



Report to the Committee on
Transportation and Infrastructure,
House of Representatives

FEDERAL REAL PROPERTY

Measuring Actual Office Space Costs Would Provide More Accurate Information

Accessible Version

December 2019

GAO Highlights

Highlights of [GAO-20-130](#), a report to the Committee on Transportation and Infrastructure, House of Representatives

Why GAO Did This Study

The government's RTF policy has intensified federal efforts to reduce office space and save money since 2015. GSA and OMB report key cost performance measures but questions exist about how well these measures reflect agencies' efforts.

GAO was asked to review how federal real property costs have changed since 2015. This report examines (1) the extent to which performance measures reflect changes in civilian CFO Act agencies' office space costs and (2) how selected agencies considered cost in their office space decisions.

To conduct this work, GAO analyzed federal data on office space square footage and cost changes for the 23 civilian CFO Act agencies from fiscal years 2015 through 2018, and reviewed GSA's and OMB's calculations for cost performance measures. GAO selected five agencies and 13 of their office space projects as non-generalizable case studies based on several factors, including those with larger space and cost changes. GAO reviewed the selected agencies' policies and project documentation, and interviewed agency officials.

What GAO Recommends

GAO recommends that GSA coordinate with OMB to use actual cost information to calculate the average cost per square foot performance measure for GSA-managed space. GSA agreed with the recommendation.

View [GAO-20-130](#). For more information, contact Lori Rectanus at (202) 512-2834 or rectanusl@gao.gov.

December 2019

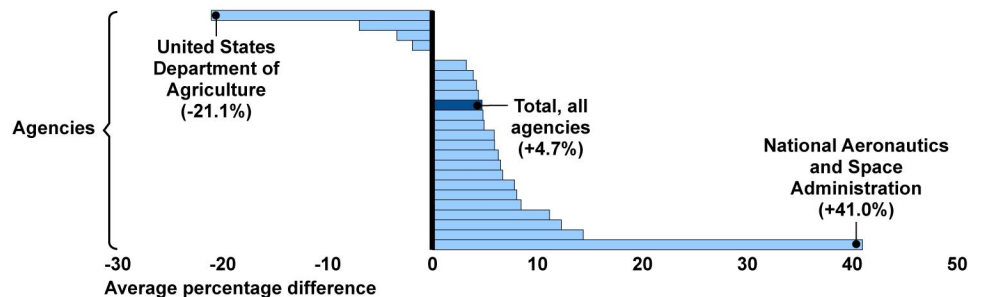
FEDERAL REAL PROPERTY

Measuring Actual Office Space Costs Would Provide More Accurate Information

What GAO Found

The Office of Management and Budget (OMB) issued the Reduce the Footprint (RTF) policy in 2015 to promote the more efficient use of federal space. The General Services Administration (GSA) and OMB track and report two RTF cost performance measures: estimated costs avoided and average cost per square foot. GAO found that the method for estimating costs avoided was reasonable. However, the average cost per square foot was not accurate for the federally-owned and leased office space GSA manages for agencies. Specifically, GAO found that from fiscal years 2015 through 2018 the actual average cost per square foot for this space was, on average, \$1.31 per square foot higher than the costs GSA and OMB reported for the 23 civilian agencies subject to the Chief Financial Officers (CFO) Act. The actual cost per square foot was higher for 18 out of 23 of these agencies (see figure). Because GSA and OMB did not use readily available actual cost data, their method, which is based on 1 month's data, excluded an average of \$271 million per year in costs over this period. Consequently, stakeholders and agencies do not have accurate information to assess agencies' performance or help manage their space decisions.

Percentage Difference between General Services Administration's (GSA) and Office of Management and Budget's Average Cost per Square Foot Calculation and Actual Costs for Agencies' GSA-Managed Office Space, Fiscal Year 2015 through 2018



Source: GAO analysis of GSA Occupancy Agreement data. | GAO-20-130

Note: This information covers the 23 Civilian Chief Financial Officers Act agencies.

While selected agencies considered costs when making office space decisions, they balanced other factors as well. As the federal government's principal landlord, GSA obtains space for many agencies. In so doing, it emphasizes federal cost savings, which may not lead to agency savings. For example, GSA prioritized filling unoccupied federally-managed space even if it was more costly to an agency than another option. The selected agencies also reported that factors such as mission, workforce needs, and external factors are important to consider and balance as well. For example, a senior official from the Department of Education said that effects on employees' commutes are an important factor in its space decisions, and that it weighs the impact of potential office locations on the Department's workforce against the cost of the space.

Contents

Letter	1
Background	4
Reduce the Footprint Cost Performance Measures Give Insight into Agencies' Efforts, but Using Actual Cost Data Would Provide More Accurate Information	8
While Costs Are a Central Consideration When Making Office Space Decisions, Selected Agencies Balance Additional Factors	14
Conclusions	21
Recommendation	22
Agency Comments	22
Appendix I: Objectives, Scope, and Methodology	24
Appendix II: Comments from the General Services Administration	29
Appendix III: GAO Contact and Staff Acknowledgments	31
Appendix IV: Accessible Data	32
Data Tables	32
Agency Comment Letter	35

Figures

Figure 1: Reduce the Footprint Percentage Change in Office Space Square Footage for the 23 Civilian Chief Financial Officers Act Agencies, Fiscal Year 2015 through 2018	7
Figure 2: Percentage Difference between General Services Administration's (GSA) and Office of Management and Budget's (OMB) Average Cost per Square Foot Calculation and Agencies' Actual Costs for GSA-Managed Office Space, Fiscal Years 2015 through 2018	11
Accessible Data for Percentage Difference between General Services Administration's (GSA) and Office of Management and Budget's Average Cost per Square	

Foot Calculation and Actual Costs for Agencies' GSA-Managed Office Space, Fiscal Year 2015 through 2018	32
Accessible Data for Figure 1: Reduce the Footprint Percentage Change in Office Space Square Footage for the 23 Civilian Chief Financial Officers Act Agencies, Fiscal Year 2015 through 2018	33
Accessible Data for Figure 2: Percentage Difference between General Services Administration's (GSA) and Office of Management and Budget's (OMB) Average Cost per Square Foot Calculation and Agencies' Actual Costs for GSA-Managed Office Space, Fiscal Years 2015 through 2018	33
Accessible Data for Percentage Change in Selected Agencies' Square Footage and Cost, Fiscal Year 2015 through 2018	35

Abbreviations

CFO Act agencies	Chief Financial Officers Act agencies
DOD	Department of Defense
Education	U.S. Department of Education
Efficiency Plans	Real Property Efficiency Plans
FRPP	Federal Real Property Profile
GSA	General Services Administration
IRS	Internal Revenue Service
Labor	Department of Labor
NIH	National Institutes of Health
OMB	Office of Management and Budget
PBS	Public Buildings Service
RTF	Reduce the Footprint

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.



December 10, 2019

The Honorable Peter DeFazio
Chairman
The Honorable Sam Graves
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

Federal agencies spend billions of dollars each year to rent, operate, and maintain their real property assets, including office space. The federal government has faced long-standing challenges managing these assets in an efficient way.¹ Recognizing this, in March 2015 the Office of Management and Budget (OMB) directed agencies to reduce and more efficiently manage their space as part of the Reduce the Footprint (RTF) policy. According to OMB and the General Services Administration (GSA), the 24 agencies subject to the Chief Financial Officers Act (CFO Act agencies) have reduced their domestic office and warehouse space by more than 16 million total square feet and avoided an estimated \$166 million in costs since fiscal year 2015.² However, OMB and GSA also reported that average costs per square foot have increased for some space, raising questions about the effects agencies' efforts have had on their actual real property costs. Moreover, as the RTF policy ends in fiscal year 2020, it is unclear if agencies have reduced their space to the best possible size or how they will strive to optimize their office space size and costs going forward.

You asked us to review how federal real property costs have changed since 2015. This report discusses: (1) the extent to which Reduce the Footprint performance measures reflect changes in civilian CFO Act

¹ The management of federal real property has been on GAO's high-risk list since 2003 due, in part, to the federal government's retention of excess and underutilized property and reliance on high-cost leasing. GAO, *Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.: Mar. 6, 2019).

² The CFO Act established chief financial officers to oversee financial management activities at 23 agencies. Pub. L. No. 101-576, §205, 104 Stat. 2838, 2842-43 (1990). The list now includes 24 agencies, which are often referred to collectively as CFO Act agencies. See 31 U.S.C. § 901(b).

agencies' office space costs, and (2) how selected agencies considered costs in their office space decisions.

To assess the accuracy of the RTF cost performance measures used to monitor changes in agencies' office space costs, we analyzed data submitted by the 23 civilian CFO Act agencies to the Federal Real Property Profile (FRPP) and data maintained by GSA in its Occupancy Agreement database from fiscal year 2015, the year RTF began, through fiscal year 2018, the most recent year for which data were available.³ We assessed the reliability of these data by conducting electronic testing and interviewing GSA officials, among other steps, and determined that both datasets were reliable for the purposes of our reporting objectives. While GSA measures RTF performance for all 24 CFO Act agencies, we excluded the Department of Defense (DOD) from our scope because of GSA concerns about the reliability of their data.⁴ We refer to the remaining 23 civilian CFO Act agencies as "agencies" in this report. We also reviewed the methodologies GSA developed with OMB for the cost performance measures, interviewed GSA and OMB officials regarding the measures, and replicated one of the methods. We compared our analysis of one method to *Standards for Internal Control in the Federal Government*, which state that agencies should use and communicate quality information—information that is complete and accurate—to inform decisions.⁵

To understand how agencies considered cost in office space decisions, we selected five agencies—the Department of Education (Education), GSA, the Internal Revenue Service (IRS) within the Department of the Treasury, the Department of Labor (Labor), and the National Institutes of Health (NIH) within the Department of Health and Human Services—to

³ We analyzed data on cost and square footage for office space subject to RTF in the 50 states and the District of Columbia. FRPP is the federal government's database that tracks all real property under the custody and control of all executive branch agencies, except when otherwise required for reasons of national security. GSA's Occupancy Agreement database is a comprehensive inventory of federal properties held by GSA and occupied by federal agencies.

⁴ GSA determined DOD's fiscal year 2017 and 2018 data were not sufficiently reliable to calculate RTF space reductions for the Department.

⁵ GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

review in depth.⁶ To select agencies, we used FRPP and Occupancy Agreement data on agencies' costs and square footage, and considered a range of factors, such as changes in portfolio cost and square footage. We selected agencies for variety but weighted our selection toward agencies with larger absolute changes in cost and square footage. We also selected 13 office space projects these agencies undertook from fiscal years 2015 through 2018 based on factors such as cost, location, changes in square footage, and project type to further understand how agencies considered cost in their decisions.⁷ We selected projects with a range of locations and types, but selected only those with a cost of \$1 million or more because these projects have more effect on overall costs. Our selections are not representative or generalizable to all agencies or projects. To gain insights into how selected agencies considered costs in their office space decisions, we reviewed their real property management policies and project documentation and interviewed agency officials. We analyzed this information to identify common themes across the agencies. Because GSA's Public Buildings Service (PBS) acquires, manages, and disposes of office space on behalf of agencies, we reviewed PBS's policies and its analyses for most of our selected projects. We also interviewed PBS headquarters officials to understand how PBS considers costs when helping agencies obtain space. Appendix I describes our objectives, scope, and methodology in greater detail.

We conducted this performance audit from November 2018 to December 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁶ Within the Departments of the Treasury and Health and Human Services we selected the IRS and NIH respectively because we determined that real property within these departments is managed at the agency level.

⁷ We used agency-provided data to analyze these factors. We reviewed renovation, relocation, and consolidation projects and considered both completed and ongoing projects.

Background

Roles and Responsibilities for Managing Federal Real Property

Within the executive branch, both OMB and GSA provide leadership in managing federal real property. OMB, among other things, issues policies and memorandums, including the RTF policy discussed below. GSA has dual roles with regard to the management of federal real property. First, GSA's Office of Government-wide Policy supports the implementation of OMB's real property policies, including RTF, by collecting and analyzing federal real property data and providing agencies with guidance on leading practices. According to GSA officials, GSA and OMB coordinated to develop data analysis methods to monitor agencies' performance in meeting OMB's real property policies, and OMB approved the methods that are used.

Second, as the federal government's principal landlord, GSA's PBS acquires, manages, and disposes of federally-owned real property for which it has custody and control on behalf of agencies that occupy it, and leases commercial space on behalf of agencies. In these cases, GSA manages the lease agreements. We refer to both of these types of properties as GSA-managed space. All of the agencies obtain at least some of their office space through GSA's PBS; in fact, two-thirds of the 23 agencies' office space is GSA-managed space. When agencies obtain space through GSA, they enter into occupancy agreements with PBS and pay rent, operations, and maintenance costs to PBS.⁸ When GSA obtains space for its own employees, it also enters into occupancy agreements with PBS. PBS maintains a record of agencies' GSA-managed space, including information on square footage and costs, in its Occupancy Agreement database. We discuss PBS's role in agencies' office space decisions later in this report.

⁸ The occupancy agreement outlines both the financial obligations and the responsibilities of GSA and the customer agency. GSA deposits rental payments from tenant agencies into the Federal Buildings Fund, which is a fund that operates as the primary means of financing the operating and capital costs associated with federal space. In some cases, GSA may delegate operations and maintenance authorities to agencies. In these cases, according to GSA officials, agencies pay directly for operations and maintenance activities and do not pay GSA for these activities.

Some agencies also have independent statutory authority to lease, or acquire and manage their own property, which GSA refers to as directly-leased or directly federally-owned (“directly-owned”) space. Additionally, some agencies may be authorized to directly lease or acquire property when GSA delegates authority to them because doing so is in the government’s best interest.⁹ Fourteen of the 23 agencies directly lease or own some of their office space, and about one-third of these agencies’ total office space is made up of directly-leased or owned property.¹⁰ Agencies pay rent to private landlords when directly leasing space and are responsible for operating and maintaining directly-owned property. Agencies must report, among other things, the square footage and costs to rent, operate, or maintain such properties to the FRPP database, which GSA maintains.

Reduce the Footprint Policy and Performance

As previously mentioned, in March 2015, OMB issued the RTF policy to promote the more efficient use of real property assets through improved space utilization and reduction. According to OMB, the policy is intended to provide value to the taxpayer. The RTF policy requires agencies to submit annual Real Property Efficiency Plans (Efficiency Plans) to OMB that: (1) identify annual reduction targets for domestic office and warehouse space for a 5-year period; (2) include a policy that specifies the maximum usable square feet per person, also known as a utilization rate, and (3) refrain from increasing the square footage of domestic office and warehouse space over fiscal year 2015 levels.¹¹ As part of the Efficiency Plans, agencies must also identify specific projects they will implement to reduce or improve efficient use of their space. Agencies may undertake different types of projects such as renovation, relocation,

⁹ For more information on GSA’s delegated leasing program, see GAO, *Federal Real Property: GSA Needs to Strengthen Oversight of Its Delegated Leasing Program*, [GAO-19-405](#) (Washington, D.C.: June 3, 2019).

¹⁰ Directly-owned office space is owned by the federal government but directly managed by the holding agency.

¹¹ OMB, *Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint*, Management Procedures Memorandum No. 2015-01 (Washington, D.C.: Mar. 25, 2015).

or consolidation projects to achieve their space reduction or efficiency goals.¹²

While OMB oversees the implementation of the RTF policy, GSA tracks and reports key cost performance measures on agencies' square footage and cost changes, in accordance with analysis methods it developed in coordination with OMB.¹³ GSA reports these performance measures on performance.gov and to Congress in annual reports, and provides measures for agencies to use in their Efficiency Plans.¹⁴ According to these data, the 23 civilian agencies reduced more than 6 million square feet of office space from fiscal year 2015 through fiscal year 2018.¹⁵ As shown in figure 1, space changes varied across agencies; 16 of the 23 agencies reduced office space, while 7 increased space.¹⁶

¹² For the purposes of this report, renovation projects involve updates to existing office space that may or may not include changes in square footage. A relocation project is when an agency moves staff from one location to another, whereas consolidation is when an agency moves two or more offices into one space, and both types of projects can involve renovation, acquisition, or disposal of space. We previously reported that agencies identified consolidation, disposal, and co-location projects—sharing space with other agencies—in their Efficiency Plans as the primary means to reduce their space. GAO, *Federal Buildings: Agencies Focus on Space Utilization As They Reduce Office and Warehouse Space*, [GAO-18-304](#) (Washington, D.C.; Mar. 8, 2018).

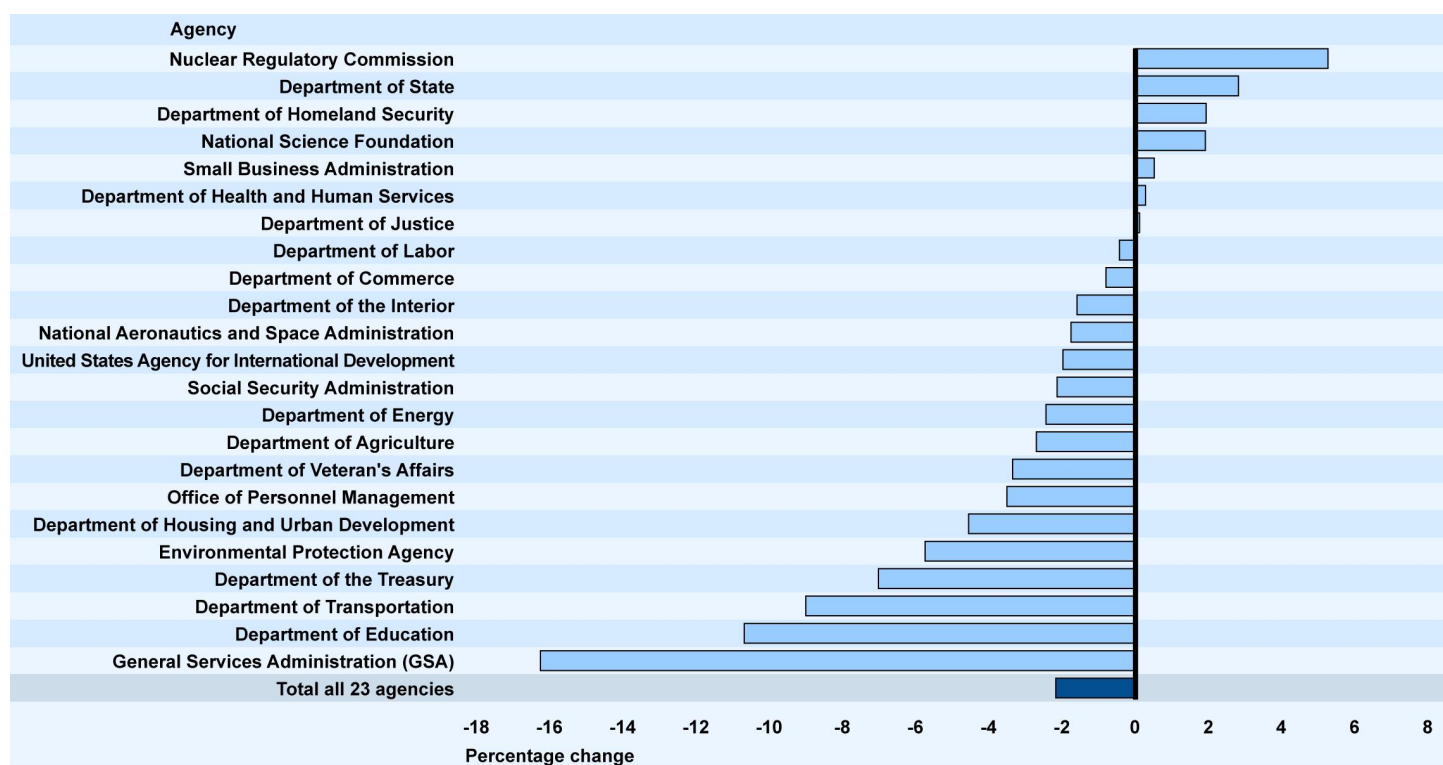
¹³ In 2016, GSA issued RTF implementation guidance that specified how it determines which properties are subject to RTF requirements, and how it measures and reports square footage change. GSA, *Reduce the Footprint Implementation Guidance* (Washington, D.C.: Oct. 31, 2016).

¹⁴ Performance.gov is a website that informs the public of the federal government's progress to cut waste, streamline government, and improve performance.

¹⁵ GSA includes agencies' warehouse space reductions and DOD's fiscal year 2015 to 2016 space reductions in the overall RTF square footage reductions GSA reports on performance.gov. As a result, GSA reports that the 24 CFO Act agencies, including DOD, reduced their office and warehouse square footage by more than 16 million square feet since RTF began.

¹⁶ This figure represents the sum of all 23 agencies' square footage changes, but does not include any resulting changes in vacant space.

Figure 1: Reduce the Footprint Percentage Change in Office Space Square Footage for the 23 Civilian Chief Financial Officers Act Agencies, Fiscal Year 2015 through 2018



Source: GAO analysis of GSA data. | GAO-20-130

According to publicly available RTF data, some agencies' space reductions have slowed as the RTF policy approaches its end date in fiscal year 2020 and as according to OMB officials, many of the lower-cost, high financial return projects have been executed. GSA has reported varied results with regard to changes in agencies' costs since the start of RTF. GSA reported that the federal government has avoided spending millions of dollars as a result of reduced office and warehouse space but also has reported that the average cost per square foot for office space has increased. We discuss the RTF cost performance measures in detail later in this report.

The RTF policy is effective through the end of fiscal year 2020. OMB and GSA officials told us that discussions about a real property policy to succeed RTF were underway as of early 2019. However, no policy to succeed RTF has been issued as of September 2019, according to a senior GSA official.

Reduce the Footprint Cost Performance Measures Give Insight into Agencies' Efforts, but Using Actual Cost Data Would Provide More Accurate Information

GSA tracks and reports two RTF cost performance measures—estimated cost avoidance and average cost per square foot. These measures provide useful information on agencies' results, but the average cost per square foot performance measure does not use the most accurate information.

Regarding estimated cost avoidance, GSA reported that the 24 CFO Act agencies—including DOD—avoided an estimated \$166 million in office and warehouse costs as a result of their space reductions since fiscal year 2015. We used GSA's data and the cost avoidance approach GSA developed with OMB to identify that \$114 million of the estimated cost avoidance can be attributed to civilian agencies' office space reductions since fiscal year 2015.¹⁷

The estimated cost avoidance measure reflects overall federal cost avoidance because it accounts for space that agencies have returned to GSA but that remains unoccupied. Under certain conditions, agencies may vacate GSA-managed space prior to the end of their occupancy agreement and report that as a reduction in their space. However, until this space is reoccupied or GSA disposes of it, the federal government continues to incur costs to operate and maintain the space. Because of these continued costs, GSA accounts for vacant space when it estimates cost avoidance. For example, from fiscal year 2016 to fiscal year 2017 the amount of vacant GSA-managed office space increased more than the amount of space agencies reduced. Since this increase meant that the federal government had not reduced office space overall when the calculation was made, GSA estimated that rather than avoiding costs, costs for civilian office space increased by roughly three-quarters of a million dollars during this period. GSA officials noted that this estimate represents estimated cost avoidance at a single point in time and does

¹⁷ GSA did not include DOD space changes in its cost avoidance estimate for fiscal years 2017 and 2018 because it found that DOD's data were not of sufficient quality.

not capture fluctuations in agencies' space or vacant federal space throughout the year.

Reduce the Footprint Cost Avoidance Calculation

(Agencies' square footage reductions – increases in vacant General Services Administration's (GSA) leased or managed space)

X

Average fiscal year 2015 cost per square foot for (1) space agencies lease directly, (2) space agencies acquire and manage directly, (3) space GSA leases on behalf of agencies, and (4) federally-owned space GSA manages.

Source: GAO analysis of GSA and Office of Management and Budget documents | GAO-20-130

In 2018, GAO reported that GSA's and OMB's method for estimating the cost avoidance associated with agencies' real property changes is a reasonable approach given current limitations.¹⁸ OMB officials explained that the estimated cost avoidance is not intended to depict actual cost savings or the net effect of space changes on costs (i.e., investment cost minus savings) because the estimate does not include agencies' investment costs to renovate, relocate, or dispose of space.¹⁹ Rather, GSA's and OMB's method estimates the costs for rent, operations, and maintenance that the federal government did not incur because it no longer occupies space. Further, OMB officials pointed out that because agencies use a variety of methods and systems to track and categorize their renovation, relocation, and disposal costs, agencies' data on actual investment costs are not consistent across agencies and using these data would limit the accuracy of any estimate purporting to be an actual cost savings measure.

Another annual cost measure GSA uses to track agencies' RTF performance is the average cost per square foot, which is intended to reflect actual changes in agencies' real property costs. GSA calculates the annual average cost per square foot for different categories based on how the space is managed—directly-owned, directly-leased, and GSA-managed office space. GSA uses the same approach to calculate the measure for all agencies, and for each agency to use in their annual Efficiency Plans.²⁰ GSA's performance measure shows an increase in all types of office space costs since fiscal year 2015, and our analysis of FRPP and Occupancy Agreement data similarly found that overall office space costs have increased for the majority of agencies, some by as

¹⁸ In 2013, we recommended that OMB develop clear and specific standards for: identifying and reporting cost savings related to federal real property changes; consistently reporting savings across agencies, and; documenting, validating and reviewing results. GAO, *Federal Real Property: Improved Standards Needed to Ensure That Agencies' Reported Cost Savings Are Reliable and Transparent*, [GAO-14-12](#) (Washington, D.C.: Oct. 29, 2013). In 2018, we determined that due, in part, to limitations of existing cost data, OMB's estimated cost avoidance approach represented the most defensible method available, and we closed our recommendation as implemented.

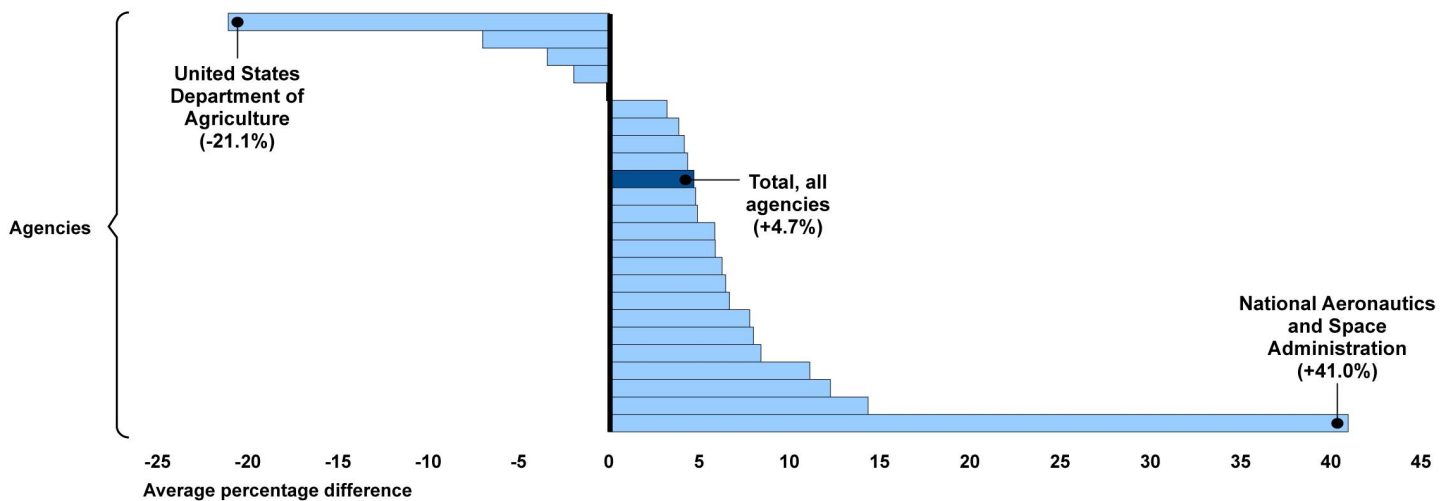
¹⁹ We have previously reported that investment costs for moving, disposal, or modification of existing space were a challenge for agencies as they seek to reduce space as part of RTF. [GAO-18-304](#).

²⁰ The cost information captured in the data varies based on how the space is managed. For example, costs for directly-owned space capture operations and maintenance costs but there is not an associated lease cost.

much as 10 to 15 percent.²¹ We found the approach GSA developed with OMB to calculate average cost per square foot for directly-owned and directly-leased office space to be reasonable because GSA used the best available data.

However, we found that GSA's and OMB's approach for GSA-managed space understated the average cost per square foot. Specifically, we found that GSA understated the overall average cost per square foot for all agencies' GSA-managed office space by \$1.31 (4.7 percent) on average from fiscal years 2015 through 2018. Furthermore, we found that GSA's and OMB's method understated the average cost per square foot for 18 of the 23 agencies between 3 percent and 41 percent on average from fiscal years 2015 through 2018. Figure 2 illustrates the range of differences we found between GSA's and OMB's method and actual costs.

Figure 2: Percentage Difference between General Services Administration's (GSA) and Office of Management and Budget's (OMB) Average Cost per Square Foot Calculation and Agencies' Actual Costs for GSA-Managed Office Space, Fiscal Years 2015 through 2018



Source: GAO analysis of GSA Occupancy Agreement data. | GAO-20-130

Note: Data shown is for the 23 civilian Chief Financial Officers Act agencies. A positive percent difference indicates the actual average cost per square foot is higher than the average cost per square foot calculated using GSA's and OMB's method.

²¹ Agencies' costs include rent, operations, and maintenance, as well as other costs that may be included in agencies' rent payments, such as tenant improvements. Costs are not adjusted for inflation.

General Services Administration's (GSA) and Office of Management and Budget's Method for Calculating Average Cost per Square Foot for GSA-managed Space

Sum (Rental Rate x Rentable Square Feet)

Sum of Rentable Square Feet

Source: GAO analysis of GSA documents | GAO-20-130

GSA understated the average cost per square foot for GSA-managed space because it did not use readily available data on the actual costs agencies paid to GSA for office space each year. Instead, GSA used the “rental rate”, which reflects the cost per square foot that agencies paid in the month GSA accessed the data—usually September. This rate does not include all agency costs, such as costs for GSA’s fee.²² Using the monthly rental rate to calculate average cost per square foot can significantly affect the resulting measure because the rental rate can differ from month to month. According to GSA officials, this variation can occur for many reasons including rental incentives, credits, or one-time costs that are reflected in that particular month but do not apply in all months. To identify how GSA’s use of the rental rate affected the cost information GSA used to calculate the measure, we calculated costs using the rental rate (GSA’s method) and compared them to the actual annual costs in GSA’s data. We found that costs calculated using the rental rate were almost always lower than actual annual costs for agencies, sometimes by millions of dollars for a single space. This approach led GSA to exclude an average of \$271 million in office space costs per year from its calculations during this time period. Moreover, by using this approach GSA did not include the costs for spaces that did not have a rental rate, even when agencies paid for those spaces during the fiscal year.²³ In fiscal year 2018, GSA’s and OMB’s method excluded 405 GSA-managed office spaces that did not have a rental rate but that had a combined annual rental cost of \$24.2 million.

²² Rental costs for office space GSA obtains on behalf of agencies also includes a 5 to 7 percent fee agencies pay to GSA for its services.

²³ A space may not have a rental rate because it has zero square feet or because the agency did not pay rent in that particular month due to incentives or overpayments. GSA officials told us that spaces such as antennas may have zero square feet, but are classified as an office space because the predominant use of the building is office space.

Example of the Effect of General Services Administration's (GSA) and Office of Management and Budget's (OMB) Method on Cost per Square Foot: National Aeronautics and Space Administration (NASA)

**NASA Average Cost per Square Foot
Fiscal Year 2015**

Actual Costs	\$91.93
GSA/OMB Method	\$44.75
Percent Difference	51.3%

GSA and OMB's method excluded about \$31 million from the cost per square foot calculation. This difference was largely attributable to one office space, which had a rental rate of \$44.67, much lower than the actual annual cost per square foot for that space, which was \$97.98.

Source: GAO analysis of GSA data | GAO-20-130

GSA used the rental rate even though it tracks and can easily access actual annual costs in its Occupancy Agreement database because, in GSA's view, the rental rate better reflects the real average cost of an office space. Officials said that the actual annual cost can represent partial year costs and that GSA did not want to skew the averages toward zero- or low-cost spaces. However, as demonstrated by our analysis, GSA's use of the rental rate, rather than preventing GSA from skewing the average costs toward lower cost office spaces, actually resulted in an understatement of these costs.

Standards for Internal Control in the Federal Government state that agencies should use and externally communicate quality information—information that is accurate and complete—to achieve their goals.²⁴ Understating the average cost per square foot for GSA-managed office space, which comprises two-thirds of agencies' office space, has implications for federal efforts to efficiently manage space. First, using an inaccurate cost performance measure affects stakeholders' and policymakers' ability to accurately judge and oversee agencies' progress toward reducing space costs. Second, because agencies use these data to judge their own performance and make decisions about how to efficiently manage their space, agencies are at risk of taking ineffective steps to manage their costs and achieve their goals.

²⁴ [GAO-14-704G](#).

While Costs Are a Central Consideration When Making Office Space Decisions, Selected Agencies Balance Additional Factors

GSA Prioritizes Federal Cost Savings When Obtaining Office Space for Agencies

As the government's principal landlord, GSA's PBS emphasizes cost savings from a government-wide perspective when working with agencies. To facilitate this approach, PBS has established policies and tools that focus on early planning and cost analysis. For example, according to PBS officials, PBS generally begins planning and cost analysis 5 years ahead of expiring occupancy agreements and leases. As part of this planning, PBS analyzes project costs and cost savings, and considers opportunities to fill vacant federal space and improve a space's efficiency by, for example, improving the utilization rate. PBS recommends projects—including consolidation, relocation, and renovation projects—to agencies based on its analysis. Though PBS officials said that PBS has the final decision-making authority regarding agencies' space, they said PBS works closely with agencies to make collaborative decisions about office space changes. Officials also told us that early planning helps ensure that PBS and agencies have time to identify and select the most cost-effective project option.

According to PBS officials, PBS developed a tool in 2018 to compare potential space projects based on, among other factors, market and move costs. Officials told us that this tool is a way to ensure that PBS analyzes all projects consistently to identify the most cost-effective option for the federal government. They also told us that they use this tool iteratively throughout the planning process and that the cost analysis becomes more refined as PBS coordinates with agencies and identifies specific spaces as options. For high-cost projects, PBS also performs cost

analysis of alternative options, including comparing each alternative's net present value.²⁵

However, PBS officials said that there are instances when they do not perform GSA's standard cost analysis because it is not necessary. Specifically, PBS does not conduct this analysis when there is a space option that clearly aligns with its priorities. For example, PBS did not conduct its standard cost analysis for two of our 13 selected projects because both agencies moved into vacant federally-owned or leased space, moves that presented clear benefits to the federal government, according to PBS officials.

However, GSA's government-wide emphasis may not always result in cost savings for individual agencies, and in some cases, what is most cost-effective for the federal government does not always align with what is most cost-effective for individual agencies. For example, when Education relocated its San Francisco office to vacant federal space in fiscal year 2016, GSA's analysis of the relocation showed that it cost Education slightly more than one other option, but was the lowest cost option for the federal government because it allowed GSA to fill space the federal government was already paying for.

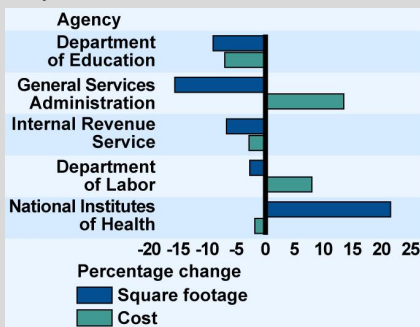
Selected Agencies Conduct Cost Analysis When Making Office Space Decisions

PBS officials told us that they expect their analysis to heavily influence agencies' office space decisions and do not expect agencies to perform their own cost analysis for these decisions, but said some agencies do conduct such analysis. We found that all five of our selected agencies—Education, GSA in the space that it occupies, IRS, Labor, and NIH—conducted some type of cost analysis to inform office space changes. We

²⁵ Prospectus-level projects, which we refer to as high-cost projects, involve major work or acquisitions that are estimated to cost more than a statutorily prescribed amount, which GSA's Administrator is authorized to adjust annually. Projects that are expected to cost more than the prospectus-level threshold must be submitted to certain congressional committees for authorization. 40 U.S.C. § 3307. In fiscal year 2018 the cost threshold for these projects was \$3.095 million for construction/alteration and lease projects and \$1.547 million for alterations in leased buildings. This adjustment is based on the Building Cost Index of the Engineering News-Record published by the McGraw-Hill Companies. Net present value is a financial calculation that illustrates both the up-front investment costs and long-term savings in a single amount. GSA PBS calculates net present value for a 30-year time period.

Percentage Change in Selected Agencies' Square Footage and Cost, Fiscal Year 2015 through 2018

Cost plays an important role in agencies' office space decision-making processes, which can influence office space changes over time. From fiscal year 2015 through 2018, our selected agencies' office space costs and square footage changes varied, and square footage and cost changes did not always have the same trend.



Source: GAO Analysis of Federal Real Property Profile and General Services Administration occupancy agreement data. | GAO-20-130

found that some agencies include such analysis as part of their routine policies and procedures, while others conducted analysis for specific projects as needed.

Education: A senior Education official said that the Department carries out various cost analyses when making office space decisions. For example, the official told us that Education conducts various cost analyses to identify the most cost-effective options for the Department. To manage agency office space costs, the Education official told us that Education focuses its planning process on expiring leases, high-cost leases, and low-cost projects with a large and rapid return on investment. We found that Education conducted such analysis when carrying out its Washington, D.C., consolidation project in fiscal year 2016. The official told us that Education had to quickly reduce agency costs and decided to do so by reducing space as opposed to furloughing employees. After reviewing their space and conducting rent savings analysis, Education decided to consolidate its staff from three different office buildings in Washington, D.C., into excess space it had in two other buildings. According to Education's analysis, this consolidation reduced the annual rent for its Washington, D.C., offices by about 19 percent.

GSA: GSA considers cost when it identifies and evaluates potential projects for the space it occupies. Specifically, GSA requires its offices to use a project template to routinely collect rent savings and payback period information on almost all potential projects. In fiscal year 2015, GSA also conducted a portfolio-wide review of GSA-occupied space during which it identified potential projects based, in part, on rent savings and payback period analysis. Through this review, GSA identified and recommended 15 projects that would reduce 964,000 rentable square feet, use space more efficiently, and save up to more than \$17 million in rent over 5 years. GSA officials told us GSA prioritized its implementation of the recommendations by starting with the projects that had the largest space reduction and rent savings. For example, in fiscal year 2015, GSA decided to consolidate two of its Atlanta offices into one smaller, more efficient space. GSA determined that this consolidation could reduce its rentable square feet by 150,000 square feet (52 percent) and save \$4.1 million in annual rent.

IRS: IRS has developed multiple tools to analyze the cost of project options based on market data and upfront costs, among other information. For example, IRS developed its Return on Investment Calculator to help determine whether it is most cost-effective to stay in place, downsize, or relocate when a lease or occupancy agreement

expires. The tool compares the return on investment for moving versus staying by using cost information, such as market data, travel, furniture, and rent costs. The IRS also uses a project estimating and tracking tool called the Space, Time & Resources Tool to create general cost estimates for a variety of project types, evaluate alternatives, and according to IRS officials, contribute to the development of plans for expiring leases. This tool uses preliminary space and cost estimates for needs such as facilities, security, and information technology to determine each project's return on investment and potential annual rent savings. IRS officials told us that they may use the analyses from some of the tools to make a case to GSA in support of IRS's preferred alternative or lowest-cost option, if necessary.²⁶

Labor: Labor considers cost in its space policies and procedures, and we found that Labor sometimes conducted its own cost analysis to identify opportunities to achieve savings. A senior Labor official told us that Labor conducts an informal, broad review of its space that allows the Department to identify opportunities for cost savings. The official told us Labor looks for opportunities to co-locate staff from multiple agencies, and according to its space management policy, co-location allows Labor agencies to share support spaces which can reduce overall square footage and administrative costs. The official said that through review and analysis, Labor identified an opportunity to consolidate staff from multiple offices in Washington, D.C., into a single space in fiscal year 2016. Labor's analysis indicated that the consolidation could save the Department an estimated \$789,000 in annual rent in fiscal year 2014, the year the project began. The Labor official told us that Labor is focused on early planning to identify opportunities for cost savings and space reductions, and is beginning a new initiative to review and plan for projects up to 6 years in advance of lease or occupancy agreement expirations.

NIH: We found that NIH routinely considers costs when it evaluates potential projects. Specifically, when NIH considers potential projects, it collects information on costs, such as long-term budget effects. A senior NIH official also told us that NIH works closely with GSA to conduct cost analysis, including analysis for high-cost projects that NIH submits as part of its funding requests to Congress, such as analysis of rent costs over

²⁶ Generally, GSA requires a full and open competition when acquiring space through leasing. 48 C.F.R. §§ 570.104, 6.101

the full lease term. Through this analysis, NIH has been able to identify lower-cost space options to meet its needs. For example, NIH determined that it could save \$3.6 million annually and \$53 million over 15 years by locating to office space that was closer to its other offices because it would decrease the time employees spent traveling between spaces. Additionally, the NIH official said one of NIH's goals includes co-locating agency offices and staff to improve efficiency and reduce costs, and NIH routinely identifies opportunities to co-locate as part of its project selection process. For example, when NIH consolidated staff in Maryland into two buildings on one campus, the official said that NIH chose consolidation because it offered NIH an opportunity to operate more efficiently.

All Selected Agencies Consider Factors beyond Cost When Making Office Space Decisions

We found that while all selected agencies consider cost when making office space decisions, they generally do not make decisions based on cost alone. We have previously reported that cost, mission, and external considerations influence agencies' efforts to manage, reduce, or change their space.²⁷ We found that all five of our selected agencies balance these factors, as well as workforce considerations, with cost, and with each other, when making office space decisions. These factors may not always align with each other and the extent to which these factors influence space decisions and their cost implications can vary for each specific office project need.

Mission and Goals: We found that all selected agencies considered and balanced their mission or goals with other factors, such as cost, when making office space decisions.

- *Mission:* Agencies' missions are an important factor and can work in tandem, or be in tension, with agencies' efforts to achieve cost savings. For example, we found that when GSA decided in fiscal year 2014 to renovate and reduce space in its Chicago, IL, office, it considered, among other factors, how this project supported GSA's government-wide mission to make federal space available to agencies. By reducing space in the existing location by fiscal year

²⁷ GAO, *Federal Real Property: Improving Data Transparency and Expanding the National Strategy Could Help Address Long-Standing Challenges*, [GAO-16-275](#) (Washington, D.C.: Mar. 31, 2016); [GAO-18-304](#).

2017, GSA determined it could reduce its annual rent in Chicago by 40 percent and provide more than 50,000 square feet of federal space to other agencies. On the other hand, a senior IRS official told us that because enforcement needs—a central part of IRS’s mission—are constantly shifting to different parts of the country, IRS may not always be able to enter into long-term lease agreements, which are generally more cost-effective.

- **Goals:** We found that agencies’ goals could be complementary to or in conflict with their efforts to reduce cost. A senior NIH official told us that NIH’s offices are currently widely dispersed and that NIH has a goal of “making the crumbs into a loaf” by co-locating different offices as leases expire. The NIH official told us that co-locating can facilitate cost savings because it allows NIH to operate more efficiently by, for instance, reducing shuttle services and sharing common areas and services. For example, one NIH project in Bethesda, Maryland will consolidate 11 expiring leases in five locations into three leases in a two-building campus that, according to GSA analysis, will reduce rent by 42.5 percent per year for 15 years. Conversely, some of our selected agencies noted that agency goals do not always align with cost savings. For example, both Labor and IRS officials told us that they may not pursue their space utilization goals if it costs too much to renovate space to meet their desired space per person. Additionally, the senior NIH official told us that NIH has previously moved to office space that did not meet its utilization rate goals because it was able to achieve larger cost savings by moving to a space in an area with lower rent than the area it previously considered.

Workforce Impact: We found that all five of the selected agencies considered how office space decisions could impact their workforce, and a couple of agencies told us that they balance this consideration with costs, along with agency mission and goals.

- **Commuting time:** Officials from three selected agencies noted that changes in employees’ commuting time can influence what office space to select. For example, Education is scheduled to relocate its Dallas regional office in fiscal year 2020. A senior Education official told us that Education chose a space that has close proximity to the current space, in part, because the relocation will have minimal impact on employees’ commute. The official also said that even if federally-owned office space further away became available, Education may not move there if it would be difficult for staff to get to. Similarly, IRS’s business case to consolidate several offices in the Cincinnati, OH, area into one office starting in fiscal year 2015, analyzed how the project would affect IRS employees,

including the impact on employees' commute, ability to park, and the effect on employees' income taxes.

- *Employee Morale and Productivity:* Several selected agencies noted that reducing the amount of space per person can affect employee morale and productivity. According to GSA's strategic goals, improving space utilization by, for example, reducing the amount of space per person can help the federal government achieve cost savings. A senior Education official told us that when redesigning Education's Washington, D.C., offices, which reduced the amount of space per person, leadership engaged in a substantial employee outreach effort to understand how these changes affected employees and to build employee support for the changes. The official also said Education took into account upfront costs for tools to improve employees' experience. For example, the official said that the Department invested in noise cancelling headphones to improve the employee experience, which was a small cost compared to the cost for office space. To ensure that reductions are not having a negative impact on its employees, GSA developed a survey that it sometimes distributes both before and after making space changes.

External Factors: Officials from four of the five selected agencies said external factors, such as federal priorities, statutes, regulations, and policies can influence their office space decisions. In some cases, these factors did not complement efforts to reduce costs.

- *Federal Priorities:* Federal goals and priorities can influence agencies' space decisions, and these requirements may not align with efforts to reduce costs. For example, in fiscal year 2016, GSA relocated its regional office in New York City from federally-owned to federally-leased space in the World Trade Center. Though GSA considered cost, the federal government's commitment to move into the World Trade Center after the terrorist attacks on September 11, 2001, influenced this decision, which resulted in increased costs for GSA.
- *Statutes, Executive Orders, and Regulations:* Some agencies told us that statutory requirements, directives, and regulations can influence their space decisions, and may or may not align with efforts to reduce costs. For example, a senior IRS official told us that a 1978 Executive Order, which requires that agencies with a mission need to locate in an urban area first consider moving to a central business district, might result in IRS moving to higher-cost neighborhoods.²⁸ A senior official from the Department of Health and Human Services also told us that locating

²⁸ Exec. Order 12072, 43 Fed. Reg. 36869 (Aug. 18, 1978).

office space in the central business district of urban areas can be more expensive, but that the Department often does so because of the Executive Order.

- *GSA policies:* GSA policies on space management can also affect agencies' office space decisions. A senior Labor official told us that the Department is currently reducing space in its Chicago, IL, regional office but the ability to do so is dependent on whether Labor can return the space to GSA. GSA policy states that agencies occupying space acquired from PBS can return space within a certain time frame if, among other requirements, the space is categorized as cancelable and is in marketable blocks based on the location, usage, and size of the space.²⁹ If the space does not meet these criteria, an agency can return the space to PBS but is still responsible for paying rent and other costs associated with the space until the occupancy agreement or lease expires.³⁰

Conclusions

Even as agencies have intensified their focus on better space management in an effort to save taxpayer dollars, overall, the cost for office space continues to rise. Using the best data available to assess space options and trade-offs is critical. GSA's and OMB's cost per square foot performance measure could provide agencies a good way to assess their costs and track cost trends, particularly as agencies' efforts continue to evolve beyond reducing their footprints toward optimizing their space. However, the measure is only as good as the approach and data used in the calculation. Because GSA's and OMB's cost per square foot performance measure is not using actual cost information for GSA-managed space, GSA and OMB are understating the average cost per square foot for a significant portion of square footage. This inaccurate information could adversely affect agencies' and stakeholders' understanding of RTF results. As the RTF policy ends in fiscal year 2020 and agencies look toward the next initiative, having the most transparent

²⁹ GSA requires most of its tenants to sign cancelable occupancy agreements, which permit tenants to vacate leased space under certain circumstances in exchange for a higher fee paid to account for the risk of GSA possibly having to find a new tenant for the space. We have previously recommended that GSA give tenants the option to reduce fees by choosing non-cancelable occupancy agreements. GSA disagreed with our recommendation. GAO, *Federal Real Property: GSA Could Decrease Leasing Costs by Encouraging Competition and Reducing Unneeded Fees*, [GAO-16-188](#) (Washington, D.C.: Jan. 13, 2016)

³⁰ GSA, *PBS Pricing Desk Guide, 4th Edition*, (Washington, D.C.: June 5, 2014).

and accurate information on the results of agencies' efforts to date can inform new strategies and tools to help agencies continue and expand upon their efforts to manage their property more efficiently and ultimately save money. Moreover, having accurate information on agencies' real property costs will continue to be important in future initiatives to efficiently manage federal real property.

Recommendation

The Administrator of the General Services Administration (GSA), in coordination with the Director of the Office of Management and Budget, should ensure that the average cost per square foot performance measure for GSA-managed space is calculated using actual cost information. (Recommendation 1)

Agency Comments

We provided a draft of this report to GSA, OMB, and the Secretaries of the Departments of Labor, Education, the Treasury, and Health and Human Services for review and comment. In GSA's written comments, which are reproduced in appendix II, GSA agreed with our recommendation. OMB did not provide comments, but GSA stated in its comments that it is working with OMB to develop a plan to address our recommendation. The Departments of Labor, Education, the Treasury, and Health and Human Services told us that they had no comments on the draft report.

We are sending copies of this report to the appropriate congressional committee; the Administrator of GSA; the Director of the OMB, and; the Secretaries of the Departments of Education, Health and Human Services, Labor, and the Treasury. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions concerning the report, please contact me at (202) 512-2834 or rectanusl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made significant contributions to this report are listed in Appendix III.

A handwritten signature in cursive script that reads "Lori Rectanus".

Lori Rectanus
Director, Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

This report discusses: (1) the extent to which Reduce the Footprint performance measures reflect changes in civilian Chief Financial Officers Act agencies' (CFO Act agencies) office space costs, and (2) how selected agencies considered costs in office space decisions.

To obtain background information on both of our objectives, we reviewed literature including the Office of Management and Budget's (OMB) and General Services Administration's (GSA) memos and guidance governing the Reduce the Footprint (RTF) policy,¹ the Real Property Efficiency Plans (Efficiency Plans) agencies submit to OMB and GSA annually as part of RTF, and relevant regulations and statutes. We also examined information GSA uses to track RTF progress, including public data on agencies' square footage changes. We assessed the reliability of these data by conducting electronic testing, reviewing prior GAO assessments of reliability, and interviewing agency officials. Based on this assessment, we determined these data to be reliable for the purposes of describing changes in agencies' square footage. Additionally, we reviewed previous GAO and GSA Inspector General reports describing the federal government's efforts to use its property more efficiently and reduce costs.²

¹ OMB, *National Strategy for the Efficient Use of Real Property 2015-2020: Reducing the Federal Portfolio through Improved Space Utilization, Consolidation, and Disposal* (Washington, D.C.: Mar. 25, 2015); OMB, *Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint*, Management Procedures Memorandum No. 2015-01 (Washington, D.C.: Mar. 25, 2015); and GSA, *Reduce the Footprint Implementation Guidance*, (Washington, D.C.: Oct. 31, 2016)

² See, for example GAO, *Federal Real Property: Improved Standards Needed to Ensure That Agencies' Reported Cost Savings Are Reliable and Transparent*, [GAO-14-12](#) (Washington, D.C.: Oct. 29, 2013); GAO, *Federal Buildings: Agencies Focus on Space Utilization As They Reduce Office and Warehouse Space*, [GAO-18-304](#) (Washington, D.C.: Mar. 8, 2018); GAO, *Federal Real Property: Improving Data Transparency and Expanding the National Strategy Could Help Address Long-Standing Challenges*, [GAO-16-275](#) (Washington, D.C.: Mar. 31, 2016).; and Office of Inspector General, U.S. General Services Administration, *Audit of GSA's Space Reduction Projects in the Pacific Rim Region*, A160047/0/9/F17004 (Washington, D.C.: Sept. 22, 2017).

To address our first objective, we analyzed federal data on office space square footage and costs, and reviewed the two RTF cost measures GSA developed with OMB to track and report agency performance: (1) estimated cost avoidance and (2) changes in average cost per square foot. To identify changes in agencies' office space costs, we analyzed square footage, and rent, operations, and maintenance costs from Federal Real Property Profile (FRPP) data submitted by agencies and GSA's Occupancy Agreement data.³ Office space costs in both datasets may contain costs for additional items beyond rent, operations and maintenance, such as tenant improvements, but we determined that the inclusion of these costs did not preclude us from using these data to describe agencies' costs as the data reflect the total annual costs to agencies.⁴ Though agencies may report different types of square footage in FRPP, as specified by GSA's FRPP reporting guidance, we analyzed rentable square footage where available because it represents the total space an agency pays for.⁵ We limited our analysis to the CFO Act agencies because these agencies are subject to RTF requirements, but we excluded the Department of Defense (DOD) from our analysis because of GSA concerns about the reliability of DOD's data.⁶ We analyzed data from fiscal year 2015, the year RTF began, through fiscal

³ We analyzed data on office space subject to RTF in the 50 states and the District of Columbia. FRPP is the federal government's database that tracks all real property under the custody and control of all executive branch agencies, except when otherwise required for reasons of national security. GSA's Occupancy Agreement database is a comprehensive inventory of federal properties owned or leased by GSA and occupied by federal agencies.

⁴ Rental costs for office space GSA obtains on behalf of agencies also includes a 5 to 7 percent fee agencies pay to GSA for its services. GSA deposits rental payments from tenant agencies into the Federal Buildings Fund, which is a fund that operates as the primary means of financing the operating and capital costs associated with federal space.

⁵ Rentable square footage includes common areas, such as bathrooms and lobbies, whereas usable square footage excludes these areas and represents the portion of a building that is available for occupants. Gross square footage is the area of all floors on all levels of a building. In FRPP, agencies must report gross square footage for federally-owned buildings, but may report rentable or usable square footage for federally-leased space.

⁶ The CFO Act established chief financial officers to oversee financial management activities at 23 agencies. Pub. L. No. 101-576, §205, 104 Stat. 2838, 2842-43 (1990). The list now includes 24 agencies, which are often referred to collectively as CFO Act agencies. See 31 U.S.C. § 901(b). For the purposes of this report, "agencies" refers to the 23 civilian CFO Act agencies unless otherwise specified. GSA measures RTF performance for all 24 CFO Act agencies but determined that DOD's data was not sufficiently reliable to include in the fiscal year 2017 and 2018 RTF performance measures because it was not of sufficient quality to calculate its RTF reductions.

year 2018, the most recent year for which data were available. To assess the reliability of these data, we conducted electronic testing, reviewed GSA documentation and prior GAO data reliability assessments, and interviewed GSA officials. Based on our assessment, we determined that both the FRPP and Occupancy Agreement data were reliable for the purposes of describing changes in agencies' office space costs and square footage.

To analyze the extent to which the cost performance measures reflected agencies' cost changes, we reviewed the methodologies GSA developed with OMB for the cost performance measures and GSA's calculations, interviewed OMB and GSA officials regarding the measures, and replicated one of the methods. We also reviewed previous GAO assessments of the estimated cost avoidance methodology. To determine how GSA's and OMB's approach to calculating the average cost per square foot affected the results for GSA-managed space, we used GSA Occupancy Agreement data to compare the average cost per square foot based on GSA's and OMB's method to the average cost per square foot using actual costs. We compared our analysis of the average cost per square foot method to *Standards for Internal Control in the Federal Government*, which state that agencies should use and communicate quality information—information that is complete and accurate—to inform decisions.⁷

To address our second objective, we selected five agencies—the Department of Education (Education), GSA, the Department of the Treasury, the Department of Labor (Labor), and the Department of Health and Human Services—to review in depth. Within the Departments of the Treasury and Health and Human Services, we further selected the Internal Revenue Service (IRS) and National Institutes of Health (NIH) respectively because we determined that real property within these Departments is managed at the agency level. Using FRPP and Occupancy Agreement data on agencies' costs and square footage, we selected agencies based on factors such as office space portfolio size, whether the agencies obtain office space themselves or through GSA, and changes in portfolio cost and square footage. We selected agencies for variety but weighted our selection toward agencies with larger absolute changes in cost and square footage. Our selection is not

⁷ GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

representative, and these agencies' experience is not generalizable to all agencies. To gain insights into how these agencies consider costs when making office space decisions, we reviewed selected agencies' real property management policies, and interviewed agency officials. We then analyzed this information to identify common themes across selected agencies.

To further understand how agencies implemented their policies and the factors agencies considered when making specific office space decisions, we also selected 13 office space projects these agencies undertook from fiscal year 2015 through fiscal year 2018. We identified potential projects based on selected agencies' annual Efficiency Plans, agency project data, and interviews with agency officials. We selected specific projects based on factors such as cost, location, changes in square footage, and project type.⁸ We chose projects with a range of types and locations to better understand agencies' decision-making process for different kinds of projects. However, we selected only projects with a cost of \$1 million or more and with larger changes in square footage because these projects have more effect on overall federal and agency costs and portfolios. Because our intent was to understand the factors selected agencies considered when deciding on projects, our selection includes both completed projects and projects that were ongoing as of spring 2019, when we collected our data. The projects we selected are not representative of all projects or agencies, and are not generalizable. We analyzed project documentation and interviewed agency officials about each project. We also reviewed federal data for some projects to identify the changes in agencies' square footage and costs before and after projects.⁹

⁸ We reviewed renovation, relocation, and consolidation projects. Renovation is when an agency updates existing office space, and it may or may not include changes in square footage. Relocation is when an agency moves staff from one location to another, and it may include the disposal or renovation of space. Consolidation is when an agency moves two or more offices into one office space and can involve simultaneous renovation or disposal of space.

⁹ We did not conduct this analysis for ongoing projects because the changes resulting from the project were not yet reflected in the data. Because we wanted to depict the information that agencies had at the time they made decisions, we reported the estimated cost savings that agencies developed and used to support their decisions for some projects, but we did not independently validate the estimate or determine whether estimated savings were achieved.

To further address our second objective, we reviewed GSA Public Buildings Service (PBS) policies and guidance, and interviewed PBS headquarters officials to understand PBS's role in agencies' office space decisions, including how PBS considers costs when helping agencies obtain space. We also reviewed PBS cost analyses, such as net present value alternatives analysis and move-stay analysis, for most of our selected projects.¹⁰

We conducted this performance audit from November 2018 to December 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹⁰ For some projects PBS did not conduct cost analysis because it determined it was unnecessary. For prospectus projects we reviewed public prospectus documentation as well as GSA's internal analysis. We also reviewed analysis GSA conducted for projects that used Consolidation Funds.

Appendix II: Comments from the General Services Administration



The Administrator

November 26, 2019

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the U.S. Government Accountability Office (GAO) draft report, *FEDERAL REAL PROPERTY: Measuring Actual Office Space Costs Would Provide More Accurate Information* (GAO-20-130).

GAO made the following recommendation to GSA:

The Administrator of the General Services Administration, in coordination with the Director of the Office of Management and Budget, should ensure that the average cost per square foot performance measure for GSA-managed space is calculated using actual cost information.

GSA agrees with the recommendation and is working with the Office of Management and Budget to develop a plan to address it.

If you have any questions or concerns, please contact me at (202) 969-7277 or Jeffrey A. Post, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Sincerely,

A handwritten signature in blue ink that reads "Emily W. Murphy".

Emily W. Murphy
Administrator

cc: Ms. Lori Rectanus, Director, Physical Infrastructure Issues, GAO

1800 F Street, NW
Washington, DC 20405-0002

www.gsa.gov

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact:

Lori Rectanus, (202) 512-2834 or rectanusl@gao.gov

Staff Acknowledgments

In addition to the contact named above, Maria Edelstein (Assistant Director), Katherine Raymond (Analyst-In-Charge), Eli Albagli, Ricki Gaber, and Minette Richardson made significant contributions to the report. Also contributing to this report were Melissa Bodeau, Josh Ormond, Kelly Rubin, Terence Lam, and Crystal Wesco.

Appendix IV: Accessible Data

Data Tables

Accessible Data for Percentage Difference between General Services Administration's (GSA) and Office of Management and Budget's Average Cost per Square Foot Calculation and Actual Costs for Agencies' GSA-Managed Office Space, Fiscal Year 2015 through 2018

Agency	Average percentage difference
U.S. Department of Agriculture	-21.0801
Social Security Administration	-6.98625
National Science Foundation	-3.3979
Department of Health and Human Services	-1.9336
General Services Administration	-0.10847
Department of Housing and Urban Development	3.23036
Office of Personnel Management	3.87952
United States Agency for International Development	4.18402
Department of the Interior	4.36635
Total All Agencies	4.71724
Environmental Protection Agency	4.8154
Department of Energy	4.91146
Department of Commerce	5.87665
Department of Labor	5.89921
Department of the Treasury	6.27528
Department of Education	6.48319
Department of Veteran's Affairs	6.68701
Department of Homeland Security	7.81618
Department of Justice	8.02048
Small Business Administration	8.43473
Department of Transportation	11.1427
Department of State	12.281
Nuclear Regulatory Commission	14.3676
National Aeronautics and Space Administration	40.9624

Accessible Data for Figure 1: Reduce the Footprint Percentage Change in Office Space Square Footage for the 23 Civilian Chief Financial Officers Act Agencies, Fiscal Year 2015 through 2018

Agency	Percentage change
Nuclear Regulatory Commission	5.27744
Department of State	2.82861
Department of Homeland Security	1.94842
National Science Foundation	1.92551
Small Business Administration	0.526469
Department of Health and Human Services	0.291623
Department of Justice	0.126843
Department of Labor	-0.42321
Department of Commerce	-0.792193
Department of the Interior	-1.58009
National Aeronautics and Space Administration	-1.74513
United States Agency for International Development	-1.96643
Social Security Administration	-2.1258
Department of Energy	-2.429
Department of Agriculture	-2.69497
Department of Veteran's Affairs	-3.34037
Office of Personnel Management	-3.49556
Department of Housing and Urban Development	-4.54144
Environmental Protection Agency	-5.73396
Department of the Treasury	-7.01
Department of Transportation	-8.99263
Department of Education	-10.6763
General Services Administration	-16.2465
Total all 23 agencies	-2.16237

Accessible Data for Figure 2: Percentage Difference between General Services Administration's (GSA) and Office of Management and Budget's (OMB) Average Cost per Square Foot Calculation and Agencies' Actual Costs for GSA-Managed Office Space, Fiscal Years 2015 through 2018

Agency	Average percentage difference

Agency	Average percentage difference
U.S. Department of Agriculture	-21.0801
Social Security Administration	-6.98625
National Science Foundation	-3.3979
Department of Health and Human Services	-1.9336
General Services Administration	-0.10847
Department of Housing and Urban Development	3.23036
Office of Personnel Management	3.87952
United States Agency for International Development	4.18402
Department of the Interior	4.36635
Total All Agencies	4.71724
Environmental Protection Agency	4.8154
Department of Energy	4.91146
Department of Commerce	5.87665
Department of Labor	5.89921
Department of the Treasury	6.27528
Department of Education	6.48319
Department of Veteran's Affairs	6.68701
Department of Homeland Security	7.81618

Agency	Average percentage difference
Department of Justice	8.02048
Small Business Administration	8.43473
Department of Transportation	11.1427
Department of State	12.281
Nuclear Regulatory Commission	14.3676
National Aeronautics and Space Administration	40.9624

Accessible Data for Percentage Change in Selected Agencies' Square Footage and Cost, Fiscal Year 2015 through 2018

Agency	Percent change in Square Footage	Percentage change in costs
Department of Education	-9	-7
General Services Administration	-15.6	13.5
Internal Revenue Service	-6.72	-2.82
Department of Labor	-2.7	8
National Institutes of Health	21.54	-1.83

Agency Comment Letter

Accessible Text for Appendix II Comments from the General Services Administration

November 26, 2019

The Honorable Gene L. Dodaro

Comptroller General of the United States

U.S. Government Accountability Office

Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the U.S. Government Accountability Office (GAO) draft report, **FEDERAL REAL PROPERTY: Measuring Actual Office Space Costs Would Provide More Accurate Information** (GAO-20-130).

GAO made the following recommendation to GSA:

The Administrator of the General Services Administration, in coordination with the Director of the Office of Management and Budget, should ensure that the average cost per square foot performance measure for GSA-managed space is calculated using actual cost information.

GSA agrees with the recommendation and is working with the Office of Management and Budget to develop a plan to address it.

If you have any questions or concerns, please contact me at (202) 969-7277 or Jeffrey A. Post, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Sincerely,

Emily W. Murphy Administrator

cc: Ms. Lori Rectanus, Director, Physical Infrastructure Issues, GAO

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 our website. Each weekday afternoon, GAO posts on its [website](#) newly released reports, testimony, and correspondence. You can also [subscribe](#) to GAO's email updates to receive notification of newly posted products.

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <https://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [Email Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at <https://www.gao.gov>.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: <https://www.gao.gov/fraudnet/fraudnet.htm>

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

Orice Williams Brown, Managing Director, WilliamsO@gao.gov, (202) 512-4400,
U.S. Government Accountability Office, 441 G Street NW, Room 7125,
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548



Please Print on Recycled Paper.