



U.S. General Services Administration
Office of Inspector General

October 15, 2014

MEMORANDUM FOR: Daniel M. Tangherlini
Administrator (A)

FROM: Robert C. Erickson, Jr. *Robert Erickson*
Acting Inspector General (J)

SUBJECT: Assessment of GSA's Major Management Challenges, for
Fiscal Year 2015

As required by the Reports Consolidation Act of 2000, Public Law 106-531, the Office of Inspector General prepared the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA. The statement also includes a brief assessment of the Agency's progress in addressing these challenges.

Please review our assessment at your earliest convenience and prepare any comments you wish to append. If you have any questions or wish to discuss further, please call me at (202) 501-0450. If your staff needs any additional information, they may also contact Theodore R. Stehney, Assistant Inspector General for Auditing, at (202) 501-0374.

Attachment

1800 F Street, NW, Washington, DC 20405-0002

(Unaudited)

THE OFFICE OF INSPECTOR GENERAL'S ASSESSMENT OF GSA'S MAJOR MANAGEMENT CHALLENGES

NOVEMBER 2014

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General regularly identifies what it considers to be the most significant management challenges facing the U.S. General Services Administration (GSA). This effort highlights the most demanding issues based on management's assessment of likelihood, impact to stakeholders, and anecdotal evidence. Some challenges represent an inherent risk to the Agency's mission or programs and are not necessarily a reflection of deficiency in performance. As such, GSA management may not be able to eliminate some challenges, but should continue to take steps to mitigate these challenges.

ACQUISITION PROGRAMS

GSA has a fundamental purpose to create efficiency for the Federal Government in the acquisition of goods and services. GSA accomplishes this mission by consolidating the buying power of the Federal Government to obtain quality products and services at the best available price.

ISSUE: GSA continues to face challenges within the GSA Schedules Program.

The GSA Schedules Program remains one of GSA's largest procurement programs with approximately 18,500 contracts and \$36 billion in sales in fiscal year (FY) 2013.¹ The Federal Acquisition Service (FAS) manages the program, which aims to provide federal agencies and other authorized users with the best value through a simplified procurement process for purchasing over 11 million commercial products and services. Several challenges face the GSA Schedules Program. These include: pricing; contractor compliance; contract workload management; hiring, development, and retention of the contracting officer workforce; FAS's Schedules Program Modernization; and the proposed changes to General Services Administration Acquisition Regulation (GSAR). In addition, some customer agencies have expressed a concern that the pricing under the Schedules Program is not fair and reasonable.

Pricing

GSA's Schedules Program is a commercial item program that operates under the premise that contractors routinely sell commercial products and services in competitive

¹ Also referred to as Multiple Award Schedules and Federal Supply Schedules.

markets and market forces establish fair and reasonable prices. Under this premise, the contracting officer's price analysis involves evaluating a contractor's offered prices or discounts and comparing them to prices or discounts the contractor offers to its commercial customers. However, there are a steadily growing number of agencies that no longer believe prices under the GSA Schedules Program are fair and reasonable. In fact, the Department of Defense and the National Aeronautics and Space Administration have issued deviations to the Federal Acquisition Regulation requiring their contracting officers to make an independent determination of price reasonableness on orders against the GSA schedules.

GSA is currently transforming its Schedules Program's pricing strategy to transition from a vertical pricing model (comparing prices to contractors' commercial sales practices) to a vertical and horizontal pricing model. The horizontal pricing model will include a comparison of offered prices to actual government sales on a transactional basis. To facilitate this comparison, GSA plans to standardize part numbers and skill set descriptions based on government sales data.

Instead of relying solely on commercial sales practice disclosures, GSA plans to issue mass modifications requiring contractors to provide and report their schedule sales transactions. To assist federal agencies in the procurement process, GSA will allow schedule contract users access to the contractors' transactional data. The transactional data will allow agencies to review the prices paid for products and services, considering the quantity/volume of each transaction. GSA argues that providing federal agencies access to transactional data, including the prices paid by other federal agencies, should ultimately drive down the cost of purchasing governmentwide. GSA envisions this transactional data will help agencies make informed buying decisions and negotiate better prices. However, we are concerned that basing acquisition decisions on prices paid amongst federal agencies alone is not enough. Other variables, such as terms and conditions, volume commitments, spending patterns, and performance requirements impact pricing and should also be considered.

In the Schedules Program, GSA has two key controls to obtain and maintain best prices throughout the life of contracts. The first is the provision that, prior to award, GSA seeks to obtain the best price that a contractor provides to its most favored customer. The second is the use of the Price Reductions clause, which allows the Government to receive a lower contract price after award if the contractor lowers its price(s) to the basis of award customer(s) or customer category. GSA's negotiation objective, which calls for comparing prices and discounts a contractor offers the Government with the prices and discounts that a contractor offers its most favored commercial customers, is done to obtain fair and reasonable pricing for schedule contracts. As GSA transforms its

Schedules Program, it should ensure these two regulatory controls remain in place. This will allow the Government to: (1) negotiate the best price the contractor provides to its most favored customer, and (2) maintain the contractors' best prices throughout the contract period.

Contractor Compliance

We are concerned that schedule contractors are not complying with all of the schedule terms and conditions. Contractors are responsible for: (1) reporting price reductions, (2) billing in accordance with contract terms and conditions, (3) identifying and reporting schedule contract sales for Industrial Funding Fee payment purposes, and (4) providing labor that meets stipulated minimum education and experience qualifications. During FY 2013, 30 percent of our preaward audits identified overbillings, 38 percent of the contractors did not have adequate systems to accumulate and report schedule sales, and 55 percent of the contractors provided unqualified labor. In addition, we found that 69 percent of commercial sales practices documents provided to negotiate contract pricing contained data that was not current, accurate, or complete.

Also in FY 2013, two other schedule contractors agreed to pay the Federal Government nearly \$131 million combined to settle alleged overbillings. Two more schedule contractors collectively failed to pass on over \$100 million in price reductions to the Government because they did not believe GSA orders over the maximum order were entitled to price reduction discounts.

Contract Workload Management

It is a challenge for FAS to manage the contracting officers' workload associated with awarding and administering approximately 18,500 schedule contracts while ensuring that the workload does not affect the timeliness and quality of contract actions. The Schedules Program workload includes processing contract actions such as new offers, modifications, and options to extend existing contracts, as well as performing general contract oversight. We previously reported that a significant number of contracts with limited or no sales remain in the Schedules Program, creating an unnecessary contract administration workload. In FY 2013, about 36 percent of the contracts had no sales. Although FAS has since identified and eliminated a small percentage of contracts with no sales, it remains a challenge for FAS to ensure that contracting officers' daily workload is more manageable as new contracts continue to be awarded.

Hiring, Development, and Retention of the Contracting Officer Workforce

Contracting officers are responsible for negotiating and managing schedule contracts that generate over \$36 billion in annual sales. These acquisitions have steadily shifted from products and services to full acquisition solutions. This shift is occurring as

requirements are also becoming more technically and financially complex. As the types of acquisitions continue to evolve, FAS is challenged to develop a well-trained acquisition workforce with the skill sets necessary to provide innovative solutions for customer agencies at the best value. Also, as contracting officers participate in GSA's Telework Program, it is essential that FAS continues to ensure that: contracting officers are productive, their development and training needs are met, and any personally identifiable information and sensitive data is secured.

The contracting occupation is a "mission critical component of GSA," as stated in GSA's *1102 Workforce Analysis Study*. In its 2013 *High-Risk Series An Update*, the Government Accountability Office (GAO) identified contract specialists as a mission-critical occupation and negotiating as a mission-critical competency.

Accordingly, in the future, it is essential that GSA ensures that it has the talent, skill, and experience needed. In the next 2 years, 20 percent of the contracting officers will be eligible to retire. Taking steps to ensure the Agency has sufficient qualified and well-trained contracting officers is critical for GSA to fulfill its mission to provide innovative solutions that will support the requirements of customer agencies. FAS should focus on developing the best methods to hire, train, and retain qualified contracting officers to support the future success of the Schedules Program.

Schedules Program Modernization

FAS has undertaken an initiative to modernize the Schedules Program. This initiative includes several significant changes to the current program, such as: standardizing part numbers and labor categories, obtaining and providing customers access to transactional data, changing Federal Acquisition Regulation and GSAR rules to enable other direct costs to be included on schedule contracts, creating an unpriced information technology (IT) and professional services schedule, and requiring schedule contractors to provide prices paid data. These changes will impact the fundamental structure of the current program and will require a significant degree of coordination with schedule stakeholders, including the contractor community.

GSA's greatest challenges appear to be standardizing schedule part numbers and labor categories, and collecting transactional data from contractors and providing it to schedule customers. These initiatives are intended to help government buyers make meaningful price comparisons and drive down prices. However, standardizing part numbers and labor categories over the vast number of products and services available on schedule contracts will be a particularly difficult task.

Collecting and providing transactional data introduces its own set of tests and concerns. In particular, collecting accurate and reliable transactional data from the different systems used by the over 18,000 current schedule contractors is unprecedented. In addition, developing a system to collect and safeguard this massive amount of proprietary data and to provide the data in a useable and effective manner to customer agencies presents another major undertaking. Preparing agencies to effectively use this data will be another challenge, one for which we have concerns. For instance, agencies may place an overreliance on the transactional prices paid information when making acquisition decisions and not consider other factors not identified in the prices paid data. GSA customers will need to be informed that the price paid is just the final component of a sale and that specific terms and conditions, volume commitments, spending patterns, and performance requirements can influence the final price.

Proposed Changes to General Services Administration Acquisition Regulation

Although started in January 2009, GSA's efforts to amend GSAR Part 538, Federal Supply Schedule Contracting, are currently on hold. GSA migrated from a *single all-inclusive* case, to a *multiple cases* format in early 2013, to its current plan to transform the Schedules Program pricing strategy from a vertical pricing model to both a vertical and horizontal pricing model. The single case and multiple cases formats were aimed at updating Federal Supply Schedule policy to reflect and address evolving programmatic needs and ensure greater consistency across the entire Schedules Program.

The current rewrite effort emphasizes the new pricing model, a clear departure from addressing the entire Schedules Program, and is largely predicated on obtaining and providing schedule contract customers access to transactional data. Key components of the Schedules Program Modernization include:

- Standardizing part numbers and labor categories;
- Accessing transactional data from contractors and other federal agencies; and
- Implementing GSA's prices paid portal.

While we agree that these concepts could benefit the Schedules Program, we are concerned with the impact of the prolonged delays to the full GSAR rewrite. We contend that the Schedules Program Modernization is not a comprehensive or currently feasible solution for replacing the previous GSAR Part 538 rewrite effort, which attempted to address policy issues needed to strengthen controls over the entire Schedules Program.

AGENCY ACTIONS:

Since its inception, the Schedules Program makes it easier, faster, and less costly for federal agencies to purchase products such as office supplies and janitorial equipment. As the number of contracts within the Schedules Program levels out to some degree (and decreases in some schedules), price disparity amongst the contracts for the same commercial items is becoming more prevalent. In FY 2014, FAS outlined its Schedules Program Modernization, a pricing strategy which FAS believes will update its business model with better practices and increased flexibility. The goal of the modernization is to improve prices and reduce variability, determine what the Government is buying, and promote agility and flexibility to meet the buyer needs. Ultimately, the Schedules Program Modernization is designed to revamp the way GSA, customer agencies, and contractors use schedule contracts.

In February 2010, the Multiple Award Schedule Advisory Panel issued a report with findings and recommendations related to the Schedules Program. While the Advisory Panel identified some of the key problems with the Schedules Program, we disagreed with the conclusions regarding the underlying causes of these problems. In essence, the Multiple Award Schedule Advisory Panel concluded the contract clauses are the cause of disparities in applying policy and requirements, and recommended eliminating the Price Reductions clause. However, we view this clause as a control and safeguard that protects the Federal Government and the taxpayer. In fact, we found that the disparities result from a lack of understanding of the clauses by GSA contracting officers. This is further exacerbated by the high turnover of GSA acquisition staff, large workload, and a lack of consistent, adequate training for contracting officers.

GSA recognizes the entire GSAR Part 538 rewrite effort has been a lengthy one. GSA does not have a revised timeframe for completing the full GSAR Part 538 rewrite, which started in January 2009, beyond the administrative cases currently and partially in progress.

ISSUE: FAS needs to ensure its new multiple award contract vehicle adds value and be cognizant of the potential drain on its already overextended acquisition resources.

One Acquisition Solution for Integrated Services

After a 2-year acquisition development process, GSA awarded its 10-year, multi-billion dollar One Acquisition Solution for Integrated Services (OASIS) and OASIS Small Business contracts across seven functional areas. The contracts are multiple award, indefinite delivery, indefinite quantity contracts that provide flexible and innovative

solutions for complex professional services. These governmentwide acquisition contracts offer professional services, such as financial management and engineering, scientific, and logistics services. GSA designed the OASIS contracts to reduce duplicative contracting efforts across the Government and help drive down costs and acquisition times for federal agencies looking to purchase complex professional services.

AGENCY ACTIONS:

FAS awarded the OASIS contract on May 19, 2014. Since the award, several formal protests against OASIS have been submitted. GAO decisions on these protests were due in September 2014.

ISSUE: *GSA continues to face challenges with the timely transition from FTS2001 crossover contracts to the Networx contracts and the upcoming transition to Network Services 2020.*

Networx Transition to Network Services 2020

FAS managed the conversion from the FTS2001/Crossover contracts to the Networx Universal and Enterprise contracts (Networx), one of the largest telecommunications services transitions ever undertaken by the Federal Government. The transition was to be completed in 39 months, but instead delays caused a 72-month timeframe. In December 2013, GAO issued a report on the factors that contributed to the delays to Networx and to what extent GSA is documenting and applying lessons learned as it prepares for the next telecommunications contract transition. GAO recommended that, in preparing for the next transition and in coordination with the Office of Personnel Management, GSA should: examine potential governmentwide expertise shortfalls; provide agencies guidance on project planning; and fully archive, share, and prioritize lessons learned.

FAS is currently transitioning from Networx to the Network Services 2020 (NS2020) telecommunications portfolio. As the evolving strategy for the next generation of telecommunications and IT infrastructure services, NS2020 provides a roadmap for the future of GSA's network services programs. The NS2020 portfolio will facilitate procurement and serve as a streamlined "one-stop-shop" for all federal telecommunications and IT infrastructure offerings. The NS2020 portfolio will focus on the communications marketplace, which is divided into six program areas: Mobility/Wireless, Satellite, Advisory Services, Infrastructure Solutions, Emerging Technologies and Services, and Government Shared Services.

The transition to NS2020 is a four phase process. In the planning phase, FAS will establish a transition working group, recommend a standard process, and provide customer education. The next phase, NS2020 direct transition preparation, is scheduled to begin in 2016 and includes implementing a customer education program and developing customer agencies' requirements. During this time, the request for proposal, evaluation, and vendor negotiations will occur. FAS targeted 2017 for NS2020 contract award with a 3-year transition phase from Networx to run through 2020. Concurrently with all other phases, agencies will complete the active inventory management phase to continuously manage and validate their service inventories.

AGENCY ACTIONS:

FAS currently conducts regular meetings with its NS2020 working group in addition to meetings with the Office of Management and Budget (OMB) and the U.S. Congress to discuss transition initiatives. In April 2014, FAS released a Request for Information for the NS2020 Enterprise Infrastructure Solutions. The Enterprise Infrastructure Solutions acquisition will include the requirements for the Networx successor contracts, plus additional capabilities to meet the comprehensive range of federal agency IT/telecommunications requirements through 2028. Additionally, FAS has issued two white papers. The first outlines the overall NS2020 strategy while the second outlines the NS2020 transition strategy.

GSA's REAL PROPERTY OPERATIONS

GSA's Public Buildings Service (PBS) is the landlord for the federal civilian government, providing federal agencies with the real property, including offices, courthouses, and labs, needed to accomplish their missions. To meet these needs, PBS must manage its real property portfolio of leased and owned properties; operate and maintain these properties; acquire space through construction, purchase, and leasing as customers' needs arise; and dispose of properties that are no longer needed. PBS faces several challenges in fulfilling its mission to meet its customers' needs effectively, efficiently, and economically.

ISSUE: *PBS needs to improve the management and use of federal real property.*

PBS is one of the largest real property organizations in the world. PBS's mission is to provide effective, mobile, and sustainable workplace solutions for federal agencies at the best value for the American taxpayer. Its building inventory consists of over 9,000 assets, mostly general purpose office space in federal and leased buildings, totaling over 378 million square feet. In FY 2013, PBS's inventory represented 2 percent of all federal assets, as well as 13 percent of the square footage and 27 percent of the total

annual costs. With an average age of 49 years, the federal buildings in PBS's portfolio require approximately \$4.8 billion in reinvestment for repairs and alterations.

In the past, PBS met its customers' needs by obtaining more space. However, with the Federal Government's focus on reducing federal real property, PBS needs to improve its management and use of federal real property.

From FY 2002 to FY 2012, PBS's real property inventory grew from 336 million rentable square feet to 375.7 million rentable square feet, primarily through leasing. However, the Federal Government's focus has been shifting. For example, the Presidential Memorandum on *Disposing of Unneeded Federal Real Estate* called on federal agencies to take immediate steps to make better use of remaining real property assets, as measured by use and occupancy rates, annual operating cost, energy efficiency, and sustainability. In addition, the U.S. Congress has held multiple hearings regarding the need to identify and dispose of vacant and underused space.

Further, on March 14, 2013, OMB issued guidance on the "Freeze the Footprint" policy. Under the policy, an agency shall not increase the size of its domestic real property inventory, measured in square footage, for space predominately used for offices and warehouses. PBS will be monitoring federal agencies' compliance and providing OMB with an annual report on the initiative.

Given this change, PBS needs to rely less on obtaining new space. Instead it needs to focus on better managing its current inventory of real property to meet customer needs. It must examine its real property portfolio to determine what properties are needed and which are not. It must also assess whether customer needs can be consolidated into underutilized space. This is especially important for portfolios where vacant owned space could replace expiring leases. PBS needs to be proactive in planning renovations to coincide with lease expirations in order to provide space that meets long term customer needs.

AGENCY ACTIONS:

PBS is working with customer agencies as part of the "Freeze the Footprint" initiative to reduce space requirements. It is also working with customer agencies to develop profile plans to optimize its existing portfolio, while more effectively anticipating, capturing, and advising on future requirements. In addition, PBS identified 19 consolidation projects across the country where it will work with other federal agencies to consolidate their offices into federally owned space. These consolidation projects should reduce costs by eliminating multiple leases and decreasing the square footage being used.

Furthermore, PBS is also seeking “Net Zero” budget authority, allowing complete expenditure of its revenue to fund real property programs. If this budget authority is granted, PBS should consider using additional funding to consolidate space.

ISSUE: *PBS will continue to be impacted by the American Recovery and Reinvestment Act of 2009.*

The American Recovery and Reinvestment Act of 2009 (Recovery Act) allocated \$5.55 billion to PBS to renovate, repair, and improve the energy efficiency of federal buildings and to construct federal buildings, courthouses, and land ports of entry. The Act mandated that \$5 billion be obligated by September 30, 2010, and the remaining \$550 million by September 30, 2011.

The workload created by the Recovery Act has continually challenged PBS since its passage in 2009. PBS was required to obligate the majority of the funds, roughly 4 times its typical construction budget for a single year, within a 20-month period. As a result, PBS project management and contracting personnel moved these projects forward hastily in shortened timeframes. This led to a number of contract award and administration issues as identified by Office of Inspector General reports.

As of August 1, 2014, 216 of the 270 Recovery Act projects have been completed or substantially completed, with 54 projects still in progress.² Despite the completion or near completion of most Recovery Act projects, challenges remain. Specifically: (1) meeting the funds expiration deadline; (2) preparing for an anticipated influx of related construction claims, requests for equitable adjustment, and closeouts; (3) performing effective building commissioning; and (4) evaluating projects for reduced energy consumption and cost savings.

Timely Expenditure of Recovery Act Funds

GSA's Federal Buildings Fund (FBF),³ the primary fund of PBS, is a revolving fund that allows PBS to retain funds until they are expended. However, the Recovery Act funding is a multi-year appropriation and therefore is required to be expended within 5 years of the obligation. In accordance with the Recovery Act, any funds obligated prior to September 30, 2010, must be expended by September 30, 2015. Likewise, the

² Of the in progress projects, 24 received non-Recovery Act funds and are not expected to close-out by the deadline for Recovery Act funding.

³ The FBF finances the activities of PBS. The FBF replaces the need for direct appropriations to PBS by using income derived from rent assessments that approximate commercial rates for comparable space and services. As a quasi-revolving fund, the FBF is subject to annual Congressional enactment of new obligational authority, which limits the use of revenue.

remaining funds that were obligated prior to the September 30, 2011, must be expended by September 30, 2016.⁴

As of August 1, 2014, PBS has approximately \$212 million⁵ of obligated Recovery Act funds that need to be expended within these timeframes. To ensure project funds will be expended by these deadlines, PBS needs to ensure that project teams are aware of when their funding will no longer be available and that the teams are tracking the funding against the deadlines.

Potential Increase in Construction Claims and Requests for Equitable Adjustment

Given the Recovery Act workload, PBS is likely to experience an increase in construction claims and requests for equitable adjustment. Contractors submit claims for increased costs on construction projects, asserting that such costs increased because the Federal Government increased scope, federal actions resulted in delays, or design deficiencies existed. According to PBS management, the GSA Office of General Counsel, and regional contracting officials, claims on Recovery Act projects have already been submitted and more are expected through FY 2015.⁶ PBS contracting officers, project managers, and legal staff need to prepare for the inflow of claims as more Recovery Act projects are completed. In addition, closeout procedures will need to be performed for the remaining active projects.

Building Commissioning

PBS uses a process known as building commissioning (commissioning) to ensure that building systems perform interactively, in accordance with design documentation and operational needs. It is important that commissioning occurs within the first year of a building's operation, renovation, or system upgrade, particularly before the warranty period expires. The commissioning process validates and documents that the performance of the total building and its systems fulfills the functional and performance requirements of PBS, the occupants, and its operators. On average, operating costs of a commissioned building range from 8 to 20 percent below that of a non-commissioned building. Cost data for office buildings suggests that building commissioning can result in energy savings of 20 to 50 percent and maintenance savings of 15 to 35 percent.⁷

PBS engages independent agents who perform the commissioning of Recovery Act projects, relying on their expertise with respect to measurement, verification, and

⁴ Certain funds that were de-obligated and then re-obligated have an extended timeframe for expenditure.

⁵ *Recovery Act Project Closeout Report*, dated August 1, 2014; provided by the PBS Office of Design and Construction.

⁶ Federal Acquisition Regulation 33.206, Contract Disputes Clause: 6-year statute of limitations allows claims submission through the end of the decade.

⁷ Per PBS's *The Building Commissioning Guide*.

adjustments. To obtain the benefits of Recovery Act projects, PBS needs to (1) utilize the commissioning process and (2) ensure the process is used to lower building operating costs, increase energy and maintenance savings, and avoid potential customer dissatisfaction.

Reporting on Reduced Energy Consumption and Cost Savings

The majority of PBS's Recovery Act funds were provided so that it could implement measures to convert federal buildings to high-performance green buildings. To achieve this, PBS's Recovery Act projects needed to comply with energy efficiency and green building requirements, including the Energy Independence and Security Act of 2007, the *Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings*,⁸ and the Energy Policy Act of 2005. In addition to meeting these requirements, PBS needed to report asset-level energy cost savings and consumption reduction resulting from meeting these federal infrastructure investment requirements.

As projects are now being completed, PBS will need to ensure it can measure and report on its energy savings and consumption reduction resulting from Recovery Act projects. When the Recovery Act was enacted, PBS had not implemented the processes and systems for measurement and reporting. To demonstrate leadership in sustainability, increase energy efficiency, and reduce the environmental impact, PBS will need to accurately evaluate and quantify reduced energy consumption and cost savings from high-performance green buildings.

AGENCY ACTIONS:

GSA management has been in communication with the GSA Office of Inspector General in anticipation of audits needed to assist PBS staff in evaluating contractor claims and proposals, as well as conversion and closeout proposals. PBS has also been providing training to personnel involved in the commissioning process. Finally, PBS developed a tracking system to collect information directly supporting the impact of investing in green technologies.

ISSUE: PBS's construction program will face challenges as it works to complete remaining Recovery Act projects and takes on a significant increase in new workload.

As discussed above, PBS is still working to complete its Recovery Act construction and modernization projects. While completing the construction of all the projects is the

⁸ Established by the *Federal Leadership in High Performance and Sustainable Buildings Memorandum of Understanding*, and required by Executive Order 13423.

primary goal, the Agency will need to contend with contract and administrative issues as well. PBS's project managers and contracting staff face a significant burden due to the large number of requests for equitable adjustment and/or claims that are likely to be filed. Additionally, contracts that were awarded using the Construction Manager as Constructor (CMc) project delivery method will require conversions to fixed price contracts or closeout examinations for costs incurred.

In addition to working on the remaining Recovery Act projects, PBS is also faced with significant increases in its construction and renovation program. GSA's enacted FY 2014 budget provides PBS with over \$1.8 billion in new obligational authority for the Construction and Acquisition and the Repairs and Alterations programs. This represents an increase of nearly \$1.4 billion from FY 2013 and \$445 million more than the FYs 2011-2013 authorities combined. Further, PBS has requested over \$2 billion for FY 2015, which would represent an additional increase of \$200 million. Just as PBS was challenged with the increased workload created by the Recovery Act, PBS will be similarly challenged if these increases occur.

The increase in construction may challenge PBS's ability to procure, administer, and oversee the contractors needed for these projects. During the execution of the Recovery Act projects, PBS relied heavily on private sector construction managers to assist the PBS project management and technical staff in managing the increased workload. These outside consultants, awarded as Construction Manager as Agent (CMa) contracts, provide expertise during all facets of the planning, acquisition, design, and construction processes, essentially replacing or duplicating functions of PBS's project managers and in-house technical staff. However, the CMa is not responsible for delivering a project on time or on budget, and is not responsible for design deficiencies.

Further, PBS has been using more complicated project delivery methods on its projects; in particular, the CMc and the Design-Build project delivery methods. With the CMc delivery method, the contracts are awarded for preconstruction services, with an option for construction services at an established Guaranteed Maximum Price. The CMc contractor assists in the design process by providing estimating services and constructability reviews and is responsible for delivering the project on time and within the established Guaranteed Maximum Price. With the Design-Build delivery method, a single contract is awarded to a contractor for the project's design and construction. This is based on PBS's design program consisting of performance criteria and prescriptive requirements. The Design-Build contractor also has full responsibility for the project's schedule and budget.

Although both methodologies have benefits, they can also be problematic. For example, on many Recovery Act projects using the CMc methodology, PBS frequently violated the Competition in Contracting Act because it did not compete the Guaranteed Maximum Price; instead, PBS either established the Guaranteed Maximum Price or did not evaluate it during the contract procurement. As a result, PBS could not support a fair and reasonable price for those construction contracts. On Design-Build contracts, if the performance and prescriptive requirements are not explicitly defined at the onset of the project, PBS is likely to incur costly contract modifications and change orders. Further, without proper controls, contractors may seek reimbursement for changes on the project that are actually their responsibility as the designer.

PBS will need to prepare its contracting officers, project managers, and technical staff for increased workloads and ensure that contract award and administration issues identified in our prior reports are not repeated. PBS should also evaluate staffing levels for contracting officers, project managers, and technical staff to ensure that appropriate resources exist to manage the increased workload.

AGENCY ACTIONS:

In response to our prior audit reports that identified issues related to the procurement of CMc contracts, GSA issued *Policies and Procedures for using the CMc Project Delivery Method* in February of 2011. This document prescribes the steps for successfully completing projects using this delivery method. In addition, in June 2012, GSA updated guidance for using construction management services procured under the Professional Engineering Services schedule to define the scope and application of CMa services.

ISSUE: Challenges persist to safeguard federal infrastructure and provide a secure work environment for federal employees and contractors.

GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at over 9,000 owned and leased federal facilities nationwide. Presidential Policy Directive 21 on *Critical Infrastructure Security and Resilience* reaffirmed this role. Particularly, it designates GSA and the Department of Homeland Security (DHS) as the federal agencies responsible for the security of federal facilities. Due to the broad audit coverage provided by GAO, we are not undertaking any protection-related audits in FY 2015.

Increased risks of workplace violence, unauthorized access, and terrorism have greatly expanded the range of vulnerabilities beyond those traditionally encountered by building operations personnel. Therefore, maintaining open, accessible, and safe public buildings remains a primary consideration for GSA.

GSA's mission of housing federal agencies requires close interaction with security personnel. Under a memorandum of agreement, DHS's Federal Protective Service (FPS) is the primary agency responsible for providing law enforcement, physical security, and emergency response services to GSA tenant agencies, buildings, and facilities. Although the majority of federal facility protection is performed by FPS, GSA's role in developing the memorandum of agreement, providing building data, and identifying building jurisdiction is of particular importance.

Past GAO reports identified shortcomings in FPS operations and human capital, leading to concerns about the protection of federal buildings, their tenants, and information. FPS's persistent lack of a risk management framework to combine threats and vulnerabilities with resource requirements is a recurring challenge for the Agency. A March 2012 GAO report raised concerns regarding the quality of data shared between GSA and FPS. Specifically, data related to building jurisdiction was incomplete for one-third of the buildings that FPS serviced. Jurisdiction data is critical to determining whether state and local law enforcement can respond to federal facilities.

Further, in August 2012, GAO reported that FPS had not been assessing risks at federal facilities in a manner consistent with standards for a risk management framework. FPS had a backlog of federal facilities that had not been assessed for several years. In addition, FPS did not have a reliable tool for conducting assessments and lacked reliable data, which hampered its ability to manage its facility assessment program. Consequently, FPS had limited assurance that critical risks at federal facilities were being prioritized and mitigated.

Lastly, in January 2013, GAO reported that agencies are inconsistently implementing Interagency Security Committee standards. GAO found that the standards, developed based on leading security practices across the Government, are used in limited ways by agencies depending on their specific conditions. However, the Interagency Security Committee contends the standards are designed to be used by all agencies, regardless of their facility type and existing security program. GAO recommended that DHS direct the Interagency Security Committee to conduct outreach to improve standard implementation.

AGENCY ACTIONS:

GSA's Office of Mission Assurance (OMA) provides agency-wide leadership and coordination for emergency management and security policy. It initiated a broad spectrum of interactions with FPS, including the development of a Common Operating Picture between the two organizations. These arrangements are expected to help

mitigate communication gaps and enhance the risk resilience framework between GSA and FPS. Through this enhanced role, OMA has already disclosed concerns with accountability and unobligated funds regarding security goods and services provided by FPS.

OMA issued a directive to establish policy, procedure, and strategic planning for governmentwide implementation of Physical Access Control Systems (PACS). The directive requires the immediate review and reporting of existing PACS, planned PACS procurements, and PACS installation efforts to ensure compliance with current requirements. OMA, in conjunction with the Office of Government-wide Policy and the Office of the Chief Information Officer (OCIO), is preparing a scope of work for a nationwide indefinite delivery/indefinite quantity contract to support government agencies with installation of compliant PACS. To ensure national consistency and interoperability, OMA will coordinate with DHS/FPS at the national and regional levels and Facility Security Committees at the building level.

GSA'S ORGANIZATIONAL STRUCTURE

ISSUE: *As GSA continues to restructure its organization, it should reassess its controls and systems and evaluate the results achieved.*

GSA has continued to move from a decentralized organization to a centralized structure. In the past, GSA was a decentralized organization that was structured and operated like a holding company. GSA's Central Office acted as the parent company with central management and support organizations, while GSA's services, PBS and FAS, were similar to independent subsidiaries that operated separately from one another; each with its own management, support organizations, and regional operations. In addition, each service had control of its own revolving fund that used revenue from customer agencies to fund the costs of the service's operations. This structure created an environment in which each service was often motivated by its own self-interests, especially with regard to funding.

GSA's current management conducted an Agency-wide, top-to-bottom review that examined how the Agency operates and identified reforms intended to help it better accomplish its mission. In response to the review, GSA consolidated the support services and administrative functions to strengthen and streamline GSA. GSA concluded that these changes would increase transparency and accountability throughout the Agency.

GSA's plan, referred to as "CxO Consolidations," reflects the centralization of the services' disparate resources into the offices of the Chief Financial Officer, Human Resources Management, Chief Information Officer, and Administrative Services. All employees, contracts, and other resources related to these overhead activities in PBS, FAS, regional offices, and other offices transferred to the appropriate central office organization and are now funded through the Working Capital Fund.

GSA has made significant progress moving to a more centralized structure. For example, regional human resource functions now report directly to central office human resource management. In addition, financial functions that were previously within PBS and FAS have been moved to the Office of the Chief Financial Officer (OCFO). While GSA has made progress in the integration of staff, work processes, funding, reporting structures, and systems, it is still addressing issues related to the adjustments to these changes. For example, the OCIO is operating with the complexity of managing a consolidated IT effort funded by disparate budgets as its operations are funded by the Working Capital Fund, but project costs are still funded by the services.

Although the primary consolidations have largely taken place, GSA is continuing to restructure itself and work through obstacles. For example, the OCFO is planning an additional reorganization to optimize its structure. This includes reevaluating some of the financial services it provides to other agencies; currently, GSA is planning to discontinue its payroll and accounting services that it provides to other agencies. Likewise, the Office of Administrative Services is planning on assuming more administrative responsibilities that are currently being handled by GSA's regional offices.

In addition, GSA has once again realigned its regional reporting structure. Until recently, the Regional Commissioners reported to their respective Regional Administrators. However, now the Regional Commissioners report directly to each service's Deputy Commissioner. As a result, the FAS and PBS Regional Commissioners are aligned with their respective service rather than being under the Regional Administrator.

As GSA continues to restructure, it will need to reassess many aspects of its controls and systems. The organizational changes require the integration of staff, work processes, funding, reporting structures, and systems; all of which will need to be reassessed and adjusted to make the new structure work.

AGENCY ACTIONS:

According to GSA, it has continued to transform and streamline the delivery of these support functions. To ensure controls and systems are aligned to this effort, it has been working to implement an improved IT governance process to ensure current and new systems accommodate the integration of staff, work processes, funding, and reporting structures as necessary.

MANAGING A MOBILE WORKFORCE

ISSUE: *GSA's reduction in workspace will create challenges in managing a mobile workforce.*

As the Federal Government's landlord, GSA is playing a leadership role in OMB's "Freeze the Footprint" initiative and is working to serve as a model for the rest of the Federal Government by reducing its footprint and implementing a mobile workforce strategy. GSA has adopted an aggressive strategy by establishing an internal goal of 136 usable square feet (USF) per person, which is even lower than OMB's stated goal of 150 USF per person.

In FY 2013, GSA consolidated the majority of its central office functions and personnel in the Washington, D.C., area under one roof. As a result, GSA increased the staff in its central office building from about 2,200 employees to nearly 4,000. To accommodate the increase, GSA used the building's renovation to implement a mobile workforce strategy. GSA transformed its central office building from traditional closed offices into open and flexible shared workspace, a model for its Total Workplace initiative. Employees now occupy less than half of the space, individually, that they occupied prior to the renovations. Most GSA personnel assigned to the building have no dedicated seating. Instead, most telework several days a week and use a hoteling system to temporarily reserve space on the days they come into the office.

In addition to the Washington, D.C., consolidation, GSA is reducing space and implementing a mobile workforce strategy nationwide. GSA's Mid-Atlantic regional office in Philadelphia, Pennsylvania, will be reducing its space from about 128,000 USF to about 90,000 USF when it moves to newly leased space. Likewise, in the Northeast and Caribbean Region, GSA plans to relocate most of its workforce from 106,000 USF of government-owned space to 52,000 USF of leased space in 1 World Trade Center. Finally, in the Heartland Region, when GSA vacates the Bannister Federal Complex for a 132,000 square foot lease in downtown Kansas City, Missouri, it will occupy less than half the space it currently has. Each regional office plans to implement a mobile

workforce strategy as office space is downsized.

The mobile workforce strategy is expected to result in multiple benefits: reduced real property costs, reduced carbon footprint, and improved work-life balance for employees. Additionally, GSA's Total Workplace model of openness and shared space intends to improve worker productivity through enhanced communication and collaboration. However, the costs of implementing this strategy must also be addressed. Although the costs of implementing this strategy should be low when it coincides with a planned relocation or renovation, the strategy can still result in additional costs. For example, when the strategy was implemented in the Mid-Atlantic Region, the decision came late in the relocation process leading to additional costs for redesigning space, extending the lease for the current location, and delaying the occupation of the new space. As GSA expands this strategy, implementation costs need to be minimized and other costs associated with managing GSA space, such as back filling vacant space, will need to be addressed.

Further, many challenges lie ahead, not the least of which is the shift away from the traditional work space. By its very nature, the new workplace requires telework and other mobile strategies which may limit physical interactions with colleagues and potentially stifle collaboration. Additionally, a significant result of the reduced footprint is the almost total reduction of storage space. Since many of GSA's files, including contract and lease files, are still maintained in hardcopy, the lack of digital documentation may impact employees' ability to telework efficiently and effectively. Additional security is also required for documentation that is taken off site by teleworking employees until files are completely digitized and systems are developed to support these functions electronically. Further, increasing telework requires employees to complete the majority of their duties offsite and managers to supervise and interact with employees in a virtual environment. Traditional management and communication methods will have to be adjusted for the mobile workforce.

Lastly, improving IT support and capabilities is critical for the success of GSA's mobile workforce strategy. GSA's mobile strategy includes incorporating multiple devices such as laptops, smartphones, and other mobile devices. To enable multiple device types, GSA needs to ensure that its systems are capable of interacting and supporting all anticipated platforms. In addition, with the dependence on IT systems for working offsite, the Agency will need to emphasize system continuity and security more than ever before.

AGENCY ACTIONS:

Even before it began reducing its real property footprint, GSA had been implementing its mobile workforce strategy by emphasizing telework and mobile space. Through training and experience, managers are learning how to manage and supervise the mobile workforce. In addition, the Office of Administrative Services' Internal Workplace Management Division is tasked with enacting the policies and procedures related to GSA's mobile workforce strategy, while its Management and Oversight Division oversees document management. GSA is moving forward in digitizing its records and has explored initiatives to replace its hardcopy documents and files. GSA is also implementing a wide-range of collaborative and mobile tools, and is trying to provide the support and security necessary for these tools.

INFORMATION TECHNOLOGY

ISSUE: Improved planning, development, and implementation of IT systems are needed to ensure the availability of quality data to support business and investment decisions.

Information Technology Investments and System Development

GSA management faces challenges as it attempts to decommission and consolidate GSA legacy systems that have never integrated with each other. This has led to duplicative systems that are costly and difficult to maintain and operate. These challenges include difficulty in reengineering business processes across the Agency, implementing enterprise architecture, and migrating legacy systems to new platforms. Missteps in GSA's development of new systems to address these challenges have resulted in deployed systems that did not meet business requirements and were significantly delayed. For instance, GSA deployed the System for Award Management in July 2012 without adequately planning for its hardware requirements or ensuring that the system contained required functionality and capacity to support its users, which resulted in system outages. The System for Award Management is now operational; however, it remains cumbersome.

Further, GSA has had difficulty ensuring that its system inventory is complete, understanding what data is associated with each system, and tying financial information to each system for budgetary responsibility. Enhanced oversight of IT development and integrated information systems are needed to ensure investments align with GSA's goals, initiatives, and standards.

Data Quality

GSA's IT systems do not always use effective data models, business rule validation checks, or data exchange specifications to ensure data quality. GSA needs reliable, trusted, and authoritative data sources that will improve the quality of data accessed and exchanged across the Agency. Consistent and accessible data supports decision making, performance management, and collaboration.

AGENCY ACTIONS:

During FY 2014, many employees and contractors responsible for security in GSA's services and staff offices were centralized under the Agency's OCIO as a result of GSA's consolidation. The aim of the OCIO consolidation was to bring together the security expertise and tools that were dispersed throughout the Agency in an effort to improve leadership accountability and increase organizational effectiveness and efficiency. The OCIO was subsequently given the ability to provide all IT services and support directly to the entire Agency, allowing for direct control over IT within GSA. This authority included management responsibility for all existing and future funding resources for enterprise IT functions in GSA.

GSA has taken several actions to ensure that IT decisions and investments are coordinated throughout the Agency. For example, GSA's IT strategy and IT budget execution will be managed and controlled through a newly established Enterprise IT Governance process. This process ensures that investment decisions result in new platforms that better integrate with legacy systems. To further enhance this process, GSA has also implemented the IT Investment Milestone Review process. This process is expected to prevent and reduce the development of overlapping capabilities and redundant technologies and effectively allocate resources to explore innovative technologies.

To address the data quality challenge, GSA issued its *FY 2014-2018 IT Information Resources Management Strategic Plan* that identifies the Agency's IT commitment to make quality data readily available and useful for strategic decision making. GSA is also developing methods, processes, and resources for collecting, validating, and analyzing trusted data sources before publishing them for use across the Agency.

ISSUE: *Improvements are needed to protect sensitive GSA information and to address emerging risks.*

Coordination, collaboration, and accountability across the Agency are necessary to protect sensitive GSA information. GSA continues to face challenges in two high

priority security risk areas: patch management and mobile application development. GSA systems face increased threats because security patching for high-risk vulnerabilities is not performed timely. Additionally, GSA lacks comprehensive standards for mobile application security, privacy, and development resulting in additional risk to deployed mobile applications.

GSA's continued adoption of mobile computing remains a risk that must be managed. As outlined in the Agency's *FY 2012-2015 IT Strategic Business Plan*, the OCIO established a goal of allowing GSA employees to access any system, from any location, at any time. During FY 2014, progress on realizing this goal continued as employees were able to access GSA resources via their personal and government-issued mobile devices. However, mobile application development continued without comprehensive standards in security, privacy, and development. Challenges in implementing mobile initiatives include the increased risk of data loss due to portability and the difficulty in maintaining security in an environment of frequently changing mobile devices.

With regard to its own operations, as well as its role as a facilitator for customer agencies, GSA's migration to cloud computing environments remains a risk area that must also be managed. Recently, we identified and notified GSA management of privacy breaches and unrestricted access to sensitive but unclassified building information within GSA's cloud computing environment. Though potential benefits achieved with cloud computing technologies include cost efficiencies and green efficiencies (lower power consumption and a reduction in carbon footprints) to realize these potential benefits, GSA must address the challenges of using cloud computing for records management, privacy, security, continuous monitoring, e-discovery, and application portability.

AGENCY ACTIONS:

The GSA IT consolidation merged IT functions, services, and resources across the Agency. As part of improving the management of information security within GSA, this new IT organization will take a consolidated approach to ensuring compliance with policies, procedures, processes, and federal requirements. For example, the GSA IT organization is integrating security requirements into applications to ensure timely patching of vulnerabilities across the GSA enterprise. It is working with users and developers to select the most appropriate system architecture and eliminate the causes of security problems to minimize threats, costly system modifications, and lengthy security testing and reviews during system implementation.

GSA has also updated its IT security policy and issued additional guidance in the area of mobile application development. This guidance addresses the exploitation of vulnerabilities due to poor programming practices, the compromise of sensitive application data, and not completing security assessment and authorization requirements. Additional standards are also identified to include guidance for creating and distributing privacy notices and identifying mobile platforms for publicly available applications.

In an effort to support agencies migrating to cloud computing environments, GSA has established contract vehicles to provide the Government with better access to cloud services and mobile solutions that are secure, reliable, and cost-effective. To address security in the cloud computing environment, the Federal Risk and Authorization Management Program (FedRAMP) was established as a governmentwide initiative to provide joint security authorization and accreditation and continuous monitoring services for large, outsourced, and multi-agency systems. GSA serves as a managing partner in the FedRAMP authorization approval process.

As of June 2014, FedRAMP standards were required to be met for all existing and future cloud computing environments used throughout the Federal Government. Currently, FedRAMP has issued 12 provisional authorizations and 6 agency authorizations to cloud computing service providers. The program has also accredited 27 third-party assessment organizations to perform independent system assessments of cloud computing service providers.

FINANCIAL REPORTING

GSA's systems of accounting, financial management, and internal controls need to ensure management has accurate, reliable, and timely financial and performance information for its day-to-day decision making and accountability; as well as to deter fraud, waste, and abuse.

ISSUE: GSA continues to face challenges with its internal controls over financial management and reporting and its accounting and business processes.

Since FY 2009, the independent public accountant (IPA) has identified control deficiencies⁹ over financial reporting that highlighted the need for improved financial management and reporting oversight at GSA. Over the past 5 years, GSA's internal

⁹ A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

control deficiencies have escalated from the IPA reporting only significant deficiencies¹⁰ in FY 2009 to a material weakness¹¹ and significant deficiencies in FY 2013.

In FY 2013, the IPA identified deficiencies in financial management and reporting in the areas of estimated liabilities for asbestos-related cleanup costs, manual journal entries, and disclosures related to future minimum lease payments. Collectively, the IPA considered these matters to be a material weakness in internal control. As a result of these observations, GSA adjusted its financial records by \$2.95 billion to ensure that its financial statements were not significantly misstated as of September 30, 2013.

A contributing factor to the weakness is that GSA continues to operate under draft policies and procedures as authoritative guidance that have not been sufficiently analyzed, vetted, and approved to ensure compliance with accounting standards. As a result, GSA incorrectly recorded transactions. In addition, for future minimum lease payments, the information needed to accumulate these payments accurately is not captured and available in the financial systems and GSA needs to improve the leasing arrangement footnote disclosures preparation process.

The IPA reported significant deficiencies in the areas of accounting and reporting of property and equipment, budgetary accounts and transactions, and accounting and reporting of leases and occupancy agreements. Specifically, GSA: improperly classified costs associated with construction in process and fixed assets accounts; has ineffective spending controls and ongoing issues with its budgetary accounts; and improperly classified, accounted for, recorded, and disclosed leases and lease expenses.

The IPA also identified "Entity-Level Controls" as an additional significant deficiency. The IPA observed four entity-wide control environment conditions that have a pervasive influence on the effectiveness of controls. These conditions include: (1) the development and implementation of effective information and communication processes to help ensure that technical accounting issues are identified and resolved in a timely manner; (2) certain lines of authority regarding the development, implementation, execution, monitoring, and enforcement of policies and procedures need to be redefined; (3) regional and operational personnel do not always share responsibilities for or are not adequately supervised on financial management matters that affect the financial statements, including adhering to appropriate accounting policies and

¹⁰ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

¹¹ A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis.

procedures and performing key internal control functions in support of financial reporting; and (4) certain financial systems' functionality limitations. These entity-wide conditions also contribute to several of the other significant deficiencies identified by the IPA.

AGENCY ACTIONS:

In its *FY 2015 Congressional Justification*, GSA reported that the Working Capital Fund budget provides necessary funding for the OCFO, the OCIO, and PBS within the Federal Buildings Fund for addressing this management challenge. The FY 2015 budget reflects the consolidation of financial management operations under the OCFO. It includes funding to standardize and provide greater oversight of budgetary execution controls and to develop consistent, standardized, and automated financial reports for better day-to-day decision making.

Specifically, in response to the IPA report, GSA's action plan to address internal control deficiencies includes developing policies and procedures. The OCFO will also coordinate with FAS and PBS financial management staff to identify and document strategies for timely resolution of technical accounting issues.

ISSUE: *Improvements are needed in the implementation of policies and procedures over the accounting and reporting of environmental liabilities.*

GSA manages over 1,500 government buildings throughout the country. These buildings are, on average, 49 years old, including 470 buildings considered heritage assets. Certain properties contain environmental hazards that will need to be remediated. In the FY 2013 financial statements audit management letter, the IPA reported that GSA has not fully implemented its *Accounting for Environmental Liabilities Guidelines* requiring the establishment of a process to identify and investigate properties that may contain hazardous substances. Without an effective methodology in place, GSA is challenged with identifying the existence of all environmental contamination in its properties and estimating remediation costs to report in its financial statements. In addition to the financial impact, GSA also faces taxpayers' concerns, negative publicity, and possible lawsuits for exposing employees and the public to environmental hazards.

AGENCY ACTIONS:

In its *FY 2015 Congressional Justification*, GSA stated that “PBS, in conjunction with the Office of the Chief Financial Officer, has revised its due care process to appropriately identify environmental contamination in its properties.”

GSA’S GREENING INITIATIVE – SUSTAINABLE ENVIRONMENTAL STEWARDSHIP

ISSUE: Challenges exist in achieving GSA’s sustainability and environmental goals.

GSA plays a major role in federal construction, building operations, acquisition, and governmentwide policy. GSA was assigned additional responsibilities to lead change towards sustainability in these areas with the enactment of the Energy Independence and Security Act of 2007 (EISA), the Recovery Act, Executive Order 13514 - *Federal Leadership in Environmental, Energy, and Economic Performance*, and the 2011 Presidential Memorandum on Federal Fleet Performance. Under these initiatives, GSA is required to increase energy efficiency, reduce greenhouse gas emissions, conserve water, reduce waste, support sustainable communities, determine optimal fleet inventory, reduce oil imports while achieving maximum fuel efficiency, and leverage federal purchasing power to promote environmentally responsible products and technologies. Further, the regulations require that 95 percent of new contract actions, including task and delivery orders,¹² be energy-efficient, water-efficient, bio-based, environmentally preferable, non-ozone depleting, and contain recycled content or use non-toxic or less-toxic alternatives.

In response to its sustainability responsibilities, GSA issued its *FY 2013 Strategic Sustainability Performance Plan* (sustainability plan); however, GSA faces challenges in executing the sustainability plan. Specifically, it requires the implementation of sustainable practices within the Agency, and in coordination with customer agencies and contractors. It also requires actions at the building and occupant level as specific emerging technologies and measures are implemented and occupants are tasked with changing their behaviors. The FY 2013 sustainability plan shows that GSA has made progress toward achieving several of its sustainability targets and goals, while committing to several new sustainability efforts. GSA is awaiting OMB’s approval of the FY 2014 sustainability plan, which will include a discussion of new standards in PBS’s *Facilities Standards for the Public Buildings Service* and new green lease provisions. We identified two obstacles to GSA’s sustainability initiatives: (1) collecting data to support goals and evaluate results, and (2) resources for sustainability programs.

¹² Excluding weapons systems.

Collecting Data to Evaluate Sustainability Results

GSA needs to be able to demonstrate the benefits of investing in new sustainable technologies, as they tend to be more costly up-front than conventional technologies. Accurate, complete, and replicable data is crucial to quantifying these benefits; however, capturing this data may prove to be a challenge. For example, the benefits of investing in high-performance green buildings range from increased application of reuse and recycling programs to reduced consumption of water, energy, and material resources. However, these types of benefits are often difficult to accurately measure.

Resources for Sustainability Programs

GSA has had difficulty in funding specific sustainability programs, especially for building-related programs. For example, the Office of Federal High-Performance Green Buildings was established by EISA, but was not funded until the Recovery Act provided \$4 million for the program in FY 2009. The Office of Federal High-Performance Green Buildings works toward facilitating efficient and effective operations of the Federal Government, leading the marketplace to sustainability, and minimizing the federal footprint through efficient use of energy, water, and resources. However, it has faced potential budget cuts in the past and its staffing has also been reduced. In addition, GSA established the Green Proving Ground program to identify, acquire, implement, and evaluate the performance of innovative technologies. However, PBS is currently using gifting authority¹³ to acquire technologies, while the program's limited funding is used for technical evaluations and installing the tested technologies.

AGENCY ACTIONS:

In its *FY 2015 Congressional Justification*, GSA described its goal of reducing the Federal Government's environmental footprint. GSA placed an emphasis on pursuing environmentally friendly practices in its operations. These practices include: increasing employee telework and hoteling at Agency worksites; purchasing green information technology resources; promoting cost savings through sustainable use of space, travel, fleet, technology, and resources; and greening the federal supply chain.

GSA established the Senior Sustainability Advisory Group to serve as the central strategy, planning, and management body for GSA sustainability initiatives. It promotes the collaborative development and planning of Agency sustainability initiatives; identifies opportunities for shared resources; tracks and assures progress towards meeting Agency sustainability goals; increases the awareness and visibility of sustainability activities occurring across the organization; and facilitates meeting customer agency

¹³ The FY 2015 Request for Information for the Green Proving Ground requires the respondents to agree to donate the technology unconditionally to GSA.

needs through sustainability. The Senior Sustainability Advisory Group is charged with developing, submitting, and tracking the implementation of the annual GSA sustainability plan and is also responsible for working with GSA regions to ensure lessons learned and best practices are disseminated and followed across the organization.

The Green Proving Ground program is assessing technologies in the areas of building envelope (*i.e.*, electrochromic windows), HVAC/energy management (*i.e.*, high efficiency HVAC, modular absorption chiller), lighting (*i.e.*, wireless lighting controls, integrated daylighting systems), onsite power generation, and water. The Green Proving Ground program evaluated ten new technologies in FY 2014 and released findings for three technologies tested in FY 2013. The findings support where new technologies might be used to improve efficiencies and reduce costs in the PBS portfolio. PBS is currently planning to deploy two new technologies - advanced power strips and wireless sensor networks.¹⁴

GSA recently announced that it will be using Green Button technology, designed to save energy and shrink costs across the Federal Government. Green Button is an industry-led effort that allows electricity customers to download their household or building energy-use data in a user-friendly format. GSA, along with agency partners, has worked to launch a pilot demonstrating integrated Green Button energy analytics. The Green Button pilot builds upon earlier GSA energy management activities where energy management of 100 GSA buildings uncovered \$16 million in total energy savings. Adopting Green Button technology across GSA's real property portfolio could improve building performance and save taxpayer dollars.

FAS offers a variety of options for purchasing sustainable products through *GSA Advantage!*, including the ability to search for and purchase BioBased and BioPreferred products, EnergyStar and energy efficient products, environmentally preferred products, non-ozone depleting substances, recycled content products, and WaterSense and water efficient products. Further, FAS can provide the ability to procure services that directly address environmental issues, such as waste management or energy metering services and other services performed in an environmentally friendly manner (*i.e.*, green accounting services or green conferences). Government customers can also acquire Green vehicles, including alternative fuel or biodiesel fuel vehicles, from GSA AutoChoice, through lease from GSA Fleet, or by using GSA schedules to lease automobiles and light trucks directly from vendors.

¹⁴ Advanced power strips will be installed in 80 facilities. Wireless sensor networks will be installed in two data centers.

FAS launched the Electric Vehicle Pilot Program to help meet federal sustainability standards to decrease petroleum consumption and alternative fuel vehicle requirements. The pilot is a targeted expenditure to incorporate electric vehicles and charging infrastructure into the Federal Government's vehicle and building portfolios. This is a first step to increasing the number of electric vehicles in the federal fleet over time. The initial expenditure for electric vehicles is intended to support the growing electric vehicle market. During the pilot program, FAS is leasing 116 electric vehicles to 20 agencies in five cities. GSA will also work with agencies to install charging infrastructure at the federal buildings in the pilot cities.