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GSA LEASING

Initial Implementation of the National Broker Services Contracts Demonstrates Need for Improvements

GAO Accountability • Integrity • Reliability

Highlights

Highlights of GAO-07-17, a report to congressional requesters

Why GAO Did This Study

The General Services Administration (GSA) provides leased space to over 55 percent of federal employees at an annual cost of $3.6 billion. In 2004, GSA awarded four contracts for national broker services (NBS). Performance of the contracts began on April 1, 2005. This report focuses on GSA's administration of the leasing contracts for the first contract year, ending March 31, 2006, and addresses, among other matters, (1) how GSA is attempting to prevent conflicts of interest in the NBS leasing program and to safeguard its information; (2) what, if any, savings have accrued to the government; and (3) how GSA is distributing its leasing workload among the brokers. To address these matters, GAO, among other actions, analyzed the contracts; GSA's contract administration guide; and GSA's policies, procedures, and controls related to these matters.

What GAO Recommends

GAO is making numerous recommendations. For example, GAO recommends that GSA perform a risk assessment of the NBS program; modify the contracts to include additional controls; test, as needed, the adequacy of the brokers' controls; improve controls over broker commissions; develop procedures for quantifying savings; and define the factors needed to establish a record of the brokers' performance. GSA agreed to implement the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-17.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Mark Goldstein at (202) 512-6670 or goldsteinm@gao.gov.

What GAO Found

GSA has developed controls to help prevent conflicts of interest in the NBS leasing program, but has not fully mitigated potential conflicts of interest or federal information security concerns related to safeguarding information and systems used by the brokers on GSA's behalf. For example, while GSA appears to have resolved the 20 conflicts identified by the brokers during the first contract year, it has not modified the contracts to ensure that each contains all of the requirements applicable to the brokers' disclosure of potential or actual conflicts of interest. Further, GSA has not assessed the risk and magnitude of harm that could arise from the brokers' unauthorized access to, or disclosure of, GSA's proprietary information. Until GSA conducts a risk assessment, it cannot (1) modify the brokers' contracts to include additional controls, as appropriate, or (2) test, as needed, the brokers' controls to ensure that they are adequate to safeguard GSA's information. GSA also has not adequately mitigated, as required, the inherent conflict created by allowing the brokers to represent the government while negotiating their commission payment with building owners. Commissions are factored into the cost of the government's rental payments. Absent additional controls, GSA has insufficient assurance that the brokers will not accept excessive commissions; thereby increasing the government's costs. At the end of GAO's review, GSA had not taken action on these issues.

GSA expected the contracts to result in various savings. It anticipated reductions in (1) rent from the brokers' expert knowledge of the commercial real estate market and (2) administrative expenses from reductions in its costs for previous contract fees, administration, and personnel. However, more than 2 years after the contract awards, GSA does not know what, if any, savings have resulted, largely because it has not developed procedures for quantifying most of its expected savings.

GSA distributed its initial leasing workload fairly equally among the brokers during the first year, as required, but program delays, insufficient data, and a lack of procedures have slowed the transition to performance-based distributions. Once a record of performance is available, GSA is to distribute work among the brokers on the basis of their performance. GSA planned to begin performance-based distributions after the first contract year, anticipating that the brokers would have completed a sufficient number and variety of task orders to establish a record of their performance. However, as of March 31, 2006, the brokers had completed only 11 of the 479 task orders issued to them and eligible for a commission payment. GSA now expects to begin performance-based distributions by April 1, 2007—the start of the third contract year—but has not defined how many and what types of task orders are needed to establish a record of performance. Without this information, GSA cannot demonstrate that it has established a record of performance and is ready to move to performance-based distributions. GSA also has not developed needed guidance and procedures, but plans to do so before moving to performance-based distributions.