October 13, 2023

TO: ROBIN CARNAHAN
ADMINISTRATOR (A)

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

ROBERT ERICKSON
Digitally signed by ROBERT ERICKSON
Date: 2023.10.13 09:57:21 -04'00'

SUBJECT: Assessment of GSA's Management and Performance Challenges for Fiscal Year 2024

As required by the Reports Consolidation Act of 2000, Public Law 106-531, we have prepared for inclusion in the Fiscal Year 2023 Agency Financial Report the attached assessment summarizing what we consider to be the most significant management and performance challenges facing GSA in Fiscal Year 2024.

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

1. Establishing and Maintaining an Effective Internal Control Environment
2. Improving Contract 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 2024

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) 2023:

- In April 2023, we reported that GSA's Public Buildings Service (PBS) did not ensure compliance with regulations and policies in awarding and administering a task order for repairs and mold remediation for the Fort Lauderdale Federal Building and Courthouse.[1] We found numerous deficiencies with this task order, especially with the lack of required contract file documentation.

After we requested contract file documentation at the start of our audit, GSA uploaded 383 documents to the contract file. Even after these documents were uploaded, critical contract documents had to be obtained from external sources or remained missing. For example, copies of certified payrolls were obtained from the contractor; however, other required documentation, including the acquisition plan, security review documents, and notice of substantial completion, could not be located.

- In July 2023, we reported that GSA failed to comply with federal laws and regulations due to inadequate contract oversight and enforcement. Federal laws and the Federal Acquisition Regulation (FAR) prohibit the procurement of certain telecommunication items that foreign adversaries could use for unauthorized surveillance; however, prohibited telecommunication items were being offered on GSA's Multiple Award Schedule (MAS) contracts.[2]

  As part of its contract oversight, GSA relied on vendor self-certifications in GSA's System for Award Management (SAM) and an automated process known as the Prohibited Products Robomod (Robomod) to identify prohibited items on MAS price lists in GSA Advantage!. However, we found weaknesses in and limitations to both controls that limited their effectiveness. We also identified problems with the Agency's enforcement of prohibited telecommunication items on MAS contracts, including that GSA's Federal Acquisition Service (FAS) initially did not comply with FAR requirements to include subsidiaries and affiliates of named entities when identifying prohibited telecommunication items on MAS contracts.

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.

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 2023, our office found that GSA did not fully take the corrective actions for three audits as described on the next page:

---

[1] *Audit of PBS Basic Repairs and Alterations Project: Fort Lauderdale Federal Building and Courthouse* (Report Number A220042/P/6/R23007, April 20, 2023).

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

- ***PBS's National Capital Region is Failing to Adequately Manage and Oversee the Building Services Contracts at the FDA's White Oak Campus.3*** We found that PBS's National Capital Region did not fully complete the corrective actions for our recommendations to: (1) implement the appropriate personnel actions needed to address deficiencies in the management of contracts for the White Oak campus, and (2) recover and reimburse the U.S. Food and Drug Administration (FDA) for overpayments for after-hours operations and maintenance services.

- ***Opportunities for PBS to Improve Management and Oversight of Its Federal Aggregated Solar Procurement Pilot Contracts.[4]*** We found that PBS did not fully implement the corrective actions for four of our recommendations. Specifically, PBS did not: (1) include a provision in its standard operating procedures for PBS to select future photovoltaic project sites that have solar energy rates that are less than local utility rates; (2) complete its review of fall protection at the U.S. Geological Survey Menlo Park Campus; (3) include controls in the standard operating procedures to ensure compliance with Buy American Act and Trade Agreements Act requirements; and (4) consider all options for the use of solar renewable energy certificates, risking lost opportunities to maximize energy savings.

- ***FAS's Use of Pricing Tools Results in Insufficient Price Determinations.[5]*** We found that FAS did not fully implement the corrective actions for two of our recommendations. Specifically, FAS did not establish: (1) comprehensive policy, guidance, and controls to ensure resultant price analyses are valid; and (2) controls to ensure that data contained in the pricing tools is complete, accurate, and consistent, and identifies labor rates associated with contracts with no sales activity.

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] *Implementation Review of Corrective Action Plan: 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* (Assignment Number A230047, August 24, 2023).

[4] *Implementation Review of Corrective Action Plan: Opportunities for PBS to Improve Management and Oversight of Its Federal Aggregated Solar Procurement Pilot Contracts*, *Report Number A201020/P/9/R21008, September 30, 2021* (Assignment Number A230030, August 3, 2023).

[5] *Implementation Review of Corrective Action Plan: FAS's Use of Pricing Tools Results in Insufficient Price Determinations, Report Number A180068/Q/3/P20002, December 23, 2019* (Assignment Number A230051, September 21, 2023).

Challenge 2: Improving Contract 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 2023, we continued to identify and report on deficiencies in GSA's contract administration. For example:

- In February 2023, we reported on problems with GSA's administration of performance-based contracts.[7] We found that GSA contracting personnel were not: (1) administering performance-based contracts in accordance with regulations, guidance, and internal policies; (2) consistently establishing or enforcing quality assurance surveillance plans; (3) preparing justified or timely past performance reports; and (4) complying with internal policy established to improve contract administration.

- In March 2023, we identified deficiencies with PBS's planning, award, administration, and close out of the Calexico West Land Port of Entry expansion and modernization project.[8] We found that PBS compromised security on the project due to inconsistent requirements and inadequate enforcement. We also found that PBS did not: (1) oversee the acquisition activities performed by the construction management contractor; (2) maintain essential documents for contract modifications; (3) adequately oversee contractor compliance with labor standards requirements; and (4) ensure that contractors completed required safety orientation training before working onsite.

- In September 2023, we identified deficiencies with PBS's award and administration of a contract to modernize the heating, ventilation, and air conditioning system at the William Augustus Bootle Federal Building and U.S. Courthouse in Macon, Georgia.[9] As a result of these deficiencies, PBS overpaid the contractor, providing it with excessive profits; circumvented congressional oversight; did not enforce building security requirements; and enabled subcontractors to underpay employees.

---

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

[7] *GSA's Administration of Performance-Based Contracts Puts the Government at Risk of Unsatisfactory Contractor Performance and Wasted Funds* (Report Number A210064/A/3/F23002, February 9, 2023).

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

[9] *Audit of PBS Basic Repairs and Alterations Project: William Augustus Bootle Federal Building and U.S. Courthouse* (Report Number A210076/P/4/R23009, September 29, 2023).

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 administration. Despite these efforts, as shown in the examples cited above, weaknesses in GSA's contract administration persist. GSA needs to continue to improve its contract 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 Multiple Award Schedule Program;
- Supply chain risk management; and
- Managing the transition to the Enterprise Infrastructure Solutions contract.

While these initiatives are intended to help FAS meet GSA's commitments and ensure compliance with recent legislation, they also significantly change FAS's processes and programs, creating challenges to FAS's ability to meet its mission.

Transforming the Multiple Award Schedule Program

Since 2016, FAS has implemented several initiatives and tools to transform its Multiple Award Schedule (MAS) Program. These initiatives include consolidating schedules, using transactional data reporting (TDR) for pricing, and automating pricing tools. With the simultaneous deployment of these initiatives and tools, FAS is challenged to ensure they are effectively implemented, managed, and evaluated so that FAS meets its core objective to leverage 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 is continuing to consolidate all its schedules into a single, all-encompassing GSA schedule. FAS expects that the consolidation will reduce the administrative and contractual burden of maintaining duplicate contracts and allow schedule contractors to provide "total solutions" under a single schedule contract. FAS has estimated that the conversion of existing schedule contracts will take 5 years.

At the start of FY 2020, FAS began the consolidation process for new schedule offers, followed by an ongoing conversion of existing schedule contracts. Under the conversion process, FAS must assign 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 continues through its final phase, 46 percent of contractors with multiple schedule contracts have consolidated to one schedule contract. FAS faces the challenge of motivating remaining contractors with multiple schedule contracts to complete the consolidation in a timely manner. According to FAS, it has no mechanism to force contractors to submit and complete consolidation plans.

Using TDR to Support Pricing Decisions for Multiple Award Schedule Contracts. FAS has been changing how it determines fair and reasonable pricing for its MAS contracts. Until recently, FAS negotiated pricing for MAS contracts to achieve the contractors' "most favored customer" pricing and discounts based on its sales to commercial customers. However, FAS has steadily moved away from using commercially comparable pricing and instead 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 transactional data from prior government procurements would be used to determine fair and reasonable pricing.

However, to date, the TDR pilot has yet to accomplish its intended purpose. The data collected under the TDR pilot has not been used for pricing decisions. It has been plagued by data quality issues and contracting personnel have not been given access to the data.[10] Despite this failing, FAS still plans to eventually move TDR out of the pilot phase and expand it to all MAS contracts.

The TDR pilot has also introduced additional risks associated with the potential use of inaccurate and unreliable TDR data. This may lead to flawed price evaluations that result in government agencies overpaying for products and services. As a result, GSA will not be able to ensure that contracting officers achieve fair and reasonable pricing that will result in the best value and the lowest overall cost alternative for the government.

Automating Pricing Tools for Multiple Award Schedule Contracts. Instead of using TDR data, FAS contracting personnel largely rely on pricing tools, such as the Contract-Awarded Labor Category (CALC) Tool on services contracts and the Price Point Plus Portal (4P) Tool on products contracts, to determine fair and reasonable pricing.

However, contracting officers' reliance on automated pricing tools is problematic. When automated pricing tools have been used for pricing determinations, FAS has not been able to ensure that: (1) contracting officers' use of the tools is compliant with federal regulations, FAS pricing policies, and the intent of the MAS Program; (2) the data within the tools is accurate and reliable; and (3) contracting officers are documenting their price analyses in accordance with federal regulations and FAS policy. As a result, use of the pricing tools does not meet the MAS

[10] *GSA's Fiscal Year 2020 Transactional Data Reporting Pilot Evaluation Provides an Inaccurate Assessment of the Program* (Report Number A210081/Q/3/P23001, May 1, 2023).

Program's objective to leverage the collective buying power of the government and ensure that prices reflect the best value and lowest overall cost alternative to meet the government's needs.

Further, we have found that pricing determinations based on automated pricing tools often fail to result in "most favored customer" pricing.[11] Instead, FAS's new pricing methodology using the pricing tools is based on ensuring proposed prices are "relatively competitive" with other government contracts. As a result, FAS has no assurance that its contracts are complying with the Competition in Contracting Act of 1984's requirement that MAS contract pricing results 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. To help the federal government manage its supply chain risk, Congress passed Section 889 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (NDAA Section 889). This law prohibits the federal government from procuring certain telecommunication and video surveillance services or equipment (telecommunication items) from Chinese-named entities, as well as from entering into contracts with entities that use these prohibited telecommunication items.

In regard to the federal government's supply chain risk, GSA has implemented internal controls that are supposed to reduce that risk. For instance, on August 13, 2020, GSA issued Acquisition Letter MV-20-10, *Workforce Guidance on FY2019 NDAA Section 889 "Part B,"* which mandates training of FAS contracting personnel on the prohibited telecommunication items and the FAR's related requirements, including representations, exceptions, reporting, and enforcement. Additionally, FAS has developed the Prohibited Products Robomod (Robomod) process, which flags potentially prohibited telecommunication items included on GSA Advantage! based on keyword searches.[12] FAS has also developed a process to assess MAS contractors that have repeatedly added prohibited telecommunication items on GSA Advantage!. In addition to the internal controls GSA has put in place, FAS contracting personnel rely on contractors to self-certify if they provide or use the telecommunication items prohibited by NDAA Section 889.

Notwithstanding these efforts, FAS is still challenged with ensuring that the prohibited telecommunication items are not offered through its MAS contracts and purchased by customer agencies. For example, in July 2023, we reported on deficiencies with FAS's reliance

[11] *FAS Cannot Provide Assurance That MAS Contract Pricing Results in Orders Achieving the Lowest Overall Cost Alternative* (Report Number A200975/Q/3/P22002, September 30, 2022).

[12] GSA Advantage! is GSA's online shopping and ordering system, providing customers access to products and services.

on contractor self-certifications to ensure that offerings comply with NDAA Section 889.[13] We found that contractors included prohibited telecommunication items on their MAS contract price lists despite making certifications to the contrary.

Our audit also found that FAS's Robomod process was insufficient to identify prohibited items on MAS contract price lists in GSA Advantage!. We reported that: (1) the Robomod process did not flag all potentially prohibited telecommunication items offered on GSA Advantage!; (2) FAS did not ensure that prohibited telecommunication items identified by the Robomod process were removed from MAS contract price lists; and (3) FAS encountered lengthy delays in removing prohibited items from MAS contracts and contract price lists once they had been identified.

In addition, we found problems with FAS's oversight and enforcement of prohibited telecommunication items on MAS contracts. We reported that FAS: (1) did not take adequate actions against contractors that repeatedly violated the prohibition of the telecommunication items; (2) did not have a process in place to notify customer agencies about purchases of prohibited telecommunication items; and (3) initially did not comply with FAR requirements to include subsidiaries and affiliates of named entities when identifying prohibited telecommunication items on MAS contracts.

In addition to our audit work in this area, several other examples highlight this supply chain risk management challenge. In July 2021, an online news source reported that a GSA customer purchased prohibited telecommunication equipment under a different brand name through GSA.[14] In December 2021, another online news source reported that GSA customers purchased video surveillance equipment manufactured by a wholly owned subsidiary of a named entity.[15]

As discussed above, FAS is challenged to manage the risk of customer agencies procuring prohibited telecommunication items through its MAS contracts. Until the proper controls are in place and enforced, prohibited telecommunication items may be offered under GSA's contracts, putting customer agencies at risk of unauthorized surveillance by foreign adversaries.

Managing the Transition to the Enterprise Infrastructure Solutions Contract

FAS is managing the government-wide transition from the expiring Networx telecommunication and information technology (IT) infrastructure contracts to the new Enterprise Infrastructure Solutions (EIS) contracts. The EIS contracts have 15-year terms and a $50 billion ceiling. The EIS contracts provide customer agencies with common telecommunication services and IT infrastructure such as voice, cloud services, call and data centers, satellites, and wireless

---

[13] *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).

[14] https://theintercept.com/2021/07/20/video-surveillance-cameras-us-military-china-sanctions/.

[15] https://techcrunch.com/2021/12/01/federal-lorex-surveillance-ban/#:~:text=After%20the%20ban%20came%20.

services. EIS aims to consolidate offerings currently provided by national and regional contracts and leverage the government's buying volume to reduce prices. Additionally, the transition to EIS provides customer agencies with the opportunity to enhance cybersecurity and modernize their IT.

Since the transition to EIS began in April 2016, FAS encountered significant challenges in its efforts to move more than 200 customer agencies to EIS by the initial March 2020 deadline. From delays in awarding the contracts to issues with administering a task order for support to customer agencies, challenges have substantially affected FAS's ability to transition customer agencies to EIS. Customer agencies missed interim transition deadlines, leading FAS to extend the legacy contracts and move the transition deadline to May 2023.[16] Despite the extension, FAS invoked the Continuity of Service clauses in the Networx contracts until May 31, 2024, to allow an additional year for transition. Even with the additional year, at least eight customer agencies anticipate missing the May 2024 deadline.

The prolonged transition to EIS has been costly to the federal government. The government will have a negative financial impact due to: (1) lower cost savings from EIS, and (2) FAS's additional costs from administering both contracts simultaneously. Additionally, a delayed transition will result in increased costs from extending the services of the Networx contract. Finally, by the time all agencies transition to EIS, less than half of its period of performance will remain and FAS will be planning the successor contract for the next transition.

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 needs to determine the best approach to reduce and consolidate space, reduce leasing costs, and meet operations and maintenance needs of increasingly aging buildings. Further, PBS must properly administer the 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 estate 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

[16] As of May 31, 2023, 57.7 percent of the government's transition to EIS was complete.

workers have not returned to the office at pre-pandemic levels, leading to under-occupied 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.[17]

Many federal agencies are now re-evaluating their future space needs in light of their pandemic flexibilities. On July 13, 2023, the 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 guidance from OMB that called for an increase in meaningful in-person work. In its April 13, 2023, memo, OMB instructed agencies to:

> [S]ubmit Work Environment plans to [OMB] describing their current policies for telework and related operational policies, and detailing anticipated future changes, including implementation timelines. 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….[18]

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.

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 as well as system upgrades to ensure that building systems are operating efficiently, effectively, and safely. Further, PBS will

---

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

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

also need to manage vacant space, both owned and leased, to minimize the costs and backfill space when it is beneficial.

Post-Pandemic Financial Impact on the Federal Buildings Fund

In the wake of the COVID-19 pandemic, changing real estate market conditions and spacing needs for federal agencies 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-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 (owned and leased) space. By law, these charges approximate commercial rates for comparable space and services. 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. Government-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 rental costs in the commercial market 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 telework and remote work during the pandemic, many agencies are considering reducing their space. As a result, GSA may have an increase in vacant and underutilized government-owned and leased 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 government-owned space, PBS will still incur operations and maintenance 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 of these costs will be incurred although the space is not generating revenue.

Vacant leased space is an even bigger drain of FBF resources. As discussed above, customer agency rent in leased space is cost-reimbursable. 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 spacing 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 government-owned space are based on commercial market appraisals when new occupancy agreements are needed, usually every 5 years. The post-pandemic expansion of telework models 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 a potentially unforeseen challenge to PBS.

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 portfolio. A significant reduction in rent revenue flowing into the FBF combined with increased costs would further exacerbate 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 with full access to the FBF.

Meeting the Operations and Maintenance Needs of Federal Buildings

PBS continues to face challenges in managing the maintenance and repair needs of its aging portfolio of owned buildings. Since FY 2016, GSA has reported a steadily increasing deferred maintenance backlog in its annual *Agency Financial Reports*. 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.

In its 2022 *Agency Financial Report*, GSA reported approximately $3.13 billion in total estimated costs of deferred maintenance for its building inventory. This was a 20.8 percent increase from FY 2021 and a 159 percent increase from FY 2016. PBS funds its repair needs and all its real property activities through the FBF. However, since FY 2016, GSA has received approximately 53 percent of its requests for funding of minor and major repairs and alterations.

Our office recently reported on weaknesses in PBS's building maintenance and repairs:

- In a February 2023 audit of PBS Southeast Sunbelt Region's (PBS Region 4's) chillers, we found that PBS Region 4 does not have a plan to identify and prioritize chillers for repair and replacement.[19] As a result, many of PBS Region 4's chillers are outdated, inadequately maintained, and lack redundancy. We found that 33 percent of the chillers in PBS Region 4's owned buildings are beyond their useful lives—a figure that will increase to 48 percent by 2025. We also found that PBS Region 4 did not perform the manufacturer-recommended overhauls for chillers at any of the buildings we tested. Finally, we found that 33 percent of the chillers in PBS Region 4's owned buildings lack the required redundancy to ensure continuous operation in the event of equipment failure. These deficiencies resulted in actual cooling loss in 27 buildings over the 1-year period ended November 2021 and increased the risk of cooling loss in the future.

- In a June 2023 audit report, we reported that air handlers in selected GSA-owned buildings either did not meet minimum outdoor air requirements or could not be assessed due to incomplete data.[20] The noncompliance with the American Society of Heating, Refrigerating, and Air-Conditioning Engineers ventilation standard was related to deficient system components or inadequate preventative maintenance. These deficiencies increase the risk that building occupants will be exposed to airborne viruses, including the virus that causes COVID-19.

- In a September 2023 alert memorandum, we notified PBS that it must take immediate action to address the risk of *Legionella* contamination in water systems across its owned and leased buildings.[21] Since July 11, 2023, elevated levels of *Legionella* have been detected in six GSA-controlled buildings across multiple states, ranging from New York to Utah. The elevated levels of *Legionella* have occurred at a time of reduced building occupancy levels. Reduced occupancy can cause water stagnation in buildings and allows *Legionella* to grow and spread, thereby increasing the likelihood of *Legionella* contamination in other GSA-controlled buildings.

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.

[19] *PBS Southeast Sunbelt Region's Lack of Planning Has Resulted in Chillers That Are Outdated, Inadequately Maintained, and Lack Redundancy* (Report Number A210030/P/5/R23004, February 16, 2023).

[20] *Audit of GSA's Response to COVID-19: PBS Faces Challenges to Meet the Ventilation and Acceptable Indoor Air Quality Standard in GSA-Owned Buildings* (Report Number A201018/P/4/R23008, June 5, 2023).

[21] *Alert Memorandum: PBS Must Take Immediate Action to Address the Risk of Legionella Contamination in GSA-Controlled Buildings* (Memorandum Number A230072-1, September 20, 2023).

Administering GSA's Capital Construction Program

PBS's Office of Design and Construction is responsible for leading PBS'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.[22] As of September 2023, PBS reported 292 active capital construction projects, with aggregate values of approximately $7.4 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 had established several 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.

In our September 2020 audit of PBS's use of construction management services, we found that PBS has become excessively reliant on construction managers.[23] 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 continued to find similar issues during a recent audit, which found that PBS delegated critical functions to a construction manager without oversight.[24] PBS allowed the construction manager to develop independent government estimates, perform the technical analyses for modifications, and prepare price negotiation memorandums without government approval. PBS

[22] Capital construction projects are projects that exceed the prospectus threshold, currently $3.613 million, and require congressional approval.

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

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

also delegated the responsibility for compliance with labor and payroll standards to the construction manager but did not provide oversight of this function, resulting in inadequate verification of payrolls.

PBS must ensure that sufficient controls are in place and followed to prevent construction managers from performing inherently governmental functions and that steps are taken to identify or mitigate potential conflicts of interest. 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 in the near future.

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 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.[25] 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.

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. It also provides funding for paving projects, lease purchases, program contingency, and operational support costs.

---

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

In August 2022, we issued a memorandum identifying challenges facing PBS as it executes construction projects funded under the IIJA. 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 Land Ports of Entry.

The Inflation Reduction Act (IRA) provided GSA with $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 carbon footprint of building materials and encourages new technology for net-zero facilities.

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 the program 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 memorandum, as well as any identified through the Program 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 2023, 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.[26] As a result, PBS has no assurance that the contract is achieving the guaranteed cost savings needed to fund the $1.2 billion contract and is 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 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 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 need to continuously identify technical solutions and implement controls to mitigate these 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 2022 and 2023, we reported on threats to sensitive information maintained by GSA.[27] As these threats remain, GSA must ensure that it controls access to sensitive information available on its network and maintained in GSA systems. This sensitive information includes:

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

[26] *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).

[27] *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2022* and *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2023*.

Recent reports issued by our office have emphasized the importance of controlling access to GSA systems to protect sensitive information. For example, in February 2021, we issued a report on GSA's Insider Threat Program.[28] An insider threat involves employees using their authorized access, intentionally or unintentionally, to cause harm to an organization. We found that GSA's Insider Threat Program does not effectively monitor insider threat risks relating to separated and terminated employees. GSA faces heightened insider threat risks from these employees because it was not consistently deactivating their IT accounts and recovering and destroying personal identity verification cards within required time frames. As a result, GSA information was vulnerable to theft or loss. Further, deficiencies in GSA's Insider Threat Program create gaps that can be exploited in other ways to undermine GSA's ability to effectively carry out its operations.

To protect against the unauthorized release of sensitive information, GSA must continue to strengthen its monitoring of access to Agency systems and data. Additionally, GSA should implement appropriate management, operational, and technical security controls to manage and mitigate threats to its systems and data.

Prioritizing Cyber Supply Chain Risk Management

Cyber supply chain risk management is the process of identifying, assessing, and mitigating the risks associated with suppliers of hardware, software, firmware, networks, systems, and services that underpin government systems, networks, and operations. Cyber supply chain risk management 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 directed the National Institute of Standards and Technology to issue guidance "identifying practices that enhance the security of the software supply chain." The executive order further directed 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 August 2022, the National Security Agency, the Office of the Director of National Intelligence, and the Cybersecurity and Infrastructure Security Agency published part one of a three-part joint publication series, "Securing the Software Supply Chain: Recommended Practices for Developers." The full series provides suggested practices and recommendations for developers, suppliers, and customer stakeholders to help ensure a more secure software supply chain.

To address the risks associated with the cyber supply chain, GSA must ensure it is adhering to these federal cyber supply chain risk management requirements and incorporating risk management practices into its operations. These practices involve identifying, assessing, and mitigating the risks associated with suppliers of hardware, software, firmware, networks,

[28] *Audit of GSA's Insider Threat Program* (Report Number A190016/I/T/F21002, February 17, 2021).

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.[29]

With uncertainty around contractor supply chains, GSA must remain vigilant in prioritizing, developing, and implementing effective cyber supply chain risk management policies, procedures, and practices to prevent a possible compromise of its assets and disruption to Agency operations.

Migrating to a Zero Trust Architecture

On January 26, 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.

In accordance with M-22-09, GSA is implementing several techniques and technologies to work toward ZTA across GSA networks, security operations, users, and devices. According to GSA IT, GSA IT began a pilot in 2020 to implement network “micro-segmentation” in more than 500 buildings, which improves the security of Internet of Things devices by isolating them within a network and reducing the potential spread and impact of a breach.[30] The Office of GSA IT 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 smooth 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 USAJOBS, the System for Award Management, and some Department of Homeland Security websites. The technical security controls that protect Login.gov are important because they provide access to systems that contain personally

---

[29] *National Defense Authorization Act for FY 2019*, 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.

[30] Internet of Things refers to the network of devices containing the hardware, software, and firmware that allow the devices to connect, interact, and freely exchange data and information.

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.*[31] Our evaluation found that GSA misled its customer agencies when it failed to communicate Login.gov's known noncompliance with requirements for a physical or biometric comparison for identity verification.

In discussions and interagency agreements with customer agencies, GSA officials asserted that Login.gov met the requirements for Identity Assurance Level 2 (IAL2) of the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-63-3, *Digital Identity Guidelines.* IAL2 requirements include physical or biometric comparisons for system access. Despite the GSA officials' assertions that Login.gov met NIST SP 800-63-3 IAL2 requirements, Login.gov never included a physical or biometric comparison for its customer agencies. GSA then continued to mislead customer agencies even after it suspended efforts to meet NIST SP 800-63-3 requirements for Login.gov. The Agency knowingly billed customer agencies over $10 million for IAL2 services that did not meet these requirements.

GSA will continue to be challenged with providing technology to meet the requirements needed to satisfy IAL2 standards. This level of identity assurance is needed to provide the level of security necessary to protect Login.gov's customers' resources against ever-growing and changing cybersecurity threats.

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.[32] In one of these incidents, a criminal successfully redirected $1.521 million that was being paid to a business registered in SAM into the criminal's bank account. In addition to these incidents, bad actors continue efforts to impersonate GSA acquisition officials in an attempt to profit by collecting fees from unsuspecting government vendors.

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

[31] *GSA Misled Customers on Login.gov's Compliance with Digital Identity Standards* (Report Number JE23-003, March 7, 2023).

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

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 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. Accordingly, GSA must ensure that the appropriate technical controls and safeguards are implemented to secure the system and protect the users and data from malicious threats.

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 Code of Federal Regulations, Title 29, Part 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 have demonstrated that GSA faces challenges in this area.

- In September 2021, we reported that the roof at the U.S. Geological Survey Menlo Park Campus lacked adequate fall protection, as required by Occupational Safety and Health Administration standards and PBS P100, *Facilities Standards for the Public Buildings Service*.[33] This was an uncorrected issue that we originally alerted PBS about in an October 2020 memorandum.[34]

  We also reported in September 2021 that PBS had not installed ramps over exposed conduit on the roof of the Robert F. Peckham Federal Building. The exposed conduit posed a tripping hazard to personnel who worked on the roof.

[33] *Opportunities for PBS to Improve Management and Oversight of Its Federal Aggregated Solar Procurement Pilot Contracts* (Report Number A201020/P/9/R21008, September 30, 2021).

[34] *Alert Memorandum: Building Safety Concerns in PBS's Federal Aggregated Solar Procurement Pilot Contracts in Region 9* (Memorandum Number A201020-2, October 27, 2020).

- In February 2022, we reported that PBS failed to comply with federal regulations and its own policy for asbestos management at the Chet Holifield Federal Building (CHFB).[35] As a result, CHFB tenants, visitors, contractors, and PBS staff were at increased risk of exposure to asbestos-containing materials. We found that PBS:

    - Did not maintain a reliable asbestos-containing materials inventory for the CHFB or update the CHFB asbestos management plan;
    - Failed to notify building occupants of the presence and location of asbestos-containing materials in accordance with federal and state regulations and PBS policy; and
    - Provided inadequate oversight of the CHFB operations and maintenance service contractor.

  We also found that PBS's *Asbestos Policy* contained ambiguous and conflicting information, which could result in inconsistent application of the policy by PBS staff and failure to comply with applicable laws and regulations.

- In November 2022, we reported that PBS leadership knew of significant deficiencies in the ventilation systems and equipment throughout the unrenovated wings of the GSA Headquarters Building but did not take sufficient actions to address those deficiencies.[36] The current condition of the air handling units prevents the Agency from ensuring proper ventilation and therefore may compromise the health and safety of GSA Headquarters Building occupants.

- In June 2023, we reported that PBS is not meeting—or does not have complete information to determine if it is meeting—the American Society of Heating, Refrigerating, and Air-Conditioning Engineers ventilation standard for the majority of GSA-owned buildings.[37] We also found that PBS has not consistently implemented Centers for Disease Control and Occupational Safety and Health Administration recommendations to improve ventilation in GSA-owned buildings. Taken together, these deficiencies increase the risk that building occupants will be exposed to airborne viruses.

These reports 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.

---

[35] *Audit of PBS's Management of Asbestos at the Chet Holifield Federal Building in Laguna Niguel, California* (Report Number A190043/P/4/R22002, February 3, 2022).

[36] *Ventilation Issues Persist in Unrenovated Wings of GSA Headquarters Building* (Report Number JE23-001, November 28, 2022).

[37] *Audit of GSA's Response to COVID-19: PBS Faces Challenges to Meet the Ventilation and Acceptable Indoor Air Quality Standard in GSA-Owned Buildings* (Report Number A201018/P/4/R23008, June 5, 2023).

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 2023, we reported that GSA is not monitoring access card data from its card readers to identify risks to GSA personnel and federal property.[38] For the 2-year audit period ended February 28, 2022, data collected from access card readers in GSA-managed facilities showed 32,179 failed access attempts. Failed access attempts could be an indication of attempted unauthorized access to federal facilities and secured areas. Federal guidance on access cards and electronic physical access control systems recommends monitoring access card activity to assess the risk and determine if additional oversight is needed. However, we found that GSA is not actively using data collected from access card readers to identify and assess the risks to its personnel and federal property.

In March 2023, we reported that security at the Calexico West Land Port of Entry project is compromised by inconsistent requirements and inadequate enforcement.[39] We found that the security requirements that were included in the project's contracts and site security procedures were inconsistent and contradictory. We also found that PBS's enforcement of site security requirements was inadequate for the project. As a result, 95 contract employees who did not clear background checks were allowed to work on the project, including 8 with criminal records. Taken together, these deficiencies compromised project security.

The deficiencies identified in our reports on PBS's lack of monitoring and oversight of key security requirements and protocols, coupled with our previous reports on security at GSA facilities, 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 light-duty gasoline 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.

---

[38] *GSA Is Not Monitoring Data from Access Card Readers to Identify Risks to GSA Personnel and Federal Property* (Report Number A210069/P/6/R23005, February 21, 2023).

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

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 meet their mission needs. However, GSA's available electric vehicle options generally do not include these types of vehicles. Fleet Management is also having difficulties finding light-duty electric vehicles for purchase. For example, Stellantis, the maker of Chrysler vehicles, cancelled Fleet Management's order for 1,200 plug-in hybrid vehicles in 2022.

Second, Fleet Management is facing rising costs to maintain its current vehicle fleet. Repair costs are incurred more frequently because agencies are keeping vehicles longer due to Fleet Management's inability to acquire zero-emission replacement vehicles. Fleet Management is finding it challenging to charge vehicle lease rates high enough to cover the rising costs of vehicles and repairs. As a result of rising vehicle and repair costs, Fleet Management was expected to lose more than $100 million in FY 2023.

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 widespread electric vehicle use by 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 pose challenges in carrying out this executive order.

Challenge 9: Management of the Technology Transformation Service

In 2012, the White House created the Presidential Innovation Fellows program to bring technologists in for short tours of duty in government. The Presidential Innovation Fellows program found a permanent home at GSA in 2013. To extend their impact on government, eight fellows left the Presidential Innovation Fellows program to become GSA employees and created a "lean government startup" called 18F in 2014. 18F quickly grew as it attempted to assist federal agencies on technology projects.

In 2016, additional programs and components were combined with 18F to form the Technology Transformation Service (TTS). TTS joined PBS and FAS as GSA's third service line and became the "permanent home for innovation and technology modernization inside GSA." Approximately 1 year later, TTS was realigned within FAS and the IT Modernization Centers of Excellence, which were created by GSA to focus on whole-agency technology modernization efforts.
Since its creation, TTS (or its components) has been the subject of one GAO audit and three GSA Office of Inspector General evaluations.[40] In all four reports, recommendations were made to

[40] *Digital Service Programs: Assessing Results and Coordinating with Chief Information Officers Can Improve Delivery of Federal Projects* (GAO-16-602, August 15, 2016); *Evaluation of 18F* (JE1-001, October 24, 2016);

improve management controls related to oversight, financial management, performance, and IT.

TTS primarily relies on GSA's Acquisition Services Fund, a revolving fund that requires cost recovery, to fund its operations. After 7 years in existence, TTS has not yet achieved cost recovery—despite projections that it would do so by FY 2019. In addition, in September 2021, TTS leadership told staff that cost recovery was "not a priority," and instead, TTS should focus on service delivery. This is a flagrant and intentional violation of the Acquisition Services Fund's authorizing legislation.

Even with a focus on service delivery, the most recent GSA Office of Inspector General evaluation found that TTS misled customers on its compliance with digital identity standards. As a result, TTS collected over $10 million for services that it knew were deficient and exposed customer agencies to cybersecurity risks. Further, the evaluation reported that TTS used misleading language to secure $187 million from the Technology Modernization Fund. Federal agencies submit proposals to request this funding for technology initiatives to improve mission and service delivery to the American public. If a contractor had similar failures, it is likely that the government might take legal action to make itself whole. The FAS Commissioner said that TTS's failure was rooted in its historic 18F culture, which considered oversight burdensome and believed that TTS did not have to align its practices with other components.

FAS, and more largely, GSA, is at a critical juncture to restore the confidence and trust in TTS from its customers, Congress, and the American taxpayer. Since as early as 2017, TTS leadership has told us that enhanced management controls and organizational changes were forthcoming to improve TTS's operations and compliance with federal laws and regulations; however, we have seen very little improvement. In FY 2024, GSA must make a concerted effort to strengthen its oversight of TTS to ensure appropriate controls are in place and prudent financial management occurs.

Evaluation of 18F's Information Technology Security Compliance (JE17-002, February 21, 2017); and *GSA Misled Customers on Login.gov's Compliance with Digital Identity Standards* (JE23-003, March 7, 2023).