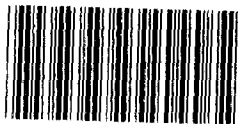


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Statement of
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 PROCUREMENT AND SYSTEMS ACQUISITION DIVISION
 before the
 Senate Subcommittee on Federal Spending
 Practices and Open Government
 Committee on Governmental Affairs

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Mr. Chairman and members of the subcommittee, I am
 pleased to appear at these hearings and will comment, as you
 requested, on our recently completed [review of the Interagency
 Task Force on Property Management and the General Services
 Administration's GSAF systems furniture program.]

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THE INTERAGENCY TASK FORCE

Goals and Objectives of the Task Force

First, Mr. Chairman, I would like to discuss the Task
 Force's effort. It is important to put our comments in the
 proper context. Our inquiry into the task force's efforts
 was concluded prior to issuance of their final report so we
 did not have the benefit of reviewing their end-product.

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We formed our opinion by reviewing their audit guide, discussing the project with agency participants, and attending some of the task force meetings.

The task force was established to review the extent and means of property disposal, the sufficiency of both the Federal Property Management Regulations and agency rules and regulations, and GSA's oversight responsibility. It's task was to be completed by mid-January 1980.

Although this review was labeled a task force effort, we do not believe it was in the normal sense. Most task forces are composed of individuals or groups removed from their normal organizational unit to carry out a specific objective under the authority and responsibility of a single individual. However, there was no organizational structure and no direct authority or responsibility established for this task force. GSA served as the coordinator, with the other agencies following the audit guide and reporting in a format of their choice.

GSA auditors developed a draft audit guide for discussion and review at the initial task force meeting. Since there was little objection to the draft audit guide it was adopted for use in the review. However, we found the audit guide lacked clear cut objectives for the agencies to follow. Also, many Task Force auditors stated the guide was not specific enough for them to determine exactly what information GSA wanted them to obtain or in what format.

At the initial Task Force meeting and subsequent meetings the audit scope was narrowed from nationwide to solely Washington headquarters organizations, to fiscal year 1979 activities and to office furniture. The completion date was extended 1 month to February 15, 1980.

In our opinion, limiting the review to headquarters organizations was necessary due to the timeframe, however, restricting the review to activities during fiscal year 1979 fails to reflect the fact that the largest amounts of office furniture were purchased in fiscal years 1977 and 1978, \$191 million and \$264 million, respectively.

Overall about 132 auditors were assigned and spent about 9,000 staff days on this assignment. However, the level of audit coverages varies greatly among participating agencies from one or two auditors at some agencies to 40 at DOD. Although by no means an absolute measure of the quality of audit work performed the number of auditors assigned is an indication of the detail and depth of examination possible given a fixed time frame.

The large difference in audit effort is probably the result of two factors: a lack of planning by GSA and the task force in scoping the audit; and a wide variance in the commitment and support given to the audit by the agencies involved.

Originally, GSA planned to write an overall summary report based on reports submitted by the other agencies. However, the lack of specific report format or outline will probably severely hamper this effort and delay preparation of a final report.

Coordination and Cooperation

Coordination and cooperation among the agencies involved can best be described as loose. Other than the six meetings held by the task force to discuss the audit effort, there was little contact among task force participants. GSA did not visit most other task force members to determine their status, whether they were experiencing problems, or if there was a consistency of audit application among task force participants.

Also there are indications that agencies may not agree on the problems or solutions. For example, at a January 1980 meeting, one agency strongly favored stricter controls on inventory and property management while another agency opposed detailed inventory controls preferring controls be placed on the procurement and disposal aspects.

Preliminary Audit Results

At a January 22, 1980, task force meeting, GSA presented a list of potential audit findings including (1) unneeded furniture in storage, (2) procurement for inappropriate reasons, (3) poor administrative controls, and (4) improper furniture disposal.

Conclusions and Observations

The Interagency Task Force on Property Management was hastily formed with little or no advance planning regarding objectives, scope, staffing needs, or timeframe. In addition, its informal structure resulted in a lack of direction and control. Despite these problems, it is of course possible that some potentially significant audit findings may result. In addition, since many of the problems that developed stemmed from a lack of experience in conducting large scale audits, there is a unique opportunity for the agencies to learn from this first joint effort.

SYSTEMS FURNITURE PROGRAM

Now, Mr. Chairman, I would like to address GSA's systems furniture program.

Systems furniture consists of modular components such as work surfaces, storage drawers, shelves, files and privacy panels which can be assembled into various sizes and shapes designed to meet the needs of a particular individual or organization. By using overhead storage and reducing the area needed for free-standing furniture the systems furniture concept can reduce office space requirements. The systems furniture concept was to achieve two primary benefits. One was to save space and thereby save money by avoiding or reducing rental costs. The second benefit was to provide a better working environment and thereby improve employee productivity.

In response to agency pressure to supply systems furniture and to evaluate its cost effectiveness, GSA launched a Systems Furniture Test Program in March 1978.

During our review, we found numerous problems with the systems furniture program as it now exists. In most cases, GSA did not know whether any space was saved through the use of systems furniture or whether it was cost effective.

GSA management of the Systems Furniture Test Program has also been poor. For example, GSA did not require agencies to gather or submit sufficient data to make a cost-benefit analysis.

GSA Test Program

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- place systems furniture in Government space;
- maximize the chances of successful installations;
- minimize problems by use of specific reviews, strict qualifications and tight process controls; and
- demonstrate cost-effectiveness over the life of each project.

GSA originally planned for the test program to cover a 3-year period. During phase I, GSA purchased the furniture with the ordering agency's money and provided space planning design service for the agencies. In phase I, GSA approved

23 projects for about 1,800 work stations at an estimated cost of \$3.5 million. During phase II, GSA allowed the agencies, if they met the program criteria, to purchase their own furniture from a limited systems furniture schedule. During a 9-month period of phase II, 230 projects were approved to buy 15,000 work stations at an estimated cost of \$22 million. In addition, an undetermined amount was spent for such things as renovations and accessories.

GSA has decided to end the test program after the second phase. We recently learned, however, that GSA extended the schedules contract for phase II by 2 months to allow agencies time to purchase furniture for projects approved prior to the October 9, 1979, furniture moratorium. Also, PBS has already decided the test program was a success and wants to continue the program on a regular basis. However, FSS has not yet agreed to establish the necessary schedule contracts.

We believe GSA has unwisely allowed too many projects into the test program. GSA has authorized the purchase of systems furniture for approximately 230 projects during phase II without knowing whether projects approved in phase I actually saved the amount of space projected and produced other benefits such as increase of productivity, worker morale, etc. GSA officials based their decision to continue authorizing projects solely on the estimated space

utilization rates derived from data submitted by the agencies in their applications--data which we found to be incorrect and incomplete.

Costs Incurred Outweigh Space Economies

The cost effectiveness of systems furniture as a means to save space is a critical factor because it was the sole basis for justifying the purchases in the test program. We believe that GSA, as the program's sponsor, and the agencies purchasing systems furniture should have analyzed all the costs and benefits involved and determined the cost effectiveness before purchasing furniture for any project. However, we determined that agencies were not required to submit sufficient data for GSA to adequately judge whether each prospective project would be cost effective, nor did the agencies we visited make such a determination on their own.

Also, data gathered from our site visits show the costs incurred to acquire systems furniture outweigh the space economies anticipated or achieved. Thus, unless measurable productivity or morale increases are present, costs would exceed benefits. We found the space savings expected by GSA, did not occur or were not as great as anticipated, and costs incurred were significantly greater than the estimated cost of systems furniture reported to GSA.

We visited three sites to determine whether the agencies were achieving the space utilization rates reported in their applications and whether the space savings outweighed the cost incurred. None of the agencies could identify any actual space savings. Nor could any of the agencies produce a cost benefit analysis to show whether space savings and/or other benefits outweighed incurred costs.

We found only one of the agencies visited knew how much space was being utilized before their systems furniture was installed. At this agency they were able to install three additional work stations in approximately the same area they were using without systems furniture. However, the agency did not achieve any real space savings since all three work stations remain empty and there are no current plans to occupy them.

Space savings not as great
as anticipated by GSA

GSA published a booklet entitled "A Manager's Guide to Systems Furniture." In it GSA stated that for 150 projects the average space savings was 33 percent and the payback period on the original purchase would be less than 4 years. However, the amount of space savings was determined by comparing the anticipated space utilization rate with the average rate, 169 square feet, in GSA-controlled space throughout the Federal Government, not the actual rate for

the user agency. For the project sites we visited this sort of comparison produced a greater savings than actually realized. For example, using GSA's method of comparison indicates that 1,670 square feet was saved at one project we visited. However, we found only about 475 square feet was actually saved.

Under GSA's method of determining space savings the systems furniture would pay for itself in about 5-1/2 years but we found it would actually take about 19 1/2 years.

Actual costs significantly higher
than estimated costs

We discovered some agencies were incurring costs substantially greater than the estimated cost of the systems furniture. Besides the systems furniture and installation costs, agencies incurred other costs attributable to the purchased systems, such as professional design services, renovation, seating and other furniture accessories. At one agency, this resulted in actual costs over \$1 million compared with an estimated cost of \$450,000.

On the same project, \$144,000 was spent for seating and other accessories. However, chairs are not included on the systems furniture supply schedule because GSA officials expected agencies to use their old chairs. At other project sites we visited, new chairs and tables were also purchased to go with the new furniture. One agency also purchased new carpeting and drapes to match the new furniture.

We also found that one agency spent \$7,100 for ash trays, wastebaskets, calendar pads, and correspondence trays, which were recommended by the space designers for its project. These items and similar items can be purchased from the GSA self-service stores for about \$1,200. In addition, this agency spent about \$5,000 for planters and framed art posters for this project.

Purchases such as tables, chairs, carpets, and matching drapes, art posters and trash cans are not and cannot be related to space saving. The only result of such purchases, if not needed, is to raise the cost of systems furniture projects and reduce or eliminate any potential for cost effectiveness.

Unused work stations

At two agencies, reorganizations and personnel changes resulted in a substantial number of work stations being unused. All 16 work stations purchased by one organization remain in cartons after almost 1 year. At another project, we found 90 of 217 work stations were not being used, 44 of which were still in boxes. The unused work stations have an estimated cost of over \$150,000. To date, neither organization has been able to identify a location for the furniture or staff to occupy it.

Conclusions and Observations

While systems furniture may have some potential for space savings, we do not believe the Systems Furniture Test

Program has shown such savings are being realized. Although GSA has already authorized over 250 projects, it lacks sufficient data to demonstrate either that systems furniture saves space or is cost effective in other ways. In addition, GSA lacks effective control over the program and is often unaware of specific actions taken by participating agencies. Thus, it has been unable to stop possible, unnecessary purchasing of drapes, carpeting, and other accessories.

Also, some agencies we visited do not appear to be complying with the spirit and intent of the test program. Instead of concentrating on saving space in a cost-effective manner, they appear to be using the program to update their office space to enhance the decor. In our opinion, some agencies have been extravagant in unnecessary purchases of matching carpets and drapes, planters, and framed art posters.

In our view, neither GSA, in managing the test program and authorizing projects, nor the agencies, in purchasing, systems furniture and accessories have acted in a conscientious manner. This has resulted in the possibility of expenditures of substantial amount of money with little or no benefits resulting. We believe it was unwise to extend the test program for 2 months or to consider continuing with a regular program until major changes are made in the method of justifying pro-

jects to include all costs and benefits and in the actual control over project design, approval and installation.

RECENT EVENTS AFFECTING SYSTEMS FURNITURE PURCHASES

On February 27, 1980, the Office of Management and Budget (OMB) imposed a freeze on the purchase of all new office and household furniture by Executive Branch departments and agencies. This action supersedes the moratorium imposed by GSA on October 9, 1979. In addition, GSA's Administrator suspended any further systems furniture purchases over \$10,000 on March 6, 1980. This suspension will remain in effect until GSA's Systems Acquisition Review Committee determines whether or not to go ahead with the systems furniture program.

However, neither of these actions prevent agencies, which received approval to participate in the program prior to October 9, 1979, from purchasing systems furniture. We believe GSA should rescind all approvals for systems furniture projects not yet completed until major questions relating to its cost-effectiveness are resolved by GSA. Further, OMB should direct all executive departments and agencies to stop purchasing systems furniture notwithstanding prior GSA approval.

Thank you, Mr. Chairman, this concludes our prepared testimony. We would be pleased to respond to any questions you may have.