

January 1994

# FARM CREDIT SYSTEM

## Costs for Office Space, Equipment, and Furniture Compared to GSA's Costs



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General Government Division

B-252568

January 7, 1994

The Honorable Patrick J. Leahy, Chairman  
The Honorable Richard G. Lugar  
Ranking Minority Member  
Committee on Agriculture, Nutrition  
and Forestry  
United States Senate

The Honorable Kent Conrad, Chairman  
The Honorable Charles E. Grassley  
Ranking Minority Member  
Subcommittee on Agricultural Credit  
Committee on Agriculture, Nutrition  
and Forestry  
United States Senate

The Honorable E (Kika) de la Garza, Chairman  
The Honorable Pat Roberts  
Ranking Minority Member  
Committee on Agriculture  
House of Representatives

The Honorable Glenn English, Chairman  
The Honorable Larry Combest  
Ranking Minority Member  
Subcommittee on Environment,  
Credit and Rural Development  
Committee on Agriculture  
House of Representatives

This report is in response to the requirement in the Farm Credit Banks and Associations Safety and Soundness Act of 1992, Public Law 102-552, that we determine whether Farm Credit System (FCS) entities and their regulator, the Farm Credit Administration (FCA), could save money by following General Services Administration (GSA) standards for office space, furniture, and equipment. To address this issue, we determined (1) how FCS and FCA costs for office equipment and furniture purchased in calendar year 1992 compared with the costs for identical items if they were available from GSA supply sources and (2) how FCS and FCA costs for leasing and operating facilities and their space utilization rates in 1992 compared with GSA's costs and utilization rates for comparable space.

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## Results in Brief

FCS and FCA could save money if all entities had access to and used GSA supply sources for office equipment and furniture purchases. GSA prices for these products were sometimes less than the prices FCA and FCS obtained on their own in 1992. Even though FCA and FCS banks were allowed to use GSA supply sources, they did not do so routinely in 1992. FCS entities other than the banks are not authorized by statute or regulations to use GSA sources.

FCS and FCA 1992 costs for leasing and operating office space were about the same as GSA's costs. However, FCS and FCA used more space per employee than either GSA's space utilization goal or agencies' actual usage rates in GSA space, partly due to recent staffing reductions. FCS and FCA are taking steps to reduce the amount of office space they use, which should improve their space utilization rates.

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## Background

FCS is a nationwide system of borrower-owned banks and associations established by Congress to help provide credit and related financial services to farmers and their cooperatives. In 1992, FCS consisted of 244 associations that made loans to farmers, ranchers, and rural homeowners; 11 Farm Credit banks that supervised and provided support services to the associations; 3 banks for cooperatives that provided financial services to agricultural cooperatives and rural utility systems; a Farm Credit Leasing Services Corporation that provided leasing services to borrowers; and a Federal Farm Credit Banks Funding Corporation responsible for managing the sale of FCS securities.<sup>1</sup> FCS' operating expenses in 1992 totaled about \$782 million.

FCS is not a federal entity and therefore does not obtain office space from GSA. In 1992, about 75 percent of FCS offices were in FCS-owned buildings, and the remaining 25 percent were leased. Also, FCS buys its own office equipment and furniture. It has no systemwide procurement regulations. Each bank, association, or service entity can establish its own procurement rules and methods. The voluntary FCS Purchasing Advisory Work Group and the FCS Farm Credit Council, a national trade organization, negotiate national contracts for such items as office equipment and telecommunications services that are available to, but not mandatory for, all FCS entities.

FCA is an independent federal agency responsible for regulating and examining FCS banks, associations, and other FCS entities. All of FCA's

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<sup>1</sup>In this report, "FCS banks" refers to both the 11 banks and the 3 banks for cooperatives.

expenses are paid by FCS. In 1992, FCA's operating expenses totaled about \$40 million. Although it does not receive appropriated funds, congressional appropriations committees annually review FCA's operations, including its expenditures. FCS is authorized by law to provide facilities for FCA.<sup>2</sup> The FCS Building Association was established by FCS to carry out this function. The FCA Board governs the affairs of the FCS Building Association. FCS owns the FCA headquarters building in McLean, VA—a suburb of Washington, D.C. The FCS Building Association manages the headquarters building and leases space for FCA's eight field offices. FCA purchases its office equipment, such as computers, but the FCS Building Association purchases furniture for FCA.

GSA manages three programs—schedules, special order, and stock—to provide goods and services to federal agencies. In the schedules program, organizations authorized to use GSA sources order items directly from GSA-approved contractors, who deliver the items directly to the organizations.<sup>3</sup> Information on GSA schedule prices for microcomputer hardware and software is readily available to any organization that has automated capabilities that allow computers to interact over telephone lines. Such information can be used by organizations that are not authorized to use GSA sources to negotiate better prices from vendors.<sup>4</sup>

In the special order program, agencies order items from GSA, which places the agencies' orders with contractors, and the contractors deliver the items to the agencies. In the stock program, GSA orders items from contractors, who deliver the items to GSA's warehouses. Agencies order the items from GSA and receive them from the warehouses.<sup>5</sup> GSA periodically lists the organizations that are permitted to use these supply sources.<sup>6</sup>

<sup>2</sup>Section 5.16 of the Farm Credit Act of 1971, as amended, codified at 12 U.S.C. 2251.

<sup>3</sup>Organizations can generally only use GSA supply sources when authorized by law. The Federal Acquisition Regulation (FAR) authorizes certain government contractors to use these sources. The Federal Property Management Regulations allow military commissaries and nonappropriated fund activities to use them. Also, the president and the State Department can authorize the use of GSA sources by certain countries and organizations.

<sup>4</sup>For more information on GSA multiple award schedules, see Multiple Award Schedule Contracting: Changes Needed in Negotiation Objectives and Data Requirements (GAO/GGD-93-123, Aug. 25, 1993); Multiple Award Schedule Purchases: Changes Are Needed to Improve Agencies' Ordering Practices (GAO/NSIAD-92-123, June 2, 1992); and Multiple Award Schedule Purchases: Improvements Needed Regarding Publicizing Agencies' Orders (GAO/NSIAD-92-88, May 12, 1992).

<sup>5</sup>For more information on GSA's stock program, see General Services Administration: Increased Direct Delivery of Supplies Could Save Millions (GAO/GGD-93-32, Dec. 28, 1992).

<sup>6</sup>See 57 Federal Register 41503 (Sept. 10, 1992) for a list of organizations permitted to use GSA sources.

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## Objectives, Scope, and Methodology

Our objectives were to determine (1) how FCS and FCA costs for office equipment and furniture purchased in 1992 compared with the costs for identical items if they were available through GSA supply sources and (2) how FCS and FCA costs for leasing and operating facilities and their space utilization rates in 1992 compared with GSA's costs and utilization rates for comparable space. To accomplish these objectives, we sent a questionnaire to all FCS banks, associations, and service entities and obtained information about office space, equipment, and furniture. We sent a second questionnaire to all FCS banks and service entities and a stratified probability sample of associations and obtained more detailed information on (1) office equipment and furniture purchased and leased during 1992, (2) purchasing rules and methods, and (3) space costs and utilization rates. The FCS Building Association and FCA headquarters officials provided similar information for FCA offices. We determined the GSA price for items when FCS or FCA purchased them by examining GSA vendors' and GSA's price lists if the identical items were available from GSA.

GSA provided information on its space utilization policy and 1992 actual leasing and operating costs and utilization rates in areas where there were FCS and FCA installations. We compared the GSA data to the FCS and FCA information we obtained. Appendix I provides a more detailed description of our objectives, scope, and methodology.

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## Potential Cost Savings for FCS and FCA Through Greater Use of GSA Supply Sources

FCS and FCA could have realized cost savings for office equipment and furniture purchases in 1992 through greater use of GSA supply sources. GSA suppliers' prices were sometimes less than the prices FCA and FCS obtained. While FCS banks had access to GSA sources, other FCS entities were not authorized to use them. FCA had access to GSA sources but did not use them routinely.

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## FCS Purchases of Office Equipment and Furniture

The sample of FCS entities in our second survey bought or leased about \$19.6 million of office equipment and furniture in 1992. We compared the prices FCS paid for office equipment and furniture to GSA suppliers' prices for identical items that were on available GSA's price lists. We were able to identify about \$1.45 million of purchases by FCS entities in our sample. As table 1 shows, the use of GSA sources for those items could have saved about \$82,380, or 5.7 percent of the \$1.45 million.

**Table 1: Comparison of FCS Prices to GSA Prices for Office Equipment and Furniture Purchased by FCS in 1992**

Product category	Amount	FCS cost	GSA price	Potential savings	
				Dollars	Percent
Personal computers	370	\$869,715	\$812,562	\$57,153	6.6
Computer printers	181	225,411	223,929	1,482	0.7
Computer software	999	120,050	121,723	-1,673	-1.4
Furniture	67	18,731	11,717	7,014	37.4
Copiers	27	191,096	174,686	16,410	8.6
Facsimile machines	15	24,172	22,518	1,654	6.8
Typewriters	3	2,640	2,300	340	12.9
<b>Total</b>	<b>1,662</b>	<b>\$1,451,815</b>	<b>\$1,369,435</b>	<b>\$82,380</b>	<b>5.7</b>

Sources: FCS invoices and GSA supply schedules.

Substantial differences occurred in potential savings by product category. For example, software prices FCS obtained were less than GSA prices, while GSA prices for furniture were less than what FCS paid. Price differences also occurred by individual purchases within the categories. The open market prices FCS obtained were sometimes less than GSA prices. For example, of the 370 FCS microcomputer prices we compared, GSA's prices were less on 272, FCS' prices were less on 36, and the prices were the same on 62. Overall, GSA prices were 6.6 percent less than prices FCS paid for identical microcomputers.

FCS associations and service entities are not authorized to use GSA supply sources and therefore cannot take advantage of GSA prices. The Farm Credit Council has asked GSA since 1989 to allow FCS associations and service entities to use its supply sources. GSA has denied the requests, noting that FCS associations and service entities have not been authorized by law to use its supply sources.

Under the Federal Property and Administrative Services Act of 1949, as amended, GSA may allow certain entities, including mixed ownership government corporations, to use its supply schedules.<sup>7</sup> According to GSA officials, GSA extended eligibility to the Farm Credit banks and banks for cooperatives to use GSA sources because they were successors to entities already using the supply sources as mixed ownership government

<sup>7</sup>Section 201 of the Federal Property and Administrative Services Act of 1949, as amended, codified at 40 U.S.C. 481.

corporations and federally chartered instrumentalities.<sup>8</sup> FCS associations and service entities were not successors to FCS entities already using GSA sources, and they are not the type of entities GSA has authority to allow to use the schedules.

Some FCS entities eligible to use GSA sources in 1992 did not always obtain GSA prices when they were less than the open market prices. For example, in 1992 a Farm Credit bank authorized to use GSA schedules purchased 109 computers from a GSA contract vendor at a cost of \$273,000. GSA's schedule price for the same computers would have cost \$263,000, or \$10,000 less. The bank said it did not know why the GSA contract vendor did not provide the GSA price to the bank.

In addition to not always taking advantage of GSA's discounted prices, our FCS survey indicated that about 25 percent of FCS entities used FCS national contracts, which are negotiated by FCS to provide discounted prices. According to the Farm Credit Council, some of the possible reasons most FCS entities did not use the national contracts included:

- the belief that they could obtain better prices locally,
- the lack of awareness of the national contracts, or
- a desire to promote the local economy.

FCS entities also reported in our survey that about 40 percent of the entities had developed written procedures for competitive procurement.

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## Office Equipment and Furniture Purchases for FCA

FCA bought about \$415,000 of computer equipment and software in 1992. Of that total, about \$290,000 was bought through purchase orders. We reviewed in detail the 24 purchase orders for 70 items totaling about \$241,000, which were above the \$2,500 minimum threshold for which the Federal Acquisition Regulation (FAR) requires competitive procurement.<sup>9</sup> In those purchase orders, 38 items were purchased on the open market after obtaining competitive price quotations, 23 items were purchased from GSA schedule vendors, and 9 items were purchased on a sole-source

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<sup>8</sup>Farm Credit banks were created by the merger of Federal Land Banks and Federal Intermediate Credit Banks. The National Bank for Cooperatives CoBank was formed through the merger of 10 banks for cooperatives and the Central Bank for Cooperatives. Two banks for cooperatives did not merge and today have national charters.

<sup>9</sup>Section 13.106 of the Federal Acquisition Regulation. FAR contains the uniform regulations pertaining to the acquisition of services and supplies by federal agencies. We did not compare the prices on FCA contracts to GSA prices but did review the contracts to determine whether they followed competitive procedures.



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basis with justifications for buying from sole sources documented in the agency's files.

According to FCA staff, FCA did not review GSA schedules specifically for the purpose of buying items from GSA schedule vendors. Rather, GSA schedule prices were obtained by coincidence when the vendors that FCA selected informed FCA that they had contracts with GSA and offered the schedule prices. FCA staff said they did not use GSA schedules because they believed obtaining competitive quotes from various vendors was sufficient competition. Of the 38 items bought through the open market, we were able to find 12 identical items on the GSA schedules. The aggregate cost of those items was \$10,617. If purchased under GSA schedules, the same items would have cost \$10,522, or about 1 percent less.

As an agency that does not receive appropriated funds, FCA is not required to follow FAR. However, in 1993 FCA informed Congress that it would adhere to FAR contract requirements. FCA has drafted modifications to procurement regulations to conform to FAR and said that it would begin using GSA supply sources more routinely. As of December 1993, the revised procurement regulations were still in draft.

The FCS Building Association purchased \$42,725 of furniture for FCA headquarters and field offices in 1992. We reviewed in detail nine purchase orders (94 items), which were above the \$2,500 minimum FAR threshold for competition. In those purchase orders, we were able to determine GSA prices for 21 items with an aggregate cost of \$14,683. The GSA price for those identical items would have been \$12,016—a savings of \$2,667, or 18 percent.<sup>10</sup>

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## Costs for FCS and FCA Office Space Were Comparable to GSA Costs, but FCS and FCA Provided More Space Per Person

Generally, lease costs and operating costs of owned space for FCS and FCA were about the same as GSA's costs in the same cities in 1992. FCS and FCA, however, provided more space per person, resulting partly from recent staffing reductions.

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<sup>10</sup>Also, because it is a nonfederal entity, the FCS Building Association must pay sales taxes on these furniture purchases for FCA. If FCA bought its own furniture, FCA would not pay these taxes.

### Comparison of FCS and GSA Space Costs

Overall, GSA's and FCS' 1992 average operating costs in 21 cities where both owned office space were about the same. The costs varied substantially by location. GSA's operating costs per square foot ranged from \$2.85 to \$7.88, while FCS' ranged from \$2.15 to \$12.47. While FCS' costs were higher than GSA's costs in some areas, they were lower in others.

Similarly, GSA's and FCS' average costs for leased office space in 16 cities where both leased space were also about the same, with FCS' costs higher than GSA's in some areas and lower in others. GSA's lease costs ranged from \$7.26 to \$20.16 per square foot, while FCS' costs ranged from \$5.46 to \$25.51.

### Comparison of FCA and GSA Space Costs

As shown in table 2, the average cost of leased space for FCA's eight field offices was about the same as GSA's average in the same cities—\$13.26 and \$13.74 per square foot respectively.

**Table 2: Comparison of 1992 Leased Costs for FCA Field Offices With GSA Costs in the Same Areas**

Location	Cost of leased space per square foot	
	FCA	GSA (average) <sup>a</sup>
Albany, NY	\$16.23	\$15.55
Aurora, CO	10.38	10.88
Bloomington, MN	11.70	14.18
Irving, TX	11.73	15.28
Marietta, GA	13.77	13.42
Oklahoma City, OK	9.97	9.68
Sacramento, CA	19.92	17.17
St. Louis, MO	12.39	13.78
Average	\$13.26	\$13.74

<sup>a</sup>We used all GSA leases in effect for personnel office space (excluding space designated mostly for storage) for the eight cities, which varied. The number of GSA leases used to derive the average GSA rate in each locality varied from 2 in Bloomington and Aurora to 27 in Sacramento.

Sources: FCS Building Association and GSA.

Operating costs in 1992 for FCA's headquarters building in McLean, VA, (\$11.90 per square foot) were higher than GSA's average operating costs for federally owned buildings in the Washington, D.C., metropolitan area (\$7.53) per square foot.<sup>11</sup> The operating costs for FCA headquarters were

<sup>11</sup>When 1992 income, which the FCS Building Association derived from rent received from three other tenants in the building, is included as an offset to operating costs, the costs for FCA headquarters are \$8.35 per square foot.

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also slightly higher than GSA's average costs for buildings in the Washington, D.C., suburbs (\$11.53 per square foot).<sup>12</sup>

Some of the difference between GSA's operating costs and the cost to operate the FCA headquarters building were attributed to FCS Building Association paying for a cafeteria subsidy (\$55,728), a contracted property manager (\$84,413), and real estate taxes (\$194,431). If the FCS Building Association had not incurred these expenses, its cost to operate the FCA headquarters building would have been \$9.59 per square foot in 1992, less than the average for the Washington, D.C., suburbs.

In response to congressional concerns about FCA's operating costs, the FCS Building Association plans to reduce the operating costs of the FCA headquarters building by \$100,000 in 1993. These plans include (1) eliminating coffee service, (2) reducing the number of security guards on certain shifts, and (3) reducing landscaping work.<sup>13</sup> The FCS Building Association president said further changes may be made to reduce costs. For example, real estate taxes for the FCA headquarters building include taxes on vacant land surrounding the building.<sup>14</sup> According to the FCS Building Association president, FCS may consider selling the buildable rights associated with the vacant land when the commercial real estate market improves.

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## FCS/FCA Provided More Space Per Person

According to GSA policy, federal offices with at least nine employees should average 153 square feet per person for new assignments.<sup>15</sup> Space for federal offices with eight or fewer employees is to be used as efficiently as possible, according to the GSA policy. GSA has emphasized that 153 square feet per employee is a goal and may not be met by all agencies in all situations. In fact, the actual average space used for all agencies was about 160 square feet per employee in 1992.

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<sup>12</sup>GSA's costs for federally owned buildings in the Washington, D.C., suburbs were based on four buildings, none of which were in McLean, VA. Most GSA space in the Washington, D.C., suburbs is leased space.

<sup>13</sup>During our review, the FCS Building Association eliminated coffee service and reduced the number of guards on certain shifts at the building.

<sup>14</sup>When FCS purchased the land for the FCA headquarters building in 1982, it purchased enough land for two equally sized buildings in anticipation of FCA expanding its staff. However, FCA has instead reduced staffing and does not now need the land for expansion.

<sup>15</sup>The 153-square-foot new space assignment goal contained in Federal Property Management Temporary Regulation D-76 includes 125 square feet of space designated as primary office space—the space the employee occupies—and 28 square feet for support space, such as reception areas, conference rooms, and processing areas.

In 1992, FCA headquarters, all eight FCA field offices, and about one third of FCS facilities, as indicated in our FCS survey, had nine or more employees. Both FCS' and FCA's space utilization rates in these offices were higher than GSA's goal and the actual usage rates by agencies in GSA space. FCA's utilization rate averaged 260 square feet per person, and FCS averaged 349 square feet per person.

We also compared FCS associations' usage rates to those of the Internal Revenue Service (IRS) and the Social Security Administration (SSA) offices that were located in the same cities as FCS offices—agencies which, like FCS associations, provide office visit services to the public. IRS and SSA space utilization rates averaged 147 and 143 square feet per employee, respectively.

One reason FCA had comparatively higher utilization rates per employee in 1992 was because of recent FCA staffing reductions. Between January and December 1992, FCA eliminated 40 of its 500 positions—29 at headquarters and 11 in the field. Since the total amount of office space in FCA remained the same, the staff reduction increased the average number of square feet of space for each remaining FCA employee.<sup>16</sup>

## Steps Taken to Reduce Excess Office Space

The FCS Building Association has taken steps to reduce the amount of office space FCA uses. On November 26, 1993, the president of the Association reported that plans to restructure space in the FCA headquarters building had been completed. The plans entailed reducing the square footage of space allocated to FCA from 121,646 to 108,485 square feet and increasing the square footage of available space for leasing to other tenants from 21,617 to 33,926 square feet. In addition, FCA announced that two of its eight field offices—Albany, NY, and Oklahoma City, OK—will close in 1995. Those two offices were among the three FCA offices with the highest space utilization rates in 1992. Closing two offices and transferring employees to existing FCA offices should contribute to an overall office space reduction.

According to FCS, about 40 percent of FCS entities leased excess office space to other tenants in 1992. Other FCS entities have sold excess space. For example, the Farm Credit Bank of Louisville said that it sold its building in 1992 for about \$8 million and leased back a portion of the

<sup>16</sup>FCS also experienced a staff reduction. Between January 1988 and January 1993, the number of FCS employees decreased from 14,289 to 11,429. However, we could not determine whether this staff reduction contributed to an increase in utilization rates because data were not readily available on the amount of office space in all FCS locations at the beginning of this period.

office space for its operations. However, FCS said that some office space is in economically depressed areas or areas where there is little demand for commercial space and cannot be readily sold or leased.

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## Conclusions

If FCS associations and service entities had access to GSA supply sources and FCA and FCS banks, which already have such access, used GSA sources more routinely, they could realize cost savings on some of their office equipment and furniture purchases. GSA prices for these products were sometimes lower and sometimes higher than the prices FCA and FCS obtained on their own. FCS associations and service entities are not authorized to use GSA sources. They could achieve savings if given the option to use the lower of either GSA or open market prices.

In 1992, costs for FCS' and FCA's office space were about the same as GSA's. However, FCS and FCA provided more space per employee than either GSA's space utilization goal or agencies' actual usage rates in GSA space. Staffing reductions contributed, in part, to their higher utilization rates. Both FCA and FCS are taking steps to reduce excess office space, which should result in lower utilization rates.

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## Recommendation

To help ensure that FCA is obtaining the lowest possible price for procurements, we recommend that the Chairman of the Board, FCA, direct FCA staff to consistently compare GSA prices to open market prices before purchasing office equipment.

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## Matter for Congressional Consideration

Because of potential cost savings, Congress may wish to consider amending the Farm Credit Act of 1971 to extend eligibility to all FCS associations and service entities to use GSA supply sources.

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## Agency Comments

On November 16, 1993, we discussed a draft of this report with the FCA Chief Operating Officer; the FCA Director, Office of Resources Management; and the Executive Vice President for Government and Public Affairs of the FCS Farm Credit Council. We also discussed a draft of the report on November 17, 1993, with GSA officials, including the Acting Director, Real Estate Program Division, and the Chief, Management Services Branch, Federal Supply Service. FCA, FCS, and GSA officials agreed with the report's analysis, conclusions, and recommendations. FCA officials said that they thought it was more advantageous to own the FCA

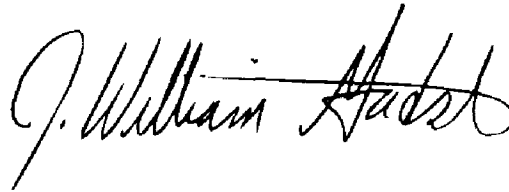
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headquarters building rather than sell it and lease space from GSA. We did not compare the costs of ownership to leasing because this was not one of our objectives. FCA officials also said that any further efforts to improve space utilization in the FCA headquarters building would require costly renovation work. The FCA, FCS, and GSA officials provided other information to clarify the report, which we incorporated into the report where appropriate.

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We are sending copies of this report to the Chairman of the Board, FCA; the Chairman of the Presidents' Planning Committee, FCS; the Administrator of GSA; and interested congressional committees. We will also make copies available to other interested parties upon request.

Please contact me on (202) 512-8387 if you have any questions concerning this report. Major contributors to this report are listed in appendix II.



J. William Gadsby  
Director, Government Business  
Operations Issues



# Objectives, Scope, and Methodology

The Farm Credit Banks and Associations Safety and Soundness Act of 1992, Public Law 102-552 (October 28, 1992), required that we determine if the FCS and FCA could reduce costs by following GSA standards for office space, furniture, and equipment. To address this issue, we determined (1) how FCS and FCA office equipment and furniture purchased in 1992 compared with the costs for identical items if they were available from GSA supply sources and (2) how FCS and FCA costs for leasing and operating facilities and their space utilization rates compared to GSA's costs and utilization rates for comparable space.

In March 1993, we surveyed all 244 FCS associations, 11 Farm Credit banks, the 3 banks for cooperatives, the Farm Credit Leasing Services Corporation, and the Federal Farm Credit Banks Funding Corporation to obtain general information about FCS office space, equipment, and furniture. We sent only one questionnaire to jointly managed FCS entities. The response rate to this questionnaire was 100 percent.

We obtained more detailed information from a second survey to a sample of FCS entities in June of 1993. This survey was developed in pretests with FCS associations and banks. The 50 questionnaires in this survey were sent to all FCS banks, the leasing corporation, the funding corporation, and a stratified probability sample of 35 of the 244 FCS associations.<sup>1</sup> This probability sample was drawn at variable rates from four strata based on the size of the associations. A total of 47 of the 50 questionnaires were returned, a response rate of 94 percent.

Through the more detailed questionnaire, we obtained (1) copies of a probability sample of FCS invoices for office equipment and furniture purchased or leased during calendar year 1992, (2) detailed information on FCS' purchasing procedures and rules, and (3) information about FCS space costs and utilization rates. We obtained similar information from the FCS Building Association and FCA headquarters officials regarding FCA.

To determine how GSA prices for office equipment and furniture compared to the prices paid by FCS and FCA, we compared the cost of office equipment and furniture bought by FCA and a sample of FCS entities in 1992 to GSA costs if the identical items were available from GSA sources. We determined the GSA price for the item at the time of the FCS or FCA purchase by examining GSA vendors' and GSA's price lists. We were limited to specific vendors and schedules because some 1992 schedules were no longer available from GSA or from the vendor. While many items on invoices were

<sup>1</sup>We sent one questionnaire to the cooperative bank and Farm Credit bank that were jointly managed.



identical to those offered under GSA schedules, we could not always compare their prices because some items were purchased outside of the dates of available GSA price lists. Also, we were limited to invoices that had sufficient data, such as specific model numbers, for comparison to GSA schedules.

To determine how FCS and FCA facilities' leasing and operating costs and utilization rates compared to GSA's, we reviewed GSA's policy regarding space utilization, actual GSA utilization rates, and data on actual costs in locations where FCS and FCA had office space in 1992. We also interviewed officials in GSA's Central Office Real Estate Policy and Real Estate Program Divisions. We compared GSA's data to data that we obtained from our survey of FCS entities, FCA officials, and the FCS Building Association. In comparing FCS' and GSA's cost per square foot for space, we were limited to 37 cities where both had office space.

We also verified federal agencies' utilization rates listed in GSA's building reports by calling 20 federal offices—derived from a simple random sample of 8 agencies in government-owned buildings and 12 in GSA-leased office space. In each case, agency staff provided their square footage of office space and the peak number of employees who were assigned to the space as of a specified date. The GSA and agency data on square footage were identical for 90 percent of the buildings. GSA and agency counts of employees were identical in 7 of the 20 space assignments and different in 13 assignments, resulting in an additional estimated 16 square feet per employee per GSA assignment. The 95-percent confidence interval for this estimate included the possibility that the GSA rate undercounts the number of employees by as many as 15 employees per office space assignment or overcounts the number of employees by as many as 45 employees per office space assignment. According to GSA, this difference occurred because GSA changed from using the number of workstations to using the number of personnel when calculating space utilization rates and because the 1992 building reports included space assignments on the basis of both workstations and personnel data.

The Building Association owns and manages FCA's nationwide telephone system and leases the telephone equipment to FCA. FCA's telephone system costs in 1992 were about \$600,000 for about 500 employees. GSA officials we interviewed, as well as an FCA official, said this amount seemed to be excessive. We did not review these costs because the FCA Board had approved funding in the 1994 FCS Building Association budget for an independent study of FCA's telephone system.

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**Appendix I  
Objectives, Scope, and Methodology**

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We did our review from February to November 1993 in accordance with generally accepted government auditing standards. We did most of our on-site work at FCA headquarters in McLean, VA, and GSA headquarters in Washington, D.C. We also visited a Farm Credit bank and two FCS associations. We discussed the report's findings with officials from FCA, FCS, and GSA, and included their comments in this report where appropriate.

# Major Contributors to This Report

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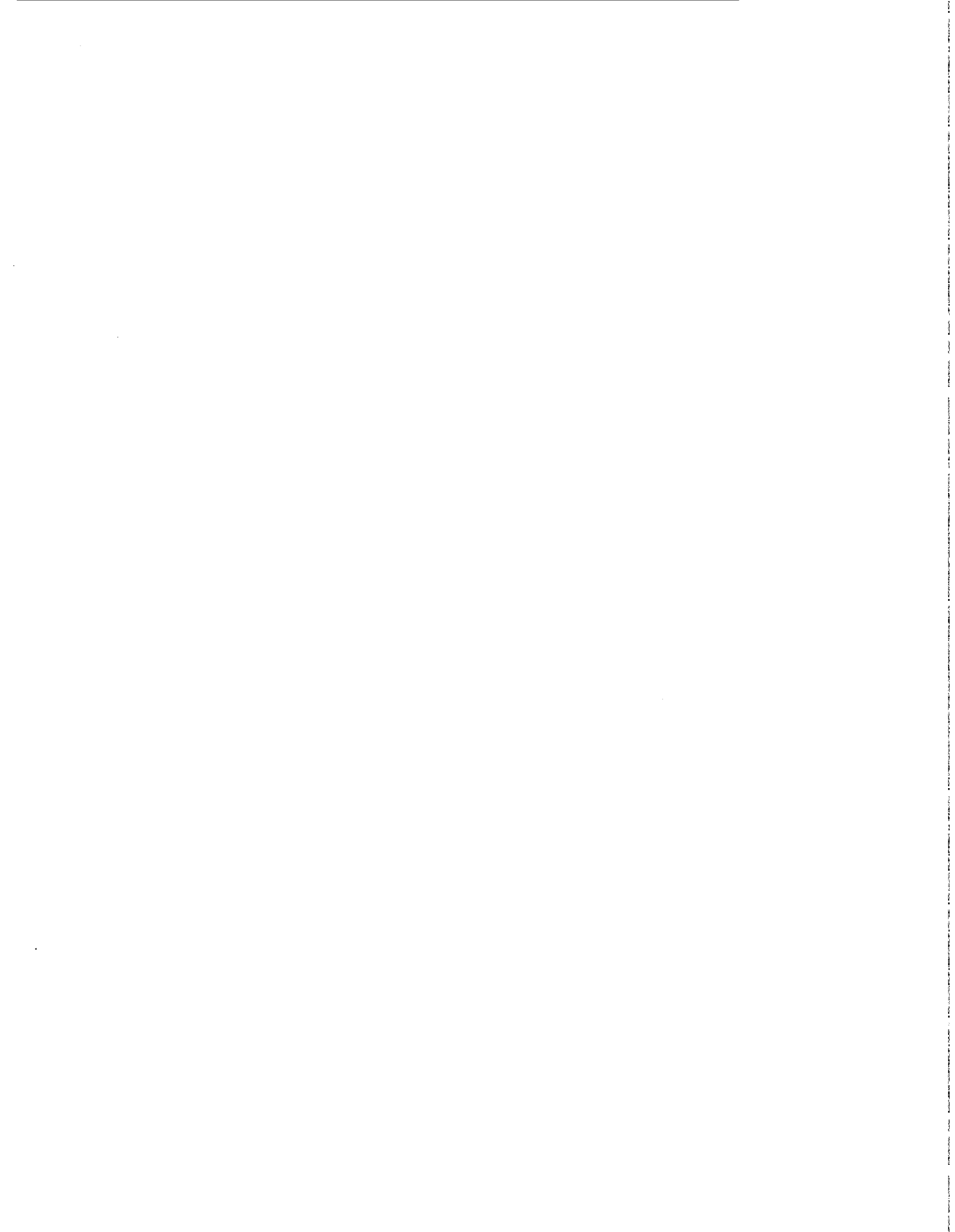
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