U.S. General Services Administration
Office of Inspector General

October 15, 2024

TO: ROBIN CARNAHAN
ADMINISTRATOR (A)

FROM: ROBERT C. ERICKSON
DEPUTY INSPECTOR GENERAL (J)

ROBERT ERICKSON

Digitally signed by ROBERT ERICKSON
Date: 2024.10.15 13:39:26 -04'00'

SUBJECT: Assessment of GSA's Management and Performance Challenges for Fiscal Year 2025

As required by the Reports Consolidation Act of 2000, Public Law 106-531, we have prepared for inclusion in the Fiscal Year 2024 Agency Financial Report the attached assessment summarizing what we consider to be the most significant management and performance challenges facing GSA in Fiscal Year 2025.

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

1. Establishing and Maintaining an Effective Internal Control Environment
2. Improving Contract Award and Administration
3. Developing Efficient and Effective Acquisition Solutions
4. Maximizing the Performance of GSA's Real Property Inventory
5. Managing Agency Cybersecurity Risks
6. Providing a Safe Work Environment
7. Securing Federal Facilities
8. Managing the Electrification of the Federal Fleet
9. Management of the Technology Transformation Service

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

Attachment

OFFICE OF INSPECTOR GENERAL'S ASSESSMENT OF GSA'S MANAGEMENT AND PERFORMANCE CHALLENGES FOR FISCAL YEAR 2025

Challenge 1: Establishing and Maintaining an Effective Internal Control Environment

The U.S. General Services Administration (GSA) continues to face significant challenges in establishing a comprehensive and effective system of internal control. GSA is required to establish and maintain internal controls through the Federal Managers' Financial Integrity Act of 1982; U.S. Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*; and U.S. Government Accountability Office (GAO) publication GAO-14-704G, *Standards for Internal Control in the Federal Government*.

Importance of Internal Control

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

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

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

Continuing Internal Control Problems

Since 2018, we have cited pervasive internal control weaknesses as a challenge for GSA. As described in the examples below, this trend continued in Fiscal Year (FY) 2024:

- In January 2024, we reported that GSA Office of Digital Infrastructure Technologies (IDT) employees misled a contracting officer with egregiously flawed information to acquire 150 Chinese-made videoconference cameras that are not compliant with the Trade

Agreements Act of 1979 (TAA).[1] Before completing the purchase, the contracting officer requested information from GSA IDT to justify its request for the TAA-noncompliant cameras, including the existence of TAA-compliant alternatives and the reason for needing this specific brand. In response, GSA IDT provided misleading market research in support of the TAA-noncompliant cameras and failed to disclose that comparable TAA-compliant alternatives were available.

The TAA-noncompliant cameras have known security vulnerabilities that need to be addressed with a software update. However, GSA records indicate that some of these TAA-noncompliant cameras have not been updated and remain susceptible to these security vulnerabilities.

- In July 2024, we reported that the Public Buildings Service (PBS) relied extensively upon its operations and maintenance (O&M) contractors to implement the water safety activities set forth in the PBS water safety guidance.[2] However, we found that PBS did not consistently incorporate these water safety activities into O&M contracts or provide the necessary oversight to ensure that the O&M contractors performed the activities. We also found that PBS did not follow its requirements for periodic testing for lead and copper in water outlets in GSA child care centers. GSA closed most of its child care centers during the COVID-19 pandemic. However, PBS did not test the water in many of these centers for months or years after reopening them. Once performed, tests found hazardous levels of lead and copper in outlets at some GSA child care centers.

  Finally, we found that PBS's *Drinking Water Quality Management* policy and the PBS water safety guidance were flawed. Specifically, PBS's *Drinking Water Quality Management* policy did not fully incorporate U.S. Centers for Disease Control and Prevention and U.S. Environmental Protection Agency recommendations on maintaining water quality or testing for contaminants during periods of reduced or no occupancy. Additionally, the PBS water safety guidance did not include clear requirements for flushing and checking disinfectant levels, which can be a key indicator of water stagnation in building systems.

In both examples, the internal control breakdown included not only the failure to comply with laws, regulations, and policies, but also the lack of Agency oversight needed to ensure and enforce compliance.

---

[1] *GSA Purchased Chinese-Manufactured Videoconference Cameras and Justified It Using Misleading Market Research* (Report Number A220070/A/6/F24002, January 23, 2024).

[2] *Audit of GSA's Response to COVID-19: PBS Faces Challenges to Ensure Water Quality in GSA-Controlled Facilities* (Report Number A201018/P/4/R24005, July 22, 2024).

Failure to Address Findings Identified in Audit Reports

As part of an effective internal control system, GSA management is responsible for ensuring that its corrective actions resolve audit recommendations in a timely manner. However, during FY 2024, our office found that GSA did not fully take the corrective actions for audits, as described below:

- ***Implementation Review of Corrective Action Plan – Child Care Centers in GSA-Controlled Buildings Have Significant Security Vulnerabilities.***[3] PBS did not effectively address the recommendations included in our January 2020 report, *Child Care Centers in GSA-Controlled Buildings Have Significant Security Vulnerabilities*.[4] As a result, significant security vulnerabilities remain outstanding for 80 of 93 child care centers in GSA-controlled buildings.

  In accordance with its corrective action plan, PBS assessed all child care centers in GSA-controlled buildings in order to identify security vulnerabilities. While PBS's assessments identified numerous security vulnerabilities, the assessments were not comprehensive. Further, although PBS addressed some of the identified security vulnerabilities, many remain outstanding.

  In addition, PBS did not fully complete corrective actions to determine repair cost estimates for identified security deficiencies in GSA-controlled buildings with child care centers.

- ***Implementation Review of Corrective Action Plan – Audit of PBS Basic Repairs and Alterations Project: United States Court of International Trade Building.***[5] We found that PBS did not fully implement the corrective actions for one of our recommendations. Specifically, PBS did not ensure that its acquisition workforce completed the training outlined in its corrective action plan.

The examples above highlight the persistent problems with GSA's internal controls. GSA management needs to address these issues and continue its efforts to implement a more effective system of internal control.

---

[3] Assignment Number A240019, September 17, 2024.

[4] Report Number A170119/P/6/R20001, January 30, 2020.

[5] Assignment Number A230076, November 30, 2023.

Challenge 2: Improving Contract Award and Administration

GSA awards contracts for billions of dollars of products, services, and facilities every year. After the contracts are awarded, GSA's work turns to contract administration. Contract administration includes monitoring contractor performance against contract terms, reviewing and approving requests for payment, addressing change orders, and closing out contracts. We have been reporting contract administration as a challenge for GSA since 2020, and it continues to be a concern.[6]

In FY 2024, we continued to find and report on deficiencies in GSA's contract award and administration. For example:

- In August 2024, we issued a memorandum that reported deficiencies in PBS's oversight of an 8(a) program small business contractor.[7,8] During the *Audit of PBS Basic Repairs and Alterations Project: William Augustus Bootle Federal Building and U.S. Courthouse*, we found that PBS's ineffective oversight of the 8(a) program small business contractor created an environment in which the prime contractor may have acted as an 8(a) program small business "pass-through."[9,10]

- In August 2024, we reported on deficiencies with PBS's award, administration, and closeout of a contract for the installation of variable frequency drives for chilled water pumps and a tower fan at the Central Heating Plant in Washington, D.C.[11] Specifically, we found that PBS did not maintain a complete contract file. We also found that PBS did not verify that: (1) the contractor and its subcontractor employees were paid in accordance with Construction Wage Rate Requirements, and (2) the contractor complied with subcontracting limitations required for sole-source 8(a) program contracts. Finally, PBS did not follow security requirements for contractor employees

---

[6] *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2020.*

[7] *Ineffective Oversight of a Contract for Basic Repairs and Alterations to the William Augustus Bootle Federal Building and U.S. Courthouse Increased the Risk of 8(a) Program Small Business Fraud and Abuse* (Memorandum Number A210076-2, August 6, 2024).

[8] The U.S. Small Business Administration 8(a) program is a federal contracting and training program for experienced small business owners who are socially and economically disadvantaged.

[9] Report Number A210076/P/4/R23009, September 29, 2023.

[10] Under a "pass through" scheme, a participating business uses its 8(a) program status to obtain a contract and bills the government for the work performed. However, the 8(a) program participant pays a subcontractor that is not eligible for the 8(a) program to perform most of the work under the contract. In exchange for the "pass-through" use of the 8(a) program certification by the ineligible subcontractor, the 8(a) program participant typically keeps a part of the contract value without performing, or only minimally performing, any work.

[11] *Basic Repairs and Alterations Project for the Central Heating Plant in Washington, D.C., Was Not Effectively Managed* (Report Number A230043/P/R/24006, August 9, 2024).

and did not ensure accurate contract data was reported in the Federal Procurement Data System-Next Generation.

- In September 2024, we reported on problems with PBS's compliance with applicable laws, regulations, and policies when awarding and administering the $5.6 million Infrastructure Investment and Jobs Act-funded project to repave six land ports of entry at New York State's northern border.[12] We found deficiencies in PBS's task order award and administration that led to, among other things, violations of federal competition requirements, poor pricing and overpayments, security vulnerabilities, and a small business "pass-through" environment.

- In September 2024, we reported that the Federal Acquisition Service's (FAS's) Office of Assisted Acquisition Services (AAS) policy does not require AAS contracting officers to have adequate security clearances. As a result, this could impair the administration of contracts with classified elements.[13] For example, if the contracting officer does not possess an adequate security clearance, they cannot address contract issues involving classified information. Instead, the assigned contracting officer would need to identify another contracting officer with the requisite security clearance to address the contractual issues.

- In September 2024, we reported that FAS's price analyses for the products and services transferred to consolidated contracts were frequently limited and did not consistently leverage the government's collective buying power.[14] In particular, when performing price analyses for contracts subject to the Commercial Sales Practices requirement, FAS contracting personnel frequently accepted unsubstantiated most favored customer and commercial pricing information. This practice does not adhere to GSA policy, limits contracting personnel's ability to fulfill their responsibilities, and ultimately reduces the effectiveness of the price analyses.

  Meanwhile, when performing price analyses on Transactional Data Reporting (TDR) pilot contracts, FAS contracting personnel did not use TDR pilot data for pricing decisions. Instead, they relied primarily on pricing comparisons to other Multiple Award Schedule (MAS) and government contracts. However, according to GSA policy, these comparisons are to be used only as part of a larger negotiation objective development strategy. In addition, several of the comparisons were invalid because the proposed services were

---

[12] *Oversight of PBS's Projects Funded by the Infrastructure Investment and Jobs Act: Audit of Paving Project at New York State's Northern Border* (Report Number A220036/P/2/R24008, September 24, 2024).

[13] *FAS's AAS Should Improve its Oversight and Administration of Classified Contracts* (Report Number A230065/Q/3/P24001, September 16, 2024).

[14] *FAS Should Strengthen Its Price Analyses When Consolidating Multiple Award Schedule Contracts* (Report Number A230040/Q/3/P24002, September 30, 2024).

not compared to similar services, as required by Federal Acquisition Regulation (FAR) 15.4, *Contract Pricing*.

Since we began reporting on this challenge in 2020, GSA has taken steps to strengthen its policies, address training for its contracting staff, and implement process improvements for its contract award and administration. Despite these efforts, as shown in the examples cited above, weaknesses in GSA's contract award and administration persist. GSA needs to continue to improve its contract award and administration processes and to ensure that they are performed effectively.

Challenge 3: Developing Efficient and Effective Acquisition Solutions

As the federal government's primary provider of acquisition services, GSA has stated that it is committed to delivering value, innovation, and an exceptional customer experience. To meet these commitments, FAS is undertaking several initiatives that will have a major impact on its acquisition solutions. These initiatives include transforming the MAS Program and supply chain risk management. At the same time, recent legislative proposals would fundamentally change the MAS Program by relieving GSA of its responsibility to obtain the best pricing for federal customer agencies ordering from MAS contracts. These new initiatives and proposed legislative changes create significant challenges to FAS's ability to meet its mission.

Transforming the MAS Program

Since 2016, FAS has implemented several initiatives and tools to transform its MAS Program. These initiatives include consolidating schedules, using TDR pilot data for pricing, and automating pricing tools. With the simultaneous deployment of these initiatives and tools, FAS is continually challenged to ensure they are effectively implemented, managed, and evaluated so that FAS meets its core objective of leveraging the government's buying power.

Consolidated schedules. With an intended goal of reducing redundancy and duplication of services, products, and solutions across multiple acquisition centers, FAS continues the process of consolidating all its schedules into a single, all-encompassing GSA schedule. FAS has estimated that completion of the conversion process could take another 5 years.

Under the conversion process, FAS stated it would reassign each surviving contract to the acquisition center with the ability and expertise to administer it properly, conduct effective price analyses, and negotiate these contracts in accordance with federal regulations and GSA internal policies. As the consolidation progresses through its final phase, more than 600 contracts still need to be consolidated. FAS is still challenged to conduct effective price analyses and negotiate these contracts in accordance with federal regulations and GSA internal policies.

The TDR pilot and the impact on pricing decisions for MAS contracts. FAS has continued to expand the TDR pilot and change how it determines pricing for its MAS contracts. Before the

TDR pilot, FAS negotiated pricing for MAS contracts with the objective of achieving the contractors' "most favored customer" pricing and discounts based on its sales to commercial customers. However, under the TDR pilot, FAS has steadily departed from using commercially comparable pricing. Instead, FAS has taken steps to base schedule contract pricing on the "relative competitiveness" of proposed pricing to the pricing for similar items on other government contracts.

In 2016, FAS implemented the TDR pilot with the stated intent to improve the value taxpayers receive when purchases are made using select GSA contracting vehicles. Specifically, the prices paid information gathered from the transactional data reported by contractors would be used to determine fair and reasonable pricing. Accordingly, FAS made prices paid information one of the primary sources for evaluating MAS offers and negotiating pricing.

However, to date, the TDR pilot has yet to accomplish its intended purpose. In fact, the TDR pilot remains plagued by data quality issues, as the data for over 69 percent of reported sales is still not usable.

Despite this, FAS has just begun to make the data collected under the TDR pilot available to its contracting personnel for pricing decisions. However, contracting personnel are not being given access to the complete sets of TDR pilot data. While FAS has started to incorporate TDR pilot data into its Price Point Plus Portal (4P) tool, it only includes TDR pilot pricing data when an item is sold at least five times in quantities of five or less. This small subset of the transactional data does not take advantage of or leverage the government's buying power. Further, given that the FAR allows customer agencies to rely on GSA-negotiated pricing up to the simplified acquisition threshold (SAT), currently at $250,000, basing pricing on this limited data may result in overpricing at higher sales volumes.

Notwithstanding this failing, FAS has expanded the TDR pilot to 67 Special Item Numbers covering non-configurable products, with plans to move TDR out of the pilot phase and expand it incrementally until it is available on all MAS contracts.

In supporting its decision to expand the TDR pilot, FAS cites results from the use of prices paid data on significantly smaller blanket purchase agreements, such as 2nd Generation IT Products and Maintenance Repair Facility Supplies, and two enhanced Special Item Numbers under the Federal Strategic Sourcing Initiative for Office Supplies Fourth Generation. However, these are significantly smaller, OMB-designated Best-In-Class contracting solutions that require prices paid data reporting exclusive of the TDR pilot. We estimate the sales under these three contracting vehicles to represent approximately 3 percent of all the prices paid data FAS received in FY 2022.

When GSA proposed the TDR pilot in 2015, it stated that "this proposed rule would create a transactional data reporting clause to improve GSA's ability to conduct meaningful price analysis and more efficiently and effectively validate fair and reasonable pricing on both its non-FSS [Federal Supply Schedule] and FSS vehicles. It would also allow GSA's customers to improve their ability to compare prices prior to placing orders under its vehicles." This has yet to happen.

FAS's move from negotiating MAS pricing based on a contractor's most favored customer to relative competitiveness to other contracts is problematic, especially with FAS delays in correcting all its data issues and in limiting the use of the TDR pilot data it is collecting. Without reliable prices paid information, FAS will continue to be challenged with ensuring that GSA schedule pricing will comply with the Competition in Contracting Act of 1984's requirement that orders result in the lowest overall cost alternative to meet the government's needs.

Automated pricing tools for MAS contracts. Instead of relying on commercial sales or TDR data, FAS contracting personnel largely rely on pricing tools, such as the Contract-Awarded Labor Category (CALC) tool on services contracts and the 4P tool on products contracts, to determine fair and reasonable pricing.

However, contracting officers' reliance on automated pricing tools is problematic because pricing tools can only assess the relative competitiveness of a contractor's contract price to other contractors' contract prices, which does not ensure the government is receiving a contractor's most favored customer pricing. As a result, FAS contracting personnel are missing opportunities to leverage the government's buying power and provide ordering agencies with "prices associated with volume buying."[15] Further, FAS has no assurance that it is providing ordering agencies with pricing that will comply with the Competition in Contracting Act of 1984's requirement that orders result in the lowest overall cost alternative to meet the government's needs.

Supply Chain Risk Management

Supply chain risk management remains a major challenge for FAS and the entire federal government. Due to its unique responsibility in acquisition and contracting, as well as its administration of multiple government-wide procurement vehicles, FAS plays a crucial role in how the federal government manages supply chain risk.

Congress passed Section 889 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (NDAA Section 889) to help the federal government manage its supply chain risk. This law prohibits the federal government from procuring certain telecommunication items from Chinese-named entities, as well as entering into contracts with entities that use these prohibited telecommunication items.

GSA recognizes the federal government's supply chain risk related to NDAA Section 889 and has implemented internal controls to reduce that risk. For instance, FAS has developed the Prohibited Products Robomod process that flags potentially prohibited telecommunication

[15] FAR 8.402(a), *General*.

items included on GSA Advantage! based on keyword searches.[16] FAS has also developed a process to identify MAS contractors that have repeatedly added prohibited telecommunication items on GSA Advantage!. FAS also relies on the FAR provision that requires contractors to self-report if they provide or use the telecommunication items prohibited by NDAA Section 889.

Despite these efforts, GSA still faces challenges with identifying prohibited items and entities that should be removed from its many contracting vehicles and platforms. In July 2023, we reported that FAS's reliance on contractors' assertions regarding NDAA Section 889 is inadequate, and other controls and processes FAS has put in place, including the Prohibited Products Robomod process, are insufficient.[17]

In addition to our audit work in this area, a recent criminal case supported by our Office of Investigations highlights this challenge. In May 2024, a Florida resident and dual citizen of the U.S. and Turkey was sentenced to 6 years and 6 months in prison for trafficking fraudulent and counterfeit Cisco networking equipment.[18] Under the scheme, tens of thousands of low-quality, modified computer networking devices were imported from suppliers in China and Hong Kong. These devices included counterfeit labels, stickers, boxes, documentation, and packaging, which made them appear like genuine, high-quality devices authorized by Cisco. However, the devices suffered from numerous performance, functionality, and safety problems. The devices also made their way into highly sensitive federal systems, including classified information systems and platforms supporting U.S. military aircraft. Taken together with our audit work, this criminal case highlights the challenges that GSA faces with managing supply chain risks.

Trade Agreements Act. The TAA is a prominent supply chain procurement law. The TAA was enacted on July 26, 1979, to foster fair and open international trade. This act requires the federal government to only purchase goods that are manufactured in the United States or a TAA-designated country, with limited exceptions. Examples of countries that are not TAA-designated are China, India, Iran, Iraq, and Russia.

To ensure compliance, the requirements of the TAA have been included in the FAR. FAR 52.225-6(c), *Trade Agreements Certificate*, outlines that the government will only consider "U.S.-made or designated country end products unless the Contracting Officer determines that there are no offers for such products or that the offers for those products are insufficient to fulfill the requirements of [the] solicitation."

---

[16] GSA Advantage! is GSA's online shopping and ordering system that provides customers access to products and services.

[17] *Multiple Award Schedule Contracts Offered Prohibited Items, Putting Customers at Risk of Unauthorized Surveillance by Foreign Adversaries* (Report Number A220016/Q/6/P23002, July 10, 2023).

[18] https://www.justice.gov/opa/pr/leader-massive-scheme-traffic-fraudulent-and-counterfeit-cisco-networking-equipment.

In January 2024, we reported that employees of GSA IT misled a contracting officer with egregiously flawed information to acquire 150 Chinese-made, TAA-noncompliant videoconference cameras.[19] We reported that the TAA-noncompliant cameras were susceptible to security vulnerabilities that could have been addressed with a software update.

On January 21, 2022, 2 years earlier, we issued a letter to the FAS Commissioner, stating that FAS contracting officers did not report TAA-noncompliant products that were added to contracts supporting COVID-19 efforts.[20] We also found that FAS contracting officers modified contracts to add TAA-noncompliant products that were not in support of the government's COVID-19 response. We determined that FAS's controls to monitor and prohibit the sale of TAA-noncompliant products were insufficient.

As described above, GSA faces challenges in mitigating its supply chain risks, including customer agencies procuring prohibited telecommunication items, and ensuring procurements are compliant with the TAA. Until the proper controls are in place and enforced, prohibited telecommunication items may be offered under GSA's contracts and TAA-noncompliant items may be inappropriately or unknowingly purchased, possibly putting customer agencies at risk of unauthorized surveillance by foreign adversaries.

Proposed Legislative Change to Competition Requirements for MAS Contracts

Recent proposed legislation would eliminate the requirement under the Competition in Contracting Act of 1984 (CICA) that orders and contracts under the MAS Program result in the "lowest overall cost alternative to meet the government's needs." Instead, the Administrator would be granted the discretionary authority to determine if a purchase based on "best value" fits the government's needs.

The proposed change is problematic. As established for federal contracting, the "best value" methodology is not applicable to MAS contracts. It would in effect also relieve GSA of its responsibility to obtain the best pricing for federal customer agencies ordering from its MAS contracts. As a result, it will put federal agencies unnecessarily at risk of overpaying for commercial products and services purchased through GSA's $46.6 billion-a-year MAS Program. In addition, the proposal would eliminate the price advantage of leveraging the government's purchasing power.

CICA and the MAS Program. CICA requires full and open competition for federal procurements. The goal is to reduce costs through price competition. However, the contracts awarded under the MAS Program do not meet the basic CICA requirement for full and open competition. This is

[19] *GSA Purchased Chinese-Manufactured Videoconference Cameras and Justified It Using Misleading Market Research* (Report Number A220070/A/6/F24002, January 23, 2024).

[20] *FAS Lacks Sufficient Controls to Monitor and Prohibit the Sale of Trade Agreements Act Non-Compliant Products in Support of the Government's COVID-19 Response* (January 21, 2022).

because when GSA awards an MAS contract, GSA and the contractor agree on pricing without any price competition.

As a result, MAS contracts needed a special allowance under CICA since they do not meet the requirement for full and open competition. That special allowance provides that MAS contract pricing is deemed competitive as long as: (1) participation in the MAS program has been open to all responsible sources and (2) MAS contracts "result in the lowest overall cost alternative to meet the needs of the Federal Government."[21]

In effect, the CICA requirement for full and open competition was replaced by the requirement to achieve the "lowest overall cost alternative." To ensure its MAS contracts met this requirement, GSA instructed its contracting personnel to seek and obtain a contractor's best or most favored customer pricing.

It is important for GSA to ensure its contract pricing achieves the "lowest overall cost alternative" to meet the government's needs because the FAR allows agencies to rely on GSA's pricing without any further evaluation. Specifically, FAR 8.404, *Use of Federal Supply Schedules* instructs agencies that since GSA has already determined that the prices are fair and reasonable, customer agencies do not have to make their own price determination.[22]

Further, per the order requirements in FAR 8.405, *Ordering Procedures for Federal Supply Schedules*, there is no actual price competition on orders below the SAT (currently $250,000). Under the presumption that the GSA negotiated price will result in the lowest cost alternative, the FAR allows customer agencies to use streamlined ordering procedures for MAS contracts. According to FAR 8.405:

- Up to the micro-purchase threshold (currently at $10,000), customer agencies can order directly off a pricelist.
- Between the micro purchase threshold and the SAT:
    - For supplies/products and minor services, customer agencies are to survey the pricing for three schedule contracts before ordering.
    - For services that need a statement of work, customer agencies should provide a request for quote with the statement of work to three schedule contractors.

Based on the ordering procedures in the FAR, customer agencies ordering from an MAS contract are not required to seek price competition for orders below the SAT.

Thus, following the FAR, customer agencies are supposed to be able to rely on the un-competed GSA schedule contract pricing up to the SAT without determining price

[21] 41 U.S.C. 152(3).

[22] FAR 8.404, *Use of Federal Supply Schedules*. GSA also refers to its MAS Program as the Federal Supply Schedule program. Accordingly, these program titles are used interchangeably.

reasonableness or conducting a competition. Because of this, GSA has an obligation to ensure that its contract pricing achieves the "lowest overall cost alternative" for its customers.

Proposed CICA change. Under the proposed changed to CICA, MAS contracts would no longer be required to result in the "lowest overall cost alternative." Instead, it grants the GSA Administrator the discretionary authority to determine if a purchase based on "best value" fits the government's needs. This would be a significant change and is problematic for two reasons. First, the concept of "best value" as established in the FAR is not applicable to MAS contracts. Second, the change could relieve GSA of its responsibility to seek the best pricing for its MAS contracts and deny the government the ability to leverage its purchasing power.

"Best value" is not applicable to MAS contracts. The FAR defines "best value" as "the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement."[23] However, there is no requirement when GSA negotiates the contract. The requirement is instead determined by the customer agency when it defines what it wants to order under the MAS contract. As such, "best value" is not applicable to MAS contracts.

Further, under FAR 15.101, *Best value continuum*, "best value" is a methodology used to evaluate bids and proposals during competitive procurements.[24] However, when GSA negotiates MAS contracts, it is not a competitive procurement. Therefore, the "best value" methodology is not applicable.

Assertions that "best value" will make the MAS Program competition requirements comparable to other acquisition procedures are false. In support of this change, assertions are being made that moving the schedules pricing requirement for "the lowest overall cost alternative" to "best value" would give it comparable competition requirements as simplified acquisitions and negotiated procurements.

However, these assertions are false. Simplified acquisitions are required to promote competition (FAR 13.104, *Promoting Competition*) and competition requirements (FAR Part 6) apply to negotiated procurements. In contrast, contracts awarded under the GSA schedule have no competition and orders are not required to use competition until they exceed the SAT (FAR 8.405-1(d)(1) and FAR 8.405-2(c)(3)(i)). Moving to "best value" would eliminate the pricing requirement needed to make the contracts and orders under the MAS Program equivalent to full and open competition.

Change to "best value" will relieve GSA of its responsibility to obtain best pricing for MAS contracts. As CICA acknowledged, MAS contracts are not inherently competitive. As a result,

[23] FAR 2.101, *Definitions.*

[24] FAR 15.101, *Best value continuum.*

CICA established that MAS contracts must result in the "lowest overall cost alternative" to meet the CICA's requirements for full and open competition. However, the proposed CICA change would allow for the elimination of this requirement. This will have the effect of relieving GSA of its responsibility to obtain the best pricing for federal customer agencies ordering from its MAS contracts. As a result, the change to "best value" will unnecessarily place federal customer agencies at risk of overpaying for commercial products and services purchased through the MAS Program.

In sum, if GSA adopts the "best value" method for its contract level pricing, there will be no requirement for competition or an equivalent on any MAS procurement until the SAT is reached. As a result, MAS contracts and orders below the SAT will not meet the intent of the CICA.

In fact, the change would run counter to the goal of CICA—to reduce costs through price competition—and increase the likelihood that federal customer agencies will pay more for orders placed through GSA's $46.6 billion-a-year MAS Program.

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

PBS must maximize the performance of its real property inventory to provide its tenant agencies with space that meets their needs at a reasonable cost to American taxpayers. To achieve this goal, PBS must determine the best approach to reduce and consolidate space, reduce leasing costs, and meet O&M needs of its increasingly aging building inventory. Further, PBS must properly administer its capital construction program and ensure effective management of energy and utility contracts.

Reducing and Consolidating Space

According to the GSA Administrator, one of GSA's priorities is to optimize its real property portfolio. To do this, PBS must work with its customers to maximize the performance of its real property by identifying opportunities to reduce and consolidate space. As it works toward this goal, PBS faces a challenging environment driven largely by uncertainty about customer agency space needs in the wake of the COVID-19 pandemic. While some agencies are already reducing their space, PBS is still working with others to determine their office space needs.

During the pandemic, many federal agencies adopted remote work and full-time telework. After the pandemic, these flexibilities are being used more than in the past. As a result, many workers have not returned to the office at pre-pandemic levels, leading to underoccupied and vacant space. GAO recently testified that the increased use of remote work and telework has dropped occupancy for many federal headquarters facilities to 25 percent or less and the facilities are now underutilized.[25]

[25] *Federal Real Property: Preliminary Results Show Federal Buildings Remain Underutilized Due to Longstanding Challenges and Increased Telework* (GAO-23-106200, July 13, 2023).

Many federal agencies are now re-evaluating their future space needs considering their post-pandemic flexibilities. On July 13, 2023, the former PBS Commissioner, in a written statement to the House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings, and Emergency Management, wrote that:

> The pandemic highlighted the need for operational resilience and [PBS's] ability to work with customer agencies to support their many different mission needs and types of work. And many agencies—including GSA—have since realized that they can adapt their workplaces to more effectively and cost-efficiently carry out their missions. As the Government's largest civilian real estate provider, GSA will play a key role in helping agencies to redefine their space requirements and in facilitating the Federal Government's transition to what is likely to be a smaller real estate footprint.

However, in assessing their post-pandemic space needs, agencies must consider new OMB guidance that called for an increase in meaningful in-person work. In an April 13, 2023, memo, OMB instructed agencies to:

> Update Work Environment plans describing their current policies for telework and related operational policies, and anticipated future changes…. Agency workforces are generally expected to increase meaningful in-person work—that is in-person work that is purposeful, well-planned, and optimized for in-person collaboration—while still using flexible operational policies as an important tool in talent recruitment and retention. Planning should recognize that some operating units have improved performance while using workplace flexibilities, while also optimizing in-person work and strong, sustainable organization health and culture....[26]

To reduce and consolidate space in the post-pandemic environment, PBS will need to be flexible as it engages with customer agencies to determine their space needs. PBS regional commissioners have noted that many customers are either not ready or not willing to reduce and consolidate unused space.

However, as PBS engages with customers to reduce and consolidate space, it will need to manage new customer requirements and the resulting vacant space. Space consolidations in federal buildings may require PBS to address alteration needs and system upgrades to ensure that building systems are operating efficiently, effectively, and safely. Further, PBS will also need to manage vacant space, both owned and leased, to minimize the costs and backfill space when it is beneficial.

---

[26] *Measuring, Monitoring, and Improving Organizational Health and Organizational Performance in the Context of Evolving Agency Work Environments* (OMB M-23-15, April 13, 2023).

Post-Pandemic Financial Impact on the Federal Buildings Fund

In the wake of the COVID-19 pandemic, changing space needs for federal agencies and real estate market conditions may have a significant financial impact on the Federal Buildings Fund (FBF).

The FBF is an intragovernmental revolving fund that finances PBS real property management and related activities. Principal activities include the operation, maintenance, protection, and repair of GSA-controlled (owned and leased) buildings, and the construction of federal buildings and courthouses.

The FBF is primarily financed by income from rental charges assessed to customer agencies that occupy GSA-controlled space. By law, these charges approximate commercial rates for comparable space and services. GSA-leased space is generally priced to customer agencies as a pass-through of the underlying PBS lease contract rent, plus a PBS fee and security charges. GSA-owned space is priced by an appraisal based on comparable properties that sets a market rate rent for a 5-year period. Each space assignment in GSA-controlled space has an occupancy agreement between PBS and the customer agency, stating the financial terms and the conditions for occupancy.

In the aftermath of the pandemic, changes to PBS's operating environment may have a significant financial impact on the FBF. Specifically, changing customer space needs and decreases to commercial market rent costs may stress the FBF and PBS's operations.

The impact of changing customer space needs. As discussed above, federal agencies are reassessing their post-pandemic space needs. After adopting more remote work and telework during the pandemic, many agencies are considering reducing their space. As a result, GSA may have an increase in vacant and underutilized GSA-controlled space.

While any reduction in space will lead to lower revenue for the FBF due to decreased rental charges to customer agencies, the resultant cost increases may be more problematic. For vacant GSA-owned space, PBS will still incur O&M costs for the space. Further, to backfill the space with a new customer agency, PBS may need to repair or renovate the space to accommodate the new tenant. All these costs will be incurred although the space is not generating revenue.

Vacant GSA-leased space is an even bigger drain of FBF resources. When customer agencies return or abandon leased space and PBS is unable to backfill that space, the rental payments are paid out of the FBF without any revenue to reimburse it. Moreover, if GSA pays the lessor to be released from the lease (known as a lease buyout), it may be required to make an upfront, lump-sum payment based on a significant percentage of the future lease payments.

As customer agencies adjust their space needs in the post-pandemic environment, decisions to return space, whether owned or leased, will likely have a significant negative impact on the FBF through lower revenue and unreimbursed costs.

Decreases to commercial market rents. The FBF is also likely to see less revenue due to the commercial market downturn in the post-pandemic environment. As discussed above, rental rates in GSA-owned space are based on commercial market appraisals when new occupancy agreements are needed, usually every 5 years. The post-pandemic expansion of telework in the private sector has drastically reduced the demand for traditional, commercial office space and has resulted in discounted lease rates. These discounted commercial lease rates may affect the rental rates in new occupancy agreements with customer agencies, leading to lower revenue for the FBF and causing PBS a potentially unforeseen challenge. As of June 2024, commercial office listing rates were down 1.7 percent year-over-year, and 30 percent of commercial office building sales were at discount prices. Additionally, the national office vacancy rate was approximately 18 percent.

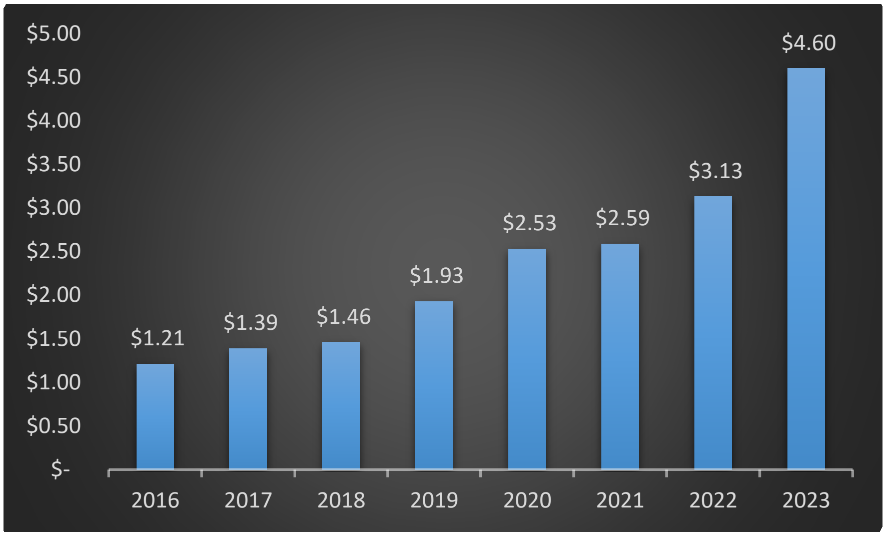
Taken together, the impact of the post-pandemic environment on the FBF could have significant implications on PBS, as it will result in less funding available for PBS activities. For example, our office has reported on PBS's significant challenges in managing its consistently increasing deferred maintenance throughout its ever-aging real property portfolio. A significant reduction in rent revenue flowing into the FBF combined with increased costs would further worsen PBS's ability to fund building maintenance. With less funding available in the FBF, PBS will have to be more thoughtful on how it reinvests in its federally owned portfolio and carefully consider what real estate savings it could actually achieve.

Meeting the O&M Needs of Federal Buildings

PBS continues to face challenges in managing the maintenance and repair needs of its aging portfolio of owned buildings. Deferred maintenance is defined as maintenance and repairs that are not performed when scheduled or delayed for a future period. These are activities categorized as preventive maintenance; replacement of parts, systems, or components; and other activities needing to be performed immediately to restore or maintain the building inventory in an acceptable condition.

As shown in *Figure 1* on the next page, GSA has reported a significant increase in deferred maintenance costs in recent years. In its 2023 *Agency Financial Report*, GSA reported approximately $4.6 billion in total estimated costs of deferred maintenance for its building inventory. This was a 46.9 percent increase from FY 2022 and a 280 percent increase from FY 2016.

Figure 1. GSA's Reported Deferred Maintenance Costs – FYs 2016 to 2023 (in Billions of U.S. Dollars)[27]



Our office recently reported on weaknesses in PBS's building maintenance and repairs. For example, in May 2024, we reported that O&M contractors did not consistently comply with the terms and conditions of their GSA contracts.[28] We found that O&M contractors did not complete all work orders for service requests and preventive maintenance. In some cases, O&M contractors marked work orders as complete even though the work was not actually completed. O&M contractors also did not complete work orders timely.

These deficiencies occurred for a variety of reasons that are attributable to both the O&M contractors and PBS. We found that O&M contractors are not always providing sufficient staff to meet their contract requirements, are struggling to hire and retain key personnel, and are not effectively monitoring their contract performance. We also found that O&M contractors and PBS are misinterpreting the time frames in O&M contracts for completing work orders for routine service requests, and that PBS does not always provide effective oversight of the O&M contractors' performance.

PBS's increasing deferred maintenance backlog, combined with recurring audit findings on weaknesses in building maintenance and repairs, demonstrates that PBS continues to face significant challenges to meet and manage the needs of its buildings.

---

[27] Source: GSA Agency Financial Reports for FYs 2016 to 2023.

[28] *Building Maintenance Contractors Are Not Complying with Their GSA Contracts Due to Poor Performance and Ineffective Oversight* (Report Number A230032/P/2/R24004, May 3, 2024).

Administering GSA's Capital Construction Program

PBS's Office of Design and Construction is responsible for leading GSA's capital construction program and supports GSA's regional offices in new construction, major modernization, and other capital construction projects, from pre-planning through commissioning.[29] As of September 2024, PBS reported 796 active capital construction projects, with aggregate values of almost $13 billion. Due to internal resource limitations, PBS faces challenges in delivering these projects and has become excessively reliant on construction management firms (i.e., construction managers). Additionally, PBS continues to struggle with its administration of Construction Manager as Constructor (CMc) contracts.

In response to our *Assessment of GSA's Management and Performance Challenges for FY 2022*, PBS stated that it has internal controls to assist in construction management and enable proper oversight of construction manager activities; however, PBS continues to face challenges in this area.

Construction management services. PBS requires the use of construction managers for its capital construction projects. Construction managers are private firms that act as advisors or consultants to PBS during the execution of capital construction projects. PBS has used construction managers to fulfill many functions and responsibilities within its capital construction program. In addition, PBS also uses construction managers for smaller projects and lease administration.

During our 2020 audit of PBS's use of construction management services, we found that PBS has become excessively reliant on construction managers.[30] As a result, PBS has allowed construction managers to perform inherently governmental functions, including developing independent government estimates, assessing contractor proposals on source selection boards, negotiating contracts, and accepting project deliverables. Further, PBS has provided construction managers with access to sensitive information, including competitors' proprietary information and government data, without mitigating conflicts of interest or ensuring data security.

We identified similar deficiencies in our March 2023 audit report on PBS's project to expand and modernize the Calexico West Land Port of Entry in Calexico, California. We found that PBS delegated critical functions to a construction manager without oversight.[31] PBS allowed the construction manager to develop independent government estimates, perform the technical

---

[29] Capital construction projects are projects that exceed the prospectus threshold, currently $3.613 million, and require congressional approval. In FY 2025, the prospectus threshold will increase to $3.926 million.

[30] *Audit of the GSA Public Buildings Service's Use of Construction Management Services* (Report Number A150028/P/4/R20009, September 4, 2020).

[31] *Audit of the Calexico West Land Port of Entry Expansion and Modernization Project* (Report Number A210070/P/9/R23006, March 2, 2023).

analyses for contract modifications, and prepare price negotiation memorandums without government approval. PBS also delegated labor and payroll standards compliance to the construction manager without oversight, which resulted in inadequate verification of payrolls. Further deficiencies with PBS's oversight of construction managers were identified in our September 2024 audit report on a project funded by the Infrastructure Investment and Jobs Act. We reported that PBS awarded construction management services for the project at inflated pricing and paid for services that were not received.[32]

PBS must provide effective oversight to prevent construction managers from performing inherently governmental functions, identify or mitigate potential conflicts of interest, and properly award and administer contracts for construction managers. PBS must also focus on hiring and retaining staff with the necessary skills to perform critical functions, especially given the number of PBS employees in mission-critical roles who will be eligible for retirement soon.

Construction Manager as Constructor contracts. The CMc is a project delivery method that PBS often uses for its capital construction projects. Using this method, PBS first awards a design contract to an architect-engineering firm. During the design phase, PBS awards a CMc contract to a general contractor for design phase services, including cost estimating and constructability reviews. The contract includes an option for construction services. This option requires the contractor to construct the project on time and within a competitively bid guaranteed maximum price.

Since our audits of PBS's projects funded under the American Reinvestment and Recovery Act of 2009, we have reported on numerous deficiencies in PBS's use of CMc contracts. PBS took numerous actions to address these deficiencies, particularly focusing on improvements to policy and regulations. However, in an August 2022 memorandum, we identified continued concerns with PBS's use of CMc contracts.[33] We noted that PBS is:

- Not ensuring that construction contractors properly accumulate and record project costs, preventing PBS from relying on the contractor's cost records for contractor payments and shared savings calculations;
- Improperly adjusting the contract's guaranteed maximum price, leaving PBS at risk of overpaying for construction services; and
- Prematurely converting the guaranteed maximum price to a firm-fixed price, increasing the risk that CMc contractors may be able to attain excessive profits.

PBS must ensure project teams use the CMc methodology correctly to prevent significant increases to project costs and avoid overpayments on current and future CMc contracts.

---

[32] *Oversight of PBS's Projects Funded by the Infrastructure Investment and Jobs Act: Audit of Paving Project at New York State's Northern Border* (Report Number A220036/P/2/R24008, September 24, 2024).

[33] *Improvement~~s~~ Needed in PBS's Use of Construction Manager as Constructor Contracts* (Memorandum Number A220057, August 17, 2022).

Infrastructure Investment and Jobs Act and Inflation Reduction Act. The Infrastructure Investment and Jobs Act (IIJA) provided GSA with $3.418 billion for the acquisition, construction, and repair and alteration of 26 land ports of entry (LPOEs). It also provided funding for paving projects, lease purchases, program contingency, and operational support costs.

In August 2022, we issued a memorandum identifying challenges facing PBS as it executes construction projects funded under the IIJA.[34] These challenges include:

- Ensuring the effective stewardship of taxpayer funds;
- Addressing the need for qualified project managers and contracting officers;
- Providing effective oversight of construction managers;
- Managing potential delays and cost overruns;
- Preparing and maintaining complete and accurate documentation;
- Awarding effective construction contracts; and
- Safeguarding access to LPOEs.

These challenges were exemplified in our September 2024 audit report, in which we found that PBS did not comply with applicable laws, regulations, and policies when awarding and administering the $5.6 million IIJA-funded project to repave six LPOEs at New York State's northern border.[35] We found deficiencies in PBS's task order award and administration that led to, among other things, violations of federal competition requirements, poor pricing and overpayments, security vulnerabilities, and a small business "pass-through" environment. PBS's performance on this project shows the risks arising from rushed attempts to obligate IIJA funding.

The Inflation Reduction Act (IRA) provided GSA with nearly $3.4 billion for low-embodied carbon materials in construction and renovation projects, emerging and sustainable technologies, and high-performance green buildings. The IRA targets reducing the federal government's carbon footprint associated with building materials and encourages new technology for a net-zero operational emissions federal building portfolio.

PBS has established a Program Management Office to oversee its use of IIJA and IRA funds. According to PBS, this office will identify, coordinate, and proactively mitigate risks to ensure IIJA and IRA funding is spent efficiently and effectively.

While this is a positive step, PBS must continue to take steps to address the challenges identified in our August 2022 memorandum, as well as any identified through the Program

[34] *GSA's Public Buildings Service Faces Challenges in Using Funds Received under the Infrastructure Investment and Jobs Act* (Memorandum Number 220036-2, August 11, 2022).

[35] *Oversight of PBS's Projects Funded by the Infrastructure Investment and Jobs Act: Audit of Paving Project at New York State's Northern Border* (Report NumberA220036/P/2/R24008, September 24, 2024).

Management Office, to ensure the successful delivery of both IIJA- and IRA-funded projects. In addition, PBS needs to maintain effective funds management on projects using a combination of funds from IIJA, IRA, regular budgetary accounts, and customer agencies to ensure funds are used properly.

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

Between December 2010 and June 2024, PBS awarded over $2.6 billion in Energy Savings Performance Contracts (ESPCs) and Utility Energy Service Contracts (UESCs). ESPCs and UESCs are high-risk areas, with high-dollar contract values and long-term financial commitments. Without effective management, PBS may not realize the savings needed to fund these contracts.

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

Due to their complexity and unique nature, ESPCs and UESCs present PBS with numerous management challenges. For example, in May 2021, we reported that PBS was not enforcing requirements of the ESPC task order at the U.S. Food and Drug Administration's (FDA's) White Oak campus.[36] As a result, PBS had no assurance that the contract is achieving the guaranteed cost savings needed to fund the $1.2 billion contract and was planning to pay for repairs that are the contractor's responsibility. Similarly, UESCs present a host of challenges for PBS, including limited competition, high numbers of sole-source contracts, and a lack of mandated savings guarantees.

In recent years, PBS has taken steps to address the challenges associated with ESPCs and UESCs. PBS has established a centralized ESPC oversight program within the Office of Facilities Management and is also in the process of strengthening guidance and controls for UESCs. PBS should continue its efforts to ensure that ESPCs and UESCs are effectively managed.

Challenge 5: Managing Agency Cybersecurity Risks

Like all federal agencies, GSA is dependent upon information technology (IT) to fulfill its mission. However, as cybersecurity threats continue to emerge, sensitive government information and systems must be adequately secured to safeguard against internal and external

[36] *PBS's National Capital Region is Failing to Adequately Manage and Oversee the Building Services Contracts at the FDA's White Oak Campus* (Report Number A190021/P/5/R21003, May 17, 2021).

threats that could compromise critical information and systems. GSA is not immune to these threats. Accordingly, GSA will continue to be challenged to effectively monitor and efficiently identify and respond to cybersecurity threats against Agency systems and data. GSA will have to continuously identify technical solutions and implement controls to mitigate such threats as bad actors find new ways to penetrate and navigate government networks and systems undetected.

Controlling Access to GSA Systems and Sensitive Information

In our *Assessment of GSA's Management and Performance Challenges* for FYs 2023 and 2024, we reported on threats to sensitive information maintained by GSA.[37] As these threats remain, GSA must ensure that it controls access to sensitive information available on its network and maintained in GSA systems. Sensitive information collected and maintained on GSA's network and within its systems includes:

- Personally identifiable information, such as social security numbers, employment-sensitive information, and security clearance forms;
- Procurement-sensitive information, such as information related to bidding and prices paid; and
- Controlled unclassified information, such as sensitive building information and financial, legal, contractual, and other sensitive information that is not classified.

Recent reports issued by our office demonstrate the importance of controlling access to GSA systems to protect this sensitive information. For example, in September 2023, we reported that GSA needs to strengthen its efforts to address cybersecurity risks to its mobile technologies.[38] GSA manages approximately 12,500 mobile devices, including smartphones and tablets, used by Agency employees to conduct federal business. The security of these devices is critical. If not properly managed, GSA mobile devices can be exploited to gain access to federal systems, networks, or data.

Additionally, in August 2024, we reported that GSA should strengthen the security of its robotic process automation (RPA) program.[39] GSA's RPA program uses bots, which are software applications that simulate human actions to reduce repetitive administrative tasks. We found that GSA's RPA program did not comply with its own IT security requirements to ensure that bots are operating securely and properly. GSA also did not consistently update system security

---

[37] *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2023* and *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2024*.

[38] *GSA Should Strengthen the Security of Its Robotic Process Automation Program* (Report Number A230020/B/T/F24004, August 6, 2024).

[39] *GSA Should Assess Recent Access Control Deficiencies to Identify Programmatic Improvements Needed to Protect GSA Systems and Data* (Memorandum Number A240023, May 29, 2024). Due to the sensitive information in this memorandum, it is not available to the public.

plans to address access by bots. Instead of addressing these issues, RPA program management simply removed or modified the requirements. Lastly, GSA's RPA program did not establish an access removal process for decommissioned bots, resulting in prolonged, unnecessary access that placed GSA systems and data at risk of exposure.

Because GSA systems contain sensitive data, GSA must continue to strengthen its monitoring of access to Agency systems, devices, and data to protect against the intentional or unintentional release of sensitive information. GSA should also implement appropriate management, operational, and technical security controls to manage and mitigate threats to GSA's systems, devices, and data.

Prioritizing Cyber Supply Chain Risk Management

Cyber supply chain risk management (C-SCRM) is the process of identifying, assessing, preventing, and mitigating the risks associated with suppliers of hardware, software, firmware, networks, systems, and services that underpin government systems, networks, and operations. C-SCRM covers the entire life cycle of a product or service, including its design, development, distribution, deployment, acquisition, maintenance, and destruction.

Executive Order 14028, *Improving the Nation's Cybersecurity*, was issued in May 2021. It directs the National Institute of Standards and Technology (NIST) to issue guidance "identifying practices that enhance the security of the software supply chain." The executive order further directs OMB to require agencies to comply with such guidelines. These requirements involve systematic reviews, process improvements, and security standards for both software suppliers and developers, in addition to customers who acquire software for the federal government.

In 2022, the National Security Agency, Office of the Director of National Intelligence, and the Cybersecurity and Infrastructure Security Agency (CISA) published a three-part joint publication series that provides suggested practices for developers, suppliers, and customer stakeholders to help ensure a more secure software supply chain.

With the uncertainty around its supply chain, GSA must remain vigilant in prioritizing, developing, and implementing effective C-SCRM policies, procedures, and practices to prevent or address a compromise of its assets and disruption to Agency operations.
To address the risks associated with the cyber supply chain, GSA must ensure it is adhering to federal C-SCRM requirements and incorporating risk management practices into its operations. These practices involve continuously identifying, assessing, and mitigating the risks associated with suppliers of hardware, software, firmware, networks, systems, and services that support Agency operations. Additionally, GSA must continue to ensure that it

is not procuring restricted products and services to support internal operations that could subject Agency assets and resources to cyber supply chain risks.[40]

Migrating to a Zero Trust Architecture

In January 2022, OMB released memorandum M-22-09, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles*. This memorandum requires agencies to achieve specific zero trust security goals by the end of FY 2024 and details the specific cybersecurity standards and objectives needed to achieve a federal zero trust architecture (ZTA) strategy. ZTA is an information system security strategy that continually verifies each user, device, application, and transaction. No actor, system, network, or service operating outside or inside the security perimeter is trusted.

GSA is progressing toward ZTA implementation. This implementation intends to restrict employee access to seeing only the information needed to do their job, without having access to any unnecessary information. GSA's approach is being guided by CISA's *Zero Trust Security Model 2.0*, which focuses on the most foundational and important pillars: networks, users, devices, and security operations. GSA's future focus will be on application security and a broader focus on data.

GSA is also implementing a suite of ZTA security tools to facilitate secure access to internal and external applications. This transition represents a fundamental redesign of GSA's enterprise security workflow. GSA is challenged to ensure that it sufficiently monitors this process and Agency resources to ensure a stable and secure transition to ZTA.

Login.gov

GSA developed Login.gov as a single sign-on identity platform for the public to access online government services that require user authentication. Login.gov provides services to several high-traffic government resources, including the Social Security Administration, the USAJOBS website, the System for Award Management, and some U.S. Department of Homeland Security websites. The technical security controls that protect Login.gov are important because they provide access to systems that contain personally identifiable information, facilitate the transfer of government funds, and conduct other mission-critical government business.

In March 2023, we issued a report titled *GSA Misled Customers on Login.gov's Compliance with Digital Identity Standards.*[41] Our evaluation found that GSA misled its customer agencies when it failed to communicate Login.gov's known noncompliance with Identity

[40] NDAA Section 889 prohibits executive agencies from purchasing restricted products and services to better manage supply chain risks and reduce threats to key U.S. supply chains by foreign adversaries.

[41] Report Number JE23-003, March 7, 2023.

Assurance Level 2 (IAL2) requirements of NIST Special Publication (SP) 800-63-3, *Digital Identity Guidelines.* The IAL2 level of identity assurance is needed to provide the level of security necessary to protect Login.gov's customers and resources against ever-growing and changing cybersecurity threats. Despite GSA officials' assertions that Login.gov met the IAL2 requirements of NIST SP 800-63-3, Login.gov never included a physical or biometric comparison for its customer agencies.

In May 2024, GSA began to pilot facial recognition technology consistent with NIST SP 800-63-3 to achieve evidence-based remote identity verification at the IAL2 level. In addition, this pilot provides users with a visible, upfront option to verify their identity in-person at one of more than 18,000 local U.S. Postal Service locations without the use of facial matching technology. GSA has also begun an *Equity Study on Remote Identity Proofing* that will define the gaps in existing identity-proofing technologies as GSA attempts to deliver an unbiased user experience to everyone. This research will help assess the impact of facial recognition technology across multiple demographic groups and vulnerable populations. GSA plans to release the results of this study in FY 2025.

GSA will continue to be challenged with providing technology to meet the biometric requirements needed to satisfy IAL2 standards until an appropriate solution is implemented.

System for Award Management

FAS is responsible for the System for Award Management (SAM), a presidential e-government initiative that consolidated 10 procurement-related legacy systems. These systems, collectively known as the Integrated Award Environment, are used by those who award, administer, and receive federal funds.

From 2016 to 2018, significant security incidents exposed a vulnerability in SAM related to the identity verification of individuals and their authorization to conduct business on behalf of a company.[42] One criminal successfully redirected a payment of $1.521 million to a business registered in SAM into an account the criminal controlled. In 2024, bad actors continue efforts to impersonate GSA acquisition officials to profit from unsuspecting government contractors.

Additionally, public information in SAM remains susceptible to misuse by third parties. For example, third parties are using public information generated by SAM to contact system registrants to request money to complete or renew their registration, even though registration in SAM has always been free of charge. In some instances, third-party registration services are offered for a fee; in other instances, third parties fraudulently claim to represent GSA and request fees from the registrant. This has the potential to

[42] *FAS Does Not Effectively Manage Information Security Risks in the System for Award Management* (Report Number A170116/Q/T/P20001, December 20, 2019).

erode public trust in SAM and the government's ability to protect the interests of contractors doing business through SAM.

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

Artificial Intelligence

In June 2024, GSA issued an order entitled *Use of Artificial Intelligence at GSA*.[43] The order defines artificial intelligence (AI) roles and responsibilities, policies, legal and programmatic authorities, and definitions. It also responds to a growing number of federal laws and directives, such as:

- The *Artificial Intelligence in Government Act of 2020*;
- *The Artificial Intelligence Training for the Acquisition Workforce Act of 2023*;
- Executive Order 13960, *Promoting the Use of Trustworthy Artificial Intelligence in the Federal Government*;
- Executive Order 14110, *Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence*;
- OMB Memorandum M-21-06, *Guidance for Regulation of Artificial Intelligence Applications*; and
- OMB Memorandum M-24-10, *Advancing Governance, Innovation, and Risk Management for Agency Use of Artificial Intelligence*.

GSA intends to renew its focus on automation in cyber defense, particularly regarding AI, emphasizing the importance of developing the ability to use defensive AI to counteract offensive AI-based attacks. Additionally, GSA is planning to use AI for IT operations, a technology that combines big data, machine learning, and automation to improve IT operations. GSA is working on using AI to automatically monitor employee activity (e.g., login times and employee use of applications, websites, and other online services).

As GSA implements these new technologies, it will be challenged with doing so in compliance with the above-mentioned guidance and without creating new vulnerabilities to cyberattacks.

[43] GSA Order CIO 2185.1A.

State-Sponsored Attempts to Compromise and Maintain Persistent Access to Federal Networks

In February 2024, the CISA, National Security Agency, and Federal Bureau of Investigation issued a joint cybersecurity advisory titled *People's Republic of China (PRC) State-Sponsored Actors Compromise and Maintain Persistent Access to U.S. Critical Infrastructure*. The authoring agencies have confirmed that PRC state-sponsored cyber actors have compromised the IT environments of multiple critical infrastructure organizations—primarily in communications, energy, transportation systems, and water and wastewater systems sectors—in the continental and non-continental United States and its territories, including Guam.

According to this advisory, the PRC state-sponsored cyber actors' choice of targets and pattern of behavior is not consistent with traditional cyber espionage or intelligence-gathering operations. The authoring agencies assess with high confidence that PRC state-sponsored actors are pre-positioning themselves on IT networks to enable lateral movement to operational technology assets to disrupt functions. There are concerns about the potential for these actors to use their network access for disruptive effects in the event of potential geopolitical tensions or military conflicts.

The authoring agencies have recently observed indications of PRC state-sponsored cyber actors maintaining access and footholds within some victims' IT environments for at least 5 years. Since GSA supports many sensitive and critical systems, such as human resources, payroll, real property, and financial systems, both internally and as shared services, GSA has an increased risk of being targeted for these types of threats from state-sponsored actors. GSA will need to continue to assess these risks and monitor for any indications that its systems may be compromised.

Challenge 6: Providing a Safe Work Environment

GSA plays a significant role in providing a safe and secure work environment for federal employees and visitors at over 8,300 federally owned and leased facilities nationwide. Part of GSA's responsibility is implementing its PBS Facility Safety, Health, and Environmental Management Program to ensure compliance with safety and health requirements as mandated by Executive Order 12196, *Occupational safety and health programs for Federal employees*; and 29 C.F.R. 1960, Subpart E, *General Services Administration and Other Federal Agencies*.

GSA's management of building safety measures is critical because problems could pose fire, safety, and health risks to GSA building tenants, visitors, contractors, PBS staff, the public, and federal property. However, our recent reports and memorandums have demonstrated that GSA faces challenges in this area.

- In May 2024, we reported that the PBS National Capital Region (PBS NCR) mismanaged asbestos in Building 40 of the St. Elizabeths West Campus in Washington, D.C.[44] Specifically, we found that PBS NCR:

    - Did not maintain comprehensive and reliable asbestos records for the building, which hindered its ability to effectively manage asbestos in the building;
    - Did not take appropriate measures to eliminate or mitigate asbestos-containing material hazards in the building, placing building occupants, visitors, and contractors at risk of asbestos exposure; and
    - Failed to notify building occupants of the presence and location of asbestos in the building in violation of an Occupational Safety and Health Administration standard and PBS asbestos management policy.

    Overall, we found that these deficiencies were driven by significant gaps in PBS NCR personnel's knowledge and understanding of asbestos management requirements.

- In July 2024, we reported that PBS did not consistently incorporate water safety activities guidance into O&M contracts or provide the necessary oversight to ensure that the O&M contractors performed water safety activities.[45] We also found that PBS did not follow its requirements for periodic testing for lead and copper in water outlets in GSA child care centers and identified flaws in PBS's water safety guidance.

- In July 2024, we issued a memorandum notifying the PBS Commissioner that PBS Great Lakes Region did not respond to water contamination at the Patrick V. McNamara Federal Building in a timely manner.[46] As a result, building occupants were at risk of exposure to potentially harmful levels of lead, copper, and *Legionella* bacteria, and were not provided with critical information necessary to make informed decisions about their health and safety.

- In August 2024, we issued a memorandum notifying the PBS Commissioner of a significant backlog of open occupational safety and health, and fire risk conditions throughout GSA-managed assets.[47,48] According to PBS data, nearly 36,000 actionable,

[44] *Audit of PBS National Capital Region's Asbestos Management in Building 40 of the St. Elizabeths West Campus* (Report Number A230046/P/R/R24003, May 1, 2024).

[45] *Audit of GSA's Response to COVID-19: PBS Faces Challenges to Ensure Water Quality in GSA-Controlled Facilities* (Report Number A201018/P/4/R24005, July 22, 2024).

[46] *GSA Did Not Respond to Water Contamination at the Patrick V. McNamara Federal Building in a Timely Manner, Placing Building Occupants at Risk* (Memorandum Number A240049, July 30, 2024).

[47] *Assessment of a Hotline Complaint: GSA's Public Buildings Service Faces a Significant Backlog of Open Occupational Safety and Health, and Fire Risk Conditions* (Memorandum Number A230075, August 29, 2024).

[48] GSA-managed assets consist of government-owned buildings and leased spaces.

open risk conditions exist at almost 2,000 GSA-managed assets nationwide. PBS's data also shows that more than 5,000 of these open risk conditions have not been addressed within the 30-day period required by the Occupational Safety and Health Administration.

These reports and memorandums demonstrate that PBS continues to face significant challenges to meet and manage its responsibilities for providing a safe work environment at federally owned and leased facilities.

Challenge 7: Securing Federal Facilities

GSA plays a significant role in providing secure federal facilities nationwide. However, our reports demonstrate GSA management's significant challenges in securing federal facilities. Recent audits have found problems with GSA's monitoring and enforcement of its security protocols.

For example, in February 2024, we reported that PBS is not effectively managing high-risk uses of GSA-controlled space occupied by federal law enforcement agencies.[49] We found that PBS does not define some federal law enforcement activities as high-risk activities. As a result, PBS is not always aware of the safety and security risks these activities pose to building tenants, visitors, and first responders and does not consistently take steps to mitigate these risks. During our inspections of 25 sampled buildings, we identified the following safety and security risks:

- Detainees were transported through unsecure public pathways;
- Seized drugs were stored in evidence vaults that lacked proper ventilation; and
- Fire and safety risks from the storage of ammunition in law enforcement armories were not mitigated.

We also found that PBS has not established clear lines of responsibility for notifying first responders of the location of armories during fire emergencies.

In another example, we identified security vulnerabilities in our September 2024 report on the PBS Northeast and Caribbean Region's (PBS Region 2's) IIJA-funded project to repave six LPOEs at New York State's northern border.[50] PBS Region 2's paving project task order required before and after pictures to demonstrate that the work was completed. To fulfill this requirement, the O&M contractor subcontracted with an operator of unmanned aircraft systems, which are also known as "drones," to take the pictures. However, the subcontractor used drones

[49] *PBS Is Not Assessing High-Risk Uses of Space by Federal Law Enforcement Agencies, Raising Safety and Security Issues* (Report Number A220077/P/6/R24002, February 14, 2024).

[50] *Oversight of PBS's Projects Funded by the Infrastructure Investment and Jobs Act: Audit of Paving Project at New York State's Northern Border* (Report Number A220036/P/2/R24008, September 24, 2024).

manufactured by a Chinese company that the U.S. Department of Defense has identified as a potential national security threat.

Additionally, PBS Region 2 did not adequately enforce security requirements for construction personnel who worked on the paving project task order. We found that PBS Region 2 did not ensure that background security checks were completed for construction personnel and a drone operator prior to their work at the six LPOEs. In fact, PBS Region 2 did not try to confirm this information until we inquired about it as part of our audit. We also found that PBS Region 2 was unaware that the O&M contractor did not submit the names of all construction personnel for background security checks.
Taken together, these examples demonstrate that physical security remains a challenge for GSA.

Challenge 8: Managing the Electrification of the Federal Fleet

Executive Order 14057, *Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability*, requires federal agencies to replace 100 percent of their light-duty, gasoline-powered fleet vehicles with zero-emission vehicles by 2027 and replace all gasoline vehicles with zero-emission vehicles by 2035. GSA's Fleet Management faces numerous challenges in transitioning to an all zero-emission vehicle fleet. These challenges include finding available zero-emission vehicles to purchase, managing rising repair costs for the current vehicle fleet, and developing the charging infrastructure to power zero-emission vehicles.

First, GSA is challenged to find available zero-emission vehicles and secure sufficient funding to replace its fleet. For example, many federal agencies require heavy-duty vehicles, such as sport utility vehicles and trucks, to accomplish their missions. However, GSA's available electric vehicle options generally do not include these specific types of vehicles because the availability of these vehicles is still expanding in the marketplace.

Second, GSA's Fleet Management is facing rising costs to purchase and maintain its fleet of almost 235,000 vehicles. Since 2020, Fleet Management has paid, on average, 71 percent more to purchase new vehicles to lease to federal agencies. The average costs for vehicle repair and maintenance during that same time frame have increased 82 percent. Repair costs are incurred more frequently because agencies are keeping vehicles longer due to Fleet Management's inability to acquire zero-emission replacement vehicles.

As a result, Fleet Management must charge higher vehicle lease rates that cover the rising costs of vehicles and repairs. In FY 2024, Fleet Management raised lease rates by 7.7 percent; in FY 2025, it plans to raise lease rates by 15 percent. To keep up with the rising costs, Fleet Management plans to increase rates higher than inflation in FYs 2026 and 2027, before returning to the normal practice of increasing rates at the rate of inflation. Due to significant increases in vehicle acquisition and repair costs, Fleet Management was expected to lose more than $200 million in FY 2024.

Third, the current electric vehicle charging infrastructure is not adequate to accommodate widespread electric vehicle use. According to GAO, as of March 2022, federal agencies owned about 1,100 charging stations, some of which contained multiple ports. GSA officials stated that over 100,000 charging stations may be needed to support widespread electric vehicle use, at a price that could vary from $1,000 to over $100,000 per station, depending on the complexity of the project. To support the executive order's targeted deadlines of 2027 and 2035, GSA will have to rapidly work to expand the electric vehicle charging infrastructure, especially at federally owned and leased buildings within PBS's portfolio. However, availability constraints, added strain on the electrical grid, and lack of funding present challenges to GSA in carrying out this executive order.

Challenge 9: Management of the Technology Transformation Service

GSA's Technology Transformation Service (TTS) was established in 2016 as GSA's third service line to become a "permanent home for innovation and technology modernization inside GSA." However, after significant management issues were identified, TTS was realigned to report to the FAS Commissioner in 2017.[51]

TTS primarily relies on GSA's Acquisition Services Fund, a revolving fund that requires cost recovery to fund its operations. Initially projected to achieve cost recovery in FY 2019, TTS's latest projections push that date to FY 2027. Despite operating at a deficit, TTS plans to increase its staff by nearly 30 percent between FY 2024 and FY 2027. With its hiring goals and past history, TTS's stated plan to meet its cost recovery goals are uncertain and will likely be a challenge into the future.

Since its creation, TTS has been the subject of one GAO report and three reports issued by our office.[52] In all four reports, recommendations were made to improve management controls related to oversight, financial management, performance, and IT. Since as early as 2017, TTS officials have told us that they were establishing internal controls.
Despite those assertions, TTS continues to have problems. For example, our March 2023 report found that TTS misled customers on its compliance with digital identity standards and collected $10 million for services it knew were deficient. The report also found that TTS used misleading language to obtain $187 million from the Technology Management Fund. In response to that report, TTS officials again told us they would establish internal controls.

FAS, and more largely, GSA, is at a critical juncture to restore the confidence and trust in TTS from its customers, Congress, and the taxpayer. TTS recently launched a pilot to comply with

[51] *Investigation of Whistleblower Reprisal Complaint* (June 21, 2017).

[52] GAO's *Digital Service Programs: Assessing Results and Coordinating with Chief Information Officers Can Improve Delivery of Federal Projects* (GAO-16-602, August 15, 2016); GSA OIG's *Evaluation of 18F* (JE1-001, October 24, 2016); GSA OIG's *Evaluation of 18F's Information Technology Security Compliance* (JE17-002, February 21, 2017); and GSA OIG's *GSA Misled Customers on Login.gov's Compliance with Digital Identity Standards* (JE23-003, March 7, 2023).

digital identity standards and will undergo an independent assessment to evaluate its compliance. The TTS director stated that this pilot reinforces TTS's "strong commitment to privacy, accessibility, and security." In FY 2025, TTS must deliver on these principles and GSA must make a concerted effort to strengthen its oversight of TTS to ensure appropriate operational controls are in place and followed by its staff.