

GAO

Report to the Chairman, Subcommittee on
Public Buildings and Grounds, Committee
on Public Works and Transportation
House of Representatives

August 1988

**BUILDING
OPERATIONS**

**GSA's Delegations of
Authority to Tenant
Agencies**



042901/136496

1
2
3

4



United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-227394

August 3, 1988

The Honorable Fofu I. F. Sunia
Chairman, Subcommittee on Public
Buildings and Grounds
Committee on Public Works
and Transportation
House of Representatives

Dear Mr. Chairman:

This report, prepared at the Subcommittee's request, discusses the General Services Administration's program to delegate its day-to-day buildings management and lease management responsibilities to tenant agencies. The report focuses on the decision to expand the program from a limited pilot test involving a few agencies and a few headquarters buildings in the Washington, D.C., area to 3,500 government-owned and leased buildings nationwide. It also addresses several other issues associated with program expansion.

As arranged with the Subcommittee, we are sending copies of this report to the Administrator, General Services Administration; the Director, Office of Management and Budget; and other interested parties. We will make copies available to others upon request.

Sincerely yours,

A handwritten signature in cursive script that reads 'L. Nye Stevens'.

L. Nye Stevens
Associate Director

Executive Summary

Purpose

In 1982, the General Services Administration (GSA) began what was intended to be a 5-year pilot program to test the costs and benefits of delegating building operations authority to a few selected agencies for their headquarters buildings in the Washington, D.C., area. In late 1984, the Administration directed GSA to expand its pilot program to all single-tenant buildings nationwide by September 30, 1986.

At the request of the Subcommittee on Public Buildings and Grounds, House Committee on Public Works and Transportation, GAO reviewed the decision to expand GSA's program from a limited pilot test involving a few agencies and a few headquarters buildings in the Washington, D.C., area to 3,500 government-owned and leased buildings nationwide.

Background

GSA's Public Buildings Service is responsible for operating and maintaining about 230 million square feet of space in 6,800 buildings throughout the country owned by the government or leased from private owners. Traditionally, GSA has directly performed or contracted out building operations on behalf of tenant agencies.

In response to a common perception among federal agencies that it was not providing timely or responsive building services to its tenant agencies, in 1982 GSA began a 5-year pilot program to test the costs and benefits of delegating building operations authority to a few selected agencies. Beginning with 3 buildings in 1982, GSA added 4 more pilot buildings in 1983, and by October 1984 the pilot program included 10 agencies and 17 buildings in the Washington metropolitan area.

The Administration has adopted a broad policy of decentralizing responsibility to federal agencies for the buildings they occupy and reducing the operational role of GSA. In late 1984, the Office of Management and Budget (OMB) directed GSA to expand the pilot program to all single-tenant buildings nationwide by September 30, 1986. To implement this decision, Executive Order 12512, dated April 29, 1985, directed GSA to delegate its building operations responsibilities to tenant agencies where "feasible and economical." GSA's basic legislative mandate—the Federal Property and Administrative Services Act of 1949—authorizes it to delegate its responsibilities for building operations to tenant agencies if those delegations are economical and efficient.

According to GSA, about 3,500 buildings nationwide containing 89 million square feet of space are subject to delegation. As of August 31, 1987, GSA had delegated 2,545 buildings and reached agreement with tenant

agencies to implement 335 additional delegations. Tenant agencies at 348 buildings had not yet agreed to accept delegation, and GSA had exempted 254 buildings because it had determined that delegation was not practical.

Results in Brief

The decision to implement building delegations nationwide was an Administration policy decision. When the decision was made in 1984, GSA had operated its pilot program for 2 years, and data on the cost effectiveness of those delegations were limited and inconclusive.

Hard data to prove or disprove whether the delegation program is cost effective are very difficult to come by. GSA did not keep good information before delegation on the costs, quantity, or quality of building services provided. Although better, the data accumulated since delegation cannot be compared effectively to the earlier period.

But there is one key indication that delegation is working. All nine agencies GAO contacted that participated in the pilot program said the quality of building services improved under delegation. And one of GAO's key concerns is that the physical facilities for federal employees be adequately maintained. GAO believes the agencies responsible for their employees are in the best position to judge whether their physical environment is adequate.

Principal Findings

Program Expansion

In deciding to expand the pilot program nationwide, the Administration relied primarily on a review of the pilot program by the GSA Inspector General (IG). The IG's September 1984 report covered the first year of delegated authority at the first three pilot buildings. It contained both positive and negative findings and discussed their implications for GSA's planned expansion of the pilot program to additional headquarters buildings in the Washington, D.C., area. The report did not, however, address the question of whether delegations should be implemented nationwide. Taken as a whole, the report was somewhat favorable. However, its scope was necessarily limited and its findings on the cost effectiveness of delegation compared to direct GSA operation were inconclusive. (See pp. 15 to 17.)

OMB directed GSA to implement building delegations nationwide because it believed the pilot delegations had been successful. While data on the costs and results of the pilot delegations are insufficient to verify that nationwide delegations are an effective and cost-beneficial means of operating and maintaining GSA-controlled buildings, improvements in service quality and responsiveness could be sufficient to justify a higher level of expenditure than GSA had previously provided.

Cost Effectiveness and GSA Oversight

The 1949 act authorizes and the 1985 Executive Order directs GSA to delegate building operations responsibilities to tenant agencies provided those delegations are cost effective. However, neither defines the term “cost effectiveness” as it relates to buildings management or lease management or explains what has to be done to show cost effectiveness. Cost effectiveness could mean several things: delegations could be cost effective if agencies provide the same level of service that GSA provided at less cost, provide a higher level of service than GSA provided at the same cost, or provide a higher level of service than GSA provided at higher cost if the added benefits outweigh the added costs.

OMB, GSA, and the nine agencies GAO contacted that participated in the pilot program believe delegation was successful and cost effective. The pilot agencies all said that the quality of building services improved under delegation. However, they have not accumulated comparative data on the costs, quantity, and quality of building services before and after delegation to demonstrate that improvements in quality and responsiveness are worth whatever extra costs are incurred. (See pp. 17 to 19.)

As of October 1987, GSA had developed its oversight and evaluation strategy for the expanded nationwide program and planned to begin evaluating individual building delegations nationwide during fiscal year 1988. Since the GSA IG's September 1984 report, GSA's National Capital Region has completed evaluations at five pilot buildings—three government-owned and two leased, owner-serviced buildings. The primary purpose of these evaluations was to field test the Region's evaluation guidelines for the expanded program. Although the Region concluded that the five pilot buildings were operated and maintained satisfactorily, the evaluations were not designed to address, and did not address, the cost effectiveness of those building delegations. At that time, GSA had not collected, nor was it collecting, data on delegated agencies' operating costs and operating performance levels that would be required to establish the cost effectiveness of delegations. Also, GSA had no reliable data on its operating costs or operating performance levels

before delegation. Without such comparative data, which probably is not now attainable, the relative cost effectiveness of building delegations cannot be conclusively proven.

Recommendation

This report provides information on the initial implementation of the delegations program and the basis for the decision to expand it, but GAO does not make any recommendations. Even though there was not sufficient data to demonstrate the cost effectiveness of the program, GAO does not believe the decision to expand delegation was incorrect. What is needed over time is more information on how the delegation program is working, the extent to which agencies continue to be satisfied with the quality of their physical environment when they are responsible for it, and the costs of such efforts. GAO intends to evaluate such data and provide the results to Congress. A judgment can then be made as to the efficacy of the program. (See p. 21.)

Agency Comments

OMB's primary concern was that the report more clearly acknowledge that the decision to expand the pilot program nationwide was an Administration policy decision. GAO revised the report accordingly.

OMB agreed that the lack of accurate data makes it difficult to conclusively quantify the costs and benefits of delegation. However, OMB contends that available information and controls indicate that delegations are cost effective. GAO agrees that the relative cost effectiveness of building delegations cannot be conclusively determined and that agencies believe delegation is working. (See p. 20.)

GSA generally agreed with GAO's overall findings but expressed concerns about the report's discussion of the adequacy of GSA's baseline data on the costs of operating delegated buildings. GAO pointed out in the draft report that in addition to having unreliable operating costs data, GSA was not accumulating all of the cost and operating data necessary for evaluating the overall program. GSA agreed that it did not have reliable baseline data on operating costs for the initial delegated buildings. However, it said that current financial data reflecting actual operating costs are accurate and can be used for comparing cost effectiveness for the majority of delegated buildings. (See p. 20.)

GSA also provided updated data on training for agency personnel and information on current funding and budgeting procedures for delegated buildings. (See pp. 25, 27, and 28.)

Contents

Executive Summary		2
Chapter 1		8
Introduction	Background	8
	Overview of Delegations	8
	Objectives, Scope, and Methodology	12
Chapter 2		15
Nationwide Delegations of All Single-Tenant Buildings	Basis for Program Expansion	15
	Cost Effectiveness of Building Delegations	17
	Agency Comments and Our Evaluation	20
	Other Observations	21
Chapter 3		22
Other Delegation Issues	GSA's Oversight/Evaluation Capabilities	22
	GSA's Procedures to Assess Agencies' Capabilities	23
	Program's Effect on Security	25
	Program's Effect on Congressional Oversight	26
	Agency Comments and Our Evaluation	28
Appendixes	Appendix I: Comments From the Office of Management and Budget	30
	Appendix II: Comments From the General Services Administration	32
Tables	Table 1.1: Pilot Delegations	10
	Table 1.2: Universe of Buildings Subject to Delegation	11
	Table 1.3: Universe of Square Feet Subject to Delegation	11

Abbreviations

CIA	Central Intelligence Agency
COR	Contracting officer's representative
FERC	Federal Energy Regulatory Commission
FPS	Federal Protective Service
GAO	General Accounting Office
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IG	Inspector General
NCR	National Capital Region
OMB	Office of Management and Budget
PBS	Public Buildings Service

Introduction

As requested by the former Chairman, Subcommittee on Public Buildings and Grounds, House Committee on Public Works and Transportation, we reviewed the General Services Administration's (GSA) program to delegate its day-to-day buildings and lease management responsibilities to tenant agencies. We focused on the decision to expand GSA's building delegations program from a limited pilot test to all single-tenant buildings nationwide. We also addressed several other issues associated with the expanded, nationwide program and developed other information the Subcommittee requested on the rationale for, and implementation of, the program and its operational and budgetary implications.

Background

GSA's Public Buildings Service (PBS) is responsible for operating and maintaining about 230 million square feet of space in 6,800 government-owned and leased buildings occupied by various federal agencies. Federal agencies pay rent for the space and related services they receive from GSA based on the approximate rates they would have to pay for the space and services from the private sector. These amounts are deposited in the Federal Buildings Fund. GSA receives authority to expend amounts deposited in the fund through the federal budget process and congressional appropriations.

The Federal Property and Administrative Services Act of 1949 authorizes GSA to delegate its building operations responsibilities to tenant agencies provided those delegations promote economy and efficiency. Historically, however, GSA has directly performed or contracted out buildings and lease management functions.

Overview of Delegations

In response to what GSA acknowledged in public statements and congressional hearings as a general perception among federal agencies that it was not providing timely or responsive building services, GSA decided in 1981 to experiment with a program to allow tenant agencies to operate and maintain their own buildings.

The Administrator of GSA believed that tenant agencies should be able to provide their own building services more economically and more efficiently than GSA. He also believed that having federal tenant agencies take care of their own buildings would be more consistent with prevailing private sector practices and the intent of the Hoover Commission, which recommended in 1949 the creation of GSA to provide central oversight and regulation of public buildings. In that regard, the Administrator of GSA testified in April 1982 that GSA planned to experiment with a

pilot program to delegate, under GSA's regulatory guidance, full operational authority to a few, selected agencies for buildings in which they were the sole occupant. The Administrator believed that delegations would result in increased management efficiencies both for those agencies and for GSA. He testified that in the future, if tenant agencies could operate their buildings more economically than GSA, GSA would consider a delegation of authority to give more agencies that chance. The Deputy Administrator of GSA testified that GSA hoped the pilot delegations would demonstrate the relative cost effectiveness of letting tenant agencies operate their buildings as compared with GSA's operation.

Pilot Delegations

In late 1981, GSA selected several federal agencies to participate in a pilot program to operate their headquarters buildings in Washington, D.C. The Departments of Labor and Transportation, as well as GSA's Central Office, began operating their headquarters buildings in 1982. In 1983 the Departments of Justice and Commerce were added to the pilot program.

GSA's purpose for the pilot delegations, which were scheduled to last for 5 years, was to determine (1) whether delegations were feasible and cost effective and (2) whether the program should be expanded to other GSA-controlled buildings. Also, the pilot program was designed to allow the selected agencies to pursue their own operational priorities and to introduce innovative operations and maintenance initiatives.

GSA subsequently expanded the pilot program in fiscal years 1984 and 1985 to a total of 10 agencies and 20 buildings in the National Capital Region (NCR), which covers the Washington, D.C., metropolitan area.

The tenant agencies and buildings included in GSA's pilot delegations program are shown in table I.1.

Table 1.1: Pilot Delegations

Agency	Building	Delegation date	Type of building
General Services Administration	GS(HQ) Building	10/1/82	G
Department of Labor	Frances Perkins Building	10/1/82	G
Department of Transportation	Nassif Building	10/1/82	LOS
Department of Justice	Justice HQ	5/1/83	G
Department of Justice	J. Edgar Hoover (FBI) Building	5/1/83	G
Department of Commerce	Herbert Hoover (HQ) Building	10/1/83	G
Department of Transportation	Transpoint Building	10/1/83	LOS
Department of Health and Human Services	Federal Building-Bethesda	10/1/84	G
Department of Agriculture	Agriculture Administration	10/1/84	G
Department of Agriculture	Agriculture Annex	10/1/84	G
Department of Agriculture	Agriculture South	10/1/84	G
Department of Agriculture	Auditors West (Annex 3)	10/1/84	G
Department of Agriculture	Auditors Building	10/1/84	G
Central Intelligence Agency	Headquarters Complex	10/1/84	G
Department of Housing and Urban Development	Headquarters	10/1/84	G
Federal Energy Regulatory Commission	Union Center Plaza South	10/1/84	LOS
Federal Energy Regulatory Commission	Railway Labor	10/1/84	LOS
Department of Health and Human Services	Hubert H. Humphrey (HQ)	4/1/85	G
Department of Health and Human Services	Federal Building #8	4/1/85	G
Department of Health and Human Services	Parklawn Building	4/1/85	LGS
10 agencies	20 buildings		

Note:
G = Government-owned
LOS = Leased, owner-serviced
LGS = Leased, government-serviced

Program Expansion

In late 1984 the Office of Management and Budget (OMB) directed GSA to expand its delegations program to all federal agencies in single-tenant buildings nationwide by September 30, 1986. GSA subsequently defined a single-tenant building as a building in which a single federal agency occupies at least 90 percent of the space. GSA estimates that about 3,500 buildings containing about 89 million square feet of space are subject to delegation. As tables 1.2 and 1.3 show, buildings subject to delegation are located in all GSA regions. Most of the buildings are leased, owner-serviced, while just over one-half of the square feet subject to delegation are in government-owned or in leased, government-serviced buildings.

Table 1.2: Universe of Buildings Subject to Delegation

(no. of buildings)

GSA Region	Govt.-owned and leased, gov.-serviced	Leased, owner-serviced	Total
1	21	91	112
2	29	214	243
3	56	228	284
4	31	502	533
5	161	372	533
6	14	150	164
7	52	358	410
8	20	217	237
9	38	426	464
10	21	221	242
NCR	118	142	260
Totals	561	2,921	3,482

Table 1.3: Universe of Square Feet Subject to Delegation

(square feet)

GSA Region	Govt.-owned and leased, gov.-serviced	Leased, owner-serviced	Total
1	845,048	800,940	1,645,988
2	1,468,606	2,736,388	4,204,994
3	5,013,250	2,869,135	7,882,385
4	3,693,319	3,835,408	7,528,727
5	3,264,938	2,296,562	5,561,500
6	759,804	1,489,119	2,248,923
7	1,036,677	2,967,506	4,004,183
8	905,913	2,302,840	3,208,753
9	2,038,341	4,273,384	6,311,725
10	1,193,437	1,641,384	2,834,821
NCR	32,038,738	11,563,385	43,602,123
Totals	52,258,071	36,776,051	89,034,122

The Administration has adopted a broad policy of decentralizing responsibility to federal agencies for the buildings they occupy and reducing the operational role of GSA. In furtherance of that objective, Executive Order 12512, dated April 29, 1985, directs GSA to delegate its building operations responsibilities to tenant agencies where "feasible and economical."

Responsibilities Under Delegation

Under delegation GSA transfers to tenant agencies its day-to-day responsibilities for operating a building. Tenant agencies in government-owned or leased, government-serviced buildings become responsible for cleaning and landscaping; preventive maintenance; recurring repairs; minor alterations; utilities; certain security services; and selected aspects of other building functions, including awarding and administering any building services contracts for a delegated building. These functions are defined in the agreement. In leased, owner-serviced buildings, GSA and the tenant agency execute a memorandum of understanding specifying the delegation of day-to-day lease management functions, and the tenant agency serves as the GSA contracting officer's on-site representatives responsible for monitoring the lessor's performance. GSA provides money, staff, and technical assistance to tenant agencies with delegated responsibilities.

GSA retains responsibility for overall custody, control, and management of government-owned buildings and building systems and remains the government's leasing agency for leased space. In that regard, GSA continues to be responsible for all major expenditures that require congressional line-item approval; all nonrecurring repairs; and certain other matters, such as initial space alterations and assigning space to other tenants in a delegated building.

Status of Delegations

As of August 31, 1987, GSA had delegated 2,545 buildings (73 percent of the delegations universe) and reached agreement with tenant agencies to implement 335 additional delegations. Tenant agencies at 348 buildings (10 percent) had not yet agreed to accept delegation as proposed by GSA, and GSA had exempted 254 buildings (7 percent) because it determined that delegation of these buildings was not practical.

Objectives, Scope, and Methodology

The former Chairman, Subcommittee on Public Buildings and Grounds, House Committee on Public Works and Transportation, asked us to determine

- GSA's goals and long-range plans for delegations;
- GSA's basis for expanding and accelerating the agency delegations program;
- how GSA determines if tenant agencies possess the necessary capabilities to handle delegated authority;
- how delegations of authority will be funded;
- how GSA plans to oversee and evaluate delegations;

- what impact delegations will have on security; and
- what impact delegations will have on congressional oversight of program funding, operating costs, and effectiveness.

At the Subcommittee's oversight hearing on GSA's delegations program, we provided the preliminary information we had gathered on the authority for the program, the program's history, the planned expansion of the program, how the expanded program is supposed to work, and the status of the program at that time. We testified that we planned to focus our remaining review efforts on assessing the analytical basis for the expansion decision and providing the Subcommittee with information on several other issues associated with program expansion. These issues were: the cost effectiveness of the pilot delegations, GSA's procedures to assure that tenant agencies are capable of effectively operating their buildings, GSA's capabilities and plans to oversee and evaluate building delegations, and the effects building delegations have on congressional oversight of GSA-controlled buildings.

We did our work at GSA's Central Office and NCR in Washington, D.C. We reviewed the GSA Inspector General's (IG) report on the pilot program, which was the basis for the Administration's expansion decision, and other available data on the costs and results of GSA's pilot delegations. We compared available data on the pilot agencies' operating costs with GSA's reported operating costs before delegation and the amounts GSA provided to pilot agencies to operate and maintain their buildings. However, we were unable to compare the quantity or quality of building services before and after delegation because GSA had not accumulated the necessary data. We accumulated descriptive information on, but did not evaluate, GSA's ongoing program and plans through October 1987 to implement delegations in about 3,500 government-owned and government-leased buildings nationwide and to evaluate the results of those expanded delegations.

We also examined the following:

- the Federal Property and Administrative Services Act of 1949 as amended, which created GSA and set forth its basic mission;
- Executive Order 12512, dated April 29, 1985, which directed GSA to delegate its building operations responsibilities to tenant agencies where feasible and economical;
- congressional hearings dealing with GSA's real property operations function in general and delegations program in particular;

- the portion of the Budget of the United States Government for fiscal years 1983 through 1988 dealing with GSA's real property operations and repair and alteration functions;
- written delegation agreements and memorandums of understanding between GSA and tenant agencies;
- GSA financial reports showing the rental charges paid by tenant agencies and portions returned to delegated agencies to operate their buildings;
- operating cost reports filed by agencies with delegated authority;
- available studies dealing with building delegations;
- correspondence between GSA and tenant agencies concerning delegation; and
- correspondence between GSA and OMB relating to the policy decision to expand and accelerate the delegations program.

We discussed the delegations concept, results of the pilot delegations, GSA's ongoing program to expand delegated authority, and the Subcommittee's specific concerns with responsible GSA Central Office and NCR officials. We discussed the delegations program with officials of 9 of the 10 federal agencies that participated in GSA's pilot test. Also, we discussed the expansion decision with responsible OMB officials. We obtained OMB and GSA comments on a draft of this report, and we have included their comments and clarifications where appropriate.

Our review was made in accordance with generally accepted government auditing standards.

Nationwide Delegations of All Single-Tenant Buildings

OMB directed GSA to implement building delegations in all single-tenant buildings nationwide because it believed that GSA's pilot delegations had been successful. When the Administration policy decision was made in late 1984, GSA's pilot delegations program had been operating for 2 years, and available data on the results of those delegations were limited and inconclusive. However, that does not necessarily mean that the expansion decision was incorrect.

OMB, GSA, and the agencies that participated in GSA's pilot program believe that those delegations were successful and cost effective. Because they did not accumulate comparative data on the cost, quantity, or quality of building services before and after delegation, it is not possible to either confirm or refute that belief empirically. However, employing agencies are in the best position to judge whether their physical environments are adequate.

Once more information is available on (1) how delegations are working, (2) whether agencies continue to be satisfied with the quality of their physical environments now that they are responsible for day-to-day operations and maintenance, and (3) the costs of agencies' efforts, the efficacy of building delegations can be determined.

Basis for Program Expansion

OMB said the expansion decision was based primarily on the results of a GSA IG review of the pilot program. Taken as a whole, the GSA IG's September 1984 report was somewhat favorable on the delegations reviewed. However, the scope of the IG's review was necessarily limited, and its findings were inconclusive as to the relative cost effectiveness of building delegations. The review covered the first year of delegated authority at the first three pilot buildings and the implications of GSA's planned expansion of the pilot program to additional headquarters buildings in the Washington, D.C., area. The report contained both positive and negative findings on the three agencies' operation of their buildings, and it did not address the issue of whether building delegations should be implemented nationwide.

As of late 1984, when OMB directed GSA to expand the pilot program nationwide, GSA had made two evaluations of the pilot delegations program. One evaluation was made by GSA's NCR and the other by the GSA IG.

In the fall of 1983, NCR evaluated the operations at the first three delegated buildings—GSA's Central Office building, Transportation's Nassif

Building, and Labor's Frances Perkins Building. At that time, the delegations had been in effect about a year. The GSA regional evaluators reported that (1) operating costs and staffing levels at two of the three buildings were higher than those GSA had experienced the previous year; and (2) the staffing level at the third building, which was leased and owner-serviced, appeared to be excessive compared to other NCR field offices. The evaluators also reported several weaknesses in the pilot agencies' administration of delegated authority at each of the three buildings. The evaluators recommended that no additional delegations be considered until those three pilot agencies had demonstrated that they could successfully operate and maintain their buildings in a cost-effective manner.

Subsequently, GSA's Administrator asked the GSA IG to review the pilot delegations program. The GSA IG reviewed the first year of operation of the pilot program at the same three delegated buildings and also looked into GSA's planned expansion of the pilot program to include additional headquarters buildings in the Washington, D.C., area.

As part of this review, done between December 1983 and May 1984, the IG compared first year delegation costs and levels of service with those experienced by GSA in 1982 at each of the three delegated buildings. The GSA IG's review covered cleaning and landscaping, utilities, mechanical operation and maintenance, repairs and alterations, space changes, and protection. Also, the IG surveyed tenant agency perceptions of services before and after delegation, reviewed tenant agency cost accounting systems and performance reporting requirements, examined tenant agencies' administration of delegated authority at those three buildings, and examined GSA's organization and oversight capabilities.

The GSA IG's September 1984 report was somewhat favorable on the delegations reviewed but inconclusive as to their cost effectiveness. On the one hand, the GSA IG concluded that (1) the three pilot buildings were operated in a "generally satisfactory manner"; (2) delegated agencies' operating costs for fiscal year 1983, for the most part, were consistent with those experienced by GSA in fiscal year 1982; and (3) tenant perceptions of building services under delegation were "not negative." On the other hand, however, the IG's report identified both successes and failures in the three agencies' operations, maintenance, and cleaning functions and utility consumption. But the IG identified "substantial" problems remaining in these areas as well as in the areas of protection, repairs and alterations, and contract administration. For example, the IG found that the three agencies' contracting and contract administration

deviated greatly from Federal Procurement Regulation and Federal Acquisition Regulation requirements and from GSA standards. Also, the IG found that reductions and other deviations in the qualifications of agencies' contract guards adversely affected security. The GSA IG also reported problems with GSA's delegations oversight capabilities, agencies' cost accounting systems, and the protection of GSA's interests in delegated buildings.

The GSA IG's report contained 32 recommendations to the Commissioner of PBS to correct identified deficiencies in GSA's oversight and to improve the program. PBS generally agreed with the IG's recommendations and developed an action plan to address them.

In letters to OMB in April and June 1985 regarding the policy decision to implement building delegations nationwide, the then-Acting Administrator of GSA expressed concerns about the timing, methodology, and cost effectiveness of the expanded delegations program and about tenant agencies' and GSA's capabilities to effectively fulfill their responsibilities under delegation. In response to these concerns about program expansion, OMB suggested that GSA concentrate its efforts on those single-tenant buildings that contained more than 10,000 square feet of space. However, GSA program officials said that the Administrator of GSA committed GSA to a more ambitious agenda because he wanted to complete most of the delegations by September 30, 1986.

Cost Effectiveness of Building Delegations

The 1949 act authorizes and the 1985 Executive Order directs GSA to delegate building operations responsibilities to tenant agencies provided those delegations are cost effective. However, neither defines the term "cost effectiveness" as it relates to buildings management or lease management or explains what has to be done to show cost effectiveness. In the case of delegations, cost effectiveness could mean several different things. For example, delegations could be cost effective if agencies provide the same level of service that GSA provided at less cost, provide a higher level of service than GSA provided at the same cost, or provide a higher level of service than GSA provided at higher cost assuming the added benefits outweigh the added costs.

One of the primary purposes of GSA's pilot delegations program was to determine whether building delegations were cost effective. As of October 1987, the pilot delegations had been operating from 2 to 5 years, and building delegations had been implemented nationwide in over 2,500 buildings. As discussed earlier, the results of the GSA IG's review of the

first year of delegated authority at the first three pilot buildings were inconclusive as to cost effectiveness. GSA's NCR made evaluations of five pilot buildings in 1986 to field test its evaluation guidelines for the expanded, nationwide program, but the evaluations did not address the cost effectiveness of those building delegations compared to GSA operations. NCR concluded, however, that the five buildings were satisfactorily operated and maintained.

We contacted 9 of the 10 pilot agencies to obtain their views on delegation and any available data on their operating costs and performance levels. All nine agencies said they accepted delegated authority because they were dissatisfied with the quality of GSA services before delegation. Also, all nine agencies believed that their delegations had been successful and that the quality of building services had improved under delegation. However, they had collected no evaluative data to substantiate their belief that those delegations were cost effective.

At the Subcommittee's oversight hearing on GSA's delegations program, seven agencies that participated in the pilot program testified, and all indicated that their delegations had been successful and cost effective. All seven pilot agencies said they were providing more effective, responsive, and timely building services than GSA had provided before delegation. Three of the agencies testified that they had spent more to operate their buildings than GSA would have spent in the absence of delegation, but they implied that the benefits of higher quality services and improved responsiveness outweighed the additional costs.

In public statements and congressional testimony, the Administrator of GSA has stated his belief that tenant agencies should manage their own buildings and that GSA's role should be primarily policymaking. In that regard, the Administrator has taken the position that GSA should be operating and maintaining buildings only when it is clearly demonstrated that it is cost effective to do so. We believe that comparative analysis of costs and service levels would be required to make such a determination.

GSA cannot make such comparisons because it does not have reliable baseline data on its operating costs and performance levels before delegation and data on delegated agencies' operating costs and performance levels. Without such comparative data, the relative cost effectiveness of building delegations cannot be conclusively determined.

GSA's data on the costs of operating and maintaining the pilot buildings before delegation did not appear to be accurate or reliable. At the time of our review, GSA officials said that GSA's building cost data did not necessarily reflect actual operating costs when GSA operated and maintained the single-tenant buildings that had been or would be delegated to tenant agencies. GSA officials also said that GSA did not have reliable data on its operating performance in GSA-controlled buildings.

The first five pilot delegation agreements did not specify what type of program or financial records delegated agencies were to maintain. The agreements did not require the pilot agencies to file operating cost statements or operating performance data with GSA. The subsequent pilot delegation agreements generally required, as does the standard agreement GSA is using for the expanded, nationwide program, that delegated agencies maintain program and financial records of all delegation-related activities and provide GSA periodic cost accounting statements for standard-level building services. However, delegated agencies are not required to provide GSA any data on their operating costs above the GSA standard service level or on their operating performance.

We reviewed the cost data GSA had available for the pilot buildings as of October 1986. Although the pilot program included 10 pilot agencies and 20 pilot buildings, only 4 agencies' delegation agreements with GSA required them to file operating cost reports on their delegated buildings. Those agreements covered 10 delegated buildings. These were Agriculture's five-building headquarters complex, Federal Energy Regulatory Commission's (FERC) Railway Labor and Union Center Plaza South buildings, Health and Human Services' (HHS) Bethesda Federal Office Building and Parklawn Building, and Housing and Urban Development's (HUD) headquarters building.

We compared the four agencies' reported operating costs for those 10 buildings for fiscal years 1985 and 1986 with (1) the funding amounts GSA provided those agencies for those fiscal years to operate their buildings and (2) GSA's reported costs for fiscal year 1984 before delegation. Although the results of our cost comparisons were not conclusive because of shortcomings and inconsistencies in the available cost data, our analysis suggests that the four pilot agencies probably spent more to operate their buildings in fiscal years 1985 and 1986 than GSA would have spent to operate those buildings and more than GSA spent in fiscal year 1984. However, our analysis did not consider the quantity or quality of building services before and after delegation because GSA had no

data on its performance levels before delegation or agencies' operating performance levels after delegation.

Agency Comments and Our Evaluation

OMB's primary concern in commenting on a draft of this report (see app. I) was the draft report's assertion that the decision to expand the program was made by OMB. Although OMB agreed that it had fully supported program expansion and had communicated that decision to GSA, OMB said the report should more clearly acknowledge that the expansion decision was an Administration policy decision. We have revised the report to clarify that the expansion decision was an Administration policy decision.

OMB agreed that the lack of accurate data makes it difficult to quantify the costs and benefits of delegation. However, OMB contends that the existence of controls over the funds agencies can spend on building operations (see discussion of allocation accounts on pp. 27 and 28), agency reports and testimonials that the quality of building services is improving, and GSA's findings that buildings are being adequately maintained, taken together, provide evidence that the program is cost effective.

We agree with OMB that agencies have reported improvements in the quality of building services and that GSA evaluations have verified that delegated buildings are adequately maintained. But without data on the total costs and quantity and quality of building services before and after delegation, the relative cost effectiveness of building delegations cannot be conclusively determined.

GSA, in its comments on a draft of this report (see app. II), generally agreed with our overall findings but expressed concern about the report's discussion of GSA's baseline data on the costs of operating delegated buildings. While agreeing that it does not have reliable baseline data on operating costs for the initial delegated buildings, GSA said that current financial data reflecting actual operating costs is accurate, and reliable baseline data can be used for comparing cost effectiveness for the majority of delegated buildings. We have not evaluated the accuracy of the cost data currently being collected. However, GSA is not collecting data on agencies' expenditures for building services above the standard service level; thus, it is not collecting data on the total costs of operating and maintaining the buildings. In addition, GSA is not collecting data on the quantity and quality of building services. Without such data on

agencies' total costs and operating performance, GSA cannot determine conclusively that delegations are cost effective.

Other Observations

The decision to experiment with building delegations was made in response to a general perception that GSA was not providing timely or responsive building services to federal agencies. GSA's pilot program did not clearly demonstrate that building delegations were cost effective, but it showed that agencies could operate and maintain their buildings. Also, the agencies that participated in the pilot program all believed the quality of building services improved under delegation.

It is extremely important that the physical facilities federal employees work in be properly operated and adequately maintained. A quality work environment contributes to higher employee morale and increased productivity. We believe that employing agencies are in the best position to determine the adequacy of their work environments and to assure the building and building systems are operated and maintained in a manner consistent with the agency's operational priorities and that contributes to improved employee satisfaction and productivity.

Although there is not now sufficient data to demonstrate that building delegations are cost effective, the decision to expand the program nationwide was not incorrect and the program should be allowed to continue. We are not making any recommendations in this report because more information is needed on (1) how the delegation program is working, (2) the extent to which agencies and their employees continue to be satisfied with their physical working environments, and (3) the costs of agencies' efforts. We intend to evaluate such data and provide the results to Congress. A judgment can then be made as to the efficacy of building delegations.

Other Delegation Issues

At the Subcommittee's request we reviewed four other issues relating to building delegations. These were: GSA's capabilities to effectively oversee and evaluate building delegations, GSA's procedures to assure that tenant agencies are capable of performing delegated functions, the effect building delegations have on protection of employees and government property, and the effect building delegations have on congressional oversight.

GSA's Oversight/ Evaluation Capabilities

As of October 1987, GSA had developed its oversight and evaluation strategy for the expanded nationwide program and planned to begin evaluating individual building delegations during fiscal year 1988. According to a responsible NCR official, NCR's evaluation program had been delayed because it had concentrated its efforts on implementing the expanded building delegations program.

GSA's standard delegation agreement with tenant agencies states that the building delegation program will be evaluated on a continuing basis and will include a review/analysis of agency operating cost reports, random on-site inspections, and meetings with agency officials. Further, it states that a formal GSA evaluation will be conducted at least biennially and sets forth the guidelines that will be used to perform that evaluation. These guidelines, incorporated as an appendix to the standard delegation agreement, identify the performance goals, program documentation requirements, and the criteria or guidelines GSA will use to evaluate delegated responsibilities.

The GSA IG's September 1984 report identified problems with agencies' contracting/contract administration practices and recommended that GSA provide training to delegated agencies in those areas. However, GSA's evaluation guidelines for contract management provide for review/evaluation of agency contracts only on an exception basis when problems have been indicated as a result of other program reviews. NCR proposed to the GSA Central Office that agencies' contracting/procurement practices be routinely evaluated. However, the Central Office decided not to routinely evaluate agencies' practices because it believes that agencies have the necessary expertise to handle their own contracts/procurements.

The Director of GSA's Central Office Delegations Division said that GSA's Central Office provides overall program policy and oversight and that GSA's regional offices are responsible for negotiating the delegation

agreements with tenant agencies, serving as the GSA liaison with the tenant agency, providing technical advice and assistance to delegated agencies, and conducting inspections/reviews of delegated buildings. The GSA Central Office, using input from the regional inspections/ reviews, plans to perform biennial evaluations of each tenant agency's delegation of authority. GSA officials said that they plan to examine agencies' operating costs and performance as part of the GSA evaluation of each delegation.

As of October 1987, GSA's NCR had developed a schedule for evaluating building delegations. NCR had already scheduled eight evaluations for fiscal year 1988 and eventually plans to evaluate each delegated building every 2 years. According to NCR officials, NCR's evaluations will be carried out by a team made up of persons from NCR's delegations division and other NCR offices, such as repairs and alterations, real estate, protection, contracts, buildings management, and design and construction.

GSA's Procedures to Assess Agencies' Capabilities

Although recommended by the GSA IG, GSA has not made any pre-delegation surveys or other on-site reviews to assure that tenant agencies have the capabilities to effectively handle building delegations. Instead, since experienced GSA employees are being transferred to agencies as part of the expanded delegations program, and many federal agencies already have facility management staffs, GSA assumes that tenant agencies possess the required knowledge, skills, and abilities to operate their buildings.

Since the pilot program began, there have been concerns about the capabilities of tenant agencies to handle delegated responsibilities. Several study groups have endorsed the concept of delegating authority, with the qualification that the tenant agency assuming delegation be willing and capable of performing these new duties and responsibilities. For example:

- In November 1983, a panel of the National Academy of Public Administration endorsed the delegations concept and suggested implementation take place as soon as agencies are capable of accepting delegated authority and GSA can effectively redeploy its staff.
- In January 1985, the Cabinet Council on Management and Administration's Working Group on Real Property Management recommended increased delegations when tenant agencies possess the willingness and capabilities to accept delegations and delegations are cost effective.

- In April 1985, an Interagency Task Force on Delegations of Authority, composed of representatives from GSA and tenant agencies, recommended that buildings be delegated if agencies expressed a desire to assume responsibility, demonstrated cost benefits, and possessed the capability to effectively perform those delegations.

As discussed earlier, the GSA IG's September 1984 report on the first year of delegated authority at the first three delegated buildings identified both successes and failures in the three agencies' implementation of building delegations. Of particular concern to the GSA IG were agencies' contracting and contract administration for cleaning, landscaping, protection, trash removal, and other operation and maintenance contracts.

The GSA IG recommended that GSA make pre-delegation surveys to ensure that tenant agencies possess the required capabilities to handle delegated functions. At that time, GSA agreed with the IG's recommendation. Now, however, GSA does not believe that pre-delegation surveys are needed because many of the trained, experienced GSA employees assigned to agencies' buildings are being transferred to agencies as part of the nationwide delegation program, and many tenant agencies already have facility management staffs of their own.

As part of delegation, GSA generally transfers full-time equivalent positions to tenant agencies. Our review confirmed that GSA employees were transferred along with many of the positions. As of October 26, 1987, NCR had transferred a total of 2,386 full-time equivalent positions to the tenant agencies; 1,571 (66 percent) of those positions transferred were filled with GSA employees. On the basis of earlier data obtained from NCR in November 1986, we noted that several agencies received no positions or employees from GSA as part of their delegations. A more recent break-out of staffing transfers by agency was not readily available. Also, data were not readily available on the qualifications of agencies' existing facility management staffs.

To assist delegated agencies in performing delegated functions, GSA provides them training and technical assistance. According to an NCR official, tenant agencies' training needs were identified in meetings with agency officials, and tenant agency personnel were encouraged to take available GSA training courses in building operations and lease management. NCR has provided technical assistance to several delegated agencies and developed additional training courses and workshops designed to help agencies handle delegated responsibilities.

A draft of this report pointed out that NCR had not collected data on the formal training provided to delegated agency personnel. However, in commenting on the draft report (see app. II), GSA said that since October 1987, it has conducted three contract administration courses for personnel at delegated agencies; as of December 1987, five courses were scheduled through June 1988; and over 175 delegatee agency personnel had completed or were scheduled to complete this training. GSA said that regional offices have provided or have scheduled training, for the most part in the technical areas of buildings management functions.

In leased, owner-serviced buildings where GSA is delegating only lease management responsibilities, the delegated agency is required to have a certified contracting officer's representative (COR). The agency's nominee must successfully complete a lease management course and be certified by GSA as the COR. Within NCR, 26 agency representatives had been nominated and 18 had been certified as CORs as of November 6, 1986. According to GSA (see app. II), it has trained approximately 150 delegated agency personnel in the basic leasing functions.

Program's Effect on Security

Generally, GSA continues to provide basic protection services for delegated buildings, but federal agencies with delegated authority are authorized to provide their own building-specific protection services, such as on-site guards.

As part of the rent, GSA's Federal Protective Service (FPS) provides certain basic protection services for GSA-controlled buildings. These services, which are similar to those provided by municipal police departments, include preventive patrols and responses to crimes and other emergencies; investigations of crimes; and a wide range of other technical, advisory, and consulting services. However, each federal agency determines its own security requirements according to its particular needs and circumstances. Generally, the factors that agencies consider in determining their particular security requirements—mission, nature of the facility, environment, vulnerability, and cost—vary for each building and agency.

Tenant agencies are responsible for all building-specific security services. In nondelegated buildings, tenant agencies are required to obtain all their building-specific protective services from GSA on a reimbursable basis. GSA contracts with private security firms to provide those services and monitors/administers the contract for the tenant agency. In delegated buildings, tenant agencies are authorized to contract for or

directly employ their building guards; obtain and maintain their own security systems; and carry out other building-specific security duties, such as crime prevention services and physical security evaluations formerly performed by GSA.

The GSA IG's September 1984 report identified reductions in the level of service provided in terms of the basic training and qualification requirements of contract guards and the procurement and administration of guard service contracts. The IG recommended that GSA meet with and advise delegated agencies that FPS training, testing, and certification are available from GSA on a reimbursable basis.

The standard delegation agreement GSA is using for the expanded, nationwide program authorizes agencies in government-owned and leased, government-serviced buildings to contract for guard services; obtain and operate security systems; handle security clearances and suitability determinations for contract guards and cleaning personnel; and make their own crime prevention assessments, crime prevention awareness presentations, and physical security surveys. In addition, the standard delegation agreement specifies certain minimum suitability requirements for contract guards. Even if the delegated agency procures its security contract on its own, it may still use FPS' contract guard certification program on a reimbursable basis. According to responsible NCR officials, 5 of the 10 agencies that participated in GSA's pilot delegations program—Labor, Commerce, HUD, HHS, and Agriculture—have their contract guards certified through FPS. Delegated agencies in leased, owner-serviced buildings generally continue to obtain their building-specific protection services from FPS on a reimbursable basis.

GSA planned to begin evaluating agencies' administration of building security during fiscal year 1988 as part of its general delegations oversight program. According to NCR officials, NCR's delegations evaluation team will include a representative from its Federal Protection and Safety Division.

Program's Effect on Congressional Oversight

GSA's oversight committees—the House Committee on Public Works and Transportation and the Senate Committee on Environment and Public Works—continue to have overall jurisdiction over delegated activities through GSA, although they share some of that jurisdiction with other congressional committees that oversee delegated agencies' budgets. The specific effects delegations have on centralized congressional oversight

of building operations depend on several factors, such as how delegations are funded, how they are presented in the federal budget, and how much supplemental data GSA's oversight committees request and receive from GSA.

GSA's early pilot delegations resulted in more diffused congressional oversight of building operations because of the way those delegations were financed and presented in the federal budget. The original pilot agencies received a negotiated reduction in their required rent payments to GSA. Some pilot agencies budgeted for the total rental cost to GSA before the negotiated reduction. Other pilot agencies budgeted for building operations through their own appropriations process and presented the estimated costs of operating and maintaining their buildings in their budgets. None of the costs of operating those buildings appeared in GSA's budget. Thus, the legislative committees responsible for overseeing the activities of these pilot agencies, not GSA's oversight committees, had jurisdiction over those costs.

As part of the decision to expand the pilot delegations program nationwide to all single-tenant buildings, OMB directed that GSA use a method of financing for all delegations that would (1) provide a better means for OMB and GSA to monitor and account for the costs of building operations for each agency, as well as for the government as a whole; and (2) ensure that spending under delegation does not exceed spending that would have occurred if GSA had retained operational responsibility for those buildings.

GSA used a funding method referred to as funds transfer to finance some of the later pilot delegations and the delegations that have been implemented under the expanded, nationwide program. Under funds transfer, the delegated agency continues to pay rent to GSA for delegated buildings, and GSA transfers back to the agency an amount representing what GSA estimates it would spend to operate and maintain that building in the absence of delegation. GSA budgets for the standard level of building services on behalf of delegated agencies and presents those costs as a separate line item in its real property operations budget. The delegated agency's budget generally identifies as a separate line item only its rental payments to GSA.

Under funds transfer, GSA's legislative committees can continue their centralized oversight of the funding and costs of delegated buildings. However, centralized congressional oversight is diffused, since delegated

agencies' operational and maintenance costs above the standard GSA service level appear in agencies' budgets, which are overseen by various congressional committees. These costs do not appear in GSA's budget.

GSA implemented a new system of allocation accounts in fiscal year 1988 to transfer money to tenant agencies for delegated activities and to account for agencies' spending on those activities. This new system, suggested by OMB to enable it and GSA to better control and account for spending in delegated buildings, could also better facilitate centralized congressional oversight of delegated activities.

Agency Comments and Our Evaluation

In commenting on a draft of this report (see app. I), OMB said that through allocation accounts, the dollars agencies can spend on building operations are limited to the amounts GSA would have spent to operate the buildings in the absence of delegation.

As recognized on pages 27 and 28 of the report, the system of allocation accounts may provide OMB and GSA with better control and accountability over funding and spending for standard level building services. But it will not account for funds delegated agencies receive and spend for levels of building services above those GSA would otherwise provide as standard level services. The report recognizes that delegated agencies are required to provide GSA with reports on their costs for standard level services. However, agencies are not required to report data on their operating costs above the standard level or on their operating performance.

In its comments on a draft of this report (see app. II), GSA generally agreed with our overall findings but expressed concerns about the report's discussions of delegated agencies' capabilities and the procedures for funding and budgeting the pilot delegations.

To help ensure that delegated agencies have the knowledge and skills necessary for doing delegated functions, GSA said it provides day-to-day advice and guidance to delegated agency personnel and formal training in delegated buildings management and lease management functions. We recognized that GSA offered training and technical assistance to delegated agencies and have included the updated training data GSA provided.

GSA also said the draft report's discussion of the procedures for funding and budgeting the pilot delegations was misleading. While we have clarified the wording of that discussion in the final report, GSA's comments relate to the current procedures for funding and budgeting the pilot delegations, not the procedures that were in effect when the pilot delegations first began in 1982 and 1983. In our draft report, we recognized that GSA funding and budgeting procedures for delegated buildings had been improved and that those revised procedures first used for some of the later pilot delegations better facilitate centralized congressional oversight of delegated buildings.

Comments From the Office of Management and Budget



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

27

Mr. William J. Anderson
Assistant Comptroller General
General Accounting Office
Washington, D.C. 20548

Dear Mr. Anderson:

Thank you for this opportunity to comment on the proposed General Accounting Office (GAO) report entitled Building Operations: GSA's Delegations of Authority To Tenant Agencies. I also would like to thank your staff for providing the Office of Management and Budget (OMB) an extension on the comment period. As you know, this past month has been a very busy time in OMB, as we have been finalizing the President's 1989 Budget.

Our primary concern in GAO's proposed report on the GSA buildings delegation program centers on the report's assertion that the decision to expand the delegations program was OMB's decision. While it is absolutely true that OMB fully supported expanding the program and communicated the decision to expand to GSA, the decision was an Administration policy decision, formalized by Executive Order 12512. Thus a number of agencies were involved in the decision which was reached as part of the formulation of the President's Budget.

In the proposed cover letter, GAO acknowledges that this was an Administration policy decision, but throughout the report the decision is credited to OMB and not the Administration. We recommend the report be revised to properly acknowledge this as an Administration decision (i.e., pages 1, 2, 3, 4, 8, 12, 16, 17 and 18).

With respect to the findings in the report, we would agree that the lack of accurate data makes it difficult to quantify the costs and benefits of delegation. We would also agree that there are many legitimate definitions of "cost effectiveness," and that cost effectiveness is not explicitly defined by the 1949 Act. However, we believe that through allocation accounts, the dollars agencies can spend on buildings operations is limited to the levels GSA would have spent to operate the buildings. Given these controls on funding, the fact that agencies report that the quality of services is improving and that GSA has verified that buildings are being adequately maintained is evidence that the delegations program is cost effective.

See pp. 5 and 20.

Now on pp. 2, 3, 10, 11, 13, and 15.

See pp. 5, 20, and 28.

Appendix I
Comments From the Office of Management
and Budget

Again thank you for this opportunity to comment on this proposed report. Let us know if we can be of further assistance.

Sincerely yours,



John W. Merck
Deputy Associate Director for
Government Operations

Comments From the General Services Administration



General Services Administration
Public Buildings Service
Washington, DC 20405



476 3

Dear Mr. Stevens:

This letter provides comments on the proposed draft report, dated November 30, 1987, "Buildings Operations: GSA's Delegation of Authority to Tenant Agencies," assignment Code 014319.

Generally, we agree with the overall findings of the audit. However, we are concerned about the report's statements regarding the General Services Administration's (GSA) responsibility for ensuring that delegatee agencies have the skills and knowledge necessary for performing the delegated functions. In addition to the day-to-day technical advice and guidance provided to delegatee agency personnel, efforts are under way to provide formal training in the delegated functions.

See pp. 5 and 28.

Since October 1987, we have conducted three contract administration courses to delegatee agencies to provide assistance in the development of basic skills required for performing certain building delegation functions. To date, five courses are scheduled for the next two quarters of fiscal year 1988. Over 175 delegatee agency personnel have completed or are scheduled to complete this training. With regard to training in the area of delegations of lease acquisition authority, we have trained approximately 150 delegatee agency personnel in the basic leasing functions.

See pp. 5, 25, and 28.

GSA regional offices have provided or have scheduled additional training for delegatee agency personnel. For the most part, this training is in the technical areas of buildings management functions.

In addition to the above, we must comment on the report's conclusion that GSA does not have reliable baseline data on operating costs for delegated buildings. While this statement is appropriate for the initial delegated buildings, the current financial data reflecting actual operating costs is accurate, and reliable baseline data can be used for comparing cost effectiveness for the majority of delegated buildings.

See pp. 5 and 20.

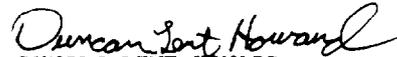
Appendix II
Comments From the General Services
Administration

See pp. 5, 27, 28, and 29.

It should also be noted that portions of the draft report, see Appendix page 32, regarding the procedure for funding and budgeting pilot delegations is misleading. It should be recognized that only three agencies (the Department of Housing and Urban Development, the Federal Energy Regulatory Commission, and the Department of Agriculture) received delegations under which they budgeted for building operations within their own appropriations. Virtually, all other pilot delegations are funded by allowing agencies to "chargeback" a predetermined portion of their Rent bill to GSA. The chargeback amount is determined by GSA in coordination with the delegatee agency, and is not discretely identified in GSA or the delegatee's budget presentations.

Thank you for the opportunity to comment. If you have any questions, please contact Ms. Yvonne T. Jones, Director, Delegations Division, on 566-1144.

Sincerely,


DUNCAN LENT HOWARD
Commissioner

Mr. L. Nye Stevens
Associate Director
General Government Division
General Accounting Office
Washington, DC 20548

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

United States
General Accounting Office
Washington, D.C. 20548

Official Business
Penalty for Private Use \$300

First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100
