



June 2019

FEDERAL REAL PROPERTY

GSA Needs to Strengthen Oversight of Its Delegated Leasing Program

GAO Highlights

Highlights of [GAO-19-405](#), a report to congressional requesters

Why GAO Did This Study

As the federal government's landlord, GSA is authorized to lease property to accommodate federal agencies. It can also delegate this authority to other agencies, though GSA is still responsible for overseeing the delegated leasing program. However, prior audits found problems with delegated leasing, including excessive rental rates and insufficient documentation to support that the government received a fair and reasonable price for the lease.

GAO was asked to review GSA's delegated leasing program. This report examines: 1) GSA's efforts to reform its delegated leasing program; 2) the extent to which GSA assesses agencies' policies, procedures, and performance in managing their delegated leasing activities; and 3) the extent to which GSA ensures delegated leases meet requirements. GAO reviewed federal statutes and regulations, and GSA's guidance and data on delegated leases. To illustrate how GSA approves and oversees delegated leases, GAO judgmentally reviewed 17 delegated leases selected to include lease contract value, type of lease, and agencies with high number of delegated leases. GAO interviewed officials from GSA and the four agencies associated with GAO's selected delegated leases.

What GAO Recommends

GAO recommends that GSA (1) reconcile its databases; (2) regularly assess agency procedures for managing delegated leasing, (3) track agency performance, and (4) develop a review process for post lease award documents. GSA agreed with the recommendations.

View [GAO-19-405](#). For more information, contact Lori Rectanus at (202) 512-2834 or rectanusl@gao.gov.

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GSA Needs to Strengthen Oversight of Its Delegated Leasing Program

What GAO Found

The General Services Administration (GSA) has taken steps to reform its delegated leasing program, but data reliability issues remain. For example, GSA created GSA's Real Estate Exchange (G-REX) to centralize delegated lease requests and approvals, but GAO found G-REX had incorrect information on lease rental values and rates—reporting rates 12 times higher than they actually were. Moreover, GAO found that GSA was not annually reconciling data between G-REX and the government-wide real property database, per GSA's own procedures. GSA officials said that their past efforts to fully reconcile the data were unsuccessful but acknowledged there may be ways to compare the data to improve the reliability of both datasets. Until GSA clarifies what it can do to partially reconcile the data sets, it is not obtaining the intended benefits of this data validation exercise.

GSA does not know if agencies have the ability to manage their delegated leasing activities because it does not regularly assess their policies and procedures, or their performance in meeting GSA's management goals, such as avoiding extensions. GSA procedures state that GSA will consider the agency's organizational structure and ability to meet certain GSA performance measures prior to granting requests for delegated leasing authority. Moreover, federal internal control standards call for agencies to design control activities to better manage the program. However, GSA officials said that GSA relies on the agencies to oversee their own delegated leases. Nevertheless, GAO found instances of inadequate policies and procedures at one agency in managing its delegated leasing activities. Further, all 4 agencies had delegated leases that were in holdover status (occupying a space beyond the expiration of the lease term), which violates program requirements. Because GSA does not regularly assess agencies' procedures or performance, it cannot ensure that agencies are effectively managing their delegated leasing activities.

GSA cannot ensure that the leases agencies execute under delegated authority meet program requirements and are within the authority granted because it lacks key procedures to do so. GAO found that GSA had only reviewed 1 percent of the post lease award documents agencies had submitted, and in some cases, agencies had not submitted required documentation. GSA officials said the agencies are responsible for ensuring that documents are submitted and requirements are met. However, a risk-based assessment of a selection of delegated leases' post award documents can provide assurances that agencies comply with existing regulations and prevent potential fraud, waste, and abuse. Because GSA did not have a process to systematically review these documents, GSA is unable to ensure that delegated leases meet requirements and that agencies are positioned to prevent fraud, waste, or abuse.

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Abbreviations

BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
DOI	Department of the Interior
FRPC	Federal Real Property Council
FRPP	Federal Real Property Profile
G-REX	GSA's Real Estate Exchange
GSA	General Services Administration
NOAA	National Oceanic and Atmospheric Administration
OIG	Office of the Inspector General
USDA	U.S. Department of Agriculture
VA	Department of Veterans Affairs

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June 3, 2019

The Honorable Gary Peters
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Thomas R. Carper
United States Senate

As the main landlord and leasing agent for the federal government, the General Services Administration (GSA) is authorized to acquire space from private building owners for use by federal tenant agencies. GSA leases space in 8,681 buildings or other assets and maintains a total inventory of more than 370 million square feet of workspace for 1.1 million federal employees, plus support contractors.¹ In addition, GSA may delegate its leasing authority to other agencies if GSA determines it is in the government's best interest. Currently, GSA has delegated such authority to 18 departments and independent government offices, which have used this authority to execute an additional 5,600 delegated leases, at a total annual rent of about \$985 million.² When GSA delegates its leasing authority to other agencies, GSA is still responsible for overseeing the overall delegated leasing program. When not properly managed, delegated leases run the risk of not being cost effective for the federal government. In 2007, we and the GSA Office of the Inspector General (OIG) identified problems with the delegated leasing program, such as excessive rental rates and insufficient documentation to support that the government received a fair and reasonable price.³ GSA responded to our recommendations by instituting reforms to enhance its management and oversight of the delegated leasing program.

¹ Overreliance on leasing and a lack of reliable data to support decision making are two of the main reasons that federal real property remains on GAO's High-Risk List.

² This data comes from fiscal year 2018 Federal Real Property Portfolio Management System data on the number of current executed delegated leases.

³ GAO, *General Services Administration: Improvements Needed in Managing Delegated Authority of Real Property Leases*, [GAO-07-1000](#), (Washington, D.C.: September 5, 2007), and GSA, *Review of Public Buildings Service's Delegations of Authority to Lease Space*, A060082, (Washington, D.C.: August 24, 2007).

You asked us to review GSA's delegated leasing program, including reforms made and remaining challenges. This report examines: (1) the efforts GSA has made to reform its delegated leasing program since 2007; (2) the extent to which GSA assesses agencies' policies, procedures, and performance in managing their overall delegated leasing activities; and (3) the extent to which GSA ensures leases procured with GSA's delegated authority meet requirements.

To assess the efforts GSA has made to reform its delegated leasing program since 2007, we reviewed prior GSA and GAO reports on this program, GSA regulations, policies, and manuals related to the program, particularly those issued since 2007. We reviewed the development of GSA's Real Estate Exchange (G-REX)—GSA's tool to track the lease delegation application and approval process and store key post award documents.⁴ To determine if the G-REX data for fiscal year 2016 to fiscal year 2018 were reliable, we looked for outliers and incomplete data.⁵ We also compared the G-REX data with the Federal Real Property Profile (FRPP) Management System, which is the government-wide real property database administered by GSA that includes data on all federally occupied spaces, including those leased using delegated authority from GSA, to understand if delegated leases in G-REX matched FRPP annual data for a selection of delegated leases, as described below. While we note some data quality issues with G-REX in our report, we concluded that the G-REX data are sufficiently reliable for our purposes of reporting the number of lease extensions and the number of leases reviewed by GSA. We also interviewed GSA officials on their reforms and data validation efforts. Finally, we compared GSA's efforts to the *Standards for Internal Control in the Federal Government*, in particular, the use of quality information for making decisions.⁶

To determine the extent to which GSA assesses agencies' policies, procedures, and performance in managing their delegated leasing

⁴ Post award documents are documents that an agency with certain types of delegated leasing authority must submit within 30 days after awarding the delegated lease, such as the fully executed lease document. We will refer to these as post award documents throughout the report.

⁵ For the purposes of this report, we limited our data review to lease delegation applications granted since January 1, 2016. There were approximately 2,930 data records within this sample. All data errors were found in this dataset.

⁶ GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#), (Washington D.C.: September, 2014).

activities, we reviewed related GSA procedures and interviewed GSA officials about GSA's methods for reviewing agencies' policies, procedures, and performance in managing their delegated leasing activities, including their performance in meeting requirements and meeting GSA management goals. We compared these methods to GSA's procedures for overseeing the delegated leasing program and federal internal control standards on designing control activities.⁷ We selected the design of a control environment principle because it related to GSA's ability to review agencies' procedures for managing their delegated leasing activities.

To determine the extent to which GSA ensures delegated leases meet requirements, we assessed GSA's process for reviewing post award documents by reviewing GSA policy and internal procedures documents and comparing GSA's process for reviewing post award documents against these documented procedures. Specifically, we determined whether GSA had a process in place to review post award documents submitted to ensure that delegated leases met requirements and were free of fraud, waste, and abuse. We compared GSA's process to leading practices we previously identified on managing fraud risk.⁸

In addition, for all three objectives, we selected a non-probability sample of 17 delegated leases to provide an illustration of how GSA has implemented its policies and procedures for the delegated leasing program. We selected 10 of these leases from G-REX from fiscal year 2016 to fiscal year 2018, and 7 from the FRPP. We selected the 17 leases based on the following criteria:

- delegated lease authority requests granted since January 1, 2016;
- leases with relatively high total rent amounts;
- leases from agencies that had a high numbers of delegated leases; and
- the type of authority used for the lease (preferring general purpose lease delegations since they are the most common).⁹

⁷ Ibid.

⁸ GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015).

⁹ General purpose lease delegations are for types of space that might be needed by almost any agency, such as office or warehouse space.

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- In addition, for the 7 FRPP leases, we selected delegated leases with start dates of January 1, 2016 or later to improve the probability of being able to find the lease in G-REX, since many older leases were not recorded in G-REX.¹⁰

For these 17 delegated leases, we reviewed supporting documentation and attempted to match lease data found in G-REX with the same lease in FRPP. Regarding these 17 delegated leases, we interviewed the four agencies that had requested the associated delegation of leasing authority: the U.S. Department of Agriculture (USDA); the Department of the Interior (DOI) (one of our selected delegated leases was from the Bureau of Land Management (BLM)); the Department of Veterans Affairs (VA); and the Department of Commerce (Commerce), (one of our selected delegated leases was from the National Oceanic and Atmospheric Administration (NOAA)). We reviewed selected agencies' procedures and methods for collecting and compiling documentation supporting delegated leases. We reviewed documentation agencies are required to upload after awarding the delegated lease and how GSA reviewed the supporting documentation to determine its sufficiency. We also interviewed GSA officials responsible for reviewing delegated leasing authority requests for our selected leases. While the findings from our selected leases are not generalizable, they illustrate how GSA is implementing the delegated leasing program.

We conducted this performance audit from March 2018 to June 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.

Background

As the landlord for the federal government, GSA acquires space on behalf of federal agencies through new construction and leasing. In this capacity, GSA leases space in 8,681 buildings or other assets and maintains a total inventory of more than 370 million square feet of workspace for 1.1 million federal employees, plus support contractors. Furthermore, GSA is authorized by law to enter into lease agreements for

¹⁰ Leases executed prior to 2014 may not have properly migrated into G-REX from the prior GSA leasing system, "e-lease."

up to 20 years and is permitted to obligate funds for its multiyear leases one year at a time.¹¹

GSA can delegate its leasing authority to agencies if GSA determines it is in the government's best interest. Agencies may request this delegation of authority when they believe they can obtain the lease more efficiently than GSA. GSA grants three types of delegations of leasing authority, depending on the intended use of the leased space:

- **General purpose** – types of space that might be needed by almost any agency, such as office or warehouse space;
- **Categorical** – specific types of space that might be needed by some agencies, such as for antennas, depots, or docks; and
- **Special purpose** – types of space designated for 13 specified agencies, such as laboratories for the Department of Health and Human Services or office space in or near stockyards for USDA.¹²

GSA's FMR Bulletin C-2, issued in 2014, (the 2014 Bulletin) provides usage and reporting requirements for delegations of leasing authority.¹³ Many of these requirements restate or elaborate on various requirements in statute and regulation. All delegations of leasing authority, including general purpose, categorical, and special purpose space delegations, are covered by the 2014 Bulletin. Agencies are responsible for compliance with all applicable requirements when using delegated leasing authority. Agencies must also conform with the requirements of any delegation approval from GSA. The requirements can include limits on square footage or the length of the lease.

Although GSA delegates its leasing authority to other agencies, it acts as a guarantor for the leases in the event of a default by an agency. GSA officials said that there have not been any defaults to date.

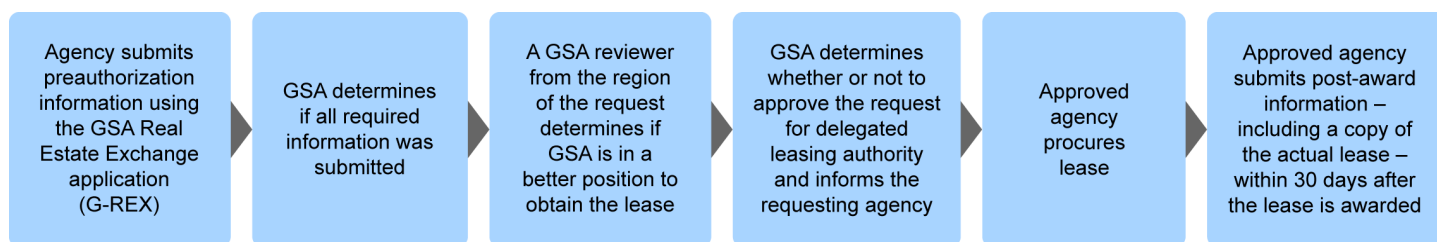
¹¹ 40 U.S.C. § 585(a)(2).

¹² This report generally focuses on the requirements for all general purpose lease delegations and special purpose lease delegations involving 2,500 or more square feet of special purpose space because they are the most common. Accordingly, for the purposes of this report, various requirements are only applicable to those types of lease delegations unless specified otherwise.

¹³ 79 Fed. Reg. 21464 (Apr. 16, 2014).

The process to apply for delegated leasing authority and then obtain a delegated lease is outlined in figure 1 below.

Figure 1: Process to Obtain a Lease Using Authority Delegated from GSA



Source: GAO analysis of Government Services Administration (GSA) information. | GAO-19-405

GSA Has Reformed its Delegated Leasing Program, but Data Issues Remain

GSA Has Made Efforts to Reform its Delegated Leasing Program

In 2007, GAO found that GSA’s delegated leasing program documentation was incomplete, inconsistent, unclear, and outdated.¹⁴ Specifically, we found that GSA’s lease delegation process lacked certain management controls, such as current written policies and procedures. In addition, the GSA OIG found that some delegated leases had excessive rental rates and inadequately documented lease files, primarily due to customer agencies’ lack of expertise. Further, 56 percent of the lease files reviewed by the OIG contained insufficient documentation to support that the federal government received a fair and reasonable price.¹⁵

In response to problems identified in GAO and GSA reviews, GSA reformed its lease delegation program by clarifying requirements, documenting policies and procedures, and centralizing data management. In 2007, GSA issued new requirements for the delegated

¹⁴ GAO, *General Services Administration: Improvements Needed in Managing Delegated Authority of Real Property Activities*, [GAO-07-1000](#) (Washington, D.C.: Sept. 5, 2007).

¹⁵ GSA, *Review of Public Buildings Service’s Delegations of Authority to Lease Space*, A060082/P/6/R07004, (Kansas City, MO: Aug. 24, 2007).

leasing program in the FMR Bulletin 2008-B1 (2008 Bulletin).¹⁶ For example, the 2008 Bulletin instructed GSA and the agencies on the proper submission of documents to GSA; and required agencies to have an organizational structure in place to support the delegation of authority, and to ensure compliance with all applicable laws, regulations, and GSA directives governing the lease acquisition.

In 2014, GSA began using a new electronic system—G-REX—to review and process applications for delegations of leasing authority. Requesting agencies began electronically submitting pre-authorization and post award documents to G-REX. In 2014, GSA re-emphasized and updated the requirements applicable to GSA leasing delegations in its 2014 Bulletin, which continued to be in effect when this report was issued.¹⁷

GSA Continues to Address Data Quality Issues

GSA continues to address data quality issues that persist in spite of its reform efforts. These data quality issues affect GSA's ability to monitor its delegated leasing program. First, we found that when information is compiled, the G-REX system overstates the total delegated lease contract values by 12 times higher than they actually were for every delegated lease in the G-REX system. This occurred because it multiplied annual rents by the number of months of the lease, instead of by the number of years. For example, for a lease with an annual rent of \$2,300,000 and a lease term of 48 months, the calculated total contract value was \$110,400,000 instead of the \$9,200,000 total contract value it should have had for the 4 year lease. GSA officials confirmed this error and corrected it during the course of our review. Second, we also found data errors in G-REX resulting in approved delegated leasing projects with annual rental rates higher than they actually were. For example, we found a data entry within G-REX for an approved delegated lease with a total lease rental rate several times higher than the average annual rent rate. After reviewing the lease file, GSA officials confirmed that the rental rate was incorrectly entered by the user into G-REX. We also found two G-REX data entries for approved delegated leasing projects with 25 year lease terms.¹⁸ General purpose delegated leases can only be for terms of

¹⁶FMR Bulletin 2008-B1 was published November 19, 2007 but is considered fiscal year 2008. See 72 Fed. Reg. 65026 (Nov. 19, 2007).

¹⁷ 79 Fed. Reg. 21464 (Apr. 16, 2014).

¹⁸ All data errors were found within the overall G-REX dataset described in the methodology section.

up to 20 years.¹⁹ GSA officials confirmed that both identified leases were within the authorized delegated leasing parameters but that the data entries were inaccurate due to a system error within G-REX that incorrectly calculated the renewal options.

GSA officials said that they are aware of some data quality issues with the G-REX system and are working to address them in an updated version, which they plan to launch later in 2019. Officials said that the new version of G-REX will include more business rules to prevent missing data and identify anomalies. Further, uploading required post award documents is not currently a mandatory action in G-REX. Instead, G-REX sends automatic reminder emails to agencies if these documents have not been uploaded. To address this issue, GSA officials said that the new version of G-REX would improve the post award document upload process. As we discuss later in this report, we found that selected agencies did not always submit all required post award documents.

GSA Has Not Annually Reconciled G-REX and FRPP Data

While GSA is taking steps to improve the G-REX system, it does not reconcile FRPP and G-REX data. Specifically, the 2014 Bulletin states that GSA will perform an annual reconciliation of data between FRPP and G-REX.²⁰ GSA officials described the annual reconciliation as an oversight procedure that would help ensure that GSA has an accurate listing of delegated leases by comparing FRPP data with the centralized records on delegated leases (currently stored in G-REX).

According to GSA officials, they tried to fully reconcile the two databases in 2014 but were unable to do so. GSA officials stated that while they could identify certain specific discrepancies between FRPP and G-REX, conducting a full reconciliation of the two databases has many degrees of complexity. Specifically, G-REX does not include all delegated leases, in part, because not all existing delegated leases migrated into G-REX from the prior GSA leasing system. In addition, GSA officials said FRPP and G-REX do not directly match because each database serves different purposes. Specifically, FRPP is a single comprehensive database that contains information on federal real property worldwide, updated

¹⁹ 41 C.F.R. § 102-72.30(b).

²⁰ 79 Fed. Reg. 21464, 21468 (Apr. 16, 2014).

annually.²¹ In contrast, G-REX is considered a business process management software application and is primarily used by GSA to process and capture lease delegation applications, according to GSA officials. GSA officials now report that, even though the 2014 Bulletin still calls for the annual reconciliation of data in G-REX and FRPP, they believe fully reconciling the two datasets would have little, if any, value, and currently have no intentions to do so.

The *Standards for Internal Control in the Federal Government* state that improving the reliability of data could help agencies better manage programs.²² For example, in this case, agencies could utilize real property data to measure performance and inform decision-making to ultimately improve the cost effectiveness and efficiency of their real property portfolio. Moreover, although FRPP data quality could be improved, FRPP can still provide reliable background information on GSA's federal real property portfolio.²³ Since agencies are required to report data to FRPP on all leased assets acquired under a delegation from GSA, FRPP may provide GSA with useful information on an agency's delegated leases, in addition to what is included in G-REX.²⁴

We recognize the challenges posed by attempting to fully reconcile G-REX and FRPP. However, the 2014 Bulletin does not explicitly state GSA will perform a full reconciliation. GSA could partially reconcile G-REX and FRPP by doing some cross-data comparison. For example, had GSA cross-verified G-REX and FRPP data, even on a case-by-case basis, it

²¹ Executive Order Number 13327 established the Federal Real Property Council (FRPC) and required GSA, in consultation with the FRPC to establish and maintain a single, comprehensive database describing the nature, use, and extent of real property under the control and custody of the executive branch agencies. FRPC created the FRPP to meet this requirement. Exec. Order No. 13327, *Federal Real Property Asset Management*, 69 Fed. Reg. 5897 (Feb. 6, 2004). The Federal Property Management Reform Act of 2016 established the Federal Real Property Council in statute. See Pub. L. No. 114-318, § 3, 130 Stat. 1608, 1609 (Dec. 16, 2016) (codified at 40 U.S.C. § 623). The Federal Assets Sale and Transfer Act of 2016 established the Federal Real Property Profile in statute. See Pub. L. No. 114-287, § 21, 130 Stat. 1463, 1477 (Dec. 16, 2016).

²² GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington D.C.: September 2014).

²³ GAO, *Federal Real Property: Government-wide Building-Disposal Data Generally Reliable, but Opportunities for Further Improvements Exist*, [GAO-17-321](#) (Washington, D.C.: Mar. 2, 2017).

²⁴ Agencies are required to indicate whether the leased asset was acquired through a General Purpose, Categorical or Special Purpose space delegation.

could have potentially caught and addressed the data quality issues we found in G-REX earlier. Some comparison of G-REX with the relevant data in FRPP could improve the reliability, and thereby the usefulness, of both data sets. For example, GSA officials said that GSA could, in theory, begin comparing leases reported in FRPP as being awarded with delegated authority against G-REX's record of delegated leases. A partial reconciliation like this could identify leases possibly acquired without delegated leasing authority or other data quality issues and GSA could then take steps to increase the reliability of the G-REX data. Until GSA clarifies its position on what efforts it will take to reconcile G-REX and FRPP, GSA is potentially losing opportunities to enhance its oversight and is operating at odds with its own procedures.

GSA Does Not Know if Agencies Have the Policies and Procedures to Appropriately Manage Their Delegated Leasing Activities

GSA Does Not Regularly Assess Whether Agencies Have Policies and Procedures to Effectively Manage Delegated Leasing Activities

We found that GSA has not designed control activities that would allow it to regularly determine the adequacy of requesting agencies' policies and procedures to manage their delegated leasing activities. Instead, GSA officials said that they expect agencies to have the capacity to manage their delegated leases until evidence suggests otherwise and said GSA assesses agencies' activities on an ad hoc basis. For example, GSA officials said that GSA audited USDA and Bureau of Indian Affairs (BIA) because of tips from outside sources. Agencies requesting a delegation of leasing authority must submit, among other things, an organizational structure and staffing plan to support the delegation that identifies trained and experienced staff to support delegated leasing activities.

In our review, we found that not all selected agencies had sufficient policies and procedures to manage their own delegated leases. For example, GSA's ad hoc review of USDA's delegated leases found significant oversight issues. Specifically, GSA found that USDA had awarded seven leases without a delegation of authority. In addition,

USDA was unable to locate the executed lease for one of the delegated leases we reviewed. USDA officials said the agency has learned from experiences like this one and is currently developing better policies and procedures to prevent this from happening again. For example, USDA has centralized leasing oversight between two bureaus and plans to annually review selected delegated leases. Moreover, GSA's ad hoc review of BIA's delegated leases found that BIA had also leased property without delegated authority.²⁵ Further, GSA's 2012 audit of post award documents found that BIA had some delegated leases that had expired, and some exceeded the space threshold of 19,999 square feet. As a result of its review, GSA did not grant BIA any new delegated leasing authority until its OIG completed its findings and BIA responded with a corrections plan that corrected these deficiencies, according to GSA.

GSA's 2014 Bulletin states that GSA will review the adequacy of the requesting agency's organizational structure and staffing proposed for the delegation; and whether the requesting agency has complied with all applicable laws, executive orders, regulations, OMB Circulars, and reporting requirements under previously authorized delegated leases.²⁶ Further, according to federal standards for internal control, management should design control activities to achieve objectives and respond to risks. Control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.²⁷ Accordingly, agencies with delegated leasing authority should have an appropriate organizational structure and effective policies and procedures to support the delegation and to ensure compliance with applicable laws and other requirements, both of which help agencies manage their delegated leasing activities.

If GSA had designed control activities to regularly review each agency's policies and procedures for managing its delegated leases, GSA officials could have known earlier that an agency lacked the ability to manage its delegated leases and possibly delayed granting additional delegations of

²⁵ General Services Administration, *Audit of BIA Post Award Lease Files*, (Washington, D.C.: August, 2012). & General Services Administration, *USDA Lease Delegations Audit Findings Report*, (Washington, D.C.: December 18, 2018). GSA also conducted a small review of NOAA.

²⁶ According to the 2014 Bulletin, GSA considers these and other enumerated factors when determining whether a requesting agency's exercise of the delegation would be in the federal government's best interest. 79 Fed. Reg. 21464, 21467 (Apr. 16, 2014).

²⁷ See [GAO-14-704G](#)

leasing authority until the agency had demonstrated their ability to manage its delegated leasing activities. GSA officials said assessing an agency's policies and procedures to manage delegated leasing activities when reviewing the agency's individual application for a delegation of leasing authority is not practical. GSA officials noted that it would become a repetitive and unproductive process to review an agency's policies and procedures each time they applied for delegated leasing authority as the same agencies are requesting delegated leasing authority for many leases and an agency's policies and procedures would not change with each new application. However, GSA could assess agencies' policies and procedures for managing delegated leasing activities at regular intervals, such as annually or biennially. Because GSA is not following its own procedures set out in the 2014 Bulletin, or designing control activities that would allow it to assess, at regular intervals, agencies' ability to manage their own delegated leasing activities, GSA cannot ensure that it is providing this authority to agencies that can manage it effectively.

GSA Does Not Track Agencies' Performance in Meeting GSA Management Goals

GSA does not track agencies' performance toward meeting GSA's management goals, which is inconsistent with the 2014 Bulletin and GSA policy. GSA has three key management goals for tracking the success of the delegated leasing program:

1. Delegated leases should have lease rates that are at or below private sector rates over half the time, according to GSA's annual performance plan.²⁸ The 2014 Bulletin states that, prior to granting the agency's request for a leasing delegation, GSA will consider the demonstrated ability of the requesting agency to meet or exceed this published performance measure for the cost of leased space, among other things.²⁹
2. Delegated leases should not extend into holdover status. The 2014 Bulletin states that a lease in holdover status, or an agency occupying

²⁸ GSA, *2017 Annual Performance Report; 2019 Annual Performance Plan*, (Washington, D.C.).

²⁹ 79 Fed. Reg. 21464, 21467 (Apr. 16, 2014). GSA officials told us that the 2014 Bulletin refers to the above stated performance measure.

a building or space with no lease because it has expired, is in violation of the lease delegation authority.³⁰

3. Delegated leases should not be extended unless necessary to avoid a holdover. GSA's leasing desk guide states that short-term lease extensions should only be used as a last resort because they typically cost more, among other reasons.³¹

The post award documents that agencies submit into G-REX do not allow GSA to track agencies' performance in meeting these management goals. For example, G-REX does not calculate when lease rates are at or below private sector rates. GSA officials said that GSA does not track the performance of agencies with delegated leasing authority against these three management goals because it is primarily the agencies' responsibility to ensure they meet them. However, the four agencies with delegated leases that we reviewed did not always meet GSA's three goals.

Officials from two of the agencies we interviewed said that they were unaware of GSA's performance cost metric for negotiating lease rates at or below private sector rates or that it applied to delegated leases. Consequently, the agency officials did not know if they met it. Since neither G-REX nor the agencies with delegated authority track lease rates in this way, GSA does not know if agencies are meeting GSA's performance cost metric or, more simply stated, if agencies are negotiating cost-effective lease rates.

Regarding holdovers, we found all four agencies in our review were experiencing holdovers, which raises questions about how effective their policies are to prevent them. For example, USDA does not use its lease expiration data in an effective manner to track expiring leases to submit lease delegation applications, according to GSA's audit of USDA delegated leases. Consequently, USDA had one quarter (1,100 of 4,000) of its delegated leases in holdover status in the past 24 months,

³⁰ 79 Fed. Reg. 21464, 21466 (Apr. 16, 2014). A holdover is a tenancy that is created when the tenant continues to occupy the premises beyond the expiration date of the lease term. Holdover tenancies often lead to friction between the landlord and the federal government. The landlord views the holdover tenancy as a financial loss, with the landlord believing it is entitled to a substantial rent increase during the holdover.

³¹ General Services Administration, PBS Leasing Desk Guide, (Washington, D.C.).

according to the GSA report.³² Furthermore, according to our analysis of agency data, all four selected agencies have expired delegated leases where the agency either has a standstill agreement with the landlord, or is simply in holdover status.³³ For example, VA had approximately 10 percent of its delegated leases in holdover status in fiscal year 2018.

Regarding extensions, according to G-REX data, almost half of all approved delegated lease authority requests from fiscal year 2016 to fiscal year 2018 were for lease extensions, which goes against GSA's goals. Officials from three of the four agencies in our review said that they use extensions because they need more time to develop the agency's space need requirements for a new delegated lease, and they might not have the time to do so before the current delegated lease's expiration date.³⁴ GSA staff stated that if an agency has a large number of extensions or holdovers, it denotes that the agency may not be monitoring its leases and as a result is not fully aware of expiring delegated leases. Tenant agencies agree that lease extensions are often not in the best financial interest of the federal government because they are not open to competition, according to this previous work. For example, the USDA's delegated lease site in Coquille, Oregon was extended without competition for 45 years. USDA officials agreed this was not in the best financial interest of the federal government and that delegated leases should be opened for competition after 20 years.

Lease extensions and expired leases in holdover or standstill status are inefficient and costly for the federal government for two reasons. First, without competition among landlords, an agency may be unable to meet the goal of negotiating a lease rate at or below the private sector rate. Second, we have previously reported that the short-term nature of holdovers and standstill agreements creates uncertainties, which can make it challenging for agencies to plan and budget for space needs and difficult for lessors to secure financing. Moreover, we have reported that holdovers can create an adversarial relationship with building owners,

³² General Services Administration, *USDA Lease Delegations Audit Findings Report*, (Washington, D.C.: December 18, 2018).

³³ A standstill agreement is where the federal tenant agency and the landlord agree to keep the terms of the expired lease.

³⁴ NOAA officials said that they use extensions because NOAA is transitioning all of its leases for office and warehouse space from delegated leases to leases obtained by GSA. NOAA officials said the extensions bridge the transition period until GSA's lease is effective.

prompt concerns about an agency's portfolio management, and create unnecessary uncertainty for relevant stakeholders.³⁵ We also noted that holdovers and standstills occur for a variety of reasons, including challenges finalizing space requirements, tenant agency labor shortages, and the sometimes lengthy duration of the leasing process.

Absent procedures to regularly track the performance of agencies with delegated leasing authority to ensure cost effectiveness and limit the use of extensions, holdovers, and standstill agreements, GSA cannot ensure that these agencies are meeting the management goals of the delegated leasing program. When previously reviewing GSA's management of its own portfolio, we found that tracking and monitoring several measures over the life cycle of the lease acquisition process may help reduce the overall number of holdovers and extensions.³⁶ For example, using a tracking tool to alert management of delegated leases approaching their expiration date could help to reduce the reliance on extensions and to prevent holdovers and standstill agreements. Regularly tracking agencies' ability to meet key management goals would alert GSA to holdovers and heavy use of extensions that are not cost effective and may warrant additional oversight.

GSA Cannot Ensure That Individual Delegated Leases Met Requirements

GSA requires that agencies submit an acquisition plan for their lease when requesting delegated leasing authority, but GSA does not systematically ensure that the subsequently executed leases follow those plans and meet program requirements. Agencies submit an acquisition plan along with other documents in order to request delegated leasing authority. GSA officials told us that they review requests for delegated leasing authority by verifying that all required information and documents are uploaded into G-REX and that a lease consistent with the acquisition plan would meet program requirements. GSA officials noted, however, that the acquisition plan is strictly a planning tool and that the terms and conditions are subject to change when finalizing the lease. When approving a request for delegated leasing authority, GSA issues an executive summary and approval letter to the agency identifying the parameters of the leasing authority delegated, such as space limits.

³⁵ GAO, *Federal Real Property: Performance Goals and Measures Needed to Help Stem GSA's Reliance on Lease Extensions and Holdovers*, [GAO-15-741](#) (Washington, D.C.: Sept. 30, 2015).

³⁶ [GAO-15-741](#).

Once the agency with delegated leasing authority awards the lease, the agency is required to upload to G-REX certain post award documentation, including the executed lease, within 30 days. These documents provide insight on final lease terms such as square footage, lease expiration date and cost, which may differ from the acquisition plans agencies submitted when applying for delegated leasing authority.

We have previously identified risk-based assessment and mitigation as leading practices for providing assurances to managers that they are complying with existing legislation, regulations, and standards and effectively preventing, detecting, and responding to potential fraud, waste, and abuse. Assessing a selection of delegated leases' post award documents could serve as an early warning system for managers to help mitigate or promptly resolve issues through corrective actions and ensure compliance with existing legislation, regulations, and standards.³⁷

However, GSA officials said that they do not have a process in place to systematically review post award documents from delegated leases to determine whether the lease awarded met program requirements and were within the authority granted in the approval letter. We found that as of November 2018, GSA had reviewed approximately one percent of the post award documents agencies submitted into G-REX, according to G-REX data. GSA officials told us they had not developed a system for reviewing post award documents because GSA views it as primarily the responsibility of the agency with the delegated authority to ensure they comply with the 2014 Bulletin's post award requirements. Further, according to GSA officials, GSA's primary role in the lease delegation process is to review and approve requests for delegated leasing authority. As a result, GSA officials have determined that regularly reviewing post award documents is not the best use of their already constrained resources. However, GSA's reliance on agencies to comply with all requirements absent any mechanism to ensure post award accountability could allow agencies to lease space outside of the delegated authority granted to them. GSA's previously mentioned, ad hoc audits of USDA and BIA delegated leases reinforced the need for strengthened oversight to ensure that leases meet requirements, as both audits found problems. For example, the DOI's OIG confirmed in 2014 GSA's findings that BIA

³⁷ Ongoing monitoring and periodic evaluations are one component of key activities of GAO's Fraud Risk Management Framework. GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015).

approved \$32.7 million in delegated lease agreements that exceeded GSA square footage and purchase approval limits.³⁸

GSA's review of USDA's delegated leases also found that approximately 540 lease files were missing the awarded lease documents in G-REX. In addition, the review found that no file, in its sample of 27 lease files, had all the required documents uploaded in G-REX.³⁹ Furthermore, among our selected delegated leases, we found instances of agencies not uploading post award documents to G-REX after the lease was awarded. For example, one delegated lease file in our sample was still missing the executed lease over 2 years after the lease was signed. If post award documents are not uploaded as required, GSA may not even have the documentation necessary to determine if a delegated lease met program requirements and was within the authority granted.

Even if all post award documents are uploaded, GSA still cannot verify that the leases were executed within the parameters of the granted delegated leasing authority and in accordance with program requirements without a systematic process for reviewing post award documentation. For example, as noted above, if GSA assessed a selection of delegated leases' post award documents, it may have identified the missing executed lease and other deficiencies noted above and been able to notify the agency. Further, GSA cannot ensure that agencies are preventing fraud, waste, or abuse.

Conclusions

GSA oversees the delegated leasing program and is a guarantor of the government's monetary obligations under a delegated lease in the event of default. However, if not properly managed, delegated leases run the risk of not being cost effective for the federal government. GSA has taken some actions to address previously identified issues with the program, but its current oversight and management of the program is compromised by a lack of key processes that make it unable to ensure the program is working as intended.

³⁸ Office of Inspector General, Department of Interior, *Bureau of Indian Affairs: Real Property Leases*, (Herndon, VA: January 2014).

³⁹ General Services Administration, *United States Department of Agriculture (USDA) Lease Delegations Audit Findings Report*, (Washington, D.C.: Dec. 18, 2018).

Because GSA has not determined how to reasonably reconcile G-REX and FRPP data, pursuant to its own procedure, it is missing oversight opportunities, such as finding leases with annual rent or lease terms that do not meet program requirements. Additionally, without a way to regularly assess agencies' policies and procedures to manage their delegated leasing activities or track their performance in meeting key management goals, GSA cannot be sure agencies can sufficiently manage their leases or secure cost-effective rates. Periodic reviews of an agency's ability to manage its delegated leasing activities would help GSA ensure that it is providing this authority to agencies that can manage it effectively and efficiently. Finally, without a systematic process for monitoring a selection of submitted post award documents to help identify and promptly resolve issues and ensure compliance with existing legislation, regulations, and standards, GSA cannot ensure that delegated leases comply with the terms of the delegation and the program is free from fraud, waste, and abuse.

Recommendations

We are making the following four recommendations to GSA

The Administrator of GSA should take steps to reconcile G-REX and FRPP to the extent practical. (Recommendation 1)

The Administrator of GSA should develop a process for assessing at regular intervals, such as annually, agencies' policies and procedures for managing their delegated leasing activities. (Recommendation 2)

The Administrator of GSA should develop a process that would allow GSA to track agencies' progress in meeting GSA management goals, such as cost effective lease rates, and avoiding holdovers. (Recommendation 3)

The Administrator of GSA should develop a systematic, risk-based process for monitoring a selection of submitted post award documents. (Recommendation 4)

Agency Comments

We provided a draft of this product to GSA, VA, USDA, Interior, and Commerce for review and comment. In its comments, reproduced in appendix I, GSA concurred with the recommendations. GSA and USDA provided technical comments, which we incorporated as appropriate. VA, Interior, and Commerce did not have comments.

We are sending copies of this report to the appropriate congressional committees, the Administrator of the General Services Administration, and other interested parties. 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 about this 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 key contributions to this report are listed in appendix II.

A handwritten signature in black ink that reads "Lori Rectanus". The signature is written in a cursive, flowing style.

Lori Rectanus
Director, Physical Infrastructure

Appendix I: Comments from the U.S. General Services Administration



The Administrator

May 7, 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: GSA Needs to Strengthen Oversight of its Delegated Leasing Program* (GAO-19-405).

GAO made the following four recommendations to GSA:

- 1) The Administrator of GSA should take steps to reconcile G-REX [GSA's Real Estate Exchange] and FRPP [Federal Real Property Profile] to the extent practical.
- 2) The Administrator of GSA should develop a process for assessing at regular intervals, such as annually, agencies' policies and procedures for managing their delegated leasing activities.
- 3) The Administrator of GSA should develop a process that would allow GSA to track agencies' progress in meeting GSA management goals, such as cost effective lease rates, and avoiding holdovers.
- 4) The Administrator of GSA should develop a systematic, risk-based process for monitoring a selection of submitted post award documents.

GSA concurs with these recommendations and, in the enclosure, provides technical clarifications to the draft report. GSA is developing a corrective action plan to address GAO's recommendations.

If you have any questions or concerns, please contact Mr. 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

Enclosure

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

1800 F Street, NW
Washington, DC 20405-0002
www.gsa.gov

Appendix II: Contact and Staff Acknowledgements

Contact

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

Staff Acknowledgements

In addition to the individual named above, other key contributors to this report were Keith Cunningham, Assistant Director; Sarah Jones, Analyst in Charge; Eli Albagli; Lacey Coppage; Josh Ormond; Colleen Taylor; Michelle Weathers; and Elizabeth Wood.

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