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LOGISTICS AND COMMUNICATIONS
DIVISION

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Mr. Joseph Malaga
Executive Director
Administrative Services
Reorganization Project
General Services Administration



Dear Mr. Malaga:

Enclosed are the first of the five papers we are preparing which outline the major GSA issues identified in the audit reports we have issued in the past 5 years. We believe these issues, to various degrees, are still not completely resolved and should be considered in your study on how to improve the delivery of administrative services to Federal agencies.

Over the years, we have audited many of the various functional areas of GSA. Our past work has frequently led us to differ with GSA officials on the question of the extent GSA should attempt to influence the way other Federal agencies operate. In general, GSA has regarded itself as a service organization whose mission is to provide office space and furniture, automobiles, computer equipment and services, telephone service, general supplies, etc., requested by customer agencies. GAO has felt that GSA could do more, in interests of economy and efficiency, to shape the amount, type, quality, and nature of the properties and services agencies request and the way they are used. In a sense, this difference in views is part of a larger philosophical argument over the degree of central discretion and control--aimed at economy and efficiency--which a headquarters organization such as GSA should try to exercise in those matters in which it is involved.

Our main concerns are whether GSA needs to be more assertive; whether new policy direction, often resulting from the frequent changes in top management, is implemented effectively and positively at the working level; and whether GSA has adequately planned its future so as to assume a greater role in the functions it is now performing.

The Federal Property and Administrative Services Act of 1949, while not mentioning by name all the hundreds of tasks GSA is involved with, did grant GSA broad powers. The congressional intent is clear, GSA is to provide for the Government an economical and efficient administrative

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services delivery system. However, our past work has led us to believe that GSA has not aggressively worked to achieve this objective.

As the work to summarize the issues identified in our past reports is completed, we will forward the data as agreed to in our October 25 meeting. If I can be of further help please call.

Sincerely yours,



R. G. Rothwell
Deputy Director

Enclosures - 2
FSS
FPA

THE FEDERAL SUPPLY SERVICE

The enactment of the Federal Property and Administrative Services Act of 1949 (Public Law 81-152) established the General Services Administration and transferred to it the Bureau of Federal Supply from the Treasury Department. This centralized purchasing body later evolved into the Federal Supply Service.

Keeping the Federal Government supplied with materials and needed services so agencies can conduct their daily business is the overall responsibility of GSA's Federal Supply Service (FSS). The Service performs hundreds of tasks but they can generally be related to the following major functions:

<u>Function</u>	<u>FSS Office(s) involved</u>
--Overall management	Office of Commissioner Socio-Economic Policy Staff Regional Operations Coordination Office of Executive Director
--Supply	Office of Procurement Office of Supply Distribution Customer Service and Support Federal Procurement Regulations
--Stockpile	Office of Property Management
--Federal Standards	Standards and Quality Control
--Disposal	Personal Property Disposal
--Transportation and Utilities	Transportation and Public Utilities

Since fiscal year 1972 GAO has issued over 60 reports dealing with the tasks and functions performed by the FSS. We believe the following

major issues hinder the operations of the Supply Service and must be resolved to improve the delivery of goods and services to the customer agencies.

Life cycle costing

The FSS has a responsibility for providing procurement leadership to Federal executive agencies. This, we believe, involves selecting procurement techniques--such as life cycle costing--which will help the Government procurement community perform its job. In our May 1973 report (B-178214), we concluded that civilian agencies could benefit from the life cycle costing acquisition technique. However, at that time FSS had not explored the benefits of the technique, ^{had not} determined the application to which it could be applied, or was even aware of the agencies which were using the technique.

Three years later GAO found that the FSS efforts to adopt the life cycle costing technique were largely characterized as foundation building. In our July 1976 report (PSAD-76-160), we found FSS still gaining knowledge and providing training in an effort to launch a more extensive working program within GSA. No effort had been made to exchange information on the extent that life cycle costing had been applied, or is applicable to procurements in other agencies. Logical agencies for cross communications would include the Veterans Administration, the Federal Aviation Administration, the Department of Defense, and the Postal Service.

The FSS, consistent with its responsibility for providing procurement leadership to Federal executive agencies, should assume a stronger leadership role in coordinating and publicizing Government-wide the procurement techniques and applications that have become effective.

Full cost pricing

The FSS is responsible for the financial management control over that part of the General Supply Fund involving the sale of stocked inventory and in setting the selling prices of items FSS handles.

In our December 1974 report (PSAD-75-32) concerning the management of FSS programs, we raised the issue that the FSS prices for items should reflect both the cost of the item and the indirect costs incurred by FSS in operating the entire service. Current legislation limits FSS to essentially recovering only the cost of the item and does not include the FSS cost of doing business.

This issue had been addressed in 1972 by the Commission on Government Procurement. The Commission reported that price savings accrued from large volume purchases. However, not considering the support costs of the procuring agencies in the items' prices does not allow for accurate decisions in determining the methods to be used in providing the Government goods and services.

GSA reported to GAO that it did propose legislation which would have put the FSS on the industrial funding concept. This would require FSS to recover all costs and would allow GSA to identify items or classes of items which can be economically provided through a central purchasing and distribution system. It would also permit FSS to determine when GSA should be the mandatory supply source and when lower economic costs could be achieved by enabling agencies to buy directly from the open market.

The legislative proposal was not approved by the Congress in 1975.

We believe this is an important issue if we are truly concerned about costs. FSS studies have indicated that the depot program has resulted in price savings of 39 percent and for the supply scheduled program, 16 percent price savings. However, as the Procurement Commission found, the cost of the acquisition process is often well over 50 percent of the purchase price of the product procured.

National supply system

In February 1976 (LCD-75-232), we reported on the status and progress toward implementing a national supply system. Essentially, we found that duplicate management of supply items still exists in the Government in spite of GSA and DOD's efforts over the past 25 years to eliminate it through negotiations and written agreements. At the time of this report, we estimated potential savings of \$20.8 million could be realized if supply management functions could be consolidated. These savings were calculated using consolidated benefit factors developed by the Logistics Management Institute.

--One-time reductions in inventory	\$13.8 million
--recurring savings in procurement costs	1.0
--recurring inventory holding costs	6.0

For cataloging purposes, all items used by the Government can be listed in the approximate 591 Federal Supply Classes making up the catalog. The division of these classes of items for management purposes during the early 1970's is approximate as follows:

<u>NUMBER OF CLASSES</u>	<u>REMARKS ON MANAGEMENT</u>
68	Assigned to FSS for management and to support all agencies.
25	Assigned to the Defense Logistics Agency (DLA) for management and to support all agencies.
142	Assigned to DLA, however, support provided only to DOD.
<u>83</u>	Applicable to national supply concept but not yet assigned to GSA or DLA.
Total 323	Applicable to national supply concept
<u>268</u>	Applicable to DOD weapons systems and managed by DOD.
<u>591</u>	Total Federal Supply Classes.

Within these classes, the Federal catalog as of June 1977 contained data on about 5.4 million items and that was the approximate number of items in the system since about 1970. We found in 1975 that GSA was recorded as the manager on about 83,000 of these items. Also on 33,500 of these items, or on about 40 percent, we found an average of about three agencies indicating they were managing the items. We believe these are the conflicts that need to be resolved.

Of the 33,500 items showing management conflicts, approximately 18 percent or 5,958 items showed dual management between GSA and DOD. Because of the impracticability of developing data at the multitude of civil agencies, we restricted our examination of management conflicts to those existing between GSA and DOD. We believe that the extent of these conflicts and their effect on the costs of doing business this way in these two organizations clearly demonstrates the need to achieve the concept of integrated management of the supply functions; that is, "only one manager for any one item."

Our analysis of a statistically selected sample of the DOD items showed that about 94 percent of them were truly conflicts of management. The other 6 percent were coded erroneously as being dual managed. The information shown is a projection of statistical data developed on the sample items.

The following table shows the overall statistics as well as the total procurement and inventories on the dual-managed items for fiscal year 1973.

	<u>No. of items</u>	<u>Percent of items dual managed</u>	<u>Total procurements (millions)</u>	<u>Ending inventory (millions)</u>
68 classes assigned to GSA	772	93.4	\$ 1.8	\$ 1.1
Other classes	^a <u>5,086</u>	94.2	<u>126.4</u>	<u>54.5</u>
Total	<u>5,858</u>		<u>\$128.2</u>	<u>\$ 55.6</u>

^aAn updated computer printout dated April 14, 1975, showed that the number of conflicts in these classes is now 4,531.

Our work leads us to believe that the dual-managed items have a high usage.

Although GSA and DOD have agreed to the assignment of management responsibility for 68 supply classes to GSA, some of the items in these classes are being managed by more than one activity. However, this duplication does not appear to be extensive with DOD. Only about 1 percent of the 69,670 items assigned to GSA in the 68 classes showed conflicting management. There was no management duplication by DLA on these classes. In all instances the conflicting managers were the military services as shown in the table below.

<u>Conflicting managers</u>	<u>Dual-managed items</u>		<u>Other</u>
	<u>Total</u>	<u>Active</u>	
Air Force/GSA	560	331	229
Navy/GSA	118	76	42
Marine Corps/GSA	25	17	8
Army/GSA	16	8	8
	<u>719</u>	<u>432</u>	<u>287</u>

The military departments and GSA annually procure about \$1.1 million and \$.67 million, respectively, of the above dual-managed items. At June 30, 1973, the military had inventories of these items worth \$882,766 and GSA had an estimated inventory of \$295,000 of the same items.

Dual management of supply items is greatest in the classes of items not assigned to FSS for management, but do have potential for national supply system concept management. Again, we looked only at the dual FSS-DOD managed items. The following table shows the extent of duplication in these classes and related procurements and inventories at the time of our 1976 report.

<u>Conflicting Managers</u>	<u>Dual-managed items</u>		<u>Other</u>	<u>Procurements</u>		<u>Inventories</u>	
	<u>DOD</u>	<u>Active</u>		<u>DOD</u>	<u>GSA</u>	<u>DOD</u>	<u>GSA</u>
				<u>(millions)</u>		<u>(millions)</u>	
DSA/GSA	4,221	3,220	1,001	\$117.4	\$13.0	\$36.3	\$ 5.2
Army/GSA	406	352	54	27.4	15.8	5.3	5.8
Air Force/GSA	103	54	54	-0-	-0-	-0-	-0-
Marine Corps/GSA	27	27	-0-	-0-	.1	-0-	-0-
Navy/GSA	27	27	-0-	-0-	-0-	.1	-0-
	<u>4,789</u>	<u>3,680</u>	<u>1,109</u>	<u>\$144.8</u>	<u>\$28.9</u>	<u>\$41.7</u>	<u>\$11.0</u>

We believe the effects of duplicate management are as follows:

--The military services maintain more inventory of supposedly

GSA managed items.

--Agencies are seeking replenishment of supply item stocks

which are concurrently being excessed by another Government manager.

--Agencies compete for production of the sole manufacturer of supply items.

--Replenishment stocks are purchased from middlemen instead of the manufacturer.

--Agencies are paying different prices for the same supply item.

--Packaging, packing, and marking requirements are different.

Whereas studies are periodically conducted to attempt to resolve the above problems, dual management of supply items still exists. Neither DOD nor GSA have taken aggressive action to resolve the problems.

DOD feels that the objective of a national supply system can best be attained through integrated management by DOD. This is because it fails to see benefits or economies accruing through assignment of additional supply classes to GSA for integrated management when the majority of demands, estimated at about 80 percent, of those items will be used by DOD activities. To resolve the question of these dual-managed items, DOD suggested that the management of these items should be based

on the specific nature of the items (common, commercial, or otherwise), degree of military essentiality, availability of items to the military in the event of mobilization, and predominance of use by either DOD activities or by civil agencies. DOD still desires to reach agreement on developing procedures for transferring management capabilities, facilities, and resources of FSS to DOD in the event of a future national emergency.

The incentive to further develop a national supply system rests more with GSA than with DOD. GSA feels that its responsibility for managing common, commercial-type supply items, as provided under Section 201 of the

Federal Property and Administrative Services Act of 1949, extends to all Federal activities including DOD.

the Defense Logistics Agency (DLA)
GAO maintains that (1) / should assume management of the five commodity groups previously agreed to by GSA, (2) the military services should manage all weapons-related Federal supply items, and (3) GSA should manage all other supply items used by the Federal Government. Moreover, GSA's position on DOD's exemption from the provision of Section 201(a) of the Federal Property and Administrative Services Act of 1949 is that the exemption is not a continuous one. This section provides that the Secretary of Defense may from time to time exempt DOD from action taken by the Administrator of GSA whenever he determines such exemption to be in the best interests of national security.

Although GSA believes that the supply management agreements between itself and DOD have served as a framework for launching a national supply system, it does not agree with some of the basic supply management provisions of the 1971 agreement. GSA noted that with respect to exceptions to primary class assignments, no clear cut criteria had been developed to outline the difference between military oriented and common-use, commercial-type items in Federal supply classes designated by DOD for integrated management by the Logistics Agency. Irrespective of class assignments, the common commercial nature of these items dictates management by GSA. GSA has proposed that a review be immediately undertaken to restructure the 1971 agreement to accommodate mutual concerns and objectives.

February (LCD-75-232)

In our 1976 report we concluded that if the economies in supply management were to be realized, direction should be provided by some authority not subject to the parochial interests of the agencies involved. We turned to

the Office of Federal Procurement Policy (OFPP) in OMB as the authority which could further the national supply system concept. OFPP was asked to further define the concept, assign the responsibilities for its implementation, and establish goals for the accomplishment of the implementation.

This whole national supply system concept supports our observation that the FSS has not aggressively carried out the congressional intent of having the FSS provide the Government an economical and efficient system for procurement and supply of needed materials. Only when Congress has stepped in and specifically directed that an action be taken have the executive agencies made any progress in achieving the 1949 intent of Congress, and even this progress has been slow.

Determining supply needs of agencies

The FSS is also to act as the liaison with Federal agencies to resolve supply problems and evaluate the customer's needs. These observations and data are to be used in improving the FSS' ability to provide an effective and efficient supply and services support program to the Government agencies.

In our December 1974 report (PSAD-75-32), on how the management of FSS procurement programs could be improved, we raised the issue that the FSS did not have adequate knowledge of how Federal agencies were satisfying their supply requirements. We recommended that FSS obtain more and better information on identifying needs and buying habits of its customer agencies, so it could operate a more effective and economical supply system.

However, we found in our July 1976 report (PSAU-76-160) on life cycle cost that FSS efforts to obtain data on the procurement practices

of its customer agencies have not been successful. Continued lack of such information could inhibit FSS's efforts to identify products where life cycle costing could be effectively applied and to assure that customer agencies are taking advantage of life cycle techniques in their procurements on the open market.

FSS indicated it was planning changes to its management system which provide procurement data by specific agency and commodity group. However, this is not expected for at least 2 years.

This issue, we believe, again demonstrates the lack of aggressiveness on the part of FSS to adequately assess the supply and service needs of Federal agencies and reach a decision on how the supply tasks can best be done.

Item entry, cataloging, and
item deletion actions

The FSS has a major role in the Government's standardization and cataloging activities which can be categorized as:

- Item entry controls, used to limit the number of items entering the catalog and supply systems.
- The Federal catalog system, in which data on items used by Federal agencies and on related standardization decisions is recorded.
- Item deletion programs, which try to eliminate from the logistics systems items no longer needed.

Since 1973, we have issued four reports concerning the GSA and DOD joint responsibility for conducting the above tasks. Progress has

been made since 1950 in these programs; however, each of these reports identify problems within the FSS where a lack of management's aggressiveness in dealing with these issues has hindered getting improvements made in a timely manner to make these ^{programs} more effective.

In our November 1975 report (LCD-75-420) we explained that new and unnecessary items have entered the Federal supply system because item entry controls are not entirely effective. About 250,000 new items are entered in the Government's supply catalog each year principally by the Department of Defense and the General Services Administration. Entry controls are often ineffective because they :

- are not influencing the parts selection decisions that are made when new equipment is being designed for Government use,
- are not applied to all items,
- are often slow in reaching decisions, and
- are not always coordinated among Federal agencies.

Most entry controls are reviews of new parts just before cataloging, which can determine if the exact same item is already cataloged. However, if a new part is functionally identical but physically dissimilar to parts in the catalog, it is difficult to reject cataloging the new part if it has already been built into a piece of equipment.

To be effective, an entry control system must start at the earliest possible stage--that is, with the contractor designing new equipment. However, the General Services Administration and the Department of Defense have made little effort to help designers locate and select preferred (standard) items from the Federal catalog, the best available source of data. Each

unnecessary item cataloged adds to the cost of operating the Government supply system from a few hundred dollars to over \$30,000 annually.

The Departments of Defense , Transportation, and the General Services Administration , agreed with our recommendations made in 1975 that they should:

- work with industry in determining how designers may best learn of items already in the Government's supply system that can be adapted to new equipment,
- develop advisory services to help industry and the Government select parts from all classes of items experiencing a high growth rate, and
- establish a uniform entry control system for each class of catalog items and require all agencies to submit their new items for cataloging through these centrally operated systems.

The impact of inadequate entry controls is reflected in our June 1973 report (B-146778) where ^{we} reported that ^{there} were an estimated 200,000 duplicate items that had been cataloged under more than one Federal stock number. In addition, we believe there were probably another 100,000 duplicate items which would be identified and eliminated if additional data was obtained which would adequately explain the item. ^{Defense Logistics Agency} The/has indicated that they have taken action to eliminate about 175,000 of the above items.

In this June 1973 report, we also noted that most civil and DOD agencies were operating through the Federal catalog system. However, the 1949 Property Act does allow GSA to exempt civil agencies. Some agencies have withdrawn from the catalog program. They are the Bureau of Reclamation, Government Printing Office and the Department of Agriculture, which had a total of about 130,000 items in their supply systems. In addition, various agencies do not fully participate in cataloging all the items they use. Over 60,000 items in these agencies supply systems were recorded under local numbering systems rather than using the Federal system.

Complete participation in the Federal catalog system is necessary to fully achieve benefits of the program. However, GAO believes GSA has not fully asserted its authority in the catalog program to accomplish the goal of one supply catalog. GSA claimed it was unable to enforce the rules and regulations governing cataloging.

We scanned the items independently purchased and recorded in the local numbering systems of agencies and found many were common commercial items such as switches, screws and springs. We believe these items should be handled through the Federal catalog program.

The problems which must be addressed are the need to:

- eliminate the last remaining independent cataloging systems which are assigning agency stock numbers to items rather than using the central system, and
- devise a method whereby small agencies can participate in the central cataloging system which will not impose a financial burden on them which is the reason given for not participating in the central Federal system.

To reduce the varieties and sizes of similar items already in the Federal catalog and supply systems is a joint responsibility to be directed by FSS and DOD. The Defense Cataloging and Standardization Act of 1952 (Public Law 82-436) emphasized the need for controlling the entry of items into the Government's supply systems and explicitly called for programs to reduce the number of sizes and kinds of items in the system. The act also directed GSA and DOD to work together in these functions.

Eliminating items found to be unnecessary can be accomplished by both FSS and DOD through

- material managers' decisions to eliminate items,
- catalog data improvement actions which can start the action to phase out items,
- the Defense Inactive Item Program in which FSS is to participate with DOD, and
- the Item Reduction Programs operated by both FSS and DOD activities.

We reviewed the operations of the FSS and DOD item reduction programs and issued a report in October 1974 (B-146778).

Although the programs have existed for a number of years, the number of items in the Federal supply systems has remained relatively constant.

Annually, DOD and GSA spend about \$42 million on various projects aimed at standardizing items. Part of this money is for item reduction studies. These studies, however, were not helping to reduce the logistics workload because DOD and FSS did not follow through and actually eliminate from the supply and cataloging systems many items identified as no longer needed.

Congress had been informed yearly of various item reduction accomplishments. However, upon examination, we found many of these same items were still active in the supply systems years after they had been classified as nonpreferred.

Because FSS and DCD have split responsibility for performing the item-reduction function, we found they have not adequately coordinated their efforts. Verbal agreements and written policies existed; however, numerous interpretations were applied resulting in uncertainty of roles, responsibilities and methods of operations. The results at FSS were:

- Problems in planning studies.
- Uncertainties about recording standardization decisions in the Federal catalog.
- Purchases for nonpreferred items continued rather than promptly phasing the items out of use.
- Program guidelines on how to organize and conduct reduction studies were incomplete.
- Management assigned the study work on low priority.
- Inadequate control of studies performed resulted in lost studies or untimely response to studies.
- No follow-up procedures existed to insure implementation of item reduction decisions.
- FSS was not assisting other civil agencies to assure that their participation in the program was adequately performed, and

--On-hand inventories of nonpersonal items were not being utilized in a timely manner before the new preferred replacement item was introduced.

The impact of these problems is that FSS, responsible for making item-reduction studies in 39 Federal supply classes containing 122,000 items, is not determining which of the items are unnecessary. Using the past experience of DOD in finding unnecessary items, FSS potentially would eliminate 30 percent of the items studied. Using constructive cost savings for cataloging, supply management and warehousing, about \$6 million a year could be saved.

As a result of our 14 recommendations to improve these programs, FSS and DOD did make an effort to improve the program. GSA, however, has again as it frequently does, indicated that it lacked sufficient people and resources to fully implement all our recommendations immediately.

In 1976-1977, we again reviewed selected aspects of the FSS supply management, and item reduction functions. The results of this inquiry are in our report of July 1977 (LCD-76-459).

The progress we noted was that the joint DOD/GSA steering committee did revise the Defense Standardization Manual to clarify the item reduction program responsibilities with FSS by clearly assigning GSA the job to study the items in the 39 Federal supply classes in which FSS is to be the single manager. FSS also drafted regulations on item reduction program, defining its purpose and how to implement the program and was coordinating the draft rules with civil agencies. FSS also established a group to coordinate DOD item-reduction studies with civil agencies and

to monitor and control studies which will be implemented at a later date by FSS activities covering the items in the FSS's 69 Federal supply classes. GSA indicated that its slow progress in achieving the above steps can be attributed to a lack of resources to conduct item-reduction studies.

In addition, we found other problems still exist at FSS which need to be corrected in order to provide an orderly, effective supply operation. These issues are:

- FSS continues to buy and stock items declared nonpreferred.
the Defense Logistics Agency
- FSS was stocking items for which [] was the manager.
- Item management records at FSS did not record the proper standardization codes and acquisition advice codes for nonpreferred items.
- Nonpreferred items at FSS are being declared as excess rather than issued as substitutes for standard items.

It is our observation that after 24 years (1952-1977) the FSS item reduction program is still in its infancy and management offers little hope of correcting the identified problems in the near future.

In each of our cataloging and standardization reports, the message seems quite clear. The FSS was given by law the responsibility to develop, in cooperation with DOD, a Government-wide program. However, exceptions granted by GSA and the inadequate coordination and cooperation with DOD activities is having an adverse impact on the program's effectiveness.

Reconditioning motor vehicles
prior to sale

The FSS has a responsibility to sell Government motor vehicles no longer needed by Federal agencies. In December 1974 (B-182649) we reported that GSA-owned and operated vehicles are reconditioned (at cost of \$30-\$50) prior to sale, in an effort to make them more appealing to prospective buyers. This work is done either by FSS motor pools or under contract by local commercial establishments. Sales data indicated that the program was successful and increased the value of the vehicles by an average of \$300 per vehicle.

By contrast FSS also received surplus vehicles from other civil agencies. FSS disposed of these vehicles without making an effort to improve their appearance and therefore was not receiving the increased sales proceeds it was receiving on its own vehicles. GSA indicated it did not have available funds to recondition other agency vehicles. FSS indicated it did unsuccessfully try to persuade these agencies to improve the appearance of their surplus vehicles prior to their delivery to FSS. However, with the sales receipts going directly to the Treasury, the agencies lack incentive to spend their funds on reconditioning vehicles they are losing.

We believe the ultimate responsibility to maximize the dollar return from surplus property sales is with FSS and improvements in this program should be made.

Motor pool consolidations

Prior to 1954, many Government agencies managed motor vehicle fleets and operated independent motor pools within a short distance of each other. The Congress expressed its concern about the increase of agency vehicle

fleets and motor pools and made GSA responsible for developing a centralized management program for the Government's vehicle operations with the enactment of Public Law ⁸³⁻⁷⁶⁶ / and Executive Order 10579 in 1954.

Although GSA has established 100 interagency motor pools since Public Law ⁸³⁻⁷⁶⁶ / was enacted, many agencies continue to operate vehicle fleets that should be consolidated into the interagency pool system. Since 1968 GSA has initiated only a few studies to explore the feasibility of consolidating agency managed fleets into its pool system and has formed only three new pools.

GSA reviewed 20 of the motor pools currently managed and operated by agencies and found that 8 could easily be merged into existing GSA operated pools. Annual savings resulting from such consolidation would be approximately \$743,000. Agencies, however, are continuing to independently operate their motor pools because:

- GSA is conducting fewer studies to determine the possibility of establishing interagency motor pools which makes the intent of Public Law 83-766 useless.
- GSA has not taken action to establish interagency pools at locations where feasibility studies have shown that they would be cost beneficial.
- GSA has not taken effective action or forced agencies opposing motor pool consolidation to formally justify their position and request exemption from OMB.

As a result of the above problems addressed in our 1977 draft report, LCD-77-215, many agencies today continue to operate their vehicle fleets under deferrals and exemptions granted years ago. In fact, records indicate that 56 conditional deferrals and exemptions are still in effect and many were granted 10 to 15 years ago.

It is clearly spelled out in 40 U.S.C. 491(b), 491(c), Sections 211(b) and 211(c), that FSS has the responsibility for consolidating, taking over, acquiring, or arranging for the operation of motor vehicles by the executive agencies for the purpose of establishing, maintaining, and operating interagency motor vehicle pools. FSS, however, has not exercised its authority over the executive agencies nor has it formally submitted to OMB for final consideration, its recommendations and the opposing agencies' objections to motor pool consolidations.

Rental car arrangements

GAO estimates that the Federal Government spends yearly about \$9 million for rental cars. About \$7.4 million of the total is incurred under what is termed the "informal arrangement." The informal arrangement is when a car is rented on a short-term basis at airports and other locations by firms not under GSA contract. Civilian employees and military personnel of Government agencies, employees of Government agencies, employees of Government contractors and subcontractors, and the Government traveler uses such cars and obtain about a 20 percent discount rate.

As far back as April 1967, GAO had issued a report (B-160781) to GSA which stated that rental rates obtained under the GSA contracts were substantially lower than the rental rates obtained under the informal

arrangements. It appeared that the more favorable rates were obtained under the GSA contracts primarily because the contracts were awarded through formal advertising. It was estimated that Government-wide savings of as much as \$350,000 annually could be realized if cars being rented by the using agencies and contractors under informal arrangements were rented directly from the commercial firms at GSA contract rates.

April 1967

In response to our report GSA issued a "Travelers' Pocket Guide" which provided travelers with an alphabetical list of States, cities, contractors, contract numbers, telephone numbers, and types of vehicles available where GSA had commercial car rental services. This guide stated that agencies are expected to utilize GSA commercial car rental contracts to obtain cars when interagency motor pool cars are not available or when it is otherwise determined to be more economical to the Government to use commercial cars.

GSA would like a Government-wide policy making the use of its car rental contracts mandatory. However, before doing this 17 agencies were asked for their views on this matter and the replies indicated that many agencies were unwilling to agree to the mandatory use of GSA contracts for various reasons, including inconvenience, unsatisfactory contractors, and absence of contracts in some geographical areas.

In view of the agencies' responses, GSA set up an interagency task force that would work to improve GSA's contracts after which GSA would again seek to interest the agencies in the mandatory use concept.

In August 1971 (B-160781) we again reviewed the car rental program and found that the same problem existed. In 1977 the

problem has not been resolved. We believe, as we recommended in 1971, that the task force should consider ways of getting the large car rental firms interested in obtaining more GSA contracts. Their participation should help to minimize inconvenience and the other problems indicated by the agencies' replies to GSA.

Costly commercial leasing and
agency vehicle purchases

been

For the past several years GSA has not/provided funds needed to purchase vehicles to meet agency requirements. As a result, agencies have either engaged in costly commercial leasing or obtained funds from the Congress to purchase vehicles. In fiscal year 1976, GSA estimated it turned down agency requests for about 9,000 vehicles.

GSA recently initiated a program to centrally lease 8,000 vehicles which it will sublease to agencies. GSA estimates that over a 3-year period its centralized leasing practice will cost about \$16 million less than if agencies leased the vehicles on an individual basis. But, if GSA procured the 8,000 vehicles and furnished them to agencies it would save an additional \$5.5 million over the same period.

Although GSA officials are aware of the increased costs that result when agencies lease or purchase vehicles to meet their needs, they have not fully informed the Congress of this situation or requested funds needed to purchase additional vehicles.

As shown in our 1977 report, (LCD-77-215) GSA has (1) not replaced vehicles in the interagency motor pool system that have exceeded the 6-year or 60,000 mile criteria, and (2) not provided agencies with additional vehicles to meet their requirements for new and expanding programs.

As we reported in March 1976, (B-114807) GSA experienced a cash shortage in the General Supply Fund and did not have cash available to replace vehicles needed during calendar years 1975-1977. Moreover, in renting vehicles to Government agencies, GSA is allowed to charge rates which recovers only the original acquisition cost of a vehicle plus operating expenses. Inflation has increased GSA's need for funds to replace overage pool vehicles under GSA's 6-year or 60,000 mile criteria. For example, the cost of a sedan increased from about \$1,700 in 1969, to about \$3,000 in 1976.

In recent years additional funds have not been made available to cover the price increase caused by inflation resulting in GSA continuing to have a large number of overage vehicles. Although, GSA has allocated \$66.8 million from the General Supply Fund to purchase about 15,000 replacement vehicles in fiscal year 1977, about 27,000 vehicles will still be overage.

Public utility rate management

The Federal Government spends at least \$1.5 billion annually on electricity, gas, fuel oil, coal, water, and sewage disposal and on operating and maintaining Government-owned plants and distribution systems. A large part of this amount--about 40 percent--is for energy consumed in operating buildings and other facilities. The use and cost

of utilities is rising each year and is expected to continue rising as more demand is placed on our dwindling energy resources.

GSA prescribes policies and procedures for Government agencies to follow to economically procure and use public utility services. It has areawide contracts with various utility companies for individual agencies to use. These contracts do not provide savings in utility costs through reduced rates, but they do reduce the administrative work that would be involved if each installation made separate contracts. Utility companies usually have several utility rates available to its customers, but the customer is normally responsible for selecting the lowest applicable rate to fit their particular needs. It is important, therefore, that Federal agencies have full knowledge of the available rates and periodically assure themselves that the selected rates are the most favorable ones.

In September 1974 (B-178205) we reported that FSS has a limited staff that is responsible for reviewing the utility rates charged Federal agencies. In June 1972, GSA had only one person assigned to do the job. the September GSA stated in / 1974 report that at the current level, it would take 5 years to complete a review of utility rates for all Federal activities. GAO believes a review every 5 years is not frequent enough, considering the pace at which utilities have been restructuring their rates.

Along with the lack of personnel, there is also a lack of expertise in procuring and managing utilities. The area is complicated and difficult and requires considerable education, training, and experience. There appears to be a shortage of qualified personnel in the private sector, and the Government apparently has not been very successful in attracting the number

of qualified personnel it needs. Too little training is given to utilities personnel in responsible positions, and the training given is frequently inadequate.

THE FEDERAL PREPAREDNESS AGENCY

In June 1973 the Office of Preparedness, then located in the Executive Office of the President, was transferred to GSA and renamed the Federal Preparedness Agency (FPA). The FPA develops policies and directs programs throughout the Federal Government relating to:

- civil defense,
- continuity of civil government,
- resource planning and analysis, and
- strategic materials stockpile planning.

The basis for performing these functions stems from the National Security Act of 1947 and about six different Presidential Executive Orders which since 1950 have reorganized, expanded and ultimately transferred the functions to GSA.

In the past 5 years GAO has issued seven reports dealing with the Preparedness Agency's functions. Stockpile issues were covered in six of these reports and the seventh report covered civil defense matters.

In our March 1975 report (LCD-74-440) on the stockpile, we recommended that in view of the national resource outlook it appeared that material shortages were possible and that the stockpile objectives should be evaluated to preclude problems. The Government did reevaluate the assumptions and recomputed the material needs as of October 1976.

Our current examination of the stockpile operation, letter report dated September 9, 1977, (B-125067) thus far has revealed the following matters that need to be resolved to insure an effective operation of this program.

We also believe that each of these issues demonstrates that GSA is not operating as effectively as it should be and has not made many of the difficult decisions it is charged with doing.

--In many instances, disposal of needed commodities is being continued even though replacement commodities must be bought to attain the new stock objectives. The problem is a combination of changing stockpile goals, long-term disposal contracts, and the Preparedness Agency's desire not to cause supply disruptions or economic problems for buyers of the once excess materials which are now needed to meet the new stock objectives.

--Currently there is also a practice of offsetting shortages of some forms of materials with excesses of others which are of a lower grade and need refining or other processing. However, the FPA is aware the additional processing capacity would not be available during wartime since the assumptions used in setting goals already call for full use of all domestic capacity. Five materials are involved in this situation.

--It is also an FPA practice to loan materials to Government agencies and contractors. The borrowing activity is responsible for replacing the material on demand. Frequently these agreements have been extended several times and we question the practice and doubt if the material could be replaced in a timely manner during a national emergency.

--We have also found that alternatives to stockpiling have not been evaluated. For example, rather than increasing our stockpiled materials, FPA should also: (1) consider membership in commonly held stockpiles of an international organization; (2) increase the level of R&D of materials to make them last longer and perform better; or (3) encourage substitution in the design stage of abundant materials for relatively scarce materials.

--Past Government acquisition and disposal actions have caused many people to conclude that for some time the U.S. has operated an economic stockpile that bows to industry pressures to release stocks in times of tight supply and, at other times, threatens releases to bring down raw material prices. We believe the purposes of the stockpile need to be more explicit. Legislation should be introduced explicitly stating the purposes of the stockpile and conditions under which disposal actions can be made.

The Preparedness Agency is responsible for advising the President on planning and coordinating the total civil preparedness program. However, FPA has not adequately carried out this function. For example, there are various conflicting views regarding the effects of nuclear attack and industrial and agricultural survivability that have not been fully explored and debated. As a result, the U.S. has no comprehensive or clearly defined policy on how to achieve civil defense.

The Federal Preparedness Agency is also responsible for developing plans for the continuation of Government operations to assure the Nation's recovery in time of a disaster. However, we found the Federal program to

provide Federal Regional Centers essential to house Government leaders and communications equipment was not adequately developed to perform the task. At the State and local level the Governments were not fully committed to emergency planning and nuclear attack planning. Therefore, many of the plans reviewed were inadequate. Most plans were very general, were out-dated, were not tailored to their communities, and did not consider all the necessary elements of a good plan. Essentially, we believe the FPA needs to do a better job in coordinating Federal planning agencies and needs to implement the Federal plans because they represent the cornerstones upon which the State and local plans can be built. We believe our report on these matters (LCD-76-464, dated August 8, 1977) is another example of where the GSA has not fully exercised its authority and responsibility to provide a vital service to the Nation.



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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LOGISTICS AND COMMUNICATIONS
DIVISION

NOV 10 1977

Mr. Joseph Malaga
Executive Director
Administrative Services
Reorganization Project
General Services Administration

Dear Mr. Malaga:

Enclosed are two more papers--NARS and PBS--of the five we are preparing which outline the major GSA issues identified in the audit reports we have issued in the past 5 years. The last paper on ADTS will be sent in a few days. If we can be of further help, please call.

Sincerely yours,

R. G. Rothwell

For

R. G. Rothwell
Deputy Director

Enclosures - 2
NARS & PBS

NATIONAL ARCHIVES AND RECORDS SERVICE

The National Archives and Records Service (NARS) performs a variety of functions relating to the preservation, use, and disposition of the records of the United States Government. The functions or activities NARS performs or controls are:

- An archival program to appraise documents which warrant preservation.
- A records management function.
- Maintaining the Federal Archives and Records Centers to store and service documents.
- Publishing laws, regulations and Presidential documents.
- Developing and operating the Presidential libraries.

By the end of 1978, records in the National Archives and Federal Records Centers are expected to total 15 million cubic feet. The estimated number of reference services expected to be provided for record center data will total 19.4 million. Agencies are expected to transfer 1.3 million cubic feet of inactive records to storage and records to be disposed at the records centers will reach an estimated .95 million cubic feet.

Much of the workload of the National Archives and related service activity is determined by the volume of reference requests received from Government agencies and the public for archival data. These requests for services are expected to reach an estimated 2.1 million in 1978. In addition, NARS is entrusted with carrying out the national historical documents program, established by the act of July 28, 1964 (P.L. 88-838), as

amended, involving the publication and preservation of source materials significant to the history of the United States.

GAO has issued a number of reports dealing with functions of the National Archives and Records Centers. NARS oversight of Government agencies' records management practices was the issue dealt with in the majority of reports. One report dealt with the Presidential libraries, reporting findings in a very favorable light.

In our August 1973 report (B-146743) on ways to improve records management practices in the Federal Government, we recommended that NARS assume a stronger role in bringing about satisfactory records management. NARS should make greater efforts to convince agencies to improve procedures by demonstrating time and money savings that can result. If unsuccessful, NARS should exercise the authority it has, but has never used, to report to the President, the Congress, or OMB instances of improper agency records management and agency failure to take actions to improve. NARS concurred and planned to implement GAO's recommendations.

Another record management function of NARS involves mailing procedures of the Federal Government, which we reported on in August 1975 (GGD-75-99).

Following the Postal Reorganization Act of 1970, Federal mail costs rose considerably as agencies began to have to pay for their full mailing costs. We found that NARS could do more to provide guidance concerning the classes of mail service agencies should use, evaluate Federal agencies' procedures for moving their mail economically, and provide training for mail users in how to reduce costs. The National Archives and Records

Service concurred with our recommendations and indicated they would take corrective actions.

Other reports GAO issued concerning NARS dealt primarily with records management procedures and recommended ways NARS could help reduce the costs of the paper workload of the Federal Government. For instance, NARS operates Federal records centers which store the temporary records of agencies. Often NARS can store records more cheaply than the agencies can provide their own storage, as we indicated in a letter report to the Administrator of GSA, May 26, 1977. In the letter, we pointed out that the Veterans Administration was operating its own records centers costing over \$1 million annually more than NARS Federal record centers could do the job.

The extent of the paperwork problem NARS is charged with controlling is formidable. In our August 1973 report, (B-146743) we noted that 11.5 million cubic feet of records were stored in Federal records centers at the beginning of fiscal year 1973. At that time NARS officials were contemplating expanding storage space over 30 percent by 1985, at a cost of \$33 million, if agencies could not be convinced to reduce records retention periods to minimize the need for future expansion.

Already in its 1978 budget request to Congress, NARS is asking for appropriations for the cost of storage of 15 million cubic feet of records, a slightly greater amount than that forecasted for 1985.

As a result of a major fire in July 1973, at the Military Personnel Records Center in St. Louis, Missouri, GAO visited the 18 records centers operated by NARS. At that time we found three centers generally complied

with the fire protection standards for this type structure, 10 centers partially complied and 5 centers did not comply. Improvement projects were planned by GSA, however, as we show in enclosure 5 on issues at the Public Building Service, a backlog of construction and maintenance projects also exist at GSA.

PUBLIC BUILDINGS SERVICE

The Public Buildings Service (PBS), General Services Administration (GSA), is responsible for the design, construction, management, maintenance, operation, alteration, extension, remodeling, preservation, repair, improvement, protection, and control of buildings, both federally owned and leased, in which are housing accommodations for Government activities, where authorized. It also has the responsibility for the acquisition, utilization, custody, and accountability for GSA real property and related personal property, and for the GSA safety program. It is responsible for the development of Government-wide policies and regulations to promote the maximum and optimum utilization of excess real and related personal property by executive agencies; for surveying Federal real property to identify properties not properly utilized; for transferring excess property among Federal agencies and authorized organizations; for disposing of surplus real property; and for granting or approving leases or permits for use of real property.

The total space under PBS management is estimated to reach 231.6 million square feet during FY 1978. This space is in about 10,000 buildings, of which about 2,500 are Government-owned and about 7,500 are leased.

As a result of GAO's past and current work in GSA, and the research done to plan future assignments, certain aspects of GSA's activities, as discussed below, invoke continuous concern.

THE ROLE OF GSA

At least as it relates to management of real property owned or controlled by the Federal Government, one basic problem which needs to be clarified is the role of GSA. By enacting the Federal Property and Administrative Services Act of 1949, did the Congress intend that GSA

should function merely as a service agency, or was GSA envisioned as an agency with authority to direct movement of other agencies in order to better manage real property? Of greater importance is how the Congress currently views GSA's role.

A basic intent of the Act was to increase efficiency and economy of operations of the Federal Government by using available property. The Act authorizes GSA to transfer excess property among Federal agencies and to assign and reassign space of all executive agencies upon a determination that such action is advantageous to the Government.

The Act also requires GSA to prescribe policies and methods to promote the maximum use of excess property by all executive agencies. Guidance for the executive agencies is included in the Federal Property Management Regulations.

In response to a GAO inquiry about using vacant and underused property, GSA's Assistant Commissioner for Space Planning and Management, in a May 1976 letter, stated that GSA does have authority to direct Federal agencies to utilize GSA-selected locations under Executive Order 11512. He noted, however, it would be exercised with great reluctance and only when it could be amply documented that such a move would be in the overall best interests of the Government. In most instances, subjective judgment is involved and, if the agency does not agree that its missions can be satisfactorily accomplished at the proposed location, GSA rarely superimposes its judgment.

The Federal Property Management Regulations provide that when GSA and an agency disagree on a proposed location, the matter may be appealed to the Office of Management and Budget (OMB). Location of available space is sometimes a very controversial issue, considering its effects on an agency's missions, general desirability, convenience of transportation, and other

factors. (A case in point is the office building in the area known as Buzzard's Point, Washington, D.C.)

We reported, in September 1977, ^(LCD-77-314) that GSA is authorized to require agencies to move into space suitable to meet their administrative requirements, but that this authority should not be exercised arbitrarily. In our report, we recognized that agencies' views should be given great weight; however, where the agencies' parochial interests are clearly outweighing those of the taxpayer and where the agencies' missions are not adversely affected, we recommended that GSA exert stronger leadership and make the decision.

In some cases, Buzzard's Point for example, OMB overruled GSA's decision and upheld the agency's appeal. Thus, the need for clarifying the role of GSA.

FEDERAL BUILDINGS FUND

Since July 1974, GSA has been empowered, under the Public Buildings Amendments of 1972 (P.L. 92-313), to charge rental to agencies for space. These charges and agency reimbursements for any additional special services are deposited into the Federal Buildings Fund established by the 1972 Act. The legislative objectives of the Fund were to: (1) reduce backlogs for new construction and major repair and alteration projects and thereby reduce increased cost to the Government for leased space and inflated, deferred construction costs; and (2) motivate Federal agencies to seek space utilization economies.

The Fund's approved budget for fiscal year 1978 is about \$1.9 billion, about \$1.33 billion from user charges and about \$550 million from agency reimbursements for special services.

During the Fund's first 3 years of operation very little new construction was financed through the Fund, and the amount of commercial space leased by GSA continued to increase. The estimated backlog of major repair and alteration work on Federal buildings also increased substantially, and is now estimated to be about \$1.2 billion. Another major obligation of the Fund is the annual interest and redemption payments on purchase certificates sold to finance construction of Federal buildings which will reach a peak of over \$170 million annually.

With these heavy obligations on the Fund, there is a serious question as to whether or not it is really functioning as a self-sustaining Fund to provide needed space to Government agencies efficiently and economically. The answer involves both legislative and executive branch policy influence on how the Fund operates, as well as the efficiency of administration of the Fund and the related operating programs it finances.

ARCHITECT-ENGINEER SERVICES

GSA, as well as other Federal agencies involved in construction of facilities for the Government's use, seeks out the services of professional architects and engineers (A/E) from the private sector. In 1967, GAO issued a report^(B-152300, AIA-02107) relating to A/E fees that concluded that procurement of such services should be subject to competitive negotiation requirements. The debate stirred up by that conclusion still continues.

^{1/}In the early 1970's, GSA began acquiring 68 buildings under the purchase contract program using purchase certificates and other private sources of funds to finance construction. Currently, payment of principal and interest is made from the Federal Building Fund.

In response to pressure from the professionals as well as various Federal agencies, the Congress passed P.L. 92-582, in October 1972, setting forth the procedures to be used by the Federal Government when procuring A/E services. The law prescribes the "traditional" method of selecting an A/E and therefore precludes the introduction of price or fee into the evaluation process.

(LCP-75-313)

In June 1976, GAO reported to the Congress on the need for greater emphasis on competition in selecting A/E services for Federal projects. Among other things, GAO recommended to the Congress that proposed legislation calling for the use of competitive negotiation procedures in selecting and awarding A/E contracts be enacted. This is in line with GAO's overall belief that there is a need for even further improvements in the manner in which A/E services are procured. GAO sought to provide the Congress with alternatives for strengthening the A/E procurement process beyond the improvements being brought about by P.L. 92-582.

Not only is there no requirement for A/E's to be competitive on all factors including price or fee, but once their services have been contracted for there appears to be a reluctance to hold them accountable for their work. In reporting on this matter in July 1977, GAO showed that some Federal agencies (including GSA) are not adequately documenting causes for errors and omissions in plans and specifications prepared by A/E's. This precludes the Government from both establishing responsibility for resultant contract change orders and recovering costs from A/E's in cases involving negligence. GAO recommended that the agencies document design deficiencies, establish responsibility for resultant change orders, and recover costs stemming from apparent A/E negligence. GAO also recommended that A/E performance be objectively evaluated and that the information be exchanged among the agencies.

ACQUISITION OF SPACE

- GSA is authorized by law to acquire space for departments and agencies by (1) direct Federal construction, (2) purchase, (3) lease, (4) purchase contract (authority expired in 1975), (5) exchange, (6) or otherwise.

GSA does not purchase buildings. In the last 10 years GSA acquired most of its additional space by leasing (42 million square feet) and by purchase contract (about 15 million square feet in 66 buildings). A limited amount was acquired by direct Federal construction. Some buildings and sites were obtained by exchange, but that program is now at a standstill.

- One of the major reasons for increased leasing has been the budgetary restrictions on GSA's construction program. Because of competition for the budget dollar, Federal construction is one of the first items to be eliminated. Federal construction has an immediate impact because it entails a large initial cash outlay. However, total cash outlays made during the period of a long term lease are substantially more. For example, we found that the cash outlay for 10 leased buildings for 30 years to be \$429 million, or \$238 million more than the cash outlay that would be needed for direct Federal construction and ownership.

The Appropriations and Public Works Committees have expressed concern about the increasing amount and cost of leased space. Although the Committees have advocated Federal construction as the most economical way to provide accommodations for Federal agencies, the amount of Government-leased space under GSA's control continues to grow at a rapid rate. From fiscal year 1968 to fiscal year 1977, leased space increased from 48.2 million square feet to 90.5 million square feet, or 88 percent. Annual rentals increased from about \$150 million to about \$400 million, or 167 percent.

1/ See footnote on page 4.

Given the present level of funding (cash flow) through the Federal Buildings Fund, it does not appear that GSA can ever effect any meaningful reduction in the amount of leased space or its \$2 billion construction backlog. The fiscal year 1978 appropriations act (Public Law 95-81, dated July 31, 1977) shows total Federal Buildings Fund expenditures of \$1,332,789,000 as follows:

	<u>Amount</u>	<u>Percent</u>
Construction	\$ 20,479,000	1.5
Rental of space	487,000,000	36.5
Purchase contracts	93,000,000	7.4
Real property operations	462,310,000	34.7
Alteration and repairs	200,000,000	15.0
Program direction	<u>65,000,000</u>	<u>4.9</u>
Total	<u>\$1,332,789,000</u>	<u>100.0</u>

The above schedule shows that contractual obligations--lease and purchase contract payments--are a drain on the Federal Buildings Fund. These two activities account for 44 percent of the expenditures, other building activities 54.5 percent, and construction only 1.5 percent.

LEASING

In fiscal year 1963, a lease-authorization procedure was established requiring GSA to obtain prospectus approval of the Public Works Committees of the Congress for the lease of buildings for Federal agencies when the estimated construction costs exceed \$200,000. The lease authorization procedure was inserted in the annual appropriation acts because the Congress wanted to exercise some control over leasing and to encourage the construction rather than the leasing of buildings. In 1972, the law was amended to require prospectus approval of all leases having an annual rental in excess of \$500,000.

(G-112-23, April 10, 1972)

In 1972, GAO reported¹ that GSA obtained congressional approval for the private construction and leasing to the Government of 11 buildings because GSA classified the buildings as being under construction. The procedures GSA used did not constitute an objective application of the criteria it developed to implement the law.

In 1977, we found² (LCD-77-354) that GSA split space requirements on two leases to avoid congressional review and approval of leases having annual rentals in excess of \$500,000.

Proposals to lease space sent to the Congress by GSA are supported by present value analyses that support leasing as the more favorable alternative in every case. OMB Circular A-104 prescribes the procedures and assumptions to be used in the comparative cost analysis. We found problems with the GSA application of the Circular--funds were not discounted to correspond with cash flows and a proper discount rate was not used. When we adjusted six GSA analyses, Federal construction and ownership, not leasing, was shown as the more favorable alternatives for 5 of the 6 cases.

By approving a reorganization plan in 1950, the Congress withdrew authority to lease general purpose real property from most Federal agencies and transferred it to GSA. The plan was flexible and provided that GSA could delegate the authority back to the agencies subject to standards and regulations prescribed by GSA. It was anticipated that GSA would make extensive use of lease delegations in the smaller communities where agencies could lease directly.

GSA's present approach to delegations tends to centralize most leasing for agencies within GSA. This approach is not always efficient because GSA is needlessly involved in numerous small single agency leases in remote

areas where there is no concentration of Federal activities or resident GSA real property leasing. An average of 239 days was required to fill agency requests in 1976, which exceeds GSA's goal of 180 days. Both GSA and the agencies attribute the poor performance to the lack of adequate staffing by GSA.

INNOVATION AND TECHNOLOGICAL ADVANCEMENT

Today, Federal construction costs are skyrocketing, the quality of Federal building design is criticized, and there is a national concern about energy consumption of buildings. GSA, in its role as the Federal Government's property agent, can play an important role in adjusting the facility acquisition process to effectively deal with these matters, and in causing future changes in the ways in which the Federal Government acquires new facilities. While sponsoring the development and application of innovative concepts and technological advancements is not one of GSA's primary missions, it does have a vested interest in these areas, particularly if the innovative concepts result in economy, efficiency, and improved quality of Federal buildings.

With these factors as justification, GSA has, at times, assumed the risks involved in supporting innovative techniques and concepts. For example, it has actively promoted a new building systems concept, has been at the forefront in implementing the construction management concept on Federal projects, and has sponsored energy conservation demonstration projects to study energy conservation techniques in design and operation of contemporary office buildings. It has also been supportive in the development of life-cycle costing techniques. However, GSA could possibly be doing more.

For example, GSA has not actively supported the development of computer-aided techniques, and more could be done to further the development of life-cycle costing techniques. GSA could also do more to facilitate the use of innovation and advance technology on Federal projects--i.e., the ways in which Federal agencies treat computer costs on design contracts frequently discourages the use of computer-aided techniques. Also, the rigid application of Federal specifications on construction projects tends to suppress innovative thinking and limits the use of new, improved products and materials.

In the past few years, we have made several reviews which looked into this general area. For example, we have reported^{(b-1c) 3762, p. 17, 1974} on value engineering, construction management,^(LCD 77-343) and building systems;^(LCD-77-322) and we are currently processing a report^(LCD-78-300) on computer-aided building design. In the issued reports we recommended that GSA establish a system for circulating proven value engineering proposals; and that GSA coordinate with other agencies using construction managers and phased construction in developing uniform procedures or guidance for identifying the projects most suitable for the use of this technique and criteria for selecting and evaluating construction managers. In the building systems report,^(LCD-77-322) we did not make any recommendations, but made certain observations and concluded that GSA was justified in experimenting with this innovative building systems concept as a possible way to reduce acquisition costs and increase building operation and maintenance efficiency.

MAJOR REPAIRS AND ALTERATIONS

GSA is charged with the responsibility to manage, maintain, operate, and protect Federal facilities under its jurisdiction. This function has

been interpreted in a court of law to be a "duty to see that Government property under its charge and control is in proper condition for normal usage, so that Government business may continue."

Renovating or altering buildings is the function of the Repair and Alterations Programs of the Federal Buildings Fund. The program is broken down into six separate elements:

- Basic work to correct deterioration and malfunctions.
- Improvements of space to promote utilization.
- Special fire protection, lifesafety, and property protection.
- Special aids for the handicapped.
- Special environmental protection measures.
- Special energy conservation measures.

Over the past several years, there has been a backlog of repair and alteration projects estimated by GSA to be about \$1.2 billion. The appropriation of funds for repair and alteration projects hit a new high of \$200 million for fiscal year 1978. Up until now the funding has not been adequate to keep up with current requirements and cut into the backlog. It is not known to what extent the \$200 million funding will reduce the backlog. The bulk of the appropriations to date have been expended in the area of basic work to correct deterioration and malfunctions.

The accuracy of the backlog amount is questionable based on a limited survey by GAO. Also, how priorities are established within the account

dealing with projects to improve space to promote utilization, or for fire protection, or for environmental and energy conservation measures, is not readily evident. Questions also arise regarding the validity of prospectus data and GSA's adherence to congressional requirements on the use of prospectuses.

In a recent review of fire and security protection at the Denver Federal Center, ^(LCD-77-34) a Federal enclave of GSA-owned/operated buildings housing many agencies, a major finding was that over 2 million sq. ft. of space was not provided fire protection. GSA has adopted stringent standards for fire protection and has procedures to identify and program needed building alterations. GSA's regional office had not followed these procedures in regard to the Center and had not recognized or programed the needed alterations for several large buildings. Inspections were several years delinquent.

GAO has also issued a report, ^(LCD-77-34) to the Congress on use of Federal buildings in lieu of renting or constructing new buildings. One problem in making good use of Government space is lack of repair and alteration funds to renovate old buildings.

EXCESS AND SURPLUS REAL PROPERTY

GSA is responsible for managing excess real property and for carrying out the basic Federal policy for managing real property to:

- maximize use of existing Government-owned permanent buildings which are adequate or economically adaptable to space needs of executive agencies, and
- dispose of surplus property which is no longer needed by any Federal agencies.

GSA is required to continually survey real property holdings of executive agencies to identify property not being effectively used. In September 1977, we reported^(LCD-77-314) that too few surveys were being performed. The basic problem, according to GSA, was that administrative funds were being used for more critical functions.

Other executive agencies are also required to survey their property holdings and report available underused or vacant space to GSA. We reported that the agencies have not been doing this. The main problem appears to be that Federal Property Management Regulations do not provide specific criteria for agencies to determine what constitutes available space and when such space should be reported.

To better identify available space, we have recommended that GSA earmark required funds for a realistic number of property surveys on an annual basis, and amend property management regulations to specify criteria for agencies in determining when and under what circumstances available property must be reported to GSA.

Federal Property Management Regulations require that excess real property reported to GSA be screened for use by other Federal agencies. In September 1977, we reported^(LCD-77-314) that GSA's procedures for screening property were ineffective. The procedures do not assure that screening notices are sent to agencies which may have valid requirements for space which could be satisfied by excess property. Since existing procedures do not require response from the agencies, GSA has no assurance that agencies are aware of available excess space. We have recommended that GSA revise property management regulations to provide a more comprehensive property-screening system.

We also reported in July 1977, that when agencies are aware of excess property and have a requirement for it, GSA may deny an agency's request in favor of disposal outside the Federal Government. GSA changed its disposal procedures to facilitate outside disposal because of the Legacy of Parks program introduced in 1971, and a program--headed by the President's Economic Adjustment Committee--to expedite disposal of excess properties resulting from base closures.

GSA has the authority to assign surplus real property to HEW and the Interior's Bureau of Outdoor Recreation (BOR) for subsequent disposal. HEW and BOR may transfer the surplus real property to public agencies or nonprofit institutions at less than fair market value--generally at no cost--for use in health, education or park and recreation programs. Also, GSA may convey surplus property at no cost for use in connection with a public airport. Restrictions are incorporated into the deed of conveyance to ensure that all such property be used and maintained for the purposes conveyed. The Federal agency sponsoring the public benefit conveyance has statutory responsibility for determining and enforcing compliance with the terms and conditions of the transfer.

Prior and ongoing GAO work has identified the need for improvements to ensure that the use of transferred property is achieving the public purpose for which it was conveyed.

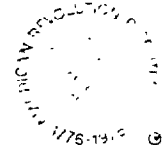
Excess and surplus property, in many cases, may be vacant and must be protected to prevent deterioration and vandalism. Prior GAO work has indicated this to be a major problem area.

A basic problem appears to be that the wrong Federal agency is required to protect and maintain the property. The property management regulations require the agency possessing the property to protect and maintain it (including funding) for a period of about 15 months, after which GSA is to provide the funding. In many cases, GSA has not provided the funds. Also, the agencies have very little incentive to continue maintaining property which they no longer need.

Disposition of a single piece of property -- say, an excess building -- normally poses no big problem for GSA. The main problem area appears to be in disposing of property reported excess by the military services. The property may be an entire military installation, consisting of several to many buildings which were designed and used for various special purposes. Or, the property may be an excess industrial plant, which also may consist of several special design structures. The problems range from determining best use to disposal restrictions placed on property by the Department of Defense.



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



LOGISTICS AND COMMUNICATIONS
DIVISION

NOV 15 1977

Mr. Joseph Malara
Executive Director
Administrative Services
Reorganization Project
General Services Administration

Dear Mr. Malara:

Enclosed is the ADTS paper, and the last of the five, we prepared which outline the major GSA issues identified in the audit reports we have issued in the past 5 years. If you have need for copies of our reports or would care to further discuss our work please contact us. We are looking forward to receiving your study plan and if we can be of further help, please call me (275-6504) or Ken Hoath (275-3664).

Sincerely yours,

^{for}
R. G. Rothwell
Deputy Director

Enclosure:
ADTS

AUTOMATED DATA AND
TELECOMMUNICATIONS SERVICE

The Automated Data and Telecommunications Service (ADTS) is responsible for providing Government-wide direction and coordination of a comprehensive program for the policy formulation, regulation, management, procurement, and utilization of automatic data processing (ADP) and communications equipment and services.

Principal authorities for performing these functions are the Federal Property and Administrative Services Act of 1949, Bureau of the Budget directions in 1961, and a Presidential Memorandum in 1973 for the communications area. In the Brooks Bill of 1965 (Public Law 89-306) amending the Property and Administrative Services Act, GSA was directed to assume its ADP responsibilities.

The introduction of the computer has profoundly changed the way business and Government operate. The widespread use of computers has been accompanied by a host of new problems and many relate to the rapid technological changes in the field. About 100 GAO reports were sent to the Congress from 1955 to 1965. The results of these studies generally called for more Government-wide coordination in ADP management and recommended the establishment of a strong central management office in the executive branch.

A major milestone in the ADP area was the passage of Public Law 89-306 in October 1965 (now known as the Brooks Act) which mandated changes in the overall Government ADP management practices.

Under this Act, major responsibilities are assigned to executive branch agencies:

- The Administrator, General Services Administration (GSA), coordinates and provides for the purchase, lease, and maintenance of automatic data processing equipment by Federal agencies.
- The Secretary of Commerce, working primarily through the National Bureau of Standards (NBS), provides scientific and technological advisory services, performs standards work, and does research in the area.
- These activities are subject to direction by the President, and to fiscal and policy control by the Office of Management and Budget (OMB).

We believe the Brooks Act has accomplished a great deal. However, further improvements can be made. During the period 1965 to 1976 since enactment of the Brooks Act, GAO has issued 175 reports relating to the management and use of ADP in Federal programs. In 1976 we were called upon twice to present testimony;

- major areas of ADP management in which more improvement is still needed since passage of the Brooks Act, and
- computer-related crimes, physical security, and issues related to the use of computers in the administration of Federal programs.

The statements prepared for this testimony and a list of the reports issued

and the major issues dealt with were subsequently issued as a GAO report, FGMSD-77-14, dated March 15, 1977. Problem areas identified were:

- ADP equipment is acquired without adequate determination of needs.
- Lack of adequate studies of work to be done or alternatives.
- Equipment is acquired sooner than necessary.
- Poor design and planning.
- Prescribed procurement practices are not followed.
- Problems in acquisitions of computers under Federal grant programs.
- Improving ADP operations.
- Procurement system for minicomputers is too complicated.
- Multiyear leases should be considered.
- Software requirements and sharing opportunities have not been fully evaluated.
- More standardization of data elements and codes will help reduce high costs.
- Computer systems need protection.

In each of these problem areas specific recommendations for change or improvements were made. Some call for action by the central agencies of GSA or the Bureau of Standards and some can be accomplished by the operating agency concerned. Some of the reports also exemplify situations where there has been inadequate managerial attention paid to the area.

Under the authority of the Federal Property and Administrative Services Act of 1949, as amended, GSA is responsible for procurement and management of telecommunications services for Federal civil agencies. GSA has issued regulations which require civil agencies to take certain actions when they need communications equipment or services.

In December 1950 DOD and GSA reached an agreement pursuant to Presidential letter of July 1, 1949, (14 F.R. 3699; 3 CRF). This agreement established areas of understanding about the authority and the responsibility for procuring and managing communications services within DOD. DOD later issued directives which established policy objectives for the guidance of all elements of DOD in the development and management of telecommunications programs, projects, and procedures. Each DOD element, in turn, issued implementing regulations for management of telecommunications services within their respective elements.

The Federal agencies are provided both voice and record (message and data) communications through many systems. Examples of some of the larger systems are the Federal Telecommunications System (FTS) and Advanced Record System (ARS) managed by the GSA. In DOD we have the Automatic Voice Network (AUTOVON), and the Automatic Digital Network (AUTODIN). Also available is the commercial service provided by the communications industry where necessary.

A number of GAO studies have been made in the past to determine the economy, efficiency, and effectiveness of GSA's management of its communications responsibilities.

For example, in a August 1972 report (B-146864), it was found that expanded use of FTS service by DOD installations instead of commercial long-distance service was feasible and would result in substantial savings to the Government. As it stands now, AUTOVON is DOD's principal long-distance telephone system. Although some DOD installations will transfer incoming AUTOVON calls to commercial telephones within their local dialing areas, AUTOVON is generally used to call other AUTOVON telephones. As a result, DOD long-distance calls to non-AUTOVON numbers are often placed by using commercial facilities.

Some DOD installations use FTS; in fact, DOD is one of the largest individual users, accounting for about 11 percent of the total FTS traffic. Certain DOD installations, which are regular subscribers to the FTS services, have the capability to make and receive calls through the system. At about 70 DOD installations which are not FTS subscribers, GSA has installed inward-only access lines at no cost to DOD. GSA has determined that providing these inward-only lines is more economical than using commercial toll service to complete FTS calls to those locations.

AUTOVON does not satisfy the voice communications requirements of many DOD activities. As a result, a large number of long-distance calls to non-DOD installations are completed over commercial facilities. At the four installations that GAO reviewed in the 1972 report, it was estimated that the Government could have saved about \$226,000 a year by using FTS instead of such commercial service. This represented about 60 percent of the total projected annual cost (\$366,000) of commercial service at the four installations.

Many DOD installations have divided communities of interest and cannot be adequately served by one system. AUTOVON does not offer the capability of reaching business concerns or Government agencies outside the DOD community, and FTS does not have the preempt features, survivability, and overseas capabilities that are required for command and control purposes. The DOD policy concerning the use of FTS was expressed in a August 6, 1964, memo which stated that where AUTOVON service satisfied the requirements of a DOD installation, such service would not be duplicated by the addition of FTS service. The policy also provided that, where it was economical and feasible to do so, FTS service would be used instead of AUTOVON but that in no case would DOD installations subscribe to both systems without approval from the Assistant Secretary of Defense (Communications, Command, Control and Intelligence). However, very few requests for concurrent service have been received.

GSA and DOD were in agreement with the intent of the GAO review and indicated in 1972 that tests of the feasibility of the expanded use of FTS service by DOD users would be conducted. However, the problem we still see today is that each military department is individually responsible for establishing facilities to meet their communications requirements. GSA is responsible for planning and operating the FTS system but cannot force it on the military service, and overall communications policy and direction for the Government was to come from the Office of Telecommunications Policy.

GAO's report of January 1973 (B-169857), demonstrated possible cost savings through centralized management of multiplex systems for both military and civil Federal agency communications. Multiplexing is a technique in which electronic devices at each end of a single circuit simultaneously transmit a number of messages and eliminates the need for numerous individual long-distance circuits between terminal points. Although multiplexing has been available since June 1968, Federal agencies have made little use of the technique.

The Government can realize significant savings in communications costs by establishing and effectively using additional multiplex systems. These savings can be achieved either by leasing commercial multiplexers or by using Government-owned equipment. The cost reductions can be accomplished by combining circuit requirements of Government departments without impairing the quality or reliability of communications services. A GAO review identified annual savings of over \$400,000 that could be achieved by eliminating 189 individual circuits being leased for military and civil departments.

According to communications officials, multiplexers are highly reliable and seldom fail. Therefore, the maintenance costs for the systems using Government-owned multiplexers would be nominal. Since monthly rentals of multiplexers could be avoided by using the Government-owned equipment, savings should be greater than in using leased equipment.

GSA officials recognize that multiplexing is an economical means of providing communications, and savings have been achieved by its use in a few instances. An official told us that GSA currently has insufficient data on services of the various civil agencies to systematically develop multiplex systems; however, a GSA program is being implemented to establish a data base to provide information for this purpose.

GAO brought its findings from this report to the attention of the Office of Telecommunications Policy (OTP), DOD and GSA. The agencies agreed that communications costs could be reduced through further application of multiplexing but expressed reservations concerning the need for strong central management of the communications function.

OTP and DOD questioned the desirability or necessity of centralized management or high-level policy direction, rather than appropriate inter-agency coordination, for accommodating military and civil multiplex requirements. OTP stated that it would proceed with the establishment of a Government policy and that, in the meantime, GSA and DOD would undertake a coordinated effort to apply the multiplexing techniques for civil and military use.

GAO believes that previous reports relating to communications management have demonstrated the limitations of "coordinated efforts" in other communications networks and systems. A policy of coordinated efforts may only continue separate multiplex systems between and within military and civil agencies.

Circuits susceptible to multiplexing are used not only by military but also by civil Government agencies; however, procedures do not exist

for coordinating their requirements to develop joint-use multiplex systems or for interagency use of spare multiplex channels. In GAO's opinion, the Secretary of Defense, in his capacity as the Executive Agent, National Communications Systems (NCS), should perform the coordination of requirements to establish joint military and civil multiplex systems. The Executive Agent is responsible for the design of this system "taking into consideration the communications needs and resources of all Federal agencies." Furthermore, he is to "ensure effective utilization" of the system. On the basis of past GAO experience and the responses to the January 1973 draft report, (B-169857) GAO believes that such coordination between military and civil agencies will not be fully effective without additional policy and procedural guidance from a high authority.

In 1973 we found that ADTS was paying over \$60 million a year for local telephone service. In our report (B-146864, March 1973), we explained that periodic telephone company and ADTS' traffic studies are necessary to assess the service. However, we found the phone company studies were not always performed or were not performed in a timely manner and were not always complete or reliable. Consequently, ADTS exercised little internal control over management of the local service because it did not have information on communication traffic growth, decline, seasonal trends or reliability.

We believe^{if}/the studies were improved, they could be useful to management for achieving optimum economical and efficient service.

In more recent years we found that ADTS is still having problems in managing its communications systems. In our April 1976 report (LCD-76-122),

we found that ADTS has made little effort to incorporate into the Advanced Record System (ARS) certain agency-operated dedicated networks. In addition, we reported in August 1977 (LCD-77-108) that in managing the ARS service GSA has not thoroughly evaluated alternatives in its planning for future record transmission services and has allowed agencies to establish their own record transmission systems in lieu of using ARS. The results being unused capacity.

From the GAO reports concerning the ADTS functions we can draw an overall conclusion that under the existing legislation and executive direction the ADTS has a broad responsibility in the data processing and communication area. However, it appears ADTS has not exercised strong central leadership, which we believe is necessary, in providing Federal agencies with economical and effective computer and communications services.