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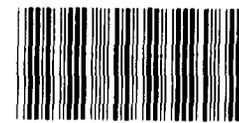
Report to Congressional Requesters

GAO

January 1988

GSA REGIONAL REORGANIZATION

Public Buildings Service Consolidation Followed Reasonable Process



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General Government Division

B-226394

January 6, 1988

The Honorable William L. Armstrong
The Honorable Timothy E. Wirth
United States Senate

The Honorable Hank Brown
The Honorable Dan Schaefer
The Honorable Patricia Schroeder
House of Representatives

In your letters of April 28, 1986, and April 30, 1986, and in subsequent discussions with us, you asked us to obtain information on the General Services Administration's (GSA) management decision-making process which resulted in the transfer of certain Public Buildings Service (PBS) functions from the Denver, Colorado, regional office to the Fort Worth, Texas, regional office.

Your representatives asked whether the GSA decision to reorganize the Denver and Fort Worth offices was reasonable. We said that while we could not, due to the lack of established criteria, readily determine whether the decision was reasonable, it appeared to us that GSA went about making the decision using a reasonable process. The decision to consolidate functions was based on the assumption that some PBS staffing reductions were inevitable because of anticipated budget reductions and the Administrator of General Services' policy goal to increase efficiency by reducing overhead staff. Within this context, we considered GSA's decision-making process regarding which offices to consolidate to be reasonable because the process (1) stemmed from predetermined objectives, (2) included an analysis of management studies and analyses of workload and financial data for all regions, and (3) involved the participation of senior Denver office staff.

We briefed your representatives on the results of our work. They also asked us to formally transmit our results as summarized at the briefing and to provide additional information on personnel departures from the Denver PBS office. We developed information on personnel departures for the period March 1986 to October 1986. The information presented at the briefing is summarized below and the personnel departures are presented in appendix III.

Background

GSA's major responsibility is to manage federal property and records economically and efficiently. Its major operating services—the Information

Resources Management Service, the Federal Supply Service, the Federal Property Resources Service, and the Public Buildings Service—carry out program operations at three organizational levels: a central office headquarters, 11 regional offices, and numerous field activities. PBS, the service responsible for acquiring and managing facilities for government activities, is organized in 11 regions and headquarters on a functional basis, with subordinate units being responsible for such activities as building management, design and construction, or real estate operations.

The Administrator of General Services had made a deliberate effort to change the role of GSA. GSA's traditional role of providing services to other agencies was to be continued only in those areas where such a role had clear cost and/or effectiveness advantages. Otherwise, GSA was to be a policy-setting and regulatory agency that delegated its service operations to the agencies and contracted with private industry whenever practical. Consistent with these policies, GSA officials said there was a need to improve PBS' efficiency by reducing overhead and streamlining administrative functions.

This perceived need led to the process described below and resulted in the Administrator of General Services announcing on April 4, 1986, a change in the organization of the regional offices. GSA Order ADM 5440.345, effective May 1, 1986, abolished the Offices of Public Buildings and Real Property in the Boston, Massachusetts, Denver, Colorado, and Auburn, Washington, regions. The order transferred certain of the functions that had been performed by each office, including Denver, to adjacent regional offices.

Objectives, Scope and Methodology

In April 1986, several members of the Colorado congressional delegation requested information on the management decision-making process GSA employed in developing GSA Order ADM 5440.345. In meetings with your offices, we agreed that our objectives would be to (1) identify the objectives GSA used in planning the transfer; (2) identify the types of studies, both management and workload, GSA prepared as part of the process; (3) provide our assessment of the reasonableness of the process GSA employed in deciding to transfer PBS functions from Denver; (4) prepare a chronology of the GSA process (see app. I); and (5) identify trends in total GSA employment between October 1980 and July 1986 with specific information on the Denver office (see app. II).

We did not evaluate the validity of the GSA objectives or the adequacy and accuracy of the studies and analyses GSA used to make its decision.

Neither did we assess whether the decision to transfer PBS functions from Denver to Fort Worth was appropriate. During our review, we attempted to identify governmentwide procedures for realigning regional offices. We identified only OMB Circular A-105, a circular governing regional office structures, as a potential source of such procedures. However, in response to an inquiry from GSA, OMB had determined that the circular was not applicable to the PBS reorganization because GSA was not redefining the geographical limits of its regions. A GSA official said they were aware of no other guidelines applicable to the Denver or similar transfers. In the absence of any source of recognized assumptions and criteria against which to judge GSA's reorganization process or the transfer decision itself, we assessed the process using our own asserted standards of reasonableness, such as whether it was based on consideration of relevant data, included the participation of involved and knowledgeable individuals, and followed logical paths from rational premises.

We conducted our work in Washington, D.C., and Denver, Colorado. We reviewed the files, internal memorandums, notes, and correspondence pertaining to the decision and interviewed GSA headquarters and Denver regional officials involved in the decision-making process.

We used GSA fiscal year employment reports to determine trends in GSA employment levels. GSA officials cautioned, however, that while the reports were the best available sources for trend data, they reflected various reorganizations which have occurred over the years and thus were not stated in terms of constant organizational structures. We did not verify the accuracy of these reports.

Our work was done in accordance with generally accepted government auditing standards.

Reorganization Objective

As expressed by GSA officials and set forth in GSA planning documents, the basic objective of the reorganization was to make PBS more efficient by reducing overhead, a goal GSA says was consistent with the Administrator's management initiatives and the budgetary constraints GSA was facing. GSA officials said that the decision-making process was guided by the following questions:

- Given the changes in GSA's role and the current budget pressures, can GSA afford to continue to have full regional structures? For example, are design and construction of major projects and facilities planning in the

smaller regions acceptable or can the larger regions, those with greater workload, support smaller regions?

- If the overhead staff level in a region cannot be supported by the present or future workload, can changes be made to regional office structures to more equitably allocate workload and reduce administrative overhead?
- In view of the regional level consolidations in other GSA operations, what similar consolidations can be made in the PBS operations?
- Can staff support for regional PBS operations be streamlined without reducing the level of customer service?

Management, Workload, and Financial Studies

During the reorganization planning process, GSA officials produced numerous studies, documents, and analyses of various reorganization options. In September 1985, the Auburn regional administrator submitted a study to GSA headquarters entitled Preliminary Plan for Implementation of Major Reorganization/Cost Reduction in Region 10. The document was an initial response to a GSA headquarters initiative aimed at a major organizational consolidation of West Coast GSA and PBS operations. GSA management considered this study to be a basis for studying the relationship of regions 8, 9, and 10.

In December 1985, a working group established by the senior managers of PBS and composed of several assistant regional administrators issued a report entitled A Proposal for Regional Reorganization—Public Buildings Service. This report discussed the existing regional structure, the concept of combining regional functions into zones larger than existing regions, and increasing contracts with the private sector.

In January 1986, the Denver and Auburn regions reviewed a reorganization plan prepared by GSA headquarters that would have transferred some of their regional PBS operations to other regions. The regions agreed that the organizational structure could be streamlined and that certain functions could be combined into interregional zones. However, the regions developed an alternative plan which corrected what they perceived as limited recognition in the headquarters plan of those functions best performed in each regional office.

In March 1986, the Fort Worth Regional Administrator sent the Administrator of General Services a plan to consolidate Fort Worth and Denver functions. This plan laid out detailed organizational charts, staffing levels, and functional responsibilities for the Fort Worth and Denver

offices. According to a GSA official, this plan became the final basis for the Administrator's decision to transfer Denver functions to Fort Worth.

GSA supplemented the above management studies of PBS operations with a series of analyses to identify regions that were candidates for change. GSA used numerous types of workload and financial statistics in these analyses. For example, GSA computed and compared the workloads of all regions in 16 categories, including:

- employees housed,
- government-owned square footage,
- number of leases,
- new construction projects,
- number of requests for space, and
- contract actions.

Regarding financial performance, GSA ranked each region according to income level¹ and general/administrative expenses as a percentage of income.

These analyses showed that the three regions eventually selected to transfer their PBS functions (Auburn, Boston, and Denver) generally had lower workloads than did other regions and ranked low in financial performance. We did not evaluate GSA's methodology in conducting these studies or the criteria it used to select the three regions for consolidation.

Involvement of Denver Officials in the Decision-Making Process

Our review of the decision-making process which led to the reorganization showed that senior Denver regional officials, for example the Regional Administrator and the Assistant Regional Administrator for Public Buildings, participated in various meetings and studies in GSA's reorganization process. (See app. I for a chronology of events.) In particular, the Assistant Regional Administrator for Public Buildings participated in a working group of GSA regional officials who produced the December 1985 report discussed on page 10.

During the early months of 1986, Denver officials were advised of and commented on proposals to combine selected Denver functions with those in other regions. Finally, in April 1986, Denver's Assistant

¹Income includes Standard Level User Charges from agencies and other income but excludes reimbursable receipts.

Regional Administrator for Public Buildings participated in a meeting at which agreement was reached on the specifics of the changes in the Denver and Fort Worth PBS functions. It was at this meeting that decisions were reached as to which functions would remain in Denver and which functions would be transferred to Fort Worth.

GSA Decision-Making Process Appears Reasonable

There are no formal criteria or procedures specified for reorganizing regional offices of federal agencies. Nevertheless, in the context that some reductions in staffing were inevitable, GSA's decision-making process appears reasonable because it included:

- a comparative analysis of all regions' workload and financial data to identify candidates for change;
- early involvement of affected GSA organizations;
- early definition of guiding questions; and
- involvement of regional leadership, including that of Denver, at key points in the process.

Our conclusion that GSA followed a reasonable process does not necessarily mean that GSA's decision was the most reasonable or appropriate alternative, or that the studies and analyses used to make the decision were adequate for making such a decision.

In accordance with direction from your offices, we obtained oral comments from GSA officials responsible for the activities discussed in this report. They said that the contents of the report accurately reflected the process used by GSA in reaching its decision. They also offered some comments of a technical or clarifying nature which are incorporated as appropriate.

We trust the report is responsive to your needs. As arranged with your offices, we are sending copies of this report to the Administrator of General Services; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others upon request.

If there are any questions regarding the contents of this document,
please call Thomas Johnson on 535-7552 or me on 275-8676.

A handwritten signature in cursive script that reads "L. Nye Stevens". The signature is written in black ink and is positioned above the printed name.

L. Nye Stevens
Associate Director

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Abbreviations

GSA	General Services Administration
OMB	Office of Management and Budget
PBS	Public Buildings Service

Chronology of Major Events in GSA's Decision-Making Process

9/23/85	The Auburn, Washington, region submitted a proposal to consolidate it with the San Francisco region. A GSA official said that this proposal served as a basis for a study of the relationship of the Denver, San Francisco, and Auburn regions.
10/9/85	PBS assistant regional administrators and assistant commissioners met in Williamsburg, Virginia, to discuss changes in PBS. The assistant regional administrators said they would prefer an alternative to across-the-board staff cuts. During the meeting, the concept of combining the PBS functions of regions into larger zones in lieu of across-the-board cuts was discussed.
10/30/85	A meeting of the assistant regional administrators and assistant commissioners was held in Fort Worth. Working groups were formed to work out ideas for both headquarters and regional consolidation.
11/85	Working groups formed at the October 30 meeting met to define the most efficient organizational structure and functional relationships between regional organizations.
12/18/85	A working group's report, <u>A Proposal for Regional Reorganization--Public Buildings Service</u> , proposed basing regional consolidation on a work flow basis rather than on the regions mirroring the headquarters functional organization.
12/20/85	PBS officials briefed the Administrator of General Services on the proposals from the working group including the concept of consolidation into interregional zones. He requested that the concept be studied further.
1/7/86	The Administrator was again briefed and agreement reached on which regions would be affected. The assistant regional administrators and assistant commissioners were to decide how to combine the regions.
1/23/86	The Denver region submitted comments on a proposal to combine its functions with those of other regions. Denver agreed that the regions

**Appendix I
Chronology of Major Events in GSA's
Decision-Making Process**

could be streamlined and certain functions combined into zones, but presented an alternative plan to enhance the productivity of Denver and Auburn given the existing interdependency between them.

3/21/86

The Fort Worth Regional Administrator proposed a consolidation in which Denver would become a satellite region to Fort Worth.

4/4/86

GSA issued Order ADM 5440.345. announcing the reorganization.

4/8/86

In a meeting in Baltimore, Maryland, the assistant regional administrators agreed on specifics of the realignment of functions and staff levels.

10/1/86

GSA Order ADM 5440.345 was implemented.

GSA Employment Trends (October 1, 1980 Through July 15, 1986)

Beginning in October 1980, GSA's records show an overall decrease in employment levels. GSA officials said these changes have resulted, in part, from current budget pressures and from management initiatives, such as consolidations and reorganizations of GSA operations, including the present consolidation of Denver and Fort Worth PBS functions.

At the beginning of fiscal year 1981 (October 1980), GSA's staffing was 32,449. By July 15, 1986, it had decreased to 22,139, a 32 percent decrease. GSA's fiscal year 1987 budget request contained a further decrease of 2,771.

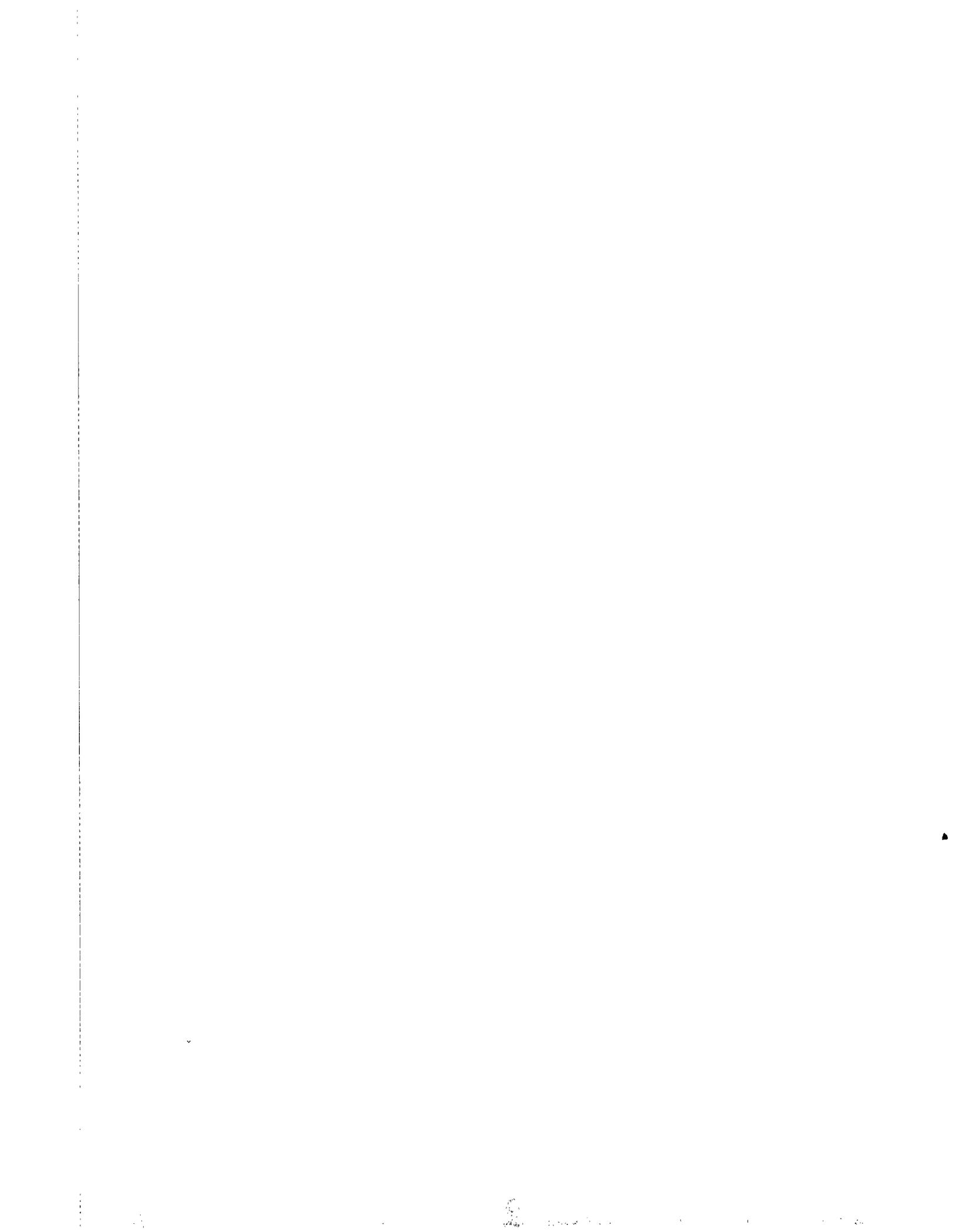
Staffing reductions in both headquarters and regions were comparable to that sustained by GSA as a whole during this period. GSA's records showed headquarters staffing decreased from 5,784 to 3,784 during the period, or by 35 percent. The total regional staffing decreased 31 percent from 26,665 in October 21, 1980, to 18,355 on July 15, 1986.

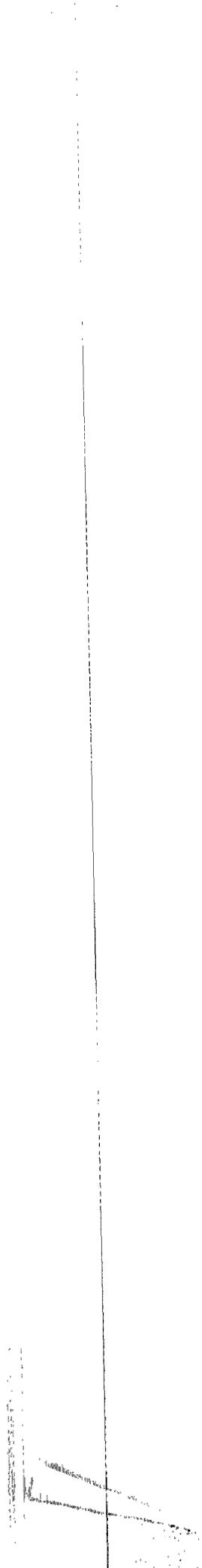
Within this same period, region-by-region changes varied from a 5 percent increase in San Francisco to a 62 percent reduction in Boston. The Denver region sustained a 47 percent reduction in personnel physically stationed in Denver. This reduction equalled the reduction in Auburn but was less than the 65 percent reduction in Boston, the other two regions which lost PBS functions pursuant to ADM 5440.345.

Personnel Departures From the Denver Regional Office (March 1, 1986, to October 1, 1986)

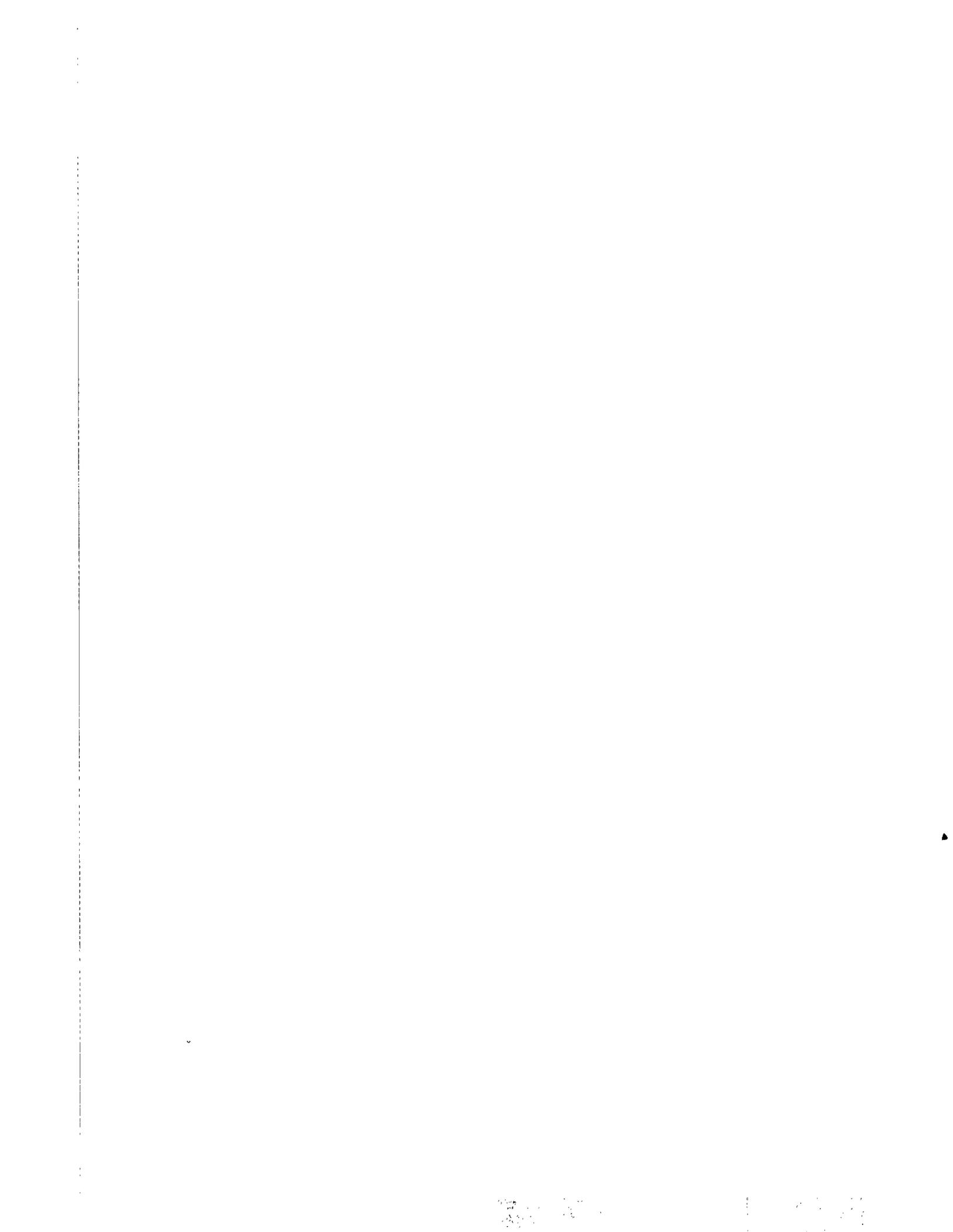
Resignations/To private sector:		40
Transfer to:		
Other GSA offices	15	
Other federal agencies	102	
Subtotal		117
Retirements:		67
Terminations:		7
Total		231

Source: GSA PBS Region 8.





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