



U.S. General Services Administration
Office of Inspector General

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SUBJECT: Assessment of GSA's Management and Performance Challenges for Fiscal Year 2022

As required by the Reports Consolidation Act of 2000, Public Law 106-531, we have prepared for inclusion in the Fiscal Year 2021 Agency Financial Report the attached assessment summarizing what we consider to be the most significant management and performance challenges facing GSA in Fiscal Year 2022.

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

1. Establishing and Maintaining an Effective Internal Control Environment;
2. Improving Contract Administration;
3. Enhancing Government Procurement;
4. Maximizing the Performance of GSA's Real Property Inventory;
5. Managing Agency Cybersecurity Risks;
6. Safeguarding Federal Facilities and Providing a Secure Work Environment;
7. Managing Presidential Initiatives; and
8. Managing the Impact of COVID-19.

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 2022
OFFICE OF INSPECTOR GENERAL**

Challenge 1: Establishing and Maintaining an Effective Internal Control Environment

The U.S. General Services Administration (GSA) continues to face significant challenges in establishing a comprehensive and effective system of internal control. 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 No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*; and the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*. However, we remain concerned about GSA's control environment. During Fiscal Year (FY) 2021, our long-standing concerns were amplified by GSA's efforts to interfere with our oversight activities.

Importance of Internal Control

Internal control is integral to an agency's success. An effective internal control system helps an agency adapt to shifting environments, evolving demands, changing risks, and new priorities. Most importantly, it helps government program managers achieve desired results by providing reasonable assurance that the agency is meeting three fundamental objectives:

- Effectiveness and efficiency of operations;
- Reliability of reporting for internal and external use; and
- Compliance with applicable laws and regulations.

To meet these objectives, management is responsible for designing, implementing, and monitoring control activities to ensure the system of internal control is operating effectively. Internal control must be built into the agency's infrastructure to ensure the proper stewardship of public resources. The system of internal control should be the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Accordingly, management must recognize that internal control is not one event, but a series of actions that occur throughout the entity's operation to achieve its objectives.

Continuing Internal Control Problems

Since our *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2019*, we have cited pervasive internal control weaknesses as a challenge for GSA. As described in the examples below, this trend continued in FY 2021.

- In February 2021, we reported that GSA’s Insider Threat Program (ITP) is not effectively carrying out its mission because it did not consistently collaborate across GSA to proactively prevent, detect, mitigate, and identify insider threats.¹ For example, the ITP is unaware of and does not monitor insider threat risks from employees who receive termination proposals but retain access to GSA systems and facilities.

We also found that the ITP did not effectively monitor insider threat risks related to separated and terminated employees. GSA faces heightened insider threat risks from these employees because it does not consistently deactivate their information technology (IT) accounts and recover and destroy Personal Identity Verification (PIV) cards within required time frames.

Taken together, these deficiencies expose GSA information to theft or loss, facilities to damage, and personnel to actual or threatened harm; and create gaps that can be exploited in other ways to undermine GSA’s ability to effectively carry out its operations.

- In May 2021, we reported that the Public Buildings Service (PBS) National Capital Region (NCR) failed to manage and oversee buildings services at the Food and Drug Administration’s (FDA’s) White Oak Campus in Silver Spring, Maryland.² The report included eight findings identifying serious deficiencies in internal controls. Among other things, we reported that PBS NCR is not enforcing the requirements of the Energy Savings Performance Contract (ESPC) task order at the campus. As a result, PBS NCR has no assurance that the contract is achieving the guaranteed cost savings needed to fund the \$1.2 billion contract.

We also reported that, due to mismanagement and lack of oversight of the after-hours operations and maintenance (O&M) services, PBS NCR is charging FDA for overpriced services that are not being provided. Additionally, PBS NCR’s lack of effective management and oversight also resulted in deficiencies in campus security; breakdowns in fire, life, and safety services; and the improper destruction of contract file documentation.

Finally, our report identified a breakdown in internal control that allowed for the circumvention of federal contract competition requirements. During our audit, we found that PBS NCR improperly provided the O&M contractor with the “right of first refusal” for all O&M work on the campus. However, in accordance with the Competition in Contracting Act of 1984 and the competition requirements established in the Federal

¹ *Audit of GSA’s Insider Threat Program* (Report Number A190016/I/T/F21002, February 17, 2021).

² *PBS’s National Capital Region is Failing to Adequately Manage and Oversee the Building Services Contracts at the FDA’s White Oak Campus* (Report Number A190021/P/5/R21003, May 17, 2021).

Acquisition Regulation (FAR), there is no principle of “right of first refusal” requiring GSA to offer the incumbent contractor new work before seeking proposals from other firms.

Accordingly, PBS NCR’s use of the “right of first refusal” is improper and violates federal competition requirements. It is also a pervasive problem for task order awards at the White Oak campus, which we identified in a prior audit.³ Although we brought this issue to PBS management’s attention, PBS NCR refused to take corrective action—a decision that was ultimately upheld by GSA’s former Deputy Administrator. The persistent use of the “right of first refusal” points to a failure of internal control that must be addressed by PBS NCR with support from GSA’s senior leadership.

Interference with Audit Oversight

Since we first identified internal control weaknesses as a major management challenge in FY 2018, GSA management has frequently described its actions taken to improve its overall control environment. Among other things, GSA has highlighted its implementation of mandatory internal control training for all Agency employees, heightened focus on audit resolution, and establishment of an internal control working group designed to examine audit findings and develop corrective actions from an Agency-wide perspective.

However, during FY 2021, we reported that GSA was actively engaged in efforts to interfere with our audit oversight of its response to the Coronavirus Disease 2019 (COVID-19) pandemic. These efforts contradict GSA’s stated emphasis on improving its internal control environment.

In January 2021, we issued an alert memorandum notifying GSA that its centralized review and approval process of all audit inquiries into its COVID-19 activities compromised the integrity of information provided by GSA personnel.⁴ This process caused frequent and unnecessary delays, and likely had a chilling effect on PBS employees’ responses. As a result of these efforts, the audit team had little assurance that the responses provided to our inquiries were complete, accurate, and reliable. Additionally, we found that GSA attempted to restrict and limit the audit team’s access to information and resources. Taken together, these actions impeded the audit team’s ability to identify areas of GSA’s COVID-19 pandemic response that should be improved to protect the health of GSA’s tenants, employees, contractors, and visitors.

In February 2021, GSA notified us that it ceased the centralized review of GSA personnel’s responses to our oversight requests. Nonetheless, GSA’s prior efforts to impede our oversight forced the audit team to conduct additional procedures to confirm that the evidence collected during the course of our audit was sufficient and appropriate. As a result, the audit team was

³ *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).

⁴ *Alert Memorandum: GSA Is Impeding Oversight of Its COVID-19 Activities* (Memorandum Number A201018-4, January 15, 2021).

compelled to spend additional time performing these procedures, thereby delaying our report—which provided critical information on GSA management’s response to the ongoing pandemic—until August 2021.⁵

In sum, internal control serves as the first line of defense in safeguarding assets and helping managers achieve desired results through effective stewardship of public resources. However, the examples above demonstrate the need for direct management attention to develop a more effective and proactive internal control environment across GSA. GSA management should therefore continue its efforts to implement a more effective system of internal control to ensure the Agency consistently complies with laws and regulations, produces accurate and reliable reports, and operates effectively.

Challenge 2: Improving Contract Administration

GSA awards contracts annually for the procurement of billions of dollars of products, services, and facilities for federal government agencies. After GSA awards a contract, its work turns to contract administration. Contract administration includes monitoring contractor performance against contract terms, reviewing and approving requests for payment, addressing change orders, and closing out contracts. As noted in our *Assessment of GSA’s Management and Performance Challenges for FY 2021*, we continue to find weaknesses in GSA’s contract administration, across business lines and contract types.

GSA has taken action to improve contract administration by strengthening policy, addressing performance and training needs of contracting staff, and implementing contract administration process improvements. However, additional action is needed as we continue to identify deficiencies in GSA’s contract administration practices.

In FY 2021, our reports cited numerous examples of poor contract and lease administration practices, resulting in violations of laws and regulations, deviations from policies, unfulfilled customer support, and waste of taxpayer funds. For example:

- In April 2021, we issued an audit report on PBS NCR’s award and administration of a contract to replace three cooling towers at the Federal Bureau of Prisons headquarters building in Washington, D.C.⁶ We found PBS NCR did not award and administer the contract in accordance with FAR and GSA policies. Additionally, PBS NCR did not maintain contract documentation as required, did not follow an internal policy related to staff transitions, and inaccurately reported data on the contract in the Federal Procurement Data System-Next Generation.

⁵ *PBS Did Not Always Follow CDC and Internal Guidance to Limit the Risk of COVID-19 Exposure* (Report Number A201018/P/4/R21005, August 26, 2021).

⁶ *Audit of PBS Basic Repairs and Alterations Project: Federal Bureau of Prisons Headquarters* (Report Number A200976/P/R/R21002, April 21, 2021).

- In September 2021, we issued an audit report on mismanagement of O&M contracts in PBS's Northeast and Caribbean Region (PBS Region 2).⁷ In response to an anonymous hotline complaint, we reviewed PBS Region 2's administration of its O&M contracts and found that PBS Region 2 is not effectively overseeing contractor performance on its O&M contracts. As a result, PBS Region 2 does not have assurance that O&M contractors are providing the services required under their contracts.

Inspections are required to oversee O&M contractors and ensure they are performing their responsibilities under the contract. However, PBS Region 2 contracting personnel either did not inspect the contractors' work or did not perform the inspections properly. Further, PBS Region 2 preventative maintenance records did not always include required information necessary to oversee the O&M contractors' performance.

- In September 2021, we issued an audit report on the GSA Federal Acquisition Service's (FAS's) oversight of the security and contract requirements for the USAccess identity and credential management services contract.⁸ Our audit found that the USAccess Managed Services Office (MSO), which resides within FAS, in concert with GSA's Office of the Chief Information Security Officer, failed to ensure USAccess IT security vulnerabilities were remediated within the required time frame and permitted the USAccess system to operate in violation of GSA IT Security Policy for more than a year.

Additionally, the MSO has not effectively held the USAccess contractor accountable for key IT-security-related performance requirements. The MSO has also displayed insufficient oversight, management, and rigor in developing contract terms. Finally, MSO personnel lack clarity regarding personnel security and other security-related roles, responsibilities, and requirements. As a result, MSO personnel have displayed ongoing confusion and misperceptions about contract requirements.

Taken together, these examples demonstrate that GSA needs to address challenges in how it oversees its contracts. Accordingly, GSA should take comprehensive and proactive steps to improve its oversight of contracts and leases to protect the Agency against the risk of undetected fraud, waste, and abuse and violations of applicable laws and regulations.

Challenge 3: Enhancing Government Procurement

GSA continues to set the strategic goal to establish itself as the premier provider of efficient and effective acquisition solutions across the federal government in FY 2022. As an integral part

⁷ *PBS's Northeast and Caribbean Region is Not Effectively Overseeing its Operations and Maintenance Contracts* (Report Number A201046/P/2/R21007, September 24, 2021).

⁸ *FAS's Inadequate Oversight of Contractual and Security Requirements Places the USAccess Program at Risk* (Report Number A190067/Q/T/P21003, September 24, 2021).

of GSA, FAS has significant responsibility in meeting this goal and is undertaking the following acquisition solution initiatives:

- Transforming the Multiple Award Schedules Program (Schedules Program);
- Supply chain risk management;
- Implementing unpriced contracts;
- Implementing procurement through commercial e-commerce portals; and
- Leading the transition to the Enterprise Infrastructure Solutions (EIS) contract.

While the above initiatives are intended to help FAS meet GSA's strategic goal and ensure compliance with recent legislation, the initiatives also significantly change FAS's processes and programs, creating challenges to FAS's ability to meet its mission.

Transforming the Schedules Program

FAS has implemented several initiatives and tools, dating back to 2016, to transform its Schedules Program. These include distinct transformation projects aimed at consolidating schedules, improving pricing using transactional data reporting (TDR), and automating pricing tools. As detailed below, these projects will have a significant effect on the Schedules Program. With the simultaneous deployment of these initiatives and tools, FAS is challenged to ensure they are effectively implemented, managed, and evaluated so that FAS meets its core objective to leverage the government's buying power.

Consolidated Schedules. With an intended goal of reducing duplication of services, products, and solutions across multiple acquisition centers, FAS is continuing to consolidate all of its schedules into a single, all-encompassing GSA schedule. At the start of FY 2020, FAS began the consolidation process for new schedule offers, followed by an ongoing conversion of existing schedule contracts that it estimates will take at least 5 years. The expected goal of the consolidation is to reduce the administrative and contractual burden of maintaining multiple contracts and allow schedule contractors to provide "total solutions" without maintaining multiple schedule contracts. Associated challenges include ensuring each surviving consolidated contract is: (1) assigned to an acquisition center with the expertise to administer it properly and (2) evaluated and negotiated in accordance with federal regulations and GSA internal policies. As the consolidation continues through its final phase, which is expected to take multiple years, FAS continues to work through the challenges created by transforming a program as large as the Schedules Program.

Pricing for Schedule Contracts. FAS has been changing how it determines fair and reasonable pricing for its schedule contracts. Until recently, FAS negotiated pricing for schedule contracts to achieve the contractors' "most favored customer" pricing and discounts under similar conditions based on its commercial sales. However, FAS has steadily moved away from using commercially comparable pricing and instead has taken steps to base its schedule pricing on government contracts for similar items.

In particular, in June 2016, FAS implemented the TDR pilot, with the stated intent to improve taxpayer value by using pricing from prior government procurements as the basis for determining fair and reasonable pricing. When contractors elect to participate in the TDR pilot, they are no longer required to provide Commercial Sales Practices information. Instead, prices are evaluated by prioritizing the use of information that is readily available, including prices-paid information, contract-level pricing information from other schedules and government-wide contract vehicles for same or similar items, and commercial data sources.

In June 2021, we reported that the TDR pilot has yet to accomplish its intended purpose of improving taxpayer value.⁹ Specifically, we found that the TDR data is inaccurate and unreliable, introducing additional risks associated with the potential use of this data. In her November 15, 2019, *Response to OIG's Assessment of GSA's Management and Performance Challenges, Fiscal Year 2020*, then-GSA Administrator Emily Murphy acknowledged ongoing data quality issues. Similarly, the GSA Senior Procurement Executive's evaluation of FY 2020 performance states, "FAS is waiting for a level of data maturity to provide official policy related to the use of the data."

Nonetheless, GSA extended the TDR pilot through FY 2021 and the GSA Senior Procurement Executive has authorized FAS to consider expanding the pilot. Until GSA restricts access to the TDR data, or the TDR data becomes accurate for procurement decisions, GSA is challenged to ensure that decisions being made using this data, whether at the contractual level or at an aggregate level, are not negatively affected by the data's shortcomings. Use of the inaccurate and unreliable data could skew product or price comparisons and lead to erroneous conclusions and flawed decisions based upon the data.

In our June 2021 report, we also found that FAS contracting personnel are not using the TDR data to make decision that affect pricing. Instead, FAS contracting personnel largely relied on pricing tools, such as the Contract-Awarded Labor Category Tool on services contracts and the Price Point Plus Portal Tool on products contracts, to make determinations regarding fair and reasonable pricing. These automated pricing tools provide pricing data from government contracts for similar items.

However, pricing determinations based on this government-only comparison conflict with FAS's objective of negotiating and awarding pricing that results in "most favored customer" status. Achieving "most favored customer" pricing is the basis for how schedule contracts comply with the Competition in Contracting Act of 1984, which requires schedule contract pricing to result in the lowest overall cost alternative. In addition, we found that when contracting officers rely on automated pricing tools for pricing determinations, FAS has not been able to ensure that: (1) contracting officers' use of the tools is compliant with federal regulations, FAS pricing policies, and the intent of the Schedules Program; (2) the data within the tools is accurate and reliable;

⁹ *GSA's Transactional Data Reporting Pilot Is Not Used to Affect Pricing Decisions* (Report Number A140143/Q/6/P21002, June 24, 2021).

and (3) contracting officers are documenting their price analyses in accordance with federal regulations and FAS policy.

Ultimately, due to these issues, we recommended in our June 2021 report that FAS end the TDR pilot. A decision to allow the TDR pilot to continue or expand despite the challenges FAS has failed to overcome in the pilot to date will negatively affect contracting officers' ability to achieve fair and reasonable pricing that results in the lowest overall cost alternative for the government.

Supply Chain Risk Management

Section 889, Part A, of the FY 2019 National Defense Authorization Act (NDAA), *Prohibition on certain telecommunications and video surveillance services or equipment*, effective August 13, 2019, prohibits the government from purchasing restricted telecommunications equipment or services (prohibited telecom) from certain Chinese telecommunications companies and from working with contractors that use such products. Section 889, Part B, of the FY 2019 NDAA, effective August 13, 2020, prohibits the government from contracting with any entity that uses telecommunications equipment or services produced by certain Chinese companies as a substantial or essential component of any system, or as a critical technology as part of any system. To comply with Section 889, Parts A and B, of the FY 2019 NDAA, GSA is challenged with identifying prohibited telecom companies and contractors that should be removed from government-wide contracts.

While GSA has spent significant effort to educate contractors and its workforce about the supply chain threat posed by the prohibited telecom companies, the Agency will remain challenged in implementing Parts A and B of Section 889. The volume of information technology category products available through GSA contracts and online marketplaces is enormous, and detecting nonconforming products is resource-intensive. GSA relies heavily on assertions by the contractors themselves that their products conform to the acquisition regulations, including Section 889.

Highlighting this problem, one recent GSA OIG investigation resulted in a company and seven of its employees being charged with selling Chinese-made surveillance equipment with known cybersecurity vulnerabilities to U.S. government customers who installed them in sensitive facilities. According to the criminal complaint, the company made over \$20 million in federal sales and falsely claimed its products were manufactured at its headquarters in the United States when, in fact, they were made primarily in China. This scheme may have been discovered sooner had GSA performed an onsite visit of the company's purported U.S. manufacturing location. GSA must remain vigilant in prioritizing, developing, and implementing effective supply chain risk management policies, procedures, and practices to prevent and address a compromise of the government supply chain.

Implementing Unpriced Contracts

Section 876 of the FY 2019 NDAA, *Increasing competition at the task order level*, allows for pricing of GSA schedule labor categories to be established at the task order level through competition requirements, rather than at the overall contract level. Section 876 provides that, when issuing a solicitation, GSA would have the discretion not to include price or cost as an evaluation criterion for contract award. While supporters in the contract community have promoted this as a way to streamline the procurement process and enhance competition, the establishment of “unpriced” schedule contracts would present a challenge to GSA as it could undermine the basic premise of the Schedules Program and risk taxpayer dollars. GSA is expected to make a definitive decision on implementation of unpriced services related to the Schedules Program in early FY 2022.

Implementing Procurement through Commercial E-Commerce Portals

Section 846 of the FY 2018 NDAA, *Procurement through commercial e-commerce portal*, requires FAS, in coordination with OMB, to establish a government-wide program to procure products through multiple commercial e-commerce portals. The intent of the program is to enhance competition, expedite procurement, and gather market research for routine commercial acquisitions to enable contracting officers to focus on complex, high-value acquisitions. In August 2020, FAS launched a 3-year preliminary test, which FAS calls a proof of concept, with three e-marketplace portal providers.¹⁰ As of June 2021, FAS reported \$3.5 million in sales across these three portals. FAS expects sales to reach \$50 million in FY 2022.

The government-wide implementation of commercial e-commerce portals is a complex endeavor, requiring FAS to address multiple challenges as it tests the portals, including:

- *Use of benchmarks and metrics.* FAS needs effective benchmarks and metrics to evaluate the results from commercial e-commerce portals. FAS’s key performance indicators are categorized into modernize, streamline, analyze, and operate. Our past audit work found it is critical that FAS ensure the e-commerce metrics are well-defined and the underlying data is available, accurate, and reliable for use in and evaluation of the proof of concept.¹¹
- *Protecting the supply chain.* As stated previously in this challenge, supply chain risk management is a focus in federal requirements. A January 24, 2020, U.S. Department of Homeland Security report highlighted how easily counterfeit and pirated goods can be sold through e-commerce platforms.¹² The report heightened attention to

¹⁰ The three portals are Amazon Business, Fisher Scientific, and Overstock.com.

¹¹ *Audit of Transactional Data Reporting Pilot Evaluation Plan and Metrics* (Report Number A140143/Q/T/P18004, July 25, 2018).

¹² U.S. Department of Homeland Security report, *Combating Trafficking in Counterfeit and Pirated Goods*.

counterfeiting and supply chain risk in e-commerce acquisitions. In addition, FAS program personnel expressed difficulty implementing Part B of Section 889 of the FY 2019 NDAA because each agency is to define how to implement this requirement for micro-purchases.¹³ With sales expected to grow within the next year, FAS will need to increase its monitoring effort in order to manage the risks involved with the supply chain.

- *Use of e-commerce portal data.* To address concerns from users and third-party vendors about the portal providers' use of purchase data, FAS incorporated the data protection requirements of Section 838 of the FY 2019 NDAA, *Modifications to procurement through commercial e-commerce portals*, into the e-commerce portal solicitation. These requirements prohibit portal providers from providing government sales data to third-party vendors to market or price their own goods. In addition, the solicitation specified that the data is proprietary to the government. While these inclusions establish contractual requirements, FAS must monitor and enforce them to ensure the appropriate protection and use of data collected by portal providers.
- *Impact on existing acquisition programs.* FAS must monitor and assess the effects of the e-commerce portals on its existing acquisition programs. While FAS's goal for the e-commerce program is to capture micro-purchase open market spending, it is possible that the portals could have unintended negative consequences for other acquisition programs.¹⁴ For example, purchases through these portals cannot exceed the \$10,000 micro-purchase threshold; therefore, the Trade Agreements Act does not apply. This could economically incentivize suppliers to choose the commercial e-commerce portals over FAS's Schedules Program, which must comply with the Trade Agreements Act. FAS will need to assess how the e-commerce program will impact its other contracting programs.

FAS must consider these challenges and remain vigilant in monitoring the unintended consequences of implementing the commercial e-commerce portals. As the proof of concept enters its second to last year, FAS officials must begin to contemplate if and how this program is made permanent. FAS must also consider how e-commerce affects its other purchasing programs and how to structure the program to adopt evolving e-commerce offerings.

¹³ A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures below an established dollar threshold.

¹⁴ Open market spending is the purchase of items outside of a government contract vehicle, such as the GSA schedules, blanket purchase agreements, etc.

Leading the Transition to the Enterprise Infrastructure Solutions Contract

FAS is leading the government-wide transition from the expiring Networx telecommunications and IT infrastructure contracts to the new 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 aims to 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.¹⁵

Since the transition began in April 2016, FAS has encountered significant challenges in its efforts to move 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 substantially affected FAS's ability to transition more than 200 customer agencies by the initial March 2020 deadline. As a result, in December 2018, FAS announced that it was extending the legacy contracts and the transition deadline by 3 years to May 2023 to allow more time for transition execution.

Despite the extension, interim transition deadlines continue to pass without much progress. The most recent deadline was for customer agencies to have completed 50 percent of their transitions—as measured by disconnections—by March 31, 2021. However, only 18 percent of customer agencies met that deadline.

In March 2020, FAS issued a *Project Plan for Closeout of EIS Transition* to mitigate risk and enforce the eligibility conditions for continued use of the extended Networx contracts. The plan's goal is to ensure all services disconnect from the Networx contracts by May 2023. In May 2021, FAS made two notable revisions to the *Project Plan for Closeout of EIS Transition*. First, in FY 2022, FAS will no longer accept any modifications—without exception—to the expiring contracts. Second, when multiple agencies failed to make adequate transition progress, FAS adjusted its phased approach to limit the use of the Networx contracts by removing agencies that did not meet critical milestones from the Networx Authorized Users List.

As FAS tracks agencies' progress, it will know which agencies are at risk of not completing transition by the deadline. FAS stated that under "extreme circumstances," it may approve a limited number of agencies to use an "Emergency Action Period" that would allow use of the expiring Networx contracts from October 1, 2022, to May 31, 2023. FAS provided customer agencies with four acquisition strategy options to mitigate the risk of service disruption if services do not fully transition by May 31, 2023.

To ensure the success of its *Project Plan for Closeout of EIS Transition*, FAS must enforce the actions outlined in the plan to compel agencies to execute their transitions, such as revising the

¹⁵ American Technology Council's *Report to the President on Federal IT Modernization* (December 13, 2017).

Network Authorized User List removal phases. FAS must continue to assess and adjust its efforts to support the timely transition in order to realize EIS's potential cost savings and to reduce the expense of administering both contracts simultaneously.

Challenge 4: 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 reduce and consolidate space, reduce leasing costs, and meet O&M needs of increasingly aging buildings. Further, GSA must properly administer the capital construction program and ensure effective management of energy and utility contracts.

Reducing and Consolidating Space

In FY 2022, PBS must continue to maximize the performance of its real property inventory in order to save taxpayer money. To achieve this goal, PBS's strategic objectives in its *Annual Performance Plan* include a focus on reducing vacant space in inventory and footprint optimization.

For FY 2022, PBS projects that its overall portfolio will consist of more than 8,800 owned and leased assets with a total rentable workspace of 370 million square feet. As part of its plans to drive savings across the federal government, PBS has emphasized reductions to the leased space in PBS's portfolio. PBS intends to continue these space reduction efforts through optimization of the federally owned real property inventory and pursuit of consolidation opportunities within the leased inventory, emphasizing higher utilization rates.

However, uncertain future space requirements and the implementation of more liberal work-from-home policies will challenge PBS's ability to maximize the performance of its real property inventory. Accordingly, PBS will need to work closely with customer agencies to adjust to evolving space requirements. For example, PBS officials in the Rocky Mountain Region stated that PBS may be downsizing space and increasing lease buyouts post-COVID-19 due to increased telework. Also, PBS NCR officials expressed concern that agencies may seek reductions to their space in federally owned buildings as they increase telework and use less space. While PBS is aware of challenges stemming from reduced space requirements, officials told us that agencies are currently unwilling to make those decisions because they do not know what their post-COVID-19 environment will look like.

As part of its FY 2022 planning efforts, PBS stated that it is identifying consolidation opportunities within its real property inventory. PBS will identify opportunities through surveys and studies, partnering with customer agencies, and through Agency initiatives. Projects selected will vary in size by location and agency mission and operations; no single project will

exceed \$20 million in GSA costs. PBS continues to favor an office utilization rate of 130 usable square feet per person or less and a total project payback period of 10 years or less.

In FY 2014, PBS implemented its Consolidation Activities special emphasis program, aimed at helping agencies reduce their reliance on costly leased space to meet long-term housing requirements by developing strategies to use space more efficiently and maximize use of the existing federally owned inventory. According to PBS, GSA has received \$296 million in support of the Consolidation Activities program since its inception in FY 2014; through FY 2019, that support has funded 81 projects. However, since FY 2019, PBS has not received its requested funding of \$195 million for its Consolidation Activities program. Without funding for the Consolidation Activities program, PBS faces a host of challenges as it implements initiatives and works to obtain the desired reductions in space.

Reducing Leasing Costs

PBS is focused on achieving taxpayer savings by establishing longer firm-term leases, negotiating favorable rates, reducing rentable square feet, and utilizing GSA's Total Workplace program. The PBS Office of Leasing wants to get more favorable rates with long-term leases, but a longer-term lease has a higher chance that the lessee might want to leave before the lease is up, which would potentially cost GSA money. According to GSA's *FY 2022 Congressional Justification*, approximately 45 percent of PBS's leases will expire by FY 2026.

In FY 2018, PBS initiated its *Lease Cost Avoidance Plan* to replace leases and restructure the PBS lease portfolio, with a goal of \$4.7 billion in savings. The plan consists of three elements:

- Replace expiring leases with leases for less square footage through space consolidations and moves to federally owned space;
- Achieve savings through replacing at least 80 percent of expiring/short-term leases with long-term leases; and
- Ensure that occupant agencies are provided flexible lease solutions at more efficient sizes to accommodate agencies' future space requirements.

In FY 2019, this approach was incorporated into PBS's *Real Estate Investment and Savings Strategy*. In FY 2020, the expansion of telework due to the onset of the COVID-19 pandemic created a challenge for PBS to examine additional leasing strategies. The future state of GSA's lease portfolio will be shaped by how agencies plan to return to workspaces. GSA anticipates further potential reductions in space as agencies' expansion of maximum telework could reduce the demand for federal real estate.

We have documented additional challenges PBS will have in implementing its strategies. In our June 2020 report on lease extensions and holdovers, we found that although PBS has taken a number of steps to reduce its use of extensions and holdovers and encourage the use of more economical long-term lease agreements, PBS leasing staff face obstacles in implementing these steps and using the simplified lease process it established to more quickly award small and less-

complicated leases.^{16,17} The short-term nature of extensions and holdovers often limits GSA's ability to obtain favorable contract terms, resulting in higher leasing costs. PBS's issues in adhering to the guidance and using the simplified leasing process have contributed to delays in lease actions and increased the likelihood that PBS will have to enter into costly extensions or holdovers.

In our *Assessment of GSA's Management and Performance Challenges for FY 2021*, we noted issues in GSA's management of leases. In response, PBS stated that it implemented robotic process automation in the leasing program, which it estimates will save 10,000 labor hours by standardizing processes.¹⁸ PBS stated that robotic process automation was implemented to increase capacity that can be redirected to higher-value work.

Moreover, according to PBS, it has divided contract administration into three zonal centers of expertise, resulting in streamlined operations and improved accuracy and timeliness of lease payment processing. Additionally, PBS created a new Simplified Lease Acquisition Template model. The new model minimizes the level of effort required to complete smaller acquisitions. PBS has continued to limit the level of lease holdovers to 1 percent or less, showing no increase relative to the overall size of the portfolio.

Notwithstanding these new processes and the streamlined operations, GSA may be faced with a lower demand for space and potential lease cancellations due to the expansion of telework. Uncertainties in leasing related to the COVID-19 pandemic will only increase the challenges already facing PBS in reducing leasing costs.

Meeting the Operations and Maintenance Needs of Federal Buildings

PBS's management of building operations includes overseeing O&M and repair of federally owned facilities. O&M costs cover maintaining mechanical, electrical, plumbing, and other building control systems, and performing repairs. In FY 2020, PBS's portfolio included over 1,600 federally owned assets with approximately 183 million square feet of owned space. The average age of GSA buildings is 49 years old. PBS's increasing deferred maintenance backlog and recent Office of Inspector General audit findings on weaknesses in PBS's oversight of its O&M management demonstrate that PBS continues to face significant challenges to meet its O&M needs.

¹⁶ *Audit of PBS's Lease Extensions and Holdovers* (Report Number A190033/P/R/R20007, June 22, 2020).

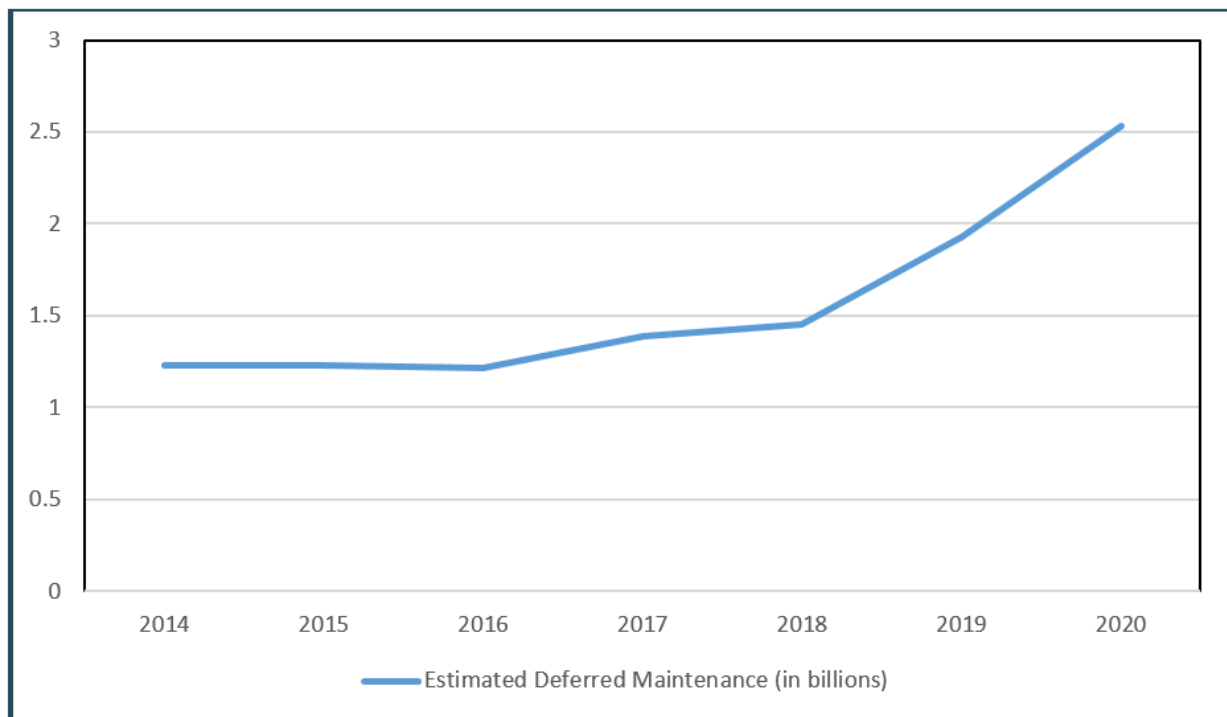
¹⁷ A holdover is created when the tenant agency continues to occupy the space beyond the expiration date of the lease term despite the government having no contractual right to occupy the space. The holdover allows the tenant agency to remain in the space while PBS seeks a long-term solution.

¹⁸ Robotic process automation is a business process technology that automates manual tasks that are largely rules-based, structured, and repetitive using software robots, also known as bots. Robotic process automation tools map a process for a bot to follow, which allows the bot to operate in place of a human.

Deferred maintenance is defined as maintenance and repairs that are not performed when scheduled or delayed for a future period. These are activities categorized as preventive maintenance; replacement of parts, systems, or components; and other activities needing to be performed immediately to restore or maintain the building inventory in an acceptable condition.

As shown in *Figure 1*, GSA has reported steadily rising estimated deferred maintenance costs since FY 2016. In its *2020 Agency Financial Report*, GSA reported approximately \$2.53 billion in total estimated costs of deferred maintenance and repairs (deferred maintenance) for its building inventory. This was a 31 percent increase from FY 2019 and a 106 percent increase from FY 2014.

Figure 1 – GSA’s Estimated Deferred Maintenance Costs, Fiscal Years 2014–2020



In accordance with 40 U.S.C. 592, PBS funds its repair needs and all of its real property activities through the Federal Buildings Fund. The Federal Buildings Fund operates as a revolving fund, whereby building operation expenditures are financed through fund deposits; however, unlike typical revolving funds, it is subject to annual enactment of new obligational authority by Congress. As part of the annual appropriations process, Congress authorizes Federal Buildings Fund funding for GSA’s operations and repair and alterations functions. Since FY 2015, GSA has received approximately 62 percent of its requests for new obligational authority for funding of minor and major repairs and alterations, on average.

In a September 2021 audit of the PBS O&M program's effectiveness in managing deferred maintenance, we found that the accuracy of GSA's reported deferred maintenance cost estimate is affected by data shortcomings and errors.¹⁹ Specifically, estimates generated by PBS's Building Assessment Tool, which are used to report GSA's estimated deferred maintenance, are inaccurate and include duplicative estimate costs. In addition, we found that while PBS does have a national maintenance strategy associated with its Capital Investment and Leasing Program, this strategy has not been effective to reduce its deferred maintenance backlog.

As a result, PBS is vulnerable to rising maintenance and repair costs and an increased risk of building system failure, accelerated deterioration of systems and structures, and potential life safety hazards. In order to properly address its challenge of ever-increasing O&M deferred maintenance, PBS needs to improve its national strategy to place a greater emphasis on its growing list of immediate liabilities by prioritizing O&M projects to reduce them from the backlog.

PBS has previously identified contract administration inconsistencies in its inspection processes of these systems throughout its service centers. In our *Assessment of GSA's Management and Performance Challenges for FY 2021*, we identified O&M as a management challenge. In response, PBS stated that it was "aggregating its operations and maintenance contracts through the Strategy Acquisition for Quality Services, which will reduce its costs and administrative burden, while gaining consistency in contract administration practices such as inspection services."

However, recent audits have identified issues with the oversight and management of O&M contracts. For example, in September 2021, we reported on mismanagement of O&M contracts in northern New Jersey and Manhattan, New York.²⁰ We initiated the audit in response to an anonymous hotline complaint about PBS Region 2's management of its O&M contracts.

We found that PBS Region 2 was not effectively overseeing contractor performance on its O&M contracts. As a result, PBS Region 2 does not have assurance that O&M contractors are providing the services required under their contracts. Inspections are required to oversee O&M contractors and ensure they are performing their responsibilities under the contract. However, PBS Region 2 contracting personnel either did not inspect the contractors' work or did not perform the inspections properly. In addition, PBS Region 2 preventative maintenance records did not always include required information necessary to oversee the O&M contractors' performance.

¹⁹ *Audit of the Public Buildings Service's Effectiveness in Managing Deferred Maintenance* (Report Number A190066/P/2/R21009, September 30, 2021).

²⁰ *PBS's Northeast and Caribbean Region is Not Effectively Overseeing its Operations and Maintenance Contracts* (Report Number A201046/P/2/R21007, September 24, 2021).

We also found similar issues on a Region 2 repair and alteration project. In June 2021, we issued an audit report on PBS Region 2's \$1.8 million basic repairs and alterations project to upgrade three passenger elevators at the United States Court of International Trade building in New York, New York.²¹ We found that PBS Region 2 did not award and administer the project contract in accordance with applicable regulations and GSA policies. Although these deficiencies in contract award and administration did not adversely affect the project, they could have caused project delays and potential claims.

In sum, PBS's costs for deferred maintenance for its O&M expenses have increased year over year and the availability of congressionally approved funding remains at an average of approximately 62 percent. PBS's increasing deferred maintenance backlog, and the weaknesses in its oversight and management of its O&M contracts highlighted by our recent audit findings, demonstrate that PBS continues to face significant challenges to meet and manage its O&M needs.

Administering GSA's Capital Construction Program

PBS's Office of Design and Construction is responsible for leading PBS's capital construction program and supports GSA's regional offices in new construction, major modernization, and other capital construction projects, from pre-planning through commissioning.²² As of August 2021, PBS had \$11.5 billion in active capital construction projects. Due to internal resource limitations, PBS faces challenges in delivering these projects and has become excessively reliant on construction management firms (i.e., construction managers). Additionally, PBS continues to struggle with its administration of Construction Manager as Constructor (CMc) contracts.

In some cases, these challenges have resulted in contractor employees performing inherently governmental functions, organizational conflicts of interest, and significantly inflated costs. In response to our *Assessment of GSA's Management and Performance Challenges for FY 2021*, PBS stated that it had established several internal controls to assist in construction management and enable proper oversight of construction manager activities.

Construction Management Services. PBS requires the use of construction managers for its capital construction projects. Construction managers are private firms that act as advisors or consultants to PBS during the execution of capital construction projects. PBS has used construction managers to fulfill many functions and responsibilities within its capital construction program. Though not required, PBS also uses construction managers for smaller projects and lease administration.

²¹ *Audit of PBS Basic Repairs and Alterations Project: United States Court of International Trade Building* (Report Number A200976/P/2/R21004, June 17, 2021).

²² Capital construction projects are projects that exceed the prospectus threshold, currently \$3.095 million, and require congressional approval.

In a recent audit of PBS's use of construction management services, we found that PBS has become excessively reliant on construction managers.²³ PBS has frequently allowed construction managers to perform inherently governmental functions that are reserved for federal employees, including developing independent government estimates, assessing contractor proposals on source selection boards, negotiating contracts, and accepting project deliverables. Further, PBS has allowed construction managers to access sensitive information, including competitors' proprietary information and government data, without mitigating conflicts of interest or ensuring data security.

Given PBS's sizeable construction workload, PBS relies on contractor staffing and expertise to supplement its internal staffing resources and manage its capital construction projects. However, PBS must ensure that sufficient controls are in place and followed to prevent construction managers from performing inherently governmental functions and that steps are taken to eliminate or mitigate potential conflicts of interest. PBS must also focus on hiring and retaining staff with the necessary skills to perform critical functions, especially given the number of PBS employees in mission-critical roles who will be retirement-eligible in the near future.

Construction Manager as Constructor Contracts. The CMc is a project delivery method that PBS often uses for its capital construction projects. Using this method, PBS first awards a design contract to an architect-engineering firm. During the design phase, PBS awards a CMc contract to a general contractor for design phase services, including cost estimating and constructability reviews. The contract includes an option for construction services, which may be exercised once design is complete. This option requires the contractor to construct the project on time and within a competitively bid guaranteed maximum price.

PBS used the CMc project delivery method extensively for its American Reinvestment and Recovery Act new construction and major modernization projects. During our oversight of PBS's American Reinvestment and Recovery Act projects, we observed a number of issues with PBS's award and administration of these contracts. To address these issues, PBS issued *Policy and Procedures for using the Construction Manager as Constructor Project Delivery Method* on February 8, 2011. This guidance remained in effect until October 18, 2018, when GSA issued a FAR and General Services Administration Acquisition Regulation (GSAR) class deviation. On January 21, 2020, the GSAR was amended to formally adopt this CMc policy. The updated GSAR provides centralized guidance to ensure consistent application of CMc construction project principles.

Despite the 2011 CMc policy and subsequent class deviation and GSAR policy, PBS continues to have problems using the CMc methodology. This is particularly evident in PBS's CMc contract pricing and project accounting. For example, PBS is not always performing a required independent review of CMc contractor accounting systems prior to incurring construction costs;

²³ *Audit of the GSA Public Buildings Service's Use of Construction Management Services* (Report Number A150028/P/4/R20009, September 4, 2020).

therefore, PBS cannot ensure that project costs are accounted for and allocated appropriately. Further, PBS has converted construction options to firm-fixed prices prior to design completion, and has erroneously changed guaranteed maximum prices with contract modifications. These contract administration challenges have resulted in significant increases to project costs, and must be addressed to avoid overpayment on current and future CMc contracts.

Ensuring Effective Management of Energy Savings Performance Contracts and Utility Energy Service Contracts

Between December 2010 and June 2021, PBS awarded over \$2.3 billion in ESPCs and Utility Energy Service Contracts (UESCs). However, ESPCs and UESCs are high-risk areas, with high-dollar contract values and long-term financial commitments. Without effective management, PBS may not realize the savings needed to fund 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 generated by the upgrades. An ESPC can last for up to 25 years. A UESC is a contract between a federal agency and a 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 general, the cost of ESPCs and UESCs are greater than an upfront purchase because of the long-term financing for the project. As a result, the realized savings from the projects must be sufficient to fund the payments to the contractors; otherwise the benefit of using the ESPC or UESC is lost.

However, PBS Facilities Management Service Program officials have previously expressed their concern that actual ESPC savings may fall short of the expected savings calculated at the beginning of the contract. In addition, they said it is a challenge to determine when it is appropriate to include O&M costs in the contracts. O&M and other energy-related cost savings, defined as reductions in expenses (other than energy cost savings) that are related to energy- and water-consuming equipment are generally allowable in ESPCs. PBS officials stated they centralized the ESPC program within the Office of Facilities Management in 2018 and hoped that would reduce the number of issues with the contracts.

These concerns, coupled with the complex nature of ESPC contracts, demand robust management oversight. Nonetheless, we continue to find issues with PBS's management of ESPC contracts, as noted below.

In a March 2020 audit of ESPCs, we identified a number of challenges.²⁴ We found that PBS:

- Did not realize enough energy savings to fully fund payments for the projects;
- Could not demonstrate that projects were meeting their O&M savings;
- Did not provide effective oversight of the accuracy of energy savings;
- Did not ensure the completeness of contract files and did not complete contractor performance assessments in accordance with the FAR; and
- Did not oversee the administration of ESPC projects after award.

Our May 2021 audit of contracting issues at FDA's White Oak campus in PBS NCR noted additional challenges.²⁵ Among other things, we found that:

- PBS is not enforcing requirements of the ESPC task order. As a result, PBS has no assurance that the contract is achieving the guaranteed cost savings needed to fund the \$1.2 billion contract and is planning to pay for repairs that are the contractor's responsibility; and
- Due to mismanagement and lack of oversight of the after-hours O&M services, PBS is charging FDA for overpriced services that are not being provided.

Likewise, UESCs also present a number of challenges for PBS. One of the primary risks involved with UESCs is the limited number of utility companies available to compete for such contracts. Further, UESCs may be awarded as sole-source contracts. These circumstances lead to limited competition, potentially limiting the energy savings. Finally, there is no statutory requirement for annual measurement and verification of the energy, water, or cost savings, or a contractual guarantee of those savings. With no mandated savings guarantee, the cost effectiveness of the UESC must be carefully established and maintained.

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 long-term savings. PBS has spent time and energy establishing UESCs and has instituted a memorandum of understanding with GSA's Acquisition Management Division designed to improve oversight of these contracts. Nonetheless, PBS must ensure that sufficient controls are in place to ensure that risks are addressed and mitigated.

In response to our identification of ESPCs and UESCs as management challenges in our *Assessment of GSA's Management and Performance Challenges for FY 2021*, PBS noted corrective actions it has taken to address this challenge. For example, PBS stated that in January

²⁴ PBS's \$1.7 Billion Energy Savings Performance Contracts Are Not Achieving Energy and Cost Savings Due to Inadequate Oversight (Report Number A180017/P/5/R20004, March 27, 2020).

²⁵ PBS's National Capital Region is Failing to Adequately Manage and Oversee the Building Services Contracts at the FDA's White Oak Campus (Report Number A190021/P/5/R21003, May 17, 2021).

2018, it issued a memorandum addressing O&M savings and inadequate witnessing.²⁶ PBS also stated that it is identifying and recovering savings shortfalls, setting up processes to ensure that ESPC contract files include key documentation, and completing guidance for annual savings evaluations on ESPCs. Finally, PBS stated that it is also in the process of strengthening guidance and controls for UESCs.

Notwithstanding PBS's actions taken to address deficiencies in ESPC contracting, our audits continue to find issues with PBS's administration of ESPC contracts. PBS officials should ensure that the award and administration of these unique contract vehicles realize the contracted energy and cost savings; otherwise, these projects will increase PBS's costs instead of providing the savings needed to fund the projects.

Challenge 5: Managing Agency Cybersecurity Risks

Like all federal agencies, GSA is dependent upon IT to fulfill its mission. However, as cyber threats continue to emerge, sensitive government information and systems must be adequately secured to safeguard against internal and external threats that could compromise critical information and systems. GSA is not immune to these threats. Accordingly, GSA is challenged in effectively monitoring and efficiently identifying and responding to cyber threats against Agency systems and data. GSA will have to continuously identify technical solutions and implement controls to mitigate such threats as bad actors find new ways to penetrate and navigate government networks and systems undetected.

Controlling Access to GSA Systems and Sensitive Information

In our *Assessment of GSA's Management and Performance Challenges* for FYs 2020 and 2021, we reported on threats to sensitive information maintained by GSA. As this threat remains, there is an increased need for GSA to control access to sensitive information available on its network and maintained in GSA-owned systems. Sensitive information collected and maintained on GSA's network and within systems include the following categories:

- Personally identifiable information, such as social security numbers, employment-sensitive information, and security clearance forms;
- Procurement-sensitive information, such as information related to bidding and prices paid; and
- Controlled unclassified information, such as sensitive building information, financial, legal, contractual, and other sensitive information that is not classified.

Recent reports issued by our office demonstrate the importance of controlling access to GSA systems to protect this sensitive information. For example, in February 2021, we issued an audit report on GSA's Insider Threat Program (ITP), an Agency-wide program established to

²⁶ PBS memorandum titled *Operational Guidance and Instructions Outlining Roles, Responsibilities, Administration and Reporting Requirements for Energy Savings Performance Contracts*.

protect all GSA personnel, facilities, and automated systems with classified and controlled unclassified information from insider threats.²⁷ An insider threat involves employees using their authorized access, intentionally or unintentionally, to cause harm to an organization. These threats include espionage, terrorism, unauthorized disclosure of information, workplace violence, or the loss or degradation of Agency resources or capabilities.

We found that GSA's ITP does not effectively monitor insider threat risks relating to separated and terminated employees. GSA faces heightened insider threat risks from these employees because it does not consistently deactivate their IT accounts and recover and destroy PIV cards within required time frames. As a result, GSA information is vulnerable to theft or loss. Further, deficiencies in GSA's ITP create gaps that can be exploited in other ways to undermine GSA's ability to effectively carry out its operations.

In another example, we reported on the inadequate management of risks associated with GSA migrating to a new human resource system, HR Links. We found that GSA did not adequately test HR Links or fully address problems identified during system testing. As a result, the system was deployed with a series of significant weaknesses that resulted in exposures of sensitive information—including personally identifiable information—and inappropriate access.²⁸

Finally, in September 2021, we issued a report that identified deficiencies in GSA's administration of the USAccess Program.²⁹ USAccess is a high-impact, mission-critical system used to manage federal and contractor employee credentials. As of July 2020, the system contained access rights and personally identifiable information, including social security numbers and dates of birth, associated with approximately 600,000 active PIV cards and credentials. Although the sensitive information maintained in USAccess demands strong system controls, we found that GSA placed this information at risk by failing to ensure that system security vulnerabilities were remediated within the required time frame. As a result, USAccess operated in violation of GSA IT security policy for more than a year.

Insufficient controls can result in the theft or loss of sensitive information, damage to facilities, and exposure of personnel to actual or threatened harm. As demonstrated in the examples above, GSA must continue to strengthen its monitoring of access to Agency systems and data to protect against the intentional or unintentional release of sensitive information from insider threats. Additionally, ensuring the implementation of appropriate management, operational, and technical security controls to manage and mitigate threats to GSA's systems

²⁷ *Audit of GSA's Insider Threat Program* (Report Number A190016/I/T/F21002, February 17, 2021).

²⁸ *Audit of the Migration of Legacy GSA Human Resource Systems to HR Links* (Report Number A190056/C/T/F21004, July 16, 2021).

²⁹ *FAS's Inadequate Oversight of Contractual and Security Requirements Places the USAccess Program at Risk* (Report Number A190067/Q/T/P21003, September 24, 2021).

and data could prevent a sensitive information breach or disruption to organizational operations.

Prioritizing Cyber Supply Chain Risk Management

To comply with the requirements of Section 889 of the FY 2019 NDAA,³⁰ GSA must ensure that it is not procuring restricted products and services to support internal operations that could subject Agency assets and resources to supply chain risks. Supply chain risk is defined as the risk that any person may sabotage, maliciously introduce unwanted function, extract data, or otherwise manipulate the design, integrity, manufacturing, production, distribution, installation, operation, maintenance, disposition, or retirement of a product or service so as to surveil, deny, disrupt, or otherwise manipulate its function, use, or operation.³¹

In December 2020, a foreign adversary used a sophisticated supply chain vulnerability to corrupt a security patch for SolarWinds, a network management software. This vulnerability allowed hackers to infiltrate federal agency networks undetected, demonstrating how susceptible the software supply chain is to tampering by bad actors. It also identified a pressing need for agencies to incorporate cyber supply chain risk management practices into their operations. These practices involve continuously identifying, assessing, and mitigating the risks associated with suppliers of hardware, software, firmware, networks, systems, and services that support agency operations.

Cyberattacks are continuing to increase in number and sophistication, resulting in significant operational disruptions, reputational damage, and financial costs to affected organizations. GSA will be challenged to ensure that it has sufficient and effective contractual requirements, practices, and technical tools in place to rigorously evaluate the security of the IT products and services it procures and implements within the Agency's infrastructure.

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 federal employees and visitors at over 8,800 federally owned and leased facilities nationwide. Part of GSA's responsibility is implementing its PBS Facility Safety and Health program to ensure compliance with safety and health requirements as mandated by Executive Order 12196, *Occupational safety and health programs for Federal employees*; and Code of Federal Regulations, Title 29, Section 1960, Subpart E, *General Services Administration and Other Federal Agencies*. Additionally, in accordance with a September 2018 memorandum of

³⁰ Section 889 of the FY 2019 NDAA prohibits executive agencies from purchasing restricted products and services in an effort to better manage supply chain risks and reduce threats to key U.S. supply chains by foreign adversaries.

³¹ 41 U.S.C. 4713

agreement with the U.S. Department of Homeland Security, GSA is responsible for the installation, maintenance, and repair of approved security fixtures (including physical access control systems).

However, our reports demonstrate an ongoing need for GSA management to pay attention to the safety and security of federal facilities. In particular, recent audits and inspections have found problems with GSA's management of access cards and enforcement of security protocols, as discussed below.

GSA's Management of Access Cards

GSA's management and oversight of access cards raises significant security concerns because the cards can be used to gain unauthorized access to GSA buildings and information systems, placing GSA personnel, federal property, and data at risk.

In a November 2020 report, we found that GSA is mismanaging PIV cards issued to contract employees.³² As a result, GSA was unable to account for approximately 15,000 PIV cards issued to contract employees. In addition, GSA failed to collect over half of the 445 PIV cards from contract employees who failed their background checks. We found that GSA's management of PIV cards for contract employees was impaired because it:

- Uses unreliable data to track and monitor PIV cards, which limits its ability to properly account for the cards;
- Does not have formal procedures for recovering PIV cards from contract employees, forcing GSA personnel to use a patchwork of inconsistent and largely ineffective methods for recovering the cards; and
- Has not implemented the oversight needed to ensure all PIV cards are recovered from contract employees.

GSA's Enforcement of Security Protocols

Our reports also demonstrate an ongoing need for GSA management's attention to the safety and security of federal facilities.

In a September 2021 inspection report, we found pervasive deficiencies in site security and security operations and administration at a high-risk GSA building.³³ These deficiencies included:

³² *GSA's Mismanagement of Contract Employee Access Cards Places GSA Personnel, Federal Property, and Data at Risk* (Report Number A190085/A/6/F21001, November 4, 2020).

³³ *Unrestricted Summary: Facility Inspection of a High-Risk GSA Building* (Report Number JE21-003, September 30, 2021).

- Significant problems with the closed circuit camera surveillance and intrusion detection systems;
- Lax enforcement of physical security requirements and parking restrictions;
- Unsecured restricted areas;
- A contract employee living in the building unbeknownst to the security guards on duty;
- Prohibited substances on site;
- Suspected on-duty marijuana use by a contract employee;
- Inaccessible hazardous waste cleanup materials; and
- A faulty occupant emergency plan.

Some of these issues, such as the problems with the closed circuit cameras and intrusion detection systems, are long-standing. The pervasive deficiencies found in our inspection compromise the security of the building, as well as the safety and security of its occupants, and expose the building, employees, and visitors to unnecessary risks.

In a January 2020 report, we identified significant security vulnerabilities at 11 child care centers in GSA-controlled facilities.³⁴ We found that:

- Child care centers in GSA-controlled facilities did not meet the minimum security standards; and
- Many recommended security countermeasures were not implemented, leaving the child care centers vulnerable to a wide range of security threats.

The magnitude of GSA’s responsibility in these areas, not only for GSA employees and contractors, but also for all occupants of GSA-managed facilities, is significant. Our continued findings related to safeguarding federal facilities and providing secure work environments demonstrate an ongoing need for GSA management’s attention in these areas.

Challenge 7: Managing Presidential Initiatives

One of the ways the President of the United States manages the operations of the executive branch of the federal government is through executive orders (EOs). Each new administration enacts EOs designed to promote its administrative objectives and initiatives. Since his inauguration in January 2021, President Biden’s administration has issued multiple EOs that directly impact GSA, addressing areas such as fair contracting practices, purchase of American-made products, and environmental and sustainability policy. As described below, these EOs will require GSA to pivot quickly and refocus purchasing strategy, both within FAS and PBS. Strong controls and oversight over the responses to these initiatives are necessary to ensure that GSA is successful in achieving the intent of the EOs.

³⁴ *Child Care Centers in GSA-Controlled Buildings Have Significant Security Vulnerabilities* (Report Number A170119/P/6/R20001, January 30, 2020).

- EO 13985 – Advancing Racial Equity and Support for Underserved Communities Through the Federal Government, January 20, 2021. This EO states that “the Federal Government should pursue a comprehensive approach to advancing equity for all.” It requires agencies, in consultation with OMB, to select and review their programs and policies to assess whether members of underserved communities face systemic barriers in accessing benefits and opportunities available through those policies and programs. Based on these reviews, the Director of OMB shall identify opportunities to promote equity in the budget that the President submits to Congress.

EO 13985 specifically identifies barriers faced by underserved communities in taking advantage of agency procurement and contracting opportunities as needing analysis. Because of its prominent role in procurement and contracting, GSA will be challenged in identifying those programs and policies that currently result in barriers to underserved communities and in removing those barriers. GSA will need to ensure that it addresses the appropriate programs and that the plan to remove barriers does not result in additional costs to the American taxpayer.

- EO 14005 – Ensuring the Future Is Made in All of America by All of America’s Workers, January 25, 2021. The intent of this EO is that the U.S. government should, whenever possible, procure goods, products, materials, and services from sources that will help American businesses compete in strategic industries and help America’s workers thrive. The EO allows each agency’s senior leadership to issue waivers. The order specifically requires GSA to develop a public website that includes all proposed waivers and whether those waivers have been granted, and to submit recommendations to the Made in America Director (an OMB position) to ensure procurements follow the order. GSA will be challenged to fulfill these responsibilities and ensure that guidelines for purchasing American-made products are followed.
- EO 14008 – Tackling the Climate Crisis at Home and Abroad, January 27, 2021. The overall purpose of this EO is to work toward a safe global temperature, increased climate resilience, and a pathway toward low greenhouse gas emissions and climate-resilient development. The EO states that this plan should use all available procurement authorities to achieve or facilitate “clean and zero-emission vehicles for Federal, State, local, and Tribal government fleets, including vehicles of the United States Postal Service.” Further, the plan also aims to “ensure that the United States retains the union jobs integral to and involved in running and maintaining clean and zero-emission fleets, while spurring the creation of union jobs in the manufacture of those new vehicles.”

GSA’s Office of Fleet Management provides the mandatory source for all non-tactical vehicle purchases and provides full-service, end-to-end, life cycle management of over 215,000 vehicle assets. That office’s responsibility for implementation of this EO could be enormous. The electrification of the federal fleet comes with many challenges, including a lack of supply and limited variety of electric vehicles.

Infrastructure could also pose challenges. As GSA expands the electric fleet, it will see increased demand for charging stations; however, not all federal buildings have the capability to provide the electricity needed to charge multiple vehicles. Further, the utility infrastructure might not be in place to handle the additional demand. Finally, strong controls need to be in place over additional purchases of vehicles to ensure that GSA is purchasing the needed vehicles at a reasonable cost. GSA must overcome these challenges to meet the goal of the EO and protect taxpayer dollars.

Further, prior audit work has shown that GSA is challenged with follow-through on sustainability and greening initiatives. For example, in July 2020, we reported that PBS did not effectively manage its green roof inventory.³⁵ We found that PBS did not have a comprehensive maintenance strategy in place to protect its investment in green roofs. PBS did not ensure that all of its green roofs were maintained in accordance with internal guidance and industry standards. As a result, many green roofs were in poor condition. We also found that PBS did not educate staff on maintenance requirements for green roofs and did not consider green roof maintenance costs when planning to install a green roof. GSA will need to ensure that any climate initiatives, including fleet electrification and installation of charging stations, are properly planned and managed.

The EOs discussed above directly impact GSA in multiple ways. GSA needs to be consistent in how it responds. For example, FAS representatives indicated that FAS contracting programs implement environmental EOs in different ways. FAS may implement these requirements at the master contract level for some programs while delegating this to the task order level for others. Given the inconsistency in implementation, opportunities may exist to improve compliance and reduce the environmental impacts of GSA contracting programs.

Challenge 8: Managing the Impact of COVID-19

GSA faces significant challenges responding to the ongoing COVID-19 pandemic. As of October 6, 2021, there have been more than 235 million COVID-19 cases worldwide, including over 4.8 million attributed deaths. In the U.S., there have been more than 43.8 million cases and over 704,000 deaths. There have also been over 16,000 reports of suspected or confirmed COVID-19 cases in GSA-owned or leased facilities.

During a pandemic emergency, a primary GSA responsibility is to protect the health and safety of its employees, tenants, contractors, and visitors at its facilities. To do so effectively, PBS must monitor evolving Centers for Disease Control and Prevention (CDC), state, and local health department guidance, and ensure that it is adhered to at GSA-owned and leased facilities. PBS must be able to track suspected and confirmed COVID-19 cases in its facilities, provide timely

³⁵ *Audit of the Public Building Service's Green Roof Maintenance and Safety Practices* (Report Number A180085/P/4/R20008, July 23, 2020).

notification to building occupants when there are COVID-19 incidents, and conduct timely disinfection and cleaning.

As GSA and tenant agencies begin to return to facilities, PBS must also ensure that heating, ventilation, and air conditioning (HVAC) systems are updated to increase ventilation and improve air filtration to minimize the spread of the virus. Further, PBS must ensure that potable water is available in facilities where decreased occupancy has increased the potential for water quality degradation. These critical responsibilities pose challenges for GSA.

Implementing Guidance for GSA Facilities to Return to Work

Establishing consistent return-to-facility procedures while having to keep up with and implement constantly changing guidance will pose a challenge for GSA. As cities, states, and the federal government loosen restrictions and allow workers to return to office environments, GSA will need to ensure that it is able to provide a safe and secure work environment.

GSA must also ensure that its own guidance aligns with changing directives from the new administration and is consistently implemented across all its building inventory. Concurrently, GSA must continue to monitor the trend of reported COVID-19 cases, hospital capacity, and gating criteria tied to city, county, and state health department data across the nation.³⁶ Despite this unprecedented level of monitoring and review, GSA needs to maintain its ability to make timely and accurate decisions.

The open-space floor plans in many of GSA's federal buildings may increase the risk of a COVID-19 outbreak among tenants. GSA has relied on office space designs based on open workspace and hoteling concepts to reduce overall space requirements. In many cases, these open-space designs may prevent GSA employees and tenants from observing social distancing requirements necessary to prevent the spread of COVID-19 and other viruses. As a result, GSA and tenant agencies will likely be prevented from returning employees to these offices at pre-pandemic levels. GSA, in close coordination with affected tenant agencies, will need to assess facilities with open-space floor plans and make the necessary adjustments to ensure compliance with all protocols necessary to combat the spread of COVID-19. Additionally, GSA will need to assess the effect of COVID-19 and future pandemics on the viability of open-space design concepts.

Effective Communication and Response for COVID-19 Incidents

CDC's Interim Guidance for Businesses and Employers to Plan and Respond to COVID-19 states that if an employee is confirmed to have COVID-19, employers should inform fellow employees of their possible exposure to COVID-19 in the workplace. *PBS's Notification Process for*

³⁶ Gating criteria are the data-driven conditions each region or state should satisfy before proceeding to a phased opening.

Suspected and Confirmed Cases of COVID-19 (notification process) states that all occupants and contractors in a GSA-controlled facility must be notified of COVID-19 incidents no later than 24 hours after the incident is first reported. However, timely reporting of confirmed COVID-19 cases to all who access buildings under GSA's custody and control has been a challenge for GSA.

Our recent audit work found that PBS did not always receive or provide timely notice of positive COVID-19 incidents in accordance with PBS's notification process.³⁷ As a result, PBS could not take appropriate action to clean and disinfect affected spaces. Further, building occupants, contractors, and visitors may have unknowingly passed through space contaminated with COVID-19 and been at increased risk of exposure to and transmission of the disease.

GSA's *Communicable Disease Pandemic Plan* notes that in-person inspections of its owned or leased facilities would be impossible and imprudent, given the health and safety risks involved. Therefore, effectively administering cleaning contracts to ensure the health and safety of building occupants poses a challenge. GSA's pandemic plan states that it is important that PBS work with contractors to review, enhance, and modify as appropriate, contract quality control plans and PBS quality assurance surveillance plans to ensure that adequate safeguards provide for the delivery of safe, efficient, and effective custodial services.

PBS needs to ensure it follows GSA's *Communicable Disease Pandemic Plan*. In our recent audit work referenced above, we found issues with PBS's oversight of cleaning and disinfecting services. PBS did not always provide contractors with the correct scope of work to conduct detailed cleaning and disinfection services. Also, PBS did not implement consistent inspection and quality assurance procedures for COVID-19 custodial services.

Ventilation and Air Filtration

The CDC's *COVID-19 Employer Information for Office Buildings*, updated on April 7, 2021, recommends that businesses and employers increase central air filtration by increasing air filtration as high as possible. To do so, businesses and employers should ensure that HVAC systems use air filters with a minimum efficiency reporting value (MERV) greater than or equal to MERV 13 because these filters are efficient at capturing airborne viruses.

GSA's *Guidance for COVID-19 HVAC Operations* indicates that many GSA buildings were designed to use MERV 13 filters. Thus, the guidance requires regional engineers and technicians to collect the design information for each air handler to: (1) determine the existing level of filtration and filter seals for each air handler and (2) determine what filter retrofits are possible.

However, GSA must ensure it can meet these standards. In a January 2020 audit, we raised concerns that HVAC systems in GSA-controlled buildings with child care centers lacked

³⁷ *PBS Did Not Always Follow CDC and Internal Guidance to Limit the Risk of COVID-19 Exposure* (Report Number A201018-2/P/4/R21005, August 26, 2021).

adequate air filtration. We found that GSA did not implement countermeasures, recommended by the U.S. Department of Homeland Security, to use MERV 13 filters in several buildings.³⁸ Therefore, those buildings' HVAC systems did not meet the biological filtration requirements and could potentially expose children, staff, and visitors to airborne pollutants, contaminants, or even bacteria and viruses from the air outside the child care center.

With regard to COVID-19, PBS notes moderate to major costs as a barrier in implementing the CDC's recommendation to use MERV 13 filters to increase air filtration. However, PBS should assess its buildings, implement the recommended filtration to meet standards where feasible, and then identify the buildings where the costs to meet standards may be significant. GSA has mechanisms available to fund—or request funding for—alterations to GSA-controlled buildings and should use them to ensure the safety of its buildings.

Water Quality

As a result of the COVID-19 pandemic, federally owned facilities are experiencing reduced occupancy. With reduced occupancy, the use of potable water in these facilities is substantially less than the usage prior to COVID-19. Reduced usage has heightened the potential for water quality degradation. As noted by the CDC, "The temporary shutdown or reduced operation of a building and reductions in normal water use can create hazards for returning occupants."³⁹ The CDC recommends heightened awareness and controls to eliminate mold growth initiated by water leaks and Legionnaire's disease from stagnant or standing water. GSA will be challenged to identify and address issues and hazards such as mold, legionella, and lead and copper contamination in facilities under its jurisdiction and control.

GSA continues to face significant challenges responding to the COVID-19 pandemic and protecting the health and safety of its employees, tenants, contractors, and visitors at its facilities. As GSA and tenant agencies begin to return to facilities, this will become an even more immediate need—particularly with the recent surge of the highly transmissible COVID-19 Delta variant.

To reduce the risk of COVID-19 transmission within its facilities, GSA must continue to monitor and implement evolving CDC, state, and local health department guidance. PBS must continue to track suspected and confirmed COVID-19 cases in its facilities, provide timely notification of COVID-19 incidents to building occupants, and conduct timely disinfection and cleaning. PBS must also ensure that HVAC systems are updated to increase ventilation and improve air filtration, and ensure that potable water is available in facilities where decreased occupancy has increased the potential for water quality degradation. GSA must effectively manage these critical responsibilities to limit the spread of COVID-19 within its facilities.

³⁸ *Child Care Centers in GSA-Controlled Buildings Have Significant Security Vulnerabilities* (Report Number A170119/P/6/R20001, January 30, 2020).

³⁹ Centers for Disease Control and Prevention, *Reopening Buildings After Prolonged Shutdown or Reduced Operation* (July 22, 2021).