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FRAUD, ABUSE, AND MISMANAGEMENT WITHIN GSA

HEARING
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
NINETY-SEVENTH CONGRESS
FIRST SESSION

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(III)

FRAUD, ABUSE, AND MISMANAGEMENT WITHIN GSA

MONDAY, APRIL 13, 1981

HOUSE OF REPRESENTATIVES,
GOVERNMENT ACTIVITIES AND
TRANSPORTATION SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. John L. Burton (chairman of the subcommittee) presiding.

Present: Representatives John L. Burton and Robert S. Walker.

Also present: Gary B. Sellers, staff director; Peter Roman, professional staff member; and Rachel Halterman, minority professional staff, Committee on Government Operations.

Mr. BURTON. The Subcommittee on Government Activities and Transportation will come to order.

Today's hearings are to find out how well the GSA has been doing the last 3 years. Waste, fraud, and abuse are not line items in the social services budget, as some of us would believe. It is a problem that the subcommittee or its Senate counterpart and the media through the years have thought was the normal way of doing business at GSA. The three horsemen of waste, fraud, and abuse ran quite merrily through GSA up until 3 years ago, but we find now that there is still a rather merry trot as against a quarter horse racing.

Since the spotlight in early 1978, GSA's sorry management record has proved to be weak, and it is like the proverbial mackerel laying shining and stinking in the moonlight.

We are going to hear today from a variety of witnesses, starting off with the auditors, whose report is rather damning.

The GSA is supposed to be the one that sets an example for the rest of the agencies in Government, and some of the points that may be pointed out will seem rather picayune within themselves, but when taken together and taken as policy matters for an agency that is supposed to set an example for administrators, or high-level bureaucrats who are supposed to set an example within the agency, we see some policy or education.

As we all know, there have been some grand jury investigations. There have been some convictions, but we still see the forms missing.

Last year, Mr. Walker and I, along with a number of our colleagues, introduced legislation that would, shall we say, correct honest graft. Senator Plunkett of Tammany Hall once said that there are two types of graft, honest graft and dishonest graft.

Honest graft is if you know where a freeway is going and you buy up the property. Dishonest graft is when you alter the children's milk.

We are concerned whether there is, as some have alleged, a conspiracy existing within GSA that has been involved in coverups or whether it is just a collection of individuals with frauds of their own, doing as Senator Plunkett said, seeing their opportunities and taking them as best they could because that is the great American dream.

We hope these hearings will bring to light not only certain elements of waste, fraud, and abuse that I say some think are limited to the poor on welfare and medicaid, and some responses from those who are in a place to respond.

Unfortunately, I do not think the new Administrator has been confirmed. He will inherit that which Admiral Freeman inherited from Jay Solomon, who inherited a bucket of snakes, and whether or not they are still dancing to the tune of the piper is yet to be seen, and we certainly wish him well.

We do not know if that means we hope he is successfully confirmed by the Senate or unsuccessfully confirmed by the Senate because it is a job that seems to have a short tenure and a great need of Tylenol.

At this time I yield to my very good colleague, the ranking minority member, Mr. Walker of Pennsylvania.

Mr. WALKER. Thank you, Mr. Chairman. I am very pleased that we are continuing our oversight work we began in the past Congress to find problems of waste, fraud, and abuse within GSA.

We are all aware that many of GSA's problems are due to management deficiencies. No better illustration of this exists than the fact that GSA has had seven Administrators in the past 10 years. We have also received a number of promises of reform over those years.

Yet, it would appear from testimony we will receive here today that business as usual reigns supreme at GSA. A new President, a new Congress, and a new Administrator offer new opportunities to work together toward solutions of GSA's many difficulties.

Mr. Chairman, I have met Administrator-designate Jerry Carmen, as you have, and he has expressed his determination to me to eliminate policies and practices which perpetuate the fraud and abuse we have been hearing about. I am convinced that this subcommittee, working closely with Mr. Carmen, will bring some commonsense to GSA management. I look forward to working with you toward that end.

I might say also that, with a President who has said all the way along that he wants to eliminate waste, fraud, and abuse from the Government; with a Congress that definitely is oriented in that direction based upon statements coming out of the Democratic leadership and Republican leadership, I think here is one place where that whole process can begin, where everybody can commit themselves to setting an example by bringing management practices in the Federal Government—and particularly in the independent agencies of the Federal Government—into line with what the taxpayers of this country expect.

I think our hearing today can help us chart that kind of course.

Thank you, Mr. Chairman.

Mr. BURTON. Thank you very much for your comments, and I hope that these hearings will bring to the attention of our colleagues that waste, fraud, and abuse is not a line item that was in old HEW budgets, but is spread throughout the bureaucracy and not just programs that help the poor.

Our first witnesses will be a panel of GSA auditors: Howard Davia, Assistant Inspector General for Audits; Carl Brown, Director, Contract Audit Division; David DeHaven, Director, Washington Field Audit Division; Lowell Fox, Supervisory Auditor, Special Audits Staff; and Charles Stewart, Director, General Audit Division.

Will those gentlemen stand and be sworn?

[Witnesses sworn.]

Mr. BURTON. Mr. Davia, could you identify yourself and introduce your colleagues?

STATEMENT OF HOWARD DAVIA, ASSISTANT INSPECTOR GENERAL FOR AUDITS, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY CARL BROWN, DIRECTOR, CONTRACT AUDIT DIVISION; DAVID DeHAVEN, DIRECTOR, WASHINGTON FIELD AUDIT OFFICE; LOWELL FOX, SUPERVISORY AUDITOR, SPECIAL AUDITS STAFF; AND CHARLES STEWART, DIRECTOR, GENERAL AUDIT DIVISION

Mr. DAVIA. I am Howard Davia, Assistant Inspector General for Auditing. To my extreme right is Mr. Carl Brown, Mr. David DeHaven, Mr. Lowell Fox, and Mr. Charles Stewart to my extreme left.

Mr. BURTON. Could you briefly give us your background—experience, size of staff, what your duties are, and parenthetically, is your staff sufficient to provide the necessary auditing that provides enough safeguards and saves enough money that pays salaries and returns something to the taxpayers' pockets, if not the general fund.

Mr. DAVIA. We are an audit office located within the Office of the Inspector General. We have field audit offices located throughout the country, in some 10 Federal cities. Our current staffing is 279 people. We feel we have a need for a professional staff of 600 people, which means we are considerably less than half strength, which I think answers your question relative to, do we have enough people to adequately audit GSA. The answer is "No."

Our staffing situation is worsening. A few months ago we had a total staff of 292 people, and an expectation that we would get another 30 or so new staff in the 1982 budget. The staffing increase for next year has been cut in the President's austerity moves. We have not been able to replace vacancies, which brings us down from a previous level of 290, down to 279, and this summer we expect, through attrition, to reduce by another 10 people.

Mr. BURTON. Without replacement?

Mr. DAVIA. Without replacement until we get to our new authorized staffing level, which is 269. Our audit workload falls into two general categories. We split our staff approximately equally. Half of our workload involves internal auditing within GSA, which

seeks to evaluate the quality of GSA operations, to improve its programs and to maintain surveillance and detect fraud and abuse.

The other half of our workload has to do with our contract audits wherein we audit the records, cost claims, and price proposals of contractors doing business with the General Services Administration.

In contract audits, we examine contractors' records and make recommendations to GSA contracting officers for use in cost and price negotiations.

Mr. BURTON. And what happens to your recommendations?

Mr. DAVIA. On the contract side?

Mr. BURTON. On any side you find procedures that, if altered, would save the taxpayers money.

Mr. DAVIA. On the internal audit side, very frankly, we are considerably frustrated because we just are not getting good corrective action. We feel that the situation at GSA has not improved significantly over the past several years. If anything, as our expertise grows, we become more and more alarmed at the vulnerabilities and potential for loss through fraud, waste, and abuse in GSA.

It is hard to explain why this occurs. In my opinion one reason why we meet managerial resistance is because possibly to accept the audit recommendations would be a tacit admission of error, which is very difficult to do.

Mr. BURTON. A tacit admission that things are not going well?

Mr. DAVIA. I would say yes.

Mr. BURTON. Do they ever read the paper?

Mr. DAVIA. I would guess they do, sir. On the contract side sir, we recommend—

Mr. BURTON. That is additional notice that things are not going too well with GSA.

Mr. DAVIA. I would say so, yes.

Mr. BURTON. Go right ahead.

Mr. DAVIA. On the contract side we make recommendations to our contracting officers, who write the multiple award schedules, the construction contracts and that sort of thing, disclosing—if you will—fat in contractors' claims.

For example, next year we expect our recommendations for savings at GSA will run at least \$100 million. It is up to the contracting officers then to negotiate a decent price for GSA.

Mr. BURTON. How do these things get implemented? You assume your recommendations will make \$100 million for the taxpayers because a penny saved is a penny earned. Have you got any new support from the Administrator?

If you run into trouble at one level and they do not implement your recommendations, could you go to the Administrator and have the Administrator either say your recommendations are full of baloney or your recommendations should be followed?

Mr. DAVIA. Ordinarily, sir, I think that is the thing that should happen, but it seems that even in the last year or two we have been in an adversarial relationship with the Administrator, who has not always, if you will, aggressively pursued our audit recommendations and/or taken disciplinary action where disciplinary action appeared to be warranted.

Mr. BURTON. You brought out findings upon which recommendations were made, is that not correct?

Mr. DAVIA. Yes.

Mr. BURTON. Did you bring these to the Administrator?

Mr. DAVIA. All audit reports are provided to the Administrator. In the audit report we indicate the nature of the deficiency and the recommendations, that is, corrective action which we suggest.

Mr. BURTON. Do they not take action because implicit in that is that they have not been doing the job right?

Mr. DAVIA. We frequently get rebutted on general issues. Sometimes we get criticized because we are biased, inexperienced. Often-times the issues are avoided through ploys of this sort.

Mr. BURTON. Do you not go to the Administrator?

Mr. DAVIA. Of course.

Mr. BURTON. And what did the Administrator do?

Mr. DAVIA. Obviously, the record indicates that he has not done anything in many cases.

Mr. BURTON. What did he say? Did you go to Jay Solomon?

Mr. DAVIA. Jay Solomon was particularly, I think, receptive. Jay Solomon, I thought, made significant efforts to correct the situation. I would hate to express his problems for him, but I think even Mr. Solomon met resistance in the ranks. He frequently complained that his orders and directives were not carried out. Feet were dragging, and this sort of thing.

Mr. BURTON. Did you go to the admiral?

Mr. DAVIA. Mr. Freeman?

Mr. BURTON. Yes.

Mr. DAVIA. Actually, no. With our Inspector General my direct access to the Administrator was cut.

Mr. BURTON. So you went to Kurt Muellenberg?

Mr. DAVIA. That is correct.

Mr. BURTON. To your knowledge, did Kurt go to the admiral?

Mr. DAVIA. I would have to presume that. I would not know that for a fact.

Mr. BURTON. He did not seem to be a shrinking violet.

Mr. DAVIA. We still did not get action, so I am not sure the problems that confronted him when bringing these issues out—

Mr. BURTON. But at least you got attempted action out of Solomon?

Mr. DAVIA. I agree, clear attempted action.

Mr. BURTON. And he got the boot?

Mr. DAVIA. He got the boot.

Mr. BURTON. All in all, have you seen any significant improvements in the ripping off of the taxpayers through current GSA practices?

Mr. DAVIA. I do not see any significant improvement, no, sir. As a matter of fact, from time to time we see some of the people involved getting promoted.

Mr. BURTON. Involved in ripping off or involved in not trying to change administratively what we have tried to change through legislation? Just closing loopholes.

Mr. DAVIA. People who are involved in the matters being criticized in audit reports; matters which cost the Government money in waste.

Mr. BURTON. All right, program areas, which we did not try to deal with in our legislation because we thought it would have complicated what we thought was a fairly straightforward, simple loophole-closing bill.

The multiple award schedule, which is a procurement device dating back a long time ago, as we know, has gotten totally out of control. There is some question in our minds as to what the contractor has to do to get on that program, must he prove that he gives the same discount to the Federal Government that he gives to his other clients, his most favored clients, or the same price?

It is my recollection that it is the discount percentage and not the price that counts. It is the percentage that is the same, and not the price?

Mr. DAVIA. That is correct.

Mr. BURTON. If you can say it in a nutshell, what is the basic problem with this program? We see it kind of as a lack of overview by the contracting officers just by its very size. The contractors get on the approved list. There are so many thousands, GSA contracting officers do not really take time or have time to check them.

Mr. DAVIA. The problem of the whole program is pretty complex. I think, very frankly, that the GSA Federal Supply Service staff is probably overwhelmed by it. The volume is horrendous. Our audit staff is insufficient to adequately audit the area. We have many audit problems in the multiple-award program.

Mr. BURTON. Are you familiar with the bill that Congressman Walker and I introduced last year?

Mr. DAVIA. Generally, sir.

Mr. BURTON. Would that have any effect, although it was not addressed toward that system specifically, but would its general provisions have any effect on reforming that system?

Mr. DAVIA. You are speaking of the system penalties for suspension or debarment?

Mr. BURTON. Well, in other words, if you fraudulently did something, yes.

Mr. DAVIA. Yes, I would support that bill 100 percent. I think one of our problems in the multiple-award area as well as other contracts is that there has never been a penalty for cheating the Government or overcharging. If we were lucky enough in audits to detect the overcharge, the most the contractor will normally lose is to have to refund the money.

Mr. BURTON. What are the odds of the contractor getting audited?

Mr. DAVIA. Well, the odds right now probably are low. Our large multiple-award contracts, that is, where we do over half a million dollars a year in business, number about 500. We are currently completely auditing 115 of those contracts.

Mr. BURTON. Is that about 1 out of 3—3 to 1—in favor of not being audited?

Mr. DAVIA. Three of four will not be audited.

Mr. BURTON. Three to one favored not to be audited. If caught unjustly enriched at the taxpayers' expense by \$1 million a year like that, all he has to do is give back \$1 million?

Mr. DAVIA. Assuming there is concurrence at the negotiating table, of course.

Mr. BURTON. Well, assuming that either there or when it is beyond that point, the contractor ripped off \$100 million, he pays back the \$100 million, right?

Mr. DAVIA. That is correct.

Mr. BURTON. Which could have been in CD's getting him 12 percent. He does not even pay interest?

Mr. DAVIA. No. The Government loses either way.

Mr. BURTON. So he is a 3-to-1 favorite not to get audited. If he gets audited, all he has to do is pay the money back.

Mr. DAVIA. That is correct. There has to be a penalty in that system, I think, to lower the rate of overcharging.

Mr. BURTON. How can you lose, 3 to 1 favorite, just give back what you should not have taken.

Mr. DAVIA. You cannot lose.

Mr. BURTON. What would it take—and then I will yield to Mr. Walker and get back to some other things—to bring this as far as the contracting officers, do we need more? Do we need to get better help?

There is enough knowledge of industry practices and products to know whether the Government is getting the best deal or getting snookered. Or, are they just so overwhelmed that if everything looks all right they go on the face of it?

Mr. DAVIA. I think it is a bit of everything you mentioned, sir. My view is that we just simply do not have enough people to handle the workload, but quite obviously in a number of cases they do not have adequate training, knowledge of their market area, that sort of thing.

Mr. BURTON. Could a centralized—or not centralized—but regionalized compendium be put together by the President's accountants or anybody that would set up some guidelines, some red flags they could look at?

In other words, I do not think we are going to be hiring a lot of new contracting officers. I would rather see auditors. I do not think we are going to be able to send them to continuing education, contracting, but to possibly come up with some sort of compendium or something that would at least trigger a seminar, if not in San Antonio, maybe in Washington, that would trigger for them, at least something going off in their minds that maybe we should take a look at it as opposed to figuring out 10,000 different items.

Mr. DAVIA. I will try to answer that question in a little different way, although I am sure that for many people that sort of thing will work.

We also have instances where discounts are negotiated on products that are so obviously low that the average good shopper exercising commonsense would recognize immediately that we should not, for example, be accepting a 6-percent discount on a business supply product that should normally be 20 percent.

Mr. BURTON. That would be something that you would apply for if they do not have commonsense.

Mr. DAVIA. You would think the red flag would be built in.

Mr. BURTON. Obviously it is not. You cannot build in commonsense. So, therefore we have green, yellow, and red at busy intersections.

Mr. DAVIA. I think that what is lacking is just simply having a good knowledge of the product area; that is, what is your product selling for on the market, and what is a fair price, especially considering the volume that the U.S. Government purchases?

Mr. BURTON. Do they go through any formal training, contract auditors or contract officers, or just kind of evolve in the office?

Mr. DAVIA. I don't know. I think one of the things Admiral Freeman initiated in the last year or two was intensive training programs where he tried to upgrade contracting officers' skill. How successful that was, I cannot say.

That can really be done, I think, without having nationwide competition. You can bring in regional competition and guaranteed quantities. Training is one of the keys. I think in our office right now we have a very successful contract auditing training program which accounts for the large amount of money we hope will be returned to the Treasury this year—a direct result of the training—of \$100 million.

Mr. BURTON. That is if your recommendations are implemented?

Mr. DAVIA. That is correct.

Mr. BURTON. Have they to date? What is your batting average?

Mr. DAVIA. Well, on the contract auditing side, we have been getting somewhere; depending on what type of contract you are talking about, between 65 and 75 percent of what we recommend is being recovered.

Mr. BURTON. Were your recommendations being adopted? That's what I am talking about.

Mr. DAVIA. We are talking now of contract audit dollars.

Mr. BURTON. I am talking about recommendations that lead to that. What if you audit and find overspending, or overcollection that ipso facto we get it under present regulations without instituting your recommendations?

Mr. DAVIA. Relative to the overcharges on contracts, had we not audited the contracts, it is extremely unlikely we would have gotten anything back, certainly not voluntarily.

Mr. BURTON. So, with resistance to your suggested changes, your audits alone will bring back \$100 million?

Mr. DAVIA. In our audits of contracts, that is correct, sir.

Mr. BURTON. What is the total cost of your audit staff?

Mr. DAVIA. That is the interesting thing. This year to bring in a conservative \$100 million, our audit cost is around \$4 million. For every dollar we spend, I think we bring in something like \$48 or \$49 into the Treasury.

The arithmetic here will not work out because audit time expended in any period will produce dollar recoveries in future periods.

I might say, Congressman, that about 2 years ago you were instrumental in bringing us new resources. Those new resources have now paid off at this rate, so I would like to express my belated thanks for that help.

Mr. BURTON. I kept that a secret from my friend over here until he found out what was happening with the Carter administration—Jim McIntyre. Right after the scandals broke, they had zero in the budget for new auditors.

Mr. DAVIA. That is right.

Mr. BURTON. And it was the day before, I think, of our hearing with Solomon that I said, "We are going to have a hearing tomorrow, and that issue will come up, and I guarantee you it won't be Bob Walker who brings it up. I am going to bring it up."

And McIntyre kept saying, "Well, what can we do?" He thought he was doing me a favor by putting these auditors in.

I said, "No, you would be doing me a favor by leaving them out."

John Wyde, his deputy said, I will take care of it. He put them in, but to this day he is probably still resisting the fact that they should be in and saying he could politely defend them. That is after Solomon left. The scandals were breaking, and they weren't going to be able to defend cutting out the budget for the auditors. He still kept thinking he was doing me a favor.

That is one of the reasons we have a new administration. He never figured out that two and two equal four.

At this time I yield to Mr. Walker.

Mr. WALKER. Thank you, Mr. Chairman, in a sense I guess I am going to go back over some territory that the chairman covered, but I want to clarify some things in my own mind.

It is your testimony that reforms at the GSA over the past several years have been practically nonexistent. Is that a correct statement of what you said?

Mr. DAVIA. I don't see any significant changes in the last 3 years.

Mr. WALKER. Yet over that same period of time we have had Administrators up here and we have had witnesses from GSA up here that have come before this subcommittee and have talked of all of these improvements that have taken place. Have they been coming up here and lying to us?

Mr. DAVIA. I can't say that. All I can do is testify for myself, sir, and that is my professional opinion.

Mr. WALKER. But it is your testimony that if they came up here with that kind of information for this subcommittee and they told us those kinds of things, then that in fact was not really what was going on down at GSA?

Mr. DAVIA. The only way I can answer is with specifics. I am not aware of the specific claims of reforms. I know that our audits and our audit process will continue to turn out significant reports at least for the next year or two ahead. We have a backlog.

Mr. WALKER. I think additionally your testimony was that during that same period of time you have become more and more alarmed at the potential for abuse within the system.

Mr. DAVIA. Right.

Mr. WALKER. So not only was there no improvement taking place from your perspective, it appears to you that things were getting worse.

Mr. DAVIA. Perhaps we were getting a little smarter, too. We can see greater potential now than before.

Mr. WALKER. All right. You have been there, and you have been conducting these audits for how long?

Mr. DAVIA. I have been in my job for approximately 5 years.

Mr. WALKER. For 5 years, so this would be your third administration that you have worked under?

Mr. DAVIA. Yes.

Mr. WALKER. In that period of time from the standpoint of ferretting out waste, fraud, and abuse, which Administrator do you think cooperated the most? Who is the best?

Mr. DAVIA. Clearly Mr. Solomon.

Mr. WALKER. Who was the worst?

Mr. DAVIA. That is difficult to say.

Mr. BURTON. Who seemed to be the least understanding?

Mr. DAVIA. I would say the last one, as a matter of fact.

Mr. WALKER. Mr. Freeman.

Mr. DAVIA. Yes, sir.

Mr. WALKER. In other words, the kind of effort that Administrator Solomon was making while he was there is the kind of thing which, in your opinion, would begin saving the taxpayers the kind of money that you think is possible through your auditing process?

Mr. DAVIA. Absolutely.

Mr. WALKER. If you had an Administrator totally committed to implementing the kinds of reforms that your audit indicates should be implemented, in fact, that in itself would be a control on the system. In other words, if the people were certain once they were audited and there were problems found that reforms would be implemented, that in itself would save the taxpayers money; is that right?

Mr. DAVIA. There is no question.

Mr. WALKER. In the time that you have been auditing the process at GSA, do you have any reason to believe that there has been organized crime penetration of the contracting process?

Mr. DAVIA. Before I answer that, I would like to say I am a certified public accountant, not a criminal investigator. We normally do not do criminal investigations, so my opinion would be an inexperienced one in that area. However, the enormity of some of the so-called discrepancies certainly suggests that organized crime is a possibility.

Mr. WALKER. Are there any particular areas of GSA operations where you think that there is some definite potential that there is organized crime involved?

Mr. DAVIA. I would have to say anytime there is big money involved that it is potentially there. One of the unique things about the General Services Administration, which I think is probably true throughout the Government as a general rule, is anytime you have significant procurement activity, you have a significant susceptibility to fraud, and GSA has a very large procurement program. I daresay our procurement, where we procure directly or write the contracts for the rest of the Government, such as the multiple-award contracts, must range between \$5 billion and \$7 billion, which is a great deal of money.

I would say the same potential exists in other large Government agencies which handle large procurement, including the Department of Defense.

Mr. WALKER. What about in the area of the maintenance of public buildings? There has been some suggestion that organized crime may have gotten into that. Does your audit show any potential for that?

Mr. DAVIA. What was your first part of that question?

Mr. WALKER. The maintenance.

Mr. DAVIA. Oh, the maintenance.

Mr. WALKER. Of public buildings.

Mr. DAVIA. Oh, I think once again in my inexperienced opinion there are clear indicia of fraud—possibly a large amount.

Mr. WALKER. What kinds of controls could the agency put in place that would help us, first of all, identify whether or not there is a problem? You are auditing it, and I understand what you are saying that you are not a criminal investigator; you can't make those kinds of determinations. You have your suspicions. What do you do with those suspicions? What kind of controls can we put in place to assure ourselves that we don't have that kind of penetration?

Mr. DAVIA. Anytime we have suspicions, we prepare a document which we then give to our Office of Investigations which does have trained criminal investigators, who take the investigation over.

Mr. WALKER. Are you aware that any of those particular reports that you have turned over have resulted in an effort by GSA to clean up organized crime involvement in the GSA process?

Mr. DAVIA. I am not aware of that.

Mr. WALKER. So as far as you know, you may have turned over reports that indicated that and GSA has not even acted in that area?

Mr. DAVIA. I can't say one way or the other. I just don't know.

Mr. WALKER. Where are the controls in the department right now? Are there any?

Mr. DAVIA. The controls—and this would sound like a very biased statement—I think, are in aggressive audit action, adequate audit to cover the turf. Part of the control process has to be that once detected by audit, especially if personal negligence is involved, there has to be some sort of disciplinary action, and this disciplinary action has been very scant.

Mr. WALKER. But you testified earlier that you have also run into a problem when you take those kinds of things to an Administrator; even if you have a sympathetic Administrator who is trying to do something about what you are reporting, or trying to implement the programs, that all gets lost in the bureaucratic shuffle at GSA. So in fact, the auditing process is no control either; is it?

Mr. DAVIA. Well, it is not the complete control. On behalf of an Administrator, I think one of his problems has to be that when given an audit report which states a given set of facts, his senior managers, on the other hand, may give him a contradicting set of facts. He is in a position of having to decide, do I go with the auditors, or do I go with my program experts?

Mr. WALKER. We are dealing with pretty big fish here—multibillion-dollar corporations. We are dealing with fantastic amounts of taxpayer dollars being spent.

Mr. DAVIA. Yes, sir.

Mr. WALKER. We are dealing with the potential of organized crime penetrating the contracting process.

Mr. DAVIA. Yes, sir.

Mr. WALKER. Yet you are testifying that the one control we have is the auditing process, and that even the auditing process isn't listened to. That is a reason for concern, isn't it?

Mr. DAVIA. I am very concerned. You know, our chief investigator was fired about a year and a half ago for taking too aggressive action, or something of that sort.

Mr. WALKER. Let me turn for a moment, if I have a little bit of time left, Mr. Chairman—

Mr. BURTON. We have got all day.

Mr. WALKER. Let me turn for a moment to the situation that the chairman raised with regard to multiple awards. In your considered opinion is it the program itself which is deficient, or is it the management of the multiple-award program that is the problem? In other words, do you think the concept has any merit?

Mr. DAVIA. Actually the answer is both. The concept, I think, is a very difficult one to administer. I think at least 10 years ago we, and I think the General Accounting Office, both concurred that a change in the program would be appropriate, and rather than go to the multiple-award contracts, to somehow go to a single award wherein competition would be introduced.

First off, this, hopefully, would have assured better price and quality. Several States have in fact used the single award procurement program. I think the State of California has for some time.

Mr. BURTON. Could I just interject here, Mr. Walker. I was chairman of a legislative subcommittee that procured, and I mean it was the big companies, IBM and Xerox. I don't think you introduce competition; I think you kind of create a monopoly—not that they are piddling, or whatever, or that having monopolies is bad. I think there is a balance there between giving small and middle enterprises a chance to get a piece of the action. You know, who is going to beat IBM? I think those are considerations. But we did have single-source supply there, and every typewriter, every piece of dictating equipment was IBM; every copy machine was Xerox.

Mr. DAVIA. Yes.

Mr. BURTON. But I kind of see the other side of the picture. I don't know if there are balances to be made on them, and I just wanted to interject that. You know very well it is good especially for the IBM salesman. He gets a nice commission.

Mr. DAVIA. No question. I think there are points to both sides. If we go to a single award, of course, we would then raise a flurry of objections from the rest of American industry who would like a piece of the action.

Mr. WALKER. Well, I also see a problem in a solely single award system for somebody who has brought a better product for a period of years into the marketplace but is essentially a small business, maybe a cottage industry. That company would have a great deal of trouble getting into the Federal Government and bidding in a way that would guarantee supply and repairs and all of these kinds of factors that a single-source company would certainly use as part of his contracting presentation to the Federal Government.

I am not certain that is what we want to do either. I am talking about the kind of items which don't lend themselves easily to specifications, like typewriters for instance. Therefore, don't we have to have something that is at least similar to a multiple award?

Mr. DAVIA. Well, I think it would be desirable to get balance in there. I think one of the problems is that it is too easy to come up

with simple solutions on a question like that. One of the problems, I think, in our multiple-award system is that we don't guarantee a vendor any specific quantity. In other words, when we write a contract, we don't say we are going to guarantee you an order of one. I think to get a price, we should be somehow guaranteeing a minimum of 10,000 of an item, or 5,000 of an item, to give him some assurance when the contract goes out it will be for a specific amount. Somehow there has to be a guarantee. That is the way business is done in the private sector. For 1,000 typewriters, what will you charge? For 10,000, what will you charge? We don't have that in our contracts.

Mr. WALKER. Thank you, Mr. Chairman. That is all.

Mr. BURTON. The Congress has many multiple award schedules, and we adopt a policy that if no member or less than a certain number of members over a period of 2 years were buying X brand of dictating machine, that was off the list. I don't know whether that is true of any of the 8,000 where some of them never even have been ordered. But we ended up clearing out a pretty good part of the list doing that.

Additionally, to get into a couple of specifics, on October 2, auditors on contracts and officers testified in the cases of Digital Equipment Corp. and Textronics that the Government had been overcharged by \$1.2 million and \$1.3 million respectively. The overcharge was generated—it seemed to be—in apparent violations of the price reduction and effective price clauses, getting back to that percentage discount I was talking about and getting the same percentage, except it was from a higher level.

To make matters worse, there were indications at least in testimony by one of the auditors that the corporate officials knowingly submitted prices that they knew to be higher than the best deal they gave other customers, and it was his opinion that the company officials deliberately misled the auditors. They naturally deny this, and the cases were accepted for criminal investigation by the GSA.

Do you know the status of those investigations?

Mr. DAVIA. I don't, no.

Mr. BURTON. Part of the weakness in that could be the looseness with which that most favored customer clause, so to speak, is drawn on various items. It is not to the dollar amount; it is to the discount amount, and by faulty pricing you could show the same discount and charge the Feds more money, or you could actually say, this is our best discount, and unless you go looking through the records, you would never know whether they gave somebody a higher discount.

Mr. DAVIA. Well, there is a common misunderstanding that we get the most favored customer clause in a contract. This is not necessarily true. We agree to certain terms, which are not necessarily the best terms that the vendor gives. On the subject of price reductions and/or defective pricing, would you like me to describe what those are?

Mr. BURTON. Yes, and you can also answer why it is we don't get the best price? Again, under multiple awards, we are not guaranteeing a certain volume?

Mr. DAVIA. Well, that is hard to say, but as far as the defective pricing issue is concerned, at the beginning of the contract process, before the contract is written, the contractor is required to submit certain data relative to his discount terms to his commercial trade. The information provided is certified to by the prospective contractor and furnished to the Government's contracting officer.

Mr. BURTON. Certified to under penalty of perjury.

Mr. DAVIA. I don't know what the penalty is, but it is a clear certification that to the best of his belief it is correct. We frequently find that this certification is in error. We frequently find that the prospective contractor is not disclosing his best discount schedule.

Mr. BURTON. That is corrected in the legislation that we propose.

Mr. DAVIA. Yes.

Mr. BURTON. They would suffer some sort of penalty for that.

Mr. DAVIA. I think that would be very useful, because certainly they should be expected to know what their own discount terms are. Anyway, in an audit where we find the contractor has understated, if you will, his discount schedule, we presume that had the Government known the correct discount schedule, we would have negotiated a better price. Then we calculate a refund due on that basis. In other words, where he has disclosed 20 percent as his best discount and we find that he is giving 30 percent to many of his customers, we feel that we could have negotiated another 10 percent in our price schedule. Of course, once a contract is established based on the certification, right or wrong, the price reduction clause comes into effect for the first time, and then the contract basically states that should the contractor ever reduce his price to his general trade clientele, let us say offer a higher discount, he must pass the same discount on to the Government. When we audit a contractor's performance relative to this price reduction clause, we frequently find that the contractor is not passing on this additional discount.

Mr. BURTON. They forgot about it somewhere.

Mr. DAVIA. Forgot about it; yes, sir.

Mr. BURTON. All right. I would like to turn to more recent audits. These are reports of the Nashua Corp., which sells copying equipment and supplies to the Federal Government under the multiple award schedule. For the period October 1, 1977, through September 1978, it sold \$14 million worth of equipment to the Government and according to the audit, there was a \$700,000 overcharge. For the period October 1, 1978, through September 1979, \$14 million of supplies, and you found an overcharge of some \$860,000. I guess the difference was the inflationary amount that they would overcharge, because the basic amount was the same.

In reviewing this report, it seems similar to the Digital and the Textronics case. Are these the same kinds of patterns that you find?

Mr. DAVIA. Yes, sir.

Mr. BURTON. And the abuse, I assume, again is related to a lack of deterrents, where they can just cop out and say, "Gee, I didn't know that."

Mr. DAVIA. I would say that, yes.

Mr. BURTON. If a case is proven in either of these two, what we get back is seven and eight—about \$1.5 million, I mean with no interest, no nothing?

Mr. DAVIA. That is correct.

Mr. BURTON. And they can put the \$1.5 million in CDs, or whatever, and pick up the profit on it?

Mr. DAVIA. Yes, sir.

Mr. BURTON. There again our bill would provide the deterrents in this situation. It would not be, as they say in equity, harsh or oppressive but would be there so that they might figure, even given the odds, I am not going to take a chance on doing this.

Could you give the nature of the pricing data that was submitted to the GSA contracting officer and which facts indicate that the company may well have known that the certification was false as opposed to accidental?

Would you identify yourself for the record?

Mr. BROWN. Carl Brown, Director, General Contract Audit Division.

In that audit of Nashua, we were told that they had one pricing schedule for each item. We found 16. We were told that the secretary made the mistake in submitting that pricing schedule. We later found that apparently the same secretary made the same mistake in subsequent years.

Mr. BURTON. That is also corrected in our legislation.

Mr. BROWN. I am sorry, sir.

Mr. BURTON. I say, that is corrected in our legislation so they can't designate some poor slob and say, "Hey, it's not my fault; it's her fault."

Mr. BROWN. We were told that a handful of customers received prices better than the Government was getting. We found 260 cases.

Mr. BURTON. Go ahead.

Mr. BROWN. We were told that they do not have a listing of national agreements. We found a thousand such agreements. We were told that they do not offer yearend rebates; in fact, they specifically certified to that effect. We found that yearend rebates of approximately 6 percent do exist. In fact, the policy has been in effect for many years, the policy of giving yearend rebates.

Mr. BURTON. So it is just fair to say that in essence you were dealing with somebody who had total amnesia, or there was some classic indication of a fraudulent practice—or else a very slipshod-run operation.

Mr. BROWN. Possibly.

Mr. BURTON. Mr. Fox, you were the head of the interagency task force for looking into furniture last year; were you not?

Mr. Fox. Yes, sir.

Mr. BURTON. To summarize your findings, the taxpayers were buying, through the agencies, \$200 million worth of furniture each year and much of it was bought not as functionally necessary items but more by high-level personnel who wanted to redecorate their offices according to their own specific tastes and interior decorating purposes, which had nothing to do with regulations that say you should have chairs because people should not stand up.

Are these types of things in compliance with regulation, where you just throw out the old and bring in the new because you are the new Under Secretary of Cost Efficiency but you want a nice pretty office to fit your own personality and charm?

Mr. FOX. No, sir. As a matter of fact, they are prohibited by Federal regulations.

Mr. BURTON. What happened?

Mr. FOX. Agencies were not paying attention to Federal regulations.

Mr. BURTON. I know they were disregarding them, but was this brought to anybody's attention?

Mr. FOX. It was, by our interagency audit report.

Mr. BURTON. And that went to OIG.

Mr. FOX. Yes.

Mr. BURTON. Did their IG's take any action?

Mr. FOX. We didn't follow it after the report was issued, sir.

Mr. BURTON. Shouldn't you?

Mr. FOX. Well, we followed it up to see if procurement was going on in the last fiscal year, and there was a freeze on procurement of furniture in that fiscal year. I understand that the freeze has been lifted.

Mr. BURTON. It has been lifted by the President or lifted by the agencies?

Mr. FOX. The agencies came to GSA with furniture plans.

Mr. BURTON. Yes.

Mr. FOX. And these went to OMB for approval, and I believe there was a change with the new administration of that process of reviewing these plans, but the agencies are buying furniture.

Mr. BURTON. Dave Stockman approved that?

Mr. FOX. I don't know, sir.

Mr. BURTON. Was this OMB?

Mr. FOX. It was.

Mr. BURTON. We have 148 warehouses in Washington alone for furniture; don't we?

Mr. FOX. We did have at the time of the audit.

Mr. BURTON. What do we have now?

Mr. FOX. I can't answer that, sir.

Mr. BURTON. Do you know where it went?

Mr. FOX. The furniture?

Mr. BURTON. In other words, they were buying separate furniture as opposed to utilizing the furniture from the 148 warehouses.

Mr. FOX. The furniture in the 148 warehouses could be reused or excessed and sold. In other words, it could have gone through the disposal cycle.

Mr. BURTON. At the same time, assuming Dave Stockman OK'd the purchase of new stuff?

Mr. FOX. No. I assume that that furniture is being processed, reused, or disposed of. I haven't followed it since we did the audit.

Mr. BURTON. I think maybe we will follow it because if there is an excess of furniture over here for a dime on a dollar, and they are buying new stuff over there, and we are cutting back on certain other programs, that doesn't sound like Dave to me, and it doesn't sound like the President to me.

During a lot of this time, as I understand it, the agencies themselves didn't know that they had this furniture available to them in these warehouses.

Mr. FOX. I believe that is correct, sir.

Mr. BURTON. Was it furniture that they specifically had ordered at some time and forgotten about, or was it just a general pool of furniture?

Mr. FOX. Some of it was new furniture.

Mr. BURTON. I mean specifically ordered by them or just generally pooled furniture?

Mr. FOX. It is hard to generalize on that. There was a lot of used furniture that had been generated excess because agencies were buying new.

Mr. BURTON. What are the rules on excessing old furniture to buy new?

Mr. FOX. If the furniture is no longer in use and there is no use intended for it, it should go into the disposal cycle and either go to another use, or another agency, or be donated or sold.

Mr. BURTON. Not no longer usable, but no longer in use. I don't like this chair; I don't use it any more; I am going out and getting a new chair—although anybody in the world could sit in this chair. Is that what you are telling me?

Mr. FOX. I understand it might be usable. In that case, it should be put into use for these new requirements that come along.

Mr. BURTON. Well, I think the definition should be changed to usable as against not in use, because I could become full committee chairman, or full ranking member, and he is full committee chairman, and then there is a new election and I become chairman. He had just refurbished this whole room, and I would say, "I don't like it."

It is still usable, but it is no longer in use, and I would go out and buy something new. That doesn't make any sense to me.

Mr. FOX. Once the furniture is identified as being usable, it can then be matched against whatever new requirements for procurement are coming up and be put into use that way.

Mr. BURTON. But that agency that says it is not being used any more can make the determination. They don't like the color of the rug, and they get a new rug, even though the rug might be only 6 months old.

Mr. FOX. That is what they were doing.

Mr. BURTON. How do we stop that? What can GSA do by regulation? Or is that something better to ask the people who haven't been watching the store?

Mr. FOX. It seems to be covered in the Federal regulations.

Mr. BURTON. It doesn't seem to be covered to me if you tell me, "I don't like that rug, and I am the chairman, and I am getting a new rug." Then all of a sudden 6 months from now the Democrats are out of the majority; Mr. Walker is the chairman, and he says, "I can't stand that color. It is offensive. Take it out." It is no longer used, and within 6 months we have bought two new rugs.

Mr. FOX. What it means, sir, is that the Federal regulations prohibit buying new furniture simply to improve the appearance or change the appearance of an office. The fact that people aren't following that is what is reported.

Mr. BURTON. But the fact that one of the guidelines is that it is no longer being used allows you to take a chair you don't want and say this isn't being used; I need a new chair. Is there an automatic replacement?

Mr. FOX. The unused and usable furniture should be placed in use before any new furniture is bought.

Mr. BURTON. Should be.

Mr. FOX. Should be.

Mr. BURTON. It is not always?

Mr. FOX. Right.

Mr. BURTON. It is not mostly? It is not ever? Or none of the above?

Mr. FOX. It is a mixture. It depends on the agency.

Mr. BURTON. Who is the worst offender?

Mr. FOX. At this time? I would say at the time of the audit, there were a number of agencies with the same problem—I would say most.

Mr. BURTON. Who is the best guardian of the taxpayer's dollar on the furniture thing.

Mr. FOX. I believe NASA was a very good furniture controlling agency.

Mr. BURTON. They are too busy spending it on hardware. You say that OMB has changed the order and unfreezed the furniture situation?

Mr. FOX. There may be a partial freeze on it.

Mr. BURTON. There was a total freeze?

Mr. FOX. There was a total freeze. That was lifted at the end of the last fiscal year.

Mr. BURTON. Well, then, that was Carter; that wasn't Reagan and Stockman.

Mr. FOX. Well, I believe the Rescission Act expired, and then the freeze was lifted. But in the meantime there were plans for 1981 procurement which were generated by the agencies. Now, what OMB is doing with those plans or how the plans have changed, I don't know.

Mr. BURTON. Well, I think it would be a good time for the record to say we did invite Dave Stockman or, knowing how busy he is, a designee or "designate" to testify, and it seems he has got a policy that only he and one other testify, neither of whom were available. We will pose our questions to Dave by letter, and I think we will probably try to set up a personal meeting to discuss not only this but some other matters pending.

One other thing, the headquarters of DOT Southwest were just given \$5 million over the next 5 years under the lease escalation provisions of their contract. Can you explain how that works? Is this the normal lease? It provides for an escalation in costs.

Mr. DAVIA. I am not familiar with the specifics.

Mr. DEHAVEN. I think I can speak to that.

My name is David DeHaven, Mr. Chairman. Our office did review this lease after it had been awarded. We determined that in our judgment our projections were such that they could have saved something like \$3.3 million over the next 5 years had they come to us for an independent review of the projected costs made by the lessor.

Mr. BURTON. It is almost like the Federal Post Office. I was going to ask, shouldn't all of the agencies come to GSA for direction, but then they would start thinking that the Pentagon could give GSA direction.

Mr. DEHAVEN. Sir, this lease was awarded by GSA for the DOT. This is a GSA-managed building. The operating people within GSA, the contracting officer, took it upon himself or herself to review the proposal made by the lessor.

Mr. BURTON. Shouldn't that just be common practice?

Mr. DEHAVEN. It should be.

Mr. BURTON. With items over a certain amount?

Mr. DEHAVEN. There has been a very nebulous area in the area of leasing. We have come to a point now that we are getting requests to review all procurements for renovations over \$100,000 in leased space. However, until the present time there has not been a specific policy that says lease escalations—and this means the cost of operating a building, and the real estate taxes, and what have you—are required to be reviewed by the Office of Audits.

Mr. BURTON. That is something the new Administrator could at least set down as an order.

Mr. DEHAVEN. Yes, sir.

Mr. BURTON. Do you think, in other words, the taxpayers blew \$3.3 million because of the failure of people—who understand dollars and cents against policy—reviewing the escalation of the contract lease?

Mr. DEHAVEN. That is based on our projection, and this was based on information contained in the contractor's records, yes.

Mr. BURTON. So we cut down on the school lunch program.

Mr. DEHAVEN. Yes, sir.

Mr. DAVIA. Mr. Chairman, we are routinely in other areas auditing claims for excess escalations. We have had two audit reports recently, one in the St. Louis area, one in the Fort Worth area, where we found the lease escalation claim in each case was \$4 million overstated for the succeeding 5-year period.

Mr. BURTON. We should definitely get into this process before the lease is signed.

Mr. DAVIA. We have advised our space management people that we do want to see those leases in initial negotiations.

Mr. BURTON. And they can advise you to follow the space shuttle; right?

Mr. DAVIA. Right.

Mr. BURTON. What was the contracting officer's explanation of this?

Mr. DEHAVEN. Well, initially the contracting officer in this case or a representative of his indicated that we were going to be requested to review this proposal, and I think this happened in December. In March we learned that the award had been made, and at that point we initiated our own review. Unfortunately, it was a little bit late to do it at that time.

Mr. BURTON. What excuse did they give for not following through with what they said they were going to do?

Mr. DEHAVEN. I did not receive an excuse.

Mr. BURTON. Did you ask for one?

Mr. DEHAVEN. We did not ask for an excuse at that time.

Mr. BURTON. Did you ask for a reason?

Mr. DEHAVEN. We asked for a reason, and they were under pressure to get the lease awarded.

Mr. BURTON. Under pressure from whom?

Mr. DEHAVEN. Within the system of awarding leases, there are some key dates. Lessors are only required to provide services for a specific period of time. Under the terms of this lease, if they chose not to provide those services or not to pay for the services, the Government would have to provide them. They were approaching the time of either having to negotiate the escalation, or the Government would have to provide these services.

Mr. BURTON. So somebody had figured that at a cost of \$3.3 million it was better to accede to what may have been just a business ploy on the part of the owner of the property. I mean, who is a better tenant than the Federal Government? They never know what they are getting or who they are getting it from, or how much they are overcharged. I mean, that is just a normal business procedure.

Mr. DEHAVEN. You would think it would be a normal business procedure. Sir, I should say that we are issuing an internal report which is in the hands of management now. We are recommending that all lease escalations in excess of \$100,000—just as is required for other procurements—be forwarded to our office for review.

Mr. BURTON. Prior.

Mr. DEHAVEN. Prior to award; yes, sir.

Mr. BURTON. Who owns the building?

Mr. DEHAVEN. This is the David Nashua Building, Nashua Associates.

Mr. BURTON. Who are they?

Mr. DEHAVEN. I am not sure of the ownership. David Nashua Associates is located in Boston; we had our auditors visit their offices there.

Mr. BURTON. Conceivably, if you would have prior audit of the lease escalation programs, where would you put the potential recovery?

Mr. DEHAVEN. Sir, the experience that we have had in the ones we have done to date, I think the expected recovery is running about 40 percent. That means that if you have a \$10-million escalation, we believe that we could save \$4 million over the period of the lease, which sometimes is as much as 5 years.

Mr. BURTON. A lease—I am talking about leases generally—that would be impossible, as Everett Dirksen used to say, a million here and a million there, pretty soon we are talking about real money.

Mr. DEHAVEN. Yes, sir. I think that in excess of \$680 million is paid out for leases each year. I do not know what the escalation portion of this figure is.

Mr. BURTON. One last question, and I will yield to Mr. Walker. This is something I know Mr. Walker will be interested in, and more interested in it because we passed a bill on travel allowance and per diem allowances and got assurances that somehow that was going to be taken out of other money.

In other words, there would be no increase in funds. That is how they deal with their dough—not their dough, our dough, the taxpayers.

You have two auditors' reports saying, "Senior GSA Official Abuse Of Government Travel For Personal Gain." That is kind of a strong title, is it not?

Mr. DAVIA. No, we think it accurately describes the subject matter, sir.

Mr. BURTON. That is dated October 22, 1980. One of the things you talk about is, and I think we are going to ask, the conference held in San Antonio where more than half the people went from Washington to San Antonio. I think we will ask the people who were involved there about that rather than you.

In this, you stated that there was an invoice submitted of, I guess \$1,000, for the purposes of writing off rented equipment when in fact the \$1,000 was used for refreshments.

Mr. DAVIA. That is right.

Mr. BURTON. Is that normal?

Mr. DAVIA. No, it is improper. I think, as a matter of fact, that the Comptroller General has ruled that this is not a proper, Government expense.

Mr. BURTON. I do not know about the expense. They were refreshments. It is not proper to put it under a different category.

Mr. DAVIA. It is not proper to pay for that sort of thing at all, much less call it something else.

Mr. BURTON. Well, I would think, to me the gravamen of the act is not saying that, "We provided at a conference coffee and doughnuts," because that is a normal practice even if people are there on per diem, and if this happened before the per diem increase, people might have been able to use some free coffee, but to have a phony invoice, that is not only improper, I think it seems close to getting in violation of something, like law.

Mr. DAVIA. Well, I am sure that it would not have been processed had it stated the true purpose.

Mr. BURTON. That is not what I am saying. I am saying that the agency that is supposed to set the record, set the example, that the people in the agencies are supposed to follow files a phony invoice, to me if it was for \$22 that is something that borders on illegality.

You can argue whether or not it is proper to provide coffee and doughnuts for a conference of Government officials.

Mr. DAVIA. I agree.

Mr. BURTON. And I mean, I would not feel that is that big a deal. I feel that a phony invoice—if you can do it for this, you could do it for anything.

Mr. DAVIA. I agree.

Mr. BURTON. Well, I have some other things in here in this report that I think we can ask the people who are involved as opposed to asking you. I think the report makes it clear that there are a lot of things that do not seem important dollarwise, but I think are important policywise.

As I say, if they say they have supplied coffee and doughnuts for a conference for 3 days, I would not get too upset. When they submit the phony invoices, that is what we are talking about. That is fraud then. I do not know whether abuse sets in.

Mr. Walker.

Mr. WALKER. Thank you, Mr. Chairman.

Given all the furor we have had about scandals in GSA, all the media talk about scandals in GSA, I would assume now that we have had an Inspector General down there and he is issuing reports and trying to clean up fraud, the people at GSA would be very fascinated by all this, would they not? Would their management be trying to respond pretty quickly to the GSA report? Or the Inspector General report?

Mr. DAVIA. It would seem logical. It is not happening, however.

Mr. WALKER. It is not happening?

Mr. DAVIA. No.

Mr. WALKER. What happens to those reports?

Mr. DAVIA. It is difficult to say. Frequently the facts are contested, the interpretations are contested; general foot dragging.

Mr. WALKER. So in other words, instead of doing something about the message, they are out trying to kill the messenger?

Mr. DAVIA. Very correct; yes, sir.

Mr. WALKER. We have in the subcommittee a report on construction management in GSA's region 2 which covers New York, New Jersey, and some other areas.

Mr. DAVIA. Yes, sir.

Mr. WALKER. Without going into any great detail, I think it is fair to say that you found quite a few things wrong with how the program is operated. What was the Regional Commissioner's response to that particular audit?

Mr. DAVIA. I think we have the report here to show you the volume involved. We were provided two sizable volumes of documents which I do not feel contested the major facts at all. We did not get a good, clear answer. We got two volumes of minor facts which skirted the major issues.

Mr. BURTON. It is usually an indication to me, when you ask a simple question you get back this, you haven't got an answer.

Mr. DAVIA. It is a matter of increasing the forest so you cannot see the trees.

Mr. WALKER. Am I correct that what he did was appoint a task force to come up with this two-volume response to your audit?

Mr. DAVIA. That is correct. I think what happened was that the Administrator ordered the Commissioner of PBS to do a review of the audit report. The people that were assigned the task, specifically a Special Assistant of the Commissioner, gave it right back to the auditees to prepare the response. Naturally it would be expected to be defensive and to lack objectivity.

Mr. WALKER. Have you reviewed those two volumes?

Mr. DAVIA. Yes, sir.

Mr. WALKER. Did you find that your auditors had gotten carried away, you made a lot of improper charges? Describe it.

Mr. DAVIA. Not at all. The final report was materially the same as it was when it was originally issued.

Mr. WALKER. Do I understand their response went so far as to include poetry in it?

Mr. DAVIA. Yes, sir.

Mr. WALKER. Quoting Shakespeare, or some limerick about principle? What kind of poetry was included?

Mr. DAVIA. It was—

Mr. BURTON. I am kind of curious. They used to call me a poet. I used to memorize it so much.

Mr. DAVIA. I think the poem in many respects illustrates the problem that our reports meet. This was written, the memorandum was written by James Steele, who was Special Assistant to the Commissioner.

Mr. WALKER. Is he a poet too?

Mr. DAVIA. No, it says, "author unknown." The title of the poem is, "The Truth or Lies."

Truth is continuous; it lives.

Lies are born of deceit; they die.

Truth is difficult to find.

Lies are found whenever desired.

Truth is the soul of the bravest; lies are the soul of the self-deceiving.

Truth; search for it, embrace it, defend it.

Lies; confront, reject and combat with your own truth.

Mr. BURTON. That was it?

Mr. DAVIA. That is correct.

Mr. BURTON. Who is telling the truth and who is lying?

Mr. DAVIA. In effect, the point here was we were lying, we were telling untruths, lies.

Mr. WALKER. But I understand that you did an audit, and then in that lengthy volume to reply to what you said were major errors in a construction program in the New York area, the response consisted in part of that poem.

Mr. DAVIA. This is included in the official response.

Mr. WALKER. Do you consider that a professional response to what you had done?

Mr. DAVIA. Not at all.

Mr. BURTON. Have you checked with the Library of Congress to see if the author is really unknown?

Mr. WALKER. Let me also ask you about the parking fees that became such a controversy on March 10 of last year.

You chastised Assistant Administrator Paz for hitting the parking fund, whose assets consisted of charging employees a monthly parking charge to pay for a large number of employees he had hired and did not have the money to pay for.

Mr. DAVIA. Correct.

Mr. WALKER. At the same time you advised Assistant Administrator Fontaine that he apparently also had made an unlawful expenditure. Has that money been returned to the Treasury?

Mr. DAVIA. No, sir. Actually, it cannot be returned unless the Congress makes a supplemental appropriation. The money is spent; it is gone.

Mr. BURTON. They spent it on unauthorized personnel.

Mr. WALKER. So in other words, the only way that we could rectify the situation would be for Congress to make a supplemental appropriation to the agency to pay for money that was illegally spent?

Mr. DAVIA. I would think so, yes.

Mr. BURTON. Or withhold money from the agency, the portions of it coming out of the salary of people who illegally spent the money, without leaving it up to their discretion. They will end up firing those people. Those are our two options, I guess.

Mr. WALKER. One of the most sensitive areas of GSA is giving away property the Government does not need anymore. The law and regulations are pretty clear, whatever government gives away is supposed to be beneficial to the general public.

Mr. Fox, you did an audit last year to see whether GSA and other agencies, particularly FAA and then what was HEW, whether they had abided by the terms of their contract.

You found that 78 percent of the groups that had property were not complying with their contract. Is that right?

Mr. Fox. Yes, sir, 78 percent of GSA's tests were not in compliance.

Mr. WALKER. So in other words, the property given away under specific conditions, those conditions were not being met?

Mr. Fox. Yes.

Mr. WALKER. What about the university which was to be established at the old Army communications facility at Davis?

Mr. Fox. Yes.

Mr. WALKER. What about the university which was to be established at the old Army communications facility at Davis?

Mr. Fox. Yes, I think so. That property was not being used for the university. The university was supposed to be established but it never really got off the ground. They did not have a lot of students, and parts of the property were being used for other purposes.

Mr. BURTON. What university did not get off the ground? Not the University of Cal at Davis? It is all over the ground.

Mr. Fox. I cannot pronounce the name. We call it DQ University.

Mr. BURTON. That was supposed to be a special Indian school?

Mr. Fox. Indian school.

Mr. WALKER. Is it really true that part of the property is being used by a company manufacturing perpetual motion machines?

Mr. Fox. I understand they were promoting perpetual motion machines, yes.

Mr. WALKER. Was that a part of the agreement?

Mr. Fox. No, they should not have been there.

Mr. WALKER. What happened to the surveillance program that is supposed to check into all this?

Mr. Fox. The Administrator of GSA canceled the program.

Mr. WALKER. So your audit finds 78 percent of the people were not complying with the provisions of the contract under which we gave them land, yet the whole surveillance program was canceled?

Mr. Fox. Yes.

Mr. WALKER. What are we doing in the name of a surveillance program? If there is no surveillance program for this, what are we doing to assure the taxpayer is getting his money's worth out of this property?

Mr. Fox. I do not believe anything is happening that was not happening when we did the audit. In other words, there is no surveillance going on that I know of.

Mr. WALKER. You also did the audit on the furniture, according to previous testimony, is that correct?

Mr. Fox. Yes.

Mr. WALKER. And in the course of that, with reference to a question I raised earlier today, did you find any instance where you felt that there was the involvement of organized crime in the whole business of furniture contracting?

Mr. Fox. No, sir.

Mr. WALKER. You did not find any indication of that?

Mr. Fox. No.

Mr. WALKER. Thank you, Mr. Chairman. That is all the questions I have.

Mr. BURTON. I think that is all the questions we have because some of the issues raised by you, we would rather ask the subjects of this audit as opposed to you yourselves.

We thank you very much for your testimony.

I am only speaking for myself, but I am going to make the best attempt I can to indicate to Dave Stockman and the administration that if they can get a 4 to 1 or whatever it is, or a 48 to 1 return on their dollar, it is a pretty good investment; and as I say, educate some of the people who I happen to know in the administration that waste, fraud, and abuse is not the specific province of what used to be HEW, but pervades all over, and if your recommendations would have been implemented up front, maybe we would have an untouched lunch program because we have to save as much money as we can so that certain programs we feel are necessary are not totally eliminated when we can at least act about which programs we want to deal with.

Thank you. We will hear from Herbert McCarthy and A. R. Marschall. Then, we will break for lunch and come back to Mr. Berube, Mr. McBride, Mr. Marschall, Mr. Paz, and Mr. Fontaine, who will be answering some of the points raised by the auditors.

[Witnesses sworn.]

Mr. BURTON. The meeting will come to order. The next witness is Mr. Herbert McCarthy, Commissioner, Federal Supply Service. You have been duly sworn.

I have a question that is going to sound weird. Have you done anything about the toilet paper in the Federal Building in San Francisco? I am serious.

STATEMENT OF HERBERT McCARTHY, COMMISSIONER, FEDERAL SUPPLY SERVICE, ACCOMPANIED BY A. R. MARSCHALL, COMMISSIONER, PUBLIC BUILDINGS SERVICE

Mr. McCARTHY. Sir, I am not familiar with the issue.

Mr. BURTON. Your office should be, because I have received many complaints. I am deadly earnest. I have received many, most of whom will want to know if you are familiar with the tissue.

How long have you held this position?

Mr. McCARTHY. Six months.

Mr. BURTON. I even sent some samples to your predecessor. Big issue in my district. Might even say a gut issue, but I mean, it really is. It is either that you are saving a lot of money or somebody is ripping off the taxpayers, so we will approach it from efficiency and economy in Government.

We are sorry we have to call you as a witness today. You were last March called with Tom Morris, called before another subcommittee and questioned with vigor for reinstating a contractor who, in effect, had been convicted of bribing a Federal official.

As I understand it, what was your reason behind that?

Mr. McCARTHY. Which case are you talking about? Are you referring to the—

Mr. BURTON. There is more than one?

Mr. McCARTHY. Well, there was—the case we were talking about last year for reinstating somebody after they had been suspended or debarred had to do with Atlas Paint Co., which was subsequently debarred.

Mr. BURTON. Did you reinstate them?

Mr. McCARTHY. As of today they are still debarred, sir.

Mr. BURTON. All right. You are in charge of running the contracting program that bought \$175 million worth of furniture?

Mr. McCARTHY. We have not bought \$175 million worth of furniture, I believe.

Mr. BURTON. Since you have been in charge of the administration.

Mr. McCARTHY. No; I believe that that particular number you are citing is a letter that we sent to you earlier this year in which we stated that we will have in place contract coverage for \$175 million worth of furniture procurements.

Mr. BURTON. So, in other words, we are obligated for \$175 million?

Mr. McCARTHY. No; we are not. Those are multiple award contracts against which there are no requirements, nor is there any Government money allocated.

Mr. BURTON. You are saying then that you will have in place the ability to get \$175 million of furniture if needed?

Mr. McCARTHY. Yes, sir. If an agency wishes to place orders against it now and they have their approvals from the Office of Management and Budget.

Mr. BURTON. Now that approval is based on what, that the Fithian amendment that took money from GSA, and put it in the food-for-peace during the continuing resolution of the budget? Because I do not know how the two would come up together. That expired at the end of the fiscal year and nobody has said anything since, so silence is assumed to be acquiescence, or did Jim McIntyre or David Stockman send a letter saying it is all right to go out and buy more furniture?

Mr. McCARTHY. No; what happened, and this has to do with one of the questions you asked Mr. Fox earlier, basically the sequence of events went like this: OMB earlier this year, on the 30th of January, came up with a new OMB bulletin, 81-9. That rescinded OMB bulletin 80-6, which is the one that enacted the furniture freeze last year. Therefore, the freeze ended that day.

It was replaced by a moratorium on the procurement of furniture and other items. The agencies were directed by OMB to respond by February 13 giving the dollar amount that they intended to reduce their planned buys in those Federal supply groups for the coming year.

The agencies did respond. The numbers that were brought in by the agencies were incorporated in the President's budget.

Mr. BURTON. I am not certain. Did David Stockman issue that circular?

Mr. McCARTHY. Yes, sir.

Mr. BURTON. That is assuming that there was a need for the furniture in the first place?

Mr. McCARTHY. OK, now the furniture need had been established under the previous circular, OMB 80-6. Every agency was required

to develop a furniture expense plan giving furniture items and dollar figures they were going to have to buy in their opinion during 1981.

Mr. BURTON. Subject to anybody else's review?

Mr. McCARTHY. Yes, sir.

Mr. BURTON. Subject to whose review?

Mr. McCARTHY. To GSA review and OMB review. It was my job to review those plans and pass them to OMB with recommendations as to approval.

Mr. BURTON. What are your guidelines? If it is unused as opposed to unusable?

Mr. McCARTHY. The order was that the first item of supply, first source of supply would be excess furniture.

Mr. WALKER. Mr. Chairman, I just want to clarify it in my own mind. The situation right now is the fact that President Reagan and the Administrator or head of OMB, Mr. Stockman, has issued an order that places a total moratorium on the purchase of furniture, is that correct?

Mr. McCARTHY. For a limited period of time, sir.

Mr. WALKER. When does that expire?

Mr. McCARTHY. Well, it expired—the sequence was, the agencies had to put in their dollar numbers by February 13 so that they could be used in the President's budget when it went to Congress on March 10.

As soon as that budget did go to Congress, the OMB released to the agencies their allowance letters giving them their level of expenditures for the remainder of 1981, and in those specific allowance letters granted or did not grant to the agencies the approval of the reduced level of expenditure. So to answer your question, for most agencies today the moratorium is finished. They can now buy, but at a reduced level.

Mr. WALKER. How much money was saved in that process?

Mr. McCARTHY. I could not say, sir. I do not know.

Mr. BURTON. Well, that is my question. I do not know if we can say it is saved when some of us think maybe the freeze should have been kept on.

Prior to the freeze, it would have been a savings, but to cut 13 percent of an expenditure that was not allowable is not. They talk about the agencies whole budgets, right? They did not line item them?

Mr. McCARTHY. They talked about eight Federal supply groups which reduced it to one budget class within the budget.

Mr. BURTON. Furniture?

Mr. McCARTHY. No; just the budget class.

Mr. BURTON. So they had reduced equipment and furniture under the generic term of equipment?

Mr. McCARTHY. Yes, sir.

Mr. BURTON. Airplanes are equipment, chairs are equipment. You say that the first item of supply is that they have got to use furniture that—I do not like the term—"was usable, but unused," I guess.

Mr. McCARTHY. They have to use furniture that is excess. There are reasons for furniture becoming excess other than the one you pointed out.

Mr. BURTON. What is another reason?

Mr. McCARTHY. It is possible that in some areas of the country you may close down a small activity, a small 8- to 10-person office, if you will, and then it is easier and cheaper for the Government to take that furniture as excess from there rather than take it and ship it around the country to satisfy a requirement.

Mr. BURTON. What are they going to do with it? That is one of the reasons they take excess furniture. They close down DQ U and ship it to the Pentagon?

Mr. McCARTHY. You would not ship it because of the cost of shipping. What will happen is, you frequently have other uses for it.

For example, the Department of Justice constantly is sending groups of attorneys into a given area and then pulling them out on an investigative case. That kind of furniture can satisfy those kinds of requirements on a temporary basis.

Mr. BURTON. Otherwise, you would have bought new furniture for task forces moving in and out?

Mr. McCARTHY. We would use it for that purpose or other purposes, whatever emergency situations might arise in an area.

Mr. BURTON. Well, give me an example of where people on this limited-type of situation, where the Department of Justice has a task force across the hall from me, where they were moving in furniture and people and telephone equipment and other things, what agencies have gone from excess as opposed to the new?

Mr. McCARTHY. Just about every agency that submitted a requirement and expense plan, used excess to some degree in their basic request.

Mr. BURTON. What is the percentage of excess versus new?

Mr. McCARTHY. I would have to look at that and give it to you for the record.

[The material follows:]

What was the dollar value of excess furniture planned for use in fiscal year 1981 as noted in the agencies' requirements and expense plans?

The process that agencies used to identify their furniture requirements for fiscal year 1981 required that they first consider meeting any requirements for new items by rehabilitating existing items or by acquiring items through excess. Federal agencies were specifically requested they indicate on the R&E forms the number of items that they would acquire through excess. Using the projections which agencies provided on the R&E forms, we estimate that the Federal Government will realize a cost avoidance of \$3.2 million during fiscal year 1981 by using excess in lieu of new procurement. Of that amount, 10 Cabinet department account for \$2.8 million, with the remaining use of excess distributed among 15 other agencies.

Agencies did not have a solid basis on which to project their fiscal year 1981 utilization of excess, since availability of items from excess is subject to other agencies no longer requiring the items. In addition, excess had been the only source of supply during most of fiscal year 1980 due to the GSA moratorium, OMB freeze and Congressional rescission. Therefore, most inventories of excess items have been depleted.

With respect to the assignment of excess furniture to employees by GS grade level, Federal Property Management Regulations (FPMR) prescribe use standards. The current FPMR's limit the use of executive furniture to GS-15's and above or their equivalent military ranks. An amendment is in process which would allow the assignment of executive furniture only to members of the SES and above or equivalent ranks, and also prescribes more definitive standards for lower ranks.

Mr. BURTON. I would like that for the record, and if you have it for GS-5's and new equipment for GS-15's, and things like that.

In other words, I think what we find, and it is not limited to the executive branch, but everytime you get back to the new chairman, I do not like the rug; I have it taken out. It is usable, but unused, so it is excess.

Mr. Walker becomes chairman. He does not like my rug. It becomes unused, so it is excess, and there are no regulations as far as usability, so every Deputy Secretary, Under Secretary, whoever, can redo their offices because this equipment that they have, they are not using that desk anymore.

Mr. McCARTHY. Under the existing Federal Property Management Regulations there are only two real reasons why you can buy furniture within the executive branch.

One is that you have people for whom you do not have furniture, or the furniture you have is beyond economical repair. You are not allowed by regulation to change furniture simply because you want to change it.

Mr. BURTON. But it happens.

Mr. McCARTHY. Constantly.

Mr. BURTON. Well, is it not your job to see that that does not? In other words, not to approve their getting some furniture or calling to the attention of OMB that this agency is asking for such-and-such, and the furniture that they have is still intact and they do not need new.

Mr. McCARTHY. The real way that that can be done, and I think one of the major steps that was done is the interagency audit that was referred to by Mr. Fox.

The Inspectors General of each agency need to police that and assist the official of that agency in making sure they are not asking for furniture that they should not be buying.

Mr. BURTON. That is assuming that he is going to get the support of the Secretary over the Secretary's No. 1 person, who is the one getting the office redecorated.

Mr. McCARTHY. Yes, sir.

Mr. BURTON. Someone is in violation of a regulation and you see it, you know it. What can you do?

Mr. McCARTHY. Usually what we do is, we go to the head of the agency and advise him of the violation, and ask him to advise us what kind of remedial action he is going to take to correct it. That is the extent of our capabilities in that situation.

Mr. BURTON. The Administrator, who is an appointee of the President, cannot go to either the President or OMB and say, especially now, when these are tough times, here is a violation of regulation and a waste of money. That should be grounds for something.

Mr. McCARTHY. He can do that. Our relationship back at the agency is over with, but he can take it on up.

Mr. BURTON. Do you take it on up to him?

Mr. McCARTHY. Yes, sir, I would.

Mr. BURTON. Do you?

Mr. McCARTHY. When I have occasion to.

Mr. BURTON. I mean, every time you have gone to an agency and pointed it out, they have corrected the situation?

Mr. McCARTHY. I would say to a degree, yes.

Mr. BURTON. To a degree, yes? Can you give us an example? Degrees, I think, go from 1 to 360. In other words, I do not want to belabor the point, but I think in principle they should not violate regulations. In these times, they should not be involved in the kinds of unnecessary, frivolous expenditures of moneys, and I think they should go to the agencies.

I think as you find that out, I think you should make it known to the two policy committees and to the Appropriations Committee so that they can take some action on it.

You know, maybe it is not a big deal, it is three chairs, but three chairs here and three chairs there and you have a committee room.

Mr. McCARTHY. You are asking me that, but one of the things that came to mind in the short time I have been in GSA is that last year we did have some incidents where we would see an agency buying furniture during the freeze that was in existence, and we would advise that agency by letter that they were in violation of the freeze; and the response was, of course, well, that procurement is over with. We won't do it again.

Mr. BURTON. The furniture funds expired at the end of the fiscal year?

Mr. McCARTHY. Yes, sir.

Mr. BURTON. All right, OMB Bulletin 81-9, that removed the total freeze, placed a moratorium on the basis that you reduce equipment, reduce it 13 percent.

Mr. McCARTHY. I do not believe there was a percentage in the bulletin.

Mr. BURTON. But every department was to reduce expenditures by some percentage. I really wonder if they were thinking equipment, if they were thinking furniture.

In other words, in certain agencies you do not have any management role, like military and so forth, in DOD, I think we call it.

Mr. McCARTHY. Well, the DOD follows that Federal Procurement Regulation like all other parts of the executive branch.

Mr. BURTON. Well, I think how I would phrase it—not singling them out—is that there are regulations for all agencies to follow. I do not think I would say that the agencies follow them. I was not singling out the Pentagon.

Are you purchasing \$175 million worth of furniture, with \$110 million of that \$175 million you are ready to go with, going to DOD?

Mr. McCARTHY. No. Let me try to explain this thing from the viewpoint of an executive agency.

First of all, all agencies, when we added up their requirements and expense plans for last year, requested what amounted to some \$344 million worth of furniture.

In GSA's review, that figure was reduced to a \$222 million level as opposed to normal year expenditure of \$280 million.

In that \$222 million there was \$207 million requested by the Department of Defense. Of that \$78 million was for new construction-related furniture, and the balance was for what we call recurring furniture needs.

We approved at that time 50 percent of their recurring furniture needs and left the new construction furniture alone.

So, the best estimate is that if the Department of Defense were to buy all the furniture that they had finally gotten approval for from OMB last year, that that figure would approach about \$130 million.

What we did in establishing contract coverage or planned to do in establishing contract coverage at \$175 million this year, was simply this: We wanted to make sure that to the degree that agencies are allowed to buy, that there is a vehicle against which they can make their buys in actual obligations of Government money. During the period of moratorium we obligated only \$3 million.

Mr. BURTON. To a degree implies that there will be restraints, controls, and oversight, because you said to a degree.

Mr. McCARTHY. Yes, sir.

Mr. BURTON. How much of a degree and what are the restraints, review, and oversights going to be to prohibit just buying furniture because you felt like it?

Mr. McCARTHY. Well, are you talking about the controls that will be on us or on the individual agencies?

Mr. BURTON. Well, you are the one who says you are putting \$175 million in place, and you said to a degree they will be allowed to do such-and-such. So, I assume you have got some control over it because you said to a degree.

Mr. McCARTHY. We are not administering the program.

Mr. BURTON. How did you get to a degree?

Mr. McCARTHY. I just had to as a manager make an assumption that, given that OMB was going to let agencies buy, and given that agencies historically have bought \$280 million worth of furniture each year for the last several years.

Mr. BURTON. Whether they needed it or not?

Mr. McCARTHY. Then I had to make the decision whether or not I have to go to contract coverage. As you know, it takes us about 5½ months—

Mr. BURTON. I guess I am not expressing myself. You used the term, "to a degree they would be able to buy some furniture."

Mr. McCARTHY. Yes, sir.

Mr. BURTON. Now, to a degree means to me lack of carte blanche.

Mr. McCARTHY. OK. The allowance letter that went from OMB back to each individual agency told them that OMB accepted the reduced-level expenditure.

For example, in our case at GSA we had about \$6.6 million in the equipment lines of the eight Federal supply groups that were contained in the bulletins. We reduced that by \$1.7 million, down to \$4.9 million. In the allowance letter coming back from the Office of Management and Budget, we were then told we could not exceed that \$4.9 million level.

Mr. BURTON. That is not to a degree, that is how you can spend all the money OMB allowed you to spend.

Mr. McCARTHY. It is all the money that OMB allowed us to spend.

Mr. BURTON. That is to a degree?

Mr. McCARTHY. Only to a degree, what we wanted to spend. It is like 70 to 75 percent.

Mr. BURTON. When you said to a degree, I thought there was going to be restraint, that OMB, after you made a reduction says, "Now you have this, you can go out and blow it on furniture if you want to."

Mr. McCARTHY. The numbers were given out by OMB.

Mr. BURTON. So, to a degree really meant you could not spend everything you initially asked for before OMB cut you down?

Mr. McCARTHY. That is right.

Mr. BURTON. I made a fairly invalid assumption that to a degree meant that you really were not going to be able to go out and say, "Up the bucks."

Mr. Walker.

Mr. WALKER. What is done to make certain that these agencies that are requesting furniture or requesting expenditures for the upcoming year utilize the 148 warehouses we have sitting around Washington, and I assume other warehouses sitting around the country as well?

How do we insure that before they go ahead and order a lot of new furniture that the stuff gets used that has already been bought?

Mr. McCARTHY. The agencies for fiscal year 1981 for the first time in history were required to come in with a listing of all the items they needed, and a listing of all they had on hand, and then show, given the gross requirement as they projected it, how much would be met through excess they already had on hand, and then they would reduce that number to the net requirement.

Mr. WALKER. What about excess that other agencies have on hand? Why could not equipment that was bought by NASA, sitting in a warehouse somewhere over here, also be used by HUD if HUD has need for filing cabinets that we have already in a warehouse somewhere, instead of buying new?

Mr. McCARTHY. We have that decision in place. When an agency has something that they have in excess to their needs, they record it through the Federal Property Resource Service, which then screens it through all the other agencies who have a requirement.

Mr. WALKER. But you just did this for the first time in 1981?

Mr. McCARTHY. No. That particular policy I just told you about has been in existence for years. For the first time in 1981 agencies had to come in in advance with their requirements, a plan to show what it is they wanted for the year and how they were going to go about utilizing the excess as a source of supply.

Mr. BURTON. How do you know that until you know how much is in the excess, until they talk to you?

Mr. McCARTHY. Agencies know what is in their own excess.

Mr. BURTON. He is not talking about that; he is talking about the agency excesses.

Mr. McCARTHY. That is true, sir. One of the reasons we are reducing the requirement from \$344 million down to \$222 million is we went back and made some general assumptions based on what we expect to get in the aggregate in terms of excess from all agencies that could be transferred.

Mr. WALKER. How much excess furniture do we have sitting around?

Mr. McCARTHY. As of right now I can't give you a current figure. I can give you one for the record, if you would like.

Mr. WALKER. Do you have an approximation? A couple hundred million dollars worth?

Mr. McCARTHY. No, sir; not that much.

Mr. WALKER. \$100 million worth?

Mr. McCARTHY. The last time I checked in specific terms we had around 38,000 pieces at about \$100 apiece, so it would be about what that comes out to—\$3.8 million.

Mr. WALKER. In other words, that would be the total in excess furniture that existed in the Federal Government?

Mr. McCARTHY. That was at that point in time. I can give you a current figure for the record.

Mr. WALKER. Well, I think we would like to have that for the record.

Mr. BURTON. By item, by age, and how much.
[The information follows:]

1. What is the current inventory of excess furniture by dollar and item (type)?

The current inventory of excess furniture is as follows:

	Number of Items	Acquisition Cost
Beds	8,990	114,585
Bins	3,245	34,675
Book cases	584	16,811
Buffet	105	9,731
Bulletin board/Blackboard	64	4,901
Cabinets	1,979	233,882
Carrels	42	5,408
Cart	10	760
Chairs, household	844	45,146
Chairs, office	3,450	143,728
Credenza	39	5,125
Desk	1,581	222,358
Desk attachments	212	27,594
Dressers	481	60,143
File Drawers and Boxes	190	2,437
Letter trays	172	248
Mirrors	76	2,313
Nightstands	12	329
Partitions and Components	338	37,338
Planters	46	1,410
Racks	7,832	101,210
Safes	49	22,103
Shelving (warehouse storage)	799	62,186
Sofas	212	47,416
Stands	117	4,337
Stools	52	2,164
Tables	1,412	121,097
Wardrobes	461	25,252
Wastebaskets	302	1,940
Workbenches	9	4,825
Miscellaneous	10	1,522
Components, office furniture	12	21,798
		<u>1,384,772</u>

In addition, the Department of Defense has \$1.9 million of excess furniture, of which \$1.5 million has been reported as scrap. Because of special DOD reporting procedures, detail information regarding this furniture is not immediately available at this time but can be obtained if necessary.

Age of furniture can not be determined. With few exceptions furniture is not marked as to year of manufacture. In addition, the styles of furniture items remain consistent over many years further making it impractical to determine age.

Mr. BURTON. Back to my prior question, the first thing is you have to use excess stuff. How much it would be taken in excess, and how much it would be contracted for new.

Mr. WALKER. The only point I am trying to make is it seems to me if we are going to spend \$175 million, or whatever the figure ends up being, for furniture this year, certainly before we even talk about any kind of expenditures we ought to talk about cleaning up the warehouses and utilizing what we have on hand. You know, it may not be exactly the chair that somebody wants in their office, but it will be a pretty good facsimile. I think at some point we ought at least to respond to the public demand for economy by assuring ourselves that we are not just warehousing a bunch of stuff but that we are literally cleaning out our warehouses in order to keep from spending new money.

Isn't it logical that we would take that kind of step?

Mr. McCARTHY. I agree with you, and specifically along the lines of what you are talking about, we reached a point a couple of weeks ago where it normally would have been the time to move out and make some buys approaching about \$99 million. In reviewing the rationale for how we got to that decision point, we found that the reason we were given was that we were at a certain percentage of our stock position, and that it was therefore time now for us to buy because we always bought at that level.

Looking at that and finding out that that kind of basis is not a valid basis for running a supply system, we have halted those procurements, and we are doing exactly what you are talking about right now. We are going back to the agencies that put those requirements on us and asking them, "Why do you need this?" and "What have you done with the excess material you have?" So I can validate those two requirements.

Mr. WALKER. Are Congressmen bound by the same regulations?

Mr. McCARTHY. No, sir; they are not.

Mr. WALKER. We here in the Congress operate under a different set of regulations with respect to furniture?

Mr. McCARTHY. Yes, sir.

Mr. WALKER. And they are much less stringent?

Mr. McCARTHY. Yes.

Mr. WALKER. Is that the reason why Members of Congress can purchase their chairs for \$50, or some such figure?

Mr. McCARTHY. I don't believe that is the price, but, yes, they can buy their chairs when they leave.

Mr. WALKER. I had always heard that it was \$50.

Mr. McCARTHY. I think that that price changes according to the current price of furniture.

Mr. WALKER. In other words, they have to pay the going rate for it?

Mr. McCARTHY. Yes, sir. I believe they have to pay the replacement cost.

Mr. WALKER. Thank you, Mr. Chairman.

Mr. BURTON. Mr. Marschall, back in 1967 when Chairman Brooks chaired this subcommittee, he held a hearing that sort of blew some of the coats off as opposed to lids on paint. This was, I think, something that came out in the press, too, that painters would be charging the Government for two or three coats, and only

putting on one or two. The officials at GSA at that time were just absolutely distraught that the contractors would do such things, but they said it was really impossible to detect how many coats of paint were on the wall. You know, they would scrape paint and send it to the laboratory, look at it through a microscope and see how thick it was, and you could go to the U.S. attorney and say the Government was being cheated. And at that time the Government was running after Billie Sol Estes and not worrying about three or four coats of paint.

Chairman Brooks' idea was to put on one coat of paint. If it looks like it does the job, stop. If it looks like you need two, go to two. Instead of using a microscope, have somebody carefully watch what they are doing.

GSA promised to implement this. Do you have any current guidelines in your present position for inspectors to see that we are not getting double-whacked for, as we used to say in the bartending trade, a coat of paint?

Mr. MARSCHALL. We have rules in effect, and we do attempt to follow up with inspections. That, of course, is the only way you can assure yourself of anything. We have overhauled the contracting procedures since the time of the so-called scandals—and they were scandals, I am sure—and we have been very, very careful, particularly with respect to painting.

If you would ask me was I sure that I got two coats of paint every time that a paint job was done, I could not answer yes or no. I don't know, but I hope that we are doing our jobs.

Mr. BURTON. So do we. I would not stake my daughter's life on it, but I hope you are.

How many inspectors do you have per building or per region or subregion just, say, dealing with painting?

Mr. MARSCHALL. It would certainly vary with the building and with the location.

Mr. BURTON. How about the Federal Building in San Francisco?

Mr. MARSCHALL. In the Federal Building in San Francisco, we have—I am assuming you are talking about the one at Golden Gate?

Mr. BURTON. That is a correct assumption.

Mr. MARSCHALL. We have a Federal work force. We have a building manager who operates—

Mr. BURTON. How many inspectors do you have?

Mr. MARSCHALL. Let me finish, please.

Mr. BURTON. Let me have your answer to the question.

Mr. MARSCHALL. I am trying to answer the question.

Mr. BURTON. How many inspectors do you have?

Mr. MARSCHALL. I don't know.

Mr. BURTON. Fine.

Mr. MARSCHALL. We do have people in the building who are our own mechanics who sometimes inspect the work of others.

Mr. BURTON. Who are what kind of mechanics?

Mr. MARSCHALL. They could be painters; they could be carpenters; they could be electricians. It doesn't take a genius to go look and see how many coats of paint there are.

Mr. BURTON. If you have inside expert painters, why are you contracting outside to paint, then?

Mr. MARSCHALL. Sometimes it is necessary because of the speed which is required or the amount of work that has to be done, sir.

Mr. BURTON. So what you are saying is sometimes a painter will go in and inspect a paint job?

Mr. MARSCHALL. That could very well happen, yes.

Mr. BURTON. And sometimes he doesn't.

Mr. MARSCHALL. It could be some other person. I hope that we are inspecting all the time.

Mr. BURTON. But you don't know.

Mr. MARSCHALL. If I said I knew, I would be lying, and I think anybody else in my position would be lying. I don't know.

Mr. BURTON. I would think anybody else in your position would have some type of regimen and report that could tell you within the ballpark whether or not they are doing the job. Just be very pleased that Mr. McGrath, the new Member from New York on the Republican side, or Mr. Lantos, the new Member from California on the Democratic side, aren't here, because they would make Mr. Walker and me look like moderates on this committee—and that takes some doing. Mr. Lantos reminds me of him, and the other guy reminds me of me.

The situations raised by the auditors—they claim that you don't have information as to the occupants and the figures of many of your buildings. Do you agree with that?

Mr. MARSCHALL. Yes, sir; I think that they are correct in some cases. They have been pointed out to us. We have attempted in many ways to update our information system. It is in a constant state of updating.

Mr. BURTON. No, not the information system; I mean we aren't interested in how many are empty; we are interested in getting them out of one place and getting them in another place to save the taxpayers' money.

Mr. MARSCHALL. We are attempting to do that, too, and we have made some strides in the last several years.

Mr. BURTON. What is a stride?

Mr. MARSCHALL. Sir?

Mr. BURTON. Is a stride that you saved \$22,000 or that you got a document going through a draft stage? What is a stride?

Mr. MARSCHALL. We have made reductions in the amount of empty space in the last 2 or 3 years, in the amount of roughly 10 percent, I think. I have some figures here. If you would prefer, I could provide them for the record.

Mr. BURTON. Yes, that would be helpful. In other words, reductions of empty space by either not renting new space or ending private lease arrangements and moving Federal employees into existing Federal buildings.

[The information follows:]

VACANT UNASSIGNED SPACE PROGRAM GOALS

At present, there is approximately 12.7 million square feet of vacant space in the total space inventory of 228.9 million square feet.

From June 30, 1975 (the beginning of a major effort to reduce vacant space), to March 31, 1981, we have reduced the total of vacant space from 24.9 million square feet to 12.7 million square feet.

The amount of unneeded storage space was reduced during this period 9.9 million square feet from 15.6 million square feet to 5.7 million square feet.

As of March 31, 1981, the total vacant office space, including that available for assignment, committed to agencies, and phase-out space, has been reduced from 7.5 million to a current 5.7 million square feet, or 4.0 percent of the office space inventory. This compares very favorably with the current BCMA vacancy rate of 7.4 percent.

The regions have been instructed to make vacant space reduction a high priority effort, and to take action to dispose of all vacant facilities for which we have no further use. We also instructed the regions to attempt to outlease space in facilities which are only partially occupied. In addition, we have established a program to identify buildings which are unmarketable in their present state because of condition, location, etc. These facilities are being placed in a separate category of space ("unmarketable") so that plans can be developed to take the necessary action to assign, dispose of, or outlease them.

Our goal for FY 1981 is to further reduce the total vacant space to 12.0 million square feet.

The chart below displays the scope and expectations of our program.

	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81*</u>
Office	7.5	7.5	6.0	6.3	6.6	6.1	5.6
Storage	15.7	11.0	7.8	8.0	6.9	5.5	5.1
Special	1.7	1.4	1.5	1.7	1.7	1.4	1.3
Total	24.9	19.9	15.3	16.1	15.2	13.1	12.0

*Projected

Mr. MARSCHALL. That is what we are trying to do. The first priority would be—

Mr. BURTON. What is your first priority?

Mr. MARSCHALL. The first priority is to move people into Federal buildings wherever possible, and this has been one of the keystones of my efforts.

Mr. BURTON. How long did it take you to find out what your vacancy factor was in the Federal buildings in the country?

Mr. MARSCHALL. We have it, and I have it here in these many fact sheets.

Mr. BURTON. How long did it take you to get the information?

Mr. MARSCHALL. Sir?

Mr. BURTON. How long did it take you to get the information?

Mr. MARSCHALL. We like to think that we get it monthly, Mr. Chairman, in our Public Buildings Service information system.

Mr. BURTON. If you got it monthly, you would have seen the problem before the auditors did.

Mr. MARSCHALL. We have been trying to correct the problem.

Mr. BURTON. Did you see it before the auditors?

Mr. MARSCHALL. No.

Mr. BURTON. What good are the monthly reports if you get them monthly?

Mr. MARSCHALL. As a matter of fact, the auditors in every case I am aware of had made their reports before I ever arrived in the agency.

Mr. BURTON. All right. So when you arrived at the agency, when were you made aware that you were receiving monthly reports on vacancy factors?

Mr. MARSCHALL. Probably within the first week.

Mr. BURTON. Well, when was the first time you looked at one?

Mr. MARSCHALL. More than likely within the first month.

Mr. BURTON. When was the first time you decided it was time to do something about it?

Mr. MARSCHALL. Probably in the first week.

Mr. BURTON. I am talking about after the first week, after the first month.

Mr. MARSCHALL. One of the first things that was done was to make a specific inventory of empty space, and this was put in a catalog form, and we then issued it to all of the agencies within the Government, letting them know what was available and what was not.

Mr. BURTON. Then you sent them a monthly update like they do in the advance sheets and codes?

Mr. MARSCHALL. I am not sure whether it is a monthly update, Mr. Chairman, or quarterly.

Mr. BURTON. OK, but you are keeping them apprised.

Mr. MARSCHALL. We do that. It is a catalog, like in real estate.

Mr. BURTON. You keep them apprised and urge a little action on it. You keep OMB apprised. Whom do you send it to at the Department of Agriculture?

Mr. MARSCHALL. Generally speaking, Mr. Chairman, we go through the Assistant Secretaries for Administration.

Mr. BURTON. All right.

Mr. MARSCHALL. Who handles these space matters.

Mr. BURTON. Do you ever follow up to see if they are doing anything?

Mr. MARSCHALL. We have periodic meetings with these people, and I don't mean just PBS, and I don't mean on the subject of just space. But we have periodic meetings with the Assistant Secretaries, Mr. Chairman, and go over mutual problems, and the matter of space catalogs is always on the PBS agenda.

Mr. BURTON. When they go around to lease something or do something, you point out that they have got space two blocks away that they could have in a Federal building?

Mr. MARSCHALL. We argue quite frequently with agencies about where they want to be and why they want to be there.

Mr. BURTON. Is that all you have, is the power of argument?

Mr. MARSCHALL. No, sir.

Mr. BURTON. Do you win every time?

Mr. MARSCHALL. Sometimes I find that my own people in the field are unreasonable, and I have overturned them, and in other cases where it is necessary for the Administrator himself to make a final decision, he has done so. He is the final arbiter in this particular case.

Mr. BURTON. Basically you have a lock on him if it is shown that the space in the Federal building is available.

Mr. MARSCHALL. We can be overturned by the OMB.

Mr. BURTON. What is happening with Laguna Niguel?

Mr. MARSCHALL. It is currently partially empty, Mr. Chairman, as you well know.

Mr. BURTON. Partially empty? It depends on how you look at the glass.

Mr. MARSCHALL. It depends on whether you are an optimist or a pessimist.

Mr. BURTON. No. It depends on whether it is a third, a fourth, a fifth, a sixth, a twelfth, or whatever, full.

Mr. MARSCHALL. Yes, sir. I have some figures in the back here.

Mr. BURTON. Well, 77 percent empty, according to the auditor, as of May 1, 1980, in the audit report. Although Laguna Niguel is somewhat isolated, we have 35 pages of other isolated examples which make them more subject to claustrophobia, which will be inserted in the record.

[The information referred to follows:]



General Services Administration
Office of Inspector General
Washington, DC 20405

WASHINGTON FIELD AUDIT OFFICE

SIGNIFICANT IMPROVEMENTS ARE
NEEDED IN ADMINISTERING GSA
CONTROLLED SPACE
NATIONWIDE

4G-00504-11-11

MARCH 27, 1981

To: The Administrator:

This report reviews GSA's effectiveness in identifying and utilizing available Government-owned and leased space, and evaluates the space requests submitted to GSA by other agencies. While management's comments were not obtained for this Nationwide report, the response of the Commissioner, PBS, to our draft report on this subject as it relates to the Central Office and National Capital Region was considered in preparing this report and excerpts from his response are included in Appendix VII.

David L. DeHaven

DAVID L. DeHAVEN
Director, Field Audit Office
Washington, D.C.

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AUDIT BRIEF

Audit report: Significant Improvements Are Needed in Administering GSA Controlled Space, Nationwide (4G-00504-11-11)

Nature of audit: To evaluate the effectiveness of the Public Buildings Service in identifying and utilizing available Government-owned and leased space to satisfy space requirements of Federal agencies; and to determine the validity of agencies' requests for space

Audit findings:

- Inaccuracies in the Public Buildings Service Information System (PBS/IS), and the undesirable nature of some of GSA's space preclude specialists from either being assured of what space is vacant, or knowing that payments are being received for space occupied. Observations that led to this conclusion follow:
 - GSA lost \$1.6 million in Standard Level User Charges by not updating the PBS/IS assignment data
 - 49 percent of the 7.8 million square feet reported as vacant and available in the PBS/IS as of May 1980 was actually unavailable
 - GSA has no decisive plans for 2.3 million square feet in 48 facilities which has been vacant for an average of four years
 - Another 8.5 million vacant square feet has been reclassified as unmarketable and is no longer reported to Congress
 - 2.5 million square feet of vacant space was eliminated from the PBS/IS through adjustments that were not fully documented
- GSA's space management program is hindered by agency space requests which offer short term commitments and are geographically restricted

Management response:

While a management response was not obtained for this Nationwide report, the Commissioner, PBS, did respond to our Draft Report on Significant Improvements Need to be Made in Administering GSA Controlled Space, Central Office and National Capital Region. His comments were considered in preparing this report and excerpts from his response are included in Appendix VII.

SIGNIFICANT IMPROVEMENTS ARE NEEDED
IN ADMINISTERING GSA CONTROLLED SPACE, NATIONWIDEINTRODUCTION

At the request of the Subcommittee on Public Buildings and Grounds of the Congressional Committee on Public Works and Transportation, the Office of the Inspector General has reviewed the status of vacant space under GSA's control. Simultaneously, we coordinated an interagency review of requests for expansion and replacement space.

The objectives of this audit were to (1) determine the effectiveness of GSA's Public Buildings Service in meeting space requirements by identifying and utilizing available Government-owned and leased space, and (2) independently validate space requests submitted to GSA by selected Federal Agencies.

Included in this review were all Government-owned buildings with at least 10,000 square feet of vacant space, a total of 9.2 million square feet, and all leased buildings with at least 5,000 square feet of vacant space, a total of 1.5 million square feet. A summary, by region, is included in Appendix I.

Four of the largest requestors of expansion and replacement space were identified as the Departments of Agriculture, Health and Human Services, Treasury and Justice. Auditors from each of the above departments reviewed a total of 137 space requests covering about 3 million square feet. A summary is included in Appendix II.

All audit field work on the project was performed during the period September through November 1980. Thirteen buildings containing over 325 thousand square feet of vacant space have been excluded from this review in that they have either been the subject of prior reviews or are being considered for future audits performed by the Inspector General. A listing of those buildings is included in Appendix III.

RESULTS OF AUDIT

GSA cannot effectively manage leased or Government-owned buildings because it has no way of knowing how much space is under its control, how much is assigned, or how much is available for occupancy. A review of the projected 14.6 million square feet of vacant space contained in GSA's fiscal year 1981 budget submission disclosed that inaccuracies in the information system used to develop this figure make validation impossible. The inaccuracies resulted from untimely updates, inadequate support for space adjustments, and a decision not to report "unmarketable" space. By not entering space assignments in the Public Buildings Service Information System (PBS/IS) in a timely manner GSA lost over \$1.6 million in Standard Level User Charges. Another \$2.3 million of building operating costs were incurred for maintaining vacant space at ten facilities included in our sample. The unreliability of the PBS/IS was further demonstrated by 49 percent of the 7.8 million square feet of space reported as available for occupancy as of May 1, 1980 actually being unavailable. About 2.3 million square feet of space reported as available in 48 separate buildings has been vacant for an average of about four years, and GSA officials cannot find tenants for the space. Two other factors that make the figure unreliable are the absence of support for 2.5 million square feet of vacant space that was removed from the system by one region, and a decision by management not to report 8.5 million additional square feet of vacant space that had been administratively determined to be unmarketable.

The inability of GSA personnel to accurately update the PBS/IS in a timely manner results, in part, from the disproportionate amount of time they must spend on filling requests that are both geographically restrictive and for limited time periods (five years or less).

Vacant Space Reported in GSA's Fiscal Year 1981 Budget Cannot Be Verified

The fiscal year 1980 space figure of 14.6 million square feet included in GSA's fiscal year 1981 submission is questionable. Inaccuracies in the Public Building Service Information System (PBS/IS) result from reporting space that is undesirable, already committed, or scheduled for disposal while excluding "unmarketable" space and failing to support some space adjustments. The fiscal year 1980 submission was developed by using the vacant space total reported in the PBS/IS on September 28, 1979 as a starting point. A sample of 10.7 million of the 12.5 million square feet of vacant space reported in the PBS/IS as of May 1, 1980, showed that (1) 7.8 million square feet was classified as available for occupancy and (2) 2.9 million square feet was either committed to an agency or under alteration.

However, a review of the 7.8 million square feet disclosed that 3.8 million of this amount was unavailable for a variety of reasons. Further, 2.3 of the remaining 4 million square feet was sufficiently undesirable that it had remained vacant for an average of about four years.

Further analysis of available space nationwide disclosed that the space committed to an agency, under alteration, or scheduled for disposal was about 5.2 million square feet as of November 1980.

Additionally, 8.5 million square feet of vacant space was not reported because it had been reclassified "unmarketable" and removed from the active space inventory. Further, actions associated with removing 2.5 million square feet of space from the vacant space inventory were not properly documented. Each of the above areas are discussed in detail in the following sections of this report.

Inaccuracies in the Public Buildings Service Information System Resulted in a Loss of \$1.6 Million in Standard Level User Charges and a Substantial Overstatement of Available Vacant Space

Based on our sample, the PBS/IS erroneously showed 7.8 million square feet of Government-owned and leased vacant space as available for occupancy when 3.8 million square feet was unavailable. The reasons for space being erroneously reported are discussed in the following paragraphs.

Delays in Entering Data into the PBS/IS - In four regions (Appendix III) GSA lost almost \$2 million in Standard Level User Charges (SLUC) as a result of delays in entering occupancy data into the PBS/IS. The above amount was reduced, however, by \$374,000 through the issuance of corrected bills. Because of the expiration of customer agency funds the remaining \$1.6 million could not be recovered.

In commenting on this matter (Appendix VII, page 4) the Commissioner, PBS, expressed the view that since agencies being misbilled do not result in any outlays to the lessor

no taxpayer funds are being lost. Without commenting on that argument, it is safe to say that when customer agencies are not billed the Federal Buildings Fund does suffer a loss of revenue.

Space Being Misclassified - In four regions (3, 4, 10 and National Capital Region) a total of 1.2 million square feet of space was misclassified as available when it was either under alterations or committed.

Terminated Leases Reported As Available - Even though 11 leases in six regions representing over 143,000 square feet of space had been cancelled or terminated for as much as 14 months the space continued to be reported as vacant and available for occupancy.

Building Donated to Local Government But Not Removed From System - Although the Federal Building and Courthouse, Baltimore Maryland, was donated to the City of Baltimore in January 1979, the May 1, 1980 PBS/IS Vacant Space Report showed 263,020 square feet of space in this building as available for occupancy.

Presidential Library Reported As Available While Still Under Construction - As of May 1, 1980, the PBS/IS Vacant Space Report showed 65,508 square feet available for occupancy in the Gerald R. Ford Museum, Grand Rapids, Michigan, and the Gerald R. Ford Library, Ann Arbor, Michigan, even though the two structures were still under construction and earmarked for specific purposes.

For the PBS/IS to be an effective management and budgetary tool, changes to GSA's space inventory must be entered on a timely basis. As a result of inaccuracies of the PBS/IS Vacant Space Report, it cannot be effectively used to identify vacant space. In addition, the failure of the GSA regional offices to properly classify vacant space, can mislead Central Office personnel who prepare the annual budget submission to Congress.

Recommendations

For the Commissioner, PBS:

We recommend that procedures be initiated to ensure:

1. The timely processing of changes to the PBS/IS to accurately reflect the vacant space inventory.
2. The establishment of a followup procedure to ensure changes to the space inventory are entered accurately.

No Established Plans for Utilizing or Disposing of 2.3 Million Square Feet of Undesirable Government-owned and Leased Vacant Space

GSA has no immediate plans for utilizing or disposing of 2.3 million square feet of vacant space consisting of portions of one leased building and 47 Government-owned buildings located throughout the country (Appendix IV). The space has been vacant for an average of about four years. It appears that some of these buildings should be classified as "unmarketable". The "unmarketable" category includes buildings that are in need of major repairs or that should be demolished or excessed. While none of the buildings, in Regions 4 and 8 are classified as "unmarketable" the total vacant space in these regions for which GSA has no plans represents over 462,000 of the 2.3 million square feet of space for which GSA cannot find tenants.

Examples of vacant space in buildings in several locations are presented as follows:

Mart Building, St. Louis, Mo. - The vacant space in this Government-owned building has increased from 34,000 square feet in May 1980 to 391,000 square feet in November 1980 due, for the most part, to Department of the Army personnel relocating. Other space in the building has also been underutilized. For example, only four people were located in one 4,000 square foot area on the sixth floor. Annual savings of \$150 thousand can be realized by fully utilizing available space in the building. At the present time GSA has taken no decisive action to either effectively use or dispose of this structure.

Philip J. Philbin Federal Building, Fitchburg, Mass. - This Federal Building was designed to house five specific agencies and the primary tenant, U.S. Postal Service (USPS), in a total of almost 100,000 square feet. Presently there is over 47,000 square feet of vacant space in this building. Before construction was completed the USPS informed GSA that its needs would be considerably less than originally planned. The Department of Defense (Recruiters) would not accept 1,330 square feet because their program favors store front, first floor space. Similarly, the Selective Service and Department of Labor no longer needed 1,050 square feet of space they had requested in Fitchburg, Mass. GSA has spent \$395,000 on maintenance of vacant space in this building during 1980.

210 North Tucker, St. Louis, Mo. - Approximately 4,400 square feet of space in this leased building has been underutilized since October 1, 1977, because GSA and the U.S. Postal Service could not reach agreement with the lessor on the scope and cost of required alterations. As a result, about \$90,000 has been spent on maintaining underutilized space.

Laguna Niguel Federal Building, Laguna Niguel, Calif. - Currently, there is 252,211 square feet of vacant space in this building, which is located in a predominantly rural area about 50 miles from Los Angeles. The structure with more than 900,000 square feet of space was acquired by GSA in 1974 through an exchange of property with Rockwell International Corporation. Studies by the Department of Housing and Urban Development on housing and the Environmental Protection Agency on air quality have both concluded that this structure is a poor choice as a Federal Building. With the present vacancy level the annual cost to maintain the space is over \$915,000. However, the Bureau of Census (the primary tenant) is occupying over 444,000 square feet on a temporary basis and will probably release the space by the end of fiscal year 1981. At that time the vacancy rate could be as high as 77 percent.

Recommendation

For the Commissioner, PBS:

We recommend that action be taken to avoid future losses on maintaining non-income producing property. Buildings with long term vacancies should be evaluated with a goal of outleasing, disposal or in the case of leased buildings, cancellation of leases.

Improved Monitoring of 5.2 Million Square Feet of Vacant Space
Pending Agency Occupancy is Needed

The absence of an aging and status reporting system for space in the "committed" and "under alterations" categories sometimes causes space to go unassigned and unbilled. At the present time, there are no system checks that will cause Space Management officials to be alerted when particular blocks of space have remained in the "committed" or "under alterations" categories for extended periods of time.

Based on our sample, 5.2 million of the 7.5 million vacant square feet under GSA's control is either committed to an agency, under alterations, or scheduled for disposal. The time required for prospectus approval of repair and alteration projects costing over \$500,000 coupled with time required for the award and construction of alteration projects, results in space sometimes remaining vacant for years. Following are some examples:

Chester Arthur Building, Washington, D.C. - The PBS/IS shows over 35,000 square feet in this building as committed to the Department of Justice since 1977 but never actually assigned. In fact, Justice has occupied the space since August 1978. The \$861 thousand in Standard Level User Charges lost as a result of this misclassification is discussed elsewhere in this report.

201 Varich Street, New York, N.Y. - There is more than 370,000 square feet of vacant space in this Government-owned building. A prospectus for major renovations to this structure was submitted

to Congress in March 1976, and in July 1977, the prospectus was approved. However, GSA did not award a contract for the renovations until January 1979. GSA now anticipates the renovations will be completed and the space occupied in 1981. Cost to maintain the vacant space was \$200,000 in FY 80 alone.

Forrestal Building & Casimir Pulaski Building, Washington,

D.C. - A combined total of almost 490,000 square feet has been vacant and under alterations since about December 1979. The tenant agencies (Department of Energy and Department of Defense) are in the process of relocating and exchanging locations. GSA anticipates that all alterations will be completed and all space occupied by December 1981.

518 Market St., Camden, NJ - As a result of poor lease administration, a lease on a portion of space (9,100 square feet) in this building was extended several times while the space remained vacant. As a result \$85,000 was wasted.

Penn Park Building Falls Church, Va. and

Herring Plaza Building Amarillo, Tex. - Insufficient planning by GSA and a lack of adherence to firesafety reports have resulted in \$215,000 being paid for vacant space in these two buildings.

Federal Building, Hartford, Ct. - Since November 1979, almost 66,000 square feet of space has remained vacant as a result of agency reluctance to occupy space that GSA has provided for them.

In 1979 GSA altered the space specifically for the Internal Revenue Service at a cost of \$1.2 million.

35 Ryerson St. Brooklyn, N.Y. - Vacant space in this building has exceeded 100,000 square feet since 1970 and the building is steadily deteriorating. The operating costs for vacant space in this building during 1980 was over \$65,000.

29th Street & 3rd Avenue, Brooklyn, N.Y. - Vacant space has increased from 265,000 square feet in 1971 to over 500,000 square feet in 1980. The building is approaching functional obsolescence. Operating costs incurred for vacant space in 1980 was over \$185,000.

While the complexities associated with reassigning agencies can never be eliminated, we believe vacant space must be properly classified both to permit GSA to serve its customers effectively and to ensure the collection of all rental income due from customer agencies. To achieve these objectives we believe that system checks should be included in the PBS/IS to age "committed" and "under alteration" space in a manner that will alert GSA's Space Management officials as to the progress made on alterations and time elapsed before agencies move-in. Once the agencies move-in, the space assignment must be entered in the PBS/IS to provide for the collection of Standard Level User Charges. In our Central Office and National Capital Region Draft Report on this subject we recommended that program changes be made to the PBS/IS that would result in the aging of space appearing in the "under alterations" and "committed" categories.

In his reply to this draft (Appendix VII) the Commissioner, PBS, outlined proposed changes to the PBS/IS including a report that will "red flag" certain vacant space requiring management attention. The system changes are expected to be operational in the Spring of 1981. For this reason, we are not repeating our recommendation in this report but this area will be examined in our followup review.

Buildings Classified as "Unmarketable" Were Removed from Active Inventory Reports

As of November 1979 the Office of Space Management had removed 9.9 million square feet of space from active space inventory records. This space is located in 211 separate facilities throughout the country and 8.5 million square feet is currently vacant (Appendix V). In a response to our draft report (Appendix VII) the Commissioner, PBS stated that the establishment of the unmarketable category led to only about 3.4 million square feet of space being removed from the active space inventory. He pointed out that the remaining spaces in this category were discovered to have been erroneously "dropped" from all GSA responsibility coding over the previous several years because some regions had misunderstood the procedures for releasing properties that were to be removed from the active inventory. While tentative plans were made to dispose, renovate or demolish some of these buildings no final decisions have been made and no actions have been taken since the establishment of this new PBS/IS category identified as "unmarketable". PBS defines "unmarketable" space as:

1. facilities or portions of facilities containing long term vacant space;
2. buildings that have been removed from the Space Management Division's responsibility;
3. buildings that were declared excess but not accepted by the Federal Property Resource Service.

As a result of being placed in this new category, the vacant and occupied square footage in these buildings is not used in preparing the budget report to Congress. In reply to our draft report (Appendix VII) the Commissioner, PBS explained the failure to include this space in the budget as follows:

"The unmarketable facilities were not included in our inventory totals shown on the R-240 precisely because they are not considered part of GSA's active space management inventory. They do not house people or goods, except in a few locations where assignments already existed, and they do not represent space that we would contemplate assigning to any Federal activity except, perhaps, in an extreme emergency. These properties are significant only in that they have remained under GSA's custody and control year after year."

Despite the above, the five following buildings were listed in the November 6, 1979 Unmarketable Buildings Report (R-172) and in the December 1979 Office of Space Management catalog that was distributed to agencies advertising vacant available space.

<u>Building and Location</u>	<u>Vacant Available Square Feet</u>
New Bedford, Massachusetts building # MA0651DB	100,000
Scotia Depot Scotia, New York building # NY0756SY	115,000

<u>Building and Location</u>	<u>Vacant Available Square Feet</u>
Warehouse # 3 Dayton, Ohio building # OH0513DD	152,000
Federal Center Fort Worth, Texas building # TX0806FW	130,312
Federal Center Fort Worth, Texas building # TX0819FW	123,864
Total	621,176

Had agencies moved into these buildings they would have been removed from the unmarketable category and placed in the active space inventory.

The Unmarketable Buildings Report is misleading in that it does not show how much space is vacant and how much is occupied. The Unmarketable Buildings Report dated September 4, 1980 showed 46 buildings with single or multi agency occupancy. However, of the 46 buildings representing a total of 4.1 million square feet, 2.8 million square feet is vacant. The report shows 11 buildings with the occupiable square feet reduced to zero. The report does not indicate if these buildings had been demolished and open land exists or whether these buildings do not contain occupiable square feet.

We agree with the Office of Space Management that a category for Federally-owned buildings that are in need of major alterations, or that should be demolished or excessed is useful. We cannot, however, agree that these buildings should be removed from PBS's

active space inventory. Once removed from the active space inventory they no longer receive appropriate management attention.

In response to our draft report (Appendix VII) the Commissioner, PBS, identified specific actions planned or already taken to correct this problem:

- We have initiated discussions with the Office of Buildings Management, Repair and Alterations (R&A) Division regarding review of unmarketable buildings and determination of availability of R&A funds for needed R&A work or demolition. However, because of limited staffing and funding resources, in most instances, the use of R&A funds to upgrade unmarketable buildings will be a long-range solution.
- We will insure SF 118's (Report of Excess Real Property) are prepared and submitted to FPRS for properties that have been identified for excessing.
- We will also take steps to include the unmarketable total in the R-240 report, but as a separate category, not as part of the active space inventory because, by definition, the space has no assignment potential and should not be considered part of our assignable space. Every effort will be made to complete the revision of the R-240 by the start of FY 1982

The actions cited above if properly implemented should eliminate the problems discussed in our report. For this reason, we are not repeating our recommendations but we will review this area in our followup audit.

Adjustments To Reduce Reported Vacant Space in the National Capital Region Were Not Fully Supported

Many of the actions taken in the National Capital Region (NCR) to reduce reported vacant space by about 2.5 million square feet were based on unsupported estimates rather than facts.

In March 1980, the Office of Space Management, PBS, Central Office initiated a nationwide program requiring each regional Space Management Division (SMD) to reconcile the vacant space report to reflect the actual vacant space in their regions. The SMD in the NCR took actions which resulted in a substantial reduction of reported vacant space. However, the methods used to effect this reduction appear to be questionable. The SMD reduced reported vacant space in 49 buildings by a total of 894,000 square feet by arbitrarily increasing the space assignments of agencies already occupying space in the facilities. These adjustments were based on the assumption that the reported vacant space was actually assigned to agencies but not yet entered or incorrectly entered into the PBS/IS.

Another 372,000 square feet in 18 buildings was eliminated by reducing the total occupiable square footage reported in the PBS/IS. These adjustments were based on the theory that the total occupiable square feet in a facility was inflated when it was originally entered in the PBS/IS.

PBS Specialists indicated that these adjustments were based on the personal knowledge of the staff and were not supported by survey reports. It was assumed that any agency who disagreed with the new assignments would complain to PBS.

Several of the agencies that were affected by these changes as reflected in their Standard Level User Charge (SLUC) bills, did not agree with the action taken by GSA. As in the case of the Department

of Transportation (DOT) who occupied approximately 40,980 square feet at the ACF Warehouse Riverdale, Maryland. During the "clean-up" a PBS Specialist arbitrarily decided that the 128,525 square feet as reflected in the vacant space report was actually additional space being occupied by DOT. As a result, the PBS Specialist assigned the 128,525 square feet of space to DOT and charged the agency SLUC of \$371,437 for the period October 1, 1979 to September 30, 1980. The DOT protested this action. Because of the protest, the PBS Specialist traveled to the ACF Warehouse and researched the amount of space occupied by each agency. Based on the research, the PBS Specialist determined that the vacant space (128,525 sq. ft.) as reflected by the PBS/IS resulted from the following:

	<u>Square Feet</u>
Total occupiable square feet inflated when entered to the PBS/IS	111,970
Space assigned to DOT and not entered in the PBS/IS	<u>16,555</u>
Total Vacant per PBS/IS	<u>128,525</u>

The PBS Specialist reduced both the space assignment record for DOT, and the total occupiable square feet of the ACF Warehouse by 111,970.

The Assignment and Utilization of Space Handbook PBS P 7000.2A provides that the determination of SLUC to agencies is based in part upon measurement of the space assigned to them. It is therefore, extremely important that space assigned be computed accurately and uniformly.

It is equally important that the total occupiable square feet of a building be computed accurately and uniformly before entering the assignment in the PBS/IS since any inflated portion of total occupiable square feet of a building will be reported as vacant space in the PBS/IS.

All space actions must be entered into the PBS/IS accurately and on a timely basis to properly reflect the vacant space situation. At no time should a crash program be needed to update the PBS/IS.

All adjustments to the PBS/IS regarding the amount of space assigned to an agency and the total occupiable square feet of buildings, must be documented and kept on file. Such action has already been recommended to GSA in a separate report on this matter.

Interagency Review of Space Requests

To determine the validity of agencies' requests for space, we selected four of the largest requestors of expansion and replacement space as of May 31, 1980. The agencies were selected from a study performed by PBS and the Office of Management and Budget (OMB) whereby, all agencies were asked to identify and prioritize their space needs. As a result of this study, a backlog of approximately 10.3 million square feet of expansion space was identified. Although the agencies were not asked for the type of expansion space needed, it was assumed that all requests would be for office space.

The backlog of 10.3 million square feet of unsatisfied space requests resulted from a limited budget in prior years to acquire expansion space and the virtual absence of a construction program. In addition, PBS estimated that an additional 3 million square feet would be requested during fiscal year 80 and 81.

As a result of efforts by PBS to eliminate the backlog of expansion space requests, the Fiscal Year 81 budget requested a total of \$680.7 million an increase of \$106 million over the fiscal year 1980 budget. The requested \$106 million increase in budget authorization was to cover not only the cost for acquiring expansion space, but also the increase in costs associated with space already in the inventory.

	Square Feet To Be Acquired (millions)	Costs (millions)
Increase in costs to acquire agency expansion space in fiscal year 1981	6.9	\$ 39.8
Increase in costs associated with agency expansion space acquired in fiscal year 1980	6.4	33.6
Increase in costs associated with space currently in the inventory	-	32.6
Total	<u>13.3</u>	<u>\$106.0</u>

According to information provided by the auditors from the participating agencies in this review all 137 requests for a total of 3 million square feet of space appear to be valid (Appendix VI). However, during our review we noted the following matters which have a significant impact on the ability of PBS to satisfy requests.

Terms of Occupancy for Space Requested Too Short

The lack of a long term management plan coupled with agencies' requests for short term occupancy prevents GSA from obtaining the most economical leases.

This is demonstrated by the fact that in 75 of the 137 cases reviewed agencies requested space for a term of occupancy of five years or less. As a result of such requests, 87 percent of all GSA leases awarded from 1977 through April 1980 provided for a term of occupancy of five years or less.

Generally, agencies request space for a short term because of uncertainty in agency programs and the possibility of budget restraints occurring before the term of a lease. However, approximately 60 percent of all GSA lease acquisitions are succeeding leases, and current GSA policy requires a market survey and a new or updated appraisal be performed prior to renewing or obtaining a succeeding lease. As a result, most of the Realty Specialists' time is spent renewing or obtaining succeeding leases for short term occupancies and little time is provided for acquiring new leased space to satisfy outstanding agency requests for space. In addition, the ability of PBS to obtain succeeding and renewal leases is adversely affected by the experience level of 18 months for Realty Specialists, and an annual turnover rate of 30 percent. Further, if GSA were able to acquire space for an extended period under a firm lease, the

opportunity for acquiring more desirable, and/or less costly space would increase.

Requests for Space in Specific Locations Reduces GSA's Ability to be Responsive

Of the 137 agency requests for space reviewed, 89 were for space in a specific building or in a particular location within a city. Generally, agencies requested the space in a specific location to provide for their efficient performance in serving the public and providing desirable working conditions for their employees.

However, constraints such as these lessen GSA's ability to economically satisfy requests for space. There are only three methods available for GSA to satisfy a request for space in a specific location when there is no available Government-owned or leased vacant space:

- (1) Recapture underutilized space from agencies in the vicinity of the requested location.
- (2) Realign or relocate other agencies in the vicinity or elsewhere in GSA-controlled space
- (3) Acquire additional leased space under a severely restricted solicitation which stymies competition.

The possibility exists of fragmenting agency operations as a result of realigning and relocating agencies. Therefore, agencies are reluctant to coordinate with GSA to realign and relocate their operations to provide space for other agencies.

This is demonstrated by the 106,052 square feet of space acquired in the Bicentennial Building, Washington, D.C. which remained vacant for approximately two years because of the following:

- agency appeals against the GSA occupancy plan
- lack of agency cooperation
- agency delays in planning the layout of office space.

The review of the Bicentennial Building was included in a separate report to the Subcommittee on February 19, 1980.

The Federal Property Management Regulations which outline agencies' responsibilities in Chapter 101, Subpart D, Part 101-17.202 states:

"It is the responsibility of the agencies to assist and cooperate with GSA in the assignment and utilization of space...It is the further responsibility of the agencies continuously to study and survey space occupied under assignment by GSA and other space which is controlled by the agencies, to insure efficient and economical space utilization. It is also the responsibility of those agencies which control space to report to GSA any space which is excess to their needs and which might be assigned to other agencies."

Conclusion

GSA's ability to satisfy outstanding agencies' space requests is hindered by requests which offer short term commitments and are geographically restrictive. PBS officials are aware of these difficulties and predict that their ability to satisfy space requests will become even more difficult in the future. The following is

an excerpt from their reply to our Central Office and National Capital Region draft report.

"During the past five years, GSA's backlog of space requests has grown enormously, and our ability to cope with this backlog has diminished. Despite efforts to stem the growth of the Government during this period, GSA's inventory of assigned space has grown from 211.5 million square feet in 1976 to 215.8 million square feet at present.

Staffing levels to meet this expanding workload have remained virtually constant while at the same time our operation has become increasingly complex due to additional constraints imposed by statute, executive order, etc.

As a consequence, activities not directly related to satisfying space needs, such as inspection and utilization surveys, and review of unmarketable space, have had to take a backseat to the region's basic mission. Staffing projections developed by our regional offices for the PBS Management Planning System indicate that almost one man-year per region would be required to maintain an effective inspection and survey program. The allocation of personnel resources for space management programs through FY 1983 has been determined by the PBS Planning Branch and no additional resources will be available to accomplish these tasks."

APPENDIXES

APPENDIX I

ANALYSIS OF VACANT SPACE BY REGION
AS OF MAY 1, 1980

Region	Government-owned		Leased	
	No. of Buildings 10,000 Sq. Ft. or More Vacant	Total Sq. Ft. Vacant	No. of Buildings 5,000 Sq. Ft. or More Vacant	Total Sq. Ft. Vacant
1	10	345,039	4	32,476
2	21	1,585,420	3	26,359
3	14	714,809	4	41,420
4	20	578,156	14	264,964
5	23	836,632	4	66,317
6	15	701,054	1	5,817
7	18	1,092,899	4	56,850
8	12	545,685	2	30,036
9	26	1,480,647	7	82,210
10	9	305,464	2	18,955
NCR	<u>21</u>	<u>1,064,176</u>	<u>32</u>	<u>847,391</u>
Total	<u>189</u>	<u>9,249,981</u>	<u>77</u>	<u>1,472,795</u>

~30 Aug.

APPENDIX II

ANAYLSIS OF SPACE REQUESTS

<u>Agency</u>	<u>No. of Requests 5,000 Sq. Ft. or more</u>	<u>Total Sq. Ft. Requested</u>
Department of Health and Human Services	57	1,449,066
Department of Agriculture	37	762,902
Treasury Department	26	454,199
Department of Justice	<u>17</u>	<u>416,814</u>
Total	<u>137</u>	<u>3,082,981</u>

APPENDIX III

CONTINUING REVIEW OF BUILDINGS WITH
REPORTED VACANT SPACE

Following is a list of buildings with vacant space previously identified by PBS. These buildings were specifically excluded from this review. Several have been included in prior or ongoing audit reviews. The remainder will be considered in planning future audits.

<u>Region</u>	<u>Location of Vacant Space</u>	<u>Square Feet</u>
2	1 Lefrak City Plaza	56,574
	Federal Building & Courthouse Hato Ray, Puerto Rico	21,477
3	3907 N. Broad Philadelphia, PA	4,025
	Martinsburg, W.VA	61,748
	Huntington, W.VA	45,500
5	16th Avenue and U.S. Highway 2 Ashland, WI	3,040
7	Shreveport, LA	17,900
8	600 Central Plaza Great Falls, MT	4,174
	1025 15th Street Denver, CO	21,100
NCR	Dodge Center 1010 Wisconsin Avenue Washington, D.C.	18,030
	25 E Street, N.W.	30,000
	Hamilton Building 1375 K. Street N.W.	14,153
	621 N. Payne St. Alexandria, VA	<u>28,380</u>
		<u>326,101</u>

APPENDIX IV

LATE ENTRIES IN PBS/IS
RESULTING IN LOST SLUC

Building	Region	Square Footage (thousands)	Occupancy Month	Unbilled SLUC (thousands)
Warehouse 1022	3	95.5	10/79	\$139.4
Operations	3	10.7	10/79	85.2
300 Wacker	5	8.7	8/79	90.2
Administration	8	26.0	10/79	91.0
Federal Center #25	8	25.0	6/80	45.0
Chester Arthur	NCR	35.6	8/78	861.0
Federal Triangle	NCR	16.9	9/76	470.0
Weather Bureau	NCR	24.1	10/79	99.0
Two Syline Place	NCR	11.9	11/79	44.0
Transpoint	NCR	6.2	10/79	27.0
Total		260.6		\$1.952

APPENDIX V

NUMBER OF BUILDINGS AND TYPE OF VACANT SPACE HAVING
NO PLANS FOR UTILIZATION OR DISPOSAL
AS OF OCTOBER, 1980

Regions	No. of Buildings	Office	Storage	Special	Total
1	4	4,061	75,680	13,969	93,710
2	9	28,672	282,914	20,561	332,147
3	3	26,118	3,050	12,702	41,870
4	8	69,537	142,349	12,026	223,912
5	1	242	3,726	6,569	10,537
6	2	360,892	22,411	12,487	395,790
7	5	30,694	74,129	1,222	106,045
8	4	-0-	238,325	-0-	238,325
9	10	285,435	429,680	7,610	722,725
10	2	2,170	150,634	4,485	157,289
NCR	-0-	-0-	-0-	-0-	-0-
Total	48	807,821	1,422,898	91,631	2,322,350

APPENDIX VI

NUMBER OF BULDINGS AND TYPE OF SPACE CLASSIFIED
AS "UNMARKETABLE"
AS OF SEPTEMBER 4, 1980

<u>Regions</u>	<u>No. of Buildings</u>	<u>Office</u>	<u>Storage</u>	<u>Special</u>	<u>Total</u>
1	3	-0-	806,271	-0-	806,271
2	79	11,538	3,746,118	14,421	3,772,077
3	63	3,270	253,320	4,265	260,855
4	-0-	-0-	-0-	-0-	-0-
5	33	51,807	3,545,689	6,952	3,604,448
6	4	-0-	9,010	3,844	12,854
7	6	-0-	961,358	-0-	961,358
8	-0-	-0-	-0-	-0-	-0-
9	18	55,317	336,821	28,794	420,932
10	1	-0-	11,895	-0-	11,895
NCR	4	13,340	16,190	33,380	62,910
Total	211	135,272	9,686,672	91,656	9,913,600

APPENDIX VII

EXCERPTS FROM THE MARCH 13, 1981 RESPONSE
BY THE COMMISSIONER, PBS, TO OUR DRAFT REPORT
ON SIGNIFICANT IMPROVEMENTS NEED
TO BE MADE IN ADMINISTERING
GSA CONTROLLED SPACE, CENTRAL
OFFICE AND NATIONAL CAPITAL REGION

Recommendations for the Commissioner, PBS:

1. Establish a review process to evaluate each building on a case-by-case basis to determine whether it should be scheduled for disposal.
2. Take action to transfer all buidings recommended for disposal to the Federal Property Resources Service (FPRS).
3. Those buildings not transferred to FPRS should be immediately reclassified and returned to the active space inventory under the category "to be phased out" or "unmarketable."

Response:

During the past several years, PBS has made a concerted effort to reduce its vacant space either by assignment to Federal agencies or by declaring it excess and disposing of it through established disposal procedures. Our primary concern has been and will continue to be vacant space which has assignment potential.

The unmarketable category of vacant space was established for the purpose of isolating from the "active" inventory those facilities, primarily obsolete warehouse buildings that could not, for one or more reasons, be used, but which could not be disposed of or demolished. Lack of such a category had produced a distorted picture of our vacant space posture, and made it difficult for both the regions and Central Office to establish precisely what amount of truly "vacant available" space GSA had, thereby, making it difficult to match agency requirements with available Government-owned vacant space.

Pursuant to a series of instructional memoranda issued in the spring and summer of 1979, the Central Office, as of December 1979, identified approximately 9.6 million square feet of space that met the definition for nonuseable vacant space. Included in this total were approximately 5.7 million square feet of space which were discovered to have been erroneously "dropped" from all GSA responsibility coding over the previous several years because some regions had misunderstood the procedure for releasing properties that were to be disposed of from the active inventory. (A responsibility code is a numerical designation for PBS elements which have operational responsibility for each GSA-controlled property, e.g., Responsibility Code 1 indicates Space Manage-

ment Responsibility, Code 2, Buildings Management Operations, etc., Code 7, which denotes unmarketable buildings precludes further assignments being entered into the PBS/Information System (PBS/IS).) Thus, the establishment of the unmarketable category led to the return to PBS responsibility (Code 7) of several facilities that had, in effect, been in "limbo," with respect to the space management inventory.

In essence, the activation of Code 7 led to only about 3.4 million square feet of space being removed from the active vacant space inventory.

The unmarketable facilities were not included in our inventory totals shown on the R-240 precisely because they are not considered part of GSA's active space management inventory. They do not house people or goods, except in a few locations where assignments already existed, and they do not represent space that we would contemplate assigning to any Federal activity except, perhaps, in an extreme emergency. These properties are significant only in that they have remained under GSA's custody and control year after year.

A primary reason that establishment of an unmarketable category has been necessary is that, under FPRS procedures, that service will accept SF 118's, Report of Excess Real Property, only if the facility has potential for disposal. However, most of the facilities in question are located within a warehouse complex, which generally precludes access to the buildings by non-Government activities, or they are of such condition that their occupancy is deemed unsafe. Thus, FPRS will not accept such properties, and PBS must retain responsibility for them.

We agree with your concern that, if not watched, the category could become a "dumping ground," however, in instituting this category, controls were established for surveying, estimating costs, funding, and scheduling of corrective action to effect the buildings' assignment or disposal. The initial group of facilities identified for the category were carefully screened by the regional offices, and additions and/or deletions required the approval of Central Office.

During the past year, no additional properties have been added to the listing of unmarketable, although almost every region has identified additional candidates for inclusion. The reason for the moratorium on additions to the list was twofold: First, while the initial group of properties was clearly unmarketable - they had been in the GSA vacant space inventory for years - it was determined that further scrutiny of the facilities would be necessary after a period of time in order to assure ourselves that circumstances had not changed which might affect the property's status. Second, it was our intention to develop more precise procedures for determining unmarketability before allowing additional properties into the category.

With respect to the 11 buildings identified in the study as having the occupiable square feet reduced to 0, these facilities should not have been classified as unmarketable. The three listed in Edison, New Jersey, for example, consisted of a residence, garage and meter house of which the first two have been demolished and the latter contains no occupiable square footage by definition.

More attention would have been devoted to the unmarketable space and improvements made in the system had we not been forced to deal with more critical matters relating to GSA's basic program of providing space to agencies. During the past five years, GSA's backlog of space requests has grown enormously, and our ability to cope with this backlog has diminished. Despite efforts to stem the growth of the Government during this period, GSA's inventory of assigned space has grown from 211.5 million square feet in 1976 to 215.8 million square feet at present. While this represents only a 2 percent increase in the total inventory, our assigned office space--space where most employees are housed--has risen by 10 percent from 123.7 million to 135.7 million square feet at present. That is, we have provided 12 million square feet of office space to house an additional 90,000 employees. This represents more than a 10 percent increase in employees housed in GSA-controlled space while the total civilian work force has remained relatively stable. The growth experienced during this period can be attributed primarily to new socioeconomic and energy related programs which have been congressionally mandated or directed by the Administration. Staffing levels to meet this expanding workload have remained virtually constant while at the same time our operation has become increasingly complex due to additional constraints imposed by statute, executive order, etc. Also, Administrator Freeman's delegation of full operational authority to our regional offices in July 1979 allowed the regions, and not Central Office, to establish workload priorities.

As a consequence, activities not directly related to satisfying space needs, such as inspection and utilization surveys, and review of unmarketable space, have had to take a backseat to the region's basic mission. Staffing projections developed by our regional offices for the PBS Management Planning System indicate that almost one man-year per region would be required to maintain an effective inspection and survey program. The allocation of personnel resources for space management programs through FY 1983 has been determined by the PBS Planning Branch and no additional resources will be available to accomplish these tasks.

Although we have limited resources to devote to unmarketable space, we do intend to make every effort to improve the system within the framework of the Inspector General's suggestions.

Specific actions we will take, or have taken, are as follows:

- We have initiated discussions with the Office of Buildings Management, Repair and Alterations (R&A) Division regarding re-view of unmarketable building and determination of availability of R&A funds for needed R&A work or demolition. However, because of limited staffing and funding resources, in most instances, the use of R&A funds to upgrade unmarketable buildings will be a long-range solution.

- We will insure SF 118's are prepared and submitted to FPRS for properties that have been identified for excessing.

- We will also take steps to include the unmarketable total in the R-240 report, but as a separate category, not as part of the active space inventory because, by definition, the space has no assignment potential and should not be considered part of our assignable space. Every effort will be made to complete the revision of the R-240 by the start of FY 1982.

Finally, there was no intention to avoid reporting vacant space to Congress but only to clearly define what is vacant available and what is not. The unmarketable facilities have always been reported by Buildings Management as facilities for which GSA has operation, repair and protection responsibilities; only the Space Management responsibility code has been changed from Code 1 (active) to Code 7 (unmarketable).

In summary, while existing procedures are not totally adequate to manage the vacant space program to the degree that would be desirable if we had additional staff, it should be noted that GSA has effectively reduced vacant space over the long run. Further, we do not believe that it has shown that the establishment of the unmarketable category has in any way been harmful to GSA, the Federal Buildings Fund, or the taxpayer.

Recommendations for the Commissioner, PBS:

We recommend that program changes be made to the PBS/IS that will result in the following:

1. an aging of space appearing in the "under alterations" and "committed" categories.
2. to allow for space to be directly assigned to agencies without the space first appearing in the vacant space "available" category.

Response:

We realize that additional checks are required in our computerized reports so that Central Office and the regions can more effectively monitor the vacant space in our inventory. The problems caused by lack of systems checks will be alleviated, as discussed below. While these problems result in agencies being misbilled, they do not result in any outlays to lessors; therefore, no taxpayers' funds are being lost.

A new report has been designed to "red flag" certain vacant space as recommended in this draft report. Specifically, it identifies vacant space, age of space since entering the system, age since last change greater than 2 percent, and shows activity within the space since it entered the vacant category. This report will, we believe, establish the procedures as recommended.

The problem with the processing of the data element "Assignment/Committed Code" (A1527) is within the programming of the PBS/IS. This problem causes an inconvenience for anyone wishing to use this feature for committing space to an agency until the space is ready for occupancy. Though a block of space can be committed to an agency, the inconvenience is created in converting the "commitment" to an assignment. The "commitment" must first be reduced to zero square feet and then a new assignment must be created. To insure the success of this operation, these two actions must be done on two separate updates of PBS/IS on separate days. Frequently the second action is forgotten, causing the erroneous data.

This problem will be corrected in Spring 1981, by enabling a block of space to go directly from "committed" to "assigned."

Mr. BURTON. Do you support the response which came back from region 2 as comments on the auditors' abuse? Do you think that was really a beneficial response, or was it kind of like saying, "Why don't you take a flying jump at the shuttle?"

Mr. MARSCHALL. I looked at the preliminary audit report which the press received before anyone in GSA did.

Mr. BURTON. I will tell you, you can't necessarily blame the auditors for that when they have received information before I have received it—especially that guy.

Mr. MARSCHALL. Then at the request of the Administrator, at the direction of the Administrator, I caused this study to be made by Mr. Steele.

I read the auditor's effort, as I say, and I think his reply was worthy of the auditing. I saw many things in the audit that were surmise and speculation, in my opinion. I think he answered them as best he could, given the circumstances.

Mr. BURTON. How about the tone of the response?

Mr. MARSCHALL. Sir?

Mr. BURTON. The tone of the response.

Mr. MARSCHALL. The tone of the response?

Mr. BURTON. In other words, he responded to things point by point, disproving them, denying them, showing the wrongness of an assumption.

Mr. MARSCHALL. I think that was why the thing was so voluminous. I think Mr. Steele in his thoroughness included a great deal of backup material in those reports.

Mr. WALKER. Including the poem?

Mr. MARSCHALL. Sir?

Mr. WALKER. Including the poem?

Mr. MARSCHALL. I guess that was poetic license, Mr. Walker.

Mr. WALKER. Superfluous poetic license, to say the least.

Mr. BURTON. I have a theory that I said before when I don't know how thick the audience is, but it is like when Langhorne Bond used to come in here with graphs and charts and slides, we knew we were in for a snow job. Because a lot of questions required yes or no or an explanation, and the bigger the response, he would figure, "Let's give him everything. Nobody is even going to look through it." That is the gut reaction I have had dealing with bureaucracies. You ask them a simple question, and they say, we will have that information for you. We know they figure I am not going to stay awake all night and read it. He is mistaken. He stays awake all night and reads it.

When they start overwhelming you with volumes, to me that means they don't have very much on the merits. But I can't fully comment on that yet.

I have a last question which I will hold until Mr. Walker is finished, because it sets the stage for the postlunch hearing.

Mr. WALKER. Thank you, Mr. Chairman. I am concerned about the response to the region 2 report. You well may be right that there are areas of what the auditors did that you can question out of your professional expertise, and maybe it took that much volume; I don't know. What does concern me, though, is that when I put that together with what the auditors testified earlier today,

and that is the fact that rather than talking about doing something about what the audit found, you attacked the auditor.

You know, it is the question I raised that if you don't like the message, you attack the messenger. What is being done? How did you respond to what was in the audit findings? There are some real questions raised by the audit findings. Why just prepare a two-volume report? What is being done in response to the audit findings?

Mr. MARSCHALL. Further work on this particular audit has been temporarily halted because of a continuing investigation by the Office of Investigations of the Inspector General's Office. We had set up a task force to address these issues, to see if there was culpability, and to see what recommendations we would make. We were waved off by the Inspector General because of the continuing investigation of another sort.

Mr. WALKER. Are you saying that there is information within that audit that is now the subject of a criminal investigation?

Mr. MARSCHALL. That is what I am told; yes, sir.

Mr. WALKER. And yet your two-volume report attacked the audit?

Mr. MARSCHALL. It didn't attack the whole audit; only some of the audit, Mr. Walker.

Mr. WALKER. Well, as I say, that is the aspect of it that disturbs me in all of this. We have the auditors and we are paying the auditors to do a job to tell you what is going wrong with some of the programs you have. You don't have time, I understand that. You don't have time. Your staff doesn't have time to find all the problems in what is going on. You have other responsibilities. You have auditors there, and when they come in with a report, instead of trying to come up with corrections, it seems to me you spend an immense amount of time coming up with a huge volume of material trying to discredit the audit.

Mr. MARSCHALL. Mr. Walker, the circumstances of that audit, as I explained earlier, were in a more or less adversarial manner because of the way the information got out here.

Mr. BURTON. Excuse me. May I just interject: One, auditors should be, if not adversarial, just coming with no purpose except to look at the facts. To assume there was an auditor who leaked something, it shows that you view the auditors as your enemies when you should view them as your right arm.

Mr. MARSCHALL. As a matter of fact, I was going to continue and say that in the bulk of the audits, we have found great support for their conclusions, and we have found in many cases, as Mr. Davia pointed out, savings to the Government. I applaud this. I have been talking about this one audit that caused a brouhaha at the time it came up because of a lot of emotion on both sides, in both the auditors and the program people in region 2, and we thought that this particular deep study of what they had done was appropriate at the time.

Mr. WALKER. I think you understand that we don't particularly like the idea that the press has something that we don't have. You know, it hurts a little bit to get it to the press before we know all the facts. Many of us in politics know the feeling well. That doesn't

necessarily mean that what gets to the press should not have gotten to the press.

In this particular instance, I think there is plenty of evidence, including some of the evidence that has come from the subcommittee this morning, which indicates the auditors have every reason to go to the press, if in fact they did—and I don't know that they did—but if they did, they might have every reason to go to the press because we have had a history of these audits getting buried in GSA. The one way you make sure that somebody pays a little attention is to have it all over the front page of the newspaper. There is going to be plenty of attention paid to it in a lot of different quarters, if that is the way in which you release a report.

So I think there may be some negligence. We also had some testimony here this morning with regard to the Nassif Building over in Southwest, the DOT, and on the leases there. Could you tell us a little bit about those contracts and the kinds of costs that you heard talked about today?

Mr. MARSCHALL. I couldn't tell you about the Nassif Building because it hasn't gotten to the central office yet. I was told after I heard the testimony earlier about the Nassif Building that there was a report given to the Regional Administrator. I have to beg off as far as knowledge of that particular case.

I can tell you that as a result of some of the work that the auditors have done, there have been significant savings in these adjustments to leases because of taxes and operating costs, and we welcome their participation. We think that it is an excellent idea. I doubt seriously that we could afford to have them when the price is under \$100,000, and I think this is the cut point that they would like to use because of the volume of work being considered. But they have made significant savings for us, and we welcome it.

Mr. WALKER. The holder of the lease on that, I think, as testified to earlier today, is a Boston company; is that correct?

Mr. MARSCHALL. That is what I am told.

Mr. WALKER. Was that contract originally negotiated during the time that Mr. Griffin was still running things down at GSA?

Mr. MARSCHALL. I don't know, sir, but I will try to find out and get an answer for the record.

Mr. WALKER. What I am particularly interested in is whether or not there was any pressure on that particular contract. If you could give us something for the record on that, I would certainly appreciate it.

[The information follows:]

The original lease was awarded on April 11, 1968, to Nassif Associates, 407 6th Street, SW., Washington, D.C. The Administrator of GSA at that time was Mr. Lawson B. Knott, Jr.

At that time, Mr. Robert Griffin was Assistant Administrator of GSA.

Mr. WALKER. I have one final area, Mr. Chairman, and that is the situation in Puerto Rico.

A brand new courthouse down there has been empty for 5 years. Why has the courthouse never been occupied?

Mr. MARSCHALL. It is partially occupied by some temporary tenants now, but fundamentally it is because the judges won't move.

Mr. WALKER. So we built the new courthouse, and now the judges won't move into the new courthouse. We have a building

there that they won't use so the Government is out the money. Why in the world would we spend \$662,000 to renovate the old courthouse to make them more comfortable after we built them the new one that they won't move into?

Mr. MARSCHALL. I find that difficult to answer.

Mr. BURTON. Could the other guy identify himself for the record, the other guy whispering in your ear?

Mr. MARSCHALL. I didn't hear any whisper.

Mr. BURTON. Are you with him?

Mr. MARSCHALL. He is my deputy, Mr. Galuardi.

Mr. BURTON. I think he was trying to tell you something.

Mr. MARSCHALL. I am sorry; I didn't hear it. May I ask him what it was?

Mr. BURTON. We can have him sworn.

Mr. GALUARDI. I was going to tell him something.

Mr. BURTON. Do you need some help?

Mr. MARSCHALL. I find it difficult to answer the question because I think we probably had some promises at the time which were not fulfilled. I think the judges have played a delaying game here.

Mr. WALKER. Doesn't GSA have plans to drop another couple of million bucks in there to keep the judges happy?

Mr. MARSCHALL. Not unless they move. We do have the plans for the expansion of the courthouse down there, but we certainly wouldn't go into any expansion at all until such time as they have agreed to move.

Mr. WALKER. Can we get some sort of pledge from you here today that unless the judges agree to move into the new quarters, there will be no more money spent on their old quarters?

Mr. MARSCHALL. Do you mean turn off the electricity?

Mr. WALKER. No. I am talking about improvements.

Mr. MARSCHALL. Improvements, yes, sir.

Mr. BURTON. Do you think he really meant turn off the electricity?

Mr. MARSCHALL. I didn't know what he meant. I am not trying to be a smart aleck. I was wondering if he wants us to close the building and make them move.

Mr. BURTON. I don't know. I just really assumed that everybody in the room, even if it was a 3-year-old child, knew that he didn't mean turn off the lights; he meant capital improvements.

Mr. WALKER. I mean anything that makes them more comfortable in the old quarters supports their decision not to move. Can we get some sort of pledge that they are not going to get any more money to make them more comfortable in that building?

Mr. MARSCHALL. You have my pledge, yes.

Mr. BURTON. If you send them the paper from region 9, I will make a move to admit it.

Mr. WALKER. Are you going to try to take steps to force them to move into the new building?

Mr. MARSCHALL. We have been trying to get them to move into the new building for some time, Mr. Walker. I think that probably they are holding out for this expansion and whatnot, and they will have to testify before the Public Works and Transportation Committees if they want this expansion.

Mr. WALKER. But isn't it true that if somebody doesn't soon move into that building, we are going to have a real problem in that the brand new building is falling apart at this point; the walls are rotting, the air conditioner was never turned on; it has termites in it; and there is mold all over the place? And this is because the move was not made into that building. So it is not only costing us the money that we spent on the old quarters, but now we have the destruction of something that we just built brand new.

Mr. MARSCHALL. I am not personally familiar with the building, Mr. Walker. I have not been to Puerto Rico in some time, but I am told that there are real problems in that building, and I must agree with you that we need occupants.

Mr. WALKER. Thank you, Mr. Chairman.

Mr. BURTON. I have two comments: One, it was called to my attention that the OMB cannot overrule the Administrator of GSA on the utilization of space in empty Federal buildings. Regulations say it is set forth in the policy by the President of these United States.

Mr. MARSCHALL. Yes, sir, but in a recent case it was done, maybe by persuasion or some other thing.

Mr. BURTON. They don't have the authority to do it.

Mr. MARSCHALL. But an agency did appeal to OMB.

Mr. BURTON. OMB does not have the legal authority to overrule GSA. That is the regulation; right?

Mr. MARSCHALL. Yes, sir.

Mr. BURTON. OK. You know politics are different.

Mr. MARSCHALL. That is right.

Mr. BURTON. We are going to break for lunch, but I would like to ask Mr. Marschall to stay a while and join another panel in a few minutes, after Mr. Berube has presented his testimony on PBS. We will be starting out concerning problems in Detroit, which you may or may not know of, so you might at least get familiarized with them. You are excused for the moment.

We will be back at 1:30.

[Whereupon, at 12:50 p.m. the subcommittee recessed, to reconvene at 1:30 p.m., the same day.]

AFTERNOON SESSION

Mr. BURTON. The subcommittee will reconvene. There will be a change of witnesses. Our first witnesses will be Assistant Administrators Mr. Paz and Mr. Fontaine.

[Witnesses sworn.]

Mr. BURTON. Could you briefly explain your duties, starting with Mr. Paz, at GSA? Briefly explain what you do there, what your duties and responsibilities are.

STATEMENT OF WILLIAM M. PAZ, ASSISTANT ADMINISTRATOR FOR HUMAN RESOURCES AND ORGANIZATION, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY RAYMOND A. FONTAINE, ASSISTANT ADMINISTRATOR FOR PLANS, PROGRAMS, AND FINANCIAL MANAGEMENT

Mr. PAZ. I assumed the Office of the Assistant Administrator for Human Resources and Organization in July 1979, at the same time that Doc Freeman came aboard. My job is to provide policy, pro-

gram development, and oversight throughout the agency relative to personnel, training, civil rights, audit report control, organization and management, general administration, occupational safety and health, and security.

Mr. BURTON. You are like the personnel person?

Mr. PAZ. A bit more than a personnel person. Although personnel is one of my functions, yes, correct.

Mr. BURTON. And things relating to personnel?

Mr. PAZ. And things relating to personnel.

Mr. BURTON. What other functions besides personnel or things relating to them do you have?

Mr. PAZ. Organization and management.

Mr. BURTON. Of personnel, or something else? I mean, I am just trying to find out. In other words, the civil rights bill, I guess, deals with discrimination in employment, which relates to personnel. Occupational safety relates to personnel. In other words, are there other functions you have that do not relate to personnel? Even your organization relates to personnel.

Mr. PAZ. Well, the organization and management function relates to the studies and administrative controls of the organization of the agency. The delegations of authority, for example.

Mr. BURTON. Time and motion, cost-effectiveness?

Mr. PAZ. Yes. Also, the administration of the administrative services program, both at headquarters and in the field. By that, I am talking about such things as mail and files and duplicating service; the general administration that goes on within the agency.

Mr. BURTON. So personnel and nuts-and-bolts operation. I am not trying to denigrate it. I am just trying to get it into some category. So, personnel things that affect the work force, whether it is work safety or civil rights; also the daily nuts-and-bolts operation?

Mr. PAZ. The human aspect of the agency and the organizational environment where people are found. This is my business, if I may put it that way, Mr. Chairman.

Mr. BURTON. Well, I thought you said something earlier about equipment and things. I follow you. You are on the table of organization and equipment; you are here, the admiral is here, and then there is a line and you are right under him?

Mr. PAZ. Yes, I am one of those 20 or so many people who report directly to the administrator.

Mr. BURTON. But you are an equal above other equals, are you not? I mean, you are one of the top people in the agency?

Mr. PAZ. Yes, I am one of the top people in the agency.

Mr. BURTON. Not one of the top 20; one of the top 1 or 2?

Mr. PAZ. Well, there are 11 regional administrators, Mr. Chairman, that report to the Administrator. There are four Assistant Administrators, of which I am one, who report to the Administrator, and there are the Commissioners who also report.

Mr. BURTON. I get you. You are 1 of the 4

Mr. Fontaine, would you explain your duties and responsibilities?

Mr. FONTAINE. Basically, Mr. Chairman, I am the top fiscal officer in the agency. My position is similar to that of a controller. I have responsibility for budget, accounting, data processing, planning and analysis, and financial management.

Mr. BURTON. You were also one of the top four?

Mr. FONTAINE. Yes, sir.

Mr. BURTON. According to the auditors' reports, in different instances relating first to you, Mr. Paz, you were responsible for overspending a million dollars on employees in the face of people giving you advice to the contrary that that money was not there. Is that not correct?

Mr. PAZ. I am not sure that the figure is correct, Mr. Chairman. If I may respond, I have a statement for the record if I may submit it for the record. The reason I have done that for the record, Mr. Chairman, is because there have been a great many allegations relative to that particular incident.

Mr. BURTON. First of all, without objection, the statement will be in the record and the explanation will be made.

[Mr. Paz' prepared statement follows:]

STATEMENT FOR THE RECORD
SUBMITTED BY
W. M. PAZ, ASSISTANT ADMINISTRATOR FOR
HUMAN RESOURCES AND ORGANIZATION
GENERAL SERVICES ADMINISTRATION

TO

HEARING OF HOUSE SUBCOMMITTEE ON
GOVERNMENT ACTIVITIES AND TRANSPORTATION

ON

APRIL 13, 1981

There have been a series of television accounts alleging irregularities and improprieties in the operation of the General Services Administration's Office of Human Resources and Organization. The TV accounts were based upon GSA draft audit reports and interviews.

First, let me say that as program manager I hold myself totally and exclusively responsible and accountable for the status of my financial allotment during FY 1980. While there were several factors which entered into my decision making process (and I will speak to them later), only I made those key managerial decisions that impacted on my allotment.

Second, it should be clear to all that my allowance (operating money) is one of several subsidiary allowances of the GSA Administration and Staff Support Services (ASSS) appropriation. The ASSS appropriation, if deficient, would have resulted in a violation of the Anti-Deficiency Act. At the close of FY 1980 this appropriation had a surplus of \$2M.

My allowance agency-wide for FY 1980 had 12 components. Eleven of these 12 components are suballowances which I provided to the 11 Regional Administrators to manage counterpart functions in the field. The twelfth component is that suballowance used to fund my central office dual functions, i.e., agency-wide policy/programming/oversight and operational support to agency headquarters. This twelfth component totaled \$15.0M for FY 1980 and ended with a deficit balance of \$18.6K for FY 1980 or 6/100th of 1% of my total budget. My agency-wide allowance (covering all 12 components) totaled \$32.4M. My direct account ended with a surplus of approximately \$200K.

The TV accounts focused exclusively on the twelfth component (suballowance) of my total agency-wide budget.

I referred earlier to some factors which entered into my decision making process, resulting in the deficit balance in my central office suballowance. These factors are: the new initiatives the Administrator levied upon my organization; the need for rapid staff build-up during the latter part of FY 1979 and the first quarter of FY 1980 to meet these new initiatives; the assurances from the Administrator that additional funding would be provided by reprogramming among the several GSA appropriations upon receipt of authority from the Congress to do so; and finally, the "softness" of financial information available to me for decision making.

These new initiatives were key to the Administrator's effort to aid in turning the agency around and had their focus on a better trained GSA workforce; a better GSA system of organization; a better system of management accountability through delegations of authority; and a better GSA program for dealing with discipline, grievances and EEO complaints - conditions which the Administrator discussed with several oversight Congressional committee hearings during his tenure, and emphasized in both his 1981 and 1982 Posture Statements. It should be noted that in his 100 roadmap items for the entire agency, which he submitted to the Congress as his plan for getting the agency well, 30 of such items were the responsibility of my organization, 17 of which were required to be completed before the close of Fiscal Year 1980. Seventeen were completed before the close of FY 1980.

Exclusive of functions which were transferred to my organization (e.g., Security, Occupational Safety and Health, Audit Reports Control, etc.) the rapid staff build-up to deal with these new Freeman initiatives occurred primarily in the Office of Employee Development and Training and in the Office of Civil Rights.

The Freeman initiatives, plus the Civil Service Reform Act which had legitimate claims to priority attention, demanded experienced professionals to bring talents to bear upon agency-wide problems and programs with a minimum of training and orientation.

CONTINUED

1 OF 3

The assurances by the Administrator that additional funds would be made available dissolved when it became apparent to him in the January 1980 timeframe that reprogramming of funds would not be approved by the Congress.

The "softness" of financial information was such that I obtained concurrence from the Administrator to have the Inspector General audit the twelfth (central office) component of my allowance. This audit was initiated in May of 1980 and the follow-on actions by the auditors this fiscal year have resulted in the recent draft audit reports.

As I stated earlier, I take full responsibility for the status of my allotment. I could have chosen not to respond to the new initiatives levied by the Administrator until after my allotment was supplemented as he assured me it would be. I chose instead to aggressively pursue his initiatives, which are still needed now as they were needed then, in order to assist his efforts in turning this agency around. It should be noted, however, that this aggressive pursuit on my part was not done imprudently. When I was advised during the first quarter of FY 1980 that without supplementing my allowance I would be in a deficit posture, I unilaterally imposed a hiring freeze on central office on December 18, 1979. Exceptions to that freeze would

be made only by me and would be approved only if they were in direct support of the Administrator's new initiatives. From December 1979 to July 1980 I lost a total of 23 people and hired 10 people for a net loss of 13 within my suballowance. From July 1980 to the end of FY 1980 I imposed a nationwide hiring freeze in my agency-wide allowance. For that period in central office I lost a total of 16 people and hired four (4) people for a net loss of 12 people. These figures do not include people paid from my reimbursable and revolving fund account.

Toward the end of the third quarter of FY 1980 the Administrator came under the misimpression that I had withdrawn \$1M from the regions to cover the build-up in the central office. This he addressed in a March 24, 1980, memorandum to me and requested that I conduct an investigation and report on action taken. I discussed these issues with Freeman and advised him of the error in his memorandum and I indicated that I would take certain actions concurrently. (Relative to his \$1M error, several regions subsequently voluntarily gave up surplus funds for reprogramming in the amount of \$382K after the normal mid-year review which occurred in mid-April.) These actions among other things were discussed in a memorandum from me responding to his March 24 memorandum. They included: the previously mentioned request to have the IG audit my account, my placing limitations

on travel and transportation, my setting up reimbursable details with other agencies to reduce salary costs in areas not directly related to the new initiatives, and extending my December 1979 freeze nationwide. During this whole period I was, obviously, working closely with the agency Comptroller, the Administrator, and Deputy Administrator in taking these corrective management actions as stated in Mr. Fontaine's October 29, 1980, letter. On that account, no further actions were required of me on this matter.

There were two separate actions raised by the auditors as being of questionable propriety. The issue in both cases has to do with alleged augmentation of direct funding by me through (a) use of parking receipts to offset pay raise adjustments, and (b) use of Working Capital Fund money to pay salaries of employees allegedly assigned to organizations funded by direct appropriation. The allegations are not correct.

During FY 1980, some \$435K was collected in parking receipts from GSA employees nationwide and was deposited in a special account by Regional Finance Officers. Based on OMB guidance, the Administrator supplemented my allotment with \$375K to offset the payraise. The auditors questioned this usage. On March 16, 1981, the OMB confirmed in writing their previous oral statement to the auditors that this supplement is correct and in accord with the OMB Directives on Parking and sound management practices.

The auditors also questioned coverage under the Working Capital Fund of employees engaged in common services such as Word Processing, Library Services, Graphics, and so on. GSA Legal Counsel has affirmed that such coverage is appropriate, and the FY 1981 Congressional Budget justification references these common-use services specifically under the Working Capital Fund.

To summarize: (1) My agency-wide allowance had a surplus of approximately \$200K at the end of FY 1980 which was more than ample to cover the \$18.6K deficit in my central office suballowance. (2) There was no Anti-Deficiency Act violation: the ASSS appropriation, of which my allowance was one of several parts, had a surplus of \$2M. (3) The augmentation of my allowance by the Administrator with part of the parking receipts was in accordance with OMB guidance. (4) The management of the Working Capital Fund was ruled as legal by the Office of General Counsel and the functions in question were included in several congressional budget justifications. (5) I accomplished the Administrator's initiatives on schedule.

Thank you for this opportunity to address the subcommittee.

Mr. PAZ. Mr. Chairman, first let me say very clearly at the outset that I hold myself exclusively and personally accountable for whatever acts that may have occurred within the budget area that I am responsible for. While there are several factors that entered into the various decisionmaking processes that I went through, I was the only manager that was responsible for those key managerial decisions. Now, having said that, let me go on to say—

Mr. BURTON. Let me say that I do not know whatever else you may say, but that is the first time somebody has not passed the buck around.

Mr. PAZ. Thank you, Mr. Chairman. Having said that, let me say further that the appropriation under which my allowance comes is called the administrative staff services appropriation, and there are several allowances under that appropriation of which I own one. Let me say that if that appropriation had become deficient at the end of the fiscal year, then there would have been a violation of the Anti-Deficiency Act.

There was no such deficiency, Mr. Chairman. That appropriation ended with a \$2 million surplus. Now, let me speak to this allowance that is mine that I mentioned earlier.

There are 12 components to that allowance; 11 of those components I parcel out to the field, to the 11 Regional Administrators, for them to manage, to perform counterpart functions in the field. The 12th component is that component which I personally manage on a day to day basis within the central office to do the policy things and to do the operational things. It is this 12th component I am talking about, which totaled \$15 million.

Mr. BURTON. \$15 million?

Mr. PAZ. \$15 million for fiscal year 1980. That ended in a deficit balance of \$18,600 for fiscal year 1980, or if you want to look at it another way, 0.06 of 1 percent of my total allowance.

My agencywide allowance, of which this 12th component is a part, has a total of \$32.4 million. At the end of the fiscal year that total allowance had a surplus of approximately \$200,000. OK, so if you look at one component, yes, I did go into a deficit. If we look at all 12 components, there was a surplus of \$200,000.

Mr. BURTON. So all of the \$1 million was spent in the 12th category?

Mr. PAZ. Mr. Chairman, the sum of \$1 million has come up several times, not only with you, sir.

Mr. BURTON. I am just using the memo from Admiral Freeman.

Mr. PAZ. I am glad you identify the source, because that memorandum was issued to me on March 24. I would like to bring you up to that point if I may, Mr. Chairman.

I referred earlier to some factors which affected my decision which resulted in the deficit of that 12th component. OK.

Mr. BURTON. If I can just review for a minute, I think there were some departmental hiring limitations as to personnel that were supposed to be imposed.

Mr. PAZ. I am getting to that.

Mr. BURTON. All right.

Mr. PAZ. I am going to describe how that occurred. There were four principal factors which led to and are part of that decision-

making process. One is the new initiatives Doc Freeman said he wanted to levy upon my organization.

Mr. BURTON. What?

Mr. PAZ. The new initiatives. You will recall that in some of his oversight hearings and as part of his plan for the agency to get well, he developed 100 roadmap items. He submitted these roadmap items to the Congress. Of those 100 items, 30 were mine, 30 were within my organization. So, these are the new initiatives. Then, there was a need for rapid staff buildup to respond to these initiatives. What must be kept in mind, Mr. Chairman, is that this organization that I head up was part of an existing organization called OAD. There was no new money and no new people to set up these organizations to deal with these new initiatives.

Mr. BURTON. Did you raise that problem with the Administrator?

Mr. PAZ. Oh, yes.

Mr. BURTON. Why would he send you something saying you should not have done it?

Mr. PAZ. If I may, sir, I am following—

Mr. BURTON. OK.

Mr. PAZ. I will get to that very specifically.

Mr. BURTON. I have a tendency to do that. When questions pop up in my mind, if I do not ask them I forget them.

Mr. PAZ. Now, you ask, did I not raise this issue with the Administrator. Yes, I did. That is my third factor which entered into these decisionmaking processes, and this is the assurance that the Administrator gave me—and not only me personally, but others, in the presence of others, that he would attempt to get reprogramming authority from the Congress in order to fund these new initiatives which he felt were important, were needed then and are still needed now.

Finally, the last item, Mr. Chairman, was the unease I felt about my new staff capability to analyze spending data. OK. All this happened in the first quarter of 1980. Now, when I looked at the data, my staff told me, "Look, you are getting real close to the brink," and this was in the first quarter. I had some decisions to make, Mr. Chairman. Do I respond to the Administrator's initiatives, and they dealt with such things as a better trained GSA work force—we talked about that this morning, the need for better trained contracting officers. We talked about a better system of organization. One of the initiatives I have, a better system of accountability, delegation of authority, a better system of dealing with discipline. Those are the kinds of initiatives I had.

It became very clear to me in December that I was in the danger area, I unilaterally initiated a freeze within headquarters; no hiring excepting when I say so, and only in those areas that are in support of the Administrator's initiatives. It became very clear in January—

Mr. BURTON. That is the only people you were hiring, to support the Administrator's initiatives?

Mr. PAZ. That is right.

Mr. BURTON. Your exception, I mean, was a toothpick for a lumberyard.

Mr. PAZ. Well, no, there could have been hiring in some other areas, and I put those off. I put those off, too. I focused on training.

I focused on the items that the Civil Service Reform Act required. I focused on civil rights. It became obvious by January that Doc Freeman just could not get reprogramming authority, and just about that time I was also concerned. He came in and said, "Bill, I hear you spent over a million dollars that you stripped from the region, and here is the letter that says so."

This is the March 24, that specific letter you are referring to. Mr. Chairman, he was misinformed.

Mr. BURTON. I have to jump in. I am sorry.

Mr. PAZ. OK.

Mr. BURTON. My stream of consciousness is more important to me than your reading something. He gets in August a memo, gave it to you March 24?

Mr. PAZ. No, no. Time went by, OK, and during that first quarter—

Mr. BURTON. You got a warning March 24, right?

Mr. PAZ. Right.

Mr. BURTON. Other people told you there is a question, right?

Mr. PAZ. Yes. My staff members.

Mr. BURTON. Wait a minute, let me finish because yours is written and mine is floating around here. This is in March. Now, you are supposed to reply to him in 30 days. What was your reply to the Administrator concerning his memo?

Mr. PAZ. All right. I first met with him, and I told him that his \$1 million figure was erroneous. Until today I still do not know where he got \$1 million. He has not indicated to me where he got that impression from. Obviously not from my knowledge nor from any other source within the headquarters, I have asked.

Mr. BURTON. What did he say?

Mr. PAZ. Then he said, well, OK, "Then I made a mistake. However, I still want an investigation and I still want a report." I did report to him.

Mr. BURTON. In writing?

Mr. PAZ. Oh, yes, sir. I reported to him in writing, and the report was made after my investigation. The first thing I said I wanted immediately was an audit of my account by the auditors, by Mr. Davia's people, because of my not being comfortable with the solidity of the information given to me at that time.

Now, you know, it must be made clear that we were a relatively new team, not quite sure of how the budget process operated within GSA, and at the same time going hellbent for leather, if you will, to help the Administrator institute these new initiatives.

Mr. BURTON. Did you not raise that point with him when he gave you heck for hiring people to implement those initiatives?

Mr. PAZ. Yes, sir.

Mr. BURTON. Did you say, "Admiral, I am doing this to implement your initiatives?"

Mr. PAZ. Yes, I did.

Mr. BURTON. What did he say to you?

Mr. PAZ. He says, "Continue implementing those initiatives." He has this in writing; he has this in speeches he has made on the Hill, in staff meetings.

Mr. BURTON. What did he say about not hiring any more people?

Mr. PAZ. His caution to me was, "Take management action so that your account, the 12th component of our account, will be as solvent as possible," and I did take management action.

Mr. BURTON. You took \$400,000 from the parking fees?

Mr. PAZ. Yes. It was \$375,000 from the parking fees that was used by the Agency in accordance with OMB guidance to partially offset my pay raise supplement.

Mr. BURTON. Did you think that is what he meant by management action?

Mr. PAZ. No, sir, what he meant by management action was guidance to me to take certain kinds of action.

Mr. BURTON. Do you not think that was one of the actions he had in mind, take the parking fees?

Mr. PAZ. That was not my decision, Mr. Chairman, to make, nor did I recommend that action.

Mr. BURTON. Who did?

Mr. PAZ. However, let me say, if I may, that the action taken, and I have included this in my response to the Inspector General, is in accord with OMB guidance. My colleague may want to expand on that.

Mr. BURTON. Well, OMB guidance prior to the fact or after the fact or what? These funds were supposed to go into the general treasury, not be used as a coverup for overspending.

Mr. FONTAINE. Mr. Chairman, the OMB bulletin dealing with parking stated that these receipts would be used to offset pay raise supplementals.

Mr. BURTON. Pay raise supplementals.

Mr. FONTAINE. Last October's pay raise.

Mr. BURTON. Pay raise.

Mr. FONTAINE. You would reduce your supplemental request to the Appropriations Committee by the amount of the parking receipts. It is stated right in the OMB bulletin.

Mr. BURTON. So that was used to reduce the supplemental to cover up the \$1 million.

Mr. FONTAINE. His pay raise request was reduced by \$375,000, which is what we estimated to be the parking receipts at the start of the fiscal year.

Mr. BURTON. So the parking fees were not relative at all to the new employees?

Mr. FONTAINE. No. They were not. This was to offset pay raises only, and had nothing at all to do with new hires or anything else. He had a pay raise that was mandated.

Mr. BURTON. I am familiar with that.

Mr. FONTAINE. I reduced his supplemental request by the amount of receipts we were going to generate from employees paying for parking.

Mr. BURTON. Where did you find the million?

Mr. PAZ. Mr. Chairman, what million?

Mr. BURTON. Where did you find the money for these employees that you hired, that he wrote you a memorandum about and said they were not in accord with practices, that in spite of constraints on personnel hiring, and constraints I think is almost like restraint—forget the figure. Where did you find the money to hire the people to implement initiatives?

Mr. PAZ. Mr. Chairman, as I indicated earlier, within my total nationwide allowance I had a surplus.

Mr. BURTON. Forget that. How many people did you hire to implement these initiatives that were not authorized, I guess, by the Appropriations Subcommittee? I am not interested in how much Joe Williams saved or how much somebody else saved or what you can account for. I am interested in knowing how \$1 million—and that is the only figure I got, and I got it from Doc Freeman in writing. You say he may be wrong, that is hearsay, although this is not a court of law. I want to know how many people did you put onboard to implement his initiatives, and how many of these people were put onboard that were not actually authorized by the appropriations process.

Mr. PAZ. Mr. Chairman, I have that figure here with me, and somehow I will get it for you in a minute, as soon as I get my records organized here.

Mr. BURTON. While you are looking for that, I will ask Mr. Fontaine a question. The OMB circular, as I understand, covers only about 9 percent of the employees' salary, the raise part.

Mr. FONTAINE. Correct. I forget what the exact percentage of that pay raise was, but it was somewhere in the neighborhood of 9 percent.

Mr. BURTON. So I thought as it came through it was everybody's pay raise. So the \$375,000 figure that was taken out of the parking fund covered pay raises for 9 percent of GSA employees in his department or all departments?

Mr. FONTAINE. It was applied exclusively against the appropriation that Mr. Paz' people were paid out of, since he was the program manager for the parking implementation in GSA. The pay raise was a million dollars for his office. I reduced it by approximately \$400,000 and only asked Congress for \$600,000.

Mr. BURTON. Was it a line item? Was it report language or just asked for \$400,000 less?

Mr. FONTAINE. The submission to OMB showed a line item reduction.

Mr. BURTON. What did the Appropriations Committee say?

Mr. FONTAINE. They appropriated the amount we requested.

Mr. BURTON. I mean, they have a line item, they have budget language or they just gave you the amount requested?

Mr. FONTAINE. They gave us the amount requested by appropriation.

Mr. BURTON. With no direction?

Mr. FONTAINE. No, sir.

Mr. PAZ. Mr. Chairman, I have those figures if you are interested in them. You will recall I said earlier that I imposed two freezes, one in December and one in July. By the end of the fiscal year, by the end of the fiscal year I had a total loss by attrition—

Mr. BURTON. Excuse me, you forgot the question while you were looking up the answer. How many people did you hire to institute the Administrator's initiatives? That is what I asked you. I did not ask you for that.

Mr. PAZ. I have got a net gain of 14 persons.

Mr. BURTON. No. How many people did you hire for the exclusive purpose of initiating or implementing his initiatives?

Mr. PAZ. Mr. Chairman, I will submit that information to you for the record at a subsequent time. I do not have that information. [The information follows: Additional information contained in appendix 1.]

LISTING OF CENTRAL OFFICE FULL TIME PERMANENT EMPLOYEES
 HIRED FROM DIRECT FUNDS DURING THE PERIOD 18 DECEMBER 1979
 THROUGH THE END OF FY-1980

NAME	GRADE	ORGANIZATION	SUPPORTING FOR ROADMAP ITEM NUMBER:
FRANCIS BRAY	14	EMPLOYMENT POLICY	H-8 - AGENCY-WIDE MANAGEMENT DEVELOPMENT SYSTEM H-16- EMPLOYEE MOBILITY PROGRAM
DONALD HEFFERNAN	12	LABOR AND EMPLOYEE RELATIONS	H-5 - PROCESS FOR REVIEWING NON-PROSECUTABLE CASES H-6 - EMPLOYEE GRIEVANCE PROCEDURE
LEONARD BLANDA	15	SECURITY	H-7 - INTERNAL INVESTIGATIONS EXCLUDED BY THE INSPECTOR GENERAL
ROBERT HIRAMA	12	AUDITS REPORT CENTRAL OFFICE	H-2 - AUDIT FOLLOW-UP SYSTEM AND ORGANIZATION
ANNETTE PACE	12	TRAINING OFFICE	H-9 - PROJECT MANAGEMENT TRAINING
ANNE ALEXANDER	13	TRAINING OFFICE	H-13- STORE MANAGEMENT TRAINING
LINDA CIMINI	13	TRAINING OFFICE	H-15- SUPERVISORY DEVELOPMENT SYSTEM
RICHARD FRASER	13	TRAINING OFFICE	H-18- BUILDING MANAGEMENT TRAINING
BERNARD ROBINSON	12	TRAINING OFFICE	H-19- ACQUISITION AND WARRANTING TRAINING H-20- WAGEBOARD TRAINING PROGRAM
ROBERT OPPENHEIMER	13	CAREER MANAGEMENT	H-8 - MANAGEMENT DEVELOPMENT SYSTEM PLANS: H-13 CAREER MANAGEMENT SYSTEM TO DEFINE NEEDED H-15 COMPETENCY LEVELS AND ASSURE ADEQUATE SUPPLY H-18 OF PROFESSIONALS IN CRITICAL SKILL AREAS TO H-19 SUPPORT (ALL TRAINING ROADMAP ITEMS.) H-20

NAME	GRADE	ORGANIZATION	SUPPORTING FOR ROADMAP ITEM NUMBER:
JOHN SULLIVAN	13	PERSONNEL OPERATIONS	BOTH HIRED IN DIRECT SUPPORT OF CIVIL SERVICE REFORM ACT IMPLEMENTATION AND ROADMAPS H-27 (PERFORMANCE APPRAISAL) AND H-28 (MERIT PAY).
WILLIAM WENETA	11	PERSONNEL OPERATIONS	
FRANCIS FUCCI	12	EXECUTIVE OFFICE	PROGRAM AND BUDGET SPECIALISTS HIRED TO TRACK OVERALL HRO BUDGET, AND ASSURE THAT RESOURCE REQUIREMENTS TO ACCOMPLISH ROADMAP ITEMS AND PROGRAM INITIATIVES ARE ADEQUATE BUT NOT OVERSTATED, AND TO MONITOR PROGRAM ACCOMPLISHMENT.
THOMAS EDEN	12	EXECUTIVE OFFICE	

REGIONAL POSITIONS AFFECTED BY (H) HIRING FREEZE
BETWEEN JULY AND SEPTEMBER 1980

REGION	OFFICE	NUMBER OF POSITIONS, GRADE AND TITLE
1 - BOSTON	—	NO IMPACT
2 - NEW YORK	OCCUPATIONAL SAFETY AND HEALTH	(1) GS-12/13 SAFETY MANAGER (1) GS-12 SAFETY SPECIALIST (1) GS-12 INDUSTRIAL HYGIENIST
3 - PHILADELPHIA	—	NO IMPACT

Mr. BURTON. You do not know how many people you hired for this program that got you into all this garbage?

Mr. PAZ. I have some figures which I am willing to share with you.

Mr. BURTON. You are willing to give me apples when I am asking you for oranges. I mean, you are laying all of this on Doc Freeman.

Mr. PAZ. No, sir.

Mr. BURTON. His initiatives and his promise that he would attempt to get reprogramming authority, and in the face of I would say, cautionary instructions from your staff, and I believe other people, you just went blithely on your way until you found out, even when you got this from Freeman, that you were not going to get the reprogram authority. Therefore, you put on a hiring freeze except for the initiatives, and that hiring freeze was only in your domain, the 12th of the 11, or were you freezing them out in the other 11 regions?

Mr. PAZ. That did not occur until July.

Mr. BURTON. So you did not raid the regions to cover up for paying these people that were not directly authorized by the committees?

Mr. PAZ. They were frozen, yes, in July.

Mr. BURTON. You raided them of authorized slots so you could fill slots for these initiatives?

Mr. PAZ. I guess as the chairman you can say that, but—

Mr. BURTON. I was trying to think of a different way to say it, but that is basically it. Somebody goes, an inspector or auditor or secretary out in the region. They cannot fill that because you have got a freeze on everything but your pet project here.

We are going to get into how much these educational programs worked and how much the contracting offices learned and all these other things, the benefits, because I think they are worthwhile programs.

Mr. PAZ. I share that view.

Mr. BURTON. I am sure that if Congress were made aware of them, they would authorize them and appropriate the money specifically for them. So, it is probably tough for the admiral to get reprogramming authorization for something that was not authorized.

Mr. PAZ. Mr. Chairman, the auditors themselves stated in their letter report that these functions initially were underfunded to begin with, and that is the difficulty that I face as program manager, how to initiate, how to respond to these initiatives. Many of them required top level personnel with minimum training to immediately be thrown into the breach; it was a situation which I thought I managed quite well.

Mr. BURTON. What breach? Were we going to war? I mean, what was the breach that they were thrown into?

Mr. PAZ. The breach was to turn the agency around, as the Administrator kept saying.

Mr. BURTON. Well, I tell you, I do not know if it was 100 million or I do not know if it was a pfennig, and a pfennig is a hundredth of a mark, and a mark used to be worth 4 cents when I was in Austria, but this sure did not turn the agency around in a good direction. At least, that is what we heard this morning.

All right, you do not know the number of employees you hired, and we would like that for the record, and how many empty slots throughout the regions and what they were. Hopefully, they were some of the people who inspect paint.

Now, let us go down category by category on these new initiatives that were so important to Freeman that he castigated you for trying to implement them. They said use good management, and the management was to follow his advice and take the parking funds. Let us go down and see what these initiatives were.

Mr. PAZ. Were I in his place and if I thought one of my people stripped the region of \$1 million, I, too, would react in the same way he did, but I did not strip the region of \$1 million.

Mr. BURTON. We do not know that. We will know that when you tell us how many people you hired and at what salary, and how many people left the region and their slots were not filled and their salaries, and then we will be able to determine what you raided the regions of, if anything. Can we go down these initiatives?

Mr. PAZ. Yes.

Mr. BURTON. The first initiative.

Mr. PAZ. General management review reporting, and this was applied to all—

Mr. BURTON. To all what?

Mr. PAZ. To all executives within the headquarters.

Mr. BURTON. So you were responsible for a general management review?

Mr. PAZ. For my part of that general management review.

Mr. BURTON. How much was your part of it?

Mr. PAZ. There are four Assistant Administrators and six Commissioners—one-tenth, if my arithmetic is correct.

Mr. BURTON. One-tenth. We do not know if any of them had to go out. They do not seem to be before us answering questions about having gotten a memo about fiscal mismanagement to implement their nine-tenths. So we had nine-tenths of a study, and we would like to know how many people were hired and their salaries to do that. What is initiative No. 2?

Mr. PAZ. Regional review system. This was a system that we developed to insure that regions were visited in a coordinated fashion and that staff time was properly devoted by the regions to the reviews by headquarters program people. It was a system for insuring that—

Mr. BURTON. Did you have to develop this system?

Mr. PAZ. Yes, sir.

Mr. BURTON. Never had the system before to visit a region?

Mr. PAZ. Well, this is the issue, Mr. Chairman. The regions have been plagued in the past by continuing inspections, if you will, by headquarters components, many of them uncoordinated and many of them hitting the region one after another.

Mr. BURTON. So this is to coordinate that duplication. Were you one-tenth of that or all of that?

Mr. PAZ. All of that.

Mr. BURTON. All of that. Is that initiative fully implemented?

Mr. PAZ. It is in place. We had to put on, of the 30 initiatives I had, we had to get 17 in place by the end of the fiscal year.

Mr. BURTON. Or what? The world would come to an end?

Mr. PAZ. That was the timetable. That was the Administrator's timetable, and I believe in meeting timetables.

The third initiative was key personnel search and selection system. This was to insure that the people who are being selected have been properly screened and that we place as uppermost in terms of criteria quality, professionalism and expertise.

Mr. BURTON. Did you used to go out in the street and pick up people at Third and Howard? You are talking about things as though you never had a personnel policy practice before.

Mr. PAZ. The norm does not work, Mr. Chairman.

Mr. BURTON. I do not think what you did worked either.

Mr. PAZ. Well, I think it did. We have, since the system—

Mr. BURTON. If you did keep yourself out of an Anti-Deficiency Act violation, you came very close to the edge; very close to the edge, in my judgment. You got very bad advice in your enthusiasm to do the Admiral's bidding. You have something in writing from Freeman saying that this was wrong, but you go hucklety buck and he will back you up; this is beyond me.

Mr. PAZ. Well, Mr. Chairman, if you wish, I can refer to those instances where he has gone on public record in terms of supporting these programs.

Mr. BURTON. Yes, but the only public record he has gone on is to tell you that he is going above the constraints on personnel hiring. You know, we are all in favor of God, flag, motherhood, and apple pie, but you are very close to the antideficiency law.

OK, so you got regional coordination. You had initiative to hire competent personnel that you couldn't hire except if they were in your domain after the freeze. They couldn't hire in the region because they couldn't hire anybody, competent or not.

Mr. PAZ. No, sir. The key personnel search and selection system was for all.

Mr. BURTON. Yes, but you put a hiring freeze, in your own words, on everything but this.

Mr. PAZ. Yes, but the key personnel search and selection system applies to areas outside of my own area.

Mr. BURTON. But you could have hired the most qualified, competent personnel in the world to examine paint in the Federal building where my office is located, but you couldn't hire them because you put a freeze on them.

Mr. PAZ. That was not my freeze.

Mr. BURTON. You told me you put a freeze on.

Mr. PAZ. My freeze was only within my allowance area.

Mr. BURTON. You said you didn't put a freeze on the outside regions in my State.

Mr. PAZ. Only in my allowance area. That covered personnel, civil rights, and training and administrative services. My freeze did not apply to Public Buildings Service or to the Federal Supply Service.

Mr. BURTON. What about personnel? What is left after personnel? Don't personnel people work?

Mr. PAZ. Only those people who are in my allowance, sir. Those people who are paid out of public buildings funds, those people who

are paid out of Federal supply funds—those are not affected by my freeze.

Mr. BURTON. Yes. We just want to know the numbers and the salaries of those who were. All right.

Mr. PAZ. Then another item is the audit followup system and organization. This should be of interest to you, Mr. Chairman, because we talked about whether the IG or GAO audit reports are paid attention to. Let me say that since we established that organization within my office they certainly are. If you wish, I can provide further information on the extent to which that has been in operation.

Another roadmap item was the Senior Executive Service implementation for meeting the needs of the agency, coming up with a better means of dealing with employee grievances, and the appeals process; taking a look at blue-collar training throughout the region; are we having the skilled kind of people on board; equal employment opportunity programs; management. You know, this may seem like a welfare program, but it is not.

Mr. BURTON. They all seem laudable. They seem so laudable that you should have gone to Congress and gotten funded for them and not done it through rating this and rating that. I would like to see the disparity between the 9-percent raise and the 400 grand, whatever that was—the parking fund. He says 375; you say 400. I don't know. Submit whatever you have got for the record, because I will tell you, I don't really believe that that is what the admiral had in mind when he said use management tools.

As I see it, the record is stuck with one statement and that was in March, and it is pretty heavy. You know, you take the heat for it, which is I think very laudable except that a little bit gets passed on the admiral, that it might not be the right number of funds and initiatives. What was that date—July 1?

Mr. PAZ. July.

Mr. BURTON. And if that wasn't done by July, it probably wouldn't have been done until August or September.

Mr. Fontaine, I would just like to comment to you, sir, that for an agency that is supposed to set an example and kind of watchdog how the others spend the taxpayers' money, I, as someone who has done something, would love to have you come in and give me a lecture after this memo in this hearing and those reports, because your credibility would be a little strained.

In other words, good management is willing to go ahead and use your imagination, and to hell with the rules, the laws, the appropriation process, or anything; get it done. You know, I think that is good in battle, but it isn't a good example to be set by one of the top-ranking people in an agency that has got a responsibility to see that other people have good management practices.

Mr. PAZ. Mr. Chairman, if I may, I certainly agree with your views, but I think what should be kept in mind is the issue in perspective, Mr. Chairman: First, the allowance ended up with a surplus of \$200,000, more than ample to cover a deficiency in one of the suballotments within it; second, there was no deficiency in the appropriation—none at all; and, third, I accomplished my boss' objectives in time, and that is the perspective that I prefer to see it in.

While I understand your viewpoint, I think that my perspective is important, equally important.

Mr. BURTON. No. What is equally important is that we are siding with laws and not men, and the ends do not always justify the means. Even though he was an admiral, it was not in order from your Commander in Chief with a deadline that we had to meet or the maginot line would fall. For you to get hell for implementing his poor initiatives is rather incredulous to me one way or the other, and only time will tell that the initiatives that are now in place, like hiring competent people and things like that, will be carried on by the new administration.

I understand your point that if every agency did that—and God knows that probably some of them do—it would cause some problems.

Now, Mr. Fontaine, this is just back again to the fact that the GSA is, one, to set an example as sort of a watchdog, if you will, telling other people, why don't you buy this kind of item instead of the most expensive item. Try to get some efficiency and economy and management in Government. That is Herbert Hoover. It came out of that commission, I believe.

The audit report on conference, travel, and expenditure abuses by senior officials—I would like you to explain the convention that was held in San Antonio where more than half of the people traveled from Washington to San Antonio is supposed to have been less than the people coming to Washington, given the \$500 million that was cut out of travel, given our committee's increase in mileage and per diem, and given that you were going to have to live within present limits even though you were allowed a fair return. What was the rationale for that?

Mr. FONTAINE. Mr. Chairman, this was a joint conference of both my accounting people and my budget people because we were going to discuss common items.

Mr. BURTON. Well, half of them were here and more than half of them went from here to there? What was the justification?

Mr. FONTAINE. I chose to put it in a region rather than have it in Washington because these increases that you had recommended had not come into play yet.

Mr. BURTON. But you were still under a travel limitation of a half billion dollars out of the Treasury.

Mr. FONTAINE. I eliminated some other travel to have this. I felt it was important enough. If you go by cost alone, every conference would be held in Washington.

Mr. BURTON. They don't have the Mardi Gras in Washington. Besides that, what would be a detriment?

Mr. FONTAINE. I found that on \$50 a day, which it was at that time, Government employees didn't have to be treated like third-rate citizens and sleep in flea bags in this town. I made a choice, and I will defend it. I will take the heat for it.

Mr. BURTON. Will you take the heat for getting a free room?

Mr. FONTAINE. In that case, I think I saved the Government money. I didn't file for reimbursement for it.

Mr. BURTON. Do you think that is proper?

Mr. FONTAINE. I was told that anytime there are conferences of 25 or more people, it is customary to throw in a room for free. I didn't claim anything on that.

Mr. BURTON. For Government people?

Mr. FONTAINE. Anybody.

Mr. BURTON. In the private sector?

Mr. FONTAINE. Anybody. I could have had it here and saved money. I will agree to that. But there was morale and some other issues to consider besides economic things. As I said before, Government employees don't have to be treated that way, and you can't get a decent room here.

Mr. BURTON. You got a free big suite, and other people were paying.

Mr. FONTAINE. I expected to pay for a room. I didn't expect to get a free room at that time.

Mr. BURTON. Did anybody tell you you couldn't? Did anybody say, "You have got to take this suite?"

Mr. FONTAINE. I didn't know about it until I went to check out of the hotel.

Mr. BURTON. Well, when you saw the room, did you figure your per diem might not cover it?

Mr. FONTAINE. It wasn't any luxurious suite. We used it partially as a room for meetings because the telephone was in there.

Mr. BURTON. It must have been fairly big if it was a meeting room.

Mr. FONTAINE. It was the size of a small living room, I would say.

Mr. BURTON. In other words, a parlor suite.

Mr. FONTAINE. I believe that is what it is called.

Mr. BURTON. Here is something that bothers me. What do you think about the auditors' statement that that is a violation of GSA regulations? You didn't know that at the time, I guess.

Mr. FONTAINE. I assume ignorance is no excuse.

Mr. BURTON. Well, I am one of those who sometimes thinks if you don't know something, find out. I spent more than 2 years in the Army, and I didn't know I wasn't supposed to walk outside of the fence.

Mr. FONTAINE. Well, the way I look at it, there was no harm intended. I didn't claim anything, and, in fact, I saved the Government money.

Mr. BURTON. Like when you play basketball, no runs, no fouls. I doubt if you would do it again.

Mr. FONTAINE. No.

Mr. BURTON. All right, the coffee and doughnut stuff. I personally happen to disagree with the fact that it is improper to have that supplied generally when you are in a conference. I find it very improper that it was vouchered as a different item. How can you explain that?

Mr. FONTAINE. I will take the responsibility.

Mr. BURTON. I know you will because you did it.

Mr. FONTAINE. I had nothing to do with that. The region set up the conference, picked the city, the hotel, and made the arrangements for the coffee, typewriters, and phones.

Mr. BURTON. I am talking about the vouchers. The refreshments do not bother me. I mean, you know, I guess if you are on per diem

you ought to shell out the 15 or 20 cents. But I mean who submitted the voucher?

Mr. FONTAINE. The region submitted it here for payment. I never saw it. When the auditors brought it to our attention that there was \$800 or \$900 for coffee and doughnuts and recommended we go back and collect that money, we did just that. We charged each of the conferees a prorated share.

Mr. BURTON. What did you do to the guy who submitted the phony voucher? That is what I am hung up on, not the fact that it was coffee and doughnuts, but a phony voucher. That is fraud. That goes along with waste and abuse.

Mr. FONTAINE. As I understand it, the bill that came in here from the hotel said \$1,000 for office equipment, furnishings, and that sort of thing. There wasn't anything attached saying anything about coffee.

Mr. BURTON. Right, so it was a fraudulent voucher. It was billed as one item, and it was to cover another. That is what bothers me. The coffee and doughnuts—and I am in the minority—does not bother me. But what was done to the person who submitted it?

Mr. FONTAINE. That employee has since retired. He isn't an employee any longer.

Mr. BURTON. You can't beat that. That is what somebody was just saying. They all get out.

All right, your audit report, Mr. Fontaine—this again is kind of minor, but you are the bookkeeper, right?

Mr. FONTAINE. Right.

Mr. BURTON. The audit report shows that you paid salaries to 38 people with funds that Congress had appropriated for other purposes. I mean it isn't quite coffee and machinery. Where did you get the money to pay the salaries? I think the funds were for equipment, Xerox stuff and things like that.

Mr. FONTAINE. This is a case where there were some transfers of functions from Mr. Paz' appropriation into a revolving fund. We have a legal opinion from our General Counsel that it was proper and correct.

Mr. BURTON. The money was his. You put it in the general fund. What was the money for?

Mr. FONTAINE. Fiscal year 1980?

Mr. BURTON. Yes.

Mr. FONTAINE. It was in an appropriation of Mr. Paz'.

Mr. BURTON. To do what?

Mr. FONTAINE. To pay salaries of employees for various functions. In 1981 it was dropped from his appropriation and came under the revolving fund.

Mr. BURTON. To be used for equipment and other purposes?

Mr. FONTAINE. No. Operation of the printing plant was basically the mission.

Mr. BURTON. Doesn't it go to pay for printing equipment, oiling, and repairing?

Mr. FONTAINE. Certainly, along with salaries of the people operating the printing equipment. It wasn't exclusively for equipment.

Mr. BURTON. So, in other words, it wasn't laundered. It was perfectly proper. That is what Congress appropriated it for. It

appropriated it for salaries for all the people who operate equipment who work in the printing section.

Mr. FONTAINE. They get paid out of a revolving fund. We recoup the cost by charging customers to print something.

Mr. BURTON. Did all of the 38 people work in the printing plant printing things?

Mr. FONTAINE. No. There are things besides printing in that revolving fund. These were common usage people, those who run the library, the travel office, the word processing operation—things of that kind.

Mr. BURTON. Word processing, and they are in the revolving fund. Revolving funds that are—

Mr. FONTAINE. Reimbursed.

Mr. BURTON. Yes. Now, somebody running a library is reimbursed. They were all employees involved in activities where you were selling something, recouping money, and going back into the revolving fund.

Mr. FONTAINE. Not in all cases.

Mr. BURTON. In how many cases were they not?

Mr. FONTAINE. The theory behind this was that everybody in GSA benefits. Travel, for example, is the type of common use item that will benefit all customers.

Mr. BURTON. That is it. I mean, man, if I were somebody and you tried to go over my books, and I was the regional guy, I would go over your books. I would say, you taught me. Man, how about this. Why don't you teach me a few tricks? That is not an explanation. Congress appropriates money for certain purposes. They appropriate money in a revolving fund, and by its very nature, the fund revolves. We put it in seed money. The money comes back, and pretty soon we draw out the seed money, and it is a self-perpetuating thing with no cost to the taxpayers. They appropriate money to provide you with personnel to do the various things.

I would think out of this would be the travel type savings, or whatever you said. I have got to compliment you both on your ingenuity, but I have to say it is a very, very poor example from top-level people in the agencies who are supposed to set an example for other people within the agency and at other agencies. I mean, I don't know. It just doesn't make any sense to me. It defies description to me.

There are some other things we are going to talk about. Top-level people have scammed little freebies, done a little double billing, done a little this, done a little that, and, you know, it may be a nickel and dime thing, but as a general policy implication for an agency that is supposed to be an example, you are going to play hell to being an example to anybody except how to pull a scam, in my judgment.

Mr. PAZ. Mr. Chairman, I may be missing the point entirely.

Mr. BURTON. The point is you are doing business in a way Congress didn't intend to do it. You made some end runs, and the ends justify the means. You know, you are the top people in an agency who are supposed to go to others and say, "You know, you can save \$100 million if you did it this way." They say, "Forget that. Tell me how you can spend another million dollars for personnel when you are running short of dough."

Mr. PAZ. Mr. Chairman, those functions that are in the working capital fund, in a common office fund—those functions are of a general nature. They serve the entire headquarters and, as a consequence, given that kind of character, fall within the general definition of working capital fund. We got our legal counsel to review it. We included it in our appropriations statement up to the Congress. It was reviewed there. There was no question raised relative to those issues.

Mr. BURTON. When you talk about a whole lot of issues here, just exactly what did you tell the Appropriations Committee before you did what you were going to do?

Mr. PAZ. The subject we are talking about, the working capital fund.

Mr. BURTON. Which one are we talking about? You mean the revolving fund?

Mr. PAZ. Yes.

Mr. BURTON. Where people were hired? How could you tell them?

Mr. PAZ. You are pursuing a line of questioning with Mr. Fontaine.

Mr. BURTON. All right. Coming to an explanation, you told them you were going to hire people that were not going to be involved in projects that were related to a revolving fund. You told them up front, and they said, "That is fine with us." I would like to see that testimony.

Mr. PAZ. No.

Mr. BURTON. No; you didn't tell them that?

Mr. PAZ. No. I never appeared before any committee to discuss that.

Mr. BURTON. You told them that.

Mr. PAZ. This was included in our submission to the Appropriations Committee that these functions were to be covered under the working capital fund, and the functions included our centralized library, our centralized travel, our centralized word-processing centers—all of these things that are of common service to the headquarters and the field, and it was a matter of determining appropriate funding.

Mr. BURTON. Thank you. It was nice to have you. Thank you very much.

Mr. PAZ. You are welcome.

Mr. BURTON. If I were in an alley and 12 guys were chasing me, I would want you on my side.

Mr. PAZ. Sir?

Mr. BURTON. I say, if I were in an alley and 12 guys were chasing me, I would want you on my side.

Mr. Berube, will you stand and be sworn.

[Witness sworn.]

Mr. BURTON. In your own words, why don't you tell us first your position within GSA, your responsibilities, and the complaints that you have.

STATEMENT OF BERTRAND BERUBE, DIRECTOR OF
ACQUISITION POLICY, GENERAL SERVICES ADMINISTRATION

Mr. BERUBE. I am the Director of Acquisition Policy and as such, I am responsible for the development, implementation, and oversight and evaluation of acquisition policy for the General Services Administration. In summary, my background is that I am a structural engineer. I have been in private industry for 8 years working for U.S. Steel. I worked on major construction projects such as the World Trade Center in New York City, the PanAm Building in New York, the Tagus River Bridge in Portugal, the Orinoco Bridge in South America, and the Verrazano Bridge in New York.

Mr. BURTON. We will stipulate your qualifications as an engineer. Give us your specific duties, if you will, sir, at GSA. And you have kind of a litany of complaints about how you think the agency is not taking proper action to save Government funding. If you will.

Mr. BERUBE. OK. As I said before, I am the Director of Acquisition Policy, and as such I am responsible for the development, implementation, oversight, and evaluation of acquisition policy in the agency.

Mr. BURTON. Acquisition of what?

Mr. BERUBE. Of acquisition policy in GSA.

Mr. BURTON. All right.

Mr. BERUBE. That covers the Public Building Service, the Federal Supply Service, and the ADTS. Do you just want me to go through this?

Mr. BURTON. Yes. In other words, one of the principal complaints you have—and I think the people agree with you—is that A-109 is yet to be implemented by GSA after several years. Why don't you briefly tell us why the implementation of this would be beneficial, and, too, why you think the implementation of this has not been implemented as quickly as Freeman's initiatives were.

Mr. BERUBE. I am afraid it has taken us 5 years and we haven't gotten anywhere yet. It has not been implemented. We were requested by the Office of Management and Budget to implement this by April 5, 1976. We were given a period of time to implement of 6 months. Here we are now—I guess we are about 5½ years later and we still haven't done a project under A-109.

A-109, to summarize briefly, calls for the agency to take its requirements and relate them directly to mission needs.

Mr. BURTON. Would that be, simply stated, like before you buy the furniture, you build the house?

Mr. BERUBE. That is exactly right. In other words, make sure you have a need before you go up and spend your money.

The second requirement is that you get competition. This is probably the most difficult area for GSA, and it is probably why it hasn't been implemented yet.

The third area is that it requires the head of the agency to make the major decisions that are necessary on a project.

Fourth, it requires that OMB and Congress be notified early in the process.

The principal problem with A-109 is that A-109 calls for competition, that all solutions that are available to satisfy a need be competed out in the marketplace. This is what GSA does not want.

Mr. BURTON. In each and every instance, or are there some instances where that just would not be practicable?

Mr. BERUBE. Oh, there are many instances where it would not be practicable to compete all solutions. Only those solutions which are practical should be competed, and that is what the circular calls for.

As a matter of fact, it specifically states in the circular that there may be instances where a single solution may be the answer. However, it requires that we justify to Congress when there is only a single solution. That is what GSA has real problems with.

What GSA has been doing for the past 25 years is to compete within a single solution, let us say, new construction. When you go into that kind of competition, the differences between bid prices rarely varies more than 5 percent. However, when you compete all the different solutions, you can get price differentials up to 100 and 200 percent of the cost of the project.

I think we have a very good example in the Labor Department building, but I think I would like to cover that a little bit later as to how much those savings can be.

In essence, this position has been supported by the Comptroller General. Many blue books have been written on the subject. The latest indication of that support was a letter that went to Mr. Stockman on March 3, 1981, imploring him to push with A-109 so that the Government could get the benefits therefrom.

Mr. BURTON. What do you think the reason is?

Mr. BERUBE. Why they don't implement it?

Mr. BURTON. Yes. I guess why don't they, and if they haven't, we will assume that somebody didn't want to.

Mr. BERUBE. What happens, when you begin to force this kind of competition where you get prices from the outside, for these different types of solutions, it means if you pick the highest cost solution, you have to justify it because everybody knows the prices. This is the problem that GSA has. It really doesn't want to justify those problems when its choice is a single solution.

Mr. BURTON. That seems like kind of a lame reason. Sometimes you pick the highest price because on record they give the best performance, and the other guys are buying it, and you haven't finished any project in 7 years.

Mr. BERUBE. That is what gives us a Buzzards Point project.

Mr. BURTON. What?

Mr. BERUBE. This type of project where there is a single solution. We just go and do it instead of competing the other things that would be more beneficial to the Government.

Mr. BURTON. In some instances, it could be costlier.

Mr. BERUBE. That is right. As an example, in the Labor Department building—let's use that for an example—in 1965, GSA was planning to build a Labor Department building. GSA put in a prospectus for that particular building. At that time, a group of developers in the area—by the way, they are the same people who put up L'Enfant Plaza; they are not a fly-by-night organization—made a proposal to build the building and to donate it to GSA after a period of 30 years. GSA didn't want to do that. It wanted to build its own building, so it didn't listen to that proposal.

Congress found out about the proposal, and it ordered GSA to study it. GSA studied it, made a recommendation to Congress that it was still cheaper to build. However, that decision was somewhat tainted. I think what I ought to read to you is the summarized minutes of a Public Buildings Service staff meeting of October 26, 1965.

On page 2, Labor Department Building, it states:

At the request of Mr. Griffin, Mrs. Ziernicki and Huyett met with him in response to a newspaper article which appeared over the weekend about the fact that the government was going ahead with this job and had disregarded the suggestion by private people to build the building and turn it over to us.

This is the important sentence:

Mr. Griffin asked for a new financial statement to justify our position that it is more economical for the government to construct a Federal building than it is to lease equivalent space.

I think that statement speaks for itself as to how we make a choice, and irrespective of the fact that it may be the most expensive choice, they move ahead.

What I did with the justification that was sent to Congress is I submitted this to the GSA economists. I had them look at it, and I had them take the actual cost figures out of our accounting records of what the cost actually was to build that building and put these figures into the same analysis that was submitted to Congress.

Instead of saving \$31 million as submitted to Congress, the cost to the Government was an additional \$650 million. That is the reason they don't want to use A-109, in a nutshell.

Mr. BURTON. And the reason they don't want to use it is that the Government spent an extra \$650 million. Are they stockholders in the corporation, or something?

Mr. BERUBE. What it allows them to do is to make choices which are more satisfactory to powerful people in different places.

Mr. BURTON. I am not going to report this, but if I ever get powerful, I may not be in favor of it, I guess.

Mr. BERUBE. You may get these kinds of favors then.

Mr. BURTON. A small business loan.

Mr. BERUBE. Do you want me to go into the other areas now? That basically covers A-109.

Mr. BURTON. Yes.

Mr. BERUBE. In the A-76 circular—this is another circular that was given to us by OMB about 2 years ago—the basic purpose of this circular is to ensure that the Government competes. Again you will notice, by the way, in all of my testimony that there is one thread that runs through all the different areas, and that is the lack of competition, or wherever competition is called for, it is pushed aside. A-76 requires that when we have Government activities that are performed by Government people, that we develop the cost of this activity and compete it with outside contractors.

This was issued 2 years ago. We were supposed to have implemented it in 90 days. We were supposed to have 1,400 reviews done in 3 years. We have not done a single one. The amount of savings that we can anticipate in this particular area, best come from the people who have done the most so far in these areas—such as the Department of Defense. They have gone into this quite extensively for the past couple of years.

In the same areas where we have services that they have, their managers indicate that they are getting savings of 30 percent in roughly each one of the areas.

Mr. BURTON. Yes, and they are giving the contracts to the people who worked at DOD, and some of them aren't performing up to snuff.

Mr. BERUBE. This is a two-edged sword.

Mr. BURTON. I know it is.

Mr. BERUBE. Some of it comes from the contractors back to the Government.

Mr. BURTON. They are all going to Alaska. I think it was the commanding general, wherever he is, who opened up the thing. There were articles on that.

Mr. BERUBE. That may be. But the savings is still a 30-percent reduction in cost.

Mr. BURTON. Yes, but I think there was something like a 60-percent reduction in what the mission was.

Mr. BERUBE. That may be.

Mr. BURTON. Well, you have got Congressman Harris last year who had a bill that I think the administration opposed where he called for something a little further than the OMB circular, where if you were going to contract out, or if this came up, there would have to be a cost effectiveness done to see whether or not it was cheaper and more efficient to be done outside or in-house. It is surprising how little support there was for that, and it was opposed by the outside contractors.

Mr. BERUBE. A-76 calls for this very type of study to be made. As a matter of fact, it says that it has to be 10-percent cheaper than it is outside before it is inside, before you make the change going out to a contract.

Now we have a program in GSA where these 1,400 activities have an aggregate value of around \$1 billion. If we were to take a 30-percent savings like the Department of Defense has gotten in those areas, we would end up getting approximately a \$300 million saving per year.

Mr. BURTON. That is assuming that the service was 100 percent fulfilled.

Mr. BERUBE. That is assuming we do properly, I have to admit.

Mr. BURTON. Assuming they do it properly.

Mr. BERUBE. Yes.

Mr. BURTON. Now, how would the provisions of the Walsh-Healy Act, which would be the prevailing wage Act, apply to this?

Mr. BERUBE. All Federal procurement regulations and laws would apply, so none of that would be taken out in any form or manner.

Now, both of these circulars have been ready in GSA for close to a year. They have gone through the General Services Administration, have been reviewed from top to bottom. I do not know how many people have looked at them, but everybody has bought off on them, signed off. Presentations have been made to the Administrator and he sat on them for about 7 or 8 months. The latest reason for not getting them into operation, and beginning to take these savings for the government, is because of the change in administration.

Mr. BURTON. When did he make that decision?

Mr. BERUBE. That was done about, oh, right after the elections; I would say about November or December, somewhere in that area. Actually, he had them sitting on his desk for a much longer period of time than that. One of them has been around for 5 years and still has not been implemented.

Mr. BURTON. I would like to ask you to forward testimony, whatever you have, to submit for the record. We would be happy to have it. Could you just briefly describe the design-to-rent concept?

Mr. BERUBE. In essence, the design-to-rent concept is a policy that was developed 2 years ago by GSA to initiate a quality control program designed to keep costs of public buildings on a level equivalent to commercial space. The concept is that we determine the amount of space required in a particular area, and we then find out how much our income is going to be. We then amortize that income out for a period of 25 or 30 years in a similar nature that private industry would do. That determines how much building we can afford to build. What that amounts to, looking over about 200 building projects that were done in the past and taking the income that we get—the commercial equivalent income—it roughly breaks down that we would get savings in our buildings that would amount to anywhere from 30 to 50 percent of the cost. If we apply this 30 to 50 percent of the cost on a multimillion dollar building program, it amounts to a whale of a lot of money. I guess that is enough on that.

Mr. BURTON. Thank you very much. For the record, as you know, I have a letter from the GAO where they take some disagreement with part of your conclusions on that statement. Thank you.

We will take a short recess, and then have a couple of questions of Mr. Marschall and Mr. McBride, and then we will be finished.

[Recess taken.]

Mr. BURTON. The subcommittee will come to order.

[Witnesses sworn.]

Mr. BURTON. I would like to ask Mr. Marschall, what are your feelings about A-109?

STATEMENT OF A. R. MARSCHALL, COMMISSIONER, PUBLIC BUILDINGS SERVICE, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY GERALD McBRIDE, ASSISTANT ADMINISTRATOR FOR ACQUISITION POLICY

Mr. MARSCHALL. My feeling about A-109 is that it is an OMB circular which was intended for major systems acquisition. In the original A-109, one of the elements of a major systems acquisition, for example, was construction. There was some discussion when I arrived at GSA concerning the section of A-109 as it applied to PBS construction. We found that in the presentation given to us that not only was there a terrible time factor involved, but a great expense factor involved. In October 1979, the Administrator wrote to the head of OMB and said that the circular A-109 as he saw it and had it explained to him by his people in acquisitions policy seemed to be impracticable, and particularly to do with the formal competition among alternative solutions.

Mr. BURTON. I am sorry, who are you quoting?

Mr. MARSCHALL. Admiral Freeman, then the Administrator, wrote a letter to OMB in October 1979, and said that he felt that the achievement of A-109 at that time was impracticable because of some of the factors involved.

Mr. BURTON. What did OMB say?

Mr. MARSCHALL. To the best of my knowledge there was no answer.

Mr. BURTON. So, he failed—I mean, whether he liked it or you do not like it, it is an OMB policy circular that you were supposed to implement in 6 months, and did not, right?

Mr. MARSCHALL. I think most of the features of A-109 are taken care of pretty much by the existing process.

Mr. BURTON. How about the question I asked?

Mr. MARSCHALL. In answer to your question, as far as A-109 specifically as outlined, we did not implement it according to the letter of the subsequent publication by OMB, OFPP, under the heading of Construction. No, we did not, nor did we do it in any other acquisitions. I beg your pardon, I have been corrected.

Mr. McBRIDE. Mr. Burton, if I may clear up a misconception, A-109 was indeed implemented by GSA in, I believe, October or the latter part of 1977. There were many, many discussions as a result of that implementation, as to whether it met the letter and spirit of A-109, and whether it could be implemented in the two major component areas, the Public Buildings Service and the Automated Data and Telecommunications Service. It was subjected perhaps to more scrutiny than any other single order placed under GSA at that time.

Mr. BURTON. It was placed under you—it was placed over you by OMB.

Mr. McBRIDE. Perhaps so, but it was implemented within GSA.

Mr. BURTON. It was implemented?

Mr. McBRIDE. Yes. There was an order drafted and put out and signed by the Administrator of GSA.

Mr. BURTON. Where is that?

Mr. McBRIDE. I do not have a copy of it with me.

Mr. BURTON. Dave Stockman said GSA has not implemented OMB's A-109, which was issued April 5, 1976, that some people in GSA indicate conflict of existing laws and procedures, and when pressed specifically to identify these laws were unable to do so. You know, I do not know if I am for it or I do not know if I am against it. I would assume that when an agency gets an order from OMB to implement something, that they should implement it because I tell you I know what I would do if I was at OMB and I believed in the circular, you all would be on unemployment or you would be demoted. I would attract people's attention. I am a great believer in the utilization of that process.

For instance, if you were in an appropriation committee on OMB, where they get the money, and they did not do what they obviously think is a good idea—and I am not going to say whether it is or is not—you would find a lot of dough missing out of your budget in very funny places, such as your own salaries and travel allowances.

Is Mr. Berube going through another demotion?

Mr. WALKER. Mr. Chairman, I would like to just ask Mr. McBride for an explanation since he says A-109 has been implemented. The letter I have here to Dave Stockman from GSA, from Acting Administrator Ray Kline, says here that there are problems in applying the directives to GSA major acquisition systems buildings and ADP, and we are attempting to apply the provisions where it makes good sense to do so. That does not sound to me as though the directive has been implemented. It sounds as though it has been talked about, and we have found some problems, but it does not seem that we are proceeding very hastily to implement the directive in toto.

Mr. McBRIDE. Mr. Walker, if I may, I will submit for the record the order signed August 1, 1977, by Mr. Joel W. Solomon, then Administrator of GSA.

Mr. WALKER. But this letter from Ray Kline is dated March 23, 1981, and it certainly does not sound to me in that letter as though he is saying that the directive has been fully implemented. It sounds to me as though he is saying specifically that there are a number of large areas where the directive has, in fact, not been implemented.

Mr. McBRIDE. The point I was trying to make is that the order itself had been implemented. From that point on, I can only speculate on what took place. I was not at GSA at that time. I can only tell you that there was an order on the books as I arrived on the scene in GSA. We looked at it and we have been working ever since to try and come up with a practical solution to the policy issues that were and are now before us.

Mr. WALKER. You obviously were there March 23 when Acting Administrator Kline wrote his letter.

Mr. McBRIDE. Yes.

Mr. WALKER. Would you agree with Acting Administrator Klein that there were major areas where the provisions of A-109 had not been implemented?

Mr. McBRIDE. I would, yes, sir.

Mr. WALKER. So in fact, even though the order was issued, the order has been at least somewhat ineffective, if not virtually ineffective? Director Stockman's letter to us today indicates that the order may be virtually ineffective.

Mr. McBRIDE. True.

Mr. WALKER. Thank you.

Mr. BURTON. Well, for the record this is from Jay Solomon, August 1, 1977. The order establishes procedures for the management of major systems acquisitions, and then he states that this implements A-109; specifies the procedures to be followed. This is a better kept secret than why they fired Solomon. I think we will make this available. I do not even know if Mr. Kline knows about this. Also, OMB will have somebody more intelligent than I to look at it. It seems to be more of a guideline of administrative implementation, and everybody keeps thinking that it was not implemented. How did you get your hands on this?

Mr. McBRIDE. It was brought to my attention as a result of some of the allegations that have been made over a period of time. In my attempt as the Assistant Administrator for Acquisitions Policy to develop and implement a working arrangement under the A-109

guidelines, that document, along with PBS' and ADTS' plans for further implementation of A-109 was furnished to me. It is true we have not been able to bring together the forces—

Mr. BURTON. You have not even implemented what Solomon did, and Solomon did not specifically implement the order.

Mr. McBRIDE. We have over the last 8 to 9 months taken actions to implement procedures that will bring about the operational implementation of A-109.

Mr. BURTON. What kind of actions?

Mr. McBRIDE. There was established in accordance with A-109, a process for high level management review of the mission need statements. There is in force within GSA now a System Acquisition Review Council, or SARC, which carries out a top management review of the mission needs of GSA. That council is operating and has reviewed, I believe, on three or four occasions, issues related to A-109 systems acquisitions.

Mr. BURTON. Well, according to Kline, according to GAO, according to OMB, this does not really implement A-109 and is a very clever document drafted by a very clever person.

Mr. WALKER. It is over Mr. Solomon's signature. Do we know who drafted that particular memorandum? Do you have any idea who drafted that memorandum?

Mr. McBRIDE. No, sir.

Mr. WALKER. Would that be available within the agency anywhere, that you could provide for us for the record who drafted this particular memo?

Mr. McBRIDE. I will attempt to do that.

Mr. WALKER. That would be very useful if you would let us know that, please.

[SUBCOMMITTEE NOTE: Clearly, the documentation showed that the original draft was prepared by Mr. Berube and Ms. Clark of the Office of Acquisition Policy. However, it was commented upon, and presumably amended, by a large number of other officials. While GSA has provided numerous documents, the question remains unanswered. Since Berube, Clark, and the General Accounting Office later testified under oath at congressional hearings that the final document was a perversion of the intent of OMB circular A-109 and, in effect, was designed to surpress its implementation, the question is of considerable importance.]

[Information submitted by GSA in subcommittee files.]

Mr. BURTON. I will give anybody in the room \$200 million if they figure out that. I feel sorry for the new Administrator.

One last question: Is Mr. Berube in fact going to be demoted by you?

Mr. MARSCHALL. By me? I have no idea what is going to happen to Mr. Berube.

Mr. McBRIDE. Mr. Berube reports to me. I have no plans to demote Mr. Berube. A great many allegations have been made concerning a reorganization. I can assure you that there is no reorganization. There is a drafting of an organizational manual that has been going on for almost a year to clear up some functional entities under me. I have been assured by the Assistant Administrator for Human Resources that there are no adverse actions contemplated or planned as a result of that particular document.

Mr. BURTON. You know, coming to Congress and testifying on policy matters that happen to differ with what is happening in the administration—

Mr. McBRIDE. No, sir.

Mr. BURTON. Because we do not look too kindly upon that.

Mr. McBRIDE. I would agree with you.

Mr. BURTON. In other words, what would happen to FAA when they send a man up to Seattle. They even gave 22 seconds to me on "60 Minutes," so I mean, anything can happen.

Mr. WALKER. Mr. McBride, there is no quibbling with this subcommittee about the fact that A-109 is a lawful order, is that correct? I mean, it is a lawful order and should be carried out. You have said virtually it is not being carried out, but it is a lawful order that should be carried out, is that correct?

Mr. McBRIDE. I am not sure I agree it is a lawful order in that sense of the word. It is an Executive order. It carries with it a directive to the Administrator to implement it. It does not have statutory standing. I am not aware that it is law per se. It is an Executive order.

Mr. WALKER. If an Executive order comes to your agency and tells you to do something, you are supposed to do it, right?

Mr. McBRIDE. Yes, in that sense.

Mr. WALKER. So in that sense it is a lawful order to your agency. It is not the law of the land, but in terms of an agency it is the law of the land.

Mr. McBRIDE. Yes.

Mr. WALKER. What about OMB order A-76? Is that a lawful order in the same sense?

Mr. McBRIDE. Yes, sir.

Mr. WALKER. Has it been carried out?

Mr. McBRIDE. No, sir, it has not.

Mr. WALKER. Why have we not had it carried out?

Mr. McBRIDE. Under my guidance and direction an order has been put together. It has been forwarded to the Administrator for signature. The prior Administrator, for his reasons, decided he would hold that until a new Administrator arrived. As far as I am concerned, that order is in that posture. I therefore cannot answer that question.

Mr. WALKER. How long did he have that order? When was it drafted that he made that decision not to implement it?

Mr. McBRIDE. I would say he made a decision somewhere around the November or early December time frame not to sign the order.

Mr. WALKER. So he made it after he knew that the administration was going out and there would be a new Administrator?

Mr. McBRIDE. Yes.

Mr. WALKER. And do I understand you correctly that the order has been transmitted to this administration at this point, or is this awaiting the new Administrator to come in?

Mr. McBRIDE. It is awaiting the new Administrator. We have been advised by the Administrator-designate that one of the first of several items that he will put on his agenda to discuss with the senior staff will be A-109 and A-76.

Mr. BURTON. He will get some good, unbiased opinion.

Mr. McBRIDE. I would hope so, sir.

Mr. WALKER. What I am having a little bit of trouble with is that I think it would be very well for Mr. Carmen to talk to you right away about this; however, the circular with regard to this was put out in 1976, wasn't it?

Mr. McBRIDE. Yes, it was.

Mr. WALKER. And so it has taken you 5 years to get to this point—we have been through several Administrators—it has taken us 5 years to get down to the point where somebody is actually going to be asked to sign off on this thing and do something about it?

Mr. McBRIDE. Mr. Walker, I would again, I guess it is always nice to say things did not happen on your watch. In the year since I became the Assistant Administrator, we have taken actions to draft the document presented to the Administrator. In the meantime, there have been many other actions that have been taken. As Mr. Marschall pointed out, a letter indeed did go over to the director of OMB back in, I believe, October 1979, stating that there were needs within the agency, training needs for the implementation and the accomplishment of the sophisticated cost analysis that is required. Those needs, or a great deal of them, have been satisfied. There has been partial training of the work force. There has been partial gathering of the inventory on the items that are susceptible to A-76.

Mr. WALKER. What you are saying to me is that prior to your getting there, then nothing. Is that your point?

Mr. McBRIDE. No, there were drafts, and for whatever reasons they were not accepted.

Mr. WALKER. I would assume, if he does not ask the question I would be very disappointed, but I would assume Mr. Carmen is going to ask those questions when he sits down with the senior staff and discusses A-76, as to why we have had it in the agency 5 years and have not done anything toward implementation. Are you going to get together some analysis for him so he will better understand this?

Mr. McBRIDE. I was going to say that the policy of A-76, initially, was clear that is, to contract out. In the latter part of 1979 I believe there was a major change in that policy which also had us now looking at activities which were contracted out, to see whether it was more cost-effective or more efficient to bring them in-house.

Mr. BURTON. Is that part of the A-76 you put in there? In other words, what we are after is efficiency and economy, contracting out may provide that and may not provide that, and that you have got to make a determination. I read it in the paper, so it has got to be true. But theoretically, if you believe that GSA can remodel the White House cheaper than was done with all the donated money in the private sector—I read it in the paper so it has got to be true—but I think it is important, as somebody testified about the DOD contracting out, they saved money but most of the work was not done and the contracts were all given to retired people out of the Pentagon.

Mr. Harris in Congress last year had a bill in that was like a contracting thing, conflict of interest and whatever, that you could not contract out with the firm of Burton and Walker for 6 months after you retire from Congress because we were nice to you.

Mr. McBRIDE. Mr. Burton, Mr. Berube, who is on my staff, has the responsibility for eventually reviewing the inventory that is required under A-76. As I recall the numbers, there were some 1,200 activities that are in-house and 200 that are outside right now that we will review during the process.

Mr. BURTON. Thank you very kindly. The hearings are adjourned. We look forward to the confirmation of the Administrator. [Statement submitted by Associated General Contractors of America contained in app. 2.]

[Whereupon, at 3:22 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

A P P E N D I X E S

APPENDIX 1.—FORMER GSA ADMINISTRATOR FREEMAN'S ROADMAP OBJECTIVES FOR THE OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ADMINISTRATORS ROADMAP OBJECTIVES
FOR THE
OFFICE OF HUMAN RESOURCES AND ORGANIZATION

- I - SEVENTEEN OBJECTIVES COMPLETED
- II - THREE SHARED OBJECTIVES
- III - TEN ACTIVE OBJECTIVES
- IV - CENTRAL OFFICE ACCESSIONS
DURING FY - 1980 AND,
REGIONAL ACCESSIONS DELAYED
- V - AUDIT REPORTS CONTROL OFFICE (ARCO)

PART - I
 GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
1	MANAGEMENT STUDY OF OPTIONAL REGIONAL ORGANIZATION FOR FEDERAL PROPERTY RESOURCE SERVICES PERSONAL PROPERTY FUNCTIONS	(1) IDENTIFY STATUTORY REQUIREMENTS AND DETERMINE CURRENT REGIONAL ARRANGEMENTS FOR CARRYING THEM OUT, INCLUDING, STAFFING, WORKLOAD AND COMPLEXITY OF OPERATION. (2) IDENTIFY DEFICIENCIES IN CURRENT SYSTEM; DEVELOP AND EVALUATE ALTERNATIVES FOR ORGANIZING FPRS RESOURCES IN THE REGIONS TO ACCOMPLISH PROPERTY FUNCTIONS IN AN ECONOMICAL AND TIMELY FASHION AND (3) DEVELOP RECOMMENDATIONS FOR APPROVAL BY THE ADMINISTRATOR.	1-31-80	
2	AUDIT FOLLOW-UP SYSTEM AND ORGANIZATION (ARCO):	ESTABLISH AND IMPLEMENT PROCEDURES FOR THE ADMINISTRATOR'S CONTROL AND MONITORING OF THE MANAGEMENT REVIEW AND IMPLEMENTATION OF GAO AND INTERNAL GSA AUDIT REPORTS.	3-31-80	
3	IMPROVE PAPERWORK MANAGEMENT EXECUTIVE CORRESPONDENCE SYSTEM:	IMPLEMENT A SYSTEM FOR CONTROLLING THE ADMINISTRATOR'S CORRESPONDENCE THAT WOULD PROVIDE EFFICIENT TRACKING AND GENERATION OF STATUS REPORTS.	3-31-80	

GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

80-921 O-81-9

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
4	KEY PERSONNEL SEARCH AND SELECTION SYSTEM:	ESTABLISH EXECUTIVE REVIEW BOARD TO IDENTIFY AND SELECT HIGHLY QUALIFIED INDIVIDUALS TO SERVE IN SENIOR EXECUTIVE POSITIONS.	4-30-80	
5	PROCESS FOR REVIEWING NON-PROSECUTABLE CASES:	ESTABLISH PROCEDURE TO ASSURE IMMEDIATE MANAGEMENT REVIEW OF POSSIBLE EMPLOYEE VIOLATION OF PROCEDURE AND REGULATION IN WHICH THE JUSTICE DEPARTMENT DOES NOT INTEND TO PROSECUTE. PREPARE FOR ADMINISTRATOR'S APPROVAL, GSA ORDER ESTABLISHING "INVESTIGATIVE REPORTS REVIEW."	5-31-80	
6	EMPLOYEE GRIEVANCE PROCEDURES:	IMPROVE THE CLIMATE FOR INFORMAL RESOLUTION OF GRIEVANCES. REDUCE TO A MINIMUM THE REQUIREMENT FOR INVOLVEMENT OF THE ADMINISTRATOR IN THE FORMAL GRIEVANCE PROCEDURE	6-30-80	
7	INTERNAL INVESTIGATIONS EXCLUDED BY THE INSPECTOR GENERAL:	TO ISSUE BY JUNE 15, 1980, A GSA ORDER DELINEATING THE INVESTIGATIVE RESPONSIBILITIES OF THE OFFICE OF THE INSPECTOR GENERAL, THE PUBLIC BUILDING	6-30-80	

GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
9	PROJECT MANAGEMENT TRAINING, PHASE I:	SERVICE AND THE OFFICE OF HUMAN RESOURCES AND ORGANIZATION (HRO) AND TO IDENTIFY RESOURCE LEVELS NECESSARY TO CARRY OUT HRO INVESTIGATIVE RESPONSIBILITIES. DEVELOP A TRAINING PROGRAM WHICH WILL IMPART THE KEY COMPETENCIES FOR SUCCESSFUL PROJECT MANAGEMENT.	7-31-80	
9(A)	PROJECT MANAGEMENT TRAINING, PHASE II:	PHASE II REPRESENTS A FOLLOW-ON OBJECTIVE REFLECTED IN THE EXPANSION OF THE PROJECT. A FINAL MEETING WITH THE ADMINISTRATOR, DEPUTY ADMINISTRATOR AND NATIONAL CORE GROUP MEMBERS WAS HELD ON DECEMBER 10, 1980, WHEREUPON THE FINAL EVALUATION WAS GIVEN AND RECOMMENDATIONS MADE. THIS CONCLUDED THE (H) PORTION OF THE PROJECT.	12-31-80	
10	ORGANIZATION CHANGE CONTROL POLICY AND PROCESS:	DEVELOP FOR THE ADMINISTRATOR'S APPROVAL, GSA ORDER TO ANNOUNCE REVISED PROCEDURES FOR DEVELOPING, REVIEWING AND APPROVING	7-31-80	

GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
		ORGANIZATION CHANGES.		
11	EMPLOYEE APPEALS AND REVIEW SYSTEM:	DEVELOP OPERATIONAL GUIDELINES AND PERFORMANCE STANDARDS FOR EMPLOYEE APPEALS AND REVIEW BOARD, ENHANCE CAPABILITY TO RENDER SOUND AND TIMELY FINAL AGENCY DECISIONS ON DISCRIMINATION COMPLAINTS BY ESTABLISHING AND IMPLEMENTING THE ABOVE MENTIONED BOARD.	7-31-80	
12	SES IMPLEMENTATION: GSA WIDE:	IMPLEMENT A GOALS ORIENTED PERFORMANCE APPRAISAL AND AWARDS SYSTEM WHICH PROVIDES FOR DECISIONS ON RETENTION AND PAY FOR SENIOR EXECUTIVES, AGENCY-WIDE.	9-30-80	
14	REGIONAL REVIEW SYSTEM:	TO IMPLEMENT DECISIONS OF THE ADMINISTRATOR ON GSA OVERSIGHT AND EVALUATION, SPECIFICALLY TO: DEVELOP AN INTEGRATED SYSTEM OF PREPARING AND EXECUTING REGIONAL, ON-SITE REVIEWS.	8-31-80	
15	GSA AGENCY-WIDE SUPERVISORY DEVELOPMENT SYSTEM, PHASE I:	DESIGN AND PILOT A SUPERVISORY DEVELOPMENT SYSTEM FOR ALL GSA		

GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
		SUPERVISORS, INCUMBENTS AND PROBATIONERS: - DESIGN DEVELOPMENTAL SYSTEM - SHORT RANGE NEEDS ANALYSIS - CONDUCT PHASE I TRAINING - DESIGN PHASE II	8-31-80	
16	EMPLOYEE MOBILITY PROGRAM:	ASSURE THAT GSA EMPLOYEES, CURRENT AND FUTURE, ARE PROVIDED OPPORTUNITIES FOR INTRA-AGENCY MOVEMENT.	9-30-80	
17	EXECUTIVE DEVELOPMENT PROGRAM FOR SES:	ESTABLISH A PROGRAM FOR THE SYSTEMATIC DEVELOPMENT OF CANDIDATES FOR THE SES, INCLUDING A SYSTEM FOR PRIOR CERTIFICATION OF ELIGIBLES, AND THE CONTINUING DEVELOPMENT OF EXECUTIVES.	7-31-80	
19	ACQUISITION AND WARRENTING TRAINING, (PROCUREMENT TRAINING)	DEVELOP, PROCURE AND IMPLEMENT INTEGRATED AND COMPREHENSIVE TRAINING MODULES TO SUPPORT THE CONTRACTING OFFICER'S WARRENTING PROGRAM AND OTHER CAREER PROGRAMS IN THE FIELD OF ACQUISITION	10-31-80	

GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

80-921 O-81-10

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
		<p>SUBSEQUENT TO THE AD-HOC TRAINING PROVIDED IN SUPPORT OF THE WARRANTING PROCESS, THIS OBJECTIVE WAS CONCLUDED AS AN (H) ROADMAP IN OCTOBER 1980 WITH THE ESTABLISHMENT OF A CAREER MANAGEMENT BOARD FOR THE OFFICE OF ACQUISITION POLICY. BECAUSE OF ITS IMPORTANCE, I PREFERRED A SMOOTH TRANSFERENCE OF RESPONSIBILITY FOR PLANNING AND MANAGING THE CAREER DEVELOPMENT COMPONENTS FOR THIS TRAINING EFFORT. A SUCCESSFUL TRANSITION WAS CONSUMATED DECEMBER 31, 1980. HOWEVER, TO INSURE EFFECTIVE PERFORMANCE TO OUR CLIENTS I WILL CONTINUE TO MONITOR PROGRESS AND PROVIDE BROAD POLICY GUIDANCE, STAFF SUPPORT AND EVALUATION OVERSIGHT FOR THIS PROGRAM.</p>		

PART II.
 GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
13	STORE MANAGEMENT TRAINING:	DETERMINE STORE MANAGEMENT TRAINING NEEDS AND INITIATE COMPETENCIES OF EXISTING AND NEW HIRES IN FEDERAL SUPPLY SERVICE FUNCTIONS.	12-31-80	
18	BUILDING MANAGEMENT TRAINING:	DEVELOP APPROPRIATE SEQUENTIAL DEVELOPMENTAL TRAINING FOR EMPLOYEES WITHIN THE BUILDING MANAGEMENT CAREER SERIES. RESPONSIBILITY FOR PLANNING AND MANAGING THE CAREER DEVELOPMENT COMPONENTS OF THESE TRAINING EFFORTS WERE MERGED WITH THE CAREER MANAGEMENT BOARDS FOR THE PUBLIC BUILDINGS SERVICE AND FEDERAL SUPPLY SERVICE, RESPECTIVELY. I WILL CONTINUE TO MONITOR PROGRESS AND PROVIDE BROAD POLICY GUIDANCE AND STAFF SUPPORT TO THESE PROGRAMS. RESOURCES FROM MY OFFICE OF EMPLOYEE DEVELOPMENT AND TRAINING HAVE IN THE PAST AND WILL CONTINUE IN THE FUTURE TO PROVIDE STAFF SUPPORT AND TECHNICAL ASSISTANCE TO THESE BOARDS AS A CONTINUATION OF OUR EFFORTS IN UPGRADING	12-31-80	

GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
20	WAGE BOARD TRAINING PROGRAM:	<p>THE QUALITY OF GSA'S WORKFORCE THROUGH TRAINING AND EMPLOYEE DEVELOPMENT.</p> <p>IDENTIFY CRITICAL TRAINING NEEDS OF GSA SKILLED CRAFT EMPLOYEES AND DEVELOP STRATEGIES FOR MEETING THOSE NEEDS.</p> <p>INITIAL MODEL DEVELOPED AND RESPONSIBILITY MERGED WITH REGION 6, KANSAS CITY. MY OFFICE OF EMPLOYEE DEVELOPMENT AND TRAINING (HD) HAS FORMALIZED THE MODE OF THEIR ASSISTANCE THROUGH SEVERAL MEETINGS WHICH ENHANCED THE KIND OF FRONT-ENDING AND DELIVERY WORK SO ESSENTIAL TO A FULLY INTEGRATED TRAINING AND DEVELOPMENT PROGRAM. I WILL CONTINUE TO BE THE FOCAL POINT FOR MONITORING PROGRESS AND PROVIDING GUIDANCE AND STAFF SUPPORT FOR THIS EVER IMPORTANT TRAINING ACTIVITY.</p>	12-31-80	

PART III
 GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
8	MANAGEMENT DEVELOPMENT SYSTEM;	DESIGN TO LOCATE, RECRUIT, SELECT, PLACE, TRAIN AND DEVELOP EMPLOYEES FOR PROGRESSIVELY MORE RESPONSIBLE POSITIONS (GS-12 THRU 15)		11/81
15(A)	GSA AGENCY-WIDE SUPERVISORY DEVELOPMENT SYSTEM, PHASE II;	<p>DESIGN AND PILOT A SUPERVISORY DEVELOPMENT SYSTEM FOR ALL GSA SUPERVISORS; INCUMBENTS AND PROBATIONERS.</p> <p>A SUPERVISORY DEVELOPMENT TASK GROUP HAS BEEN ESTABLISHED UNDER THE TRAINING ADVISORY BOARD (TAB). THE TASK GROUP WILL DEVELOP, WITH THE ASSISTANCE OF A CONSULTANT (U.S. DEPARTMENT OF AGRICULTURE GRADUATE SCHOOL), A CATALOG OF SUPERVISORY COMPETENCIES, A SURVEY OF EXISTING SUPERVISORY SKILLS, A HANDBOOK THAT WILL IDENTIFY METHODS TO ACQUIRE NECESSARY COMPETENCIES, AND SEVERAL MODULAR SUPERVISORY COURSES THAT WILL BE PILOTED IN CENTRAL OFFICE AND THE REGIONS PRIOR TO NOVEMBER OF THIS YEAR.</p>		11/81

GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
21	IMPROVE EEO PROGRAM MANAGEMENT:	ENHANCE RESPONSE OF GSA IN MEETING ITS CIVIL RIGHTS AND EQUAL EMPLOYMENT OPPORTUNITY RESPONSIBILITIES, SET STANDARD GOALS AND OBJECTIVES THAT CAN BE MONITORED AND COORDINATED; ADMINISTER NEW CIVIL RIGHTS PROGRAMS THAT ARE REQUIRED BY LAW; MONITOR AGENCY COMPLIANCE WITH FEDERAL STATUTES REGARDING NON-DISCRIMINATION IN FEDERALLY ASSISTED PROGRAMS. THIS ROADMAP CONTAINED THIRTEEN (13) SUB-OBJECTIVES OF WHICH TEN (10) HAVE BEEN COMPLETED.	ON-GOING	8/81
22	GSA AWARDS PROGRAM:	IMPROVE AND UPDATE AWARDS PROGRAM FOR GSA		10/81
23	COORDINATE HEADS OF SERVICES AND STAFF OFFICE DELEGATIONS OF AUTHORITY TO REGIONS:	GSA PRESENT DELEGATIONS OF AUTHORITY SYSTEM WAS REVIEWED AND MODIFIED TO: (1) UPDATE; (2) REMOVE UNNECESSARY LIMITATIONS ON THE AUTHORITIES OF REGIONAL ADMINISTRATORS; (3) DELEGATE CERTAIN OPERATING AUTHORITIES TO RA'S RATHER THAN HSSO's AND (4), STREAMLINE THE DELEGATIONS OF AUTHORITY MANUAL BY,	3/80	

GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
24	PHASE I: PHASE II: GSA ACADEMY (SPIN-OFF OBJECTIVE - GSA TRAINING CENTER):	REMOVING ALL AUTHORITIES EXCEPT THOSE UNIQUELY DELEGATED TO THE ADMINISTRATOR, REMOVING ALL PROCEDURAL MATERIAL, REMOVING GENERAL MANAGEMENT-TYPE AUTHORITIES, ETC. THE END PRODUCT IS A SIMPLIFIED SYSTEM WHICH REFLECTS MAXIMUM DECENTRALIZATION OF AUTHORITIES TO THE REGIONS. ACHIEVE MAXIMUM DECENTRALIZATION OF AUTHORITIES TO REGIONS (COMPLETED) ASSESS EFFECTIVENESS OF REVISED DELEGATIONS; FINE TUNE, OBTAIN FINAL APPROVAL, AND PUBLISH. ESTABLISH A TRAINING DELIVERY UMBRELLA STRUCTURE TO: 1. TRAIN SUPERVISORS AND MANAGERS IN BASIC SKILLS AND KNOWLEDGES 2. PROVIDE BASIC AND ADVANCED TRAINING FOR MAJOR OCCUPATIONS.	3/80	5/81

GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
25	DEVELOP STRATEGY FOR CONDUCT OF LABOR RELATIONS IN GSA;	<p>3. USE EXISTING GSA, OTHER AGENCY, AND NON-GOVERNMENT RESOURCES IN CARRYING OUT ITS MISSION. DURING FY '80 AN AGENCY-WIDE REVIEW OF TRAINING PRIORITIES RESULTED IN EXPANSION OF THE CURRICULUM OF THE ACQUISITION TRAINING FACILITY, A REIMBURSABLE FUNCTION, TO INCLUDE OTHER FUNCTIONAL AREAS FOR WHICH GSA HAS GOVERNMENT-WIDE REGULATORY RESPONSIBILITY. THIS HAS BEEN ACCOMPLISHED. THE CENTER IS FULFILLING BOTH GSA'S RESPONSIBILITIES TO PROVIDE GUIDANCE TO OTHER FEDERAL AGENCIES IN GSA MISSION AREAS (PROCUREMENT, SUPPLY, RECORDS/ INFORMATION MANAGEMENT, SPACE AND PROPERTY MANAGEMENT, TRAVEL AND TRANSPORTATION MANAGEMENT) AND FILLING TRAINING REQUIREMENTS IN THESE AREAS FOR GSA EMPLOYEES AS WELL.</p> <p>IMPROVE THE OPERATION OF THE LABOR MANAGEMENT RELATIONS PROGRAM THROUGH REVIEW OF PRESENT PRACTICES TO ENSURE</p>	ON-GOING	

185

GENERAL SERVICES ADMINISTRATION
 ADMINISTRATOR'S ROADMAP OBJECTIVES
 OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
		THEY ARE CURRENT AND EFFECTIVE AND RECOMMEND WHERE NECESSARY IMPROVEMENTS IN ALL MAJOR ASPECTS OF THE PROGRAM. RESTRUCTURE LMR PROGRAM WHERE NECESSARY TO MEET NEW REQUIREMENTS IN NATIONAL CONSOLIDATION WITH AFGE.		
		GSA RECENTLY REACHED IMPASSE ON GROUND RULES WITH AFGE. THIS ACTION DELAYS NATIONAL NEGOTIATIONS FOR AN UNSPECIFIED PERIOD OF TIME. WE WILL CONTINUE TO WORK WITH AFGE NEGOTIATING TEAM TO FINALIZE GROUND RULES.		
26	INTERNAL GSA SAFETY AND HEALTH PROGRAM:	TO ESTABLISH AN OCCUPATIONAL SAFETY AND HEALTH PROGRAM WITHIN GSA AND TO TRAIN GSA SUPERVISORS AND MANAGERS IN THEIR RESPONSIBILITIES UNDER THE PROGRAM.		12/81
27	PERFORMANCE APPRAISAL FOR EMPLOYEES OTHER THAN SES AND THOSE NOT ELIGIBLE FOR MERIT PAY:	DEVELOP AND IMPLEMENT NEW PERFORMANCE APPRAISAL SYSTEMS UNDER C.S.R.A. WHICH EXCLUDES THOSE COVERED BY SES AND MERIT PAY.		10/81

GENERAL SERVICES ADMINISTRATION
ADMINISTRATOR'S ROADMAP OBJECTIVES
OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
28	MERIT PAY SYSTEM FOR SUPERVISORS AND MANAGEMENT OFFICIALS:	IMPLEMENT A FAIR SYSTEM FOR PERFORMANCE APPRAISAL AND MERIT PAY; FULL COMPARABILITY RAISES AND WITHIN-GRADE INCREASES WILL CEASE; IN THEIR PLACE MANAGEMENT MUST DISTRIBUTE A MERIT INCREASE RELATED TO PERFORMANCE OF GS-13 THROUGH GS-15's.		10/81

PART - IV

REGION	OFFICE	NUMBER OF POSITIONS, GRADE AND TITLE	
4 - ATLANTA	—	NO IMPACT	
5 - CHICAGO	ADMINISTRATIVE SERVICES	(1) GS-12	PROPERTY SERVICE OFFICER (CHIEF, OFFICE SERVICE BRANCH)
		(1) GS-3	SUPPLY CLERK
6 - KANSAS CITY	—	NO IMPACT	
7 - FT. WORTH	—	NO IMPACT	
8 - DENVER	EEO STAFF	(1) GS-13	SUPERVISORY EQUAL EMPLOYMENT OFFICER
	PERSONNEL	(1) GS-13 (1) GS-12	SUPERVISORY PERSONNEL STAFFING SPECIALIST EMPLOYEE DEVELOPMENT OFFICER
9 - SAN FRAN.	ADMINISTRATIVE SERVICES	(1) GS-3	MAIL CLERK
10 - AUBURN, WASHINGTON	—	NO IMPACT	
NATIONAL CAPITAL REGION	—	NO IMPACT	

$\frac{9 \text{ POSITIONS}}{680 *} = 0.01\%$

* TOTAL NO, REGIONAL EMPLOYEES

PART - V
GENERAL SERVICES ADMINISTRATION
ADMINISTRATOR'S ROADMAP OBJECTIVES
OFFICE OF HUMAN RESOURCES AND ORGANIZATION

ROADMAP NUMBER	ROADMAP	OBJECTIVE/STATUS	COMPLETION DATE	TARGET DATE
2	AUDIT FOLLOW-UP SYSTEM AND ORGANIZATION (ARCO)	(PLEASE SEE ATTACHED)		

Roadmap Report - Audit Followup

The October, 1979 roadmap H-2 set four actions related to audit followup and organization.

- 1) Establish Audit Reports Control Office - office established by detailees on December 7, 1979.
- 2) Establish procedures to control management followup of GAO and internal IG reports - November, 1979.
- 3) Implement those procedures - procedural implementation begun by detailees on December 7, 1979.
- 4) Analyze current compliance with audit recommendations by all GSA entities; discuss/reach agreement on remaining open items with each HSSO/RA.

GAO reports - completed January, 1980
IG reports - completed March, 1980

This analysis resulted in finding over 300 recommendations unimplemented from audit reports issued prior to FY 80.

The Audit Reports Control Office now ensures that management action on IG internal audits and GAO reports comply with PL 91-510, PL-96-226, PL 96-304 and OMB Circulars A-50 and A-73. GSA was not previously in compliance with PL 91-510 or the previous versions of the OMB Circulars (A-73 was revised December, 1979).

For the period 1977-81, GSA has recorded 1893 recommendations made in GAO and IG internal audit reports. 1448 were closed/completed as of April 1, 1981. The rate at which closure/completion occurred quadrupled in FY 80 with ARCO's establishment.

Closed 1977-80: 643 (214 average per year)
Closed 1980-81: 805

The 805 recommendations resulted in savings of \$23.1 million.

There were 445 recommendations open as of April 1, 1981 of which 203 were less than 6 months old.

GSA has now seen a positive trend toward new IG reports in most problem areas that have "no significant findings." Thus far in FY 81, reviews in the following places have not required any corrective action:

2 Self-service stores Little Rock, AR	Fort Worth, TX
10 PBS field offices Tucson, AZ Schreveport, LA Boston, MA Detroit, MI St. Louis, MO	Albany, NY New York (7th Avenue), NY Eugene, OR Pittsburgh, PA Beaumont, TX
1 Motor pool Chicago, IL	

APPENDIX 2.—STATEMENT OF THE ASSOCIATED
GENERAL CONTRACTORS OF AMERICA



APR 22 1981

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

1957 E Street, N.W. • Washington, D.C. 20006 • (202) 393-2040 • TWX: 710-822-9406 AGC WSH

THOMAS E. DAILEY, President

H. C. HELDENFELS, Senior Vice President

RICHARD S. PEPPER, Vice President

E.W. MCKENZIE, Treasurer

HUBERT BEATTY, Executive Vice President

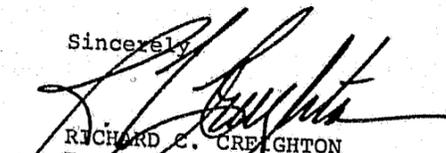
April 15, 1981

The Honorable John L. Burton
Chairman, Subcommittee on Government
Activities and Transportation
of the Committee on Government
Operations
House of Representatives
Washington, DC 20515

Dear Mr. Burton:

The Associated General Contractors of America respectfully submits the enclosed statement for the record of the hearing on Oversight of the General Services Administration held by the Subcommittee on Government Activities and Transportation on April 13, 1981.

Sincerely,


RICHARD C. CREIGHTON
Executive Director
Congressional Relations

Statement of
 The Associated General Contractors of America
 Presented to the
 Subcommittee on Government Activities and Transportation
 of the
 Committee on Government Operations
 United States House of Representatives
 April 15, 1981

On the Topic of
 Oversight of the General Services Administration



AGC is:

- * More than 30,000 firms including 8,400 of America's leading general contracting firms responsible for the employment of 3,500,000-plus employees;
- * 113 chapters nationwide;
- * More than 80% of America's contract construction of commercial buildings, highways, industrial and municipal-utility facilities;
- * Approximately 50% of the contract construction by American firms in more than 100 countries abroad.

The United States Government has relied on competitive bidding to procure goods and services almost since the founding of the Nation. The Act of 1809 (2 Stat. 536) required "open purchase" or public advertising for purchases made by the Secretary of the Navy, and was followed by the Acts of 1842 (5 Stat. 535) and 1843 (5 Stat. 617) which specifically required sealed proposals, public bid openings and selection of the lowest bidder. The Act of August 31, 1852 (8 Stat. 96) extended the requirement of public advertising to the construction of public buildings.

These early laws were the predecessors of Revised Statutes 3709 (12 Stat. 220, §10), which required all federal government procurements to be made by formal advertising to the lowest responsible bidder.

The Armed Services Procurement Act of 1947 and the Federal Property and Administration Act of 1949, as well, both favor competitive bidding for procurements but do provide some exceptions to formal advertising procedures. Very few of the exceptions have been utilized to procure construction.

This proven construction procurement system entails soliciting competitive bids on detailed plans and specifications prepared by an architect/engineer. After the bids are received, the contracting officer determines which bids are responsive and which of the responsive bids is from the lowest responsible bidder. A responsive bid is one which conforms to the invitation and one that offers precisely what the government is seeking. Award is then made to the lowest bidder.

This method of securing competitive bids and constructing projects using the lowest responsive and responsible bidder has been used by the federal government with success for almost a century. This preference for the competitive bid contract system is rooted in the reasoning that sealed bids, independently submitted, result in the lowest cost to the owner and afford maximum protection in the expenditure of public funds. There is no compelling reason why this proven construction procurement method should be abandoned or tampered with in favor of procurement techniques applicable to major hardware, software and weapons systems.

Federal construction procurement is intensely competitive. There are literally thousands of construction firms, the majority of which are small business, that compete for federal construction projects as compared to the infinitely more limited number of firms that are involved in the production and supply of the major hardware, software and weapon systems intended for coverage by the procurement techniques outlined in A-109. While A-109 may do nothing more than require procurement methods that are already standard fare in major systems acquisitions, its application to construction will result in experimental procurement techniques that will further reduce competition in the federal construction marketplace. Such experimental methods are not new to federal construction procurement. Individual federal construction awarding agencies have, through the years, dabbled with such experimental procurement methods. The lack of survival of those methods in the federal construction procurement system is testimony to their

inapplicability and the continued worth of the traditional construction procurement method.

Application of A-109 to construction procurement would effectively eliminate many small business construction firms from the federal construction marketplace, and thus prove anti-competitive. The traditional and proven competitive bid construction procurement method affords equal opportunity for all firms to bid on federal construction work. It does so because all bidders bid on the exact same plans and specifications with assurance that award will be made to the lowest responsive and responsible bidder. Under the experimental procurement methods in A-109, undue emphasis would be placed on, and advantage given to firms with developer or consortium capabilities, characteristics not generally found in the average construction firm.

Application of the procedures outlined in OMB Circular A-109 to the federal government's acquisition of construction would result in the procurement of government construction based on subjective determinations without adequate assurance that the government has secured precisely what it was seeking and at the lowest cost.

For example, application of the Major Systems Acquisition Regulation to construction would result in a procurement system somewhat akin to the following:

The General Services Administration determines a need for office space to house 400 employees. GSA would issue a Request for Proposal to the private sector geared around a "functional

specification" seeking industry's proposed "solutions" to meet the need. The "functional specification" purportedly would allow for flexibility to permit industry to respond with experimental concepts as proposed solutions to meet the need. The functional specification in this hypothetical GSA example could conceivably be nothing more than "office space to house 400 employees in the Washington, DC area." Proposals received from industry could run the gamut from use of excess or surplus office space; joint use of existing federal buildings; purchase of a non-federal building; leasing of existing space; a proposal from a developer to build an office building and then lease it to GSA; a proposal from a Construction Management firm; a proposal from a consortium to develop a systems package building; a proposal from an Architect/Engineering firm (or a number of Architect/Engineering firms) to design an office building, or a myriad of other experimental mutations.

GSA would then have to narrow the "proposed solutions" down to a workable number. GSA would then have to fund the further development of such assorted proposals, and the public would have to bear the cost. Ultimately, GSA would select one as the best solution and issue a contract. No further competition would exist, if in fact, any had existed to that point--unless of course the competitive bid procurement method was selected.

It can be readily seen that in evaluating the proposals received, the government is not comparing like proposals, but rather is comparing a number of unlike proposals. Consequently, the evaluators' personal subjective opinions are injected into

the process of comparing the myriad of proposed solutions. This system cannot assure, as does the traditional construction procurement method, the lowest cost to the owner or maximum protection in the expenditure of public funds.

The traditional and proven competitive bid procurement system has served federal construction and the tax paying public well, and must not be cast aside or tampered with by application of A-109 to construction.

During the few months since the advent of the Reagan Administration, the business community and the public have benefitted alike from a sorely needed change of direction away from the experimentation with schemes arbitrarily imposed by people who offered solutions to non-existent problems, and to the distress of intended beneficiaries.

We believe that the few proponents of applying A-109 to construction procurement should carefully evaluate the benefits of open competitive bidding before proposing another costly layer of bureaucratic bungling to government procurement of construction. Failure to exercise such careful evaluation will, most assuredly, result in further diminution of interest in open competitive bidding for government construction even if the few proponents of A-109 for construction procurement do not prevail. The most urgent need from government in all areas of procurement is to encourage participation and competition by the thousands of firms that should now seek, rather than shun, opportunities to bid on government construction.

The Associated General Contractors of America totally supports President Reagan's proposed tax and spending cuts despite the fact that the cuts involve a minimum of \$18.2 million reduced federal expenditures for construction. That support, and the sacrifice of our own interest was prompted by the hope and belief that government would create incentives for competition instead of additional layers of bureaucratic and regulatory empire building inherent in the application of A-109 to the construction industry.

APPENDIX 3.—LETTER AND ENCLOSURES TO JOHN L. BURTON, FROM DAVID A. STOCKMAN, DIRECTOR OF OMB CONCERNING OMB CIRCULARS A-109 AND A-76



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 13 1981

April 13, 1981

Honorable John L. Burton
Chairman
Subcommittee on Government
Activities and Transportation
Committee on Government Operations
U.S. House of Representatives
Washington, DC 20515

Dear John:

This is in response to your April 7, 1981, letter concerning hearings your subcommittee is holding on the General Services Administration's (GSA's) attempts to effect reforms within the Agency. Two of the topics which will be discussed are GSA's apparent failure to implement OMB Circulars A-109 and A-76. You requested our position as to what OMB intends to do to secure compliance with these two Circulars. Before commenting on specific actions planned, I would first like to address the problems we have encountered with them regarding these Circulars.

As you are aware, one of the major goals within this Administration centers on maximizing the efficient expenditure of funds. OMB Circular A-76 provides one of the necessary tools to achieve this goal by ensuring economies and efficiencies in operating commercial-industrial type activities. GSA, over the past 12 months has purportedly refused to implement this policy for the following three reasons:

- Their personnel have not been trained on the policies and procedures prescribed by the Circular for conducting cost comparisons.
- An additional 370 personnel are required to implement A-76.
- The program impacts their Equal Employment Opportunity Program.

Since that time they have reported to us that over 300 personnel have been trained and this issue no longer poses a significant problem. With respect to their request for an additional 370 personnel spaces over the next two fiscal years, we reviewed it and found no basis to support this request and so informed GSA. In fact, our letter of January 9, 1981 (Attachment 1) to them concerning this issue stated, "We believe that additional personnel positions can be generated immediately by contracting out CITA functions estimated to be less than \$100,000 in annual operating costs without incurring the delay and expense of conducting cost comparison studies. The personnel savings accrued from this action can be reallocated to conduct the cost studies indentified in your inventory." With respect to their last allegation, we have informed them that their EEO program should be

one that is balanced and stratified throughout the agency and not solely concentrated in the nonprofessional area. Additionally, we reminded them that the contractual requirements placed on contractors for aggressive EEO programs are much greater than those imposed on Federal employees. For instance, contractors are required to have an EEO program and hire the handicapped and veterans just to cite a few of the contractual requirements. For these reasons, we do not find any validity to their claim on this issue.

On April 8, 1981 (Attachment 2) in a letter to GSA from this Office, we directed that they implement the Circular and identified four functions comprising over 13,000 personnel positions, which must be scheduled for immediate A-76 cost comparison studies and be completed by September 1982. We simultaneously issued a bulletin (Attachment 3) which we will use to ensure these studies are scheduled and conducted in the timeframe cited above. This Bulletin provides the necessary link between the Circular and the budgetary process which will provide the controls needed to ensure the Circular's full and effective implementation.

As you indicated in your letter, GSA has not implemented OMB Circular A-109 which was issued April 5, 1976. Since that time, we have worked with personnel in GSA to secure its implementation. Some personnel in GSA have informally indicated A-109 conflicts with existing laws and procedures, but when pressed to specifically identify these laws they have been unable to do so.

The OFPP Administrator-Designate has met with the new Administrator of GSA and begun discussing acquisition policy matters such as OMB Circular A-109. If they are unable to come to a conclusion with regard to the implementation of the policy in A-109 or identification of the areas that need to be modified before it can be implemented, I have asked the OFPP Administrator-Designate to notify me so that any differences can be successfully resolved.

I hope this information will be of assistance to you and clarify the actions OMB is taking to ensure implementation of these two Circulars.

Sincerely,


David A. Stockman
Director

Attachments

Attachment 1

JAN 9 1981

Honorable Rowland G. Freeman, III
Administrator of General Services
Washington, D. C. 20405

Dear Mr. Freeman:

Thank you for a timely response to my memorandum of July 1, 1980, concerning your Agency's implementation of OMB Circular A-76.

In reviewing your report I noted that, although the Circular required all agencies to implement it within ninety days, no instructions have been issued nor have your review schedules been published. Further, in comparing the data furnished to us in 1977, we find that your Commercial Industrial Type Activities (CITA) inventory has dropped from 7,692 activities to 1,200, with a corresponding decrease in capital investment, without any explanation.

With respect to your request for some 370 additional personnel over the next two fiscal years, we in OMB have reviewed this and find no basis to support this request. Through the proper implementation of the Circular, we believe you will be able to reallocate your current personnel resources and utilize them for performance of Governmental functions and those CITA functions remaining in-house as a result of cost studies. We believe that additional personnel positions can be generated immediately by contracting out CITA functions estimated to be less than \$100,000 in annual operating costs without incurring the delay and expense of conducting cost comparison studies. The personnel savings accrued from this action can be reallocated to conduct the cost studies identified in your inventory. Moreover, under these circumstances, I would appreciate your cooperation in prompt action on A-76 guidance.

A copy of your implementing procedures, along with notification of a firm target date for publication of your guidance and CITA inventory should be forwarded to this Office within thirty days. Additionally, due to the wide disparity in your 1977 versus 1980 inventory, I request we be notified as to the disposition of the 6,492 CITAs deleted from your inventory since 1977. OMB intends to closely monitor progress in the Circular's implementation to ensure it is efficiently and effectively applied within all agencies.

We look forward to working with you to assure implementation of Circular A-76. Your staff may wish to contact Ms. Darleen Druyun, the Deputy Associate Administrator of this policy for further assistance.

Sincerely,


Karen Hastie Williams
Administrator

Attachment 2



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

APR 8 1981

Mr. Ray Kline
Acting Administrator
of General Services
Washington, DC 20405

Dear Mr. Kline:

One of the major goals within this Administration centers on maximizing the efficient expenditure of funds. OMB Circular A-76, "Policies for Acquiring Commercial or Industrial Products and Services Needed by the Government," provides you with one of the necessary tools to achieve this goal. This Administration strongly supports the general policy of reliance on competitive private enterprise to supply the products and services needed by the Government. Through proper and effective implementation of the Circular you will be able to achieve economies and efficiencies in operating commercial-industrial type activities by:

- Determining the least cost method of providing essential services (contract or in-house).
- Streamlining existing Government organizations ensuring they are organized and staffed for the most efficient performance.
- Reducing long-range fiscal obligations through reductions in the Federal workforce when cost comparisons show a contract operation is more cost effective.
- Enhancing productivity through the development of measurable job standards.

The Circular provides that when private performance of commercial or industrial activities is feasible and no overriding factors require in-house performance, a rigorous comparison of contract costs versus in-house costs will be made, using the Circular's Cost Comparison Handbook, to determine whether the work will continue to be performed by in-house personnel or converted to a contract operation. The Circular contains several provisions that give appropriate consideration to affected Federal employees. Among the more significant ones are that:

- Existing in-house activities will not be converted to contract performance on the basis of economy unless it will result in a savings of at least 10 percent of the estimated Government personnel costs for the period of the comparative analysis; and
- Federal employees displaced as a result of the conversion to contract performance will be given the right of first refusal for employment openings in the contract operation.

I recently reviewed your implementation of Circular A-76 and note that it has been in a vacuum for almost two years. I understand that one of the reasons the Circular has not been implemented within your Agency is due to the lack of a

formal implementing order. Although such an order is not required by the Circular, our primary concern is that since the effective date of the Circular in all agencies was May 1, 1979, your agency has not reviewed a single in-house activity for possible conversion to contract performance. This gravely concerns us in view of the obvious savings that can be effected through reliance on the private sector.

In reviewing your inventory, I believe that the opportunity exists for you to conduct OMB Circular A-76 cost comparison studies on the four functions listed below which comprise over 13,000 personnel positions. These functions are:

Guard Services	3,000
Custodial	5,000
Building Maintenance	4,000
Motor Vehicle Operations and Maintenance	1,000
Total	13,000

Therefore, these functions shall be scheduled for cost comparison studies in FY 1981 and completed by September 1982. Accomplishment of these studies in that timeframe will move us closer to the realization of this Administration's goals. I look forward to your response regarding your specific plans to review the above listed functions.

One of the actions required to ensure uniform implementation of the Circular in the civilian agencies is the modification of the Federal Procurement Regulation (FPR). Your assistance is requested in publishing appropriate clauses and contract provisions thereby enacting uniform procurement procedures. The recently published draft Federal Acquisition Regulation A-76 coverage should be the basis of the procedures incorporated into the FPR. We would appreciate this being accomplished within 60 days.

Both the Circular and other instructions, limiting Federal civilian employment, are complementary. The instructions preclude the use of contracting with firms and institutions outside the Government solely to circumvent personnel ceilings. Agencies that contract out for goods and services under the structured and deliberate process prescribed by OMB Circular A-76 are doing so because it is cost effective and reduces the growth in Government spending.

In light of the trust and responsibilities placed in us by the American people, it is essential that we join together in forming a partnership to ensure OMB Circular A-76 is implemented in an effective and timely manner. Please be assured that my staff and I will work closely with you in this endeavor.

Sincerely,

Edwin L. Harper
Deputy Director



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Bulletin 81-15

APR 8 1981

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Agency Implementation of OMB Circular No. A-76

1. Purpose. This Bulletin provides instructions for preparing and submitting information on each agency's implementation of OMB Circular No. A-76 and its impact on budget estimates. In addition, this Bulletin requires special information on agency progress toward meeting the requirements of OMB Circulars No. A-114 and A-76 relating to audiovisual activities.
2. Authority and Background. The Budget and Accounting Act of 1921, as amended. Under OMB Circular No. A-76 (Revised), dated March 29, 1979, and subsequent amendments, agencies unless granted an extension were required to review their in-house Commercial Industrial Type Activities (CITA's) by March 1982 and their existing contracts before they come due for reprocurement. After initial review, activities approved for continuation are required to be reviewed at least once every five years. Agencies are also required to assure that their budget estimates reflect the probable impact of decisions based on implementation of OMB Circular No. A-76 procedures as prescribed by sections 13.2 through 13.5 of OMB Circular No. A-11. OMB Circular No. A-114, dated April 13, 1978, prescribes the policies for management of Federal Audiovisual activities. These activities are also subject to the policies in OMB Circular No. A-76. This Bulletin requires agencies to report on their progress in complying with these requirements.
3. Coverage. These instructions apply to the Executive Branch departments and establishments listed in Attachment A.
4. Policy. In a democratic free enterprise economic system the Government should not compete with its citizens. The private enterprise system, characterized by individual freedom and choice, is the primary source of national economic strength. In recognition of this, it is the general policy of this Administration to reduce the growth in Government spending and rely on competitive private enterprise to supply the products and services the Government needs.

The Circular (1) reaffirms the Government's general policy of reliance on the private sector for goods and services, while recognizing that (2) certain functions are inherently governmental in nature and must be performed by Government personnel, and (3) relative cost must be given appropriate consideration in decisions between in-house performance and reliance on private commercial sources. The balanced approach in the Circular is designed to achieve consistent policy implementation in all agencies, equitable treatment of all parties, and improved economy and efficiency in providing goods and performing services needed by the Government.

OMB Circular No. A-76 and other OMB instructions that limit Federal civilian employment are complementary. OMB instructions preclude the use of contracting with firms and institutions outside the Government solely to

circumvent personnel ceilings. However, agencies that contract out for goods and services under the structured and deliberate process prescribed by OMB Circular No. A-76 are doing so because it is cost effective and reduces the growth in Government spending.

5. Action Requirements. No later than May 31, 1981, agencies listed in Attachment A will submit to the Office of Federal Procurement Policy a report on implementation of OMB Circular No. A-76 in accordance with Attachments B, C, D, and in the format of the exhibits. Agencies will prepare the required exhibits consistent with the definitions listed in Attachment B and the instructions in Attachment C. Attachment D specifies the codes needed to complete the exhibits.
6. OMB Responsibilities. OMB will review the reports required by this Bulletin to assess agency implementation of OMB Circular No. A-76 and to insure that the economies that will be realized through A-76 implementation are reflected in agency budget estimates.
7. Information Contact. Questions should be directed to the Office of Federal Procurement Policy, Office of Management and Budget, telephone 395-3254.
8. Sunset Date: This bulletin will expire on September 30, 1981.

Edwin L. Harper
Deputy Director

Attachment A
Bulletin No. 81-15

Agencies Required to Report

Department of Agriculture
 Department of Commerce
 Department of Defense
 Department of Education
 Department of Energy
 Department of Health and Human Services
 Department of Housing and Urban Development
 Department of Interior
 Department of Justice
 Department of Labor
 Department of State
 Department of Transportation
 Department of Treasury
 ACTION
 Consumer Product Safety Commission
 Environmental Protection Agency
 Federal Communications Commission
 Federal Emergency Management Agency
 Federal Home Loan Bank Board
 Federal Trade Commission
 General Services Administration
 International Communication Agency
 International Development Cooperation Agency
 International Trade Commission, United States
 Interstate Commerce Commission
 National Aeronautics and Space Administration
 National Credit Union Administration
 National Science Foundation
 Nuclear Regulatory Commission
 Office of Personnel Management
 Pension Benefit Guaranty Corporation
 Railroad Retirement Board
 Small Business Administration
 Tennessee Valley Authority
 United States Postal Service
 Veterans Administration
 Entities within the Executive Office of the President

Attachment B
Bulletin No. 81-15

Definitions

1. Annual Cost of Operation -- The estimated total cost of the full-time equivalent of personnel allocated to an in-house performance of an activity during a fiscal year, plus supplies and materials used. See definition of "personnel allocated" in this Attachment.
2. Capital Investment -- The estimate of the capitalized cost of facilities and equipment employed in the in-house operation of the activity. Capitalized cost is determined by taking the original cost and subtracting accumulated depreciation.
3. Contracts -- Contracts for private sector performance of commercial/industrial activities in excess of \$100,000 annually, except those awarded under an authorized set-aside program, for services which the agency determines could reasonably be performed in-house. Includes any activities that have been converted from in-house to contract performance.
4. Government Commercial or Industrial Activity -- One which is operated and managed by a Federal executive agency and which provides a product or service that could be obtained from a private source. A representative, but not comprehensive, listing of such activities is provided in Attachment A to OMB Circular No. A-76 (Revised). An activity can be identified with an organization or a type of work, but must be (1) separable from other functions so as to be suitable for performance either in-house or by contract and (2) a regularly needed activity of an operational nature, not a one-time activity of short duration associated with support of a particular project.
5. Informal Cost Study of a Contract -- An initial review of contract costs to determine whether it is likely that the work can be performed in-house at a cost that is less than contract performance by 10 percent of Government personnel related costs plus 25 percent of the cost of ownership of equipment and facilities. When this is determined to be likely, a formal cost comparison is conducted following the provisions of OMB Circular No. A-76 (Revised) and Supplement No. 1 to the Circular, the "Cost Comparison Handbook."
6. New Start -- A newly established Government commercial or industrial activity, including a transfer of work from contract to in-house performance. Also included is an expansion which would increase capital investment or annual operating cost by 100 percent or more.
7. Personnel Allocated -- The full-time equivalent (FTE) of in-house personnel resources (i.e., the workyears associated with full-time permanent appointments and other appointments subject to the FTE total employment ceilings assigned by OMB) that are allocated to the performance of an activity during a fiscal year. Include the FTE of appointments that are expected to be filled during the fiscal year and to be allocated to an in-house activity.

Special Definitions for Exhibit 5

1. Audiovisual Activities Subject to OMB Circular No. A-114:
 - a. Audiovisual Activities -- Resources used to provide an audiovisual service or produce an audiovisual product. Resources include equipment, facilities, personnel, supplies, and accessories.
 - b. Audiovisual Equipment -- Equipment used for the recording, production, reproduction, processing, distribution, or exhibiting of audiovisual products.
 - c. Audiovisual Facilities -- A building or space within a building, owned or operated by the Government which houses either an audiovisual activity, audiovisual equipment, or a capability to provide an audiovisual service. Space used to produce an audiovisual product with portable equipment shall be classified as an audiovisual facility.
 - d. Audiovisual Services -- Those functions performed in the production, reproduction, utilization, broadcasting, distribution, and storage of audiovisual products. Included are such functions as scripting, photography, film processing, videotape transfer, sound recording and duplication, tape or film editing, audiovisual media depository and records center operations, and support and maintenance of audiovisual equipment and facilities.
 - e. Audiovisual Products -- Material containing sound or visual imagery for conveying a message; refers to slide sets, film strips, motion pictures, television (film, videotape, and disc), audio recording (tape and disc), and mixed media (any combination of two or more media) productions.
2. Audiovisual Activities Not Subject to OMB Circular No. A-114 -- Other audiovisual includes, but is not limited to, still photography, still photographic processing, microfilming and other microforms, art and graphic services, and reproduction and duplication of still photography, arts, and graphics.

Instructions on Preparing the Exhibits

Each agency will submit information on implementation of OMB Circular No. A-76 as required by this OMB Bulletin. The information will be prepared in the format of Exhibits 1, 2, 3, 4, and 5.

The information will be prepared on 8½ x 11 paper as described below:

Exhibit 1. Provide status and planning information relating to in-house activities, contracts, and proposed new starts. Definitions for pertinent data elements are contained in Attachment B.

Heading. Enter the name of the agency and the preparer's name, title, and telephone number. Enter the date of submission of the report.

Section I - Parts A, B and C. Parts A and B should include data concerning the agency inventory. The data in Part C should be found in the agency review schedule. (The current inventory and review schedule are required by paragraph 10 of OMB Circular No. A-76.)

Columns 1, 2 and 3. Enter summary data from the inventory and review schedule.

Column 4. Enter the full-time equivalent (FTE) of total personnel allocated to the in-house activities covered.

Section II. Provide data on the size of the inventory and review planning factors. (Paragraph 10 of OMB Circular No. A-76 requires that contracts for commercial or industrial activities be inventoried and reviewed.)

Columns 1 and 2. Enter summary data from the agency inventory. Annual cost refers to the yearly (i.e., 12 month) cost of the contracts.

Column 3. For each fiscal year, indicate the number of contracts scheduled for review. The source of the data is the agency review schedule.

Section III. Provide data on proposed new starts for each fiscal year, as defined in Attachment B. Exclude those that result from review of contracts. (The relationship of proposed new starts to the budget process is described in paragraph 10.d of OMB Circular No. A-76.) Include in this section only those activities where the agency has decided that in-house performance is feasible.

Column 1. Indicate the number of proposed new starts included in the fiscal year 1982 budget estimate and planned for fiscal year 1983.

Column 2. Enter the total number of full-time equivalent of personnel that would be required if the activity were to be performed in-house.

Columns 3 and 4. Enter the total estimated costs associated with the activities if performed in-house.

Exhibit 2. Provide backup detail to support the entries in Exhibit 1.

Section I - Parts A and B. These parts contain two unique entries. The "reason code" identifies the reason that an activity is retained in-house. These codes are defined in Attachment D. Use only one code. The "year of next review" identifies the fiscal year in which the activity will be reviewed for possible private sector performance. Agencies may use a code for other data elements if a listing of the codes is provided with the report.

Section I - Part C. Provide a narrative description on how future reviews are reflected in fiscal year 1982 and 1983 budget estimates, as required by Section 13 of OMB Circular No. A-11.

Section II. Relate the budget impacts pertaining to review of contracts for possible in-house performance. Provide a narrative description on how this affects the fiscal year 1982 and 1983 budget estimates.

Section III. In this section, provide a detailed list of proposed new starts not resulting from contracts that have been included in the fiscal year 1982 budget estimates and are planned for fiscal year 1983. Include only those where a determination has been made that in-house performance is feasible.

Exhibit 3. Document the results of fiscal year 1980 reviews of in-house activities, contracts, and proposed new starts.

Section I - Part A. Include the summary data for those activities that remain in-house after cost study.

Column 1. Enter the total number of activities.

Columns 2 and 3. Enter the total FTE of personnel allocated that was reduced through reorganizations associated with cost studies and the consequent personnel cost savings. To determine this, take the number of FTE of personnel allocated to the activity before the cost study minus the number of FTE of personnel shown in the study. The difference is the number of personnel reduced. Compute savings by considering personnel related costs before the cost study minus personnel related costs shown in the cost study.

Section I - Part B. Include summary data on those activities that converted to contract as a result of cost studies.

Column 1. Enter the total number of activities.

Column 2. Enter the total of annual cost savings for activities converted to contract on the basis of cost. This is obtained by dividing the total of line 35 of each cost study by the total months covered by the study. This figure is then multiplied by twelve to arrive at annual cost savings. The results for all cost studies are then summed to arrive at the total annual cost savings.

Column 3. Show the FTE of personnel allocated that were affected. Count vacancies in this number.

Column 4. Show the numbers of actual persons (not FTE) that fall in each category listed under the sub items of this column.

Section I - Part C. Show the total number of activities continued in-house on a basis other than cost.

Section II. Include summary data on those contracts reviewed for possible in-house performance.

Column 1(a). Enter the number of formal cost studies conducted.

Column 1(b). Enter the number of informal studies conducted as defined in Attachment B.

Column 2(a). Enter the number converted to in-house operation.

Column 2(b). Enter the total annual cost savings, as defined in this Attachment.

Column 3(a). Enter the number retained under contract.

Column 3(b). Enter the total annual cost savings, as defined in this Attachment.

Section III - Part A. Include summary data from cost studies on proposed new starts not resulting from review of contracts.

Column 1(a). Enter the total number of activities initiated in-house on the basis of a cost comparison.

Column 1(b). Enter the total full-time equivalent of personnel allocated to operate the in-house activities.

Column 1(c). Enter the total annual cost savings, as defined in this Attachment.

Column 2(a). Enter the total number of activities initiated by contract.

Column 2(b). Enter the total annual cost of contracts. This is obtained by dividing the total cost of a contract (including options) by the time period covered by the contract. After conversion to annual costs, these costs are then summed to make the entry.

Column 2(c). Enter the total annual cost savings, as defined in this Attachment.

Section III - Part B. Include summary data on new starts initiated on a basis other than cost.

Column 1(a). Enter the total number of activities initiated in-house on a basis other than cost.

Column 1(b). Enter the total full-time equivalent of personnel allocated to operate the in-house activities.

Column 1(c). For each sub item enter the appropriate cost.

Exhibit 4. Provide backup detail to support the entries in Exhibit 3.

Section I - Parts A and B. The source of this data is the cost comparison forms prepared in accordance with Supplement 1 to OMB Circular No. A-76. For each cost study, enter the total for the required line from the form. Enter the period of time covered by the study.

Section I - Part C. Make the appropriate entry for each activity continued in-house on a basis other than cost.

Section II - Parts A and B. The source of this data is the cost comparison forms prepared in accordance with Supplement 1 to OMB Circular No. A-76. For each cost study, enter the total for the required line from the form. Enter the period of time covered by the study.

Section III - Parts A and B. The source of this data is the cost comparison forms prepared in accordance with Supplement 1 to OMB Circular No. A-76. For each cost study, enter the total for the required line from the form. Enter the period of time covered by the study.

Section III - Part C. Make the appropriate entry for each activity initiated in-house on a basis other than cost.

Exhibit 5. Provide detailed information on audiovisual activities subject to the provisions of OMB Circulars No. A-76 and A-114. Special definitions for this exhibit are contained in Attachment B.

Section I - Parts A and B. The entries for this section are similar to those of Exhibit 2. The data provided here must also be contained in Exhibit 1 and 2. After listing all audiovisual activities by category, complete the total entry for the specified columns. For activities not subject to OMB Circular No. A-114, see the expanded listing of audiovisual products and services contained in Attachment A to OMB Circular A-76.

Name _____
 Title _____
 Telephone _____
 Date _____

Department of Government
 Summary
 Status Report on Inventory and Scheduled Reviews for
 In-House Commercial or Industrial Activities, Contracts, and New Starts

	<u>Number of Activities</u> (1)	<u>Annual Cost of Operation</u> (2)	<u>Capital Investment</u> (3)	<u>Personnel Allocated</u> (4)
I. Government commercial or industrial activities:				
A. 1981 activities with annual cost of operations of over \$100,000. ¹				
B. 1981 activities with annual cost of operations of \$100,000 or less. ¹				
Total activities.	_____	_____	_____	_____
C. 1981 activities scheduled for review, by fiscal year of review.²				
1981				
1982				
1983				
1984				
1985				

	<u>Total Number</u> (1)	<u>Total Annual Cost</u> (2)	<u>Scheduled for Review</u> ²			
			1981 (a)	1982 (b)	1983 (c)	1984 (d)
II. Contracts included in the inventory:						

	<u>Number</u> (1)	<u>In-House Personnel Required</u> (2)	<u>Estimated Total Annual Cost of Operation</u> (3)	<u>Estimated Total Capital Investment</u> (4)
A. Included in fiscal year 1982 budget. ³				
B. Planned for fiscal year 1983 budget. ³				

- ^{1/} Provide separate detailed list of activities per Exhibit 2.
- ^{2/} Provide separate explanation on the effects of these reviews on the fiscal year 1982 and 1983 budget estimates per Exhibit 2.
- ^{3/} Provide separate detailed list of proposed new starts per Exhibit 2.

CONTINUED

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Department of Government
Detailed List
Fiscal Year 1981 Status Report on Inventory and Scheduled Reviews
for
In-House Commercial or Industrial Activities and Contracts

I. Government commercial or industrial activities:

A. Activities with annual cost of operation of over \$100,000.

<u>Location</u>	<u>Name of Activity</u>	<u>In-House Personnel Allocated</u>	<u>In-House Costs</u>		<u>Reason¹ Code</u>	<u>Year of Next Review</u>
			<u>Annual Cost of Operation</u>	<u>Capital Investment</u>		

(Provide data for each 1981 activity.)

B. Activities with annual cost of operations of \$100,000 or less.

<u>Location</u>	<u>Name of Activity</u>	<u>In-House Personnel Allocated</u>	<u>In-House Costs</u>		<u>Reason¹ Code</u>	<u>Year of Next Review</u>
			<u>Annual Cost of Operation</u>	<u>Capital Investment</u>		

(Provide data for each 1981 activity.)

^{1/} Use reason code specified in Attachment D.

C. In-house activities that are scheduled for review.

(Provide an explanation of the effect of these reviews on fiscal year 1982 and 1983 budget estimates. Show the effect on FTE of personnel resources required, compensation and other objects of expenditure by specifying the potential reductions in or reallocation of personnel, decreases in the cost of agency operation, or changes in investment in capital equipment.)

II. Contracts scheduled for review:

(Provide an explanation of the effect of these reviews on fiscal year 1982 and 1983 budget estimates.)

III. Proposed new starts included in fiscal year 1982 budget estimate and planned for the fiscal year 1983 budget estimate:

<u>Location</u>	<u>Activity</u>	<u>Personnel Required</u>	<u>Estimated Annual Cost of Operation</u>	<u>Estimated Capital Investment</u>
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Department of Government
Summary
Fiscal Year 1980 A-76 Reviews Conducted On Cost or Other Basis
On Government Commercial or Industrial Activities and Contracts
(And New Starts Initiated)

I. Government commercial or industrial activities:

A. Continued in-house on basis of cost.

<u>Number of Activities</u> (1)	<u>Personnel Allocated Reduced</u> (2)	<u>Personnel Cost Savings</u> (3)
--	---	--

B. Converted to contract on basis of cost.

<u>Number of Activities</u> (1)	<u>Line 35 Annual Cost Savings</u> (2)	<u>Personnel Allocated Affected</u> (3)	<u>Persons Impacted</u> (4)		
			<u>Reassigned (a)</u>	<u>Employed by Contractor</u>	<u>Terminated (b) Granted Severance Pay</u> <u>Retired</u>

C. Number of activities continued in-house on basis other than cost.²

<u>Number of Activities</u> (1)
--

II. Contracts reviewed:

Cost Studies Performed
(1)

Formal Informal
(a) (b)

Converted To In-House Operation
(2)

No. Line 35¹
(a) Annual
 Cost Savings
 (b)

Retained Under Contract
(3)

No. Line 35¹
(a) Annual
 Cost Savings
 (b)

III. New starts not resulting from review of contracts:

A. Cost studies performed.

Initiated In-House
(1)

No. Personnel Line 35¹
(a) Allocated Annual Cost
 (b) Savings
 (c)

Initiated by Contract
(2)

No. Annual Line 35¹
(a) Cost of Annual Cost
 Contracts Savings
 (b) (c)

B. Initiated in-house on basis other than cost.

Initiated In-House²
(1)

No. Personnel In-House Costs
(a) Allocated (c)
 (b) Annual
 Cost
 Operation Capital
 Investment

- 1/ Provide backup detail on individual activities and their costs as shown on the cost comparison forms per Exhibit 4.
2/ Provide separate detailed list of activities showing reasons per Exhibit 4.

Department of Government
 Detailed List
 Fiscal Year 1980 A-76 Reviews Conducted on Cost or Other Basis
 On Government Commercial or Industrial Activities and Contracts
 (and New Starts Initiated)

I. Government commercial or industrial activities reviewed:

A. Continued in-house on basis of cost.

<u>Location</u>	<u>Name of Activity</u>	<u>Amounts on Cost Comparison Form</u>				<u>Period of Study</u>
		<u>Line 32</u>	<u>Line 33</u>	<u>Line 34</u>	<u>Line 35</u>	
(Provide data for each activity.)						

B. Converted to contract on a cost basis.

<u>Location</u>	<u>Name of Activity</u>	<u>Amounts on Cost Comparison Form</u>				<u>Period of Study</u>
		<u>Line 32</u>	<u>Line 33</u>	<u>Line 34</u>	<u>Line 35</u>	
(Provide data for each activity.)						

C. Activities continued on basis other than cost.

<u>Location</u>	<u>Name of Activity</u>	<u>In-House Personnel Allocated</u>	<u>In-House Costs</u>		<u>Reason¹ Code</u>
			<u>Annual Cost of Operation</u>	<u>Capital Investment</u>	
(Provide data for each activity.)					

II. Contracts reviewed:

A. Converted to in-house operation.

<u>Location</u>	<u>Name of Activity</u>	<u>Amounts on Cost Comparison Form</u>				<u>Period of Study</u>
		<u>Line 31</u>	<u>Line 33</u>	<u>Line 34</u>	<u>Line 35</u>	

(Provide data for each activity.)

B. Retained under contract.

<u>Location</u>	<u>Name of Activity</u>	<u>Amounts on Cost Comparison Form</u>				<u>Period of Study</u>
		<u>Line 31</u>	<u>Line 33</u>	<u>Line 34</u>	<u>Line 35</u>	

(Provide data for each activity.)

III. New starts not resulting from review of contracts:

A. Cost studies performed -- Initiated in-house.

<u>Location</u>	<u>Name of Activity</u>	<u>Amounts on Cost Comparison Form</u>				<u>Period of Study</u>
		<u>Line 31</u>	<u>Line 33</u>	<u>Line 34</u>	<u>Line 35</u>	

(Provide data for each activity.)

B. Cost studies performed -- Initiated by contract.

<u>Location</u>	<u>Name of Activity</u>	<u>Amounts on Cost Comparison Form</u>				<u>Period of Study</u>
		<u>Line 31</u>	<u>Line 33</u>	<u>Line 34</u>	<u>Line 35</u>	

(Provide data for each activity.)

C. Initiated in-house on basis other than cost.

<u>Location</u>	<u>Name of Activity</u>	<u>In-House Personnel Allocated</u>	<u>In-House Costs</u>		<u>Reason¹ Code</u>
			<u>Annual Cost of Operation</u>	<u>Capital Investment</u>	

(Provide data for each activity.)

1/ Use reason code specified in Attachment D.

Department of Government
Detailed List
Fiscal Year 1981 Status Report on Inventory and Scheduled Reviews
for
In-House Audiovisual Activities and Contracts

I. Government audiovisual activities:

A. Activities subject to OMB Circular No. A-114.

<u>Location</u> (Provide data for each activity.)	<u>In-House Personnel Allocated</u>	<u>In-House Costs</u>		<u>Reason¹ Code</u>	<u>Year of Next Review</u>
		<u>Annual Cost of Operation</u>	<u>Capital Investment</u>		
Total	_____	_____	_____		

B. Activities not subject to OMB Circular No. A-114.

<u>Location</u> (Provide data for each activity.)	<u>In-House Personnel Allocated</u>	<u>In-House Costs</u>		<u>Reason¹ Code</u>	<u>Year of Next Review</u>
		<u>Annual Cost of Operation</u>	<u>Capital Investment</u>		
Total	_____	_____	_____		

^{1/} Use reason code specified in Attachment D.

REASON CODES
FOR IN-HOUSE OPERATIONS

CODE	EXPLANATION
A	Indicates that the activity provides intermediate or depot level maintenance support of mission-essential equipment. (For Department of Defense use only.)
C	Indicates that the activity is operated by military personnel and the activity or military personnel assigned are utilized in or subject to deployment in a direct combat support role, or the activity is essential for training in skills exclusively military in nature, or the activity is needed to provide appropriate work assignments for a rotation base for overseas assignments.
D	Indicates procurement of a product or service from a private, commercial source would cause an unacceptable delay or disruption of an essential program. (Note: An individual determination and findings in accordance with paragraph 8.a.(3) of the Circular must accompany every activity using this code.)
E	Indicates that there is no satisfactory private, commercial source capable of providing the product or service needed.
F	Indicates that based on a cost study the Government is providing the product or service at a lower total cost than if it were acquired from a private commercial source.
G	Indicates function is being performed in-house now, but decision to continue in-house or contract is pending the results of a scheduled cost comparison analysis.
H	Indicates function is being performed in-house now, but will be converted to contract because of cost comparison analysis results.
K	Indicates function is being performed in-house now, but a decision has been made to convert to contract for reasons other than cost. (To be used only in highly unusual circumstances. A list of functions and reasons for converting to contract must accompany the inventory report for all instances where this code is used.)
N	Indicates method of performance has never been reviewed.

END