U.S. General Services Administration
Office of Inspector General

October 15, 2019

TO: EMILY W. MURPHY
ADMINISTRATOR (A)

FROM: CAROL F. OCHOA
INSPECTOR GENERAL (J)

SUBJECT: Assessment of GSA's Management and Performance Challenges for Fiscal Year 2020

As required by the Reports Consolidation Act of 2000, Public Law 106-531, we have prepared for inclusion in the Fiscal Year 2019 Agency Financial Report the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA in Fiscal Year 2020.

This year we have identified significant challenges in the following areas:

1. Establishing and Maintaining an Effective Internal Control Environment.
2. Improving Contract and Lease Administration Across GSA.
3. Enhancing Government Procurement.
4. Maximizing the Performance of GSA's Real Property Inventory.
5. Managing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch.
6. Prioritizing Agency Cybersecurity.
7. Securing the System for Award Management.
8. Managing Human Capital Efficiently to Accomplish GSA's Mission.
9. Safeguarding Federal Facilities and Providing a Secure Work Environment.

Please review at your earliest convenience. If you have any questions or wish to discuss our assessment further, please call me at (202) 501-0450. If your staff needs any additional information, they may also contact R. Nicholas Goco, Assistant Inspector General for Auditing, at (202) 501-2322.

Attachment

Challenge 1 – Establishing and Maintaining an Effective Internal Control Environment

GSA continues to face significant challenges in establishing a comprehensive and effective system of internal control. GSA is required to establish and maintain internal controls through the Federal Managers' Financial Integrity Act of 1982, Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government*. However, we remain concerned over GSA's control environment.

Importance of Internal Control

Internal control is integral to an agency's success. An effective internal control system helps an agency adapt to shifting environments, evolving demands, changing risks, and new priorities. Most importantly, it helps government program managers achieve desired results by providing reasonable assurance that the agency is meeting three fundamental objectives:

- Effectiveness and efficiency of operations;
- Reliability of reporting for internal and external use; and
- Compliance with applicable laws and regulations.

To meet these objectives, management is responsible for designing, implementing, and monitoring control activities to ensure the system of internal control is operating effectively. Internal control must be built into the agency's infrastructure and serve to ensure the proper stewardship of public resources. The system of internal control should be the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Accordingly, management must recognize that internal control is not one event, but a series of actions that occur throughout the entity's operation to achieve its objectives.

In our *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2019*, we cited pervasive internal control weaknesses as a challenge for GSA. In response, GSA management has placed a greater emphasis on internal controls. However, internal control weaknesses continue to be identified across the broad spectrum of GSA programs, operations, and acquisitions indicating a need for direct management attention to develop a more effective internal control environment across GSA.

Continuing Internal Control Problems

Over the past year, continuing problems with GSA's internal controls demonstrate that GSA should continue its efforts to address this challenge. The continuing problems include the following examples:

- The Federal Acquisition Service's (FAS's) failure to administer a Multiple Award Schedule contract with McKinsey and Company, Inc. (McKinsey) in accordance with applicable laws, regulations, and policies resulted in improper pricing.[1] In awarding McKinsey's contract, an FAS management official used invalid price comparisons, relied on unsupported information, and performed insufficient analyses to justify the contract pricing. The official also violated standards of conduct by advocating for McKinsey to other procurement officials. Finally, the official impeded an audit of McKinsey's contract by failing to take appropriate action as required by the Federal Acquisition Regulation (FAR) to obtain required data to complete the audit. As a result of these actions, GSA customers could pay an additional $69 million over the option period for the contract.

- The Public Buildings Service (PBS) did not take appropriate action to protect tenants, contractors, and visitors from environmental hazards identified at the Goodfellow Federal Complex in St. Louis, Missouri.[2] PBS's response to environmental issues identified at the Goodfellow complex was hindered by poor environmental management programs, policies, and guidance. At the Goodfellow complex, PBS contracted for at least 33 studies costing in excess of $1.9 million relating to environmental sampling and analysis. Most of these studies provided results that indicated various hazards were present at the complex and in many cases the results were duplicative of previous studies. Although these studies identified the presence of numerous environmental hazards, including lead, asbestos, and other known cancer-causing agents, PBS failed to comprehensively address the deficiencies or notify the complex's occupants of the existing conditions.

- PBS also did not provide effective oversight of its delegated leasing program.[3] PBS did not have accurate and reliable information on its delegated leases. For example, GSA's Real Estate Exchange system had incorrect information on lease rental values and rates—reporting rates 12 times higher than they actually were. PBS also did not know if agencies had the ability to manage their delegated leasing activities. This occurred because PBS did not regularly assess the delegated agencies' policies and procedures, or their performance in meeting key management goals. Lastly, PBS did not have procedures in place to ensure that delegated agencies enter into leases that conform to program requirements and the authority granted by GSA.

---

[1] GSA OIG Report, *Improper Pricing on the McKinsey Professional Services Contract May Cost the United States an Estimated $69 Million* (Report Number A170118/Q/6/P19004, July 23, 2019).

[2] GSA OIG Report, *Audit of Environmental Issues at the Goodfellow Federal Complex in St. Louis, Missouri* (Report Number A170027/P/6/R19002, March 15, 2019).

[3] GAO report, *FEDERAL REAL PROPERTY: GSA Needs to Strengthen Oversight of Its Delegated Leasing Program* (GAO-19-405, June 3, 2019).

In some cases, GSA failed to acknowledge identified internal control problems and subsequently failed to take the appropriate corrective actions to address the issue. This serves to undermine the effectiveness of GSA's internal control environment, as illustrated by the example below:

- PBS's National Capital Region (NCR) did not comply with applicable laws, regulations, and guidance when awarding and administering the $1.2 billion White Oak Energy Savings Performance Contract (ESPC) task order.[4] Specifically, PBS NCR violated the Competition in Contracting Act of 1984 and the competition requirements set forth in the FAR by awarding contract modifications that substantially increased the contract's scope of work for operations and maintenance (O&M) services for the entire White Oak campus. This action created a cardinal change to the contract that eliminated price competition and denied opportunities for other contractors. In addition, PBS NCR did not award and administer the task order in compliance with contract requirements, acquisition regulations, and internal policy.

  The former PBS NCR Regional Commissioner did not agree that the contract modifications constituted a cardinal change and disagreed with our recommendation to take immediate action to expedite the procurement of a new O&M contract that adheres to federal competition requirements. In making this determination, the former PBS NCR Regional Commissioner asserted that management conducted a review of the contract modifications to determine the practical consequences of our recommendation and concluded that, given the specific contractual and operational conditions at the White Oak campus, re-competing the modifications would likely subject the government to significant contractual, programmatic, and financial impacts. PBS NCR also did not take actions to correct PBS NCR personnel's non-compliance with competition requirements and lack of funds for the obligation.

Compliance with laws and regulations is a key objective of an effective system of internal control. In this case, PBS NCR did not acknowledge or take responsibility for its failure to comply with laws and regulations and did not take actions to prevent this issue from reoccurring. This response demonstrates a willingness to accept violations of law and regulations if operationally convenient. This sets an example to the Agency that undermines GSA's system of internal control and increases the likelihood of future breakdowns in internal control.

In other cases, GSA has acknowledged control deficiencies, but did not take or has not taken timely actions designed to address the problems. For example:

- GSA acknowledged that, in response to a breach of personally identifiable information, it did not issue timely notifications to individuals affected by the breach—ultimately taking more than 2 years to complete these notifications due to a breakdown in its

[4] *PBS National Capital Region's $1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy* (Report Number A150009/P/5/R17006, August 24, 2017).

breach response process.[5] In its corrective actions, GSA revised its Breach Notification Policy; however, the policy change was ineffective because it allowed for an unreasonable delay in GSA's timeframe for notifying affected individuals.

- PBS acknowledged health and safety concerns at a leased facility and identified corrective actions to address the concerns.[6] However, PBS did not take the corrective actions it identified to relieve the health and safety problems. PBS did not enforce the terms of the lease or take measures to ensure that all necessary maintenance and repair issues were addressed in a timely manner. It also did not move the tenant before the 2018 lease expiration date. Finally, PBS did not provide training that addressed the communication of environmental concerns and test results to affected building tenants.

Internal control serves as the first line of defense in safeguarding assets and helping managers achieve desired results through effective stewardship of public resources. However, the examples above demonstrate the need for direct management attention to develop a more effective internal control environment across GSA.

In response to our internal control management challenge for Fiscal Year (FY) 2019, GSA management initiated a series of actions to address the concerns about GSA's system of internal control. For example, GSA established a leadership team focused on tracking and resolving audit findings. GSA also initiated measures in an effort to address certain long-standing deficiencies, including assessments of policies and procedures and adjustments to the scope of internal procurement reviews.

While these are positive first steps, GSA's system of internal control needs further improvement. GSA management should therefore continue its efforts to implement a more effective system of internal control to ensure the Agency consistently complies with laws and regulations, produces accurate and reliable reports, and operates effectively.

Challenge 2 – Improving Contract and Lease Administration Across GSA

GSA faces a challenge in providing appropriate oversight of its contracts and leases. As the acquisition and real property management arm of the federal government, GSA is responsible for the procurement of billions of dollars' worth of products, services, and facilities for federal government agencies. After award, GSA is required to provide effective oversight of its

[5] *Implementation Review of Corrective Action Plan: Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015, Report Number A160028/O/T/F16003, September 28, 2016* (Assignment Number A180001, October 19, 2018).

[6] *Implementation Review of Corrective Action Plan: PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks, Report Number A160019/P/4/R17003, January 27, 2017* (Assignment Number A190023, July 31, 2019).

contracts and leases to ensure that the government is receiving the goods and services it is paying for and to protect taxpayer dollars against the risk of fraud, waste, and abuse. Although oversight is a requirement for all contracts and leases, our audit reports have repeatedly identified instances where oversight was either insufficient or lacking entirely. While GSA has taken, or is taking, corrective actions to address specific audit findings, issues remain. GSA should take comprehensive and proactive steps to improve contract and lease administration practices across the Agency. Without the appropriate level of oversight, GSA risks undetected fraud, waste, and abuse and violations of the FAR.

In FY 2018 and FY 2019, our reports cited numerous examples of poor contract and lease administration practices, resulting in violations of laws and regulations, deviations from policies, customer dissatisfaction, and waste of taxpayer funds. For example:

- In June 2019, we issued an audit report that identified deficiencies in FAS's oversight of a task order awarded to assist the government-wide transition to the new 15-year, $50 billion Enterprise Infrastructure Solutions (EIS) contract.[7] We found that FAS's ineffective administration of the task order resulted in high rates of spending with minimal transition progress. Further, we found that inadequate oversight of the task order invoices led to payments for unqualified employees and travel claims that were inaccurately billed and not pre-approved.

- In March 2019, we reported that PBS did not effectively manage changes to the information technology (IT) security requirements in contracts for real estate brokerage services.[8] PBS significantly changed the contractors' IT security obligations subsequent to contract award. By materially altering the time and cost associated with meeting the contracts' IT security requirements, PBS made a cardinal change to the contracts and violated the Competition in Contracting Act of 1984 and the FAR. Though this change may have resulted in a reasonable IT solution, PBS made the change without regard to the contract terms.

  We also found that GSA lacked assurance that government data maintained on contractor systems was secure. GSA did not issue contract modifications or guidance reflecting the changes to its contracts' IT security requirements for more than 1 year after the changes were made. This led to a substantial period in which the contracts' IT security requirements were unclear and government data stored on contractor systems was potentially vulnerable to misuse.

---

[7] *Insufficient Management of Transition Support May Impede the Government-Wide Transition to Enterprise Infrastructure Solutions* (Report Number A170103/Q/T/P19003, June 28, 2019).

[8] *Audit of IT Security Requirements in GSA Leasing Support Services Contracts* (Report Number A170092/P/R/R19004, March 21, 2019).

- In June 2018, we issued an audit report on poor lease administration of the Eton Square Office Centre building in Tulsa, Oklahoma.[9] We found that PBS did not effectively fulfill its leasing responsibilities. Although PBS officials were aware before executing the lease that the building's roof leaked, they did not incorporate terms and conditions into the lease to ensure that the lessor followed through on its assertion that it would replace the roof prior to occupancy. As a result, despite recurring water leaks and mold problems in the building, PBS lacked the ability to compel the lessor to replace the roof and was ultimately forced to terminate the lease at a cost of $974,000 to taxpayers.

  In addition, PBS personnel did not follow PBS policies and procedures to identify and address accessibility deficiencies in the building. Consequently, the leased space did not comply with federal accessibility requirements and people with disabilities were unable to easily access the leased space.

Taken together, these examples demonstrate that GSA needs to address challenges in its oversight of its contracts and leases. Accordingly, GSA should take comprehensive and proactive steps to improve its oversight of contracts and leases to protect the Agency against the risk of undetected fraud, waste, and abuse and violations of applicable laws and regulations.

Challenge 3 – Enhancing Government Procurement

One of GSA's strategic goals for FY 2020 is to establish itself as the premier provider of efficient and effective acquisition solutions across the federal government. As an integral part of GSA, FAS has significant responsibility in meeting this goal. According to FAS, its core objective is to leverage the buying power of the federal government to obtain necessary products and services at the best value possible. However, as FAS introduces initiatives to provide more efficient and effective acquisition solutions, it faces challenges in meeting its core objective and customers' needs.

FAS is undertaking the following initiatives:

- Supporting the government-wide adoption of category management;
- Transforming the Multiple Award Schedules Program (Schedules Program);
- Implementing procurement through commercial e-commerce portals; and
- Transitioning customers to the new EIS contract.

While these initiatives are intended to help FAS meet its strategic goal, they also significantly change FAS's processes and programs, affecting both its employees and its customers.

[9] *PBS's Leasing for the Eton Square Office Centre Was Not Effective or Compliant With Policies* (Report Number A170091/P/7/R18001, June 6, 2018).

Supporting the Government-Wide Adoption of Category Management

In FY 2014, OMB and the Office of Federal Procurement Policy introduced category management, which the federal government adopted in order to buy smarter and more like a single enterprise.[10] The goals of category management are increased efficiency and effectiveness, decreased costs, and reduced redundancies. Since then, FAS has committed significant resources to implement category management, to pilot transactional data reporting (TDR) in the Schedules Program, to reorganize its workforce to align with the 10 categories of government spending, and to establish six executives as federal category managers.

In FY 2019, OMB issued a memorandum providing guidance on the use of category management.[11] This memo formalized FAS's role as the government-wide Category Management Program Management Office (Program Management Office) and established specific responsibilities to support the maturation of category management. With this new mandate, FAS is challenged to fulfill its new responsibilities as the Program Management Office for the entire federal government while also continuing to administer its contracting programs.

As the Program Management Office, FAS's new responsibilities include developing and managing resources to support category management such as training, checklists, and frequently asked questions; creating and maintaining processes and metrics for categories; and analyzing government-wide spending data. A significant responsibility also includes data management and analytics to create dashboards, which may require FAS to recruit and retain skilled staff. FAS plans to make much of this information available to the federal contracting community through its Acquisition Gateway, a portal intended for sharing data, allowing comparisons of various government-wide acquisition vehicles, and providing reference material and tools to assist government purchasers. Because the Program Management Office uses the Acquisition Gateway tool to fulfill its new category management role, FAS must ensure this portal is meeting its desired performance goals.

Historically, FAS measured the success of the Acquisition Gateway by the quantity of registered users and the number of federal agencies using it. As we reported in last year's *Assessment of GSA's Management and Performance Challenges*, FAS must also consider the number of returning, active users that also contribute accurate, useful, and accessible information to the portal and whose results affect government procurement. In response to our concerns, FAS implemented goal-based metrics to measure desired outcomes. Until these measures demonstrate that users rely on the Acquisition Gateway for information to make more informed purchasing decisions, FAS is challenged to ensure the success of the Acquisition Gateway and its use in assisting with the fulfillment of its new role as the Program Management Office.

---

[10] OMB memorandum, *Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings* (December 4, 2014).

[11] OMB Memorandum M-19-13, *Category Management: Making Smarter Use of Common Contract Solutions and Practices* (March 20, 2019).

Another hurdle for FAS is to promote the government-wide adoption of category management through the Program Management Office while simultaneously operating its contracting programs. Through its recent memorandum on category management, OMB tasked all federal agencies to increase the use of best in class contract vehicles that satisfy five OMB-required criteria.[12] One such criterion is the collection of transactional (or prices paid) data. However, because many of FAS's schedules do not collect transactional data, they are not eligible for best in class designations. As a result, FAS may see decreases in use of schedules and market share due to OMB's mandate. FAS must ensure programmatic decisions are not unduly influenced by the desire for best in class designations. Specifically, FAS began the ongoing Schedules Program TDR pilot to transform the government's pricing position and reduce contractor burden—not to obtain a best in class designation and thereby potentially increase usage and market share. Therefore, FAS must ensure it objectively measures the pilot against its intended purpose.[13]

FAS should consider these challenges as it moves forward in executing its new responsibilities as the government-wide category management Program Management Office while also managing the competing interests of its own contracting programs.

Transforming the Multiple Award Schedules Program

FAS has implemented several initiatives and tools, dating back to 2016, to transform its Schedules Program. These include "distinct transformation projects" aimed at consolidating schedules, reducing price variability through TDR, using automated tools for market analyses, and changing rules (regulations) to make the buying experience easier for user agencies. As detailed below, these initiatives and tools will have a significant effect on the Schedules Program. With these initiatives and tools occurring simultaneously, FAS is challenged to ensure they are effectively implemented. During this transformation, we continue to highlight the need for strengthened controls over the entire Schedules Program.

Consolidated Schedules. In an effort to reduce redundancy and duplication of services, products, and solutions across multiple acquisition centers, FAS is consolidating its current 24 schedules into a single all-encompassing GSA schedule. The new solicitation for the consolidated schedule will be effective at the start of FY 2020 and will apply to all new schedule offers. During the course of FY 2020, current schedule contracts will be converted to the new consolidated schedule via contract modification, with a planned completion date of FY 2021.

FAS expects this consolidation to reduce the administrative and contractual burden of maintaining duplicate contracts and allow schedule contractors to provide total solutions without maintaining multiple schedules. FAS has noted several challenges in transforming a program this large, including a lack of buy-in from all stakeholders, a lack of dedicated

---

[12] *Category Management: Making Smarter Use of Common Contract Solutions and Practices* (OMB M-19-13, March 20, 2019).

[13] For additional work on FAS's evaluation of its TDR pilot, see our audit report *Audit of Transactional Data Reporting Pilot Evaluation Plan and Metrics* (Report Number A140143/Q/T/P18004, dated July 25, 2018).

resources, excessive costs related to legacy systems, lack of insight into its own business trends, the need for new systems, and a myriad of legislative restrictions and necessary changes.

Transactional Data Reporting. TDR for orders placed against the Schedules Program was formalized in the Federal Register in June 2016 and piloted for select schedules beginning in August 2016. According to FAS, the purpose of TDR is to "transform price disclosure and related policies ... to improve the value taxpayers receive," while also seeking to eliminate the burden associated with prior pricing disclosures. To do this, through the TDR pilot, contractors can opt to electronically report specific details, including prices for transactions placed under schedule contracts. In turn, contractors are no longer subject to the prior requirements for Commercial Sales Practices disclosures and Price Reductions Clause monitoring—which afforded price protections to schedule customers at the time of award and throughout the life of a possible 20-year contract.

More than 3 years later, FAS's TDR remains a pilot, while the GSA Administrator recently approved its extension through FY 2020. Since pilot inception, FAS has experienced data issues that delayed category managers' and contracting officers' access to the TDR data provided by contractors. The data is not available for use to negotiate pricing—at the contract or order levels—while at the same time, sales continue under these contracts with important price protections waived.

In July 2018, we reported that FAS's TDR evaluation plan and metrics would not allow it to objectively measure or evaluate whether the TDR pilot is improving the value of the Schedules Program. In response to this audit, GSA significantly modified the evaluation plan and metrics. However, no evaluation has yet been made using these new metrics. In addition, FAS is undergoing another major initiative to consolidate multiple award schedules (also listed as a FY 2020 Management Challenge) and it remains to be seen how this change will affect the TDR pilot and those contractors that have already opted into TDR for select contracts. As FAS progresses into the fourth year of the TDR pilot, it remains challenged to overcome data issues, ensure that stakeholders have access to and use the collected data, and provide GSA's Office of Government-wide Policy accurate information for the evaluation of the pilot.

Contract Awarded Labor Category and 4P Tools. FAS contracting personnel are required to determine that awarded schedule pricing is fair and reasonable before the pricing becomes available for any federal agency to use in awarding task or delivery orders. To assist in making fair and reasonable determinations, FAS contracting personnel use automated pricing tools such as the Contract Awarded Labor Category Tool on services contracts and the 4P Tool on products contracts.

The Contract Awarded Labor Category Tool is designed to assist contracting officers in conducting market research using a database of schedule contract prices for approximately 81,000 labor categories on over 3,000 contracts. Contractors' awarded schedule rates are entered into the database based upon the various awarding contracting officers' files. This tool allows contracting officers to search contract prices by labor category and filter by education level, experience, and worksite. However, contractors often discount their schedule rates at the task order level and the tool does not provide the actual price the government paid by labor category or the discounts granted to customer agencies. It likewise does not include any information regarding the rates contractors bill commercial customers for similar labor. Further, the tool does not consider factors such as geographic location or basic labor category qualification requirements, including specialized experience or skills and mandated professional licensing or certifications, which are essential to ensuring that a valid comparison is conducted.

The 4P Tool is a price evaluation tool that collects data on tens of millions of products and their pricing and identifies if offered item pricing is too expensive compared to other suppliers selling identical items. This tool attempts to standardize manufacturer names and part numbers, and each matched item receives a price risk score, which indicates the probability of the price being too high in comparison to its peers. However, contractors often discount their schedule pricing at the purchase order level and the tool does not provide the actual price the government paid or the discounts granted to customer agencies.

Finally, this tool is limited in that it cannot compare pricing for similar items, such as competing items from different manufacturers or resellers, as it can only evaluate pricing for a specific part number. This limitation also prevents comparisons of the same item offered by reseller contractors who have modified the manufacturer's part number when including the item on their respective contract.

Although contracting officers often rely on these tools, FAS is challenged to ensure: (1) the data within the tools is accurate and reliable, (2) the tools are being used appropriately considering the availability of other reliable pricing information, and (3) the tools adequately leverage the collective buying power of the government and produce the lowest overall cost alternative to meet the needs of the federal government as required by 41 USC 152. If FAS cannot ensure this, federal agencies are at risk of over paying for products and services.

Implementation of Order-Level Materials. Current and planned changes to the Schedules Program will affect the way ordering agencies use the program and put taxpayer dollars at risk. The rule change to include order-level materials (OLMs) as part of multiple award schedule task orders was rolled out in 2018. This implementation of the OLM rule allows ordering agencies to include supporting supplies and services on individual orders at the time of contract award, even if the exact needs or price are not fully known. Historically, schedule contracts did not allow for unknown and unpriced supplies and services to be included.

While the rule is designed to give ordering agencies more flexibility, there is a risk that schedule customers may not receive fair and reasonable pricing for those materials as the exact OLMs are determined when a task order is issued, and thus, the responsibility for determination of fair and reasonable pricing for these OLMs resides with the ordering agency, not the FAS contracting officer. Although GSA has limited the total value of OLMs on an individual task or delivery order to 33.33 percent (one-third) of the order total, this potentially allows for billions of dollars in unpriced schedule activity to occur.

Implementing Procurement through Commercial E-Commerce Portals

Section 846 of the National Defense Authorization Act for FY 2018, *Procurement through Commercial E-Commerce Portal,* requires FAS, in coordination with OMB, to establish a government-wide program to procure products through multiple commercial e-commerce portals. The program's intent is to enhance competition, expedite procurement, gather market research for routine commercial acquisitions, and thus enable contracting officers to focus on complex, high-value acquisitions.

FAS is pursuing a phased approach to this initiative, as mandated by the legislation. So far, FAS has performed market research including holding industry days, receiving demonstrations of various e-commerce portals, and releasing Requests for Information focusing on topics including terms and conditions, user experience, and cybersecurity. In July 2019, FAS issued a draft solicitation for portals to test the concept with a planned launch for late 2019 or early 2020. This test will consist of multiple "e-Marketplace" portals, which will sell products from third-party suppliers, possibly alongside the portal providers' own products. In order to encourage purchasing through the portals, FAS requested that Congress raise the micro-purchase threshold for purchases under these portals from $10,000 to $25,000, for a period of 5 years.[14]

The implementation of government-wide e-commerce portals is a complex endeavor requiring FAS to address multiple issues as it prepares to release the test portals, including the following:

- **Use of benchmarks and metrics.** FAS needs effective benchmarks and metrics to evaluate the results from commercial e-commerce portals; however, necessary baseline data may not exist or may only be obtained once the portals are in use. Moreover, FAS will be challenged to evaluate the portals until they achieve significant adoption by government agencies. The adoption rate will be unknown as use of these commercial e-commerce portals is not mandatory. FAS will be further challenged to parse the results from the commercial e-commerce portals from other changes throughout the acquisition marketplace, such as the pending Schedules Program consolidation and the recent increase of the micro-purchase threshold to $10,000.

- **Balancing commercial practices with federal regulations.** FAS needs to balance using commercial practices while adhering to relevant federal regulations and policies. FAS and other stakeholders have acknowledged this challenge since Section 846 was enacted. For example, federal regulations and policies related to competition, data and physical security, and small business usage were established to protect the government and support various public policy initiatives. However, incorporating these requirements for the e-commerce portals could limit the portals' ability to streamline procurement, reduce competition when selecting portal providers, and negatively affect pricing.

---

[14] A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures below an established dollar threshold.

- **Use of e-commerce portal data.** FAS needs to consider opposed interests on the use of data in the e-commerce portals. Portal providers assert that they will need to use the data to effectively manage their portals, while third-party product suppliers assert that portal providers may use the data to undermine competition. FAS will need to gather additional information and structure the portals so that it can monitor this issue.

- **Impact on existing acquisition programs.** FAS needs to assess the potential effects on existing acquisition programs. While FAS's goal is to focus on open market spending, it is possible that the portals could have unintended negative consequences for other acquisition programs. For example, the Trade Agreements Act does not apply to sales under the micro-purchase threshold, which could economically incentivize suppliers to abandon the Schedules Program in favor of the commercial e-commerce portals.

As FAS attempts to fulfill its responsibilities under Section 846 and begins testing the e-commerce portals, it must consider these issues and remain vigilant to the unintended consequences of implementing this initiative.

Leading the Transition to the Enterprise Infrastructure Solutions Contract

FAS is leading the government-wide transition from the expiring Networx telecommunications and IT infrastructure contracts to the new EIS contract. EIS is a 15-year, $50 billion contract that provides customer agencies with common telecommunication services and IT infrastructure such as voice, cloud services, call and data centers, satellites, and wireless services. To reduce overlap and duplication, EIS aims to consolidate offerings currently provided by national and regional contracts and leverage the government's buying volume to reduce prices. Additionally, customer agencies are using the transition to EIS as an opportunity to enhance cybersecurity and modernize federal IT.[15]

Since the transition began in April 2016, FAS has encountered significant challenges in its efforts to move customer agencies to EIS. From delays in awarding the EIS contract to issues with administering a task order meant to provide direct support to customer agencies, these challenges substantially affected FAS's ability to transition more than 200 customer agencies by the initial March 2020 deadline.

In December 2018, FAS announced that it was extending the transition deadline by 3 years to allow more time for transition execution. However, FAS specifically noted that customer agencies should not use the extension for the solicitation and task order award process, but instead use it for transition execution activities. In announcing the extension, FAS instructed customer agencies to issue solicitations to industry by March 31, 2019, or one of the transition support tools—the Transition Ordering Assistance program—would cease. However, only 19 of the 137 (13 percent) expected solicitations had been issued to industry by the March 31, 2019, deadline.

---

[15] *Report to the President on Federal IT Modernization* (American Technology Council, December 13, 2017).

The Transition Ordering Assistance program—which provides telecommunications and acquisition expertise directly to customer agencies—is offered through a task order that we found ineffectively administered.[16] Deficiencies in FAS's planning and management, as well as in its oversight of the contractor's performance and invoicing led to high rates of spending with minimal transition progress.

FAS's revised transition milestone dates shortened the time allotted to award EIS task orders to September 30, 2019, and only 1 of the 42 medium and large agencies met this deadline.[17] Although agencies continue to miss established transition deadlines, an FAS official recently downplayed the importance of meeting them in public remarks delivered during an August 2019 industry event.[18] This mixed message could result in agencies continuing to miss future deadlines without fear of consequence—including FAS's "firm" deadline that the transition must be complete by May 2023. FAS must identify and use improved methods to ensure customer agencies meet the extended transition deadlines. Otherwise, the government's use of the Networx contracts during the prolonged transition decreases potential cost savings from reduced acquisition costs and volume buying available under EIS.

Challenge 4 – Maximizing the Performance of GSA's Real Property Inventory

PBS must maximize the performance of its real property inventory in order to provide its tenant agencies with space that meets their needs at a reasonable cost to taxpayers. To achieve this goal, PBS should plan the best approach to reducing and consolidating space and reducing leasing costs, disposing of federal property, meeting the operations and maintenance needs of aging buildings, and ensuring effective management of energy and utility contracts.

Reducing and Consolidating Space and Reducing Leasing Costs

PBS is implementing major initiatives designed to meet its goals of reducing and consolidating space needs and reducing lease costs. PBS senior management has prioritized these initiatives within the Agency and in outreach to the real estate community and has aligned its performance measures accordingly. While these initiatives represent positive steps to save taxpayer dollars, PBS faces a host of challenges as it implements the initiatives and works to obtain the desired results.

Reducing and Consolidating Space. PBS's Strategic Capital Investment plan recognizes

---

[16] *Insufficient Management of Transition Support May Impede the Government-Wide Transition to Enterprise Infrastructure Solutions* (Report Number A170103/Q/T/P19003, dated June 28, 2019).

[17] FAS categorizes agencies by business volume into three groups: small, medium, and large. FAS transition reports focus on the 42 medium and large agencies.

[18] American Council for Technology and Industry Advisory Council's, *Networks and Telecommunications Community of Interest Meeting*, August 21, 2019.

opportunities to accelerate the reduction of space by increasing space utilization and tenant consolidation. The strategy calls for investment in major building improvements, new construction, and consolidation projects.

In April 2019, PBS established the Asset Segmentation Model. This model evaluates the value that an asset has to the government and classifies an asset into one of four asset strategy segments: maintain, optimize, realign, or reposition. The Asset Segmentation Model is based on several criteria, including physical condition, Funds from Operations (FFO), and occupancy rate.[19] For example, PBS would classify a building as a "reposition" asset if it has high reinvestment needs due to a backlog of maintenance issues, a high vacancy rate, and negative FFO.

The consideration of FFO and occupancy rates is integral to ensuring that PBS makes effective decisions aimed at reducing and consolidating space in its owned and leased portfolio. However, we have found that these factors are not always considered. For example, in our March 2019 report on the financial performance of leases in PBS's NCR, we found significant financial losses caused by poor planning and execution of leases.[20] For one major lease consolidation project, we found that PBS NCR did not consider the costs associated with the vacant space generated by the consolidation. When the consolidation occurred, it generated over 430,000 square feet of vacant leased space. GSA was forced to absorb the rental costs and real estate taxes associated with the vacant space, resulting in an FFO loss of $8.3 million.

We recognize that decisions related to reducing and consolidating space are challenging. Accordingly, it is important that management considers all information in planning for consolidation projects in order to make the most cost effective decisions. While space consolidations may reduce long-term costs and improve space utilization rates, PBS should evaluate the full financial impact of any vacant space generated to ensure consolidations represent the best interests of the taxpayer.

Consolidations also provide additional challenges for GSA because they require significant upfront funding. For example, in advance of any consolidations, GSA needs to reconfigure and renovate space to accommodate the incoming agencies and provide necessary upgrades to fire, heating, ventilation, and air conditioning systems. Since FY 2014, Congress has provided GSA with the authority to use funds for space consolidation projects. However, GSA did not receive funding for its consolidation activities in its FY 2019 appropriation. While GSA has requested $75 million to fund consolidation activities in its *FY 2020 Congressional Justification*, it is faced with the challenge of delaying consolidations without the necessary upfront funding, forcing the Agency to retain a larger real estate footprint at a higher cost to the taxpayer.

---

[19] FFO is a key metric of a GSA-owned or leased asset's financial performance. It is calculated by subtracting expenses (exclusive of depreciation) from revenues.

[20] *Audit of the PBS National Capital Region's Lease Financial Performance* (Report Number A170047/P/R/R19003, March 20, 2019).

Reducing Leasing Costs. PBS's Lease Cost Avoidance plan aims to save $4.7 billion by 2023. The plan includes numerous strategies, including focusing on the 20 percent of leases that represent 77 percent of rental payments, negotiating longer firm-term leases, and negotiating leases at least 3 percent below market rates.

PBS reported $915 million in future lease cost avoidance through actions taken in FY 2018. According to PBS, these savings were largely driven by two factors. First, PBS reduced extensions by over 17 percent over FY 2014 levels. An extension is a sole-source, negotiated agreement between the lessor and the government allowing the tenant agency to continue to occupy its current location when the tenant is unable to vacate the property when the lease expires. Second, PBS reduced holdovers by 50 percent over FY 2014 levels. A holdover is created when the tenant continues to occupy the premises beyond the expiration date of the lease term. The government has no contractual right to continue occupancy but the tenant remains in place without a written agreement.

The short-term nature of extensions and holdovers often limits GSA's ability to obtain favorable contract terms, resulting in higher leasing costs. Accordingly, PBS's push to avoid costs in the lease portfolio through a focus on larger leases and longer terms is a positive step toward reducing costs and more effectively managing its lease portfolio. However, PBS faces three significant challenges as it continues to implement this strategy.

First, PBS must ensure that this centralized strategy is consistently adopted across its 11 regions. Second, PBS has historically faced challenges in obtaining tenant agency space requirements in a timely manner, which can result in costly delays. Tenant agencies may also face funding limitations that prevent them from covering the costs associated with moving to a new location.

Finally, PBS will face challenges to address the potential adverse effects on lease financial performance resulting from the Lease Cost Avoidance plan. Leadership from both PBS and the Office of the Chief Financial Officer (OCFO) have asserted that implementation of the plan will require management to devote more resources toward larger leases that are more likely to generate long-term savings. However, this will lead to increased overhead expenses for these leases and contribute to FFO losses until the leases are fully occupied. PBS and OCFO management have stated that they are willing to accept these losses in pursuit of potential long-term lease savings goals. Nonetheless, management should retain ample focus on FFO, as it remains an important financial measure that can indicate problems with a lease that may require management attention.

Disposing of Federal Property

The goal of the Federal Assets Sale and Transfer Act (FASTA) is to reduce federal real estate expenditures and the size of the federal real estate portfolio. It created the Public Buildings Reform Board to identify opportunities to reduce the federal real property inventory and make recommendations to sell vacant or underutilized properties. FASTA also required GSA to establish a publicly accessible database of federal property for the entire federal government. In December 2017, GSA met this requirement when the Federal Real Property Profile Management System was made accessible to the public.

As it continues its efforts to reduce the size of the federal real estate portfolio under FASTA, PBS must continue to plan for and navigate through a complex and lengthy process when disposing of its own properties and the properties of other federal agencies. Once an agency reports a property as excess, PBS must first determine if another federal agency can use the property. If not, PBS must make the property available for public benefit use, such as a homeless shelter, educational facility, or fire or police training center. PBS can negotiate a sale with state and local governments, or nonprofit organizations if the property will be used for a public purpose. If the property remains available after those steps have been completed, PBS can then conduct a competitive sale of the property to the public.

The length of time it takes to dispose of federal real property is problematic because various costs continue to be incurred during the process. While a property is vacant, underutilized, and proceeding through the disposal process, the federal government remains responsible for ongoing maintenance, operations, and security costs. Additionally, the property remains in the government inventory and unavailable for local development.

There are several examples of federal real estate sitting vacant for an extended period of time and accumulating maintenance costs while going through the disposal process. As publicly reported, the David Dyer Federal Building, located in Miami, Florida, sat vacant for nearly 8 years, costing taxpayers an estimated $1.2 million per year until the property was transferred to a local college. Similarly, the Cotton Annex, located in Washington, D.C., was vacant for nearly 10 years until it was sold to a developer. The longer it takes federal real estate to go through the disposal process, the more likely it is the property will deteriorate and accumulate repair costs before it can be disposed of. As a result, this will make it even more difficult for the government to dispose of the property.

The current Administration recognizes this challenge and the need for a streamlined property disposal process as well. The June 2018 *Delivering Government Solutions in the 21st Century, Reform Plan and Reorganization Recommendations*, outlines the Administration's proposed property disposal improvements. These include eliminating parts of the multi-step process listed above, as well as allowing federal agencies to retain net proceeds of sales. As the reduction of the federal real estate portfolio remains a priority, the real property disposal process will continue to be a focus. GSA must continue to plan for and navigate through the disposal process when disposing of its own properties and the properties of other federal agencies.

Meeting the O&M Needs of Federal Buildings

PBS continues to focus on minimizing maintenance costs while still maintaining or improving building performance. However, challenges exist to managing the deferred maintenance and repair backlog, the declining condition of its inventory of buildings, and the implementation of new strategic initiatives.

In an effort to save taxpayer money through better management of federal real estate, GSA focuses on achieving maintenance costs within market range. GSA did not meet its FY 2018 goal to keep maintenance costs within market range and is currently working with a contractor to refine market comparisons. GSA should ensure performance goals lead to informed management practices and portfolio management.

GSA agrees that reduced levels of building O&M could lead to increased costs and become especially problematic since the identified repair needs of PBS's building portfolio are already high and growing. In its FY 2018 Agency Financial Report, GSA reported that approximately 26 percent of its inventory's square footage was not in good condition; a nearly 3 percent increase from the previous year. At the end of FY 2018, GSA estimated the total cost of deferred maintenance and repairs to be approximately $1.5 billion, representing work needing to be performed immediately to restore or maintain an acceptable condition of the building inventory. This is a $70 million increase from the previous fiscal year.

One of GSA's strategic initiatives for FY 2019 includes the aggregation of maintenance requirements, while not affecting services. GSA has acknowledged that not all maintenance requirements should be consolidated and its workforce must perform adequate analysis to ensure sound acquisition strategy. GSA is facing resistance from its workforce to this change in acquisition strategy and must manage this resistance to achieve its goals.

GSA must ensure that reductions to its current O&M costs do not affect its ability to provide safe, reliable, and functional building performance for its tenants and the public.

Ensuring Effective Management of Energy Savings Performance Contracts and Utility Energy Service Contracts

Between December 2010 and February 2019, PBS awarded over $1.8 billion in ESPCs and utility energy service contracts (UESCs). However, ESPCs and UESCs are high-risk areas for PBS, with high-dollar contract values and long-term financial commitments. Without effective management, PBS may not realize the savings needed to fund these contracts.

Under an ESPC, the government contracts with an energy service company to install energy-saving upgrades to buildings and pays the energy service company from the energy savings generated by the upgrades. An ESPC can last for up to 25 years. A UESC is a contract between a federal agency and a utility company for energy management services, including energy and water efficiency improvements. The utility company pays most or all of the upfront costs, and the government repays the utility company through utility savings, appropriated funds, or a combination of the two. UESCs can also last up to 25 years.

In recent audits of ESPCs, we identified a number of challenges.[21] We found that PBS:

- Risked paying for unrealized energy savings on 10 of the 14 ESPC task orders we sampled and did not achieve energy savings on another task order;
- Did not comply with requirements for establishing fair and reasonable pricing;
- Awarded one ESPC task order for a building that may be sold, transferred, or otherwise disposed;
- Awarded an ESPC without an approved Measurement and Verification Plan for achieving energy savings;
- Awarded a task order that resulted in a cardinal change that violated federal competition requirements; and
- Did not comply with Agency policy on the inclusion of the Limitation of Government Obligation Clause.

In February 2017, PBS Facilities Management Service Program officials expressed their continued concern that actual ESPC savings may fall short of the expected savings calculated at the beginning of the contract. Also, they said it is a challenge to determine when it is appropriate to include operations and maintenance costs in the contracts. PBS officials stated that in 2018 they had centralized the ESPC program within the Office of Facilities Management and that they hoped this would reduce the number of issues with the contracts.

Likewise, UESCs also present a number of challenges for PBS. The primary risks involved with UESCs include:

- Limited competition among utility companies;
- A high number of sole-source contracts; and
- A lack of mandated savings guarantees.

Due to the lack of competition and use of sole-source contracts, PBS is vulnerable to paying a high cost for these projects. In addition, because UESCs are not mandated to guarantee savings upon project completion, upfront costs to execute UESC projects may not be offset by the estimates of the long-term savings. PBS has spent time and energy for the past 3 years establishing UESCs and has instituted a Memorandum of Understanding for oversight with GSA's Acquisition Management. However, UESCs are a contract vehicle that we have not yet evaluated and so there may not be sufficient controls in place to ensure that risks are addressed and mitigated.

[21] *PBS Energy Savings Performance Contract Awards May Not Meet Savings Goals* (Report Number A150009/P/5/R16003, September 27, 2016); and *PBS National Capital Region's $1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy* (Report Number A150009/P/5/R17006, August 24, 2017).

PBS officials should award and administer these unique contract vehicles to ensure that energy and cost savings are realized; otherwise, these projects will increase PBS's costs instead of providing the savings needed to fund the projects.

Challenge 5 – Managing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch

In June 2018, the Administration released a plan to reorganize the federal government in "Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations." The plan stated that several core functions currently performed by the U.S. Office of Personnel Management (OPM), including retirement services, federal employee health care and insurance programs, and Human Resources Solutions, would transfer to GSA. Subsequently, an inter-agency transition team established a 1-year timeline that would accomplish both the legal and operational aspects of the GSA-OPM merger by October 1, 2019. Initial integration efforts were focused on OPM's Human Resources Solutions services, while the other core functions (retirement services and health care and insurance programs) would transfer at a later date. In October 2018, the inter-agency transition team decided that GSA would also absorb OPM's IT functions by October 1, 2019. In April 2019, the inter-agency transition team also began to consider the possibility that GSA would absorb OPM's oversight role of the Chief Human Capital Officer Council and the Performance Accountability Council.[22]

Since GSA and OPM jointly initiated merger activities, several critical contingencies have not materialized and the original timeline is now unsustainable. To date, the agencies have yet to determine the legal authorities necessary to complete the transition. Additionally, the House Appropriations Committee has refused GSA's 2020 budget request for $50 million to cover transition costs, and the 2020 spending bill contains language that specifically blocks the GSA-OPM merger. The House Oversight Committee, skeptical of the need for the merger, has requested from OPM and GSA more detailed justifications and analyses than have been provided thus far. With these recent developments, the merger is in a holding pattern and its status is evolving.

Notwithstanding these unexpected obstacles and uncertainty, GSA intends to begin offering human resource services, similar to those currently provided by OPM. GSA believes these new offerings would align with the other shared services it provides, including those falling under the OMB-authorized Quality Service Management Office for federal human resource services. GSA is examining the possibility of achieving the merger through alternative means and trying to determine what can be done absent legislation. GSA faces considerable challenges in managing this fluid situation. Its challenges include:

[22] The Chief Human Capital Officer Council advises and coordinates human capital-related matters and initiatives across Executive branch agencies. The Performance Accountability Council ensures alignment of and establishment of standards for suitability, credentialing, and security clearance processes and procedures across federal agencies.

- Determining the legal authorities and/or obtaining congressional approvals needed to complete the merger;
- Determining which OPM services would be feasible GSA offerings and why;
- Assessing the impact of the new offerings on current government human resource services and operations; and
- Assessing the financial viability and impact of the merger. GSA must determine what staffing is required, how its IT infrastructure will be affected, and what change management and stakeholder management efforts would be needed.

These efforts will be further complicated by provisions in spending bills that restrict agencies from spending money on reorganization plans without congressional approval. GSA must also determine the financial means by which it will conduct these activities.

Challenge 6 – Prioritizing Agency Cybersecurity

Federal agencies and the nation's critical infrastructures are dependent on IT systems to carry out their missions and operations. The risks to these systems are increasing as security threats evolve and become more sophisticated. The security of these systems and the data they contain is vital to national security as attacks have the potential to cripple infrastructures, disrupt organizational operations, and jeopardize data and sensitive information.

GSA IT is responsible for delivering secure IT products and services to GSA programs and personnel. These products and services must comply with applicable federal and GSA security standards. In FY 2020, GSA IT will remain challenged with strengthening its IT security controls in high-risk areas as identified in recent audits conducted by GAO, GSA's independent external auditor, and our office. In an environment of constant threats, GSA IT needs to ensure that GSA's IT systems and information are adequately protected to prevent the disruption of Agency operations and the unauthorized disclosure of sensitive information.

Protecting Building Automation Systems in GSA Facilities

PBS owns approximately 1,600 assets and manages approximately 7,000 leased assets totaling over 360 million rentable square feet. Smart building technologies, which are internet-connected building automation systems, have been implemented within GSA-managed facilities to monitor energy use and equipment operations such as heating and ventilation controls.

Because these building automation systems are internet-connected, there are inherent security risks that include unauthorized access, use, and disruption of system operations. GSA reported security incidents involving building automation systems in FY 2018 and FY 2019 that involved access, protection, and privacy control violations by Agency employees and contractors. Compromised building automation systems may be used to create disruptions in Agency mission-critical operations and pose risks to GSA's IT resources, including facilities and employees.

Controlling Access to Sensitive Information in GSA Systems

As security threats continue to increase in number, GSA will continue to face challenges pertaining to the protection of sensitive information within its systems. A cybersecurity attack could disrupt organizational operations, putting GSA data and sensitive information at risk.

This sensitive information includes, but is not limited to the following:

- Procurement-sensitive information, such as information related to bidding and prices paid, that must be kept confidential to protect the integrity of the acquisition process;
- Personally identifiable information, such as resumes and personal contact information, that must be kept confidential to prevent harm to individuals;
- Contractors' financial information, such as bank account information, that must be protected to ensure payments are not fraudulently redirected;
- Sensitive but unclassified information, such as architectural drawings, that must be protected to ensure the safety of government employees and the public; and
- Mobile device data, such as information transferred on GSA networks using government-furnished equipment or mobile bring-your-own-devices that must be protected to ensure no gateways are provided for malicious software to enter networks.

We have previously reported on threats to personally identifiable information maintained by GSA. These threats originate from personally identifiable information exposure within a GSA-owned system, the mishandling of contract award information, and unauthorized access given to internal infrastructure documents.

Additionally, the FY 2018 annual Federal Information Security Modernization Act of 2014 review of GSA's IT security program identified the following vulnerabilities in risk, configuration, and access management controls that could be exploited to gain access to sensitive information:

- System security plans were not documented in accordance with GSA requirements or were missing information, which could lead to the system owner overlooking potential risks with critical controls and compromising the system;
- Lack of the formalized review and acceptance of contractor system information demonstrating compliance with GSA security requirements, which could result in GSA failing to identify and track potential security weaknesses that need to be remediated by the contractor;
- System personnel did not review vulnerability or baseline compliance scans, which could increase the amount of risk the system is exposed to, including configuration

weaknesses or vulnerabilities that could compromise the operational integrity of the system; and
- Account management issues where account re-certifications were not performed and user accounts were not removed in a timely manner after user separation from GSA, which could allow non-authorized users access to the information system.

In FY 2020, GSA will continue to face challenges with maintaining the integrity, availability, and confidentiality of its infrastructure and the sensitive information contained within its IT systems. GSA management has a responsibility to protect the systems it operates or are operated on its behalf and the information contained within. It is imperative that GSA continues to assess and address these challenges to strengthen its security posture and its overall IT security program.

Challenge 7 – Securing the System for Award Management

FAS is responsible for the System for Award Management (SAM), the end product of a Presidential e-government initiative to consolidate 10 procurement-related legacy systems. These systems, collectively known as the Integrated Award Environment (IAE), are used by those who award, administer, and receive federal funds. In FY 2018, $3.98 trillion in federal funds were transferred through the IAE. The volume of money that flows through the IAE, which will eventually consolidate all of its systems into SAM, makes SAM a target for cyber attacks and fraud.

From 2016 to 2018, significant security incidents exposed SAM's vulnerability related to the identity verification of individuals and their authorization to conduct business on behalf of a company. Much of the information regarding these incidents is law-enforcement sensitive; however, a recent prosecution publicized an instance in which a criminal successfully redirected a payment of $1.521 million to a business registered in SAM into an account the criminal controlled.[23]

Additionally, FAS needs to incorporate system changes to comply with regulatory updates. A FAR final rule eliminated the use of Dun and Bradstreet's proprietary Data Universal Numbering System (DUNS) number as the unique entity identifier, and Dun and Bradstreet's GSA contract expired in 2018. Accordingly, in early 2019, GSA awarded a 5-year, $41.75 million contract to Ernst and Young LLP for entity validation services. Ernst and Young's unique entity identifier will replace DUNS numbers, which SAM uses to control entity relationships and user permissions. If significant system changes are necessary to implement this change, additional security risks could surface during the transition.

Finally, public information in SAM is susceptible to misuse by third parties. For example, third parties are using public information generated by SAM to contact system registrants to request

[23] Eastern District of New York Docket No. 17-CR-256 (SJ), (April 18, 2018).

money to complete or renew their registration, even though registration in SAM has always been free of charge. In some instances, third party registration services are offered for a fee, and in other instances, third parties fraudulently claim to represent GSA and request fees from the registrant. This has the potential to erode public trust in SAM and the government's ability to protect the interests of contractors doing business through SAM.

The success of the SAM initiative is critical to enable agencies to share acquisition data and make informed procurement decisions, make it easier for contractors to do business with the government, and generate savings for the taxpayer. FAS must ensure the appropriate technical controls and safeguards are implemented to secure the system and protect the users and data from malicious threats.

Challenge 8 – Managing Human Capital Efficiently to Accomplish GSA's Mission

The federal government faces long-standing challenges in strategically managing its workforce. GAO first added federal strategic human capital management to its list of high-risk government programs and operations in 2001. Although there has been improvement since then, federal strategic human capital management remains one of GAO's 35 high-risk areas in 2019 because mission-critical skills gaps within the federal workforce pose a high risk to the nation. Skills gaps also played a significant role in 16 of GAO's 34 other high-risk areas. GAO stated that agencies need to take action to address mission-critical skills gaps within their own workforces—a root cause of many high-risk areas.[24]

GSA must focus on hiring and retaining staff with the necessary skills to perform critical functions, especially given the number of GSA employees in mission-critical roles who will be retirement-eligible in the near future. GSA identified seven mission-critical occupational categories—Acquisition, Financial Management, IT, Program Management, Property Management, Realty, and Human Resources. As of May 2019, these occupational categories make up 44 percent of GSA's workforce. GSA faces the loss of experience and expertise through retirements as 15 percent of the mission-critical workforce are eligible to retire now and 32 percent will be eligible to retire over the next 5 years. The importance of a skilled workforce is highlighted by GSA's responsibility to provide value to customer agencies, comply with increased regulatory requirements, and mitigate the risk of IT security threats.

In its November 2018 response to our assessment of GSA's management challenge for human capital last year, GSA stated that it conducted a workforce planning initiative to identify and address gaps between the workforce of today and the human capital needs of tomorrow. According to GSA, this initiative further confirmed the need to address risks associated with turnover rates and high retirement eligibility, through succession management and knowledge transfer. GSA stated that key workforce planning focus areas for the Agency include: retention,

---

[24] *High-Risk Series – Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas* (GAO-19-157SP, March 6, 2019).

organizational design/functional alignment, recruitment/staffing, talent development, succession planning, and performance management. Further, GSA stated that it will continue to pursue an annual workforce planning cycle to ensure human capital strategies are updated to reflect the evolving human capital needs of the Agency. Finally, to maintain expertise in mission-critical occupations, GSA also plans to establish an enterprise-wide competency management program to build critical competencies needed throughout the Agency and to support Agency succession planning.

In our 2019 meetings with Agency management, officials noted the following challenges regarding human capital:

- An FAS Office of General Supplies and Services official expressed concern about the aging workforce and the need for a more streamlined and flexible hiring process.

- FAS's Office of Information Technology Category (ITC) Assistant Commissioner for Integrated Technology Services also stated that his concerns included the aging workforce and loss of institutional knowledge. He said ITC needs to ensure that acquisition employees can keep pace with technology to make sure they meet customer agency needs; however, ITC is not always able to backfill with the same expertise or skill set.

- GSA IT officials noted that the human resource area is still a challenge and probably will always be a challenge because IT as a functional area is so unique. They stated that they lose people to the private sector all of the time due to the compensation differences between the private and public sectors. This makes it especially hard to recruit and retain staff within the Washington, D.C., area. To compensate, they are hiring IT Specialists in other locations. In other efforts to address this challenge, they stated that they have been aggressively offering rotations and details for their IT Specialists to help with retention. Regardless, they stated that they still have challenges meeting competing priorities.

- GSA's Chief Financial Officer stated that the OCFO has scaled back its staff. He noted that they probably reduced headcount more than they should have, but this is being emphasized throughout the government. A challenge, however, is that GSA is often directed to take on additional tasks and functions that are not in its current scope of work—for example, the GSA-OPM merger.

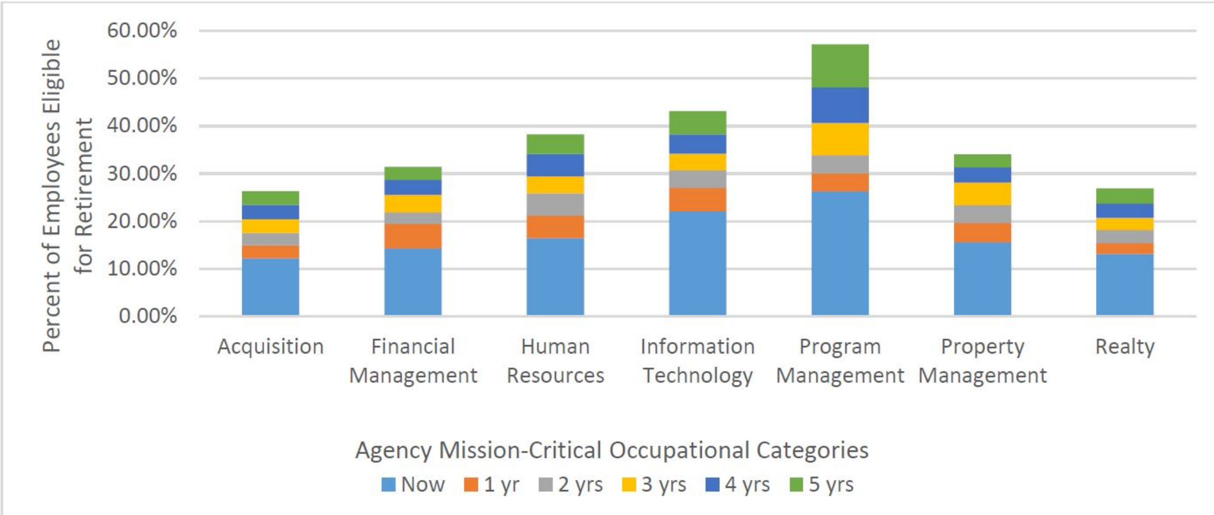
- Our discussions with the PBS Commissioner and officials from PBS Portfolio Management, Acquisition Management, and Project Delivery all revealed concerns that staffing levels are too low and that PBS is having difficulty filling positions and retaining employees.

As shown in *Figure 1*, between 26 and 57 percent of the staff in GSA's mission-critical occupations are eligible for retirement in the next 5 years, as of August 31, 2019.[25]

---

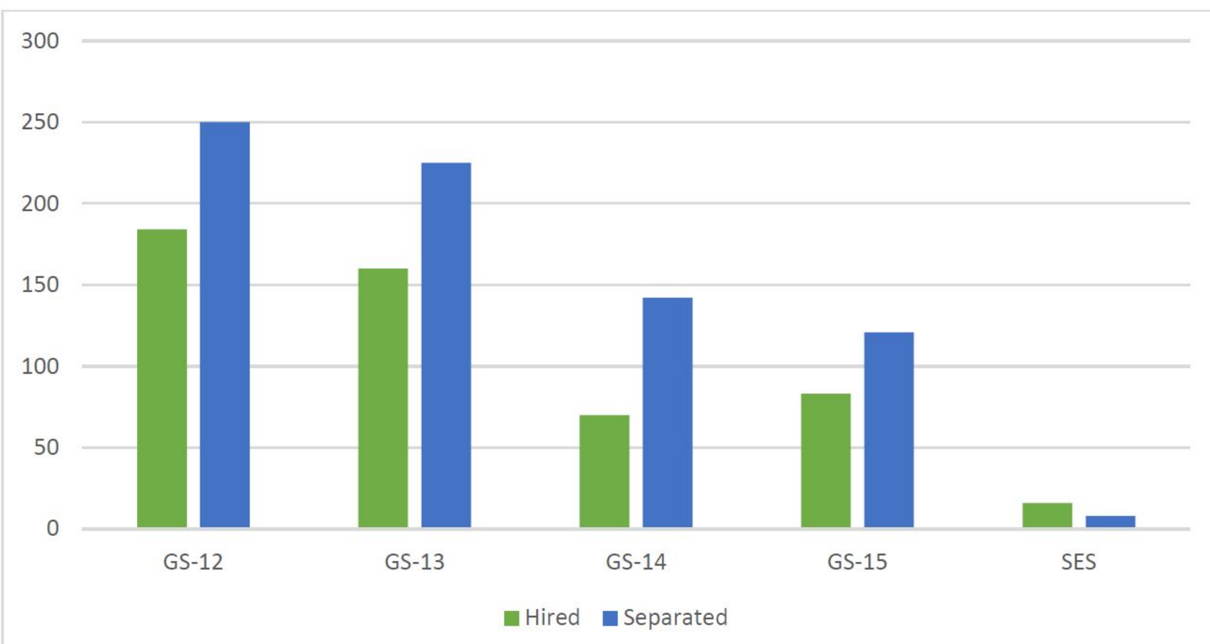
[25] All percentages contained within this management challenge and all charts and figures are based on data compiled by the GSA Office of Human Resources Management, unless otherwise noted.

Figure 1 – GSA 5-Year Retirement Eligibility by Mission-Critical Occupational Category



GSA must prepare to adapt to this potential loss of expertise. However, GSA is already challenged with managing actual loss of veteran expertise, as *Figure 2* shows a comparison of the number of new hires to separations (grade 12 to executive level) during the 12-month period ended May 31, 2019.

Figure 2 – GSA Hires and Separations in Prior 12 Months



With a significant portion of its mission-critical workforce eligible to retire over the next 5 years, GSA must strive to maintain technical expertise as the Agency works to meet regulatory requirements and customer demands.

Challenge 9 – Safeguarding Federal Facilities and Providing a Secure Work Environment

GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at over 8,600 owned and leased federal facilities nationwide. Under Presidential Policy Directive 21 on *Critical Infrastructure Security and Resilience,* government facilities were designated as a critical infrastructure sector and GSA and the Department of Homeland Security (DHS) were named as responsible agencies. In accordance with a recently executed Memorandum of Understanding between GSA and DHS, DHS's Federal Protective Service (FPS) is the primary agency responsible for providing law enforcement, physical security, facility security committee participation, security assistance, and tenant training to GSA tenant agencies, buildings, and facilities. Meanwhile, GSA is responsible for the installation, maintenance, and repair of approved security fixtures (including physical access control systems) and, through its Office of Mission Assurance, coordination with FPS to ensure building occupant security.[26]

We have reported that GSA's security clearance process for contractors needs improvement. Our reports recommended corrective actions to ensure all contractor employees accessing GSA facilities have the proper security clearances prior to obtaining site access. We have also recommended that background investigation information be shared with, and retained by, contract and project management staff.[27] During an audit of PBS procurements, we found limited evidence of coordination among the GSA Chief Security Office and PBS officials to ensure only suitable individuals could access federal buildings.[28] In another audit, we found that contractor employees who had not received security clearances were allowed to work on a construction project at a federal building.[29]

---

[26] Security fixtures are defined as physical security measures that are either part of the building or attached and not easily removable from the building. These are distinguished from security equipment, which are not part of the building and are easily removable; FPS is responsible for the installation and maintenance of security equipment.

[27] *Implementation Review of Corrective Action Plan Contract Administration for Group 10 Recovery Act Limited Scope and Small Construction Projects Report Number A090184/P/R/R12008* (Assignment Number A130130, March 28, 2014); and *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).

[28] *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).

[29] *PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building* (Report Number A150120/P/2/R16002, March 17, 2016).

In addition to reporting on problematic contract administration, we issued two evaluation reports in March 2016 that found GSA-managed facilities are at an increased risk of unauthorized access. Unauthorized access to federal facilities increases the risk of a security event such as an active shooter, terrorist attack, theft of government property, or exposure of sensitive information. We identified significant deficiencies in GSA's process for managing GSA issued Homeland Security Presidential Directive 12 Personal Identity Verification cards given to contractors and for ensuring the completion of contractor employee background investigations.

We also found deficiencies in GSA's tracking and maintenance of contractor employee background investigation data stored within GSA's Credential and Identity Management System.[30] In addition, we found widespread use of unsecured, unregulated facility-specific building badges at GSA-managed facilities. GSA did not have adequate controls over these badges and could not determine the extent of their associated security risks because it did not centrally monitor the management of the badges.[31]

In December 2017, we also reported on deficiencies in GSA's use of facility security assessments to ensure the protection of its buildings and tenants. FPS performs facility security assessments to evaluate a building's security risk and recommend countermeasures to mitigate the risk. GSA, in coordination with building tenants, determines which countermeasures to implement. However, in a recently completed audit on this subject, we found that GSA did not have the facility security assessment reports for most of the buildings sampled. Accordingly, GSA needs to track facility assessment reports and to ensure staff understand their responsibilities regarding the use of the reports and the implementation of countermeasures.[32]

GSA has taken some corrective actions to resolve the above deficiencies. In response to the evaluation reports, GSA agreed to address vulnerabilities associated with building-specific facility access cards and Homeland Security Presidential Directive 12 Personal Identity Verification cards. GSA management also indicated that it resolved its Credential and Identity Management System deficiencies, and that facility access cards have been replaced by physical access controls in all but three regions. In addition to the actions noted above, GSA has also recently placed greater emphasis on the performance and implementation of facility security assessments.

However, our recent reports point to the need for additional management action. For example, in an August 2017 implementation review, we found that PBS has not taken all corrective

---

[30] *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Management of Contractor HSPD-12 PIV Cards* (Report Number JE16-002, March 30, 2016).

[31] *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Use of Facility Specific Building Badges* (Report Number JE16-003, March 30, 2016).

[32] *GSA Should Monitor and Track Facility Security Assessments* (Report Number A160101/O/7/F18002, December 4, 2017).

actions to prevent contractor employees from working on construction projects in federal buildings without the appropriate security clearances.[33] Similarly, in June 2018, we reported that FAS did not ensure that contract employees received favorable background investigation determinations before providing them with access to sensitive government information, systems, and facilities.[34] Taken together, our findings point to the need for GSA management to increase its emphasis on overall security.

---

[33] *Implementation Review of Corrective Action Plan PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building Report Number A150120/P/2/R16002* (Assignment Number A170083, August 23, 2017).

[34] *FAS Did Not Ensure That Contract Employees Had Background Investigations Before Providing Support to Agencies Transitioning to Enterprise Infrastructure Solutions*, (Interim Memorandum Number A170103-4, June 29, 2018).