



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

Audit of PBS's Oversight of Lease Periodic Services

Report Number A220026/P/R/R23003
February 16, 2023

Executive Summary

Audit of PBS's Oversight of Lease Periodic Services

Report Number A220026/P/R/R23003

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Why We Performed This Audit

We included this audit in our *Fiscal Year 2022 Audit Plan* based on prior audit reports issued by our office that identified deficiencies in the GSA Public Buildings Service's (PBS's) lease administration practices. Our audit objective was to determine if lease administration managers (LAMs) are properly verifying and documenting the lessors' completion of periodic services in accordance with PBS and federal requirements.

What We Found

PBS leases can require lessors to provide a wide range of periodic services. Depending on the lease, these periodic services can vary from basic cleaning and maintenance to repainting, window washing, and carpet replacement.

However, PBS is not managing periodic services in leases effectively. We found that PBS LAMs did not consistently verify the timely completion of periodic services. LAMs also did not comply with PBS's requirement to coordinate with tenant agencies and the lease contracting officer to negotiate cost savings when the tenant agency waives substantial periodic services. In addition, LAMs did not always maintain required documentation showing the schedule of periodic services. Overall, we found that PBS is not providing effective oversight of the lease management program to ensure tenant agencies are receiving the periodic services they are paying for.

What We Recommend

We recommend that the PBS Commissioner:

1. Require LAMs' supervisors to routinely ensure that LAMs are verifying that lessors complete all periodic services.
2. Require that newly hired or assigned LAMs receive sufficient training on lease management requirements within a timely manner after starting in their position and routinely thereafter.

3. Ensure regional offices conduct the required Management Analysis Review System reviews to ensure that LAMs maintain all required records in the Lease Management Tool, including the annual schedule of periodic services.
4. Require that upon assignment and on a regular basis, LAMs communicate with the lessor and tenant agency to obtain and verify the updated schedule of periodic services.

The PBS Commissioner agreed with the report recommendations and described actions PBS has taken or will take to address them. PBS's response can be found in its entirety in **Appendix D**.

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Introduction

We performed an audit of the GSA Public Buildings Service's (PBS's) lease management program.

Purpose

We included this audit in our *Fiscal Year 2022 Audit Plan* based on prior audit reports issued by our office that identified deficiencies in PBS's lease administration practices.

Objective

The objective of this audit was to determine if lease administration managers (LAMs) are properly verifying and documenting the lessors' completion of periodic services in accordance with PBS and federal requirements.

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

Background

PBS administers more than 7,700 leases. As of November 2021, PBS leased over 180 million rentable square feet of space at a total annual rent of over \$5.6 billion.

Under the terms of PBS leases, lessors are required to provide a wide range of services. To ensure that lessors provide the level of services required under the terms of the lease, PBS created a lease management program in its Office of Facilities Management. The intent of this program is to promote effective lease management by enforcing lease provisions; developing action plans to resolve problems; and enhancing communication between GSA, the tenant agency, and the lessor.

At the headquarters level, the Office of Facilities Management establishes nationwide policy and procedures to ensure that lessors comply with the terms and conditions of their lease agreements. At the regional level, LAMs are responsible for providing oversight of leases based on these policies and procedures. To do so, LAMs serve as the representative between the tenant agency and the lessor and investigate concerns with leased space reported by tenant agencies. LAMs also verify that the lessor complies with lease terms and conditions by, among other things, ensuring that the lessor provides the periodic services required under the lease.

Lease periodic services include basic cleaning and maintenance, as well as other services necessary to provide a safe and healthy work environment for tenant agencies. The frequency and type of these services vary by lease. As shown in *Figure 1* on the next page, periodic services include interior and exterior window washing, carpet replacement, and repainting.

Figure 1 – Examples of Periodic Services



PBS's *Lease Management Desk Guide* (Desk Guide) establishes lease management guidelines and oversight requirements designed to ensure that PBS consistently manages its nationwide lease portfolio. The Desk Guide states that LAMs should be familiar with the lease and review periodic services requirements. It also requires that LAMs obtain any updates to the lessor's schedule of periodic services and follow up with the lessor throughout the year to verify the services were completed.

PBS uses the Lease Management Tool (LMT) to record, track, and report on lease management activities. In accordance with the Desk Guide, all documentation related to lease inspections, deficiencies, periodic services, communications with lessors and tenant agencies, and the cure process used to address any problems with the lease should be preserved in the LMT. LAMs use the LMT to record all documentation related to the lease and verification of periodic services. In addition, the LAM must document all significant or continuing periodic service failures by the lessor in the LMT and report those failures to the lessor.

According to the Desk Guide, lessors must provide the lease contracting officer (LCO) or contracting officer's representative with a written schedule of all periodic services within 60 days of occupancy. The LCO will then provide the LAM with a copy of the schedule. The Desk Guide states that LAMs must use the schedule of periodic services to conduct their annual inspections and verify the lessor's performance in meeting the schedule.

The Desk Guide states that tenant agencies may choose to waive periodic services. When doing so, the tenant agency must inform the LAM of their decision. The LAM is then required to work with the LCO to obtain a one-time rent deduction if the periodic services being waived are substantial.

Prior GSA Office of Inspector General Audit Reports

Our office has previously identified deficiencies in PBS's lease administration practices. Examples include:

- In February 2020, we reported that PBS's Northwest/Arctic Region Service Center did not provide effective oversight of its lease and service contracts.¹ We found that LAMs were not conducting required annual lease inspections. As a result, lessors did not provide services—including lease periodic services—required under the lease. We also found that LAMs were not maintaining complete lease file documentation, including the schedule of periodic services.
- In September 2021, we reported that PBS did not consistently administer its leases in accordance with applicable requirements.² We found that PBS did not properly document and resolve deficiencies identified in annual lease inspections, determine price reasonableness for alterations projects, or create responsive tenant satisfaction survey action plans. In some cases, PBS also failed to designate the LAMs as contracting officer's representatives.

¹ *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).

² *Audit of PBS Lease Administration* (Report Number A201011/P/R/R21006, September 21, 2021).

Results

Finding – PBS is not managing periodic services effectively; as a result, tenant agencies are not receiving the periodic services they are paying for.

PBS leases can require lessors to provide a wide range of periodic services. Depending on the lease, these periodic services can vary from basic cleaning and maintenance to repainting, window washing, and carpet replacement.

However, PBS is not managing periodic services in leases effectively. We found that PBS LAMs did not consistently verify the timely completion of periodic services. LAMs also did not comply with PBS’s requirement to coordinate with tenant agencies and the LCO to negotiate cost savings when the tenant agency waives substantial periodic services. In addition, LAMs did not always maintain required documentation showing the schedule of periodic services. Overall, we found that PBS is not providing effective oversight of the lease management program to ensure tenant agencies are receiving the periodic services they are paying for.

Audit Sample

During our audit, we sampled 36 active leases with effective dates on or before December 31, 2019. Our sample covered four PBS regions and five states. Collectively, these leases account for over 4.7 million rentable square feet with an annual rent of \$164.8 million, as shown in *Figure 2*.

Figure 2 – Sampled Leases by Region and State

Region	State	Number of Leases	Rentable Square Footage	Annual Rent
Southeast Sunbelt Region	FL	10	202,909	\$8.0 million
Greater Southwest Region	TX	9	274,977	\$6.5 million
Pacific Rim Region	CA	11	231,011	\$9.7 million
National Capital Region	MD	3	2.0 million	\$67.0 million
	VA	<u>3</u>	<u>2.0 million</u>	<u>\$73.6 million</u>
Total		36	4,708,897	\$164.8 million

See **Appendix B** for a listing of the specific deficiencies identified for each lease we sampled.

LAMs Did Not Consistently Verify the Timely Completion of Periodic Services

According to the Desk Guide, LAMs are required to review the schedule of periodic services with the tenant and lessor prior to the annual lease inspection. The purpose of this review is to verify which periodic services were completed since the previous lease inspection. However, we

found that LAMs did not ensure that periodic services were completed in a timely manner for 19 of the 36 leases (53 percent) in our sample.

For example, we found that:

- Carpeting was not replaced for 9 of the 36 leases sampled (25 percent). The examples in *Figure 3* below show carpets in two tenant-leased spaces that the lessor should have replaced by November 2019 and March 2021, respectively.

Figure 3 – Examples of Carpeting That Was Not Replaced³



Lease No. LFL59840 – U.S. Military Entrance Processing Command in Miami, Florida.

Image shows heavily soiled and worn carpet that the lessor should have replaced by November 2019.



Lease No. LTX17109 – U.S. Customs and Border Protection Mission Support Facilities in Spring, Texas.

Image shows patchwork to a carpet that the lessor should have replaced by March 2021.

- Carpeting was not shampooed for 8 of the 36 leases sampled (22 percent). The examples in *Figure 4* on the next page show carpets in two tenant-leased spaces that the lessor should have shampooed in January 2021 and June 2021, respectively.

³ Photographs taken by audit team, March 2, 2022 (left photo); and March 15, 2022 (right photo).

Figure 4 – Examples of Carpeting That Was Not Shampooed⁴



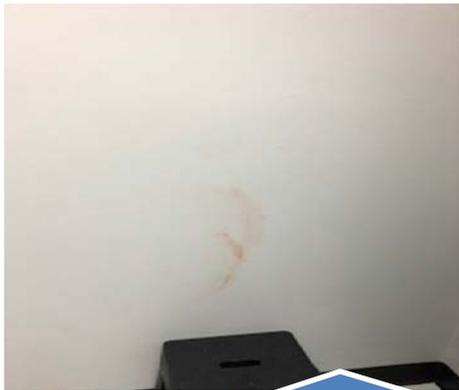
Lease No. LCA03343 – Internal Revenue Service in Glendale, California.
Image shows heavily stained carpet that the lessor should have shampooed in January 2021.



Lease No. LCA02455 – U.S. Transportation Security Administration in Burbank, California.
Image shows heavily soiled and discolored carpet that the lessor should have shampooed in June 2021.

- Cyclical repainting was not completed for 4 of the 36 leases sampled (11 percent). The examples in *Figure 5* show two tenant-leased spaces that the lessor should have repainted in May and June 2020, respectively.

Figure 5 – Examples of Cyclical Repainting That Was Not Completed⁵



Lease No. LFL60341 – Agricultural Marketing Service in Miami Lakes, Florida.
Image shows stained paint on a wall where the lessor should have completed cyclical repainting by May 2020.



Lease No. LCA10097 – U.S. Secret Service in Los Angeles, California.
Image shows paint peeling on a wall where the lessor should have completed cyclical repainting by June 2020.

⁴ Photographs taken by audit team, April 7, 2022.

⁵ Photographs taken by audit team, March 2, 2022 (left photo); and April 7, 2022 (right photo).

For the entire list of tenant-leased spaces with corresponding periodic services that were not completed in a timely manner, see **Appendix C**.

LAMs Are Not Complying with Requirements to Negotiate Cost Savings When Tenant Agencies Waive Substantial Periodic Services

In accordance with the Desk Guide, tenant agencies may choose to waive periodic services. If the services waived are substantial, PBS is required to seek cost savings by negotiating a rent deduction with the lessor commensurate with the services that were not completed.

LAMs have significant responsibilities in this process. The Desk Guide requires that LAMs:

Coordinate larger periodic requirements (e.g., carpet and paint replacement) between the lessor and tenant agency [and Notify] the LCO/[Leasing Specialist] when the agency requests to waive substantial periodic lease requirements so that the LCO can negotiate a possible onetime [*sic*] deduction in the rental payments.⁶

We found that LAMs are not complying with this requirement—often because they are unaware of their responsibilities. We interviewed the 20 LAMs responsible for the 36 leases in our sample. During these interviews, we asked the LAMs if they were aware of or had complied with the requirement to coordinate with the LCO to seek a rent deduction when tenant agencies waive substantial periodic services. Of the 20 LAMs interviewed, 11 were unaware of the requirement. Although the remaining nine LAMs had some knowledge of the requirement, they did not always have a complete and accurate understanding of it.

Because LAMs are not complying with this requirement, they are missing opportunities to realize cost savings. For example:

- **Lease No. LFL61939 - U.S. Customs and Border Protection Mission Support Facilities in Doral, Florida.** The lessor is required to replace the carpet every 5 years. Under this schedule, the lessor should have replaced the carpet in September 2016 and September 2021; however, they did not do so. The LAM told us they were unaware they could work with the LCO to seek a rent deduction if the tenant agency determined that new carpeting was not necessary.
- **Lease No. LFL59827 - U.S. Social Security Administration in Miami Lakes, Florida.** The lessor is required to replace the carpet every 10 years. Under this schedule, the lessor should have replaced the carpet in August 2021; however, they did not do so. The LAM told us they were unaware they could work with the LCO to seek a rent deduction if the tenant agency determined that new carpeting was not necessary.

⁶ PBS's *Lease Management Desk Guide*, Chapter 5, Section 6.16 (November 2017).

LAMs Are Not Always Maintaining the Required Periodic Services Documentation

The Desk Guide states that LAMs should record the lessor's schedule of periodic services in the LMT as it becomes available and that LAMs are responsible for obtaining any updates to the schedule throughout the term of the lease. However, LAMs did not maintain an updated schedule of periodic services in the LMT for 23 of the 36 leases (64 percent) in our sample.⁷ This includes 16 leases where the LAMs only obtained the schedule of periodic services after they were notified that their assigned lease was selected for our audit site visit. For some of these leases, the LAMs told us that they requested an updated copy of the schedule of periodic services from the lessor because of the audit.

It is important to maintain an updated schedule of periodic services in the LMT to help LAMs know which services are due so they can ensure the services were rendered. It is also important to document the schedule in the LMT so LAMs who are newly or temporarily assigned to a lease can refer to the schedule to readily fulfill their oversight responsibilities.

PBS Is Not Providing Effective Oversight of the Lease Management Program to Ensure That Tenant Agencies Receive the Periodic Services They Are Paying For

Overall, PBS is not providing effective oversight of the lease management program. As described below, we found that PBS's program oversight is impaired due to ineffective training, inadequate communication, and insufficient monitoring.

Ineffective training. As described below, PBS is not providing effective training to its LAMs.

- 15 of the 20 LAMs did not document the schedule of periodic services in LMT. Notwithstanding, during our interviews, all the LAMs told us that they received annual training on their positions.
- 11 of the 20 LAMs told us they were not aware of the Desk Guide's requirement to coordinate with the LCO for a possible rent deduction when tenant agencies waive substantial periodic services. The remaining nine LAMs did not have a complete understanding of the requirement due to ineffective training. For example, one PBS Southeast Sunbelt Region LAM told us that she asked about the waiver process during training but was told that it is not a common practice.

Inadequate communication. PBS does not ensure that LAMs are establishing and maintaining regular communication with the lessor and tenant agencies. According to the Desk Guide, the LAM should establish communication by contacting the lessor to acquire the updated schedule

⁷ PBS's *Lease Management Desk Guide*, November 2017, Chapter 5, Section 6.16. In a similar example, in our report *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), we found that LAMs did not document the schedule of periodic services for 70 of the 77 leases in our audit sample.

of periodic services. We found that the LAMs' failure to establish communication with the lessors hindered the LAMs' ability to verify that periodic services are completed. For example, we found that 10 LAMs, for 16 of the 36 leases in our sample, only contacted lessors for an updated schedule of periodic services as a result of our audit.

Insufficient monitoring. PBS uses internal reviews conducted through its Management Analysis and Review System (MARS) to assess facilities management operations. Among other things, MARS reviews include procedures designed to assess whether the schedule of periodic services is obtained and the periodic services are completed.

According to the *Management Analysis and Review System (MARS) Desk Guide*, "MARS reviews include a representative sample of GSA-controlled federally owned and leased space.... MARS does not require review of every building..., but each GSA Service Center shall have a representative sample (as determined by the MARS team) MARS review every 5 years."⁸ The PBS lease management program manager stated that these reviews are the primary monitoring tool used by PBS to ensure that LAMs are fulfilling their lease oversight responsibilities. However, we found that between 2012 and 2022, PBS regions did not conduct MARS reviews for 33 of the 36 leases (92 percent) in our sample.

Regional lease management personnel provided varying reasons why they did not perform the required MARS reviews for these 33 leases. For example, Greater Southwest Region officials told us that MARS reviews do not include a review of periodic services. This is incorrect. As noted above, MARS reviews are PBS's primary lease oversight monitoring tool and include specific procedures for periodic services.

⁸ Section 2.2 (February 2021).

Conclusion

PBS is not managing periodic services in leases effectively. Based on our sample of 36 leases, we found that PBS LAMs did not consistently verify the timely completion of periodic services. LAMs also did not comply with PBS's requirement to coordinate with tenant agencies and the LCO to negotiate cost savings when the tenant agency waives substantial periodic services. In addition, LAMs did not always maintain required documentation showing the schedule of periodic services. Overall, we found that PBS is not providing effective oversight of the lease management program to ensure tenant agencies are receiving the periodic services they are paying for.

Since the start of our audit, PBS initiated a nationwide lease administration training course entitled "Essentials of Lease Management." This training, which is required for LAMs, focuses on lease oversight, including the process for waiving periodic services. While this is a positive step, PBS should continue to review and update LAM training to ensure it is comprehensive and effective. PBS should also ensure that LAMs regularly communicate with tenant agencies and lessors and strengthen monitoring controls to verify that LAMs are fulfilling their oversight responsibilities related to periodic services.

Recommendations

We recommend that the PBS Commissioner:

1. Require LAMs' supervisors to routinely ensure that LAMs are verifying that lessors complete all periodic services.
2. Require that newly hired or assigned LAMs receive sufficient training on lease management requirements within a timely manner after starting in their position and routinely thereafter.
3. Ensure regional offices conduct the required MARS reviews to ensure that LAMs maintain all required records in the LMT, including the annual schedule of periodic services.
4. Require that upon assignment and on a regular basis, LAMs communicate with the lessor and tenant agency to obtain and verify the updated schedule of periodic services.

GSA Comments

The PBS Commissioner agreed with the report recommendations and described actions PBS has taken or will take to address them. PBS's response can be found in its entirety in **Appendix D**.

Audit Team

This audit was managed out of the Real Property Audit Office and conducted by the individuals listed below:

Byron G. Bustos	Associate Deputy Assistant Inspector General for Auditing
Emanuel Jimenez	Auditor-In-Charge
Nicole R. Day	Auditor

Appendix A – Objective, Scope, and Methodology

Objective

The objective of this audit was to determine if LAMs are properly verifying and documenting the lessors' completion of periodic services in accordance with PBS and federal requirements.

Scope and Methodology

We evaluated whether lessors are complying with PBS leases' schedules of periodic services and completing the required services. We assessed leases in four PBS regions and focused on active leases in Fiscal Years 2019, 2020, and 2021. We obtained the inventory of all leases as of November 2021, with an effective date on or before December 31, 2019, from the PBS Office of Leasing. This report contains a tab marked "All Leases," which lists each lease by lease number, with additional details such as address, rentable square feet, and annual rent.

To accomplish our objective, we:

- Reviewed internal policies and procedures pertaining to lease administration, including *PBS's Lease Management Desk Guide*;
- Interviewed PBS leasing officials to obtain an understanding of the lease management program;
- Obtained and analyzed active, current lease data as of November 2021 from PBS's Real Estate Across the United States (REXUS) property data management system;
- Organized lease data by region, state, and city, and selected a judgmental sample from four PBS regions;
- Interviewed LAMs to gain an understanding of their responsibilities to verify lessors are meeting the lease requirements for periodic services;
- Pulled applicable lease documents from the GSA Real Estate Exchange; and
- Interviewed LAMs to verify that the schedule of periodic services and other relevant documents were recorded in the LMT.

Data Reliability

We assessed the reliability of PBS lease inventory data provided by PBS's Office of Leasing by conducting logical tests, interviewing system owners, and tracing the data to source documents. We determined that the data were sufficiently reliable for the purposes of this audit.

Sampling

Periodic services are only for space leased by PBS. The PBS active lease data as of November 2021, with an effective date on or before December 31, 2019, contained 7,791 leases. We judgmentally selected a total of 36 of the 7,791 leases to be sampled during the survey and fieldwork phases of the audit from four PBS regions. These 36 leases account for 4,271,005 square feet of usable space, with an annual rent of \$164.8 million. See *Figure 6* below for the number of leases sampled per PBS region and state.

Figure 6 – Breakdown of Sampled Leases by PBS Region and State

PBS Region	State	Number of Leases
Southeast Sunbelt Region (Region 4)	FL	10
Greater Southwest Region (Region 7)	TX	9
Pacific Rim Region (Region 9)	CA	11
National Capital Region (Region 11)	MD	3
	VA	3
Total Sampled Leases		36

Survey Phase – PBS Region 11 Sampling

During the audit survey phase, we included sample leases from PBS Region 11. PBS Region 11 makes up 25 percent of the total usable square footage of the PBS lease inventory. We judgmentally selected 11 leases from PBS Region 11 that had more than 1.2 percent of the region’s usable square footage. However, due to time constraints, we limited the review to six leases from PBS Region 11’s Triangle, Potomac, and Metropolitan Service Centers.

Fieldwork Phase – PBS Regions 4, 7, and 9 Sampling

During the audit fieldwork phase, we created multiple data tables that identified the number and type of leases by region. We selected the three regions with the largest percentage of leases: PBS Regions 4, 7, and 9. We then narrowed the selection using the largest count by the type of lease, which was the “Owner Serviced Offices” lease type. Within PBS Regions 4, 7, and 9, we selected one state per region that had the highest number of leases.

From the three selected states, we calculated the average number of leases per city. We then selected three cities using the average number of leases—one city was selected that was closest to the calculated average number lease count; the two other cities were selected based on a high lease count and a low lease count. For the selected cities, we selected large and small leases based on usable square footage. The criteria used to select each large and small lease is as follows:

- Large leases fell within the top 33 percent of usable square footage within the city.
- Small leases fell within the bottom 33 percent of usable square footage within the city.

We also selected leases with 0.00 percent occupancy and leases with hotline complaints within the set parameters used to select other leases.

Internal Controls

We assessed internal controls significant within the context of our audit objective against GAO-14-704G, *Standards for Internal Control in the Federal Government*. The methodology above describes the scope of our assessment and the report findings include any internal control deficiencies we identified. Our assessment is not intended to provide assurance on GSA's internal control structure as a whole. GSA management is responsible for establishing and maintaining internal controls.

Compliance Statement

We conducted the audit between November 2021 and September 2022 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 objective.

Appendix B – Sampled Leases and Finding Areas

Region	Lease Number	Annual Rent	Lease Effective Date	City	State	Finding Areas (Note)
4	LFL47049	\$2,308,061.24	10/24/2008	Hialeah	FL	2, 3
4	LFL59827	\$172,176.49	8/3/2010	Miami Lakes	FL	1, 2, 3
4	LFL59840	\$818,551.25	11/1/2009	Miami	FL	1, 2, 3
4	LFL60203	\$900,121.58	3/1/2015	Hialeah	FL	1
4	LFL60341	\$55,671.43	5/9/2015	Miami Lakes	FL	1, 2
4	LFL61880	\$2,950,547.60	1/1/2013	Miami	FL	2
4	LFL61882	\$96,574.47	1/16/2012	Miami	FL	2, 3
4	LFL61939	\$71,400.00	9/1/2011	Doral	FL	1, 2
4	LFL62186	\$236,142.88	7/10/2014	Miami	FL	2
4	LFL62530	\$452,706.94	5/13/2015	Miami Lakes	FL	2, 3
7	LTX00231	\$42,370.57	5/1/2017	Houston	TX	3
7	LTX00728	\$59,470.32	4/26/2019	Houston	TX	1, 3
7	LTX16321	\$225,832.46	6/15/2007	Arlington	TX	2
7	LTX16642	\$2,246,330.25	2/25/2011	Arlington	TX	1, 2
7	LTX17045	\$254,979.00	4/16/2012	Dallas	TX	1, 2, 3
7	LTX17108	\$724,829.06	9/16/2012	Houston	TX	2, 3
7	LTX17109	\$151,463.57	3/11/2015	Spring	TX	1, 3
7	LTX17110	\$2,308,453.60	7/1/2012	Houston	TX	1, 3
7	LTX17376	\$530,374.97	3/16/2016	Frisco	TX	1, 2
9	LCA00165	\$557,578.65	9/15/2027	Los Angeles	CA	2, 3
9	LCA00421	\$415,822.50	9/12/2019	Woodland Hills	CA	1, 3
9	LCA01847	\$1,110,742.45	7/25/2007	Burbank	CA	1, 2, 3
9	LCA02455	\$444,963.00	12/19/2010	Burbank	CA	1, 2, 3
9	LCA02807	\$203,771.22	2/1/2012	San Diego	CA	2
9	LCA02918	\$289,549.75	1/17/2014	Glendale	CA	1, 2, 3
9	LCA03196	\$705,966.83	9/14/2014	San Diego	CA	2, 3
9	LCA03339	\$79,266.00	5/1/2015	Woodland Hills	CA	1
9	LCA03343	\$982,002.92	1/1/2017	Glendale	CA	1, 2, 3
9	LCA03485	\$1,155,416.83	10/1/2019	Burbank	CA	2, 3
9	LCA10097	\$3,722,676.38	6/27/2015	Los Angeles	CA	1, 3
11	LMD02179	\$20,210,051.20	2/7/2013	Rockville	MD	1
11	LMD02293	\$30,081,303.60	8/1/2015	Rockville	MD	N/A
11	LMD12512	\$16,706,299.20	1/1/2014	Silver Spring	MD	N/A
11	LVA00293	\$23,962,865.50	8/7/2020	Springfield	VA	3
11	LVA02213	\$26,085,348.40	12/5/2011	Falls Church	VA	3
11	LVA12583	\$23,561,853.60	9/1/2017	Alexandria	VA	3

Notes:

The three finding areas are as follows:

1. LAMs did not consistently verify the timely completion of periodic services.
 2. LAMs are not complying with requirements to negotiate cost savings when tenant agencies waive substantial periodic services.
 3. LAMs are not always maintaining the required periodic services documentation.
- N/A – Not applicable as none of the finding areas listed above applied.

Appendix C – Periodic Services That Were Not Completed in a Timely Manner

Periodic Services	Lease Numbers																			Total	
	LMD02179	LFL60203	LFL60341	LFL59827	LFL61939	LFL59840	LTX17045	LTX00728	LTX16642	LTX17110	LTX17376	LTX17109	LCA02455	LCA03343	LCA00421	LCA03339	LCA01847	LCA10097	LCA02918		
Dusting above 70 inches from the floor													X								1
Wash and dust all Venetian blinds													X								1
Interior window washing	X							X					X		X	X					5
Exterior window washing							X						X		X	X					4
Refinish office/lobby floors			X										X								2
Finish restroom floors					X																1
Wallpaper				X																	1
Paint common area			X										X			X		X			4
Cyclical repainting			X									X	X					X			4
Shampoo carpet		X					X			X		X	X	X			X		X		8
Replace carpet				X	X	X				X	X	X	X				X	X			9
Total	1	1	3	2	2	1	1	1	1	2	1	3	9	1	2	3	2	3	1	40	

Appendix D – GSA Comments

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Public Buildings Service

February 1, 2023

MEMORANDUM FOR: BYRON G. BUSTOS FOR AUDITING
ASSOCIATE DEPUTY ASSISTANT INSPECTOR
GENERAL
OFFICE OF THE INSPECTOR GENERAL (JA-R)

FROM: NINA M. ALBERT 
COMMISSIONER
PUBLIC BUILDINGS SERVICE (P)

SUBJECT: Response to the GSA Office of Inspector General's Draft
Report, *Audit of PBS's Oversight of Lease Periodic Services*
(A220026)

Thank you for the opportunity to comment on the subject report. The Public Buildings Service (PBS) appreciates the U.S. General Services Administration's Office of Inspector General (OIG) sharing its draft report, *Audit of PBS's Oversight of Lease Periodic Services*, and providing an opportunity for PBS's feedback. We also appreciate OIG's recognition of the importance of PBS's lease management program, as PBS remains committed to continuous program improvement relating to the proper administration of its leases.

PBS has provided guidance and training to develop and improve the lease management program. PBS introduced the Essentials of Lease Management (ELM) training program in February 2021 and delivered 21 sessions of ELM training between February 2021 and October 2022. Ninety-six percent of the lease administration manager (LAM) Contracting Officer's Representative (COR) community completed the training.

ELM training includes a review of all Lease Management Desk Guide (LMDG) chapters, as well as the most referenced lease template paragraphs and general clauses. Additionally, PBS issued updated LMDG chapters 1-3 in August 2022, which includes lease COR file requirements and LAM COR training requirements. While PBS acknowledges and agrees with OIG's recommendations in the draft report, we believe these actions already taken by PBS have fully and appropriately addressed several of these recommendations.

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OIG Recommendations

- 1. Require LAMs' supervisors to routinely ensure that LAMs are verifying that lessors complete all periodic services.**

PBS acknowledges that its lease management oversight can be improved and that oversight of LAMs is the responsibility of the supervisor. PBS will address this recommendation in the corrective action plan.

- 2. Require that newly hired or assigned LAMs receive sufficient training on lease management requirements within a timely manner after starting in their position and routinely thereafter.**

PBS agrees that newly hired LAM CORs should receive sufficient training within a timely manner. The recently issued LMDG chapter 1 requires the following training for LAM CORs, which includes annual refresher training: Federal Acquisition Certification (FAC) in Contracting Officer's Representative Level II training and maintenance; Essentials of Lease Management, Annual Refresher: Online University, virtual or in-person (as offered through the PBS Office of Facilities Management (OFM)); and FAC 085 Price Reasonableness for the Simplified Acquisition Threshold (LAM CORs managing projects).

This chapter also recommends additional training, including Office of Leasing: Lease Acquisition Training; Office of Leasing: Leasing Lite Learning, SME2U and Leasing Conversation Sessions (when applicable); OFM: Various LAM COR and applicable facilities management-related sessions; Facilities Infrastructure Fundamental Training; Simplified Acquisition Procedures; Project Management Training; and the Occupational Safety and Health Administration Federal General Industries Safety Course.

Additionally, PBS will facilitate monthly LAM COR community huddles during which various topics related to lease management will be discussed. Periodic services will be included as a topic during an upcoming session.

PBS believes the actions completed above fully and appropriately address this recommendation.

- 3. Ensure regional offices conduct the required Management Analysis Review System reviews to ensure that LAMs maintain all required records in the Lease Management Tool, including the annual schedule of periodic services.**

The modernized Management Analysis Review System (MARS) tool was released in January 2022 with the requirement that all MARS reviews must be completed in the tool. The new tool improves PBS's capability to monitor regional MARS operations. Section 3.8 of the MARS Desk Guide addresses the review of

the Lease Management program and outlines evaluation techniques. PBS will continue to provide oversight of the regional MARS operations to verify that regional offices are establishing MARS schedules and completing MARS reviews, as required.

With the modernized tool release and improved capability to monitor regional MARS operations, PBS believes the actions already taken fully and appropriately address this recommendation.

4. Require that upon assignment and on a regular basis, the LAMs communicate with the lessor and tenant agency to obtain and verify the updated schedule of periodic services.

The recently issued LMDG chapter 1 requires the ELM training and annual refresher training for LAM CORs. Both include dedicated topics specific to periodic services, including the requirement to communicate with the lessor and occupant agency. Additionally, in response to OIG's Lease Administration Audit (A201011), PBS instituted monthly LAM COR huddles and LMT training sessions. Prior to each huddle, the LAM COR community is asked to submit questions to serve as topics for the huddle. All questions are entered in a question and answer document that LAMs and their supervisors may reference at any time. Periodic services will be a topic in an upcoming huddle session.

PBS believes the actions completed above fully and appropriately address this recommendation.

Thank you again for the opportunity to review and comment on the draft report. If you have any questions, please contact Tracy Talbert, Lease Administration Program Specialist, Office of Facilities Management, at (312) 848-0167.

Appendix E – Report Distribution

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