

GAO

Report to the Ranking Member,
Committee on Homeland Security and
Governmental Affairs, U.S. Senate

September 2007

GENERAL SERVICES ADMINISTRATION

Improvements Needed in Managing Delegated Authority of Real Property Activities





Highlights of [GAO-07-1000](#), a report to Ranking Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The General Services Administration (GSA) issues different types of delegations, whereby agencies may request authority to perform certain real property activities, such as leasing space and maintaining property. Effective management of the program is critical to ensuring that federal dollars are well spent and adequate workspace is provided. GAO was asked to determine (1) what real property authority GSA has delegated to its tenant agencies, (2) what policies GSA used to manage delegated authority, and (3) reasons the tenant agencies requested delegated authority. GAO reviewed the law, federal regulations, and GSA policies relating to six types of delegated authority and interviewed GSA officials and officials from six select tenant agencies. GAO analyzed GSA data on delegations issued from fiscal years 1996 to 2006.

What GAO Recommends

GAO recommends that the Administrator of GSA (1) develop written procedures for reviewing the different sources of its lease delegation data to identify and determine an accurate count of the leases awarded and (2) update the guidance for managing delegations, including procedures for assessing the cost-effectiveness of certain delegations. In response, GSA agreed with the report's findings and recommendations and stated it will use them to improve its delegations programs. GSA also provided written technical comments which we incorporated.

www.gao.gov/cgi-bin/getrpt?GAO-07-1000.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Kay E. Brown (202) 512-7215, BrownKE@gao.gov.

GENERAL SERVICES ADMINISTRATION

Improvements Needed in Managing Delegated Authority of Real Property Activities

What GAO Found

GSA delegated authority for operations and maintenance, utility services, lease management, administrative contracting officer, repair and alteration activities, and real estate leasing to its tenant agencies. However, GSA did not have complete or consistent data for key delegations. GSA officials believe the lack of complete data for repair and alteration delegations up to \$100,000 was not problematic because they involve relatively small projects with limited program risk, and GSA has not noticed a pattern of problems that would warrant increased oversight. Regarding delegations of authority for real estate leasing, two offices within GSA collected separate sets of data. One office collected data on the number of general purpose lease delegations issued while another collected data on the number of lease delegations exercised for three different types of lease delegations (including general purpose, categorical, and special purpose). One office said its data are likely an undercount, and the different sets of data have not been reconciled. GSA is currently implementing several changes to improve its data collection for lease delegations and will issue separate oversight procedures that include a requirement to reconcile the two sources of lease delegation data. However, it is unclear when the oversight procedures will be issued. It is important to have accurate data on lease delegations because these delegations appear to be used more frequently than other delegation types. Federal agencies using these delegations may lack experience in acquiring office space, which could result in the government not receiving the best deal.

We found that GSA had written policies and procedures for managing the six types of delegations we reviewed, but the guidance was not always current. GSA officials acknowledged the need to update some of its guidance and said the updates are in process, but it is unclear when these updates will be finalized. Further, GSA officials stated they did not always use mandated cost-effectiveness criteria when deciding to delegate authority for certain delegations due, in part, to staffing constraints. In addition, the procedures used for assessing cost-effectiveness were not always included in written guidance. The lack of updated guidance and limited use of mandated criteria inhibits GSA's ability to manage its delegations and determine if they are in the best interests of the government.

According to the six tenant agencies we interviewed, the main reasons agencies sought delegations were the ability to complete their delegated real property activities in a timely manner and prioritize their own service requests, particularly in those cases where GSA's knowledge and expertise were less critical. Most of the six agencies we contacted plan to seek delegations in the future.

Contents

Letter		1
	Results in Brief	2
	Background	5
	GSA Delegated Most Types of Real Property Authority but Did Not Have Consistent or Complete Data for Certain Delegated Activities	11
	GSA's Written Policies and Procedures for Managing Certain Delegations Were Not Always Current, and the Agency Did Not Always Use Mandated Cost Effectiveness Criteria	20
	Agencies Primarily Request Delegated Authority to Receive Faster Service and Most Said They Plan to Seek Delegations in the Future	27
	Conclusions	30
	Recommendations for Executive Action	31
	Agency Comments	31
Appendix I	Objectives, Scope, and Methodology	33
Appendix II	Comments from the General Services Administration	35
Tables		
	Table 1: Description of the Types of Real Estate Leasing Authority Delegation	7
	Table 2: Number of Delegations to GSA's Tenant Agencies from Fiscal Years 1996 – 2006	12
	Table 3: Guidance Containing Policies and Procedures by Type of Delegated Authority	21
	Table 4: GSA's Use of Mandated Cost-Effectiveness Criteria When Deciding to Delegate	22
	Table 5: Agencies We Contacted with the Most Delegations in Each Category	34

Figures

Figure 1: Number of Delegations of Operations and Maintenance Authority by Agency, from Fiscal Years 1996 - 2006	13
Figure 2: Number of Delegations of Utility Services Authority by Agency, from Fiscal Years 1996 - 2006	14
Figure 3: Number of Delegations of Administrative Contracting Officer Authority by Agency, from Fiscal Years 2000 - 2006	15
Figure 4: Comparison of PBS and OGP Lease Delegation Data for Fiscal Years 1996 - 2006	18

Abbreviations

DOC	Department of Commerce
DOD	Department of Defense
EPA	Environmental Protection Agency
GSA	General Services Administration
OGP	Office of Governmentwide Policy
HHS	Department of Health and Human Services
DHS	Department of Homeland Security
DOI	Department of Interior
DOJ	Department of Justice
PBS	Public Buildings Service
SSA	Social Security Administration

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



United States Government Accountability Office
Washington, DC 20548

September 5, 2007

The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security
and Governmental Affairs
United States Senate

Dear Senator Collins:

The General Services Administration (GSA) serves as the federal government's landlord and designs, builds, manages, and leases the facilities supporting the needs of other federal agencies throughout the government. Although GSA is responsible for managing over 8,000 government-owned and leased buildings, GSA's customer agencies may request authority to perform for themselves certain real property activities, such as leasing and maintaining their own space. GSA can delegate the requested authority to the agencies. For example, in 1996, GSA began a program to offer what are known as general purpose lease delegations.¹ Under this program, called "Can't Beat GSA Leasing," federal agencies have the choice of using GSA as their leasing agent or assuming responsibility of their own leasing. The program was an outgrowth of GSA's commitment to streamline its leasing operations, respond to the government's changing needs, and address recommendations from client agencies. When GSA delegates its real property authority, the delegations require the agencies to comply with the applicable laws, regulations, and terms of the delegations. Under the delegations, GSA can review the agency's performance to determine whether the agency is meeting its responsibilities. If federal agencies do not perform their delegated responsibilities efficiently, they could, for example, pay more than GSA would charge for space, provide substandard space for their employees, or damage the quality or value of the space. Effective management of its delegations is critical for GSA to help ensure that federal dollars are well-spent and adequate workspace is provided for federal employees.

¹Besides general purpose, under certain circumstances, agencies have the option to use two other types of delegations of real estate leasing authority, including categorical and special purpose. See below for additional information on the three types of leasing delegations.

Given your interest in GSA's use of real property delegations of authority, you asked us to determine (1) what real property authority GSA has delegated to its tenant agencies, (2) what policies and procedures GSA used to manage delegated real property authority, and (3) reasons the tenant agencies requested delegated authority. To meet these objectives, we reviewed the law, federal management regulations, and GSA's existing policies and procedures for delegating real property authority. We also interviewed GSA officials from the Public Buildings Service (PBS), which is responsible for managing the delegations. In addition, we interviewed officials from GSA's Office of Governmentwide Policy (OGP), which provides oversight for delegations of real estate leasing authority. We limited our review to the types of delegations issued to and exercised by GSA's top 10 customers (its tenant agencies) between fiscal years 1996 to 2006.² Delegations are issued when GSA grants authority to another agency to perform real property activities and exercised when the agency actually uses the authority. Further, we interviewed six tenant agencies with the highest number of delegations to obtain information on their views and experiences with the delegations. These six agencies are the Departments of Commerce, Defense, Interior, and Justice; the Social Security Administration, and the Environmental Protection Agency (EPA). We also contacted Judiciary officials from the Administrative Office of the U.S. Courts to discuss their decision to terminate certain delegations. In addition, we obtained data from PBS and OGP on delegations issued and exercised. We conducted data reliability testing and determined that the data used in this report were sufficiently reliable for our purposes. A more detailed discussion of our scope and methodology appears in appendix I. We performed our review from August 2006 through June 2007 in accordance with generally accepted government auditing standards.

Results in Brief

GSA delegated authority for operations and maintenance, utility services, lease management, administrative contracting officer activities, repair and alterations, and real estate leasing to its tenant agencies; however, GSA did not have complete or consistent data for certain delegations of its authority. GSA generally requires agencies to seek its approval before using delegations of real property authority. However, GSA is required by law to issue delegations to requesting agencies for repair and alteration

²Based on annual rent in the fiscal year 2005 State of the Portfolio, these 10 agencies include the Departments of Commerce, Defense, Health and Human Services, Homeland Security, Interior, Justice, Treasury, EPA, the Judiciary, and the Social Security Administration.

projects in public buildings that are not expected to exceed \$100,000; in leased space, GSA has issued a standing delegation under its general authority for these types of projects. Additionally, GSA issued standing delegations to allow agencies to enter into certain types of leases without having to first obtain GSA's approval. GSA has collected data on the number of delegations of authority for operations and maintenance, utility services, lease management, administrative contracting officer activities, and repair and alterations that exceed \$100,000. It has not collected data on delegations for repair and alterations with a value up to \$100,000. GSA officials told us they did not collect data for repair and alterations delegations up to \$100,000 because these projects are relatively small with limited program risk, and the GSA regional offices would identify and report any potential problems to the central office. The officials added that they had not seen a pattern of problems that would indicate a need for more oversight of repair and alteration delegations that do not exceed \$100,000. Regarding real estate lease delegation data, in recent years, two offices within GSA collected separate sets of data. PBS collected data on the number of general purpose lease delegations issued while OGP collected data on the number of leases awarded using three types of lease delegations—general purpose, categorical, and special purpose. Although OGP began collecting data in an oversight role for PBS activities, OGP officials told us its data are likely an undercount and the two different sets of data have not been reconciled. It is important to have accurate data on delegations of real estate leasing authority because these delegations appear to be used more frequently than other delegation types. Federal agencies using these delegations may lack experience in acquiring office space, which could result in offices being housed in substandard buildings and the government not receiving the best deal. GSA is implementing several changes to improve its data collection for lease delegations, but guidance has not yet been issued to address procedures for reviewing the various sources of lease delegation data and developing an accurate count of leases awarded using the delegations. According to GAO's *Standards for Internal Controls*, managers need program data to determine whether they are meeting their agencies' goals for accountability for effective and efficient use of resources. Without accurate data on the number of leases awarded using all three types of lease delegations, GSA is missing an important management control to evaluate whether the delegation of real estate leasing authority is operating as intended.

GSA had written policies to manage all six types of delegations we reviewed; however, policies and procedures in certain documents were not current, and GSA did not always use mandated criteria when deciding whether to delegate real property authority. Specifically, the delegations

desk guide, which is intended as a reference guide for those implementing GSA delegations, and the customer guide for real property were both out of date. The lack of updated guidance could limit GSA's ability to manage its delegations effectively. In addition, GSA did not always use mandated criteria—namely determining whether a delegation would be cost effective for the government—when deciding to delegate real property authority. GSA used these mandated criteria when delegating utility services and for the most recent delegations of individual repair and alteration authority above \$100,000 and operations and maintenance authority. But all of the procedures used for assessing the cost-effectiveness of delegations of repair and alteration authority that exceed \$100,000 and operations and maintenance authority were not included in GSA's written guidance. Moreover, GSA did not use the mandated criteria when delegating real estate leasing authority, including general purpose and special purpose leases up to 2,500 square feet, and administrative contracting officer authority. GSA is updating its guidance for delegations of general purpose leasing authority to include procedures for assessing cost-effectiveness. It is also limiting the use of delegations of administrative contracting officer authority because, in implementation studies, GSA determined these delegations were not cost effective. Finally, while GSA could not determine if it used mandated criteria when delegating lease management authority, officials said that delegations of lease management authority have limited financial risk. The absence of written guidance for procedures used to assess the cost-effectiveness of operations and maintenance delegations, individual repair and alteration delegations above \$100,000, and general purpose leasing delegations and special purpose leasing delegations that exceed 2,500 square feet could limit GSA's ability to determine if delegations are in the best interests of the government.

Of the six tenant agencies we contacted that had delegated real property authority, most cited faster service as the main reason for seeking the delegations. For example, officials from one agency told us they requested repair and alterations delegations because they needed to expedite the installation of blast mitigation material on windows in GSA-controlled space to be compliant with increased security requirements. Similarly, officials from two other agencies told us they requested delegated leasing authority to provide a more timely response to specific needs in selected buildings. We also heard from agencies that said the delegated administrative contracting officer authority and operations and maintenance authority gave them increased control and flexibility to prioritize and fulfill agency needs. GSA officials told us that in some cases delegated authority can provide greater efficiency or allow for timelier

service, as with some delegations of operations and maintenance authority. However, in other cases the officials do not believe that delegations allow for faster service, such as with delegations of repair and alteration that exceed \$100,000 and real estate leasing authority. GSA's view of the various types of delegations is that it allows for greater efficiency in use of federal contracting officer authority. Most of the agencies told us they plan to seek delegations of real property authority in the future.

To improve GSA's ability to oversee the various delegated authorities, we recommend that the Administrator of GSA (1) develop written procedures for reviewing the different sources of its lease delegation data to identify and determine an accurate count of the leases awarded using all three types of leasing delegations and (2) update the guidance for managing all delegations, including procedures for assessing the cost-effectiveness of individual repair and alteration delegations above \$100,000, operations and maintenance delegations, and general purpose leasing delegations and special purpose leasing delegations that exceed 2,500 square feet.

We provided a draft of this report to GSA for comment. In response, GSA agreed with the report's findings and recommendations and stated it will use them to improve its delegations programs. GSA also provided written technical comments, which we incorporated as appropriate. See appendix II for GSA's written comments.

Background

Congress created GSA in 1949 through the Federal Property and Administrative Services Act to serve as a centralized property management agency with one of its responsibilities to provide space to federal agencies as economical as possible. The GSA Administrator may delegate and may authorize successive redelegations of the real property authority vested in the Administrator to any federal agency.³ Federal agencies must exercise delegated real property authority and functions according to the parameters described in each delegation of authority document, and the agencies may only exercise the authority of the

³See 40 U.S.C. § 121, which provides that the GSA Administrator may delegate its authority under the act except for (1) the authority to prescribe regulations on matters of policy applying to executive agencies; (2) the authority to transfer functions and reallocated amounts from one component of GSA to another under certain situations; and (3) other authority for which delegation is prohibited under the act. GSA is not prohibited from delegating the authority for the real property activities listed in the report.

Administrator that is specifically provided within the delegation of authority.⁴ GSA officials told us the ability of the GSA Administrator to delegate real property authority is a tool provided by Congress to enable GSA to carry out its various real property responsibilities. The delegations are not managed as a single program, rather the various delegations, once granted, are managed and administered in the appropriate PBS business line. According to federal regulations,⁵ GSA may delegate authority to federal agencies to conduct the following activities:⁶

Real estate leasing authority: This authority allows agencies to perform all functions necessary to acquire leased space, including procurement and administering, managing and enforcing the leases. Agencies have the option to use one of three types of delegations of real estate leasing authority granted by the GSA Administrator: general purpose, categorical, and special purpose.⁷ See table 1 for a description of the types of real estate leasing authority delegations.

⁴41 C.F.R. § 102-72.20.

⁵41 C.F.R. § 102-72.25.

⁶GSA also has the authority to delegate real property disposal but reported that it had not delegated this activity from fiscal years 1996 through 2006; therefore, we excluded this type of delegation from our review. In addition, the Homeland Security Act of 2002 transferred the Federal Protective Service to the Department of Homeland Security, and as a result the department now has responsibility for delegations of security authority. GSA entered into a memorandum of understanding with the department regarding security services and as a result defers to the department for delegations of security authority.

⁷Some agencies have independent leasing authority, which allows the agency to perform for themselves all necessary functions to acquire leased space. For example, the Department of Veterans Affairs has the authority to acquire leased space for medical facilities (38 U.S.C. § 8103) and the Securities and Exchange Commission has the authority to enter into leases for office, meeting, storage space, and other space necessary to carry out its functions (15 U.S.C. § 78d).

Table 1: Description of the Types of Real Estate Leasing Authority Delegation

Delegation type	Description
General purpose leasing	A standing delegation, which was established in September 1996, that authorizes federal agencies to perform all functions related to the leasing of general purpose space for a term of up to 20 years.
Categorical leasing	A standing delegation of authority, which was established in June 1974, that authorizes federal agencies to acquire certain types of space for particular agency activities, such as military recruiting offices and space for antennas, depots and laundries for a term of up to 20 years. Individual leases entered into under this delegation do not require GSA approval if they are below the prospectus level and do not include parking. ^a
Special purpose leasing	Twelve federal agencies have a standing delegation, which was established in June 1974, to lease their own special purpose space for a term of up to 20 years subject to any limitations specified in the delegation. Special purpose leases up to 2,500 square feet do not require GSA approval.

Source: GAO analysis of information provided by GSA.

^aA prospectus is a justification for a proposed construction, lease, or alteration project (which includes an alteration to a leased building). A prospectus for a proposed lease is submitted when the cost exceeds a legislatively established threshold, which is \$2.54 million for fiscal year 2007, and includes information on the project's size, cost, location, and other features. For alterations to leased buildings, the prospectus threshold is one-half the prospectus threshold for a lease. An agency with delegated leasing authority analyzes each lease to determine whether it needs a prospectus. GSA then prepares a prospectus in consultation with the agency and submits the prospectus to the appropriate House and Senate authorizing committees.

In May 2005, GSA issued guidance that reemphasized and modified certain procedures associated with the use of the general purpose, categorical, and special purpose leasing delegations. GSA requires agencies to meet several general conditions to use the real estate leasing authority delegations, including (1) the agency must receive written confirmation from the appropriate Assistant Regional Administrator that suitable government-controlled space is not available before relocating government employees from GSA controlled space; (2) the average annual rent is below the prospectus level, as previously described; (3) agency staff using the authority must meet the relevant contracting experience and training requirements; (4) the agency must acquire and use the space in accordance with all applicable laws and regulations for federal space acquisition activities; (5) the agency must have the capacity to perform all delegated leasing activities; and (6) the agency must provide semi-annual reports to OGP on April 30 and October 31 that detail the leasing activities conducted under the delegations. GSA retains the right to review each lease and the capacity of the agency to perform the delegation and, if necessary, to revoke the delegation. Agencies using the general purpose leasing delegation are also required to provide the following information to the appropriate GSA regional office: upon award of the lease, provide notification of the award date and location of the property, including documentation that the negotiated rental rate is within the prevailing market rental rate for the class of building leased and provide 18 months

advance notice of lease expiration if there is a continuing need for the space and the agency wishes to use the delegation again.⁸

Administrative contracting officer authority: This authority allows the agencies to manage the administration of one or more lease contracts awarded by GSA and perform such duties as paying and withholding rent and modifying lease provisions that do not change the length of the lease or the amount of space under the lease.⁹ To obtain this delegation, an agency must occupy at least 90 percent of the building's GSA-controlled space or have the written concurrence of 100 percent of rent-paying occupants covered under the lease, and have the technical capability to perform the lease. Agencies seeking a delegation must submit a written request to the regional headquarters where the building is located. If PBS staff at the region concurs with the request, an agreement is drafted for the delegation of administrative contracting officer authority and sent to the PBS Commissioner and the GSA Administrator for approval. An administrative contracting officer delegation lasts until the lease expires, or the space reverts to GSA unless the agency or GSA agrees to terminate the delegation.

Lease management authority: This authority allows agencies to manage the administration of one or more lease contracts awarded by GSA.¹⁰ To obtain this delegation, an agency must occupy at least 90 percent of the building's GSA-controlled space or have the written concurrence of 100 percent of rent-paying occupants covered under the lease, and have the technical capability to perform the lease. Agencies seeking a delegation must submit a written request to the regional headquarters where the building is located. If PBS staff at the region concurs with the request, a memorandum of understanding is drafted and sent to the PBS Commissioner and the GSA Administrator for approval. The term of the delegation lasts until the lease expires and either agency is free to terminate at any time. In addition to this process, GSA's contracting officers can delegate lease management authority to qualified individuals, upon request, for specific leases.

⁸Agencies that subsequently decide not to exercise the requested authority must provide written notice of such to the relevant regional administrator.

⁹GSA did not provide the actual date when this delegation was established but estimated that it was prior to 1996.

¹⁰GSA did not provide the actual date when this delegation was established but estimated that it was prior to 1996.

Operations and maintenance authority: This authority, which was established in 1983, allows agencies to manage and operate GSA-owned and leased buildings on a day-to-day basis. Delegated functions may include among others, maintenance, recurring repairs, and minor alterations. To obtain this type of delegation, an agency must occupy at least 90 percent of the space in the GSA-controlled facility or (1) have the concurrence of 100 percent of the rent-paying occupants to perform these functions, (2) demonstrate that it can perform the delegated responsibilities, and (3) document that the delegation will be cost effective. Agencies seeking this authority must first notify the region where the space is located by submitting a formal request. After regional staff has reviewed the request, it is forwarded to the GSA Administrator for a final decision. The Administrator can then grant or decline the request, with concurrence from applicable program offices. A delegation of authority generally lasts until the space is returned to GSA or the space is no longer needed. Delegation agreements allow for either the agency or GSA to terminate a delegation in full or in part.¹¹

Repair and alteration project authority: This authority allows agencies to perform repair and alteration projects. With respect to repair and alteration delegations, there is a statute relating to the delegation of repair and alteration projects of \$100,000 or less. This statute provides that in accordance with standards prescribed by the GSA Administrator, the Administrator shall delegate requests to an agency for projects in public buildings when the estimated cost does not exceed \$100,000.¹² Under GSA's general authority to delegate its real property activities at 40 U.S.C. § 121, in January 1997, the GSA Administrator granted blanket delegation authority in leased space for repair and alteration projects up to \$100,000 for an indefinite term.¹³ According to GSA officials, the regions are responsible for managing these delegations. The statute further provides

¹¹GSA may revoke a delegation of operations and maintenance authority if the agency does not comply with the terms of the agreement, the agency falls below 90 percent occupancy and cannot obtain the concurrence from all other rent paying tenants, or by mutual agreement.

¹²40 U.S.C. § 3313.

¹³The Federal Acquisition Streamlining Act of 1994 (FASA) enacted simplified acquisitions to purchase supplies and services, which are excepted from the Competition in Contracting Act's full and open competition requirement. In most instances, the simplified acquisition threshold is \$100,000. Part 13 of the Federal Acquisition Regulation establishes procedures for simplified acquisitions, which are designed to promote efficiency and economy in contracting and to avoid unnecessary burdens for agencies and contractors.

that the GSA Administrator may delegate to an agency projects that are estimated to cost more than \$100,000 when the Administrator determines the delegation promotes efficiency and economy. According to the Federal Management Regulation, GSA can delegate individual alteration projects greater than \$100,000 when the agency demonstrates the ability to perform the delegated repair and alteration project responsibilities and when such a delegation promotes efficiency and economy.¹⁴ According to GSA officials, individual requests for delegations of repair and alteration project authority greater than \$100,000, which are rarely received by GSA, are granted only by the Administrator of GSA.¹⁵ The scope of the intended project must be included in an agency's request for a delegation and is reviewed first by the relevant GSA region and then by PBS central office staff before being submitted to the Administrator with a recommendation either to grant or refuse authorizing the delegation.¹⁶ The term of delegation is for the duration of the project and either party can terminate the delegation at any time. If a delegated repair and alteration project is expected to exceed the prospectus level, GSA will submit the proposed project to its authorizing committees for review and approval.¹⁷

Utility services authority: This authority allows agencies to negotiate and execute utility services contracts for periods of more than 1 year but not exceeding 10 years for their use and benefit.¹⁸ Agencies also have the authority to intervene in utility rate proceedings to represent the consumer interests of the federal government, if so provided in the delegation of authority. Agencies seeking utility delegations are required to submit their request to PBS's Energy Center of Expertise, which procures utility services for GSA's customer agencies. The requests must include a certification from the acquiring agency's senior procurement executive that the agency has an established acquisition program, personnel technically qualified to deal with specialized utilities problems, and the ability to accomplish certain contracting requirements. The

¹⁴ 41 C.F.R. §102-72.65.

¹⁵ GSA did not provide the actual date when this delegation was established but estimated that it was prior to 1997.

¹⁶ Oversight of the execution of the project is the responsibility of the GSA region in which the work would occur.

¹⁷ 40 U.S.C. § 3305(b).

¹⁸ GSA did not provide the actual date when this delegation was established but estimated that it was prior to 1997.

Energy Center reviews the request for compliance with the requirements and conducts an internal analysis of federal utility needs in the specified area. Upon approval of the agency's qualifications to perform the delegation, and a determination that there is minimal if any additional federal utility needs in the service area, a formal delegation of authority for a utility acquisition letter is then prepared for the GSA Administrator's signature.

GSA Delegated Most Types of Real Property Authority but Did Not Have Consistent or Complete Data for Certain Delegated Activities

GSA delegated authority for operations and maintenance, utility services, lease management, administrative contracting officer activities, repair and alterations, and real estate leasing to its tenant agencies. However, as shown in table 2, GSA did not have complete or consistent data on the number of delegations of repair and alteration project authority up to \$100,000 and real estate leasing authority. GSA generally requires agencies to seek its approval before using delegations of real property authority. However, GSA is required by law to issue delegations to requesting agencies for repair and alteration projects in public buildings that are not expected to exceed \$100,000; in leased space, GSA has issued a standing delegation under its general authority for these types of projects. Additionally, GSA issued standing delegations to allow agencies to enter into certain types of leases without having to first obtain its approval. GSA officials told us that they believe the lack of complete data for delegations of repair and alteration project authority up to \$100,000 was not problematic. GSA said these delegations are for small projects with limited program risk; and according to GSA officials, the GSA regional offices would identify and report any potential problems to the central office. However, real estate lease delegations involve more risk, and without accurate data on the number of leases awarded using these delegations, GSA is missing an important management control to assess their impact.

Table 2: Number of Delegations to GSA’s Tenant Agencies from Fiscal Years 1996 – 2006

Type of delegated authority	Number of delegations to GSA’s tenant agencies	Years for which data were available
Operations and maintenance	43	GSA estimated that the majority of the delegations were issued on or before 1989 for a term of 5 years and subsequently redelegated without a defined term.
Utility services	52	1996-2006
Lease management	16 ^a	1996-2006
Administrative contracting officer	136 ^a	2000-2006
Repair and alteration project	1 ^b	1996-2006
Real estate leasing	594 (delegations exercised as reported by OGP, includes all three types)	1996-2006
	190 (delegations issued as reported by PBS, includes only general purpose)	2001-2006

Source: GAO analysis of GSA data.

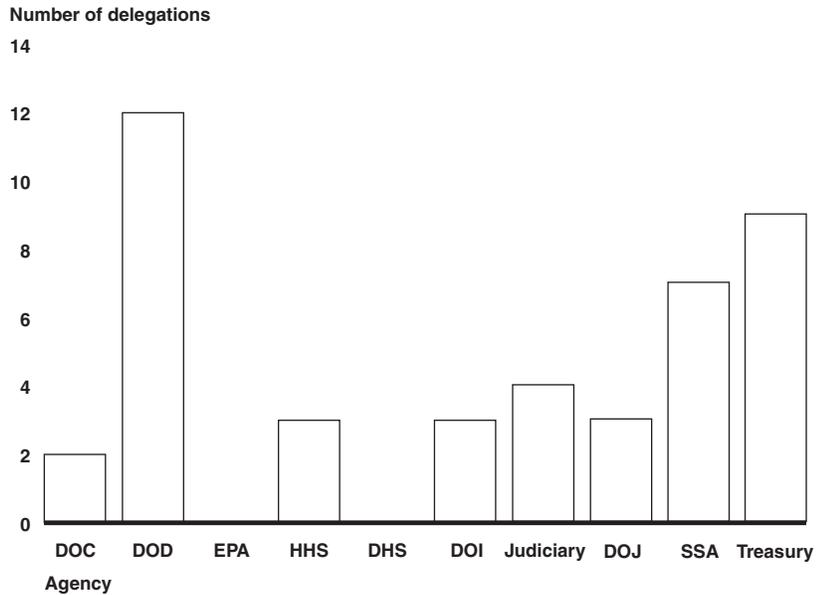
^aThis number represents the cumulative number of unique leases with this delegation.

^bGSA reported one individual repair and alteration delegation over \$100,000 but did not collect data on blanket repair and alteration delegations up to \$100,000.

Operations and maintenance authority: GSA reported that its tenant agencies exercised 43 delegations of operations and maintenance authority from fiscal years 1996 to 2006, representing 203 buildings.¹⁹ As shown in figure 1, the Department of Defense had the most delegations, representing 84 buildings and approximately 4 million square feet.

¹⁹One delegation was returned to GSA and terminated, and three are in the process of being returned and terminated.

Figure 1: Number of Delegations of Operations and Maintenance Authority by Agency, from Fiscal Years 1996 - 2006

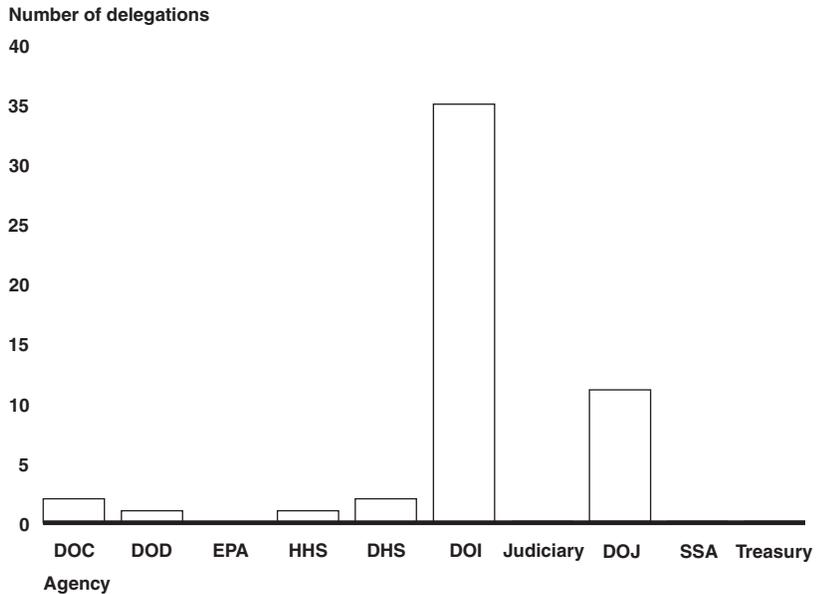


Source: GAO analysis of GSA data.

PBS officials did not have exact issuance dates for these delegations; however, they estimated that the majority of the delegations were originally issued on or before 1989 for a term of 5 years and subsequently redelegated without defined terms. PBS officials said they rarely receive requests for new operations and maintenance delegations. Since 2000, GSA issued only one new delegation of this type to the agencies included in our review. PBS officials also said that they rarely decline requests for delegations of operations and maintenance authority because PBS works with the agencies to determine that they meet the requirements before they formally submit the request.

Utility services authority: GSA also reported 52 utility services delegations from fiscal years 1996 to 2006 to agencies that had custody or control of their facilities. As shown in figure 2, the Department of Interior had the most delegations, all of which were for remote sites of the Bureau of Indian Affairs and the Bureau of Reclamation.

Figure 2: Number of Delegations of Utility Services Authority by Agency, from Fiscal Years 1996 - 2006



Source: GAO analysis of GSA data.

Lease management authority: GSA reported that, for fiscal years 1996 to 2006, it delegated lease management authority for 16 leases to its tenant agencies.²⁰ GSA does not require the regional offices to report these delegations to the central office, and the central office does not routinely request or monitor information on these activities. GSA officials said these delegations are self-correcting — meaning the limited authority provided under these delegations is controlled by the GSA contracting officer, which minimizes the risk that the agency could exceed the authority of the delegation. Additionally, GSA officials said they had not seen a pattern of problems that would indicate a need for more oversight of these delegations.

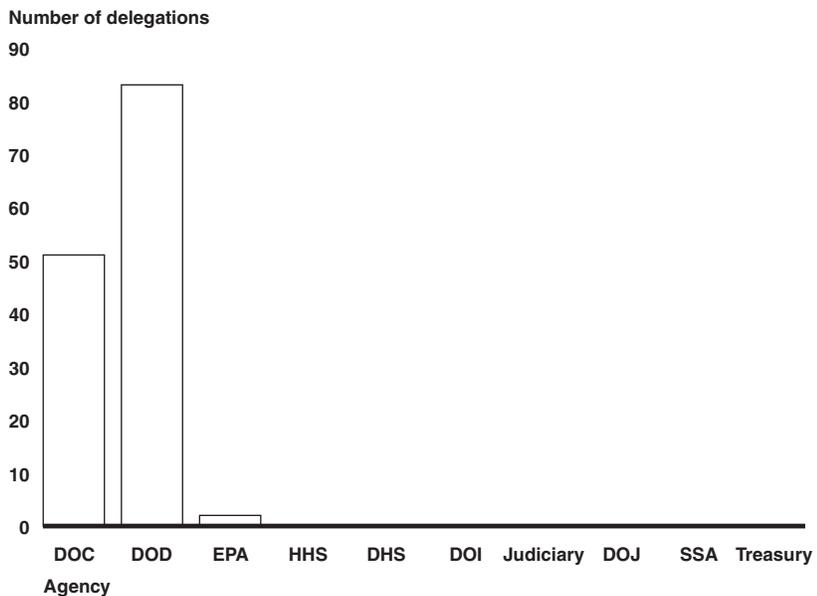
Administrative contracting officer authority: GSA reported that, for fiscal years 2000 to 2006, it delegated administrative contracting officer authority for 136 leases to its tenant agencies.²¹ But GSA did not have data for fiscal years 1996 to 1999 because the database used to track these

²⁰This number represents the cumulative number of unique leases with this delegation.

²¹This number represents the cumulative number of unique leases with this delegation.

delegations did not have historical data before fiscal year 2000. As shown in figure 3, all of the delegations went to the Department of Commerce, the Department of Defense, and the EPA. In addition, most of the delegated activity was in the National Capital Region.²²

Figure 3: Number of Delegations of Administrative Contracting Officer Authority by Agency, from Fiscal Years 2000 – 2006



Source: GAO analysis of GSA data.

Repair and alteration project authority: GSA reported granting one individual repair and alteration delegation above \$100,000 to the EPA, but did not have data for its blanket delegations of repair and alteration authority up to \$100,000 as these delegations are managed at the regional level, and GSA does not require the regional offices to report these delegations to the central office. GSA officials said that regional staff would report to the central office any significant issues or problems resulting from the blanket delegations, and based on anecdotal evidence, they have not seen a pattern of problems that would indicate a need for more oversight of these delegations.

²²The National Capital Region serves federal agency clients located throughout Washington, D.C.; Maryland (Montgomery and Prince George’s counties); and Virginia (the cities of Alexandria and Falls Church, and Arlington, Fairfax, Loudoun, and Prince William counties).

Real estate leasing authority: Two separate offices in GSA collect disparate sets of data on delegations of real estate leasing authority. PBS requires the regional offices to report how many general purpose leasing delegation requests are received and how many are issued, which may or may not ultimately result in the requesting agency actually awarding a lease. PBS reported that, for fiscal years 2001 to 2006, it issued 190 lease delegations to its tenant agencies. However, PBS did not have data from fiscal years 1996 through 2000 because, according to PBS officials, the data were misplaced through various internal reorganizations. In addition, PBS did not collect data on categorical and special purpose delegations. Agencies are not required to notify GSA prior to using the categorical lease delegation, except for leases above the prospectus threshold as previously described and leases for parking. Special purpose delegations also do not require GSA approval unless the space exceeds 2,500 square feet. PBS officials stated that they focus their management efforts on the general purpose lease delegations because they have the authority to approve or disapprove use of this delegation type, whereas agencies can generally use the categorical and special purpose lease delegations without GSA approval. Lastly, previous reviews of the general purpose lease delegation program by OGP found, among other things, several instances where federal agencies did not notify the relevant PBS office of its intent to exercise the delegation of authority, making it difficult for PBS to track these delegations.²³

The data that PBS has on real estate lease delegations are inconsistent with the data that OGP collects. In 1996, OGP was asked to provide an oversight role, serving as an “honest broker” between PBS and the federal agencies. PBS officials told us the Office of Management and Budget (OMB) and Congress, at the time, wanted independent oversight of the delegations because they were concerned that agencies may not have the expertise to obtain the best deal for the government. They also viewed PBS as having an inherent conflict of interest when deciding delegations. In other words, OMB and Congress believed that PBS could stand to lose a significant amount of its leasing business due to the delegations and therefore did not view PBS as an independent overseer of the delegation program. According to GSA’s guidance on delegations of real estate leasing authority, federal agencies are to report to OGP every 6 months on

²³OGP’s Office of Real Property Management reviewed the general purpose lease delegation program in 1998, 2001, and 2005.

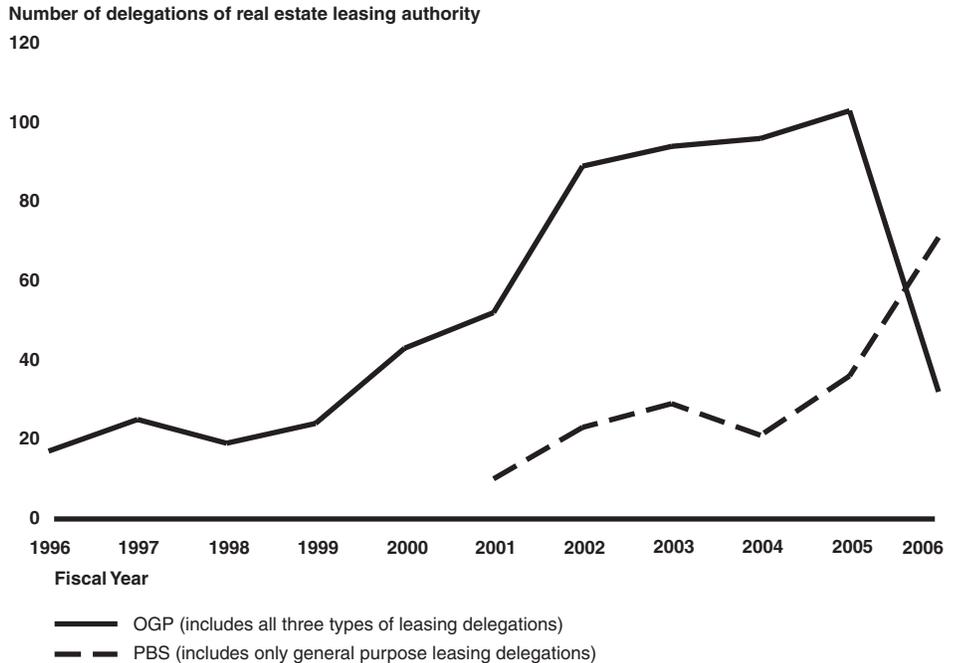
their delegated leasing activity for all three types of lease delegations.²⁴ OGP reported that GSA's tenant agencies entered into 594 leases using the three different leasing authorities from fiscal year 1996 through fiscal year 2006.²⁵ However, OGP said the data likely undercount the number of exercised lease delegations because the guidance did not define whether agencies were to report all current delegations or only those awarded within the 6 months of any given reporting period. In other words, some agencies reported only those delegations issued during the 6-month period and others reported all current delegations.

Both PBS and OGP acknowledged that their data were inconsistent, as shown in figure 4. OGP and PBS did not review each other's lease delegation data to determine an accurate count of the number of leases awarded using the real estate leasing delegations.

²⁴Prior to guidance issued in May 2005, agencies were not required to report categorical and special purpose leasing delegations to OGP. OGP only collected data on the number of leases awarded using the general purpose leasing delegation.

²⁵This includes data from OGP's reviews of the general purpose lease delegation program in 1998, 2001, and 2005. The 594 lease awards include 282 from categorical lease delegations, 159 from special purpose lease delegations, 73 from general purpose lease delegations and 80 unknown. According to GSA officials, one agency did not report the type of lease delegation used because it was not required. The agency did not respond to GSA's request for the information.

Figure 4: Comparison of PBS and OGP Lease Delegation Data for Fiscal Years 1996 – 2006



Source: GAO analysis of GSA data.

According to PBS guidance for delegations of real estate leasing authority, OGP compares the information that the agencies report against delegation information provided by the PBS regions to determine any underreporting by agencies. However, an OGP official told us that OGP is not required to follow PBS guidance and in fact does not compare its data with that provided by PBS. PBS officials acknowledged that OGP is not bound by PBS’s guidance for delegations of real estate leasing authority, but it noted that OGP was involved in drafting the guidance.

GSA is implementing several changes to improve its data collection for lease delegations. First, the Federal Real Property Council²⁶ accepted OGP’s recommendation to add a data field to the governmentwide Federal Real Property Profile inventory system to track the leasing authority used

²⁶The Federal Real Property Council was established in 2004 and is responsible for developing guidance, identifying best practices, and helping agencies improve the management of real property assets.

for space acquisition. Agencies are now required to report real property assets by building and to specify whether that asset is owned or leased. If the agency designates the latter, it now must designate the authority under which the asset is leased. According to GSA officials, this requirement is effective for fiscal year 2007 and was included in guidance issued in June 2007. The information will allow the Federal Real Property Council and GSA to better understand the level of delegated leasing that occurs in the federal government using the categorical, special purpose, and general purpose leasing delegations. Additionally, according to GSA's draft leasing guidance that is scheduled to be issued in September 2007, GSA will no longer require the biannual reporting to OGP of general purpose, categorical, and special purpose lease delegations. In its place, OGP will accept the agency submissions for the Federal Real Property Profile inventory, which, according to GSA officials, should eliminate the agency confusion about the reporting period.²⁷ GSA has also committed to implementing recommendations from the August 2007 Inspector General report on the lease delegation program.²⁸

PBS is also drafting separate oversight procedures for delegations of real estate leasing authority. According to PBS officials, the procedures will include a requirement to reconcile the two sources of lease delegation data: the Federal Real Property Inventory Report and PBS. OGP will annually provide a listing of all delegation activity from the Federal Real Property Profile database, and PBS will compare that information with its centralized records. GSA officials said these oversight procedures would be issued in September 2007.

According to GAO's Standards for Internal Controls, managers need program data to determine whether they are meeting their agencies' goals for accountability for effective and efficient use of resources.²⁹ GSA officials told us that they believe the lack of complete data for delegations of repair and alteration project authority up to \$100,000 was not

²⁷OMB rates agencies on the timeliness and accuracy of their Federal Real Property Profile submission.

²⁸ GSA, Office of Inspector General, *Review of Public Buildings Service's Delegations of Authority to Lease Space*, Report Number A060082/P/6/R07004 (Aug. 24, 2007).

²⁹GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.31](#) (Washington D.C.: November 1999).

problematic.³⁰ Repair and alteration delegations that do not exceed \$100,000 involve what GSA considers to be small projects with limited program risk, and any potential problems would be identified and reported to the central office by the regions. Additionally, GSA officials said they had not seen a pattern of problems with these delegations that would indicate a need for more oversight. However, based on the data provided, agencies use the lease delegations more often than other types of delegations. Federal agencies using these delegations may lack experience in acquiring office space, which could result in offices being housed in substandard buildings and the government not receiving the best deal. Without accurate data on the number of leases awarded using the real estate leasing delegations, GSA is missing an important management control to evaluate whether the delegation of real estate leasing authority is operating as intended.

GSA's Written Policies and Procedures for Managing Certain Delegations Were Not Always Current, and the Agency Did Not Always Use Mandated Cost-Effectiveness Criteria

Although GSA had written policies and procedures for managing all types of delegations we reviewed, the policies and procedures in certain documents were not always current. In addition, GSA did not always use mandated criteria stated in the Federal Management Regulation—namely determining whether a delegation would be cost effective for the government—when deciding to delegate real property activities. GSA said it used mandated criteria when delegating utility services and for the most recent delegations of individual repair and alteration authority above \$100,000 and operations and maintenance authority. However, GSA did not use the criteria when delegating real estate leasing and administrative contracting officer authority and could not determine if it used mandated criteria when delegating lease management authority. GSA's procedures for assessing cost-effectiveness were not always documented in GSA's written guidance, which could limit GSA's ability to determine if the delegations are in the best interests of the government in certain cases.

GSA Policies and Procedures for Managing Certain Delegations Were Not Always Current

We found that GSA had written policies and procedures for managing all types of delegations, but the policies and procedures were not always current. GSA's policies and procedures for issuing and managing delegations are described in the following documents:

³⁰GSA had data for the majority of the period we reviewed for delegations of administrative contracting officer authority.

- Federal regulations and internal GSA policy letters and memorandums,³¹
- GSA’s “Desk Guide — Delegations of Authority for Real Property Management and Operating and Leasing,” which states that it “is a reference guide on policies, procedures, and practices for individuals engaged in implementing the terms and conditions of the General Services Administration delegation program and delegation agreements for real property management authorities in federally owned and operated space.”
- Chapter 8 of GSA’s “Customer Guide to Real Property,” which, according to GSA officials, serves as formal guidance to explain the general procedures for issuing the different types of delegations,³² and
- GSA’s “Standard Operating Procedures for Operation and Maintenance of Delegated Real Property,” which describes the agency’s responsibilities under a delegation of operations and maintenance authority.

Table 3 identifies the delegation types and the applicable documents that outline the policies and procedures for the delegation.

Table 3: Guidance Containing Policies and Procedures by Type of Delegated Authority

Type of delegated authority	Guidance containing policies and procedures			
	Regulations and internal policy letters and memorandums	Delegations desk guide	Customer guide	Standard operating procedures
Real estate leasing	X	X	X	
Administrative contracting officer	X	X	X	
Lease management	X	X	X	
Operations and maintenance	X	X	X	X
Repair and alteration	X		X	
Utility service	X		X	

Source: GAO analysis of information provided by GSA.

Our review of the policies and procedures found that the desk guide has not been updated to include current guidance for delegations of real estate leasing, lease management, repair and alteration, and utility services

³¹This includes relevant sections of the Federal Management Regulation published at 41 C.F.R., bulletins issued as supplemental guidance, and the Federal Acquisition Regulation.

³²References to delegations of utility services authority are included in a different chapter.

authority. For example, the section on delegations of real estate leasing authority did not include the procedures associated with the use of the real estate leasing delegations; procedures for requesting lease management authority were not explained; and delegations for repair and alteration project authority and utility services authority were not discussed. In addition, the customer guide did not distinguish between blanket repair and alteration authority, which can be used for projects up to \$100,000 and authority for individual repair and alteration projects above \$100,000.³³ As discussed earlier, the approval process for each differs. GSA officials acknowledged the need to update the delegations desk guide and the customer guide and said the updates are in process. According to GAO's *Standards for Internal Controls*, written policies and procedures are control activities that help ensure management's directives are carried out and action are taken to control risks. The lack of updated guidance could limit GSA's ability to manage its delegations effectively.

GSA Did Not Always Use Mandated Criteria When Deciding to Delegate Certain Real Property Activities, and the Procedures Used Were Not Always Included in Written Guidance

GSA did not always use mandated cost-effectiveness criteria when delegating activities, as shown in table 4.

Table 4: GSA's Use of Mandated Cost-Effectiveness Criteria When Deciding to Delegate

Type of delegated authority	Mandated criteria used
Utility service	Yes
Repair and alteration ^a	Yes – for the most recent request above \$100,000 in 2006
Operations and maintenance	Yes – for the most recent request in 2006
Real estate leasing	No
Administrative contracting officer	No
Lease management	Unknown

Source: GAO analysis of information provided by GSA.

^aSince GSA is required either by law or has issued a blanket repair and alteration delegation for projects that do not exceed \$100,000, it does not apply mandated cost-effectiveness criteria to these projects.

The Federal Management Regulation states that delegations are to be in the government's best interest and specifies that GSA must evaluate such

³³The desk and customer guides also did not explain that GSA defers to the Department of Homeland Security for delegations of security authority.

factors as whether a delegation would be cost effective for the government in the delivery of space. GSA used these mandated criteria when delegating utility services and for the most recent delegations of individual repair and alteration authority above \$100,000 and operations and maintenance authority. But all of the procedures used for assessing cost-effectiveness of delegations of individual repair and alteration authority above \$100,000 and operations and maintenance authority were not included in any of GSA's written guidance. Since GSA is either required by law or has issued a blanket repair and alteration delegation for projects that do not exceed \$100,000; it does not apply cost-effectiveness criteria to these delegations. Further, GSA officials told us these delegations have limited financial risk and, based on anecdotal evidence, they had not seen a pattern of problems with these delegations. GSA did not use the criteria when delegating real estate leasing authority and administrative contracting officer authority, and it could not determine if mandated criteria were used when delegating lease management authority. GSA officials told us they are updating their guidance for delegations of general purpose real estate leasing authority to include procedures for cost-effectiveness. The officials also said they are limiting the use of delegations of administrative contracting officer authority and that delegations of lease management authority have limited financial risk, and thus it may not be the best use of resources to develop procedures to determine whether these delegations are cost effective.

To determine whether a delegation of utility services authority would be cost effective, GSA identifies the federal presence—that is, the number of federal agencies in a given area—within the utility service area where the requesting facility resides. According to the Director of the Energy Center, most delegation requests are for buildings in areas where there is no other federal need for utility services. Because it takes substantial resources for the center to negotiate public utility contracts with a serving utility, the center generally does not negotiate contracts for individual agency needs. Therefore, the center determined it was cost effective to grant the delegations when there were no additional federal needs requiring an area-wide utility contract in the areas of the requested delegations.

PBS officials said they assessed cost-effectiveness prior to granting the individual repair and alteration delegation to EPA. PBS required EPA to submit a justification that demonstrated the delegation was in the government's best interest and was cost effective. The justification included a cost analysis as part of its management plan, which GSA used to compare against its costs for similar work and other data. Although PBS

officials said they used these procedures, they acknowledged that they have not been formalized in any written guidance.

GSA recently began assessing the cost-effectiveness of operations and maintenance delegations. Although GSA reviewed the operating costs of agencies with operations and maintenance delegations in the early years of the delegations, it did not assess cost-effectiveness of the delegations. Agencies paid GSA rent for delegated buildings and, until 1997, GSA transferred back to the agencies an amount that GSA estimated it would have spent in the absence of the delegation³⁴ to provide standard-level building service.³⁵ To oversee how agencies used this funding, GSA required agencies to submit an annual building operations cost report.³⁶ However, at GSA's direction, agencies did not include funding it spent to provide night and weekend building services because GSA considered these costs above standard level. In 1990, we reported that GSA could not determine whether the delegations were cost-effective because it lacked all cost and performance data to oversee the operations and maintenance delegations, and the data it required were frequently inaccurate or sometimes never received.³⁷

Since our previous review, GSA has issued additional guidance for delegations of operations and maintenance. The customer guide and desk guide state that overall operating costs must be reasonable and not exceed those that GSA would incur. Both guides add that facility operating costs should be included in the delegation. Further, the desk guide states that the operating costs should be derived from and supported by the facility management plan. But the section on the facility management plan in the standard operating procedures does not address submission of building or facility operating costs. According to GSA officials, the financial

³⁴Beginning in 1997, GSA required agencies to seek their own congressional funding to support their operations and maintenance delegations and adjusted agency rent, accordingly.

³⁵GSA defined standard-level services as those building services provided during a normal 50-hour work week (5 days at 10 hours per day).

³⁶In 2000, GSA eliminated the reporting requirement because GSA considered the contracts that agencies used to procure operations and maintenance services to be performance-based contracts in which cost is not necessarily the primary consideration.

³⁷GAO, *General Services Administration: Delegated Buildings Adequately Operated but Better GSA Oversight Needed*, [GAO/GGD-90-76](#) (Washington, D.C.: May 15, 1990).

information provided by the agencies will be compared with industry benchmarks to determine cost-effectiveness.

However, GSA has not formalized the benchmark comparison procedure in any of its guidance. GSA officials told us they have issued only one new delegation of operations and maintenance authority since 2000, and they performed an economic evaluation of the request.³⁸

In contrast, GSA did not consider cost-effectiveness prior to issuing delegations for real estate leasing authority. GSA officials told us that staffing and financial constraints limited their ability to assess cost-effectiveness of real estate leasing authority and that initially (at the beginning of the general purpose delegations in 1996) they had no reason to believe the delegations were not cost effective. GSA does require agencies that use the general purpose lease delegation to provide documentation to the relevant GSA regional office that the negotiated rental rate is within the prevailing market rental rate for the class of building leased. If the negotiated rental rate exceeds the market range, the agency is to provide information as to why the market rate was exceeded.³⁹ However, these procedures do not apply to special purpose delegations over 2,500 square feet, where GSA has the discretion to issue these delegations.⁴⁰ In addition, GSA officials acknowledged that they did not use the information or know the degree to which agencies were in compliance with this requirement and did not validate the market ranges used by agencies. Under GSA's draft leasing guidance, which is scheduled to be issued in September 2007, agencies using the general purpose leasing delegation will be required to provide a narrative explaining why the granting of the request is in the best interests of the government and a plan for meeting or exceeding GSA's performance measures (lease cost). GSA will use this and other information to determine whether the requesting agency's exercise of the delegation is in the government's best interest.

³⁸ GSA officials also told us that they are reviewing delegations of operation and maintenance authority that do not have a specified term as well as any that are up for renewal. Officials are requiring agencies to demonstrate the ability to manage and run the space but are not specifically assessing cost-effectiveness.

³⁹ The documentation may include information from real estate associations such as the Society of Industrial and Office Realtors.

⁴⁰ These procedures also do not apply to most categorical leasing delegations and special purpose delegations up to 2,500 square feet because GSA has issued standing delegations, which allow agencies to use these delegations without obtaining approval from GSA.

Additionally, GSA will analyze each general purpose lease awarded against the same GSA lease cost performance measure used for GSA leases.

GSA also did not consider cost-effectiveness for delegations of administrative contracting officer authority. According to GSA officials, cost-effectiveness was not considered because the intent of the delegation was not to reduce costs, but to improve service delivery. GSA allows agencies with delegations of administrative contracting authority to pay rent directly to the landlords instead of GSA paying the rent to the landlords. In 2004, GSA reviewed these delegations and found that the program was not revenue neutral, but rather had a negative financial impact. This delegation type increased their administrative costs because of the staff time needed to reconcile the funds paid to the agencies with the amount the agencies paid to the landlord.⁴¹ In addition, GSA officials said that in certain cases, agencies were changing the terms of lease agreements to make revisions to the space without GSA's knowledge, which resulted in increased costs and financial liability to the government. For example, as a part of the 2004 review, GSA found instances of space alterations that were added to the lease agreements by the agency. The space alterations required the government to restore the space to its original condition; however, there was no explanation of the costs or any indication of how the costs would be paid at lease expiration. The review recommended discontinuation of the program by June 2005. GSA decided to offer lease management authority delegations in place of new administrative contracting officer authority delegations if desired by the tenant agencies.

Finally, PBS central office officials could not determine if they used mandated criteria when delegating lease management authority because these delegations are managed at the regional level, and GSA does not require the regional offices to report on these delegations to the central office. Further, the central office does not routinely request information on these activities. GSA officials told us there is limited risk associated with delegations of lease management authority as these delegations are structured to prevent the agencies from exceeding the terms of the delegation. Therefore, it may not be the best use of resources to develop

⁴¹GSA officials told us typically, GSA charges rent payments to agencies occupying leased space, and GSA then pays the landlord. Under the administrative contracting officer delegations, GSA returns the rent payment to the agency, and the agency pays the landlord directly.

and implement procedures to determine whether these delegations are cost effective.

According to GAO's Standards for Internal Controls, written policies and procedures are control activities that help ensure management's directives are carried out and actions are taken to control risks. The absence of written guidance for all procedures used to assess cost-effectiveness for (1) delegations of individual repair and alteration authority above \$100,000, (2) operations and maintenance authority, (3) general purpose leasing delegations and (4) special purpose leasing delegations that exceed 2,500 square feet could limit GSA's ability to determine if delegations are in the best interests of the government.

Agencies Primarily Request Delegated Authority to Receive Faster Service, and Most Said They Plan to Seek Delegations in the Future

Of the six tenant agencies we contacted with delegated real property authority, five agencies cited timeliness and control as the main reasons they sought delegations. Officials from all of the agencies we contacted told us their decisions were not based on a lack of satisfaction with GSA's performance. All of the agencies said they will continue to seek delegations of real property authority in the future. We also contacted the Judiciary, which was terminating its delegations, and agency officials told us it was doing so because the delegations were no longer cost effective.

Agency Officials Said They Sought Delegations to Improve Timeliness of Real Property Activities

Officials at five of the tenant agencies we contacted cited improved timeliness as the main reason they sought their delegations. In particular, these officials told us their respective delegations provided them with the ability to complete their delegated real property activities in a more timely fashion. For example, officials from the Department of Commerce told us they are able to procure leased space faster than GSA because they believe GSA's competing demands prevent GSA officials from urgently locating space for the agency. Similarly, Department of Interior officials stated that timeliness was a major benefit of their delegations of real estate authority because GSA officials cannot always make its needs a priority because of GSA's large workload. Both the Departments of Commerce and Defense officials said their administrative contracting officer authority delegations provided them with increased control and direct access to the landlord, which resulted in faster service. Officials from the Department of Defense and the Social Security Administration said their delegations of operations and maintenance activities provided them with the flexibility to work closely with their own personnel to plan and prioritize service requests in order to fulfill agency needs in a timelier manner. Finally, the EPA said

they requested repair and alterations delegations because they needed to expedite the installation of blast mitigation material on windows in GSA-controlled space to be compliant with increased security requirements. An EPA official said these delegations allowed them to complete their projects in a more timely fashion because they had direct access to their contractors. In contrast, officials at the Departments of Interior and Justice said they sought delegations of utility service to obtain stabilized pricing for utilities to protect them from market fluctuations.

All of the agencies we interviewed that received real property delegations said their decisions to seek delegations were not based on a lack of satisfaction with GSA's performance in the given service but rather were useful in certain circumstances where GSA's knowledge and expertise were less critical. For example, the Departments of Commerce and Interior said they primarily use lease delegations in remote areas where GSA has a minimal presence. In these instances, both agencies said it made sense for them to conduct the lease transactions because they generally had more knowledge of these isolated real estate markets. Both agencies added that their decisions to seek lease delegations were not related to any dissatisfaction with GSA's leasing program. Further, they said that it was sensible for them to use GSA to acquire leased space in urban areas because of GSA's expertise with these real estate markets. Officials from the Departments of Commerce and Defense said their use of delegations of administrative contracting officer authority was driven by their desire to leverage direct payments to the landlord to help ensure better service. An official from EPA told us that the agency's decision to seek a repair and alteration delegation was not a result of any problems with GSA's services. Finally, the Departments of Interior and Justice told us they request delegations of utility authority when they have a need to contract for utility services, and GSA determines that it is more appropriate for the agency to obtain the contract.

GSA's view of the various types of delegations is that it allows for greater efficiency in use of federal contracting officer authority. Additionally, if utility connection and service is required in an expedited fashion for operations and maintenance purposes, a delegation of utility acquisition authority can allow for timelier services. GSA officials acknowledged that the delegations of utility services allowed for stabilized pricing and delegations of administrative contracting officer authority and operations and maintenance allowed for timelier services. However, GSA officials questioned whether the individual repair and alteration delegation above \$100,000 allowed for faster service. GSA told us that EPA used a contractor from GSA's approved list of contractors to perform these

delegations and did not think the work would be performed faster because of the delegation. Similarly, GSA officials questioned whether agencies with lease delegations had more market knowledge in remote areas or were able to complete lease transactions in a more timely fashion. GSA added that agencies do not always provide their space needs in a timely fashion which affects GSA's ability to provide timely leasing services.

Agencies Plan to Seek Delegations in the Future

Officials from all six agencies that we interviewed said they planned to seek delegations in the future. Officials from the Department of Commerce told us they do not necessarily want to increase their delegations of real estate leasing authority, but they will continue to seek lease delegations when the conditions are conducive. However, department officials said they would like to increase the number of administrative contracting officer authority delegations, but GSA has been reluctant to issue additional delegations. Department of Interior officials said they will continue to seek delegations for space acquisition in remote areas and utility services when needed. Officials from the Department of Defense said they do not plan to aggressively pursue additional operations and maintenance delegations because many of the delegated lease facilities are subject to base realignment and closure and will continue to request delegations of administrative contracting officer authority as needed. Social Security Administration officials said they plan to maintain their current level of operations and maintenance delegations. EPA said it plans to continue to seek delegations of repair and alteration project authority as needed. Finally, the Department of Justice told us it will continue to seek delegations of utility services as needed.

While these six agencies told us they would likely continue to seek delegations, one agency is terminating its delegations with GSA. According to PBS officials, the Judiciary terminated authority for one delegation of operations and maintenance and is currently terminating three more. Judiciary officials from the Administrative Office of the U.S. Courts stated that prior to terminating the delegations of operations and maintenance authority, the tenant satisfaction level in their delegated buildings was higher than in nondelegated buildings because the court was aware of their tenants' operating needs and could respond to repairs and service requirements faster than GSA. However, their decision to terminate the delegation authority was driven by two primary considerations. First, according to the officials, in 2004, GSA shifted responsibility for all repairs, regardless of cost, to delegated agencies with no adjustment to the rent GSA charges. According to the officials, the office was required to repair and maintain systems that were aging and significantly beyond their

useful life. The officials stated the shift of more responsibility to perform costly repairs reduced the Judiciary's funds for preventive maintenance on those aging systems. Second, for buildings without an operations and maintenance delegation, GSA charges an appraised rate for operating expenses based on local comparable buildings. However, according to the officials from the Administrative Office of the U.S. Courts, the actual cost for managing the delegated buildings was higher than what GSA was charging for nondelegated buildings under its appraisal system for some locations. Therefore, the Judiciary did not consider it cost effective to continue the delegations because the operating costs were higher than what GSA charges. GSA acknowledged that Judiciary's delegated buildings were aging and that the rising expenses of operations and maintenance delegations prompted the Judiciary's decision to terminate the delegations. However, GSA told us it did not shift responsibility for all repairs to the Judiciary. GSA officials explained that repair activity for delegated buildings is divided between the tenant agency and GSA. According to GSA, the Judiciary was responsible for routine repairs, defined by GSA as items typically expensed to tenants by private sector landlords. GSA was responsible for making necessary replacements to the structure and building systems, which it considered capital replacements.⁴²

Conclusions

In managing its delegations, GSA lacked basic management controls such as complete and consistent data and current written policies and procedures. In particular, GSA had inconsistent data on delegations of real estate leasing authority. GSA is currently implementing several changes to improve its data collection for lease delegations and will issue separate oversight procedures that include a requirement to reconcile the two sources of lease delegation data. However, it is unclear when the oversight procedures will be issued. GSA has written policies and procedures for managing its delegations, but some of this guidance is out of date. While GSA officials said updates to some of the guidance are in process, it is unclear when these updates will be finalized. Further, GSA also did not use mandated cost-effectiveness criteria when deciding to delegate certain real property authority. These basic management controls are the first line of defense in safeguarding assets and providing effective stewardship of public resources. In the absence of (1) accurate program data on the

⁴²For example, according to GSA, the replacement of a part of a system, such as a compressor or a fan, is considered repair; the replacement of the entire system is considered a capital improvement.

numbers and types of key authorities delegated, (2) current policies and procedures to help guide decisions to delegate, and (3) complete cost-effectiveness analyses, GSA cannot ensure that delegations are an efficient use of federal dollars or in the best interests of the government.

Recommendations for Executive Action

To improve GSA's ability to oversee the various delegated authorities, we recommend that the Administrator of GSA take the following two actions:

- develop written procedures for reviewing the different sources of its lease delegation data to identify and determine an accurate count of the leases awarded using all three types of leasing delegations and
- update the guidance for managing delegations, including procedures for assessing the cost-effectiveness of individual repair and alteration delegations above \$100,000, operations and maintenance delegations, general purpose leasing delegations, and special purpose leasing delegations that exceed 2,500 square feet.

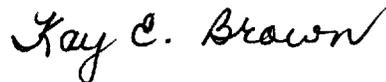
Agency Comments

We provided GSA a draft of this report for its review and comment. GSA agreed with the report's findings and recommendations and stated it will use them to improve its delegation programs. More specifically, with respect to our first recommendation, GSA stated it is in the process of implementing several changes to improve its data collection for lease delegations. GSA noted that it has requested the Federal Real Property Council to provide PBS the data on delegated leases listed in the Federal Real Property Profile database. GSA agreed to compare annually the agencies' data sent to GSA with the Federal Real Property Profile database, as agencies will now be required to identify the authority under which they acquired their leased assets. GSA further agreed to develop written guidance for these new procedures. Regarding our second recommendation, GSA said it would review and update, as necessary, the guidance for managing its real property delegations. GSA further noted that it has various types of delegations of authority with unique policies and procedures to administer the specific requirements of the delegation programs. GSA also provided written technical comments, which we have incorporated in this report as appropriate. GSA's letter is contained in appendix II without the enclosure that contained the technical comments.

As agreed with your office, unless you publicly release its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will provide copies to interested congressional committees and the GSA Administrator. We will make copies available to others upon request. The report is available at no charge on GAO's Web site at <http://www.gao.gov>. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report.

If you or your staff have any questions concerning this report, please contact me at (202) 512-7215 or brownke@gao.gov. Key contributors to this report were Sally Moino, Assistant Director; Derrick Collins; Susan Michal-Smith; Michael Mgebroff; Courtney Reid; Janay Sam; and Sandra Sokol.

Sincerely yours,



Kay E. Brown
Acting Director, Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

Given your interest in the General Services Administration's (GSA) use of real property delegations of authority, we determined (1) what real property authority GSA has delegated to its tenant agencies, (2) what policies and procedures GSA uses to manage delegated real property authority, and (3) reasons the tenant agencies requested delegated authority.

To determine what real property authority GSA delegated to its tenant agencies and the criteria GSA used when deciding to delegate those activities, we reviewed, among other materials, the law, the Federal Management Regulation, and the Federal Acquisition Regulation related to GSA's authority to delegate real property functions; existing policies and procedures for managing the delegations, including internal Public Buildings Service (PBS) guidance on delegations of real estate leasing authority and PBS's "Standard Operating Procedures for Operation and Maintenance of Delegated Real Property;" previous Office of Governmentwide Policy reviews of delegations of real estate leasing authority; PBS summaries of the lease delegation program; and data on the number of delegations by type and agency from fiscal years 1996 to 2006. We limited our review to delegations for the following agencies: Departments of Commerce, Defense, Health and Human Services, Homeland Security, Interior, Justice, the Treasury, Environmental Protection Agency, the Judiciary, and the Social Security Administration. These agencies were GSA's top 10 customers in annual rent for fiscal year 2005 as reported in GSA's State of the Portfolio. For the purposes of our review, we did not include real property disposal authority or delegations of security authority in our analysis. To assess the reliability of the delegations data we (1) reviewed related documentation, (2) conducted manual testing of certain source databases, and (3) interviewed knowledgeable agency officials about the quality of the data. As a result, we determined that the data were sufficiently reliable for the purposes of this report.

Finally, to obtain information on the views and experiences of agencies with delegations we interviewed officials from six agencies. To select the agencies, we reviewed GSA's data on delegations to its tenant agencies from fiscal years 1996 to 2006 and selected the two agencies with the most delegations in each category for which we had data: real estate leasing authority, administrative contracting officer authority, operations and maintenance authority, repair and alteration project authority, and utility service authority. Because we used a sample selection method, our results are not generalizable to all agencies that received delegations of real

Appendix I: Objectives, Scope, and Methodology

property authority. Table 5 provides a listing of the agencies we selected and interviewed.

Table 5: Agencies We Contacted with the Most Delegations in Each Category

Delegation type	Department of Commerce	Department of Interior	Department of Defense	Social Security Administration ^a	Environmental Protection Agency	Department of Justice
Real estate leasing	x	x				
Administrative contracting officer	x		x			
Operations and maintenance			x	x		
Repair and alteration					x	
Utility service		x				x

Source: GAO.

^aWe originally attempted to interview officials from the Department of Treasury to discuss their operations and maintenance delegations, but our request for an interview was unsuccessful. Subsequently, we contacted officials from the Social Security Administration to discuss their operations and maintenance delegations.

We also interviewed Judiciary officials from the Administrative Office of the U.S. Courts to discuss its decision to return delegations of operations and maintenance authority.

We performed our review from August 2006 through June 2007 in accordance with generally accepted government auditing standards.

Appendix II: Comments from the General Services Administration



GSA Administrator

August 23, 2007

The Honorable David M. Walker
Comptroller General of the United States
Government Accountability Office
Washington, DC 20548

Dear Mr. Walker:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the draft report, "Improvements Needed in Managing Delegated Authority of Real Property Activities," (GAO-07-1000). The Government Accountability Office recommends the Administrator of General Services: (1) develop written procedures for reviewing the different sources of its lease delegation data to identify and determine an accurate count of the leases awarded using all three types of leasing delegations; and, (2) update the guidance for managing delegations, including procedures for assessing the cost-effectiveness of individual repair and alteration delegations above \$100,000, operations and maintenance delegations, general purpose leasing delegations, and special purpose leasing delegations that exceed 2,500 square feet.

GSA agrees with the findings and recommendations and will use them to improve our delegation programs.

Technical comments that update and clarify statements in the draft report are enclosed and incorporated herein by reference. If you have any questions, please contact me. Staff inquiries may be directed to Mr. Kevin Messner, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Cordially,

A handwritten signature in black ink, appearing to read "Lurita Doan".

Lurita Doan
Administrator

Enclosure

cc: Mark Goldstein, Director, Physical Infrastructure

U.S. General Services Administration
1215 F Street, NW
Washington, DC 20405-4700
Telephone: (202) 501-9800
Fax: (202) 518-1333
www.gsa.gov

GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, D.C. 20548

Public Affairs

Susan Becker, Acting Manager, Beckers@gao.gov (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, D.C. 20548