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U.S. GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY  
Expected at 10:00 A.M.  
Wednesday, May 21, 1986

STATEMENT OF  
JAMES G. MITCHELL  
SENIOR ASSOCIATE DIRECTOR  
GENERAL GOVERNMENT DIVISION  
BEFORE THE  
SUBCOMMITTEE ON PUBLIC BUILDINGS AND GROUNDS  
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION  
HOUSE OF REPRESENTATIVES  
ON  
THE GENERAL SERVICES ADMINISTRATION'S PROGRAM  
TO DELEGATE REAL PROPERTY OPERATIONS TO  
SELECTED TENANT AGENCIES



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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the information we've developed to date on the General Services Administration's (GSA) program to delegate its authority for real property operations to selected tenant agencies.

As requested by this Subcommittee's letter of March 11, 1986, we are developing information on various aspects of the delegations program. Today, I'd like to provide the preliminary information we've developed on the authority for the program, the program's history, the planned fiscal year 1986 expansion of the program, how the expanded program is supposed to work, and the current status of the program. I will also discuss various issues surrounding the decision to expand GSA's delegations program.

#### AUTHORITY FOR THE PROGRAM

The Federal Property and Administrative Services Act of 1949, which created GSA, authorizes GSA to delegate certain of its real property management responsibilities to tenant agencies provided those delegations promote economy and efficiency. Further, Executive Order 12512, dated April 29, 1985, directs GSA to delegate building operational responsibilities to tenant agencies where feasible and economical. Under the authority of the 1949 Act, GSA is delegating real property operations for certain buildings to selected tenant agencies.

Under GSA's delegations program, GSA transfers to tenant agencies the responsibility for performing various buildings'

management and lease management functions affecting the building space they occupy. These functions include cleaning, protection, mechanical operations and maintenance, utilities, space management, repairs and alterations, concessions, contract administration, and lease management.

#### PROGRAM HISTORY

Beginning in late 1981, GSA invited selected federal agencies to participate in a pilot program to test the economy, efficiency, and effectiveness of delegating building operations authority to tenant agencies. The Departments of Labor and Transportation, as well as GSA's Central Office, agreed to participate and received their delegated authorities in 1982. In 1983 the Departments of Justice and Commerce agreed to participate and were added to the pilot program.

GSA's stated purpose for the pilot program, which was scheduled to last for 5 years, was to allow the five selected agencies to operate their Washington, D.C., headquarters buildings so that GSA could determine whether delegations were feasible and cost effective and whether the program should be expanded to include other GSA-owned and leased buildings. Also, the pilot program was supposed to allow the selected agencies to pursue their own operational priorities and to introduce innovative operations and maintenance initiatives. Based on the results of these initial pilot delegations, GSA subsequently expanded the pilot program in fiscal years 1984 and 1985 to a total of 10 agencies and 24 buildings in the Washington, D.C., area.

GSA's National Capital Region, in the fall of 1983, performed limited evaluations of the operations at the first three delegated buildings--GSA's Central Office building, Transportation's Nassif Building, and Labor's Frances Perkins Building. At that time, the delegations had been in effect almost a year. The GSA regional evaluators reported that operating costs and staffing levels at two of the three buildings were higher than what GSA had experienced the previous year and that the staffing level at the third building, which was leased, appeared to be excessive compared to GSA's normal staffing pattern.

The evaluators also reported several weaknesses in the pilot agencies' administration of delegated authority at each of the three buildings. The evaluators recommended that no additional delegations be considered until those three pilot agencies had demonstrated that they could successfully operate and maintain their buildings in a cost-effective manner.

Subsequently, the Administrator, GSA, asked the GSA Inspector General (IG) to review the pilot delegations program. The GSA IG reviewed the first year of operation of the pilot program at the same three delegated buildings and also looked into GSA's planned expansion of the pilot program to include additional headquarters buildings in the Washington, D.C., area.

As part of this review, conducted between December 1983 and May 1984, the IG compared first year delegation costs and levels of service with that experienced by GSA in 1982 at each of the three delegated buildings for cleaning and landscaping,

utilities, mechanical operation and maintenance, repairs and alterations, space changes, and protection. Also, the GSA IG surveyed tenant agency perceptions of services before and after delegation, reviewed tenant agency cost and performance reporting systems, and examined GSA and tenant agencies' capabilities to satisfy their responsibilities under delegations of authority.

The GSA IG reported that (1) the three pilot buildings were operated in a "generally satisfactory manner," (2) delegated agencies' operating costs for fiscal year 1983, for the most part, were consistent with those experienced by GSA in fiscal year 1982, and (3) tenants perceived that building services under delegation generally were equal to or better than before delegation.

Although the GSA IG concluded that delegated agencies could generally operate buildings at about the same cost as GSA, the IG reported "substantial" problems in the areas of mechanical operations and maintenance, cleaning, utilities, protection, repairs and alterations, and contract administration as a whole at the three delegated buildings. Also, the IG reported problems with GSA's delegations oversight capabilities, agencies' cost accounting systems, and the protection of GSA's proprietary interests in delegated buildings.

The GSA IG's September 1984 report contained 32 recommendations to the Commissioner of GSA's Public Buildings Service (PBS) to correct the identified deficiencies and improve the program. The PBS Commissioner agreed with the IG's findings and

recommendations. PBS has reported that it has implemented most of the recommendations and plans to implement the remaining ones by September 30, 1986.

#### POLICY DECISION TO EXPAND/ACCELERATE DELEGATIONS

The Office of Management and Budget (OMB) decided in late 1984 that GSA should delegate authority for real property operations to all federal agencies in single-tenant buildings nationwide by September 30, 1986. This decision, made during OMB's fiscal year 1986 budget review, was communicated to GSA as part of OMB's budget feedback and was reaffirmed in a January 1985 policy guidance letter to GSA.

OMB informed GSA that its decision to expand and accelerate the delegations program was based on its review of the pilot delegations program as well as the GSA IG's report. OMB concluded that the pilot delegations program had been successful and should be expanded in the most expeditious manner possible. Also, OMB concluded that the expanded delegations could be achieved in an orderly manner because GSA's pilot delegations program had produced the necessary data for GSA to develop and implement an expanded delegations program. OMB also suggested that GSA, instead of targeting the universe of single-tenant buildings for delegation by September 30, 1986, focus only on those 750 single-tenant buildings which contain more than 10,000 square feet of space.

#### OVERVIEW OF EXPANDED DELEGATIONS PROGRAM

Beginning in the summer of 1985, GSA developed plans to implement delegations of authority by September 30, 1986, in all

GSA-owned and leased buildings occupied exclusively by one agency and in those buildings where one agency clearly occupied a preponderance of the total space. Currently, GSA estimates that about 200 owned and 3,400 leased buildings fall into that category.

In September 1985 letters to the heads of selected federal departments and agencies, GSA notified them of the expanded delegations initiative, enclosed a proposed standard delegation agreement, and asked them to provide GSA with certain information to facilitate the necessary pre-delegation arrangements. GSA subsequently revised the standard delegation agreement and encouraged agencies to firm up their delegation plans and timetables and advise GSA of those plans and milestones.

#### Delegation Agreements

GSA has developed a standard written delegation agreement specifying the funding of building operations, transfer of GSA resources to delegated agencies, agencies' program responsibilities and limitations for the various building functions, agencies' cost accounting and reporting requirements, and GSA's responsibilities for overseeing and evaluating building delegations.

GSA uses this agreement for delegating functions in GSA-owned buildings and leased buildings where the government provides services other than utilities. For leased buildings where the lessor provides all building services or where the government pays only for utilities, GSA and the tenant agency execute a memorandum of understanding specifying the delegation of lease

management functions. Under delegation, GSA retains responsibilities for all projects of \$500,000 or more which require congressional approval, all non-recurring repairs, and certain other matters, such as space assignments for other tenants in the building and developing policy and regulations governing concessions activities.

#### Delegations Funding

In terms of the funding and budgetary treatment of the expanded delegations, OMB directed that GSA continue to budget for the full costs of real property operations for all its federal buildings. OMB also directed that delegated agencies continue to include the full Standard Level User Charges (SLUC) in their budgets. Further, GSA will then rebate to delegated agencies that portion of SLUC representing what GSA estimates it would have spent on those buildings in the absence of delegations.

OMB informed GSA that this funding process and budgetary treatment (referred to as the funds transfer method) should (1) provide the necessary data for OMB and GSA to monitor and account for the full costs of operations for each agency as well as the federal government as a whole and (2) ensure that spending under delegations does not exceed the spending that would have occurred if GSA maintained operational responsibility for these buildings.

Although the SLUC rebates under the pilot delegations program were negotiated on a case-by-case basis and varied among pilot agencies, the amount of SLUC to be returned to delegated agencies under the new expanded delegations program is determined

by a formula contained in the standard delegation agreement. As under the traditional GSA arrangement, the tenant agency is responsible for financing all operations and maintenance services over and above the standard level defined by GSA. If an agency needs additional funding for extraordinary expenses, it may submit a supplemental funding request to GSA or request additional funding through its own appropriations process.

To date, two different funding methods have been used to finance operational delegations of authority. The basic difference between the two funding methods is their budgetary treatment or presentation.

One method--SLUC adjustment--was used for all the pilot delegations executed before July 1985. Under this method, the pilot agencies do their own budgeting and present both SLUC costs and delegations costs in their budgets. Conversely, the pilot agencies' delegations costs are not shown in GSA's budget.

The other funding method--funds transfer--was directed by OMB and used for new delegations beginning July 1985 and will be used for all future delegations, including the pilot delegations when those agreements expire at the end of the fifth year of operation. Under the funds transfer method, an agency includes only the total SLUC costs in its budget. GSA budgets for the delegated agency and presents the total costs of delegated activities as a separate line item in its real property operations budget.

According to OMB, the funds transfer method now being used is the preferable funding method. It should provide a means for

OMB and the Congress to better monitor and oversee real property operations because the total costs of all delegated and non-delegated activities are supposed to appear as separate line items in GSA's budget. The funds transfer method should allow GSA to better monitor and control funds devoted to real property operations since each delegated agency is to submit a standard level of operations budget request to GSA.

#### Transfer of GSA Resources

GSA's delegations program also provides for transfers of GSA equipment, supplies, records, and staff to delegated agencies. GSA staff resources to be transferred to tenant agencies include the Full-Time Equivalent ceiling positions GSA has allocated to the delegated buildings, as well as the GSA incumbents of these positions. Unlike the pilot program which permitted negotiation on a case-by-case basis regarding positions to be transferred, the new expanded delegations program provides for staffing transfers even if the tenant agency plans to contract out its building operations.

#### STATUS OF THE DELEGATIONS PROGRAM

As of May 15, 1986, GSA had executed delegations of buildings operations authority for 28 of the approximately 200 owned and 3,400 leased single-tenant buildings scheduled to be delegated by September 30, 1986; 24 of these buildings were included in the pilot program. However, GSA has advised us that federal agencies have agreed to accept delegations for about 2,800 (78 percent) of the 3,600 buildings.

## ISSUES ASSOCIATED WITH THE PROGRAM

In the beginning and throughout the early stages of the pilot delegations program, GSA's and other study groups' concerns about delegating buildings' operations centered on the expected improvements in the delivery of building services; the economy, or cost effectiveness, of delegations; and the willingness and capabilities of tenant agencies to assume delegated responsibilities. But OMB's policy decision to expand delegations to include all single-tenant buildings nationwide, on a mandatory rather than a voluntary basis, by September 30, 1986, represented significant change in the implementation strategy.

The question now becomes whether the expanded delegations program now being implemented not only improves building services but fully addresses economy and the willingness and/or capabilities of tenant agencies to assume the delegated responsibilities as was the case of the pilot delegations. Further, if the delegations are not economical, do they comply with the intent of the Federal Property and Administrative Services Act of 1949 and Executive Order 12512?

One of GSA's primary goals in initially implementing its pilot delegations program was to demonstrate the cost effectiveness of delegations. While the GSA IG's report on the pilot program, which OMB cited as support for expanding the delegations program, was somewhat favorable, it raised questions about the costs of delegations and the capabilities of tenant agencies and GSA to function effectively in a delegated environment.

At this point of our review, we have not determined whether GSA has adequately addressed and resolved the issues raised by the GSA IG. Also, we do not know whether GSA's expanded delegations program is feasible and economical as contemplated by the 1949 Act and Executive Order 12512.

Several study groups have endorsed the concept of GSA delegating building operations to selected agencies, but GSA's implementation methodology for the expanded delegations program may not satisfy the conditions upon which those groups' endorsements were based. For example, the National Academy of Public Administration in November 1983 endorsed the delegations concept and implementation as rapidly as agencies are capable of accepting delegations and GSA can effectively redeploy its staff.

An Interagency Task Force on Delegations of Authority in July 1985 recommended that delegations of authority be voluntary and be implemented where agencies have the willingness and capability to assume delegated responsibilities. Further, the Cabinet Council on Management and Administration's Working Group on Real Property Management in January 1985 recommended that delegations of authority be effected where (1) tenant agencies possess the capability and willingness to accept delegations and (2) delegations are cost effective.

Similarly, in letters to OMB in April and June 1985 regarding its policy decision to expand and accelerate the delegations program, the then Acting Administrator, GSA, expressed concerns about the timing, methodology, and cost effectiveness of the

the expanded delegations program and tenant agencies' and GSA's capabilities to fulfill their responsibilities under delegation.

Finally, it should be noted that (1) the GSA IG's report was based on a limited review of only the first year of delegation for three buildings and (2) the pilot agencies willingly sought delegated authority to operate and maintain their buildings. Additionally, the GSA funding levels for, and terms and conditions of, the pilot delegations seem to be more favorable than those currently being offered to tenant agencies. For example, some pilot agencies received a higher rebate of SLUC to operate their buildings and they received additional considerations from GSA, such as additional funds for repair and alterations projects, to compensate them for the condition of their buildings at the time of delegation. Also, the pilot delegations were voluntary and pilot agencies were not required to accept GSA staffing transfers. Thus, the success, or lack of success, of the first three pilot delegations may not be a good indicator of the results of the expanded delegations program now being implemented, which is mandatory for single-tenant agencies.

Also, GSA program officials have advised us that the primary goal of expanded delegations of authority is to improve operations and maintenance services to tenant agencies, not to save money in accomplishing such services. In that regard, GSA program officials told us that costs for the services were neutral for the first five pilot delegations and that cost savings in providing building operations are no longer a specific

goal of the delegations program. However, these officials suggested that savings may result from improved tenant morale and productivity due to the improved building services provided through the delegations program.

We have contacted nine of the ten agencies who participated in GSA's pilot delegations program to obtain their views on delegations and any available data on their operating costs. The results of our limited survey were:

- All nine agencies indicated that they accepted delegated authority to improve the quality of building services because they were dissatisfied with the quality of GSA services prior to delegation.
- All nine agencies believe that the quality of services overall has improved under delegation; they believe that protection services have improved or remained the same.
- Six of the nine agencies believe that the guidance and/or training their personnel received from GSA during the transition from GSA to agency operations was adequate.
- Three of the nine agencies reported that GSA had conducted inspections of their delegated buildings.
- Five of the nine agencies believe that delegations of authority should continue to be funded from, and presented in, their budgets.
- Although all nine agencies believe that the pilot delegations have been somewhat successful, most had negative comments about GSA and/or some aspect of the

program; the biggest complaint was that GSA has not adequately attended to major repairs and alterations.

Additionally, three pilot agencies had completed internal evaluations of their delegations of authority. Each of the three agencies reported small cost increases during fiscal year 1985 under the delegation compared to what GSA would have spent to operate those buildings.

In summary, there are several important questions about operational delegations of authority which we feel are fundamental and which we intend to pursue in our review for this Subcommittee. These questions are:

- Have the pilot delegations improved building services in a cost-effective manner and do such delegations appear to be good indicators of future delegations?
- Does OMB's decision to expand and accelerate the delegations program before the ongoing pilot tests were completed appear to be an appropriate one?
- Does GSA have appropriate procedures to assure that tenant agencies possess the necessary capabilities to operate effectively in a delegated environment and does GSA have the appropriate oversight capabilities?
- How will GSA measure and evaluate the economy, efficiency, and effectiveness of its delegations of authority?
- What impact will operational delegations of authority have on congressional oversight of real property operations?

Specifically, what visibility will this and other cognizant congressional committees have over program funding, costs, and effectiveness?

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Mr. Chairman, that concludes my prepared statement. My colleagues and I will be pleased to answer any questions you or other Subcommittee members may have about either the delegations program or our ongoing review.