Evaluation of GSA Guidance and Purchasing For Federal Child Care Centers

Report Number: JE15-002
October 23, 2014
## REPORT ABSTRACT

### OBJECTIVE

Our objectives were to evaluate: (1) GSA issued guidance for the development of federal child care centers; and (2) GSA Office of Child Care government purchase card procurement activity.

### What We Found

1. Improper purchases, totaling $120,608, during fiscal year 2013 including toys and curriculum materials, such as puzzles, books, tricycles, stuffed animals, and blocks.
2. GSA guidance on purchasing authority for federal child care centers is inconsistent and ambiguous.

### What We Recommend

1. Establish a well-defined description of authorized “services” and “classroom furnishings” that may be procured by GSA for the development of child care centers.
2. Ensure the well-defined description of authorized “services” and “classroom furnishings” is included in the Special Conditions to the Licensing Agreement for all child care providers in GSA-managed space; as well as in any other GSA operating, design, development, and website content guidance.
3. Provide updated training to Child Care Division purchase card holders on the procurement of authorized services and classroom furnishings.
4. Require the Child Care Division to enforce its inventory policies, and also conduct regular and comprehensive physical inventory inspections of all child care centers to ensure inventories of GSA furnished items are accurate.

### Management Comments

The Public Building Services (PBS) Commissioner concurred with our recommendations and identified corrective actions. Management’s comments can be found in their entirety in Appendix B.
This report presents the results of our evaluation of the GSA Child Care Program Guidance and Purchasing for Federal Child Care Centers. Our findings and recommendations are summarized in the Report Abstract. Instructions regarding the resolution process can be found in the email that transmitted this report.

Your written comments to the draft report are included in Appendix B of this report.

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patricia Sheehan</td>
<td>Director</td>
<td><a href="mailto:Patricia.Sheehan@gsaig.gov">Patricia.Sheehan@gsaig.gov</a></td>
<td>202-273-4989</td>
</tr>
<tr>
<td>Natalie Granito</td>
<td>Auditor</td>
<td><a href="mailto:Natalie.Granito@gsaig.gov">Natalie.Granito@gsaig.gov</a></td>
<td>202-273-7267</td>
</tr>
<tr>
<td>Rashawna Chapman</td>
<td>Management Analyst</td>
<td><a href="mailto:Rashawna.Chapman@gsaig.gov">Rashawna.Chapman@gsaig.gov</a></td>
<td>202-273-7252</td>
</tr>
</tbody>
</table>

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

As the federal government’s landlord, GSA provides space and services for child care centers in federal buildings. Under the authority of the Trible Amendment, codified at 40 U.S.C. § 590, the GSA Public Buildings Service (PBS), Office of Child Care, manages the Child Care Program by providing guidance, assistance, and oversight to federal agencies for the development of child care centers. At the time of this review, there were 106 child care centers operating in GSA-managed space in 31 states and the District of Columbia, with a national enrollment of over 8,000 children.1 The centers are independently operated, and the services GSA is authorized to provide, free of charge to the child care centers, include: lighting, heating, cooling, electricity, office furniture, office machines and equipment, classroom furnishings and equipment, kitchen appliances, playground equipment, telephone service, and security systems.

In the course of a routine review of GSA government purchase card transactional data, the OIG found that certain purchases do not qualify as authorized services for federal child care centers. Accordingly, the Office of Forensic Auditing, Evaluation, and Analysis conducted a further evaluation of GSA government purchase card procurement activity for child care centers operating in GSA-managed space.

The OIG reviewed the Office of Child Care government purchase card transactions, and supporting documentation, for the period October 2012 through September 2013, covering all 11 GSA regions. We identified improper purchases, totaling $120,608, during this 12 month period including “toys” and “curriculum materials,” such as puzzles, books, tricycles, stuffed animals, and blocks.

Additionally, our office found the GSA guidance on purchasing authority for federal child care centers to be inconsistent and ambiguous. GSA’s lack of definitive guidance leads to conflicting interpretations of what is authorized, resulting in improper purchases.

This report discusses the results of the OIG’s evaluation of GSA’s guidance and purchasing for federal child care centers, and recommends that PBS: (1) establish a well-defined description of authorized “services” and “classroom furnishings” that may be procured by the government for the development of child care centers; (2) ensure the well-defined description of authorized “services” and “classroom furnishings” is included in the Special Conditions to the Licensing Agreement for all child care providers in GSA managed space; as well as in any other GSA operating, design, development, and website content; (3) provide updated training to Child Care Division purchase card holders on the procurement of authorized services and classroom furnishings; and (4) require the Child Care Division to enforce its inventory policies, and also to conduct regular and comprehensive physical inventory inspections of all child care centers to ensure inventories of GSA furnished items are accurate.

---

BACKGROUND

The OIG Office of Forensic Auditing, Evaluation, and Analysis evaluates GSA government purchase card transactions on an ongoing basis in order to monitor and assess compliance with GSA Order CFO 4200.1A, *Use of the GSA Purchase Card*, August 17, 2009. Through our reviews of transactions by GSA cardholders, we identified questionable child care-related purchases by the PBS Child Care Division, Office of Tenant Services, Facilities Management and Services Program.  

GSA does not directly operate or contract for services at the child care centers, but grants authority for the day-to-day management of a child care center in federally managed space to an employee group, such as a board of directors, or to a private child care provider. These entities are provided GSA-controlled space to operate child care centers under a GSA Revocable License for Non-Federal Use of Real Property that includes special conditions. The 2010 *PBS Property Managers Child Care Desk Guide* (Property Managers Desk Guide) “provides policy and guidance on operating and maintaining a child care center, as well as outlining the unique requirements of the GSA Child Care Program.”

The majority of federally provided child care center equipment is purchased through the GSA Child Care Division by child care program specialists assigned to the regions. The Child Care Division has an annual budget of approximately $1.6 million, and oversees 106 independently operated child care centers located in GSA-managed space. Within the National Capital Region (NCR), GSA oversees 29 child care centers.

ANALYSIS

Legislation

The Trible Amendment, now codified at 40 U.S.C. § 590, authorizes federal agencies to expend appropriated funds “for the development of child care centers to provide economical and effective child care for federal workers.” Federal agencies may allot available space to child care centers when at least fifty percent of the children cared for have one parent or guardian

---

2 GSA references “Office of Child Care” and “Child Care Division” interchangeably.


4 *Id.*

5 *Id.*


employed by the federal government, and the provider gives priority to federal employees for available child care.⁸

Agencies also may provide the space “without charge for rent or services.”⁹ Congress defined “services” as follows:

   For purposes of this subsection, the term “service” includes the providing of lighting, heating, cooling, electricity, office furniture, office machines and equipment, classroom furnishings and equipment, kitchen appliances, playground equipment, telephone service (including installation of lines and equipment and other expenses associated with telephone services), and security systems (including installation and other expenses associated with security systems), including replacement equipment, as needed.¹⁰

Congress did not explicitly limit the term “services” but instead instructed GSA to provide guidance. Of these, the categories “classroom furnishings and equipment” and “playground equipment” are the most ambiguous and necessitate clear guidance.

**GSA Licensing Agreements**

Congress instructed GSA to provide agencies with guidance on child care centers by using licensing agreements.¹¹ We examined GSA’s model licensing agreement for the Child Care Program, which consists of a Revocable License for Non-Federal Use of Real Property (GSA Form 1582) and the Special Conditions to the Licensing Agreement.¹² The Special Conditions to the Licensing Agreement states: “The Child Care Provider will provide all supplies (consumables and manipulatives) such as toys, food and curriculum materials which remain the property of the Provider.”¹³

The GSA PBS Office of Child Care publication, *Operating on Federal Property Directors Desk Guide 2004*, states: “Each provider and board is free to negotiate any contract they want as long as they do not change or lessen the basic requirements in the GSA license.”¹⁴

---

⁸ Id. at §590(b)(2)(C).

⁹ Id. at §590(c)(2) (emphasis added).

¹⁰ Id. at §590(c)(1).

¹¹ Id. at §590(a).

¹² Reference to both is found in the Property Managers Desk Guide which GSA published “to assist facility personnel with the day-to-day and long-term management of child care centers within GSA-controlled space.” at p. i (PDF p. 7/174)). Retrieved from: http://gsa.gov/graphics/pbs/property_managers_guide.pdf.


**Other GSA Guidance**

GSA also provides other guidance, outside of the licensing agreements, for Child Care Program purchases. Two sources from the GSA Child Care web page follow the model licensing agreement. The first, *Setting Up a Child Care Center Checklist: 15 Important Steps*, provides: “GSA is responsible for the initial purchase of equipment and subsequent repair and replacement of equipment. GSA does not purchase toys, curriculum materials or consumable goods; this is the responsibility of the provider.”\(^{15}\) Identical language is found in the second source, *Starting a Child Development Center*.\(^{16}\) In addition, the above-mentioned *Operating on Federal Property Directors Desk Guide 2004*, states: “All of the large fixed equipment in the center belongs to the government. GSA buys large and durable equipment, we do not buy toys.”\(^{17}\)

However, the *GSA Federal Child Care Center Design Guide*, PBS-140, July 2003 (Design Guide) contains conflicting criteria for planning and designing child care centers in GSA-owned or controlled spaces. The following items are included in “a list of the furnishings and equipment that may be provided by the Federal Government as part of the baseline provisions.”\(^{18}\)

- Toddler water play table;
- Cardboard blocks;
- Wooden doll bed;
- Low easel;
- Wooden puzzle case with wood puzzles;
- Doll house with furniture;
- Set wooden unit blocks with storage;
- Wood train set with tracks;
- Wooden cash register;
- Balance boards & blocks;
- Wagons;
- Large set permablocks; and
- Tricycles.

All of these items might be considered toys and/or curriculum materials. This Design Guide list appears to be inconsistent with GSA’s model licensing agreement.

Our office spoke with the GSA PBS Child Care Division for additional guidance on policies and practices. The Child Care Division reported that child care providers have the responsibility to

\(^{15}\) *Starting a Child Development Center*, *Setting Up a Child Care Center Checklist: 15 Important Steps*, Step 7: Equip Center. Retrieved from: <http://gsa.gov/portal/content/103652>.


\(^{17}\) *Operating on Federal Property Directors Desk Guide 2004* at p. 39/104.

procure their own staff, food, bleach, paper products, crayons, paint, and other consumables. However, if a durable asset is expected to last more than a year, the Child Care Division considers it equipment, and therefore GSA is permitted to purchase it for the center. Examples given included tables, chairs, and furniture, but also items that could be identified as toys or curriculum materials, such as: tricycles, wooden blocks, some books, and reference guides.

In other words, the one-year rule of thumb informal guidance indicates that non-durable assets constitute supplies, and therefore are not authorized for federal purchase, and durable assets constitute allowable purchases, regardless of whether they may be characterized as toys or curriculum materials. We did not find the one-year rule in any written guidance.

FINDINGS

Improper Purchases
Through a review of the fiscal year 2013 Child Care Division government purchase card transaction logs and invoices for all 11 GSA regions, we identified improper purchases of “toys” and “curriculum materials,” such as: stuffed animals, doll houses, blocks, doll high chairs, books, a radio/compact disc player, compact discs, puppets, puzzles, instruments, tricycles, push toys, and dress-up clothes.

GSA is charged with providing guidance, assistance, and oversight to federal agencies in the development of federal child care centers through its licensing agreement. The model licensing agreement states, “[t]he child care provider will provide all supplies (consumables and manipulatives) such as toys, food, and curriculum materials which remain the property of the Provider.” Based solely on that guidance, we found that $120,608 of the Child Care Division government purchase card transactions, from October 2012 through September 2013, were improper.

Inconsistent Purchasing
We observed that purchasing by GSA child care program specialists was inconsistent. We visited seven NCR child care centers to review the types of items GSA purchased for the centers. Four of the providers identified toys as GSA furnished items. At these centers, the directors pointed out GSA-purchased tricycles, dress-up clothes, dolls, doll houses, blocks, riding toys, and soft toys as we toured the child care facilities. Two other centers specifically excluded toys as GSA-purchased items.19

Differing Licensing Agreements
We found differences in child care center licensing agreement terms. We requested the licensing agreements for the 29 NCR child care centers overseen by GSA, and found that 23 licensing agreements did not require the provider to maintain an inventory list of GSA provided items, four did, and two licensing agreements were not able to be produced for our review. Licensing agreements for four of the seven NCR child care centers we visited included the following

---

19 One center director, who was newly hired and lacked GSA guidance, was not asked.
requirement, “An inventory list of GSA provided items will be maintained by the provider and submitted to the GSA Child Care Office upon request. The provider will notify GSA when government purchased equipment becomes old or damaged to initiate the GSA excess process.” During our site visits, none of these four center directors could provide a complete inventory of GSA provided property.

One child care center we visited, which has been operating in GSA-controlled space for almost 15 years, has a licensing agreement that does not require an inventory. In the beginning of calendar year 2014 the center director was verbally informed that inventory tracking of GSA provided equipment must be initiated. This verbal directive was not supported by a written change to the center’s licensing agreement.

Inadequate GSA-Conducted Inventories

We inspected inventory lists at seven NCR child care centers, which were compiled by GSA NCR child care program specialists. We found inconsistencies at six of the seven child care centers. The GSA NCR child care program specialist reportedly visited all NCR centers, within the three months prior to our site visits, to conduct an inventory of GSA furnished items. These GSA prepared inventories were given to the center directors, and also provided to the OIG during the review. With the exception of one center, we found the GSA prepared inventory lists to be sparse and inaccurate. We also found many of the GSA purchased items in six of the centers had no identifying labels, or had inventory barcodes that were worn off, making it impossible to scan and accurately inventory the items.

CONCLUSION

GSA purchasing guidance for child care center classroom furnishings and services in GSA-managed space is inconsistent and ambiguous. The Trible Amendment directs that GSA provide guidance through the licensing agreements, and GSA’s model licensing agreement requires the providers, not the federal government, to furnish all supplies such as toys, food, and curriculum materials. However, GSA has issued other written and verbal guidance that is inconsistent with the licensing agreement. The purchases found in our analysis appear to exceed the agency’s authority under the terms of the Tribal Amendment.

RECOMMENDATIONS

We recommend PBS:

1. Establish a well-defined description of authorized “services” and “classroom furnishings” that may be procured by GSA for the development of child care centers.
2. Ensure the well-defined description of authorized “services” and “classroom furnishings” is included in the Special Conditions to the Licensing Agreement for all

---

child care providers in GSA-managed space; as well as in any other GSA operating, design, development, and website content guidance.

3. Provide updated training to Child Care Division purchase card holders on the procurement of authorized services and classroom furnishings.

4. Require the Child Care Division to enforce its inventory policies, and also conduct regular and comprehensive physical inventory inspections of all child care centers to ensure inventories of GSA furnished items are accurate.
APPENDIX A
OBJECTIVES, SCOPE, AND METHODOLOGY

The Office of Forensic Auditing, Evaluation, and Analysis performed an evaluation of GSA issued guidance for the development of child care centers operating independently in GSA-managed space. The evaluation objectives also included a review of government purchase card transactions by the GSA Office of Child Care. The fieldwork was performed from December 2013 through June 2014. Field work included site visits to seven NCR child care centers overseen by GSA, and the GSA NCR Office of Child Care.

In order to accomplish the objectives, we:

- Reviewed laws, policies, procedures, and guidance for the oversight of child care centers in GSA-managed space, such as:
  - Trible Amendment, codified at 40 U.S.C. § 590;
  - GSA Order CFO 4200.1A, Use of the GSA Purchase Card, August 17, 2009;
  - PBS Office of Child Care guides, and;
  - GSA Revocable License for Non-Federal Use of Real Property (GSA Form 1582), and Special Conditions to the Licensing Agreement.
- Reviewed 1,012 government purchase card transactions, totaling $1,257,105, by the GSA Office of Child Care, encompassing all 11 GSA regions, for the period October 2012 through September 2013.
  - Analyzed supporting documentation for questionable purchase card transactions.
- Compared various GSA Form 1582s, and their accompanying Special Conditions to the Licensing Agreement, issued by the GSA Office of Child Care for 27 child care centers in NCR.
- Interviewed the GSA PBS Director, Child Care Division.
- Interviewed the directors of seven independent child care centers overseen by GSA in NCR.
- Inspected GSA purchased items on-site in the seven child care centers.
- Evaluated GSA prepared inventory lists for the seven child care centers.

The evaluation was conducted in accordance with Quality Standards for Inspection and Evaluation developed by the Council of the Inspectors General on Integrity and Efficiency. In accordance with those standards, we planned and performed the evaluation to collect sufficient, relevant evidence to provide a reasonable basis for our findings, conclusions, and recommendations.
APPENDIX B
Management Comments

MEMORANDUM FOR PATRICIA D. SHEEHAN
DIRECTOR
OFFICE OF FORENSIC AUDITING, EVALUATION AND ANALYSIS
(JE)

FROM NORMAN DONG
COMMISSIONER
PUBLIC BUILDING SERVICE (P)


The Public Buildings Service (PBS) appreciates the opportunity to comment on the subject draft report. The report recommends that the PBS Commissioner take the following actions:

1. Establish a well-defined description of authorized “services” and “classroom furnishings” that may be procured by GSA for the development of child care centers.
2. Ensure the well-defined description of authorized “services” and “classroom furnishings” is included in the Special Conditions to the Licensing Agreement for all child care providers in GSA-managed space; as well as in any other GSA operating, design, development, and website content guidance.
3. Provide updated training to Child Care Division purchase card holders on the procurement of authorized services and classroom furnishings.
4. Require the Child Care Division to enforce its inventory policies, and also conduct regular and comprehensive physical inventory inspections of all child care centers to ensure inventories of GSA furnished items are accurate.

PBS concurs with the draft report’s finding and recommendations.

PBS will take the following corrective actions in FY15:

1. Issue revised guidance that clearly defines and describes appropriate child care equipment, furnishings and services for GSA child care centers.
2. Review and update child care documentation, manuals, and websites to ensure consistency among all these materials.

3. Train staff responsible for purchases for these centers. PBS already has instituted a central "pre-validation" process of all purchase card transactions associated with child care centers to ensure proper procedures are being followed by all involved in this program.

4. Review inventory control policies and ensure inventory inspections are properly completed.

If you have any questions, please contact Frank SanteFa, PBS Acting Assistant Commissioner for Facilities Management and Services Programs, on (315) 345-6000.