approval of the PBRB submission prompted a 60-day deadline that required landholding agencies of the 12 recommended properties to each submit a report of excess (ROE) for acceptance by GSA by March 24, 2020. An ROE identifies the property description, environmental characteristics, and other information needed to make the property available for sale. Once the ROE is received, GSA will develop an individual sale strategy for each asset. Unless OMB grants an extension, GSA will be required to complete the sale within 1 year from the date of ROE acceptance.

As of August 2020, GSA has only acknowledged receipt of the submissions of the 12 high-value government properties submitted by each agency. However, by acknowledging and not accepting the 12 ROEs, GSA has prevented triggering the 1-year FASTA deadline to complete the disposals. Typical to the disposal process, GSA will not accept an ROE until it has a thorough understanding of the property, the tenant's relocation strategy, and other regulatory measures for divestiture; GSA will work closely with the landholding agencies to fill any gaps. However, the current pandemic environment has further complicated GSA's implementation of FASTA and the process for accepting ROEs. GSA will not accept an ROE if it cannot properly execute or initiate a sale in an unstable market due to the pandemic, particularly under this new, strict FASTA deadline. Moreover, agency requirements are shifting in response to COVID-19, which leaves considerable uncertainty about moving forward with assessing agencies' relocation strategies.

Additionally, GSA faces challenges in managing the expectations of the PBRB, which is eager to have GSA accept the ROEs to begin the sale process, as the proceeds from these sales will continue to fund future rounds of disposals. The PBRB is determined to complete the sales of its recommended properties in order for it to fully commit its efforts on its next submission to OMB, which has a December 2021 deadline. Both GSA and the PBRB have been meeting regularly to determine the best way forward and discuss options for grouping the 12 properties for sale. GSA is currently conducting market research to determine this option's feasibility. The continued partnership between GSA and the PBRB is essential to ensure the FASTA goals are fully achieved.

Administering GSA's Capital Construction Program

PBS's Office of Design and Construction is responsible for leading PBS's capital construction program and supports GSA's regional offices in new construction, major modernization, and

²⁴ PBRB's *High Value Assets Report, Key Findings and Recommendations Pursuant to the Federal Asset and Transfer Act of 2016 (FASTA)*.

other capital construction projects, from pre-planning through commissioning.²⁵ As of October 2020, PBS had \$11.9 billion in active capital construction projects. Due to internal resource limitations, PBS faces challenges in delivering these projects and has become excessively reliant on construction management firms. Additionally, PBS continues to struggle with its administration of Construction Manager as Constructor (CMc) contracts. In some cases, these challenges have resulted in contractor employees performing inherently governmental functions, organizational conflicts of interest, and significantly inflated costs.

Construction Management Services. Construction managers are private firms that act as advisors or consultants to PBS during the execution of capital construction projects. PBS requires the use of construction managers for its capital construction projects. PBS has used construction managers to fulfill many functions and responsibilities within its capital construction program. Though not required, PBS also uses construction managers for smaller projects and lease administration.

In a recent audit of PBS's use of construction management services, we found that PBS has become excessively reliant on construction managers.²⁶ PBS has frequently allowed construction managers to perform inherently governmental functions that are reserved for federal employees, including developing independent government estimates, assessing contractor proposals on source selection boards, negotiating contracts, and accepting project deliverables. Further, PBS has allowed construction managers to access sensitive information, including competitors' proprietary information and government data, without mitigating conflicts of interest or ensuring data security.

Given PBS's construction workload, PBS must rely on contractor staffing and expertise to supplement its internal staffing resources and manage its capital construction projects. However, PBS must ensure that sufficient controls are in place to prevent construction managers from performing inherently governmental functions and that steps are taken to eliminate or mitigate potential conflicts of interest.

Construction Manager as Constructor Contracts. The CMc is a project delivery method PBS often uses for its capital construction projects. Using this method, PBS first awards a design contract to an architect-engineering firm. During the design phase, PBS awards a CMc contract to a general contractor for design phase services, including cost estimating and constructability reviews. The contract includes an option for construction services, which may be exercised once design is complete. This option requires the contractor to construct the project on time and within a competitively bid guaranteed maximum price.

²⁵ Capital construction projects are projects that exceed the prospectus threshold, currently \$3.095 million, and require congressional approval.

²⁶ *Audit of the GSA Public Buildings Service's Use of Construction Management Services* (Report Number A150028/P/4/R20009, September 4, 2020).

PBS used the CMc project delivery method extensively for its American Reinvestment and Recovery Act new construction and major modernization projects. During our oversight of PBS's American Reinvestment and Recovery Act projects, we observed a number of issues with PBS's award and administration of these contracts. To address these issues, PBS issued *Policy and Procedures for using the Construction Manager as Constructor Project Delivery Method* on February 8, 2011. This guidance remained in effect until October 18, 2018, when GSA issued a FAR and GSAR class deviation. On January 21, 2020, the GSAR was amended to formally adopt this CMc policy. The updated GSAR provides centralized guidance to ensure consistent application of CMc construction project principles.²⁷

Despite the 2011 CMc policy and subsequent class deviation and GSAR policy, PBS continues to apply CMc policy and requirements inconsistently. This is particularly evident in PBS's CMc contract pricing and project accounting. For example, PBS is not always performing a required independent review of CMc contractor accounting systems prior to incurring construction costs; therefore, PBS cannot ensure that project costs are accounted for and allocated appropriately. Further, PBS has converted construction options to firm-fixed prices prior to design completion, and has erroneously changed guaranteed maximum prices with contract modifications. These contract administration challenges have resulted in significant increases to project costs; they must be addressed to avoid overpayment on current and future CMc contracts.

Meeting the Operations and Maintenance Needs of Federal Buildings

In FY 2019, PBS fell short of its annual goal of having 80 percent of its building inventory's operations and maintenance costs meet market ranges, with 72 percent meeting the goal. GSA also reported in FY 2019 that 29 percent of its buildings were not in good condition and estimated that \$1.93 billion is needed to restore its inventory to acceptable conditions. According to PBS's internal estimates for building repair projects, this figure rose to over \$2.53 billion in FY 2020—a 30 percent increase over FY 2019 estimates.

PBS's performance against its cost savings goals, coupled with increasing estimated costs to make needed building repairs, demonstrate that PBS faces significant challenges to meet its operations and maintenance needs. To address these challenges, PBS must overcome obstacles including its inability to provide consistent contract administration practices, identify accurate facility condition needs, and maintain adequate expertise in its field offices.

Operations and maintenance costs cover maintaining mechanical, electrical, plumbing, and other building control systems, and performing repairs. PBS has identified contract administration inconsistencies during inspections of these systems throughout its service centers. To address this concern, PBS plans to aggregate its operations and maintenance contracts. In doing so, PBS believes it will reduce its costs and administrative burden, while gaining consistency in contract administration practices such as inspection services. However,

²⁷ GSAR Subpart 536.71, *Construction-Manager-as-Constructor Contracting*.

PBS must ensure that contract consolidations will realize cost reduction goals while maintaining consistent and acceptable levels of service.

PBS's operations and maintenance contractors perform routine maintenance on building equipment systems to lessen the likelihood of systems failing, known as preventive maintenance. At the beginning of a contract, the operations and maintenance contractor submits its proposed procedures, standards describing the procedures, and frequency to PBS for approval. PBS uses this information to plan for future work and to report its work order backlog in national performance measures. PBS determined that not all of its buildings have preventive maintenance plans and established a national goal in FY 2020 to measure the percentage of buildings with active preventive maintenance plans. The lack of preventive maintenance plans identifies a new challenge in PBS's ability to maintain accurate records of facility condition, maintenance and repair history, and work order backlog.

PBS has become increasingly concerned that its field office staff do not possess adequate expertise to manage its building inventory and administer its operations and maintenance contracts. According to PBS, subject matter experts are typically in its regional offices rather than field offices. As services are performed by its operations and maintenance contractors, PBS faces challenges to ensure its field office staff adequately inspect repairs to its mechanical, electrical, plumbing, and other building control systems.

GSA must ensure that reductions to its operations and maintenance costs do not affect its ability to provide safe, reliable, and functional building performance for its tenants and the public.

Ensuring Effective Management of Energy Savings Performance Contracts and Utility Energy Service Contracts

Between December 2010 and May 2020, PBS awarded over \$2.1 billion in ESPCs and Utility Energy Service Contracts (UESCs). However, ESPCs and UESCs are high-risk areas for PBS, with high-dollar contract values and long-term financial commitments. Without effective management, PBS may not realize the savings needed to fund these contracts.

Under an ESPC, the government contracts with an energy service company to install energy-saving upgrades to buildings and pays the energy service company from the energy savings generated by the upgrades. An ESPC can last for up to 25 years. A UESC is a contract between a federal agency and a utility company for energy management services, including energy and water efficiency improvements. The utility company pays most or all of the upfront costs, and the government repays the utility company through utility savings, appropriated funds, or a combination of the two. UESCs can also last up to 25 years.

In an audit of ESPCs, we identified a number of challenges.²⁸ We found that PBS:

- Did not realize enough energy savings to fully fund payments for two of seven projects we examined;
- Could not demonstrate that four of seven projects were meeting their operations and maintenance savings;
- Did not provide effective oversight of the accuracy of energy savings;
- Did not ensure the completeness of contract files and did not complete contractor performance assessments in accordance with the FAR; and
- Did not oversee the administration of ESPC projects after award.

In February 2017, PBS Facilities Management Service Program officials expressed their continued concern that actual ESPC savings may fall short of the expected savings calculated at the beginning of the contract. In addition, they said it is a challenge to determine when it is appropriate to include operations and maintenance costs in the contracts. PBS officials stated that in 2018 they had centralized the ESPC program within the Office of Facilities Management and that they hoped this would reduce the number of issues with the contracts. Despite this, we continue to find issues with ongoing management of ESPC contracts, as noted above.

Likewise, UESCs also present a number of challenges for PBS. The primary risks involved with UESCs include:

- Limited competition among utility companies;
- A high number of sole-source contracts; and
- A lack of mandated savings guarantees.

Due to the lack of competition and use of sole-source contracts, PBS is vulnerable to paying a high cost for these projects. In addition, because UESCs are not mandated to guarantee savings upon project completion, upfront costs to execute UESC projects may not be offset by the estimates of the long-term savings. PBS has spent time and energy for the past 4 years establishing UESCs and has instituted a memorandum of understanding for oversight with GSA's Acquisition Management Division. However, UESCs are a contract vehicle that we have not yet evaluated; therefore, sufficient controls may not be in place to ensure that risks are addressed and mitigated.

In response to our identification of ESPCs and UESCs as management challenges last year, GSA stated that it has strengthened guidance and controls for ESPCs and UESCs. Specifically, to centralize oversight and provide support to the regions in developing, awarding, and executing these contracts, GSA established a national ESPC Program Management Office (PMO), which develops procedures and policies to ensure procurement consistency. GSA stated that the PMO

²⁸ *PBS's \$1.7 Billion Energy Savings Performance Contracts Are Not Achieving Energy and Cost Savings Due to Inadequate Oversight* (Report Number A180017/P/5/R20004, March 27, 2020).

has a strategic initiative for FY 2020 to look for ways to improve the measurement and verification process to ensure ESPC savings are sustainable over time.

Although PBS's response implies that it recently established the PMO to ensure procurement consistency, it actually established the PMO in 2012. We found in a recent audit that PBS did not give the PMO the responsibility for monitoring and overseeing regional administration of ESPC projects.²⁹

PBS officials should award and administer these unique contract vehicles to ensure that energy and cost savings are realized; otherwise, these projects will increase PBS's costs instead of providing the savings needed to fund the projects.

Challenge 5: Implementing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch

In June 2018, the White House released its plan to reorganize the federal government. The plan, *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations*, proposed moving the Office of Personnel Management (OPM) operational and service delivery functions to GSA. For the remainder of 2018 and much of 2019, a joint GSA-OPM task force undertook efforts to transition OPM's retirement services, federal employee health care and insurance programs, human resources services, and IT infrastructure to GSA. Concurrent with these activities, the U.S. House of Representatives Committee on Oversight and Government Reform expressed skepticism of the need for the merger and made multiple attempts to obtain detailed financial, impact, and legal analyses from GSA, OPM, and OMB.

Ultimately unsuccessful in those efforts, Congress included a provision in the FY 2020 National Defense Authorization Act prohibiting the three agencies from engaging in any further merger-related activities pending the results of a study by the National Academy of Public Administration. The National Academy of Public Administration's recommendations about OPM are expected in March 2021 with a subsequent 6-month period allotted for developing justifications and analyses, after which Congress would consider enabling legislation.

Because the FY 2020 National Defense Authorization Act has temporarily blocked merger activities, GSA and OPM are no longer taking active steps to transfer OPM's core functions and IT infrastructure to GSA. However, contingent on the results of the National Academy of Public Administration's study and Congress' response, including the passage of enabling legislation, it is possible that merger efforts could resume late in FY 2021 or beyond. Despite the lack of a cost-benefit analysis, GSA cites benefits of merging OPM functions into GSA, including improved service delivery, efficient use of taxpayer dollars, and minimal disruption to federal

²⁹ PBS's \$1.7 Billion Energy Savings Performance Contracts Are Not Achieving Energy and Cost Savings Due to Inadequate Oversight (Report Number A180017/P/5/R20004, March 27, 2020).

employees and customers in its FY 2021 budget request. Additionally, GSA is requesting a \$70 million direct appropriation to fund transition costs for the reorganization of OPM functions.

Absorbing OPM's core functions and IT infrastructure could pose challenges for GSA. Specifically, GSA will need to:

- Determine the legal basis for the transfer of OPM's core functions;
- Assess the financial, strategic, and risk impacts of the merger;
- Continuously engage all stakeholders, including Congress, on merger-related activities;
- Align new offerings with GSA's mission and determine appropriate organizational structures;
- Gain an understanding of new markets, reconsider product and service offerings, and develop program management strategies; and
- Develop and implement performance metrics to track the success and completion of merger activities.

In the event of a potential merger, it is imperative that GSA obtain the necessary legal authority or legislation to execute the merger. Additionally, GSA will need to exercise sufficient due diligence to make informed decisions. Lastly, GSA will need to engage relevant stakeholders effectively, including Congress, to ensure transparency in its merger efforts.

Challenge 6: Managing Agency Cybersecurity Risks

As cybersecurity threats continue to increase and become more sophisticated, GSA management will remain challenged with identifying, implementing, and enforcing security controls to protect its systems and the sensitive information contained within these systems. Without the appropriate security controls in place to monitor, manage, and mitigate threats and risks to GSA's IT infrastructure, a cybersecurity attack or human error could easily disrupt organizational operations, placing GSA systems and sensitive information at risk.

Controlling Access to Sensitive Information in GSA Systems

We have previously reported on threats to sensitive information maintained by GSA. These threats originate from exposures of sensitive information by Agency employees with access to GSA-owned systems and data. These threats include exposures of personally identifiable information, the mishandling of procurement information, and the provision of unauthorized access to internal infrastructure documents by Agency employees.

Recently, we identified numerous instances of GSA employees sending sensitive Agency business information and sensitive personnel information to their private email accounts outside of the GSA network from their government email accounts. This sensitive information includes, but is not limited to, the following:

- Procurement-sensitive information, including information related to bidding and prices paid;
- Personally identifiable information, such as social security numbers, resumes, performance appraisals, time and attendance reports, administrative grievances, and personal contact information;
- Contractor’s financial information, such as bank account information; and
- Sensitive but unclassified information, such as architectural drawings, that must be protected to ensure the safety of government employees and the public.

In FY 2021, GSA will continue to face challenges with maintaining the integrity, availability, and confidentiality of its IT infrastructure and protecting the sensitive information contained within its IT systems. While GSA management has a responsibility to continue to meet the business needs of its internal and external customers, they also have a responsibility to ensure compliance with IT security-related laws, regulations, and policy. In an environment of competing priorities, human error, and an increase in the telework footprint, it is imperative that GSA management continue to assess and address these challenges.

Oversight and Security of Robotic Process Automation Technology

Robotic Process Automation (RPA) technology involves the use of software robots, also known as bots, to automate routine, labor-intensive processes. Currently, GSA has 33 RPA bots in operation with plans to increase this number. All of GSA’s RPA bots are currently running within the Virtual Desktop Infrastructure environment where they are viewed as regular users on GSA’s network and in applications that process, transmit, and store Agency data. GSA programs implementing RPA bots must work in close collaboration with the Office of GSA IT to obtain the proper security and access approvals for their selected RPA implementation. GSA system owners are also required to provide consent to the use of the GSA information system in order to automate a work process using RPA technology.

While there are substantial benefits to RPA technology, such as reduced workload costs, there are also risks with implementing such technology. For example, GSA will need to have effective controls in place to manage cybersecurity risks and to ensure that RPA bots are delivering on the intended outcomes. GSA management will also have to ensure adequate policies and procedures are in place for RPA adoption that can help mitigate cybersecurity and credentialing risks.

Delivering the System for Award Management

FAS is responsible for the System for Award Management (SAM), the end product of a Presidential E-Government initiative to consolidate 10 procurement-related legacy systems. These systems, collectively known as the Integrated Award Environment (IAE), are intended to enable agencies to share acquisition data, make informed decisions, increase contractors’ ease of doing business with the government, and generate cost savings to the taxpayer. SAM intends to standardize, streamline, and modernize the federal acquisition process by retiring and

replacing legacy acquisition data systems used throughout government. During FY 2019, IAE information systems facilitated more than \$1.1 trillion in federal awards.

FAS's Office of Systems Management manages the IAE initiative on behalf of GSA. In June 2010, FAS expected to finish consolidating IAE systems into SAM by February 2014. FAS now expects to complete the consolidation effort in FY 2021. The IAE environment overall, including development and operational costs, has totaled over \$1 billion as of FY 2019; however, additional costs and delays caused by the COVID-19 pandemic are yet to be determined and could create additional challenges in completing this effort.

As the SAM consolidation continues, FAS will be required to make system changes to comply with regulation updates, new policies, or requests from governance bodies. For example, FAS may need to make significant changes to SAM in order to accommodate a new unique entity identifier for registered companies. This change is driven by: (1) a FAR final rule that eliminated the use of Dun and Bradstreet's proprietary Data Universal Numbering System as the unique entity identifier for registered companies, (2) the 2018 expiration of Dun and Bradstreet's GSA contract, and (3) FAS's decision to establish a non-proprietary unique entity identifier to increase competitiveness when awarding contracts for entity validation services. To implement the unique entity identifier, significant system changes may be necessary because SAM's information, entity structure, and resulting user permissions are built with proprietary information supplied by Dun and Bradstreet.

The success of SAM is critical for enabling agencies to share acquisition data, make informed procurement decisions, make it easier for contractors to do business with the government, and generate savings for the taxpayer. While FAS has taken steps to improve and stabilize the SAM consolidation project, it must apply sound management practices to identify and address risks to project completion and to ensure the project is delivered in a cost-effective and timely manner. Additionally, FAS must ensure the appropriate technical controls and safeguards are implemented to secure the system and protect users and data from malicious threats.

Challenge 7: Managing Human Capital Efficiently to Accomplish GSA's Mission

The federal government faces long-standing challenges in strategically managing its workforce. GAO first added federal strategic human capital management to its list of high-risk government programs and operations in 2001. Federal strategic human capital management remains one of GAO's 35 high-risk areas because mission-critical skills gaps within the federal workforce pose a high risk to the nation. Skills gaps also played a significant role in 16 of GAO's 34 other high-risk areas. GAO stated that agencies need to take action to address mission-critical skills gaps within their own workforces—a root cause of many high-risk areas.³⁰

³⁰ *High-Risk Series – Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas* (GAO-19-157SP, March 2019). The high-risk review is conducted biannually.

GSA must focus on hiring and retaining staff with the necessary skills to perform critical functions, especially given the number of GSA employees in mission-critical roles who will be retirement-eligible in the near future. GSA identified seven mission-critical occupational categories—Acquisition, Financial Management, IT, Program Management, Property Management, Realty, and Human Resources. As of May 2020, these occupational categories make up 45 percent of GSA’s workforce. GSA faces the loss of experience and expertise through retirements as 15 percent of the mission-critical workforce are eligible to retire now and 32 percent will be eligible to retire over the next 5 years. The importance of a skilled workforce is highlighted by GSA’s responsibility to provide value to customer agencies, comply with increased regulatory requirements, and mitigate the risk of IT security threats.

Retirements of mission-critical staff are critical. For example, PBS began using external construction managers to support its construction program because it believed it no longer had adequate in-house staff to manage its construction projects. However, in a recent audit, we found that PBS’s use of construction managers has been problematic.³¹ PBS’s use of external contract managers has resulted in conflicts of interest, such as allowing construction managers to play a role in extending their own contracts and giving construction managers access to sensitive information, including competitors’ proprietary information and government data.

In its November 2019 response to our assessment of GSA’s management challenge for human capital last year, GSA agreed that management of human capital is critical to continued success. A survey of GSA executives and senior managers confirmed that human capital is a top Agency risk. GSA stated that it is employing several strategies to actively mitigate the challenges associated with managing the workforce, including workforce planning as a performance plan requirement for all Heads of Services and Staff Offices, an enterprise-wide competency management program to build and manage competencies, and an enterprise succession management program to identify key leadership positions and successors across the Agency.

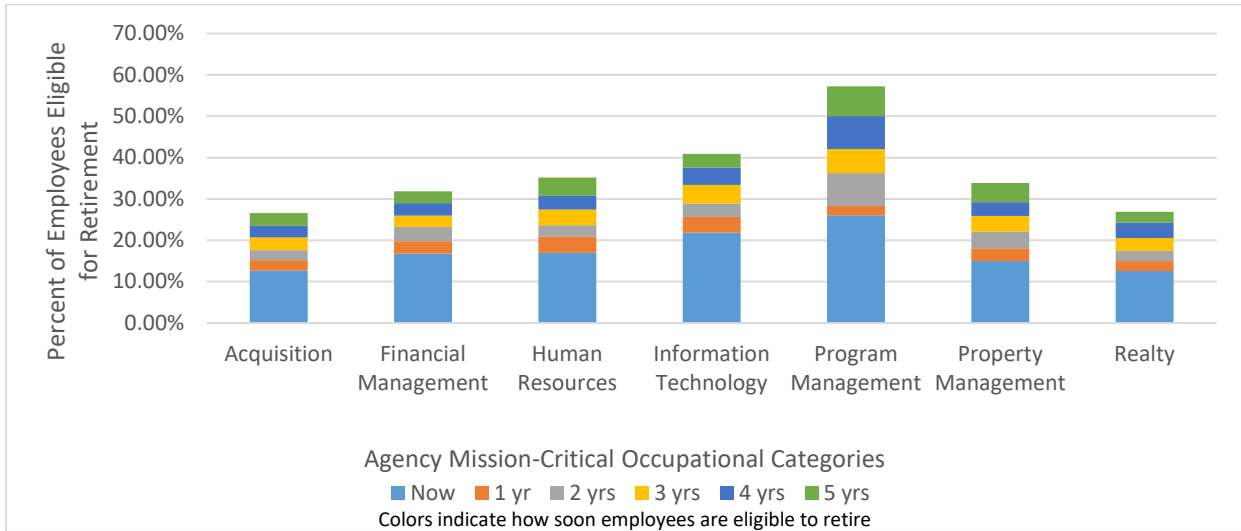
In our 2020 meetings with Agency management, GSA officials (including officials within PBS, FAS, the Office of the Chief Financial Officer, as well as regional offices) noted challenges regarding human capital. GSA concerns included the ability to hire the right people, struggles with hiring entry-level staff, and retaining personnel who have adequate knowledge and skills. Further, officials stated that succession planning and hiring and keeping up with turnover as people retire and leave are both big issues facing GSA.

As shown in *Figure 1*, between 27 and 57 percent of the staff in GSA’s mission-critical occupations are eligible for retirement in the next 5 years, as of May 31, 2020.³²

³¹ *Audit of the GSA Public Buildings Service’s Use of Construction Management Services* (Report Number A150028/P/4/R20009, September 4, 2020).

³² All percentages, charts, and figures contained within this management challenge are based on data compiled by the GSA Office of Human Resources Management, unless otherwise noted.

Figure 1 – GSA 5-Year Retirement Eligibility by Mission-Critical Occupational Category



With a significant portion of its mission-critical workforce eligible to retire over the next 5 years, GSA must strive to maintain technical expertise as the Agency works to meet regulatory requirements and customer demands.

Challenge 8: Safeguarding Federal Facilities and Providing a Secure Work Environment

GSA plays a significant role in providing a safe, healthy, and secure environment for federal employees and visitors at over 8,600 owned and leased federal facilities nationwide. Among other things, GSA is responsible for implementing the PBS Facility Safety and Health program to ensure compliance with safety and health requirements as mandated by Executive Order 12196, *Occupational safety and health programs for Federal employees*, and 29 CFR 1960, Subpart E, *General Services Administration and other Federal Agencies*. Additionally, in accordance with a September 2018 memorandum of agreement with the U.S. Department of Homeland Security, GSA is responsible for the installation, maintenance, and repair of approved security fixtures (including physical access control systems).

However, our audit reports and recent unrest in many cities demonstrate an ongoing need for GSA management’s attention to the safety and security of federal facilities. For example, in a January 2020 report, we identified significant security vulnerabilities at 11 childcare centers.³³ We found that childcare centers in GSA-controlled facilities did not meet the minimum security

³³ *Child Care Centers in GSA-Controlled Buildings Have Significant Security Vulnerabilities* (Report Number A170119/P/6/R20001, January 30, 2020).

standards. We also found that many recommended security countermeasures were not implemented, leaving the child care centers vulnerable to a wide range of security threats.

Federal buildings have also faced a range of security threats during the recent unrest in many cities throughout the country, with some buildings becoming targets for violence and property damage. In May 2020, two Federal Protective Service officers were shot at the Ronald V. Dellums Federal Building in Oakland, California. These officers were protecting the federal courthouse as protesters clashed with law enforcement. Numerous other federal buildings were damaged during the protests. For example, in Washington, D.C., windows and doors were smashed at various government agency headquarters buildings. In some cities, this violence and destruction to federal real property has continued, with the Mark O. Hatfield U.S. Courthouse in Portland, Oregon, remaining at the center of local demonstrations throughout the summer of 2020.

Beyond the physical security of federal facilities, we have found that PBS has not always taken adequate action to protect tenants, contractors, and visitors from environmental and health hazards. In March 2019, we issued a report in which we identified that PBS's response to environmental studies at the Goodfellow Federal Complex in St. Louis, Missouri, was not always comprehensive, nor in accordance with the prescribed time frames for addressing those hazards.³⁴ In addition, we found inadequate notification of, and response to, known hazardous contamination. To determine if GSA took actions as outlined in its corrective action plan for this audit, we performed an implementation review and issued a report in July 2020. In the report, we concluded that PBS's communication process did not ensure that all occupants were notified of the results of all environmental studies upon completion.

Similarly, in July 2019, we issued an implementation review of the corrective action plan for the report on lease provisions for the Kress Building in Tampa, Florida.³⁵ This review found that PBS did not fully implement several corrective actions resulting in persistent deficiencies in the condition of the leased space, possible tenant exposure to health risks, and complaints from the tenant about the poor condition of the building.

The magnitude of GSA's responsibility in these areas is significant, not only for GSA employees and contractors, but also for all occupants of GSA-managed facilities. Our continued findings related to safeguarding federal facilities and providing secure work environments demonstrate an ongoing need for GSA management's attention in these areas.

³⁴ *Audit of Environmental Issues at the Goodfellow Federal Complex in St. Louis, Missouri* (Report Number A170027/P/6/R19002, March 15, 2019).

³⁵ *Implementation Review of Corrective Action Plan: PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks*, Report Number A160019/P/4/R17003, January 27, 2017 (Assignment Number A190023, July 31, 2019).

Challenge 9: Managing the Impact of COVID-19

GSA received \$295 million in Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding to prevent, prepare for, and respond to the COVID-19 pandemic domestically or internationally. According to *GSA's Communicable Disease Pandemic Plan*, GSA has four primary responsibilities during a pandemic emergency: (1) protecting the health and safety of GSA employees, contractors, vendors, and visiting public; (2) maintaining mission-essential functions; (3) supporting federal response efforts; and (4) communicating with employees, tenants, and other stakeholders. Meeting the goals of the CARES Act and the responsibilities of the pandemic plan will pose challenges for GSA.

Protecting the Health and Safety of Building Occupants

As noted in the previous challenge, GSA plays a key role in protecting the safety and security of tenant agencies and visitors to federal facilities. The COVID-19 pandemic has added to the complexities of GSA's responsibilities, by requiring the Agency to place an added focus on protecting the health and safety of building occupants. To that end, PBS must be able to timely identify and track positive or presumed cases of COVID-19 infections, and notify building occupants of any potential exposure. PBS's *Facility Notification Process for COVID-19 Incidents*, consistent with Centers for Disease Control and Prevention guidance, requires that all occupants in GSA-controlled space be notified of COVID-19 incidents no later than 24 hours after being reported. To do so, GSA will have to rely on its internal processes and coordination efforts with building managers, regional staff, and tenant agencies.

Our past audits have found instances where PBS failed to timely notify building occupants of safety or environmental hazards.³⁶ During the initial phase of our ongoing audit of PBS's COVID-19 communication and cleaning procedures, we have found that these issues persist. In September 2020, we issued an alert memorandum in which we reported that PBS did not always receive timely notice of COVID-19 incidents from building occupants and did not always provide timely notification of confirmed COVID-19 cases to affected personnel.³⁷ Failure to provide timely notification could lead to increased exposure and transmission of the virus in PBS properties.

In addition, once positive or presumed cases are reported, PBS must execute contract actions to ensure that space is cleaned and disinfected in accordance with Centers for Disease Control and Prevention guidance. GSA must also verify that contractors perform these services in accordance with these guidelines and contract requirements. However, *GSA's Communicable*

³⁶ See for example, *PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks* (Report Number A160019/P/4/R17003, January 27, 2017); *Audit of Environmental Issues at the Goodfellow Federal Complex in St. Louis, Missouri* (Report Number A170027/P/6/R19002, March 15, 2019).

³⁷ *Alert Memorandum: Concerns Regarding PBS's Communication and Cleaning Procedures for Coronavirus Disease 2019 (COVID-19) Exposures* (Memorandum Number A201018-2, September 3, 2020).

Disease Pandemic Plan notes that in-person inspections of its owned or leased facilities would be impossible and imprudent, given the health and safety risks involved. Therefore, effectively administering cleaning contracts to ensure the health and safety of building occupants will pose a challenge. The pandemic plan states that it is important that PBS work with contractors to review, enhance, and modify contract Quality Control Plans and PBS Quality Assurance Surveillance Plans as appropriate to ensure that adequate safeguards provide for the delivery of safe, efficient, and effective custodial services.

However, our past audit work has identified concerns with PBS's oversight of its cleaning contracts. For example, in February 2020, we reported that the contractor Quality Control Plans and PBS Quality Assurance Surveillance Plans were either missing or inadequate, leading to ineffective contract oversight.³⁸ Similarly, during our survey work for our ongoing audit of PBS's COVID-19 response, we found that PBS did not update its contractor oversight plans for COVID-19 cleaning, and as a result, it does not have assurance that contractors are cleaning and disinfecting space in accordance with applicable requirements. This concern was also addressed in our September 2020 alert memorandum.³⁹ PBS must provide effective oversight of the applicable quality control processes to limit and reduce the spread of COVID-19. This will be of considerable importance as federal employees begin to return to GSA facilities from extended telework and buildings reopen to the general public.

Implementing Consistent Guidance for Returning Federal Workers to GSA Facilities

GSA's *Return to Facilities Taskforce Decision Framework* states that its top priority is keeping people in its owned and leased facilities safe while continuing to deliver on its mission. To limit and reduce the spread of COVID-19 in GSA-controlled facilities as they reopen, GSA must take comprehensive steps to ensure the proper levels of monitoring and coordination are in place. To be successful, PBS must effectively plan for the return to its facilities, while working in a mostly virtual environment. GSA faces challenges in monitoring COVID-19 cases nationwide; establishing consistent plans, guidelines, and procedures for returning individuals to work; and coordinating with tenant agencies and Federal Security Committees at each federal building.

As cities and states ease restrictions on in-person gatherings and allow for the return to office environments, GSA must ensure its reopening plans align with directives and guidelines from the Administration. Specifically, GSA's *Return to Facilities Taskforce Decision Framework* must mirror OMB Memorandum M-20-23, *Aligning Federal Agency Operations*, and the White House's *National Guidelines for Opening Up America Again*. OMB M-20-23 guidelines require GSA to monitor the trend of reported COVID-19 cases, hospital capacity, and gating

³⁸ GSA's *PBS Northwest/Arctic Region Service Center Does Not Effectively Administer Lease and Service Contracts* (Report Number A180053/P/4/R20002, February 20, 2020); *Award and Administration Issues on Task Order GS-P-02-10-PC-5025 for Construction Services on the Recovery Act Project at the Joseph P. Addabbo Federal Office Building in Jamaica, New York* (Audit Memorandum Number A090184-78, January 8, 2015).

³⁹ *Alert Memorandum: Concerns Regarding PBS's Communication and Cleaning Procedures for Coronavirus Disease 2019 (COVID-19) Exposures* (Memorandum Number A201018-2, September 3, 2020).

requirements tied to city, county, and state health department data across the nation. This unprecedented level of monitoring and review could reduce management's ability to make timely and accurate decisions.

GSA's role is further complicated because it will also have to coordinate with its tenants to ensure their plans align with national guidelines and GSA's requirements. Further, at each facility, GSA must navigate inconsistent Federal Security Committee-determined screening processes and ensure the processes provide adequate protection for workers and visitors in its buildings. GSA must also ensure proper volumes of critical resources, including hand sanitizer, personal protective equipment, soap, and disinfectants, can be procured or have been stockpiled. OMB M-20-23 and guidance from the Centers for Disease Control and Prevention and GSA require GSA to factor in the procurement of these items when making return-to-work decisions.

Once employees and visitors begin to return to government facilities, GSA will need to ensure that it is able to provide a safe and secure work environment. This may require addressing potential issues such as the deterioration of water pipes due to lack of use, a buildup of harmful minerals and bacteria, and rodent and insect infestations.

Further, GSA's open-space floor plans in many of its federal buildings may contribute to a resurgence in COVID-19. GSA has relied on office space designs based on open workspace and hoteling concepts to reduce overall space requirements. In many cases, these open-space designs may prevent GSA employees and tenants from observing social distancing requirements necessary to prevent the spread of COVID-19 and other viruses. As a result, GSA and tenant agencies will likely be prevented from returning employees to these offices at pre-pandemic levels. GSA, in close coordination with affected tenant agencies, will need to assess facilities with open-space floor plans and make the necessary adjustments to ensure compliance with all protocols necessary to combat the spread of COVID-19. Additionally, GSA will need to assess the effect of COVID-19 and future pandemics on the viability of open-space design concepts.

Accurate Reporting of CARES Act Spending

The Administration is committed to the rapid delivery of CARES Act funds for relief and response efforts. However, of equal importance is regular, transparent reporting that provides accountability mechanisms to safeguard taxpayer dollars. To report CARES Act obligations and commitments accurately, the GSA Office of the Chief Financial Officer must ensure that CARES Act spending is properly identified and that reporting errors and omissions are eliminated or minimized.

However, for the past 2 years we have reported GSA's lack of effective internal controls, or internal controls that are in place but not followed.⁴⁰ In addition, our recent audit of GSA's

⁴⁰ *Assessment of GSA's Management and Performance Challenges for FYs 2019 and 2020.*

Digital Accountability and Transparency Act submission found that the Agency did not accurately report obligations due to control weaknesses.⁴¹ GSA must ensure that steps it has taken to address these control weaknesses are effective and ensure accurate CARES Act reporting.

⁴¹ *Audit of the Completeness, Accuracy, Timeliness, and Quality of GSA's 2019 DATA Act Submission* (Report Number A190040/B/R/F20001, November 1, 2019).