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GSA: A Central Management Agency
Needing Comprehensive Congressional
Oversight

Statement of
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Government Business Operations Issues
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Before the
Committee on Government Operations
House of Representatives



GSA: A CENTRAL MANAGEMENT AGENCY
NEEDING COMPREHENSIVE CONGRESSIONAL OVERSIGHT

SUMMARY OF STATEMENT BY
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OPERATIONS ISSUES

GSA should be a central management agency. However, since its inception, it has been torn between an internal dynamic that favors a centralized approach to directly providing services to agency customers and a largely external expectation that its primary role should be to issue governmentwide policy guidance and oversee decentralized operations within the departments and agencies themselves. GAO endorses the latter view and believes that all but the very smallest of federal agencies are capable of working with the private sector to acquire and maintain the office space, computers, supplies and services they need. But decentralized operations require a long-term strategy, common policies, consistent and knowledgeable guidance from market and technical specialists, coordination to prevent competition among agencies, and comprehensive reporting and oversight so that Congress can hold the Executive Branch as a whole accountable for efficient performance.

GSA has not adopted two of the major recommendations of the general management review GAO issued 2 years ago--developing a strategic approach for management of the government's facilities assets and assuming a more policy-oriented and oversight role. In addition to these major concerns, GAO's work has also identified several other problems ranging from pervasive management information problems, and ineffective oversight of building and ADP procurement delegations, to difficulties in managing certain aspects of the FTS 2000 governmentwide telecommunications program.

While Congress has been involved in individual projects and has kept a watchful eye on some specific GSA efforts, such as major ADP procurement and capital investment projects, it has paid little attention to monitoring GSA's overall efforts to fulfill its mission. The annual reauthorization of GSA's overall operations as proposed by H. R. 3161 is designed to improve legislative oversight. To be effective in addressing GSA's problems, GAO believes the focus of reauthorization should be on holding GSA accountable for defining and achieving key strategic goals and objectives, cover a period longer than a single year, and perhaps involve sunset provisions for particular GSA activities on a staggered basis.

Mr. Chairman and Members of the Committee:

We welcome this opportunity to share with you our perspectives on the performance of the General Services Administration (GSA) and to discuss the need for more regular and sustained congressional oversight, as proposed in H. R. 3161. As you know, we have prepared a number of reports at the request of this Committee and the House and Senate Public Works Committees on GSA's performance of its responsibilities, primarily in the public buildings and information resources management areas. Attached to my statement is a list of the 15 most recent reports and testimonies that are relevant to GSA's management in a broad sense.

GSA Should Be a Central Management Agency

The 1949 Commission on the Organization of the Executive Branch, known as the Hoover Commission, recommended establishment of an Office of General Services with regulatory authority and a direct link to the President to bring central direction to the government's essential housekeeping functions. These functions include operation and maintenance of public buildings and procurement and distribution of supplies. It envisioned this office as primarily, but not exclusively, a policymaking body that should, to the greatest extent possible, delegate operational authority for these functions to other

agencies subject to established policies and central oversight and comprehensive accountability to Congress for efficiency and economy.

Since GSA was established in 1949 with a more ambiguous mandate, however, the agency has been torn between an internal dynamic that favors a centralized approach to the direct delivery of services to agency customers, and a largely external expectation that its primary role should be to meet the need for governmentwide policy guidance and to oversee decentralized operations within the departments and agencies. The latter view is generally supported by the agencies themselves, by the Office of Management and Budget, and by us, although some previously appointed Administrators, most notably Terence Golden, have also supported it. This resultant shift away from direct delivery of services has, over the years, resulted in a sharp reduction in GSA's employment levels--from over 37,000 employees in 1978 to about 20,000 employees in 1991.

Mr. Chairman, let me be a little more explicit about what we see as the expectations GSA should meet because this issue bears directly on Congress's oversight role which H.R. 3161 proposes to put on a new footing. We believe that all but the very smallest of federal agencies are capable of working with the private sector to acquire and maintain the office space,

computers, supplies and services they need, and that the quality of service correlates directly with the closeness and accountability of those providing the service to the final customer. This does not mean that there is no need for a central management agency. On the contrary, decentralized operations require a long-term strategy, common policies, consistent and knowledgeable guidance from market and technical specialists, coordination to prevent competition among agencies, and comprehensive reporting and oversight so that Congress can hold the Executive Branch as a whole accountable for efficient performance. A central management agency can also use the cumulatively enormous buying power of the government to negotiate advantageous prices for goods and services needed on a governmentwide basis, such as vehicles, telecommunications services, and computers--whether or not purchasing is centralized.

Government travel provides an illustration of this model. GSA writes the Federal Travel Regulations setting policy requirements and rules for entitlement and accountability, negotiates substantial discounts for hotels and air fares available to all government travelers, contracts for a centralized travel credit card, provides agencies access to consolidated travel agency services, and accumulates governmentwide travel data for accountability and policy revision purposes. GSA employees do not, however, directly

provide services to individual travelers. As another example, GSA has delegated building management functions to lead agencies. As of February 1989, GSA had over 2,000 delegated buildings, and we reported in May 1990 that agencies overwhelmingly believe that services have improved over the period when GSA employees managed these buildings.¹

Sustained Attention Required to Improve Performance

In November 1989, we issued a general management report on GSA that recommended GSA assume more of a central management role and adopt a more strategic approach to its responsibilities.² We made 33 specific recommendations aimed at improving GSA's performance in managing the federal government's multi-billion dollar real estate portfolio and providing various facilities, goods and services. In general, we found four major areas that needed improvement. We recommended that GSA strengthen its executive leadership and direction setting, refocus its facilities management role more towards providing policy guidance and oversight, give higher priority to the development of career staff, and improve its management information systems

¹General Services Administration: Delegated Buildings Adequately Operated But Better GSA Oversight Needed, (GAO/GGD-90-76, May 15, 1990)

²General Services Administration: Sustained Attention Required to Improve Performance, (GAO/GGD-90-14, Nov. 6, 1989)

to provide the accurate and timely data needed to manage and oversee its programs.

In a follow-up report issued in April 1991, we said that GSA was making good progress in some areas but that GSA has not adopted two of our more important recommendations--to develop a strategic approach for management of the government's property assets and to assume a more policy-oriented and oversight role.³

The "strategic plans" GSA published earlier this year were heavily oriented toward the need to improve the delivery of services to its customers. Three of the 4 major GSA-wide areas of strategic focus are mostly customer oriented--(1) fostering a client focus, (2) enhancing quality of service and productivity, and (3) being easy to do business with. The fourth area of focus--building and maintaining a quality workforce--is an internal one. While no one would object to these goals, the underlying message is that GSA's basic role remains service delivery, not central management, policy setting and oversight.

The strategic plan for the Public Buildings Service also emphasizes customer service but falls short of providing an

³General Services Administration: Status of Management Improvement Efforts, (GAO/GGD-91-59, Apr. 3, 1991)

overall strategy for addressing critical governmentwide policy and oversight issues such as how to manage the government's real estate portfolio to better integrate people, information, technology, and space to make the workplace more productive and responsive to the agencies' missions. Similarly, the Information Resources Management Service's strategic plan is customer service oriented with little emphasis on oversight of governmentwide ADP activities.

GSA still lacks a strategic concept of its public buildings role and continues to operate with a regionally based project-by-project philosophy. Consequently, we lack a strategy that relates individual projects to such long-term questions as the impact of new information technology on agency location decisions, the consequences of centering federal activities in the highest-cost labor markets in the country, the relative advantages of owning versus leasing office space, and the impact of impediments to selling surplus or obsolete buildings on ownership decisions. Out of frustration, agencies are chipping away at GSA's public buildings authority. Congress recently transferred the Pentagon from GSA to DOD and is currently considering requests from the Courts to "go it alone."

GSA's draft capital investment plan was characterized by OMB as a list of projects, alphabetized by state and with no

priorities for the most cost effective or cost beneficial capital investment projects. GSA is unable to compare the return-on-investment from a dollar spent on modernizing a building in San Francisco, constructing a building in Houston, or renting a building in New York, taking into account that the cost of building leases among these cities can vary from \$7 to \$61 per square foot. Since there is no clear rationale for GSA's list of needed projects, alternative lists seem just as defensible. The lack of strategic thinking, planning, and analysis prevents GSA from successfully fulfilling its central management role for assets not under its direct control, hampers congressional oversight and decisionmaking, and provides no assurance that scarce capital investment resources are spent wisely.

GSA agrees that it needs to improve its strategic focus and planning and is currently working with OMB to develop a 5-year capital investment plan. It also plans to establish a new Office of Real Property Policy. One of the duties of this Office would be to take a more proactive role in governmentwide asset management and become a central resource for all federal property holding agencies. We view this as a step in the right direction.

Oversight and Management of ADP Procurement and
Telecommunications Need Improvement

GSA also needs to more effectively discharge its governmentwide ADP and telecommunications responsibilities. Over the past several years, many agencies' efforts to acquire multi-million dollar ADP systems have been unsuccessful. Many procurement problems occur during the acquisition phase when agencies inadequately or inappropriately define system requirements, misjudge user needs, or poorly compute cost/benefit measurements. Common to most of these procurements is a lack of agency oversight in assuring that prescribed federal regulations are followed.

While individual agencies have the primary responsibility for making sure that ADP procurements are efficient and cost effective, GSA, under the Brooks Act, plays a critical and necessary role in ensuring the integrity of the procurement process. In addition to having responsibilities for training and policy guidance, GSA plays a direct role in an agency's procurement process by (1) reviewing individual agency procurement requests over a certain threshold limit, and (2) conducting periodic management reviews of agencies' overall information resources management activities. These latter reviews frequently lead to recommendations to the agencies for improvement in information management and the agencies'

procurement process. Additionally, they are the basis for adjusting the threshold level for the individual procurement reviews.

Even though GSA has taken positive steps to make these oversight activities meaningful, procurements at many agencies are still poorly managed. We recently reviewed GSA's oversight activities at the request of this Committee and found that staffing problems and poor internal recordkeeping procedures limit GSA's effectiveness in reviewing individual procurement requests. In addition, GSA's management reviews, which can help agencies enhance their ability to develop good IRM processes and procedures, are limited in number and scope.

Although GSA is considering alternatives to enhance its ADP oversight, it is not using information from its existing process to improve its existing procedures. For example, GSA has not assessed the value added by each individual procurement review to determine where increased or decreased focus might be warranted. Further, GSA does not summarize or analyze the results from its individual procurement reviews and the agency management reviews to identify systemic, governmentwide problems which might require specific attention.

GSA is also responsible for managing FTS 2000, the 10-year, multi-billion dollar program that provides state-of-the-art

voice, data and video services for the federal government. Since the contracts were awarded in December 1988 to AT&T and Sprint, GSA has been successful at getting a large portion of the government's telecommunications traffic moved onto the new network, resulting in significant cost savings over the old FTS system. As such, GSA has been successful at enforcing the mandatory use statute, which requires federal agencies to use FTS 2000 unless they have requirements that cannot be met under the two contracts.

Despite these successes, GSA has not effectively managed several aspects of FTS 2000. For example, GSA has not succeeded in achieving a 60/40 percent revenue split between AT&T and Sprint--a key contract objective. Further, GSA has had difficulty developing and enforcing a price cap mechanism that would require the vendors to reduce their prices to commercial levels. Finally, concerns have been raised that the 10 percent overhead charge that GSA allocates to agencies' FTS 2000 bills is excessive. As requested by this Committee, we are currently assessing the reasonableness of GSA's FTS 2000 overhead charges.

Congressional Oversight Could Be Better

Over the years, Congress has not devoted comprehensive and sustained attention to GSA. While Congress has, over the

years, been very involved in several individual projects and kept a watchful eye over some efforts, such as ADP procurement and building prospectus projects, Congress has paid little attention to the debate over GSA's mission or its overall performance as an agency. Congress has rarely tried to hold GSA accountable for setting strategic goals, stating program objectives, and measuring outcomes. This may be due in part to divided congressional oversight. This Committee has general oversight responsibility for GSA but the Public Works Committee approves prospectuses and shares oversight of GSA's public buildings activities, except for property disposal.

The current prospectus process also hinders sustained Congressional attention to GSA. GSA presents Congress with dozens and dozens of prospectuses for capital investment projects each year, but fails to put these in any long-term context. This may be in part because Congress has not pressed for a broad strategy and seems content with the project-by-project information GSA provides.

Another factor hindering sustained attention to GSA is that it does not rely on appropriated funds--quite an unusual situation. The majority of GSA's operating funds are generated from charging agencies the cost, plus a markup, for goods and services. In fiscal year 1990, direct appropriations accounted

for less than 4 percent of the total budget--about \$274 million of the \$8 billion total.

Proposal for Annual Reauthorization of GSA

Clearly, the GSA is an agency experiencing a number of management problems and needing more regular, sustained, and comprehensive oversight than has been provided historically. We understand that Section 2 of H. R. 3161 is designed to improve legislative oversight. For this to be effective in addressing GSA's problems, we believe the focus of reauthorization should be on holding GSA accountable for defining and achieving a number of key strategic goals and objectives over a longer period than a single year. The Committee may want to consider periodic reauthorization in the context of particular GSA activities for which sunset provisions might well be enacted, perhaps on a staggered basis.

We would be pleased to work with the Committee in developing a legislative proposal toward that end.

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This concludes my prepared statement. My colleagues and I would be pleased to respond to questions.

List of Recent GAO Reports and Testimonies on GSA

- FTS 2000: GSA Must Resolve Critical Pricing Issues, (GAO/IMTEC-91-79, Sep. 11, 1991)
- Long-term Neglect of Federal Building Needs, (GAO/T-GGD-91-64, Aug. 1, 1991)
- Telecommunications: GSA's Difficulties Managing FTS 2000, (GAO/IMTEC-91-45, Jun. 13, 1991)
- Federal Buildings: Actions Needed to Prevent Further Deterioration and Obsolescence, (GAO/GGD-91-57, May 13, 1991)
- General Services Administration's Management of FTS 2000, (GAO/T-IMTEC-91-9, Apr. 18, 1991)
- General Services Administration: Status of Management Improvement Efforts (GAO/GGD-91-59, Apr. 3, 1991)
- Facilities Location Policy: GSA Should Propose a More Consistent and Businesslike Approach, (GAO/GGD-90-109, Sep. 28, 1990)
- General Services Administration: Delegated Buildings Adequately Operated But Better GSA Oversight Needed, (GAO/GGD-90-76, May 15, 1990)
- The Disinvestment in Federal Office Space, (GAO/T-GGD-90-24, Mar. 20, 1990)
- Federal Office Space: Increased Ownership Would Result in Significant Savings, (GAO/GGD-90-11, Dec. 22, 1989)
- General Services Administration: Sustained Attention Required to Improve Performance, (GAO/GGD-90-14, Nov. 6, 1989)
- Building Purchases: GSA's Program Is Successful but Better Policies and Procedures Are Needed, (GAO/GGD-90-5, Oct. 31, 1989)
- Public Buildings: Own or Lease?, (GAO/T-GGD-89-42, Sep. 26, 1989)
- Public Buildings Service: GSA's Projection of Lease Costs in the 1990s, (GAO/GGD-89-55, Apr. 19, 1989)
- Building Operations: GSA's Delegations of Authority to Tenant Agencies, (GAO/GGD-88-103, Aug. 3, 1988)

Copies of GAO testimonies and reports are available upon request. The first five copies of any GAO report or testimony are free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

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