



**Office of Audits
Office of Inspector General
U.S. General Services Administration**

Audit of the Heartland Region's Procedures for Reporting Vacant Space

*Report Number A140004/P/6/R15007
March 30, 2015*



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DATE: March 30, 2015

TO: Jason Klumb
Regional Administrator (6A)

Kevin Rothmier
Deputy Regional Commissioner for PBS (6P1)

Erin Priddy

FROM: Erin P. Priddy
Audit Manager, Heartland Region Audit Office (JA-6)

SUBJECT: Audit of the Heartland Region's Procedures for
Reporting Vacant Space
Report Number A140004/P/6/R15007

This report presents the results of our audit of the Heartland Region's procedures for reporting vacant space.

Our audit objective was to determine if PBS's procedures for classifying and reporting vacant space result in accurate vacant space reports.

GSA has generally complied with its procedures for classifying and reporting vacant space, resulting in accurate reports.

See **Appendix A** – Purpose, Scope, and Methodology for additional details.

If you have any questions regarding this report, please contact me or any member of the audit team at the following:

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On behalf of the audit team, I would like to thank you and your staff for your assistance during this audit.

Background

As part of its property management mission, GSA collects and maintains inventory information on federal government real property, including the amount of vacant space. A key performance factor for effective real property management is minimizing underused space. Accordingly, the reliability of vacant space information is essential. Accurate space classification also ensures that tenants are properly billed for occupied space.

As of March 2014, PBS's Heartland Region¹ reported 1,626,884 square feet (sf) of federally owned vacant space out of a total inventory of 7,905,541 sf (21 percent vacant space). We initially focused on the federally owned properties with the most vacant space.

The properties in the region with the most vacant space were the Bannister Federal Complex in Kansas City, Missouri; the Page Federal Complex in Overland, Missouri; and the Goodfellow Federal Center in St. Louis, Missouri. However, we did not include the Page property in our review because two of the four buildings at the site were completely vacant and scheduled for demolition, and the other two buildings include that site's power plant and a building under major renovation. In addition, while there are 24 buildings located at the Goodfellow Federal Center, only 6 are considered main buildings. There are also four buildings at the Goodfellow property that are completely vacant, two of which are being decommissioned and require personal protective gear to tour. Accordingly, we did not include the Goodfellow property in our review.

We limited our audit to four buildings in Kansas City, Missouri listed in the table below:

Building	Total sf	Vacant sf
1500 E. Bannister	1,320,688	209,125
2306 E. Bannister	406,216	128,109
2312 E. Bannister	151,313	151,313
601 E. 12th St. ²	<u>1,045,653</u>	<u>50,936</u>
Total	2,923,870	539,483

Although PBS does not have formal written procedures for classifying and reporting vacant space, regional PBS officials advised that the region's procedures are:

- (1) GSA receives 4-month notification from a tenant agency to release space;
- (2) The GSA building manager verifies that the space has been vacated and informs the cognizant space management specialist;
- (3) The space management specialist informs the spatial data management coordinator to reclassify the space as vacant in eSMART³; and

¹ GSA's Heartland Region serves federal customers in Missouri, Kansas, Iowa, and Nebraska.

² Richard Bolling Federal Building.

³ eSMART is an electronic Spatial Management and Reporting Tool that provides a national web-based system for managing and maintaining the drawing and assignment data for GSA's federally-owned buildings.

- (4) The spatial data management coordinator submits the supporting documents to close or reduce the square footage of the tenant occupancy agreement to the national rent bill contractor who ensures the source documents are accurate.

To verify PBS followed these procedures, we reviewed supporting documentation for a judgmental sample of space in the four buildings. We also toured the sample space.

Results

The PBS Heartland Region's procedures for classifying and reporting vacant space generally result in accurate vacant space reports. Although PBS has a national target to limit vacant space to 5 percent, there were no specific performance measures related to vacant space in personnel performance plans, and there did not appear to be significant pressure to misclassify vacant space.

1500 East Bannister

The Bannister Federal Complex consists of 11 buildings and is occupied primarily by GSA and the Department of Energy. The GSA owned space consists of two main buildings located at 1500 East Bannister with a combined total of 1,320,688 sf. Building 1 is largely warehouse space used by GSA and other agencies for office and storage space. Building 2 is office space primarily occupied by GSA. The Department of Energy portion of the complex is 3 million sf. The entire Bannister Federal Complex has been approved for disposal and is expected to be completely vacant in late 2015. We sampled and toured 125,275 sf of vacant space in Buildings 1 and 2.

For 16 percent of the sampled space (19,677 sf), we found that documentation supported that PBS followed its policies and procedures for accurate vacant space reports. However, we were not able to verify whether PBS policies and procedures resulted in historically accurate vacant space reports for the remainder of the sampled space because PBS officials advised that the supporting documentation no longer exists.

Our physical inspection of the sampled space indicated all of the sampled space was accurately classified as vacant. Overall, we found no information to indicate that the PBS misclassified vacant space at the GSA portion of the Bannister Federal Complex

2306 East Bannister

This property is a one-story building with a total of 406,216 sf. The United States Marine Corps currently occupies 213,620 sf; 98,625 sf is vacant; and the remaining 93,971 sf is primarily common space.

We sampled 82,880 sf of vacant space in this building relinquished by the Marine Corps in February 2012. PBS records confirmed that the tenant provided the required 4-months notice in October 2011. However, on March 22, 2012, the PBS building

management staff informed the space management specialist that the space was still occupied with furniture. The occupancy agreement was reactivated, and the tenant was billed back to February 27, 2012. Ultimately, the occupancy agreement was closed on November 1, 2012, and the space was then assigned to vacant status. PBS officials advised that due to this situation, PBS has improved its internal control process for all remaining space release actions. PBS may want to strengthen the walk-through procedure to determine whether a space has been vacated.

We did not find any information to indicate that PBS had misclassified vacant space at the 2306 East Bannister facility.

2312 East Bannister

This property is a one-story building consisting of 151,313 sf of primarily warehouse space. The building has been vacant since the National Archives and Records Administration moved out in 2012. The building is undergoing major renovations to accommodate the U.S. Department of Agriculture, the Federal Emergency Management Agency, the U.S. Army, and GSA that will be moving in 2015.

The entire building was classified as vacant at the time of our audit. Additionally, PBS provided us with documentation to support that they followed PBS policies and procedures for reporting and classifying the space as vacant when the prior tenant vacated the property.

601 East 12th Street

The Richard Bolling Federal Building is a 21-story, 1,045,653 square foot building which houses several tenant agencies. We toured space that was vacant, under construction, joint-use, and PBS occupied. In addition, we requested supporting documentation for a sample of 24,984 sf to determine whether PBS followed policies and procedures for classifying and reporting vacant space.

Overall, we found that PBS followed procedures and classified these spaces properly. We identified two small spaces (under 1,000 sf) that were used for storage but classified as vacant. PBS officials explained that one of the spaces was being used for temporary storage related to building renovations, and the other space has subsequently been reclassified.

Conclusion

We did not find any reason to question PBS's procedures for classifying and reporting vacant space and determined that corresponding vacant space reports were accurate.

Appendix A – Purpose, Scope, and Methodology

Purpose

This audit was included in the Office of Inspector General's Annual Audit Plan for Fiscal Year 2014.

Scope and Methodology

The audit was limited to PBS's procedures for classifying and reporting space in the Heartland Region.

To accomplish our objective, we:

- Held discussions with regional PBS officials;
- Reviewed space assignment reports from July, August, and September 2014 from eSMART;
- Selected a judgmental sample of regional buildings to evaluate whether PBS followed its procedures and that those procedures resulted in accurate vacant space reports;
- Physically inspected the sampled buildings to determine the accuracy of the space classification in eSMART;
- Obtained documentation to support that the PBS Heartland Region follows its procedures when classifying space as vacant.

We conducted the audit between April and November 2014, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

Internal Controls

The examination of internal controls was limited to those necessary to achieve the specific objective and scope of the audit. Our results are identified in the body of this report.

Appendix B – Report Distribution

Commissioner, PBS (P)

Deputy Commissioner, PBS (PD)

Chief of Staff, PBS (P)

Regional Administrator (6A)

Regional Commissioner, PBS (6P)

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