



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

---

November 30, 2018

**MEMORANDUM**

TO: EMILY W. MURPHY  
ADMINISTRATOR (A)

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

SUBJECT: GSA's Internal Control Management Challenge

Thank you for your November 19, 2018, response to my office's *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2019*. I appreciate that GSA's leadership team shares my office's commitment to improving GSA's management practices and effectiveness and efficiency. However, I am writing to express my office's concern with your response to our management challenge on the need for GSA to establish and maintain an effective internal control environment.

In our assessment of management challenges facing GSA for Fiscal Year 2019, my office reported that "GSA faces a significant challenge in establishing a comprehensive and effective system of internal control." We based our assessment on "the pervasive internal control weaknesses identified in reports issued by our office and GSA's independent public accountant." Accordingly, we reported that "GSA's management challenge is to implement a more effective system of internal controls to ensure the Agency consistently complies with laws and regulations, produces accurate and reliable reports, and operates effectively."

In your response, you note that "GSA agrees that internal controls serve as the first line of defense in safeguarding assets;" however, "GSA strongly disagrees that the agency has pervasive internal control weaknesses." In particular, you cite GSA's performance in the financial statements audit and prioritization of addressing audit recommendations as evidence that GSA is "committed and focused on developing a more effective control framework across GSA."

My office appreciates and recognizes the efforts that GSA has taken to address the internal control deficiencies highlighted in our reports and those of GSA's financial statements auditor. However, our management challenge was more broadly focused, pointing to a need for direct management attention to develop a more effective internal control environment across the broad spectrum of GSA programs, operations, and acquisitions.

As noted in our management challenge, during the 1-year period ended June 30, 2018, we issued 13 audit products that noted deficiencies in internal controls. Since that time, we have issued five reports addressing internal control deficiencies. For example, in August 2018, we issued a report, *GSA's Public Buildings Service Does Not Track and Report All Unused Leased Space as Required*.<sup>1</sup> In our report, we

---

<sup>1</sup> Report Number A160133/P/6/R18002, August 10, 2018.

identified breakdowns in internal control due to PBS's non-compliance with (1) a variety of laws and regulations, and policies that require it to track, report, and mitigate unused leased space, and (2) its policies governing the use of non-cancelable occupancy agreements.

Further, while we note that GSA's corrective action plans address the issues brought to light under a specific audit, these responses are reactive. Unless GSA recognizes that internal control is not one event, but a series of actions that occur throughout an entity's operation and thereby proactively considers establishing a comprehensive system of internal control, these issues will likely continue to exist. Moreover, as discussed in the two examples below, GSA's corrective actions are not always sufficient to address the control deficiencies identified in our reports.

In October 2018, we issued an implementation review report on GSA's corrective action plan for our *Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015*.<sup>2</sup> We reported that GSA did not successfully implement corrective actions for two report recommendations. First, we found that GSA did not notify remaining individuals who were affected by the breach that their personally identifiable information was exposed until more than 2 years after the breach occurred. Second, we found that although GSA IT assessed and revised its Breach Notification Policy in accordance with its corrective action plan, the revisions made could significantly extend the Agency's breach notification timeframes and hinder GSA's ability to notify affected individuals without unreasonable delay. We concluded that GSA's revisions did not meet the spirit of our recommendation, which was aimed at improving its policies for responding to these breaches.

In another example, GSA's corrective action plan for the ESPC White Oak audit remains under review because GSA has refused to propose corrective action for 3 of the report's 6 recommendations. Although PBS has proposed several measures to address some of the issues we raised, it has not addressed the initial improper and non-competitive award of contract modifications totaling \$309 million for operations and maintenance services. GSA cannot claim to be addressing its internal control issues if it is not proposing any action to implement our recommendations surrounding one of its more significant and complex procurements.

Our reports cross all areas of GSA and, when taken together, the repeated findings regarding a lack of effective internal controls or failure to follow the controls in place highlight a large-scale issue. GSA management is challenged to implement a more effective system of internal controls to ensure the Agency consistently complies with laws and regulations, produces accurate and reliable reports, and operates effectively.

Finally, I wish to address the assertion in your response that "GSA has active participation of senior leadership and the OIG in our internal control oversight team, the Management Control and Oversight Council (MCOC). No significant internal control challenges have been communicated to the MCOC by the OIG in these meetings or in the monthly meetings between the Inspector General, GSA Administrator, and Deputy Administrator." This assertion is misguided for several reasons.

First, my office issues every final report directly to you. It is our expectation that you and your senior leadership team will review these reports to gain an understanding of the deficiencies we identify across GSA. Second, while representatives of my office attend the MCOC meetings, they do so in an *ex officio* capacity as is proper and necessary to maintain our organizational independence.

<sup>2</sup> *Implementation Review of Corrective Action Plan, Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015* (Report Number A180001, October 19, 2018).

Lastly, it is well-established that management – not my office or the Agency’s independent public accountant – is responsible for implementing an effective control environment. The Comptroller General’s *Standards for Internal Control in the Federal Government* clearly address this, providing that “[e]xternal auditors and the [OIG], if applicable, are not considered a part of an entity’s internal control system. While management may evaluate and incorporate recommendations by external auditors and the OIG, responsibility for an entity’s internal control system resides with management.”<sup>3</sup>

In sum, GSA faces significant challenges surrounding its internal control environment for Fiscal Year 2019.

---

<sup>3</sup> GAO-14-704G, September 10, 2014. See §OV2.15, p. 12.



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

---

October 16, 2018

TO: EMILY W. MURPHY  
ADMINISTRATOR (A)

FROM: CAROL F. OCHOA   
INSPECTOR GENERAL (J)

SUBJECT: Assessment of GSA's Management and Performance  
Challenges for Fiscal Year 2019

As required by the Reports Consolidation Act of 2000, Public Law 106-531, we have prepared for inclusion in the Fiscal Year 2018 Agency Financial Report, the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA in Fiscal Year 2019.

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

1. Establishing and Maintaining an Effective Internal Control Environment Across GSA.
2. Enhancing Government Procurement.
3. Maximizing the Performance of GSA's Real Property Inventory.
4. Prioritizing Agency Cybersecurity.
5. Managing Human Capital Efficiently to Accomplish GSA's Mission.
6. Safeguarding Federal Facilities and Providing a Secure Work Environment.
7. Managing Revolving Funds Effectively.
8. Implementing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch.

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

**GSA'S MANAGEMENT AND PERFORMANCE CHALLENGES  
FOR FISCAL YEAR 2019  
OFFICE OF INSPECTOR GENERAL**

**Challenge 1: Establishing and Maintaining an Effective Internal Control Environment Across GSA**

---

GSA faces a significant challenge in establishing a comprehensive and effective system of internal control. Although 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 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*, our audit reports have repeatedly pointed out that GSA lacks effective internal controls, or has internal controls in place but does not follow them. Without an effective internal control environment, GSA risks noncompliance with laws and regulations, improper reporting of information, inefficiencies, and misuse or poor use of government resources.

During the 1-year period ended June 30, 2018, we issued 18 audit reports and memoranda publicly. Of those 18, 13 noted deficiencies in internal control. The nature and extent of these deficiencies indicates that management attention is needed to develop a more effective internal control environment across GSA. For example:

- We audited the Federal Acquisition Service's (FAS's) controls over compliance with emissions standards in the Office of Fleet Management operations in the Pacific Rim Region. We found that GSA did not have controls in place to ensure compliance with applicable laws and regulations.<sup>1</sup> FAS's Fleet in the Pacific Rim Region did not correctly evaluate the effect of the California Truck and Bus Regulation emissions standards on its fleet and did not take the necessary steps to comply with the regulation. As a result, GSA was fined \$485,000 by the Environmental Protection Agency.
- In our audit of an Energy Savings Performance Contract (ESPC) awarded in the Public Buildings Service's (PBS's) National Capital Region, we found that PBS violated the Competition in Contracting Act of 1984 and the competition requirements set forth in the Federal Acquisition Regulation by making a cardinal change to the contract that substantially increased the contract's scope of work for operations and maintenance. This action eliminated price competition and denied opportunities for other contractors. Our recommendations included instituting management controls to ensure that

---

<sup>1</sup> FAS's Office of Fleet Management in the Pacific Rim Region Did Not Comply with California State Emissions Regulations, Resulting in a \$485,000 Fine (Report Number A170040/Q/5/P18002, April 19, 2018).

procurements comply with the Competition in Contracting Act of 1984 and the Federal Acquisition Regulation.<sup>2</sup>

- We examined GSA's Computers for Learning (CFL) Program to determine whether GSA has adequate controls in place to prevent ineligible organizations from accessing its CFL website and receiving information technology (IT) equipment intended for eligible schools and educational nonprofit organizations. We found that in administering the CFL website, GSA does not have adequate controls to prevent ineligible organizations from registering and receiving donations of IT equipment. GSA does not perform any eligibility verifications before or after an organization registers on the website as an educational nonprofit. As a result, the CFL Program is susceptible to fraud and misuse. During the year ended June 30, 2016, ineligible organizations registered as educational nonprofits received approximately \$2.5 million in federally-owned computer equipment intended to educate children. This represented over 22 percent of the total IT equipment donated to recipients registered as educational nonprofit organizations.<sup>3</sup>
- We audited the Office of the Chief Financial Officer's compliance with the Improper Payments Acts and found that, although GSA complied with five of the six requirements of the Acts, it did not meet its improper payment reduction target for the Rental of Space Program. Additionally, GSA did not accurately test its Purchase Card Program payments, resulting in several errors in reported estimates and figures in its Fiscal Year (FY) 2017 Agency Financial Report tables. Among other things, we recommended that GSA's Chief Financial Officer improve controls over the payment process for Rental of Space and strengthen controls of improper payment testing under the Purchase Card Program.<sup>4</sup>

Further, in their report on GSA's financial statements for FY 2017, the Agency's independent public accountant identified three significant deficiencies associated with GSA internal controls over financial management. Specifically, the independent public accountant reported that GSA did not:

- Monitor Acquisition Services Fund apportionments effectively. As a result, the Acquisition Service Fund budgetary resources for reimbursable activity exceeded the fund's apportioned budget authority by approximately \$705 million.

---

<sup>2</sup> *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).

<sup>3</sup> *GSA Lacks Controls to Effectively Administer the Computers for Learning Website* (Report Number A160118/Q/3/P17003, July 13, 2017).

<sup>4</sup> *GSA Did Not Comply with the Improper Payments Acts in Fiscal Year 2017* (Report Number A170104/B/3/F18004, May 11, 2018).

- Enforce documented system-specific, GSA-wide, and National Institute of Standards and Technology policies and procedures consistently. Consequently, certain access to programs and data controls were not designed and implemented properly or operating effectively in FY 2017.
- Have or consistently enforce monitoring controls over its financial reporting processes, increasing the risk that misstatements will not be prevented or detected in financial records and statements.

Internal control serves as the first line of defense in safeguarding assets and helping managers achieve desired results through effective stewardship of public resources. In light of the pervasive internal control weaknesses identified in reports issued by our office and GSA's independent public accountant, GSA management's challenge is to implement a more effective system of internal controls to ensure the Agency consistently complies with laws and regulations, produces accurate and reliable reports, and operates effectively.

## **Challenge 2: Enhancing Government Procurement**

---

One of GSA's strategic goals for FY 2019 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. According to FAS, it leverages the buying power of the federal government to obtain necessary products and services at the best value possible. However, as FAS introduces initiatives to provide more efficient and effective acquisition solutions, it faces challenges in meeting its customers' needs.

In order to meet this and other strategic goals, FAS is continuing several previous initiatives, as well as beginning several others. The initiatives include:

- Supporting the Acquisition Gateway, while driving more business to its contract offerings;
- Transforming the Multiple Award Schedules Program;
- Implementing e-commerce portals;
- Transitioning customers to the new Enterprise Infrastructure Solutions contracts; and
- Consolidating 10 procurement-related systems into a single system.

While these initiatives are intended to help FAS meet its strategic goals, they also significantly change FAS's processes and programs, affecting both its employees and its customers.

### **Supporting the Acquisition Gateway**

In FY 2014, the OMB introduced category management, which is a government-wide initiative intended to eliminate redundancies, increase efficiency, and deliver more value and savings from the government's acquisition programs. To facilitate category management, FAS

developed and is overseeing the Acquisition Gateway, an electronic portal for the government contracting community to connect and share acquisition related information. The gateway provides acquisition information such as sample statements of work, related acquisition articles, and transactional prices paid data. Although FAS has invested over \$25 million and up to 15 full-time employees between FY 2016 and FY 2017 to establish and continue support of the Acquisition Gateway, government agencies are not required to use it. As a result, FAS is challenged with measuring the success of the gateway and its ability to save government funds.

GSA's *FY 2017 Performance Measures* evaluated the success of the Acquisition Gateway's ability to deliver contracting solutions by emphasizing the number of registered users to the website. However, this is not a good measure because it does not account for what active users contributed to or used from the website, nor whether the website has an overall effect on government procurement. As FAS continues to spend significant funds to support and maintain the Acquisition Gateway, it is challenged to measure the gateway's effectiveness to generate government savings. Also, contrary to the gateway's current intent to provide unbiased acquisition solutions and best practice comparisons, FAS is considering using the gateway to drive business to its own contract offerings. FAS faces challenges to balance the Acquisition Gateway's intended goal to provide unbiased solutions and best practices with its goal to increase revenue from government customers through the use of its contracting vehicles.

### **Transforming the Multiple Award Schedules Program**

Since 2009, FAS has implemented several initiatives to transform its Multiple Award Schedules Program (Schedules Program). These initiatives include "distinct transformation projects" aimed at consolidating schedules, reducing price variability, and easing the buying experiences of user agencies through rule changes. These initiatives will significantly affect the Schedules Program and FAS is challenged to ensure the initiatives are effectively implemented. During this transformation, we continue to highlight the need for strengthened management over the entire Schedules Program.

**Consolidated Schedules.** In an effort to reduce redundancy and duplication of products, services, and solutions across the Schedules Programs, FAS is working toward consolidating the 24 current schedules down to 1 single schedule and possibly eliminating Special Item Numbers.<sup>5</sup> 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. FAS has noted several challenges in transforming a program this large. The challenges include a lack of buy-in from all stakeholders, a lack of dedicated resources, excessive costs related to existing systems and the need for new systems, a lack of insight into its own business trends, and legislative restrictions that would require updates and changes.

---

<sup>5</sup> Special Item Numbers are a group of generically similar (but not identical) products or services that are intended to serve the same general purpose or function. The products and services within each schedule are categorized and identified by a specific Special Item Number.

**Transactional Data Reporting.** FAS has implemented the Transactional Data Reporting rule, which was formalized in the Federal Register in June 2016, and is currently a pilot program. Under this pilot, contractors can voluntarily opt to electronically report the prices GSA customers pay for contract products and services. GSA contracting officials and schedule customers can presumably use the transactional data to conduct pricing comparisons, with the goal of reducing price variability. However, using this data for this purpose will be difficult because many of the products and services offered under the Schedules Program are unique and cannot be compared. The transactional data GSA receives also may not provide useful pricing information for contracting officers because of how the data is reported. For example, if a contractor's transactional data submission includes bundled product and pricing information, it will not be useful for price analysis of GSA contract products that are priced as individual components. Furthermore, under the pilot, contracting officers compare a contractor's offered price to a limited subset of prices paid by federal customers on GSA schedule sales, which ignores any comparable commercial activity.

In July 2018, we issued a report on our audit of the evaluation plan and metrics FAS is using to evaluate the TDR pilot. We determined the evaluation plan and metrics will not allow FAS to objectively measure or evaluate whether the TDR pilot is improving the value of the Schedules Program. Specifically, we found that the TDR pilot objectives were not well-defined, some metrics lacked performance targets, and a majority of the metrics relied on data that is not available for use in or evaluation of the pilot.<sup>6</sup> Without the ability to objectively evaluate the pilot, FAS is challenged with making decisions regarding the future of Transactional Data Reporting.

Additionally, the pilot has experienced major changes since it began. First, contractors were initially required to participate if their schedule was selected; however, they may now opt to not participate in the pilot without consequences. Second, the transactional data has not been made available to all category managers and acquisition personnel for their use in awarding and administering schedule contracts. GSA is working to determine what specific data to release to specific parties, which includes GSA acquisition personnel, government-wide category managers, schedule contract holders, and other interested stakeholders.

**Contract Awarded Labor Category Tool and the Replacement for the Formatted Product Tool.**

The Contract Awarded Labor Category Tool is designed to assist contracting officers in evaluating pricing for services. This tool assists contracting officers in conducting market research using a database of government contract prices for approximately 56,000 labor categories on over 5,000 contracts under the Professional Services and IT schedules. This tool allows contracting officers to search contract prices by labor category and filter by education level, experience, and worksite. However, because contractors often use unique pricing on task orders, the tool does not provide the actual government prices paid by labor category or the discounts granted to customer agencies. Furthermore, the tool does not consider factors such

---

<sup>6</sup> *Audit of Transactional Data Reporting Pilot Evaluation Plan and Metrics* (Report Number A140143/Q/T/P18004, July 25, 2018).

as geographic location or basic labor category qualification requirements, including specialized experience or skills and mandated professional licensing or certifications, which are essential to ensuring that a valid comparison is conducted.

The Formatted Product Tool (FPT) was designed to reduce price variability on products offered under the Schedules Program, while driving better competition, improving contracting officer efficiency, and reducing vendor burden. However, because several deficiencies led to FPT being cumbersome and extremely time-consuming for contractors with large catalogs, FAS decided to cease its FPT investment. Instead, FAS decided to develop a new solution aimed to achieve many of FPT's objectives. FAS faces a significant challenge to transition from FPT's failure to a new solution that reduces contracting officer burden in processing contracts, simplifies contractor experience in managing schedule offerings, and enhances market research capabilities for government buyers.

**GSA Advantage!** *GSA Advantage!* is FAS's online purchase portal that allows price comparisons, but suffers from functionality issues. While a recent Naval Postgraduate School study found that *GSA Advantage!* sometimes offers more favorable pricing than Amazon Business, the study did not take into account terms and conditions, minimum buying requirements, and that *GSA Advantage!* pricing was also higher than Amazon Business in many cases.<sup>7</sup> In addition, the study found *GSA Advantage!* users generally had a negative experience when using the website. Specifically, the study found that when it asked users to rate their level of customer satisfaction with *GSA Advantage!*, the users' ratings varied widely between very dissatisfied and somewhat satisfied. FAS has acknowledged that *GSA Advantage!* could benefit from improvements in its search functionality and the quality of product images and descriptions and is looking to improve both buyers' and sellers' experiences with the portal. This is an important challenge as *GSA Advantage!* looks to potentially compete with the future e-commerce portals on particular commodities frequently purchased by federal entities.

As FAS continues to implement these initiatives, it must develop means to ensure they maintain a crucial link to the commercial market. GSA must avoid circumstances in which government customers are paying significantly more for the same products and services purchased commercially.

With these initiatives occurring simultaneously, FAS is challenged to ensure that acquisition personnel have a sufficient understanding of each initiative and are able to implement and use the initiatives as intended.

### **Implementing Procurement Through Commercial E-Commerce Portals**

The National Defense Authorization Act for FY 2018, Section 846, *Procurement Through Commercial E-Commerce Portals*, was signed into law on December 12, 2017. GSA, in coordination with the Office of Management and Budget, is required to establish a

---

<sup>7</sup> *Amazon Business and GSA Advantage!: A Comparative Analysis* (December 2017).

government-wide program to procure commercial products through commercial e-commerce portals. The program's intent is to enhance competition, expedite procurement, enable market research, and ensure reasonable pricing. GSA intends to implement this program by September 2020 using a phased approach.

The implementation of a government-wide e-commerce portal is a complex endeavor and GSA needs to address multiple issues, including the following:

- Since the law was enacted, GSA and other stakeholders have acknowledged the overarching, significant challenge of ensuring that purchases through the e-commerce portal comply with federal regulation and policy. For example, federal regulations and policy related to competition, data and physical security, and small business usage were established to protect the government and support various public policy initiatives. However, incorporating these requirements for the e-commerce platform could reduce competition when selecting portal providers and negatively affect pricing.
- GSA is also challenged to plan and implement this program without knowing the business volume that will flow through the e-commerce portals. The portals will be an additional contract option for customer agencies but not a mandatory source. As an additional contract vehicle, there is potential duplication of, or competition with, existing procurement programs and contract vehicles (both within and outside of GSA). The unknown business volume can affect the decisions GSA makes in establishing the program as well as the decisions that portal providers and contractors make when seeking to do business through this program.
- In the implementation plan provided to Congress in March 2018, GSA and the Office of Management and Budget recommended four legislative changes that they determined necessary to implement a program to purchase through e-commerce portals. One of these changes is to increase the micro-purchase threshold – from \$5,000 for Department of Defense and \$10,000 for civilian federal agencies – to \$25,000 for purchases made through GSA-approved e-commerce portals.<sup>8</sup> Purchases under this threshold are usually performed non-competitively. GSA has stated that this increase will allow a faster rollout of the program while allowing contracting officers to focus on more strategic, mission-critical work.

However, stakeholders voiced concerns on the rationale of this increase and how it would affect other contracting vehicles. In August 2018, the National Defense Authorization Act for FY 2019 was signed into law and reflected legislative changes noted in the e-commerce implementation plan; however, most notably, it did not reflect the increase to a \$25,000 micro-purchase threshold. Instead, it solely raised the threshold for Department of Defense purchases to \$10,000 to mirror the existing threshold for civilian federal agencies. This decision may affect GSA's implementation

---

<sup>8</sup> A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures.

plan as well as the volume or frequency of customer agencies choosing to use e-commerce portals.

As GSA continues to take steps to comply with the requirements and fulfill its responsibilities under this law, it must consider these issues while also remaining vigilant to unintended consequences of implementation.

### **Leading the Transition to Enterprise Infrastructure Solutions Contract**

FAS is leading the government-wide transition from the expiring Networkx telecommunications and IT infrastructure contracts to the new Enterprise Infrastructure Solutions (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 will 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.<sup>9</sup>

Since the transition began in April 2016, FAS has encountered significant challenges in its efforts to transition customer agencies to EIS. From delays in awarding the EIS contract to issues with administering a task order meant to provide direct support to customer agencies, these challenges could significantly affect FAS's ability to transition more than 200 customer agencies by the March 2020 targeted deadline.

For example, FAS encouraged customer agencies to begin transition planning early with the release of the EIS Request for Proposals; however, FAS awarded the EIS contract in July 2017, 10 months later than planned. FAS structured the EIS transition into three phases: (1) acquisition planning, (2) acquisition decision, and (3) transition execution. The transition is currently in the acquisition planning phase that concludes when a customer agency issues solicitation(s), which are requests to EIS awardees to submit offers or quotes for EIS services.

However, FAS made a significant programmatic decision in early October 2017 to end the EIS Full Service Model, directly affecting the acquisition planning phase and its scheduled completion, which was also in October 2017. Under the Full Service Model, FAS orders services, troubleshoots service disruptions, and resolves issues with contractors on behalf of customer agencies. Because of this decision, customer agencies had to revise their EIS solicitations to incorporate services previously provided under the Full Service Model, resulting in additional transition delays.

Administration of the EIS assistance contract has also been an issue. FAS offers customer agencies direct EIS transition assistance through two task orders. One such task order is for Transition Ordering Assistance that provides customer agencies with telecommunications and

---

<sup>9</sup> *Report to the President on Federal IT Modernization* (American Technology Council, December 13, 2017).

acquisition expertise to assist with transition activities. Although initially awarded in September 2016, a bid protest hindered the start of work until March 2017, further delaying transition progress. We reported two significant concerns with FAS's administration of this task order.<sup>10</sup> If not corrected, the task order's usefulness in meeting the EIS transition deadline may be limited.

Ultimately, customer agencies have made little progress issuing solicitations by October 2017 as outlined in the transition timeline. As of August 31, 2018, customer agencies had only issued 16 of the estimated 190 solicitations. FAS must ensure the EIS transition meets milestone dates to capitalize on potential cost savings resulting from reduced acquisition costs and volume buying; as well as ensure uninterrupted service.

### **Delivering the System for Award Management**

FAS is responsible for the System for Award Management (SAM), a Presidential e-government initiative to consolidate 10 procurement-related legacy systems. These systems, collectively known as the Integrated Award Environment (IAE), are used by those who award, administer, and receive federal funds. Transactions under the IAE include contract awards, intergovernmental payments, grants, and other federal assistance. Started in 2008, the SAM initiative has historically overrun timeframes and costs. Given IAE's nearly 4 million federal users, diligent project and fiscal management is necessary to ensure SAM's completion and system quality.

FAS has confronted a number of significant challenges since SAM's inception. In addition to the IAE consolidation under a complex governance structure, FAS faced funding constraints, contractor performance issues, and high project staff turnover. Because of these challenges, SAM – which FAS once expected to complete by 2014 – is not estimated for completion until 2021.

In addition, SAM has experienced a recent series of fraudulent activity targeting system registrants and entities. These significant security incidents have exposed SAM's vulnerability related to the identity verification of individuals and their authorization to conduct business on behalf of a company. The technological and personnel resources required to secure the system and remediate the harm caused by these security incidents could lead to additional delays and likely increase SAM's operational and development costs.

The 7-year delay has led to significant costs, as FAS must keep legacy systems functioning until SAM is complete. FAS projected a total cost of \$813 million for SAM development and legacy system operation and maintenance from FY 2010 through FY 2019. FAS will likely exceed this estimate if SAM is completed in 2021 or later.

---

<sup>10</sup> *FAS Is Providing Support Services to Agencies Transitioning to Enterprise Infrastructure Solutions without Executed Interagency Agreements* (Audit Memorandum Number A170103-3, January 12, 2018); and *FAS Did Not Ensure That Contract Employees Had Background Investigations Before Providing Support to Agencies Transitioning to Enterprise Infrastructure Solutions* (Audit Memorandum Number A170103-4, June 29, 2018).

While FAS continues to consider the impact of these challenges on the SAM consolidation project milestones, risks remain that could potentially delay the project's completion beyond 2021. For example, FAS recently had to shift resources from the SAM consolidation project to address legacy system security weaknesses. Additionally, FAS may still need to incorporate system changes to comply with regulation updates, new policies, or requests from governance bodies. Specifically, FAS may need to make significant changes to the system if a new identifier for registered companies is adopted. This potential change is driven by: (1) a Federal Acquisition Regulation final rule that eliminated the use of Dun and Bradstreet's proprietary Data Universal Numbering System as the unique identifier for registered companies, and (2) the 2018 expiration of Dun and Bradstreet's GSA contract. If a new contractor registration identifier is implemented, significant system changes may be necessary as SAM's information is built entirely using proprietary information supplied by Dun and Bradstreet.

Beyond delays and increasing costs, SAM also faces other challenges. For example, third parties are using public information generated by SAM to contact system registrants to request money to complete or renew their registration, even though registration in SAM has always been free of charge. In some instances, third party registration services are offered for a fee, and in other instances, third parties fraudulently claim to represent GSA and request fees from the registrant. This has the potential to erode public trust in SAM and the government's ability to protect the interests of contractors doing business through SAM.

The success of the SAM initiative is critical to enable agencies to share acquisition data and make informed procurement decisions, make it easier for contractors to do business with the government, and generate savings for the taxpayer. While GSA has taken steps to improve and stabilize the 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, GSA must ensure the appropriate technical controls and safeguards are implemented to secure the system and protect the users and data from malicious threats.

### **Challenge 3: 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 reducing and consolidating space, disposing and exchanging federal property, reducing leasing costs, effectively administer its leased portfolio, meet the operations and maintenance needs of aging buildings, and ensure effective management of energy and utility contracts.

**Reducing and Consolidating Space.** In fulfilling its responsibilities under the Office of Management and Budget's *Freeze the Footprint* and *Reduce the Footprint* mandates, GSA has sought to improve space utilization in its federal building portfolio. In testimony before the House Committee on Oversight and Government Reform's Subcommittee on Government Operations in February 2018, GSA Administrator Emily Murphy stated that GSA is committed to reducing space and decreasing rental cost. Further, she stated that GSA is working with

agencies to identify under-utilized or vacant facilities that GSA can consolidate or eliminate altogether.

According to a March 2018 GAO report, most of the 24 agencies with chief financial officers reported that they planned to consolidate their office and warehouse space and allocate fewer square feet per employee as key ways to achieve their space reduction targets.<sup>11</sup> The agencies most often identified the cost of space reduction projects as a challenge to achieving their targets. Agencies cited costs for space renovations to accommodate more staff and required environmental clean-up before disposing of a property as challenges to completing projects.

Since FY 2014, Congress has provided GSA with the authority to use funds for space consolidation projects. Most recently in FY 2018, Congress authorized the use of \$20 million from the Federal Buildings Fund to reconfigure and renovate space within GSA-owned and leased buildings. Congress also called for preference to be given to consolidation projects that achieve a utilization rate of 130 usable square feet or less per person for office space.

As PBS continues to facilitate agency consolidation projects, it must ensure that the selected projects are cost effective and provide an adequate payback. PBS should ensure that it selects space reduction and consolidation projects that are not only focused on meeting utilization rate goals, but that also support the customer agencies' missions and are cost effective.<sup>12</sup> In this effort, PBS needs to create plans to backfill any vacant space created by consolidations. Proper planning is critical to prevent losses to the Federal Buildings Fund resulting from vacated space that could have been backfilled with new tenants.

Another area that GSA needs to focus on is working with agencies to identify under-utilized or vacant facilities that GSA can consolidate or eliminate altogether. In August 2018, we issued a report noting that PBS is not tracking and reporting all unused leased space under its authority as required. We found that although PBS is reporting a relatively low leased space vacancy rate, we identified 785,400 square feet of unused leased space representing \$21 million in annual rental payments that PBS is not reporting as required. Specifically, PBS does not identify or report unused leased space under non-cancelable occupancy agreements where the tenant continues to pay rent. As a result, PBS is not backfilling the space or taking other steps to minimize the impact to the taxpayer.<sup>13</sup>

**Disposing Federal Property.** The goal of the Federal Assets Sale and Transfer Act of 2016 (FASTA) is to reduce federal real estate expenditures and the size of the federal real estate

---

<sup>11</sup> GAO report, *Agencies Focus on Space Utilization As They Reduce Office and Warehouse Space* (Report Number GAO-18-304, March 8, 2018).

<sup>12</sup> Utilization rate is a space planning and facility programming term used by designers, architects, facility managers and government agencies to define a building's occupiable square foot per person.

<sup>13</sup> *GSA's Public Buildings Service Does Not Track and Report All Unused Leased Space as Required* (Report Number A160133/P/6/R18002, August 10, 2018).

portfolio. It created the Public Buildings Reform Board to identify opportunities to reduce the federal real property inventory and make recommendations to sell vacant or underutilized properties. FASTA also required GSA to establish a publically accessible database of federal property for the entire federal government. In December 2017, GSA met this requirement when it rolled out the Federal Real Property Profile Management System.

As it continues its efforts under FASTA, GSA must continue to plan for and navigate through a complex process when disposing of its own properties and the properties of other federal agencies. Historically, property disposal is a lengthy process. After an agency reports a property as excess, PBS must first determine if another federal agency can use the property. Next, PBS has to make the property available for public benefit uses, such as homeless shelters, educational facilities, or fire or police training centers. If the property is not fit for those uses, PBS can negotiate a sale with state and local governments, as well as nonprofit organizations and institutions. Finally, if the property remains available, PBS can conduct a competitive sale of the property to the public.

The amount of time that a disposal takes is problematic because costs are incurred during the disposal process. While a property is vacant or underutilized, as well as throughout the entire disposal process, the federal government is responsible for ongoing maintenance, operations, and security costs. In addition, the property remains in the government inventory and unavailable for local development. For example, a large tract of land in Lakewood, Colorado, has been in the disposal process for several years. This is prime real estate in the Denver-metro area that could be developed to generate jobs, business, and property taxes for the local area.

In September 2016 testimony to the Subcommittee on Transportation and Public Assets of the U.S. House Committee on Oversight and Government Reform, the then PBS Deputy Commissioner stated that GSA planned to divest at least 10 million square feet of underperforming assets over the next 4 years.<sup>14</sup> To reduce the length of the disposal process and costs associated with underperforming assets, GSA must successfully plan for and efficiently progress through the required steps.

**Reducing Leasing Costs.** In June 2016 testimony to the U.S. Senate Committee on Homeland Security and Governmental Affairs and the U.S. House Committee on Transportation and Infrastructure, Subcommittee on Economic Development, Public Buildings, and Emergency Management, the former PBS Commissioner noted that, in addition to the focus on freezing the footprint, GSA must also focus on the cost of the footprint, in particular as it pertains to leasing. To control lease costs, GSA must reduce the reliance on holdovers and extensions.

A holdover is created when the tenant continues to occupy the premises beyond the expiration date of the lease term. The government has no contractual right to continue occupancy but the tenant remains in place without a written agreement. An extension is a sole-source, negotiated

---

<sup>14</sup> In FY 2016, GSA partnered with agencies to dispose of 134 properties for \$28.84 million, resulting in a 2.3 million square foot reduction in the federal footprint.

agreement between the lessor and the government allowing the tenant agency to continue to occupy its current location when the tenant is unable to vacate the property when the lease expires.

Short-term holdovers and extensions may provide flexibility, but it comes at a cost. According to PBS officials, on average, lease extensions cost an additional 20 percent. Long-term leases provide incentives for owners to provide lower rental rates and concessions such as periods of free rent. PBS officials stated that their strategy is to emphasize leases of over 10 years, because longer leases typically result in lower annual costs. If PBS can better manage the pipeline of expiring leases to avoid holdovers and extensions, PBS could benefit by conducting fully competitive procurements for long-term leases.

PBS has a considerable number of leases set to expire in the near future. PBS determined that 55 percent of its leases would be expiring from FY 2018 to FY 2023. Of the current lease portfolio of 8,091 leases, 600 are in holdover (0.7 percent) and 1,268 are in extension status (16 percent). The short-term nature of holdovers and extensions causes uncertainty for tenants and lessors, and workload management issues for PBS. Negotiating extensions and resolving holdovers requires PBS to perform additional work before finalizing the long-term lease for that tenant. Also, when these short-term extensions expire, they add to the number of leases set to expire in a given year.

PBS's strategy to reduce its dependency on lease holdovers and extensions centers on working with customer agencies to emphasize the importance of earlier planning for upcoming lease expirations. In July 2015, PBS issued its *Leasing Alert – Continuing Need Letters and Escalation Protocol* to establish a policy that PBS contact tenants to obtain requirements for future needs at least 36 months before a lease expiration date. As leases expire, upfront planning is important to allow for competitive procurements to achieve better rates for the tenant and taxpayer.

**Administration of Leases.** PBS faces significant challenges in maintaining and administering leases for federally occupied space. As the landlord for the civilian federal government, PBS acquires space on behalf of the federal government and acts as a caretaker for federal properties across the country. As of January 2017, 185.7 million of PBS's 370 million square feet of property was leased space, accounting for \$5.8 billion in annual rent. Approximately half of federal employees are located in leased properties across the country.

In its capacity as the federal government's landlord, PBS has a responsibility to effectively administer its lease portfolio to protect tenants and taxpayer resources and comply with applicable laws and regulations. However, we have previously reported deficiencies in PBS's management of leased space, which indicate the need for improvements across a broad spectrum of the leasing program. For example:

- In September 2015, we reported on the lease administration practices in PBS's Michigan Service Center, noting that PBS did not always provide clean, safe, secure, maintained,

and comfortable work space. Specifically, we found safety, fire protection, and security deficiencies that should have been detected by the lease property managers in their inspections. As a result, some building occupants were in space that did not meet the fire and life safety requirements of the lease and were potentially exposed to unsafe work environments. For example, for one leased location, a section of the fire escape had bent, broken, or missing stairs. In another location, we found multiple fire and safety hazards including fire extinguishers that were out of compliance or inaccessible.<sup>15</sup>

- In January 2017, we issued a report identifying environmental, health and safety, and maintenance issues at the Kress Building in Tampa, Florida. We found that PBS had not enforced the terms of the full service lease at the Kress Building and that tenants may have been exposed to health risks. Specifically, PBS did not hold the lessor accountable for maintenance and repair issues in a timely fashion and failed to timely notify tenants about the presence of black mold.<sup>16</sup>
- In June 2018, we reported that PBS did not effectively fulfill its leasing responsibilities for leased space in Tulsa, Oklahoma. Specifically, although PBS officials were aware before executing the lease that the building's roof leaked, they did not incorporate terms and conditions into the lease to ensure that the lessor resolved the problem prior to occupancy. As a result, despite recurring water leaks and mold problems in the building, PBS lacked the ability to compel the lessor to replace the roof and was ultimately forced to terminate the lease at a cost of \$974,000 to taxpayers.

In addition, PBS did not follow its policies and procedures to ensure that the leased space met federal requirements for building accessibility prior to occupancy. Consequently, the leased space did not comply with federal accessibility requirements and people with disabilities were unable to easily access the leased space.<sup>17</sup>

PBS is the federal government's landlord, responsible for ensuring the federal workforce and visitors have safe and healthy work environments. PBS has a responsibility to effectively administer its lease portfolio to protect tenants and taxpayer resources and comply with applicable laws and regulations. However, as our audits found, PBS faces significant challenges in maintaining and administering leases for federally occupied space.

---

<sup>15</sup> *Oversight and Safety Issues at the PBS Michigan Service Center* (Report Number A140024/P/5/R15009, September 30, 2015).

<sup>16</sup> *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).

<sup>17</sup> *PBS's Leasing for the Eton Square Office Centre Was Not Effective or Compliant With Policies* (Report Number A170091/P/7/R18001, June 11, 2018).

**Meeting the Operations and Maintenance Needs of Federal Buildings.** In recent years, PBS focused on minimizing maintenance costs while still maintaining or improving building performance. However, minimizing the level of operations and maintenance services may have the unintended consequence of impairing conditions within the building.

Beginning in FY 2015, PBS focused on minimizing operations and maintenance costs by targeting and consolidating operations and maintenance contracts for which costs exceeded industry benchmarks. In its *FY 2018 Congressional Justification*, GSA made targeted reductions to PBS's building services costs and continued efforts to reduce operating costs associated with its building inventory.

While minimizing costs may benefit PBS financially in the short term, PBS must also consider any possible negative effect of these changes over the long term. For example, in some instances PBS is scaling back on running heating, ventilation, and air conditioning systems at night and on weekends to reduce maintenance and energy costs. However, this could increase the humidity in the air, causing enough moisture for mold growth. Thus, PBS's efforts to minimize maintenance and operations costs may have unintended consequences of causing more costly problems in the future.

The risk that reduced levels of building operations and maintenance could lead to increased costs is especially problematic since the identified repair needs of PBS's building portfolio are already high and growing. In its FY 2017 Agency Financial Report, GSA reported that approximately 23 percent of its inventory's square footage was not in good condition; a nearly 4 percent increase from the previous year. In a recent FY 2019 budget hearing, the GSA Administrator identified a backlog of over \$1.4 billion in building repairs needed to meet property standards of the 21<sup>st</sup> century; a nearly \$200 million increase from the previous year.

GSA must ensure that reductions to its current 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 September 2013 and May 2018, PBS awarded over \$1.5 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 projected savings from 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 projected from the upgrades. An ESPC can last for up to 25 years. A UESC is a contract between a federal agency and serving 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 recent audits of ESPCs, we identified a number of challenges.<sup>18</sup> We found that PBS:

- Risked paying for unrealized energy savings on 10 of the 14 ESPC task orders we audited and did not achieve energy savings on another task order;
- Did not comply with requirements for establishing fair and reasonable pricing;
- Awarded one ESPC task order for a building that may be sold, transferred, or otherwise disposed;
- Awarded an ESPC without an approved Measurement and Verification Plan for achieving energy savings;
- Awarded a task order that resulted in a cardinal change that violated federal competition requirements; and
- Did not comply with Agency policy on the inclusion of the Limitation of Government Obligation Clause.

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. Also, they said it is a challenge to determine when it is appropriate to include operations and maintenance costs in the contracts.

Likewise, UESCs also present a number of risks 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 officials should effectively administer these unique contract vehicles to ensure that energy and cost savings are realized.

#### **Challenge 4: Prioritizing Agency Cybersecurity**

---

Cyber attacks are increasing in frequency and in their capacity to cause damage. They have the potential to cripple infrastructure; disrupt organizational operations; and jeopardize data and

---

<sup>18</sup> *PBS Energy Savings Performance Contract Awards May Not Meet Savings Goals* (Report Number A150009/P/5/R16003, September 27, 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).

sensitive information. As cybersecurity threats proliferate and become more sophisticated, GSA management must improve its overall IT security program to ensure that the Agency protects its IT systems as well as the sensitive information within.

The Office of GSA IT (GSA IT) is responsible for providing stable and secure technical solutions and services to meet the business needs of its customers. In addition, these solutions and services must comply with laws, regulations, and guidance governing information technology security (IT security). Meeting these responsibilities is a significant challenge in an environment of competing priorities and increasingly sophisticated cyber attacks. The ineffective selection and implementation of IT security controls can result in business disruptions, damage to Agency resources, and the disclosure of sensitive information. In FY 2019, GSA IT remains challenged with strengthening its IT security controls in high-risk areas as identified in recent audits conducted by GAO, GSA's independent auditor, and our office. As demonstrated below, GSA's systems and data are vulnerable. In this environment of constant threats, GSA IT needs to ensure that GSA's IT systems and sensitive information are adequately protected to prevent the disruption of government operations and the unauthorized disclosure of information.

**Protection of GSA's Building Control Systems against Cyber Attacks.** In January 2018, GAO reported that GSA faces cybersecurity challenges with its buildings control systems, which are vulnerable to cyber attacks that could compromise security or cause harm. In an effort to mitigate the effects of potential external cyber attacks, the Agency is moving building automation systems in GSA-controlled buildings away from public networks to GSA's secured network. Currently, approximately 400 federally-owned buildings are on GSA's secured network. Of those buildings, 81 are equipped with GSALink, an analytical software application that alerts staff to potential building system problems, such as equipment operating outside of normal hours.<sup>19</sup>

While GSA needs to continue taking steps to mitigate external threats, action is also needed to address the internal threats in the operation and management of these systems. For example, security incidents involving building systems were reported in FY 2018 involving access, protection, and privacy control violations by employees or contractors sharing administrative passwords and bypassing IT security controls in GSA's building control systems. Accordingly, GSA must ensure that its employees and contractors are adhering to the Agency's security policies, procedures, and guidance in the operation and management of its building control systems. Continued efforts in this area are necessary as security weaknesses within GSA's building control systems may be used to compromise security, hamper GSA's ability to carry out its mission, or cause physical harm to GSA's facilities or their occupants.

---

<sup>19</sup> GAO report, *Federal Buildings: GSA Should Establish Goals and Performance Measures to Manage the Smart Buildings Program*, GAO-18-200 (Washington, D.C., January 30, 2018).

**Controlling Access to Sensitive Information in GSA Systems.** In FY 2019, GSA will continue to face challenges with maintaining the integrity, availability, and confidentiality of sensitive information within its systems. This sensitive information includes, among other things:

- Procurement sensitive information, such as information related to bidding and prices paid, that must be kept confidential to protect the integrity of the acquisition process;
- Personally identifiable information, such as resumes and personal contact information, that must be kept confidential to prevent harm to individuals;
- Vendor financial information, such as bank account information, that must be protected to ensure payments are not fraudulently redirected;
- Sensitive but unclassified information, such as architectural drawings, that must be protected to ensure the safety of government employees and the public; and
- Mobile device data, such as information transferred on GSA networks using government furnished equipment or mobile bring-your-own-devices, can become a security risk by providing a gateway for malicious software to enter networks.

We have reported on threats to personally identifiable information maintained by GSA.<sup>20</sup> These threats originate from cybersecurity vulnerabilities, intentional or unintentional mishandling of GSA's data, and ineffective Agency responses to reported information breaches. Furthermore, we have identified instances in which GSA has not implemented comprehensive corrective actions to address our recent audit recommendations in these areas.<sup>21</sup>

The FY 2017 annual Federal Information Security Modernization Act of 2014 review of GSA's IT security program and GSA's FY 2017 financial statement audit identified vulnerabilities in risk, configuration, and access management that could be exploited to gain access to sensitive information. Specifically, GSA's FY 2017 financial statement audit noted continued weaknesses in IT security controls designed to protect GSA's financial management systems and stated deficiencies remain in controls over access to programs and data. During FY 2017 and 2018, we also issued two reports identifying deficiencies in certain technical controls for two GSA systems containing procurement sensitive information.<sup>22</sup> As a result of these deficiencies, we reported that the systems face an increased risk of cyber attacks that could lead to loss of sensitive information and system outages.

---

<sup>20</sup> *Sensitive but Unclassified Building Information Unprotected in GSA's Cloud Computing Environment* (Report Number A140157/P/R/W14001, August 19, 2014); *Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment* (Report Number A140157/O/F/R/F15002, January 29, 2015); and *Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015* (Report Number A160028/O/T/F16003, September 28, 2016).

<sup>21</sup> *Implementation Review of Action Plan: Personally Identifiable Information Unprotected in GSA's Cloud Computing Environment* Report Number A140157/O/R/F15002, January 29, 2015 (Assignment Number A160045, January 26, 2017).

<sup>22</sup> Due to the sensitivity of the subject matter, distribution of the specific technical control testing reports referred to are on a need-to-know basis.

As cybersecurity threats grow more intricate and sophisticated by the day, cyber attacks are increasing in frequency and have the ability to cripple an infrastructure; disrupt organizational operations; and jeopardize data and sensitive information. GSA management must improve its overall IT security program to ensure that the Agency fulfills its responsibility to protect the sensitive information in systems operated by the Agency or on its behalf.

## **Challenge 5: Managing Human Capital Efficiently to Accomplish GSA’s Mission**

---

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 – that make up 43 percent of GSA’s workforce. GSA faces the loss of experience and expertise through retirements as 15 percent of employees in these mission-critical occupational categories are eligible to retire now.<sup>23</sup> Further, 25 percent of the mission-critical workforce for FAS, GSA IT, OCFO, and PBS will be eligible to retire over the next 3 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.

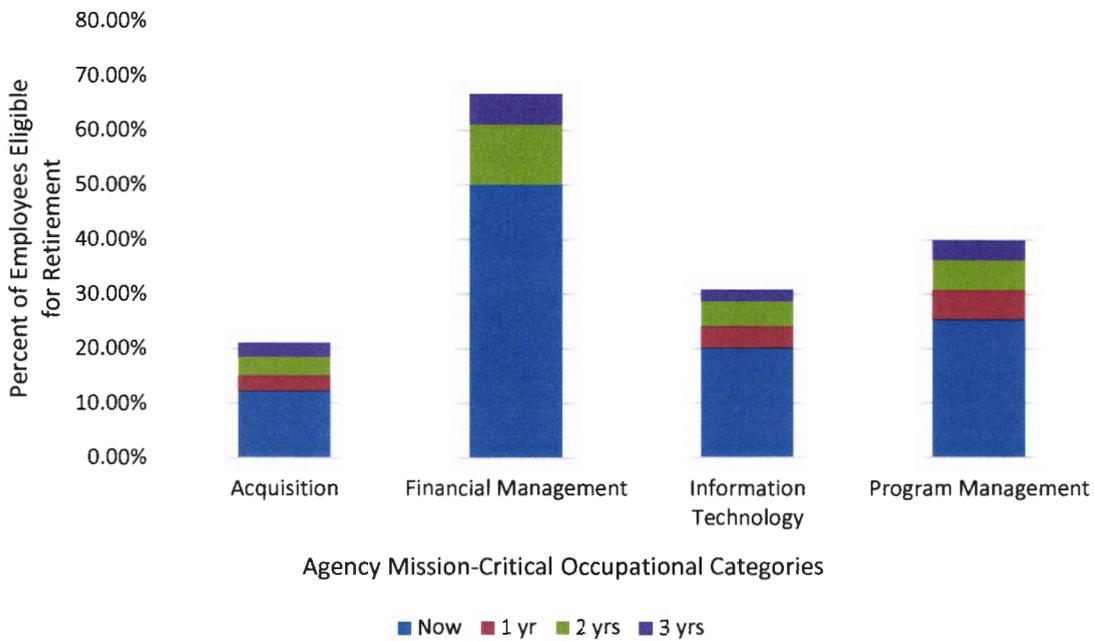
**Federal Acquisition Service.** In 2016, we reported that FAS did not have a comprehensive human capital plan for its contract specialist workforce.<sup>24</sup> This placed a critical segment of the acquisition workforce at risk for inadequate staffing to fulfill its mission. Absent such a plan, FAS may hire employees without assessing its needs and hiring costs, considering turnover rates, and planning for upcoming retirements. In response to our report, FAS finalized its Human Capital Strategic Plan in February 2017 and plans to work closely with the Office of Government-wide Policy and the Office of Human Resource Management on the overall GSA acquisition workforce plan. FAS reiterated that it would continue to monitor its organization comprehensively to ensure sustained efficiency and effectiveness from these changes as well as any future organizational changes. As shown in *Figure 1*, between 21 and 67 percent of the staff in FAS’s mission-critical occupations is eligible for retirement in the next 3 years. FAS must prepare to adapt to this loss of expertise.

---

<sup>23</sup> All data percentages contained within this management challenge are based on data from May 2018 compiled by the GSA Office of Human Resources Management, unless otherwise noted.

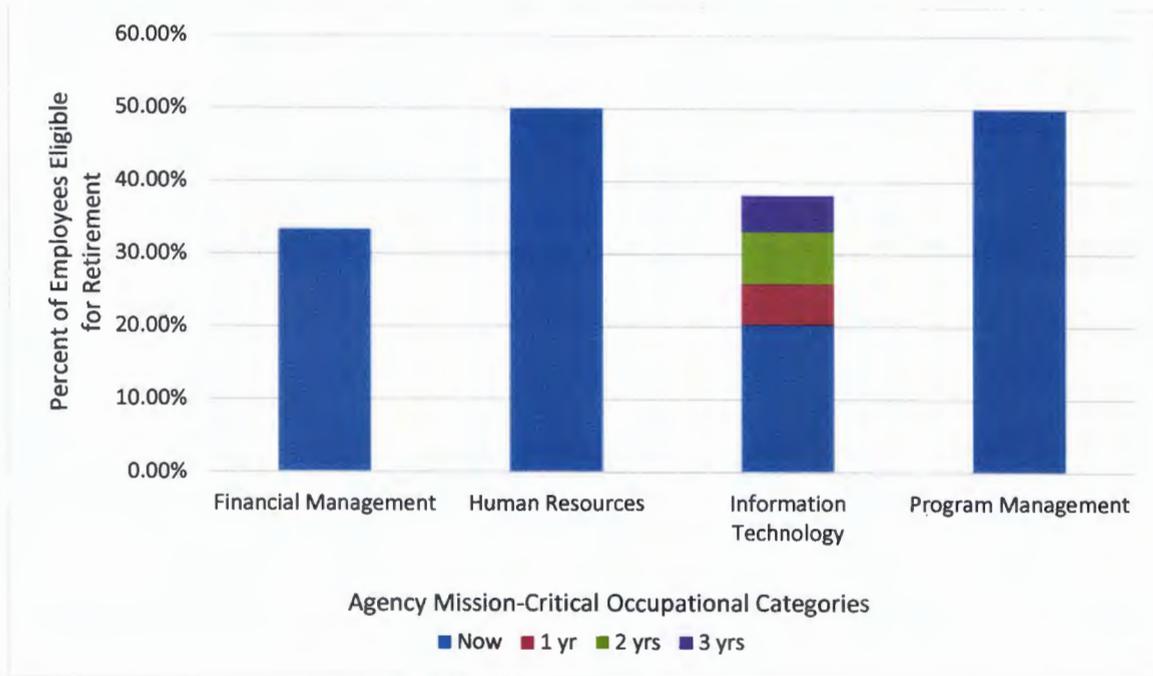
<sup>24</sup> *The Federal Acquisition Service Needs a Comprehensive Human Capital Plan for its Contract Specialist Workforce* (Report Number A150033/Q/9/P16002, July 22, 2016).

**Figure 1 – FAS 3-Year Retirement Eligibility by Mission-Critical Occupational Category**



**GSA IT.** The mission of GSA IT is to inspire and drive technology transformation by delivering innovative, collaborative, and cost-effective IT solutions and services. To do this, GSA IT must have a highly skilled cybersecurity staff to, among other responsibilities, respond to and recover from unintentional or intentional cyber attacks, including those related to personally identifiable information. As illustrated by *Figure 2*, GSA IT faces the immediate retirement of 20 to 50 percent of its staff in its four mission-critical occupations.

**Figure 2 – GSA IT 3-Year Retirement Eligibility by Mission-Critical Occupational Category**



Given the competitive employment market in the Washington, D.C., area, GSA IT has been expanding its hiring of IT security specialists in other locations, such as the cities of Kansas City, Denver, and Dallas. GSA must prioritize the availability of qualified cybersecurity staff to operate, maintain, and protect its systems and data.

**Office of the Chief Financial Officer.** The OCFO is subject to several laws that result in significant workload, such as the Digital Accountability and Transparency Act of 2014 (DATA Act) and the Improper Payments Elimination and Recovery Improvement Act of 2012. Our work on GSA’s compliance with DATA Act requirements noted that GSA’s financial and award data submitted for publication was not complete, timely, or accurate, and lacked quality.<sup>25</sup> Implementation of the DATA Act brings challenges with competing priorities and the availability of dedicated GSA resources to ensure continued progress.<sup>26</sup> For example, employees working on the DATA Act also have to perform their primary roles in GSA and GSA received no additional funding for its required work under the DATA Act.

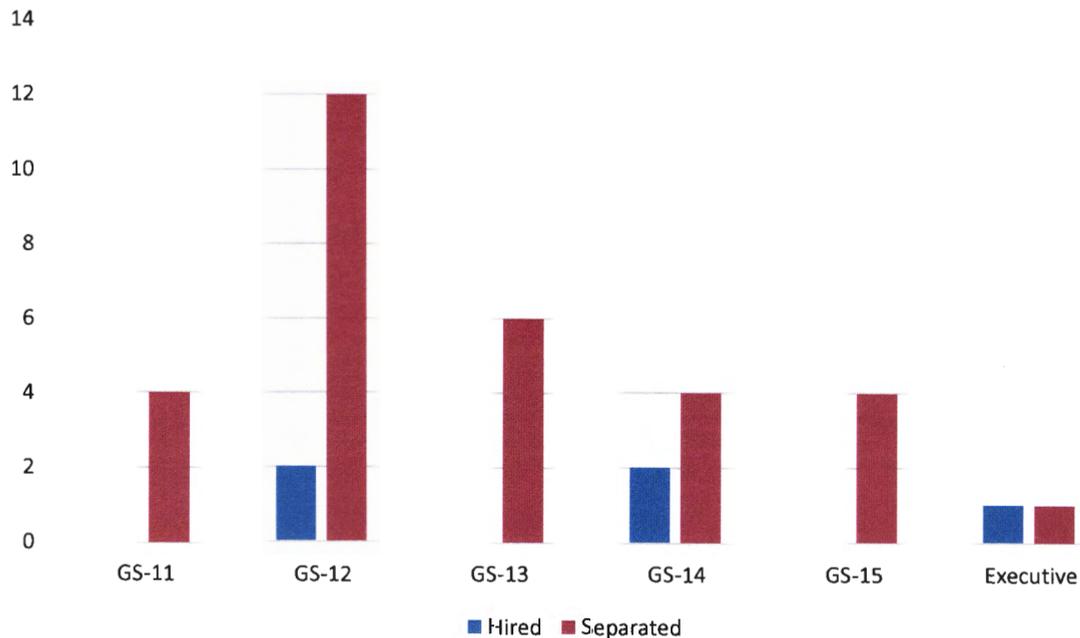
The OCFO, like other offices, also has to manage the loss of veteran expertise. *Figure 3* illustrates this concern by comparing the number of new hires to separations (grade 11 to

<sup>25</sup> *Audit of the Completeness, Timeliness, Quality, and Accuracy of GSA’s 2017 DATA Act Submission* (Report Number A150150/B/R/F18001, November 8, 2017).

<sup>26</sup> *The Office of Inspector General’s Readiness Review of GSA’s Implementation of the Digital Accountability and Transparency Act* (Audit Memorandum Number A150150-2, November 30, 2016).

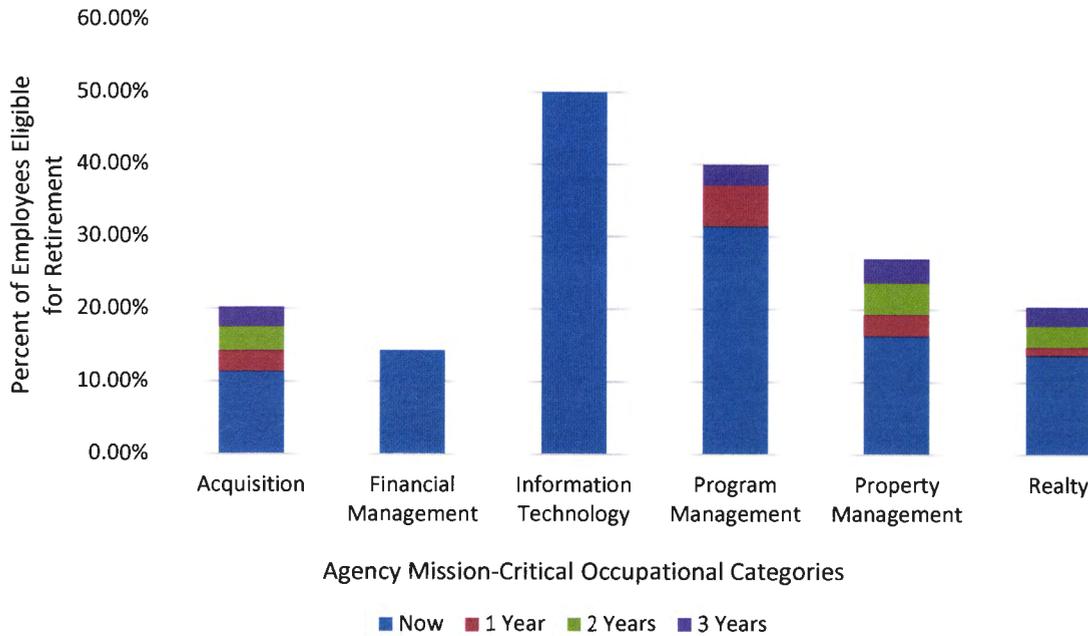
executive level) within the OCFO during the last 12 months. With its resources decreasing, the Chief Financial Officer is focused on becoming more efficient at executing the OCFO's mission. While improved efficiency is a positive goal, the loss of its human resources may lead to the compromise of important management controls and functions.

**Figure 3 – OCFO Hires and Separations in Prior 12 Months**



**Public Buildings Service.** As Figure 4 illustrates, GSA's PBS will face upcoming retirements of mission-critical staff within the next 3 years. PBS officials both in Central Office and in regional offices expressed to us concerns about having the staff needed to perform the work. For example, 31 percent of PBS's Program Management staff is currently eligible to retire; within 3 years, that increases to 40 percent. Further, PBS's Program Management hiring is not keeping pace with separations. In the last year, PBS's Program Management hires represented a 5.1 percent increase but separations accounted for a 7.7 percent decrease. The potential retirement of more than 40 percent of its own internal Program Management staff within 3 years would create experience and technical voids in PBS's workforce and could affect construction, acquisition, leasing, and renovations, challenging PBS to develop alternative solutions for managing its portfolio of over 8,600 buildings and leases, as well as its \$2 billion Capital Investment Program.

**Figure 4 – PBS 3-Year Retirement Eligibility by Mission-Critical Occupational Category**



With a significant portion of its mission-critical workforce eligible to retire over the next 3 years, GSA officials must strive to maintain technical expertise as they work to meet regulatory requirements and customer demands.

### **Challenge 6: Safeguarding Federal Facilities and Providing a Secure Work Environment**

GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at over 8,600 owned and leased federal facilities nationwide. Under Presidential Policy Directive 21 on *Critical Infrastructure Security and Resilience*, government facilities were designated as a critical infrastructure sector and GSA and the Department of Homeland Security were named as responsible agencies. In accordance with the directive, the Department of Homeland Security’s Federal Protective Service is the primary agency responsible for providing law enforcement, physical security, and emergency response services to GSA tenant agencies, buildings, and facilities. Meanwhile, GSA is responsible for assisting with the development of contracts for compliant implementation of Physical Access Control systems and coordination with the Federal Protective Service to ensure building occupant security.

Our reports have repeatedly pointed out that GSA’s security clearance process for contractors needs improvement. These reports recommended corrective actions to ensure all contractor employees accessing GSA facilities have the proper security clearances prior to obtaining site access. We have also recommended that background check information be shared with, and

retained by, contract and project management staff.<sup>27</sup> During an audit of PBS procurements, we found limited evidence of coordination among the GSA Chief Security Office and PBS officials to ensure only suitable individuals could access federal buildings.<sup>28</sup> In another audit, we found that contractor employees who had not received security clearances were allowed to work on a construction project at a federal building.<sup>29</sup>

In addition to reporting on problematic contract administration, we issued two evaluation reports in March 2016 that found GSA-managed facilities are at an increased risk of unauthorized access. Unauthorized access to federal facilities increases the risk of a security event such as an active shooter, terrorist attack, theft of government property, or exposure of sensitive information. Specifically, we identified significant deficiencies in GSA's process for managing GSA issued Homeland Security Presidential Directive 12 Personal Identity Verification cards to contractors and for ensuring the completion of contractor employee background investigations. We also found deficiencies in GSA's tracking and maintenance of contractor employee background investigation data stored within GSA's Credential and Identity Management System.<sup>30</sup> In addition, we found widespread use of unsecured, unregulated facility-specific building badges at GSA-managed facilities. GSA does not have adequate controls over these badges and cannot determine the extent of their associated security risks because it does not centrally monitor the management of the badges.<sup>31</sup> Finally, we determined that a GSA building manager instructed GSA contractors to illegally create building access cards for her dependent daughter in order to provide the daughter access to a federal building.

Although GSA has taken some corrective actions to resolve the above deficiencies, our recent reports show that more work remains. For example, in an August 2017 implementation review, we found that PBS has not taken all corrective actions to prevent contractor employees from working on construction projects in federal buildings without the appropriate security

---

<sup>27</sup> *Implementation Review of Action Plan Contract Administration for Group 10 Recovery Act Limited Scope and Small Construction Projects Report Number A090184/P/R/R12008* (Assignment Number A130130, March 28, 2014); and *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).

<sup>28</sup> *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).

<sup>29</sup> *PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building* (Report Number A150120/P/2/R16002, March 17, 2016).

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

<sup>31</sup> *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Use of Facility Specific Building Badges* (Report Number JE16-003, March 30, 2016).

clearances.<sup>32</sup> Similarly, in June 2018, we reported that FAS did not ensure that contract employees received favorable background investigation determinations before providing them with access to sensitive government information, systems, and facilities.<sup>33</sup> Taken together, our findings point to the need for GSA management to increase its emphasis on overall security.

GSA management maintains that it is working to improve its building security operations. In response to the evaluation reports, GSA has agreed to address vulnerabilities associated with building-specific facility access cards and Homeland Security Presidential Directive 12 Personal Identity Verification cards; GSA management has indicated that it has resolved its Credential and Identity Management System deficiencies and that facility access cards have been supplanted by Physical Access Controls.

In addition to the actions noted above, GSA has recently placed greater emphasis on the performance and implementation of facility security assessments. The facility security assessments are performed by the Federal Protective Service to evaluate a building's security risk and recommend countermeasures to mitigate the risk. GSA, in coordination with building tenants, determines which counter measures to implement. However, in a recently completed audit on this subject, we found that GSA did not have the facility security assessment reports for most of the buildings sampled. Accordingly, GSA needs to track facility assessment reports and to ensure staff understand their responsibilities regarding the use of the reports and the implementation of countermeasures.<sup>34</sup>

## **Challenge 7: Managing Revolving Funds Effectively**

---

Effective financial management is extremely important for GSA given that most of GSA's operations are funded through revolving funds established by law to finance continuing operations. As a result, GSA must properly manage these funds to ensure it can continue its operations and serve its federal agency customers. The reliance on the revolving funds present unique challenges to the Agency as exemplified by the Acquisition Services Fund (ASF).

**Acquisition Services Fund.** GSA needs to ensure that the ASF revolving fund revenues cover expenditures and that the necessary budgetary controls are in place.

---

<sup>32</sup> *Implementation Review of Corrective Action Plan PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building Report Number A150120/P/2/R16002* (Assignment Number A170083, August 23, 2017).

<sup>33</sup> *FAS Did Not Ensure That Contract Employees Had Background Investigations Before Providing Support to Agencies Transitioning to Enterprise Infrastructure Solutions*, (Interim Memorandum Number A170103-4, June 29, 2018).

<sup>34</sup> *GSA Should Monitor and Track Facility Security Assessments* (Report Number A160101/O/7/F18002, December 4, 2017).

The ASF's authorizing legislation requires the GSA Administrator to establish rates to be charged to agencies receiving services that: (1) recover costs, and (2) provide for the cost and capital requirements of the ASF. The ASF is a revolving fund that operates from the reimbursable revenue generated by seven FAS business portfolios that include:

- Office of General Supplies and Services Categories;
- Office of Travel, Transportation, and Logistics Categories;
- Office of Information Technology Category;
- Office of Assisted Acquisition Services;
- Office of Professional Services and Human Capital Categories;
- Office of Systems Management; and
- Technology Transformation Services.

However, in FY 2017, GSA reported an \$8 million net loss for the ASF despite having realized revenues over \$10.3 billion; whereas, in FY 2016 GSA reported an \$8 million net income. The \$8 million net loss was attributed to five of the seven business portfolios. In its *FY 2017 Annual Performance Report/FY 2019 Annual Performance Plan*, GSA discussed the FY 2017 results along with plans for FY 2019 and the proposed budget. As part of this discussion, GSA stated that the 18F program within the Technology Transformation Service had difficulty balancing revenues and expenditures under its operating model, creating difficulties in achieving cost recovery of operations. In an effort towards cost recovery, GSA merged all Technology Transformation Service components under FAS in the third quarter of FY 2017. GSA further stated that the Technology Transformation Services under FAS will continue to review and optimize cost structures and business opportunities, including:

- Conducting staffing level reviews to assess and optimize billable and non-billable workload;
- Reviewing and optimizing billing rates to customer agencies;
- Assessing travel and training budget allocations to optimize resource levels and execution rates; and
- Developing deeper client relationships and partnering on larger and more impactful modernization projects and initiatives.

Although FAS projects that revenues will increase and that its internal operations will become more efficient, it should remain vigilant to ensure it fulfills the ASF's legislative mandate to recover its costs and provide for the cost and capital requirements of the ASF.

In addition to cost recovery, budgetary control issues were also an issue for the ASF. The FY 2017 financial statements audit disclosed that the controls over the monitoring of ASF budgetary activity did not operate effectively. The ASF activity exceeded the apportioned budget authority for "flow through" or reimbursable obligations in the ASF by \$705 million. The ineffective controls did not prevent the Budget Control Division and the FAS Budget Division from instances where actual budgetary activity exceeded apportioned amounts. As a result,

GSA management notified OMB of a potential Anti-Deficiency Act violation. If not corrected, this control deficiency will continue to expose GSA to an increased risk of misstatements in its financial statements and possible violations of laws and regulations.

## **Challenge 8: Implementing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch**

---

In June 2018, the administration released a plan to reorganize the federal government, "Delivering Government Solutions in the 21<sup>st</sup> Century; Reform Plan and Reorganization Recommendations." In accordance with the plan, several core functions currently performed by the U.S. Office of Personnel Management (OPM) will transfer to GSA. These functions include retirement services, federal employee health care and insurance programs, and human resources solutions. The plan also calls for GSA to be renamed the "Government Services Agency." The full integration is expected to be completed by 2020. GSA faces major challenges with this merger.

The initial integration efforts will focus on the consolidation of the OPM's HR Solutions (HRS) into GSA. HRS is a fee-for-service entity within OPM that provides products and services to assist agencies with their human resource needs, including USAJOBS.gov, USA Staffing and USA Hiring, and other projects. GSA and OPM have created a task force to lead and support the integration and have established a March 30, 2019, timeline to complete the transition and rebadging of over 460 HRS employees to GSA. GSA also issued a Request for Information seeking assistance in developing an overall procurement strategy for the integration. In its request objective, GSA noted that it must identify and plan "for changes to GSA's organization, processes, and systems, beyond those required for the initial transition." Specifically, the Request for Information includes:

- Supporting and planning the execution of the initial transition of the HRS organization and personnel into GSA;
- Optimizing services and costs;
- Improving alignment with GSA offices and functions to reduce duplication; and
- Identifying further opportunities to transform the delivery of services.

Centralizing human resources operational functions in a single entity could attain considerable operational efficiencies. However, GSA and OPM leadership will face challenges in transitioning the government's human resources services with minimal disruption and without compromising the services provided. GSA must ensure all staff are properly and effectively trained in applicable systems, laws, and regulations that support the services integration. Similarly, OPM staff must become accustomed and knowledgeable in GSA systems, policies, and processes. Additionally, GSA management will face the operational challenge of determining where the additional people will reside and to whom they will report.

GSA's efforts will be further complicated by provisions in spending bills that restrict agencies from spending any money on reorganization plans without congressional approval. During a July 2018 hearing before the Senate Homeland Security and Governmental Affairs Committee's Subcommittee on Regulatory Affairs and Federal Management, GSA and OPM senior officials told lawmakers they are making progress with the planning phase to move HRS and do not believe they need congressional approval. However, members of Congress have stated that more detailed information and analysis are needed to allow for effective congressional oversight of the reorganization.