



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

Audit of GSA's Space Reduction Projects in the Pacific Rim Region

Report Number A160047/O/9/F17004
September 22, 2017



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

We performed an audit of GSA's space reduction projects in the Pacific Rim Region and have no reportable findings or recommendations resulting from this audit. However, we identified two matters regarding GSA's space reduction policy as detailed in the Observations section of this report.

Our objectives were to determine: (1) if GSA's Pacific Rim Region conducted cost-benefit analyses of space reduction projects prior to project initiation, as well as after project completion; and (2) whether (a) the projects selected for space reduction are actually leading to less GSA-occupied inventory and comply with Office of Management and Budget (OMB) guidance and GSA policy, (b) the result is additional vacant space, and (c) backfill plans are considered or in place.

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

Background

In May 2012, OMB issued memorandum OMB M-12-12, *Promoting Efficient Spending to Support Agency Operations*. Section 3 of this memorandum, *Real Property*, required agencies "to make more efficient use of the government's real estate assets." To that end, the memorandum held that agencies should not increase the size of their real estate inventory. This became known as the "Freeze the Footprint" requirement.

On March 14, 2013, OMB issued an implementation memorandum for Section 3 of OMB M-12-12. This implementation guidance further refined the Freeze the Footprint requirement, providing that:

On an annual basis, an agency shall not increase the size of its domestic real estate inventory, measured in square footage, for space predominately used for offices and warehouses.

Two years later, on March 25, 2015, OMB issued Management Procedures Memorandum 2015-01, *Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint*. This guidance required federal agencies to, among other things, "reduce the total square footage of their ... inventory relative to an established baseline."

On April 30, 2014, GSA's Office of Administrative Services (OAS) developed a GSA policy titled *Internal Space Allocation, Design and Management Policy*, OAS P 7005.1 (space reduction policy). This policy assigns primary responsibility for GSA's space reduction projects to the Public Buildings Service (PBS) and OAS. It also addresses

design strategies and guidelines, acoustics and privacy, furnishings, parking, and internal space allocation requirements for space occupied by GSA.

Results

There are no reportable findings or recommendations resulting from this audit. However, we identified two observations that we are bringing to management's attention. First, while GSA captures cost-benefit data that could be useful in selecting space reduction projects, it has not established policy and procedures surrounding the use of this information. Second, GSA lacks clear policy and procedures for exemptions to its Design Strategies and Guidelines for space reduction projects.

Observations

Observation 1 – GSA lacks policy and procedures on how to use cost-benefit factors in space reduction decisions.

GSA captures a significant volume of data for each potential space reduction project in a spreadsheet maintained by OAS. The information captured in this spreadsheet includes, among other things, the cost-benefit factors defined in *Figure 1* below. These factors are then used to calculate an overall project score designed to assist management in project selection. While this information could be useful, GSA has not established policy and procedures describing how it should be incorporated into decisions on space reduction projects. Absent such guidance, GSA may not have assurance that project decisions are based on complete and relevant information.

Figure 1 - Cost-Benefit Factors

Factors	Definition
Rent Savings	Current annual rent minus the proposed annual rent after the space reduction.
Payback Period	The period of time required to recover the return on an initial investment; calculated as the overall cost of the project divided by the rent savings.
Backfill Plans	The effort to occupy space that has become available as a result of the space reduction work. How quickly the vacant space is backfilled will reduce the vacancy risk (period of time a space remains vacant).

Observation 2 – GSA lacks clear policy and procedures for exemptions to its Design Strategies and Guidelines.

GSA's space reduction policy allows for exemptions to the policy's "Design Strategies and Guidelines" requirements. These requirements establish, among other things, the size of new individual work stations, limitations on private offices, and acoustics and

privacy considerations. The policy assigns responsibility for approving exemptions to OAS; however, it does not define the circumstances under which an exemption is appropriate. Furthermore, the policy does not establish a process for requesting, approving, and documenting exemptions. Without clear policy and procedures in place, GSA is at increased risk that exemptions will not be applied in a consistent and defensible manner.

GSA Comments

In its response, OAS agreed with our observations. OAS's response is included in its entirety in **Appendix B**.

Conclusion

While there are no formal findings or recommendations resulting from this audit, we identified two policy issues for management's attention. Specifically, we noted that GSA lacks: (1) guidance and procedures for use of cost-benefit factors in GSA's space reduction decisions, and (2) clear policy and procedures governing exemptions to the Design Strategies and Guidelines requirements of its space reduction policy. GSA should determine whether remedial actions are needed to strengthen its space reduction policy and procedures to address these observations.

Audit Team

This audit was managed out of the Pacific Rim Region Audit Office and conducted by the individuals listed below:

Hilda Garcia	Regional Inspector General for Auditing
James Draxler	Audit Manager
Joe Eom	Auditor-In-Charge

Appendix A – Scope and Methodology

Our audit focused on space reduction projects captured in OAS's internal tracking system. From the Pacific Rim Region project universe, we judgmentally selected five projects for our audit testing that were either complete or nearly complete and represented the majority of GSA-owned office space in the region.

The projects selected were: (1) 50 UNP-Restack, and (2) 50 UNP-18F, both at the 50 United Nations Plaza Federal Office Building in San Francisco, California; (3) Sandra Day O'Connor U.S. Courthouse in Phoenix, Arizona; (4) Robert F. Peckham Federal Building and U.S. Courthouse in San Jose, California; and (5) 300 North Los Angeles Federal Building in Los Angeles, California. These projects represented 61 percent of the total office space in the Pacific Rim Region.

To accomplish our objectives, we:

- Reviewed relevant criteria, including GSA policy and OMB memoranda;
- Conducted a field visit to GSA headquarters in Washington, D.C., to discuss with OAS and PBS officials their offices' respective roles and responsibilities for space reduction projects;
- Analyzed the OAS internal opportunity tracker system to obtain the total universe of space reduction projects, and those specific to the Pacific Rim Region;
- Tested the information reported in the OAS tracker, including square footage and headcount, and analyzed three cost-benefit factors: rent savings, payback period, and backfill plans;
- Interviewed OAS officials to get an understanding of the cost-benefit factors in the opportunity tracker spreadsheet;
- Interviewed PBS officials familiar with the cost-benefit factors; and
- Conducted field visits to the four locations of our five sampled projects to determine whether: (1) the space reduction work was complete, (2) the work led to vacant space, and (3) backfill plans were in place.

We conducted the audit between January 2016 and August 2016, 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

Our assessment of internal controls was limited to those necessary to address the objectives of the audit.

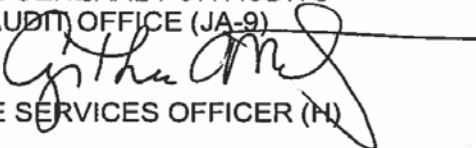
Appendix B – GSA Comments



Office of Administrative Services

September 7, 2017

MEMORANDUM FOR: HILDA M. GARCIA
REGIONAL INSPECTOR GENERAL FOR AUDITS
PACIFIC RIM REGION AUDIT OFFICE (JA-9)

FROM: CYNTHIA A. METZLER 
CHIEF ADMINISTRATIVE SERVICES OFFICER (H)

SUBJECT: Audit of the Office of Administrative Service's Space Reduction
Projects in the Pacific Rim Region, Report Number: A160047

The Office of Administrative Services (OAS) appreciates the opportunity to review and comment on the observations in the Office of Inspector General's (OIG) draft audit of "GSA's Space Reduction Projects in the Pacific Rim Region."

OAS is in agreement with the observations made in the report and, even before receiving the audit report, implemented new procedures. OAS has streamlined and documented the prioritization and selection of projects, and requires regional project managers to complete a template for each incoming project. The template automatically scores each project based on the specific project data entered, and OAS uses that score to assist with ranking/prioritizing projects. Additionally, OAS updated its Standard Operating Procedure document to include a section on project intake, including project evaluation criteria related to costs and benefits.

We appreciate your team's work on this effort and for providing OIG's observations to assist with enhancing and strengthening the handling of space reduction decisions.

If you have any questions, please contact me at (202) 357-9697 or Mr. Daniel Miller, Director, Internal Workspace Management Division, at (202) 695-6873 or at daniel.s.miller@gsa.gov.

cc: Daniel S. Miller

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Appendix C – Report Distribution

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