



Office of Audits
Office of Inspector General
U.S. General Services Administration

Audit of PBS Lease Administration

Report Number A201011/P/R/R21006
September 21, 2021

Executive Summary

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Why We Performed This Audit

The General Services Administration (GSA) Public Buildings Service's (PBS's) lease administration program manages space in privately owned facilities when the government does not have available inventory. We included this audit in our *Fiscal Year 2020 Audit Plan* based on prior audits issued by our office, which identified deficiencies in PBS's lease administration practices. Our audit objective was to determine if PBS administers lease contracts in accordance with GSA policies and regulations, oversees the completion of required annual inspections, and ensures that lessors comply with lease terms and conditions.

What We Found

Based on our sample of 28 leases, we found that PBS did not consistently administer its leases in accordance with applicable requirements. We found instances in which PBS did not properly document and resolve deficiencies identified in annual lease inspections, determine price reasonableness for alterations projects, or create responsive tenant satisfaction survey action plans. In some cases, PBS also failed to designate the lease administration manager (LAM) as the contracting officer's representative. As a result, PBS does not have assurance that it provided quality leased space to its tenants or received the services it paid for.

What We Recommend

We recommend that the PBS Commissioner:

1. Provide effective oversight over LAMs. In particular:
 - a. Ensure lease contracting officers issue LAMs the contracting officer's representative delegation of authority letters when assigned to a new lease; and
 - b. Require LAMs' supervisors to verify that deficiencies identified in the tenant satisfaction survey are fully addressed in the action plans.

2. Review, update, and provide adequate LAM training. In particular:
 - a. Update the *Lease Management Desk Guide* chapter on training to require annual training for LAMs in inspections and lease management; and
 - b. Ensure training addresses the importance of obtaining and maintaining required documentation for proper lease administration, including, but not limited to: (1) price reasonableness determination documents for post-occupancy alterations

projects and (2) deficiency and close-out letters after the annual inspection and cure process.

3. Enhance efforts to ensure an effective and efficient LAM workforce. At a minimum, these efforts should include:
 - a. Conducting an assessment of the LAMs' workload to maximize the LAMs' effectiveness and efficiency. The assessment should include an analysis to determine the effect of distances between assigned leases on the LAMs' workload; and
 - b. Addressing recruitment and retention for the LAM workforce.

The PBS Commissioner acknowledged and agreed with the report recommendations. PBS's response is included in its entirety in **Appendix C**.

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Introduction

We performed an audit of the General Services Administration (GSA) Public Buildings Service's (PBS's) lease administration program. The program is responsible for managing space in privately owned facilities when the government does not have available inventory.

Purpose

We included this audit in our *Fiscal Year 2020 Audit Plan* based on prior audits issued by our office that identified deficiencies in PBS's lease administration practices.

Objective

The objective of our audit was to determine if PBS administers lease contracts in accordance with GSA policies and regulations, oversees the completion of required annual inspections, and ensures that lessors comply with lease terms and conditions.

See **Appendix A** – Scope and Methodology for additional details.

Background

PBS administers over 8,000 leases, which are occupied by more than 100 federal customer agencies. As of August 2020, PBS leases over 187 million rentable square feet at a total annual rent of over \$5.7 billion. Under the terms of PBS leases, lessors are required to provide a wide array of services. These services include basic cleaning and maintenance, as well as other services necessary to provide a safe and healthy work environment for federal tenants. In addition, PBS leases often include periodic services performed on a cyclical basis, such as interior and exterior window washing, carpet shampooing, and repainting. The frequency and type of these periodic services vary by lease.

To ensure that lessors provide the level of services required under the terms of the lease, PBS has established a lease administration program in the Office of Facilities Management. At the regional level, lease administration managers (LAMs) conduct these oversight functions. Among other things, LAMs verify that the lessor complies with lease terms and conditions, serve as the representative between the tenant agency and the lessor, and investigate tenant concerns. In accordance with PBS policy, LAMs serve as the lease contracting officer's representative (COR) and must obtain a formal delegation letter to serve in this role from the lease contracting officer (LCO).

PBS developed a *Lease Management Desk Guide* (Desk Guide) to establish national consistency within PBS's leasing program and to establish minimum LAM requirements. The Desk Guide contains authorities, policies, technical and procedural guidance, and tools governing lease

management. It requires the LAM to conduct a minimum of one annual inspection of each assigned leased space to review for lease compliance.

The annual inspection process is described in the Desk Guide:

Annual Inspection: During the inspection, the LAM is required to use GSA 500, *Lease Inspection Form*, on which the LAM can list deficiencies and note if the periodic services are acceptable. For leased spaces with child care centers, the inspection will also cover reviewing for special requirements, such as state licensing and certified playground safety inspections.

- **No Deficiency:** If no deficiencies are found, the LAM transmits a No Apparent Deficiencies Letter to the lessor with no lessor response required.
- **Deficiencies Found/Deficiency Letter:** If deficiencies are found, a copy of the GSA 500 with a Deficiency Letter is transmitted to the lessor within 3 business days after the inspection. The letter includes a completion due date for the deficiency, at the discretion of the LAM, depending on the urgency of the deficiency.
- **Re-inspect/Close-Out:** Once the lessor provides notification that the deficiency has been corrected, the LAM must verify completion by re-inspection. If deficiencies were corrected, the LAM issues the Close-Out Letter to the lessor.
- **Cure Process:** If the deficiency has not been corrected, the LAM begins what the Desk Guide refers to as the cure process, for further follow up with the lessor. After consulting with the LCO, the LAM issues a Notice of Non-Compliance Letter to the lessor, with a time frame for corrective action. The LAM will again re-inspect, and if the deficiency is resolved, the LAM issues the Close-Out Letter to the lessor. If the deficiency is not corrected, the cure process continues, with the possibility that PBS will contract to perform the work to remedy the deficiency and deduct the amount from the contract.

LAMs also have a range of responsibilities governing other critical aspects of the lease, including alterations necessary to meet the tenant agency's needs (post-occupancy alterations). Specifically, the Desk Guide provides policies and procedures for all phases of post-occupancy alterations projects, from requirements development to inspection and close-out. The Desk Guide also discusses determination of price reasonableness of the alterations project. LAMs can be assigned to review and evaluate offers for price reasonableness measured against the scope of work and independent government estimate. Negotiations must be documented in the contract file.

In accordance with the Desk Guide, LAMs also play a critical role in PBS's tenant satisfaction surveys. PBS conducts annual surveys of its lease tenants to determine whether they are satisfied with their space and building services provided by the lessor. Survey results are available to the LAM in an online system—the Tenant Satisfaction Survey Action Planning Tool.

In response to the survey results, the Desk Guide requires LAMs to develop action plans to improve tenant satisfaction.

PBS uses the Lease Management Tool to record, track, and report on lease management activities. It contains the documentation related to lease inspections, cure process, deficiencies, periodic services, and communication with lessors and tenants. Also, the Lease Management Tool provides templates for communicating inspection results to the lessor.

Prior Audit Reports

Since Fiscal Year (FY) 2015, our office has issued several reports identifying deficiencies in PBS's management of lease administration. Examples include:

- In September 2015, we issued an audit report, *Oversight and Safety Issues at the Michigan Service Center*, in which we found that inadequate inspections of lease properties resulted in safety and fire protection issues.¹ In particular, lease property managers failed to identify fire protection, life safety, and physical security deficiencies in their property inspections. As a result, some building occupants were in space that did not meet the fire and life safety requirements of the lease and may have been exposed to potentially unsafe work environments. For 10 of the 25 leased properties in the sample, we found safety, fire protection, and security deficiencies that should have been detected by the lease property managers in their inspections.
- In January 2017, we issued an audit report, *PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks*, in which we found PBS did not enforce the terms of the full-service lease, resulting in inadequate maintenance and repair of the facility.²

We identified numerous deficiencies in the leased space, including water intrusion, termite infestations, poor ventilation, exterior deterioration, mold, non-working water fountains, and unsatisfactory maintenance and janitorial practices. We also found that PBS did not notify the tenants about the presence of black mold in a timely manner, possibly exposing them to health risks.

- In February 2020, we issued an audit report, *GSA's PBS Northwest/Arctic Region Service Center Does Not Effectively Administer Lease and Service Contracts*.³ We found that LAMs were not conducting annual lease inspections and maintaining complete lease file documentation as required.

¹ Report Number A140024/P/5/R15009, September 30, 2015.

² Report Number A160019/P/4/R17003, January 27, 2017.

³ Report Number A180053/P/4/R20002, February 20, 2020.

The Desk Guide requires LAMs to perform regular lease file reviews to verify that the lease file contains key documentation, including a current copy of the lease contract, tenant occupancy agreements, inspection and performance documents, lease amendments, all general correspondence, and the schedule of periodic services. However, we found that LAMs were not maintaining all documentation as required. In the most significant example, we found that the lease files for 70 of the 77 leases we reviewed did not include the required schedule of periodic services.

As a result of these and other reports, we identified lease administration as one of GSA's major management challenges for FY 2021.⁴ In our assessment, we stressed that GSA should take comprehensive and proactive steps to improve its oversight of leases to protect the Agency against the risk of undetected fraud, waste, and abuse and violations of applicable laws and regulations.

⁴ *Assessment of GSA Management and Performance Challenges for Fiscal Year 2021*, October 15, 2020.

Results

Based on our sample of 28 leases, we found that PBS did not consistently administer its leases in accordance with applicable requirements. We found instances in which PBS did not properly document and resolve deficiencies identified in annual lease inspections, determine price reasonableness for alterations projects, or create responsive tenant satisfaction survey action plans. In some cases, PBS also failed to designate the LAM as the COR. As a result, PBS does not have assurance that it provided quality leased space to its tenants or received the services it paid for.

Finding – PBS did not consistently administer its lease contracts. As a result, PBS does not have assurance that it provided quality leased space to its tenants or received the services it paid for.

In performing our testing, we reviewed 28 leases. For our main sample, we selected a random sample of 18 leases from the universe of 8,166 PBS leases as of August 2020. Based on our assessment of risks affecting the lease administration process, we decided to select two additional samples that would focus on: (1) administration of child care leases and (2) the cure process. Separate samples were required due to their limited number in the lease universe. Accordingly, we selected a sample of 5 leases from the 22 leases that had child care centers, and a separate sample of 5 leases from the 49 leases that used the cure process.

Based on our testing of this sample, we found that PBS did not consistently administer leases in accordance with the Desk Guide. We found instances where PBS did not:

- Follow the formal process to document annual inspection results and resolve deficiencies;
- Document the determination of price reasonableness of alterations projects;
- Create responsive tenant satisfaction survey action plans; or
- Designate the LAM as the COR.

These deficiencies largely occurred because PBS has not established a comprehensive training program for LAMs and has faced challenges with the LAM workforce caused by high employee turnover and excessive workload.

PBS Did Not Administer Leases In Accordance with the Desk Guide

Lease administration is critical to ensure that PBS: (1) provides client agencies with optimal leased space and (2) receives the services it is paying for. However, we found that PBS did not consistently administer the leases we tested in accordance with requirements.

See **Appendix B** for a listing of the deficiencies associated with each lease we tested.

Deficiency Resolution. LAMs did not always follow PBS's process for closing out required annual inspections or resolving deficiencies identified during these inspections. The Desk Guide requires LAMs to conduct in-person annual inspections of all leased facilities and describes the procedures to follow up on and close out any deficiencies. This process is tracked in the Lease Management Tool.

We found that in 8 of the 28 leases we reviewed, the LAMs did not follow the deficiency resolution process.⁵ In these eight leases, the Lease Management Tool did not have documentation to indicate the deficiencies had in fact been resolved. According to PBS leasing officials, the deficiencies were resolved in five of the eight leases, but the LAM had not completed the required documentation. In the three remaining leases, they were unsure if the deficiencies were resolved.

Examples of deficiencies that were not documented as resolved included carpet cleaning, stained ceiling tiles, dust accumulation, worn carpet, and hot water temperature in a child care center, which exceeded the standard by 2.5 degrees.

Price Reasonableness for Post-Occupancy Alteration Projects. We did not consistently find evidence of price reasonableness determinations for post-occupancy alteration projects. During occupancy, the tenant agency may request alterations, including installation or replacement of equipment or changes to the layout of the leased space.

The GSA procedures for alterations in leased space are described in the General Services Administration Acquisition Manual (GSAM), which notes that PBS can procure the alteration from the lessor if they are willing to perform the alteration at a fair and reasonable price. The GSAM requires the contracting officer to obtain an independent government estimate. The Desk Guide notes the LAM can review and evaluate offers for price reasonableness against the independent government estimate if the LCO assigns them as project manager, with assistance of other project team members, such as estimators or engineers.

The determination of price reasonableness is important for post-occupancy alteration projects because the lessor is usually the sole bidder. As a result, the government often does not have the benefit of other contractors' bids to promote price competition.

Of the 18 leases in our main sample, we determined that 5 leases had post-occupancy alterations projects. For three of the five leases, PBS leasing officials were unable to provide documentation for the required determination of price reasonableness. These projects totaled \$83,959.

⁵ These 8 leases are comprised of 4 from our review of our main sample of 18 leases with annual inspections, 3 from our review of 5 leases with the cure process, and 1 in our review of 5 leases with child care center inspections. In this area, we decided to include testing results from the cure process and child care samples in addition to the main sample since the administration of these two areas also includes resolving deficiencies.

Tenant Satisfaction Survey Action Plans. Tenant satisfaction survey action plans did not always address each low-rated satisfaction question, as required by the Desk Guide and PBS national strategy. Each year, PBS sends a target list to each region identifying the lease locations requiring an action plan. For each location, the target list highlights the specific low-rated satisfaction question PBS wants the LAM to address in the action plan. The LAM's supervisor must approve the action plan in the Tenant Satisfaction Survey Action Planning Tool.

In our main sample of 18 leases, 6 required action plans in FY 2019. We reviewed the approved action plans to determine if they covered each low-rated satisfaction question highlighted on the target list. We found that three of the six action plans did not address all low-rated satisfaction questions.

The LAMs and their supervisors tended to overly focus on the tenants' survey comments to create the action plans instead of the target list questions. The tenant comments report provides details on the tenant's specific concerns, which can assist the LAM and supervisor in creating a responsive plan. However, tenants' comments do not necessarily correspond to each low-rated satisfaction question that PBS includes in the target list. For example, one of the approved action plans addressed only four of the five mandatory questions on the target list for that lease. The LAM did not address the question about security in the action plan because the tenant's comments did not relate to security.

COR Delegation. We found that LCOs did not always delegate administration authority by issuing a COR delegation letter to the LAM, as required. In 10 of the 18 leases in our main sample, the LCOs did not delegate LAMs as CORs by issuing delegation letters.

Further, we noted that in all three leases we reviewed in the PBS Greater Southwest Region, LCOs issued letters delegating administration authority to LAM supervisors, not LAMs. When we brought this to the attention of PBS's Office of Facilities Management, the program manager stated that LAMs' supervisors are issued COR delegation letters instead of LAMs because staff changes are not as high among supervisors. Therefore, the LCOs' workload in reissuing COR delegation letters is reduced. However, this does not comply with the Desk Guide requirement that the LAM be assigned as COR, since they are responsible for day-to-day lease management. The COR delegation letter details the specific responsibilities the LCO is assigning to the LAM as COR.

Based on the review of the audit areas above, we found that PBS was not effectively administering lease contracts as required by the Desk Guide. PBS did not follow the Desk Guide in documenting and resolving deficiencies identified in the annual inspection, determining price reasonableness of alterations projects, creating responsive tenant satisfaction survey action plans, or designating the LAM as COR. As a result, PBS may not have provided client agencies with optimal leased space and potentially paid for services they did not receive.

PBS's Inadequate Training and Workforce Management Affect the Quality of Lease Administration

PBS did not conduct lease administration in accordance with requirements due to inadequate training. We also found that workforce management issues, including turnover, workload, and travel between assigned leases could have adversely affected PBS's lease administration.

Training. At the time of our fieldwork, PBS had not developed a comprehensive training program for LAMs.

In accordance with the Desk Guide and the GSAM, LAMs are not eligible to receive their COR designation until they have obtained Federal Acquisition Certification for Contracting Officer's Representative Level II from the Federal Acquisition Institute. This training covers the entire contracting process from acquisition planning and negotiation through contract close-out. While the training includes a module on contract administration, it does not include training specific to lease administration. For example, the training does not address how to conduct annual inspections using the GSA 500, document lease deficiencies in the Lease Management Tool, or provide oversight of other leasing-specific requirements.

In addition, the current Desk Guide has a chapter for training; however, that chapter is a blank placeholder that only notes that inspection training and lease management training are "under development." For the period covered by our fieldwork, the Office of Facilities Management stated LAMs had no annual training requirement on GSA lease administration.

Our interviews with LAMs confirmed the inadequacies in training. LAMs told us that they had not followed the Desk Guide requirements because they were not aware of those requirements or had not received training.

High Turnover Rates. We observed significant turnover of LAMs for the leases in our main sample. During the annual lease inspections sample review for 2018 and 2019, we noted that 5 of the 18 LAMs conducting the inspections changed between 2018 and 2019. In addition, when we interviewed LAMs during our audit in 2020, another three LAMs had changed. The LAM turnover rate for the 3-year period was 44 percent (8 of 18).

Workload and Travel. We also observed that some LAMs in our lease sample had higher workloads than other LAMs and had varied workloads. Additionally, several LAMs had to travel long distances to reach their assigned leases.

The LAMs we interviewed were responsible for administering an average of 38 leases, with some assigned responsibility for as few as 15 leases or as many as 123. In addition to the number of assigned leases, some LAMs had building management responsibilities in GSA-owned buildings, which added to their workload.

Some LAMs also told us that their ability to conduct site visits was limited by the distances they had to travel to reach their assigned leases. Of our main sample of 18 leases, LAMs had to travel 26-50 miles to reach 5 leases and over 50 miles to reach 3 leases. One LAM we spoke with had to travel more than 150 miles to reach one of their assigned leases.

In sum, we determined that PBS did not follow the Desk Guide in documenting and resolving deficiencies identified in the annual inspection, determining price reasonableness of alterations projects, creating responsive tenant satisfaction survey action plans, or designating the LAM as COR. These conditions occurred due to lack of training and staffing issues such as turnover and workload. By not following the Desk Guide, PBS does not have assurance that its tenants are receiving the required services in the contract or that it is providing quality leased space to its tenants. Accordingly, PBS should improve oversight and training of its LAM workforce.

Conclusion

Based on our sample of 28 leases, we found that PBS did not consistently administer its leases in accordance with applicable requirements. We found instances in which PBS did not properly document and resolve deficiencies identified in annual lease inspections, determine price reasonableness for alterations projects, and create responsive tenant satisfaction survey action plans. In some cases, PBS also failed to designate the LAM as the COR. As a result, PBS does not have assurance that it provided quality leased space to its tenants or received the services it paid for.

Since the completion of our audit fieldwork, PBS has developed a lease management training course, which it plans to implement in 2021. While this is a positive step, PBS should continue to review and update LAM training to ensure it is comprehensive and effective. PBS should also improve oversight over its LAMs and enhance efforts to assess and address challenges facing its LAM workforce.

Recommendations

We recommend that the PBS Commissioner:

1. Provide effective oversight over LAMs. In particular:
 - a. Ensure LCOs issue LAMs the COR delegation letters when assigned to a new lease; and
 - b. Require LAMs' supervisors to verify that deficiencies identified in the tenant satisfaction survey are fully addressed in the action plans.
2. Review, update, and provide adequate LAM training. In particular:
 - a. Update the *Lease Management Desk Guide* chapter on training to require annual training for LAMs in inspections and lease management; and
 - b. Ensure training addresses the importance of obtaining and maintaining required documentation for proper lease administration, including, but not limited to: (1) price reasonableness determination documents for post-occupancy alterations projects and (2) deficiency and close-out letters after the annual inspection and cure process.
3. Enhance efforts to ensure an effective and efficient LAM workforce. At a minimum, these efforts should include:
 - a. Conducting an assessment of the LAMs' workload to maximize the LAMs' effectiveness and efficiency. The assessment should include an analysis to determine the effect of distances between assigned leases on the LAMs' workload; and
 - b. Addressing recruitment and retention for the LAM workforce.

GSA Comments

The PBS Commissioner acknowledged and agreed with the report recommendations.

In her written comments, the PBS Commissioner stated that the PBS Greater Southwest Region's practice of delegating COR authority to LAM supervisors instead of LAMs is acceptable. However, we disagree. The Commissioner's position is inconsistent with PBS's internal controls for administering and overseeing leases. PBS has established its internal controls for administering and overseeing leases through the policies and procedures in the Desk Guide. The Desk Guide specifically provides that the COR delegation letter must be issued to the LAM and makes the LAMs "responsible for day-to-day lease management and verifying [the lessor's] compliance with lease terms and conditions." In accordance with the Desk Guide and PBS's internal controls, the LAMs are appointed as the COR for their assigned leases and are responsible for performing those duties.

Further, we are concerned about the PBS Commissioner's comment that, "Individuals without the COR delegation may perform inspections on behalf of the COR and provide the COR with the inspection results." LAMs are uniquely qualified to perform inspections of their assigned leases. However, the comments indicate that PBS can have inspections performed by individuals who are not LAMs and who may not possess the same qualifications. This would not only violate PBS's current policies and procedures in the Desk Guide, but would also introduce another layer of oversight of employees or contractors who perform the work. As a result, the LAM supervisors will likely be overburdened with additional oversight responsibilities that could lead to a lack of accountability.

PBS's response is included in its entirety in **Appendix C**.

Audit Team

This audit was managed out of the Real Property and Finance Audit Office and conducted by the individuals listed below:

Byron G. Bustos	Associate Deputy Assistant Inspector General for Auditing
Michael C. Lamonica	Audit Manager
Gary W. Vincent	Auditor-In-Charge
Mary J. Collins	Auditor
Jeffrey W. Funk	Auditor
Dana H. Johnson	Auditor

Appendix A – Scope and Methodology

This audit was performed as part of our *Fiscal Year 2020 Audit Plan*. We assessed PBS’s lease administration program in all 11 of GSA’s national regions and focused on calendar years 2018 and 2019 except as noted below. We did not review lease administration in 2020 to avoid the circumstances of the COVID-19 pandemic, nor did we visit any lease locations.

We obtained the inventory of all leases as of August 2020 from the Holdover Information Report, which PBS presents online at the Office of Leasing, Leasing Data and Metrics link. This report contains a tab marked “All Leases,” which lists each lease by lease number, with additional details such as address, rentable square feet, and annual rent. There were a total of 8,166 leases, for a total annual lease amount of \$5,728,339,528, in this report.

We decided to organize the lease universe by region and by dollar value ranges to ensure selection of at least one lease per region and coverage of all sizes of leases. The audit team decided to use a random sampling methodology to select a main sample of 18 leases for review. Since cure process leases and child care center leases were less common, we created two separate samples of five leases each for them. There were 49 leases in the cure process sample universe, and 22 in the child care center universe. For the tables of leases in these samples, see ***Appendix B***.

To accomplish our objective, we:

- Reviewed internal policies and procedures pertaining to lease administration, including the *Lease Management Desk Guide*;
- Researched the Federal Acquisition Regulation and GSAM for provisions applicable to leasing;
- Researched GSA’s Procurement Management Review program for lease administration, interviewed designated program officials, and reviewed reports for three regions from November 2018 and May and November 2019;
- Reviewed the lease and child care center checklists in GSA’s Management Analysis and Review System;
- Reviewed previous audit reports on leasing issued by the GSA Office of Inspector General;
- Researched internal controls in the U.S. Government Accountability Office’s GAO-14-704G, *Standards for Internal Control in the Federal Government*, and evaluated operational effectiveness of internal controls related to the lease administration program areas;
- Conducted meetings with officials in PBS’s Office of Leasing and Office of Facilities Management to supplement our understanding of lease administration policies and procedures;

Appendix A – Scope and Methodology (cont.)

- Gained a familiarity through training, discussion with program officials, and independent research, with PBS databases, including: Data to Decisions, Electronic Acquisition System Integration, GSA Real Estate Exchange, Lease Management Tool, Real Estate Across the U.S., RWA Entry and Tracking Application, and Salesforce;
- Developed a testing spreadsheet for 10 principal lease administration program areas from the *Lease Management Desk Guide* (alterations, child care centers, cure process, file management, inspections, overtime utilities, security, sustainability, tenant satisfaction, and training/certifications) to evaluate PBS’s compliance with leasing policies and procedures in these areas;
- Organized the lease universe into five cost ranges by annual rent, and randomly selected a total of 18 leases from these five ranges, and in all 11 GSA regions, as the main sample;
- Tested the main sample for compliance in 8 of the 10 program areas using the aforementioned databases as well as lease contract files. The scope years for compliance testing were FY 2019 for overtime utilities and tenant satisfaction; FY 2018 and FY 2019 for inspections; calendar years 2018 and 2019 for training/certifications and sustainability; calendar years 2015 through 2019 for alterations; and the entire lease term for file management and security;
- Reviewed alterations projects valued at the simplified acquisition threshold of \$150,000 and below for calendar years 2015 through 2019;
- Created two separate samples (of five leases each) for cure process and child care center leases due to their rarity, and tested compliance for these program areas separately. The scope period for compliance testing was calendar years 2015 through 2019 for cure process and calendar year 2019 for child care center leases; and
- Conducted interviews with regional LAMs, LCOs, and other PBS leasing officials to supplement our review of these sample leases.

We conducted the audit between February 2020 and January 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

Appendix A – Scope and Methodology (cont.)

Internal Controls

We assessed internal controls significant within the context of our audit objectives against GAO-14-704G, *Standards for Internal Control in the Federal Government*. The methodology above describes the scope of our assessment and the report findings include any internal control deficiencies we identified. Our assessment is not intended to provide assurance on GSA’s internal control structure as a whole. GSA management is responsible for establishing and maintaining internal controls.

Appendix B – Sample Leases and Finding Areas

Region	Lease Number	Lease Annual Amount	Lease Effective Date	Lease Expiration Date	City	State	Finding Area(s) (Note A)
Main Sample Leases							
1	LMA04663	\$69,740	4/1/2010	3/31/2025	Amherst	MA	3, 4
2	LPR19223	\$133,489	7/6/2016	7/5/2026	Mayaguez	PR	3
3	LMD50007	\$644,579	2/4/1985	2/3/2021	Annapolis	MD	1
3	LNJ12182	\$139,422	5/1/2015	4/30/2025	Marlton	NJ	
4	LAL43415	\$154,698	2/4/2005	2/3/2022	Birmingham	AL	2, 4
4	LFL62141	\$39,432	10/1/2014	9/30/2024	Cape Coral	FL	1, 4
4	LKY00319	\$265,608	8/15/2017	8/14/2020	Frankfort	KY	4
5	LIL18369	\$192,578	11/1/2012	10/31/2022	Peoria	IL	1, 4
5	LOH17872	\$332,320	10/19/2009	10/18/2022	Whitehall	OH	1, 3, 4
6	LKS41026	\$17,999	6/1/2015	5/31/2025	Holton	KS	
7	LTX14888	\$243,250	12/1/2000	8/31/2020	Corpus Christi	TX	4
7	LAR14856	\$2,088,587	9/1/2001	8/31/2021	Little Rock	AR	4
7	LNLM16771	\$22,398	3/2/2011	3/1/2021	Zuni	NM	4
8	LND14361	\$1,418,671	4/1/2010	3/31/2030	Grand Forks	ND	
9	LAZ02974	\$563,657	4/17/2014	4/16/2029	Tucson	AZ	2
9	LCA03310	\$272,974	9/15/2015	9/14/2030	Hanford	CA	
10	LOR07349	\$94,605	4/24/2012	4/23/2022	Medford	OR	
11	LDC80588	\$3,882,472	8/12/1999	12/11/2023	Washington	DC	2, 4
Cure Process Sample Leases							
3	LPA12068	\$3,975,299	8/4/2015	8/3/2030	Philadelphia	PA	1
4	LFL60530	\$419,030	2/21/2016	2/20/2026	Deland	FL	1
7	LTX16990	\$93,600	4/21/2014	4/20/2024	Irving	TX	
8	LCO14518	\$607,502	11/1/2010	10/31/2020	Lakewood	CO	
8	LSD14806	\$1,800	7/1/2013	2/1/2019	Brookings	SD	1
Child Care Center Sample Leases							
1	LVT03682	\$4,326,325	12/3/1990	6/30/2021	Saint Albans	VT	
4	LAL45056	\$16,182,938	1/28/2008	1/27/2028	Birmingham	AL	
10	LAK06816	\$661,912	12/12/2006	12/31/2021	Anchorage	AK	
11	LMD12512	\$16,671,167	1/1/2014	12/31/2028	Silver Spring	MD	1
11	LMD12718	<u>\$9,757,589</u>	12/15/2018	12/14/2033	Rockville	MD	
TOTAL		\$63,273,641					

Appendix B – Sample Leases and Finding Areas (cont.)

Note:

- A. The four finding areas are as follows:
 - 1. Deficiency resolution
 - 2. Price reasonableness for post-occupancy alteration projects
 - 3. Tenant satisfaction survey action plans
 - 4. COR delegation


Appendix C – GSA Comments



Public Buildings Service

August 24, 2021

MEMORANDUM FOR: BYRON G. BUSTOS
ASSOCIATE DEPUTY ASSISTANT INSPECTOR
GENERAL FOR AUDITING
REAL PROPERTY AND FINANCE AUDIT OFFICE (JA-R)

FROM: NINA M. ALBERT
COMMISSIONER 
PUBLIC BUILDINGS SERVICE (P)

SUBJECT: Response to the Office of Inspector General (OIG) Draft
Report, *Audit of PBS Lease Administration* (A201011)

Thank you for the opportunity to comment on the subject report. The Public Buildings Service (PBS) appreciates OIG sharing the draft version of the report and providing an opportunity for feedback. We also appreciate OIG's recognition of the importance of PBS's lease administration program as we remain committed to continuous program improvement to ensure proper administration of our leases.

Since 2012, PBS has provided guidance and training to develop and improve the lease administration program. PBS developed the Lease Management Desk Guide (LMDG), issued in November 2013; provided training to implement the guide in 2014; implemented the Lease Management Tool (LMT) in August 2016 and provided LMT training; formed a team to update the LMDG in 2020 (currently in draft); and developed a lease management training section for the Essentials of Facilities Management (EFM) training program. The EFM lease management section included topics from the LMDG: Lease Administration Manager (LAM) Roles and Responsibilities [high level overview] and FAC-COR Requirement, Lease Management Tool, New Leases, Lease Inspections and Periodic Services, Cure Process, Overtime Utilities, and [Lease] Expiration and Termination. The first session was delivered in July 2019. In March 2021, the EFM lease management section was reduced to only a few slides after the Essentials of Lease Management (ELM) training program was introduced. PBS delivered the first ELM session in February 2021. ELM training reviews the entire LMDG as well as a review of the lease template paragraphs and general clauses.

While PBS acknowledges and agrees with the OIG recommendations in the draft report, we provide the following comments.

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Appendix C – GSA Comments (cont.)

Contracting Officer's Representative (COR) Delegation

On Page 7 of the draft report, it states:

We found that LCOs [lease contracting officers] did not always delegate administration authority by issuing a COR delegation letter to the LAM, as required. In 10 of the 18 leases in our main sample, the LCOs did not delegate LAMs as CORs by issuing delegation letters.

Further, we noted that in all three leases we reviewed in the PBS Greater Southwest Region, LCOs issued letters delegating administration authority to LAM supervisors, not LAMs. When we brought this to the attention of PBS's National Office of Facilities Management, the program manager stated that LAMs' supervisors are issued COR delegation letters instead of LAMs because staff changes are not as high among supervisors. Therefore, the LCOs' workload in reissuing COR delegation letters is reduced. However, this does not comply with the Desk Guide requirement that the LAM be assigned as COR, since they are responsible for day-to-day lease management. The COR delegation letter details the specific responsibilities the LCO is assigning to the LAM as COR.

While PBS acknowledges that COR delegation letters are necessary, the PBS Greater Southwest Region's practice is acceptable, as long as the COR is the individual signing the deficiency letters and communicating with the lessor for corrective action. Individuals without the COR delegation may perform inspections on behalf of the COR and provide the COR with the inspection results. PBS is committed to improving the process for COR delegations. PBS Office of Facilities Management and Office of Leasing are partnering with the regions to ensure COR delegation letters are issued. PBS is also streamlining the process for issuing the delegation letter when the COR changes in the Lease Management Tool (LMT). The LMT will generate a new delegation letter for the LCO's signature when the COR changes on the LMT lease file.

Thank you again for the opportunity to review and comment on the draft report. If you have any questions, please contact Tracy Talbert, Lease Administration Program Specialist, Office of Facilities Management at (312) 848-0167.

Appendix D – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

PBS Commissioner (P)

PBS Deputy Commissioner (P)

PBS Chief of Staff (P)

PBS Deputy Chief of Staff (P)

Assistant Commissioner for Strategy and Engagement (PS)

Assistant Commissioner, Office of Facilities Management (PM)

Acting Assistant Commissioner, Office of Leasing (PR)

Chief Financial Officer (B)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)