108867

REPORT BY THE

Comptroller General

OF THE UNITED STATES

Repairs And Alterations Of Public Buildings By General Services Administration-- Better Congressional Oversight And Control Is Possible

The General Services Administration manages a program of major repairs and alterations to public buildings. The Public Buildings Act requires General Services to obtain approval of the Senate and House Committees on Public Works for each project estimated to cost over $500,000. However, the Congress has not had much control over how the funds for these projects are used.

This report recommends actions which should provide the Public Works and Appropriations Committees better oversight and control over repairs and alterations while allowing General Services flexibility in managing its program.

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UNITED STATES GENERAL ACCOUNTING OFFICE

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COMPTROLLER GENERAL OF THE UNITED STATES
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To the

Chairman of the Senate Committee
on Appropriations
Chairman of the Senate Committee
on Environment and Public Works
Chairman of the House Committee on
Appropriations
Chairman of the House Committee on
Public Works and Transportation

This report discusses implementation by the General Services Administration of the prospectus requirements of the Public Buildings Act of 1959, as amended, and General Services' understanding of the congressional intent for completing funded prospectus projects.

We made this review to determine if General Services was carrying out the prospectus requirements of the Public Buildings Act of 1959, as amended; whether projects proposed to the Congress in its annual alterations and major repairs program were completed; and whether the Congress actually had the oversight intended over this program.

Copies of this report are being sent to the Director, Office of Management and Budget, and the Administrator of General Services.

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE
SENATE COMMITTEE ON ENVIRONMENT
AND PUBLIC WORKS
HOUSE COMMITTEE ON PUBLIC WORKS
AND TRANSPORTATION
HOUSE AND SENATE COMMITTEES ON
APPROPRIATIONS

REPAIRS AND ALTERATIONS OF PUBLIC BUILDINGS BY GENERAL SERVICES ADMINISTRATION--BETTER CONGRESSIONAL OVERSIGHT AND CONTROL IS POSSIBLE

D I G E S T

The General Services Administration manages a major repairs and alterations program for public buildings. Funds to finance the work are approved annually and are available until they are spent.

The Congress has not had much control over how these funds are used or adequate information on how much was spent on authorized major projects and how much on other repairs. (See pp. 8 to 11.)

The Public Buildings Act of 1959, as amended, requires General Services to obtain approval of the Senate Committee on Environment and Public Works and the House Committee on Public Works and Transportation for each project estimated to cost over $500,000. (See ch. 1.)

General Services' backlog of major repairs and alterations has for the last 3 or 4 years been about $1 billion. About two-thirds of the backlog has been large projects costing over $500,000. The backlog includes about $300 million of work on projects authorized by the Public Works Committees. In its annual work programs submitted to the Congress for funds (obligation authority) since 1975, General Services has proposed that an average of about 55 percent of its repair funds be used for specified projects costing over $500,000. In the past 4 years, however, General Services has spent only about 45-50 percent of the funds on the large projects. Moreover,

~~GAO tests showed that~~ a substantial amount was spent for projects not specifically identified in any of the recent work programs supporting the agency's annual request for repair funds.

Since the annual appropriation bill provides a lump sum amount, without reference to the specified major projects supporting the request, General Services has no legal obligation to do the work proposed. Staffs of the Public Works and Appropriations Committees of both houses told GAO that the Committees regard the annual budget proposals to be a program of work that should be accomplished. Officials of General Services agreed, and stated that they endeavor to carry out the programs proposed. (See pp. 4 and 5.)

To improve the Congress' control of the major repairs and alterations program, the House and Senate Appropriations Committees should initiate action to either (1) change the annual appropriation to a line item authority for each prospectus project costing over $500,000 and a lump sum for other repairs (possibly with a 5-year limitation), together with the authority to transfer funds to other projects provided the Appropriations Committees are notified in advance of any transfer, thereby requiring GSA to carry forward funds earmarked for specific projects or exercise its transfer authority in order to fund other projects, or (2) require a complete accounting from General Services of the use of these funds each year and an explanation of all changes from the annual programs proposed. (See p. 30.)

In addition, the Public Works Committees should require General Services to justify prospectus projects that have not been completed after a number of years. (See p. 29.)

General Services disagrees on the need for line item appropriation control for each large project approved by the Congress, primarily because of the difficulty in forecasting the year in which major projects can be started. This is the same problem the Department of Defense has in planning and budgeting military construction projects, which are controlled by line item appropriations. Because the appropriations do not specify the year in which funds are to be used, the money is available for approved starts in a later year. Statutory transfer authority would allow General Services to substitute an unapproved project for one previously approved. (See pp. 27 and 28.)

The General Services and the Public Works Committees seem to have a significant misunderstanding regarding the nature and scope of repair work requiring the Committees' approval and when the scope of approved work can be changed without further approval. General Services has spent over $1 million on each of a number of public buildings without having requested approval of those Committees. It has used the authority of approvals to do work that was not described in the scope approved. (See pp. 18 to 20.)

General Services has been inconsistent in deciding when the $500,000 requirement for the Committees' approval of work applies. The Central Office of General Services generally considers the first 2 years of work requirements subject to the Committees' approval, if the estimated costs exceed $500,000. In at least two regional offices, the standard is the work requirements of only 1 year. One region considers it permissible to reschedule work to avoid the approval requirement. Certain types of work, such as painting and roof repairs, have at times been included in the total requirements, subject to the Committees'

approval, and at other times have been excluded. (See pp. 18 to 20.)

The Public Works Committees should:

--Initiate proposed legislation to amend the Public Buildings Act of 1959 to define the term "project," so that it clearly must include all related work required to accomplish an identified major repairs and alterations objecttive in a single building.

--Determine, and advise General Services as to what extent certain costs for work classified as maintenance (such as painting and roof repairs) could be considered alterations and should be included in prospectuses. (See p. 29.)

In addition, the Administrator of General Services should:

--Seek an agreement with the Public Works Committees on the type and extent of changes in the scope of prospectuses which would require the Committees' approval.

--Revalidate prospectuses approved prior to fiscal year 1973.

--Assure that prospectuses are submitted to the Public Works Committees in a timely manner.

The Administrator agreed with or did not oppose these recommendations. (See pp. 27, 30 and 31.)

Some of the major alteration work done by General Services in public buildings is financed by other agencies. The projects are not submitted to the Public Works Committees for approval unless they include work to be paid for by General Services that costs more than $500,000. Some of these projects include substantial general improvements to the buildings.

The House and Senate Public Works Committees should initiate proposed legislation to amend the Public Buildings Act or require General Services to revise its procedures to have prospectuses on reimbursable work projects submitted for approval. (See pp. 23 to 25 and 29.)

The Administrator did not oppose this recommendation. (See p. 25.)

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ABBREVIATIONS

GAO	General Accounting Office
GSA	General Services Administration
HUD	Department of Housing and Urban Development

CHAPTER 1

INTRODUCTION

The General Services Administration's (GSA's) major repairs and alterations program is one of six programs financed through the Federal Buildings Fund for providing space and related services to Federal Government agencies. The program is for work in public buildings managed by GSA to: prevent or correct deterioration, alter space to improve use (including additions), improve safety and security, install aids for the handicapped, reduce energy consumption, and install pollution control devices. Preventive building maintenance and small repair or redecorating jobs are financed by the real property operations budgets of GSA's building managers. In accordance with GSA's operating policies, generally any work estimated to cost over $10,000 is financed by the major repairs and alterations program.

Section 7 of the Public Buildings Act, as amended (40 U.S.C. 601 et. seq.), states in part:

> "In order to insure the equitable distribution of public buildings throughout the United States with due regard for the comparative urgency of need for such buildings, * * * no appropriation shall be made to construct, alter, purchase, or to acquire any building to be used as a public building which involves a total expenditure in excess of $500,000, if such construction, alteration, purchase, or acquisition has not been approved by resolutions adopted by the Committees on Public Works of the Senate and House of Representatives, respectively * * * For the purpose of securing consideration for such approval, the Administrator shall transmit to the Congress a prospectus of the proposed facility * * *"

GSA reports that from 1961 through September 30, 1977, the Senate Committee on Environment and Public Works and the House Committee on Public Works and Transportation (Public Works Committees) had approved 276 prospectuses for major repairs and alterations projects. At that date GSA reported that it had over 100 approved prospectuses to be completed, with unused authority of over $300 million. Many of these prospectuses had been approved at least 5 years earlier.

GSA proposes a program of work to Congress each year for a new limitation on availability of funds requested.1/ GSA's proposal consists of a list of specified projects by building and State estimated to cost over $500,000 each, and a lump sum amount for other repair projects costing less than $500,000 each. The projects over $500,000 include those for which GSA has approved prospectuses, those under consideration by the Public Works Committees, and those not yet submitted for approval. They can also include non-prospectus work.

During fiscal years 1968-77, the Congress appropriated about $61 million to $100 million a year for the major repairs and alterations program. Because of the substantial reported backlog of work requirements (over $1 billion), the Congress increased the new obligation authority for each of the fiscal years 1978 and 1979 to $200 million. The appropriations for major repairs and alterations are no-year authority ("available until expended").

In fiscal year 1977, the Congress also appropriated $125 million in a special supplemental appropriation for major repairs and alterations work to increase employment. However, on July 19, 1977, the President sent to the Congress a proposed rescission of budget authority in the amount of $75 million. The $50 million remaining was apportioned to GSA late in the fiscal year. In November 1977 the Congress rescinded the $75 million. GSA opened fiscal year 1978 with $200 million of new obligation authority, about $700,000 of unobligated repair funds from prior years, and about $32.8 million of unobligated supplemental funds.

GSA also performs alterations work on a reimbursable basis at the request of its tenant agencies. Ordinarily, this would mean alterations over and above what GSA normally provides. Examples of extraordinary requirements are upgrading heating, ventilation, and air conditioning systems, upgrading electrical systems, and preparing sites for computer centers. GSA is not required to request approval of the Public Works Committees for reimbursable projects expected to cost more than $500,000, when (1) requesting agencies certify that funds have been made available for the project through their appropriation process without regard to section 7 of the Public Buildings Act and (2) GSA's share of the estimated cost in the project does not exceed $500,000.

1/For purposes of this report, referred to as either appropriations or obligation authority.

GSA's Public Buildings Service manages the major repairs and alterations program, prepares the annual proposal submitted by the Administrator of General Services to the Congress, allots funds to GSA's 10 regions, and establishes the policy and instructions for carrying out the programs. The 10 regions identify the work requirements, advise the Central Office of their priorities, and usually decide what work to do within their fund allotments.

We reviewed the prospectus approval process, the annual work programs proposed to the Congress, and the reported repairs and alterations work done generally by GSA. We inquired primarily to see if the work done was what key congressional committees expected to be done. The scope of our review is described in chapter 5.

We are also currently reviewing other aspects of the major repairs and alterations program, including selected tests of the reliability of the reported work backlog, the setting of work priorities, and the economic feasibility of certain high cost renovation projects.

CHAPTER 2

GSA NOT USING OBLIGATION AUTHORITY FOR THE MAJOR BUILDING REPAIRS IDENTIFIED AND PROPOSED TO CONGRESS FOR THAT AUTHORITY

The major repairs and alterations work done by GSA differs significantly from its reported work requirements and the annual work program GSA proposes to the Congress for its new obligation authority. The estimated cost of GSA's backlog of such work has been about $1 billion for the past several years. About two-thirds of the estimated costs have consistently been for major building repairs and alterations projects costing over $500,000, which require approval of the House and Senate Public Works Committees. The balance is for less costly repairs not identified to specific buildings in the backlog summaries.

With each annual budget, GSA submits a list of planned repair and alterations projects costing over $500,000 each, as part of its justification for the new obligation authority requested. Since 1975, the total amount requested for these large projects represented an average of about 55 percent of the total repair and alterations funds requested each year. The balance of the funds requested was for unspecified smaller projects not requiring specific approval. We estimate, however, that only about 45-50 percent of GSA's total obligations for repair and alterations work were for prospectus-type projects (costing over $500,000) in the fiscal years 1975-78. Furthermore, not all of the obligations incurred for large projects were for those specified in its annual budgets.

We asked GSA officials to summarize for us the obligations charged to each prospectus project during the past 4 fiscal years, in order to relate obligations to the specific projects GSA proposed to the Congress for its new obligation authority. GSA was unable to provide this information. In the absence of a complete 4-year record of obligations by building and project, we analyzed the obligations for prospectus project work in GSA's Washington Region (Region 3) during fiscal year 1978. Of the $47.1 million obligated for prospectus projects, $8.4 million (about 18 percent) was for projects not in any annual work program supporting GSA's budgets for fiscal years 1975-78. In our opinion, therefore, GSA has deviated substantially from the programs considered by the authorizing and appropriating committees, not only

by spending less than proposed for the prospectus projects generally, but also by undertaking different prospectus work than proposed.

Because GSA's annual appropriation act provides a single, no-year obligation authority for the entire major repairs and alterations program, without reference to the specified projects in its budget proposal, the act does not bind GSA legally to apply the authority to those projects. Staff members of the House and Senate Appropriations Committees and Public Works Committees told us that the Committees regard the annual listing of projects and the lump sum estimate for minor work as substantially the program for which the new obligation authority will be used. GSA officials told us that they, too, consider each annual proposed program a commitment to the Congress, and endeavor to carry it out in the year proposed. As described in the following sections, GSA's administration of the program has not matched its intentions.

GSA'S MAJOR REPAIR BACKLOG AND OUTSTANDING APPROVED PROSPECTUSES

GSA keeps a running 5-year inventory of major repairs and alterations requirements. The work needs for building renovations, alterations to improve space use, correction of safety and security defects, and other improvements are identified and reported by GSA building managers or by technical inspectors who inspect every building periodically. The total estimated costs for this inventory of work have remained at about $1 billion for at least the past 3 or 4 years. GSA's annual work programs for fiscal years 1975-77 averaged only about $84 million of obligations for major repairs and alterations. New requirements identified every year exceeded the cost of work done, and the backlog continued to increase during this period.

Because of the large backlog, the House Appropriations Committee asked GSA in 1976 to request approval of a larger program every year. GSA estimated that, if it had obligation authority of about $200 million a year for 5 years, it could reduce the backlog of repairs and alterations to about $500 million, a manageable size for efficient use and operation of public buildings. For fiscal year 1978 the Congress appropriated $200 million for this program. As described on page 2, late in fiscal year 1977 the Office of Management and Budget also apportioned to GSA $50 million of a special supplemental appropriation for repairs and alterations.

The first year list of identified repair and alteration work in each 5-year period generally contains the highest priority requirements. It forms the basis for planning the work program to be submitted by GSA to the Congress for the next budget year. We could not locate the details of any work inventories taken prior to the beginning of fiscal year 1977. The latter inventory (the basis for the fiscal year 1978 proposed program) and the inventory dated September 1977 (the basis for the 1979 proposal) show that about two-thirds of the total estimated requirements for the 5-year periods are for large projects costing over $500,000. The balance is for other repairs unidentified in the work summaries to specific buildings.

The repair requirements under $500,000 reported in these inventories include a substantial amount of ordinary, recurring maintenance, such as periodic interior painting, cleaning building exteriors, roof repairs, and minor mechanical repairs. When GSA's major repairs and alterations budgets were relatively small, a greater proportion of those budgets may have had to have been devoted to such minor repairs than would have been necessary had GSA budgeted for the total annual work requirements. Even in the high budget years of 1978 and the proposed 1979, however, GSA continued to propose proportionally more for projects under $500,000 and less for large projects than was shown in its inventories of work requirements.

The following table shows the amounts GSA proposed to the Congress for new obligation authority in fiscal years 1978 and 1979, compared to the total estimated costs from its inventories for projects over and under $500,000. GSA officials were unable to find for us the fiscal year 1978 portion of the long range work inventory pertinent to that year's planning. In order to compare the proportionate requirements for these projects with the respective amounts in the program proposed to the Congress for fiscal year 1978, we had to use the entire 5-year backlog. For fiscal year 1979, we can show a direct comparison of that year's work requirements from the later inventory with the proposed program.

Major Repairs and Alterations Program

Projects	Fiscal year 1978 Per work inventory	Fiscal year 1978 Per budget proposed	Fiscal year 1979 Per work inventory	Fiscal year 1979 Per budget proposed
	(in millions)			
Over $500,000	$ 711.3(69%)	$120.3(59%)	$152.5(73%)	$100.2(50%)
Under $500,000	318.1(31%)	84.4(41%)	55.4(27%)	99.8(50%)
Total	$1,029.4	$204.7	$207.9	$200.0

Approved prospectuses

According to GSA's status report, as of June 30, 1974, the Public Works Committees had approved prospectuses submitted by GSA for 222 major repairs and alterations projects during fiscal years 1961-74. At the same date, GSA showed that 100 of those prospectuses were completed or had been cancelled. For the 122 open prospectuses, GSA had total approval authority for about $516 million of work, with about $216 million worth yet to be done. About 40 of the uncompleted prospectuses had been approved 10 years or more earlier.

Three and one quarter years later, on September 30, 1977, GSA's report showed that the Committees approved 54 additional projects, bringing the total since 1961 to 276. At that date GSA showed 113 approved prospectuses that had not been completed, terminated, or cancelled. The total amount approved for the 113 prospectuses was about $644 million, of which $313 million remained to be used. Seventeen of these open prospectuses were approved prior to June 1964, and 39 were more than 5 years old.

Many of the approved prospectuses were cancelled after only part of the planned work was done, and in some cases with no work done. Some were superseded by a new prospectus for a larger scope of work and with later cost estimates (e.g., the Winder Federal Building in Washington). Others were cancelled or terminated because of changes in the plans for use of the buildings, including the disposal of some buildings (e.g., transfer of Federal Office Building No. 1 to the Architect of the Capitol). The actual completion of planned work, as approved by the Committees since 1961, has been substantially less than contemplated.

One reason for the slow progress in performing work authorized by the Committees was the relatively low funding requested by GSA prior to its fiscal year 1978 budget. Another reason was GSA's deviation from the annual work programs submitted to the Congress for obligation authority.

DEVIATIONS FROM THE PROGRAMS PROPOSED TO THE CONGRESS

The annual major repairs and alterations programs that GSA proposed to the Congress for fiscal years 1975-78 (excluding the special supplemental appropriation) called for an average of about 55 percent of the appropriations requested to be used for specified projects estimated to cost over $500,000 each. The proportions proposed for such projects ranged from a low of about 43 percent in fiscal year 1977 to a high of 69 percent for fiscal year 1976 and the transition quarter. In order to place contracts as promptly as possible for the $50 million special supplemental appropriation, GSA proposed to the Appropriations Committee a program with about 40 percent of the funds for projects costing over $500,000, and the remaining 60 percent for smaller projects.

Not until fiscal year 1977 did GSA set up central accounting and reporting of obligations for the major repairs and alterations programs to identify separately the charges to prospectus projects and to other repairs. Two other possible sources of this information for earlier years are not very reliable--the annual budget submissions to the Congress, which show actual obligations for some projects in the second year preceding the budget year, and the cumulative obligations shown in GSA's annual report on the status of approved prospectuses. Neither source is complete, and the status of prospectuses has occasional unexplained adjustments in obligations. We can only state, from inspecting these sources for fiscal years 1975 and 1976, that it appears doubtful that more than 45 percent of the total obligations for the program were incurred on prospectus projects.

The following table shows GSA's reported obligations during fiscal years 1977 and 1978, as charged to prospectus projects and other repairs.

Obligations for the Major Repairs and Alterations Program

	Regular appropriations	Supplemental appropriation	Total
	(millions)		
Fiscal year 1977:			
Prospectus projects	$ 43.4(47%)	$ 4.6(27%)	$ 48.0(44%)
Other repairs	49.5(53%)	12.6(73%)	62.1(56%)
Subtotal	92.9	17.2	110.1
Fiscal year 1978:			
Prospectus projects	96.6(54%)	10.2(31%)	106.8(50%)
Other repairs	83.4(46%)	22.5(69%)	105.9(50%)
Subtotal	180.0	32.7	212.7
Total of both fiscal years:			
Prospectus projects	140.0(51%)	14.8(30%)	154.8(48%)
Other repairs	132.9(49%)	35.1(70%)	168.0(52%)
Total	$272.9	$49.9	$322.8

The total obligations for prospectus projects for both years in the table above ($154.8 million) are substantially less than the amount required to complete projects in the work programs for those years, as well as for any projects carried over from prior years. In the case of 1978, for example, the program proposed to the Congress included about $120 million for specified prospectus projects (see table page 7). As shown in the table above, only about $97 million was obligated for such work from GSA's regular appropriation in 1978. GAO has reported 1/or is about to report on shortfalls in program execution and spending and large unobligated balances in other agencies.

The next question regarding GSA's adherence to its budget proposals is how much of those obligations for prospectus projects were for work specified in its annual proposals. In the absence of centralized records for all GSA prospectus obligations, we sought the answer by analyzing repair and

1/"Analysis of DOD Unobligated Budget Authority," PAD-78-34, January 13, 1978, and "Unobligated Balances of Civil Agencies," PAD-78-48, April 1978.

alterations obligations for 1978 in GSA's Washington Region. The results are summarized below.

Work on prospectus projects not in annual budget proposals

During fiscal year 1978 the Washington Region obligated about $47.1 million for prospectus projects and about $19.1 million for other repairs and alterations work. GSA's 1978 budget proposal included about $66.5 million of prospectus projects in that region (with GSA's standard overhead for design, management, and inspection added). Thus, the region was short of its total proposed prospectus work program by about $19.4 million, or 30 percent.

Further analyses of the obligations for prospectus work in 1978 shows that a substantial amount were for projects not specifically identified in the 1978 or 3 prior years' budget proposals.

	1978 prospectus obligations (millions)
Projects in 1978 budget	$31.1
Projects in 3 prior years' budgets	7.6
Subtotal	38.7
Projects not in any recent budget	8.4
Total	$47.1

The $8.4 million of obligations for projects not in any recent year's budget proposal represents about 18 percent of the total obligations for prospectus work in 1978. There were further deviations from the 1978 budget proposal in that the obligations for five prospectus projects in that proposal exceeded the amounts proposed by a total of over $11 million.

The net effect of these changes in the Washington Region's program is that about $46 million is needed to undertake or complete work on only those projects that were in the 1978 prospectus program proposed to the Congress

for obligation authority. There are also uncompleted prospectus projects that were in the 1978 and prior years' budget proposals of all the other regions. For example, three large projects (one each in St. Louis, Dallas, and New York) were in the 1978 proposed program for a total of about $42.2 million including estimated overhead. The total obligations on those projects in 1978 were only $7.6 million, leaving fund requirements of about $34.6 million for future years.

The total unobligated repairs and alterations funds available to GSA were only about $21 million on September 30, 1978. Even our limited analyses show 1978 project requirements that are four times as great. Obviously, the unmet requirements of other regions and for earlier years' budget proposals must be very substantial. Funds justified for specific prospectus projects have been used for non-prospectus work, for prospectus projects not in those proposals, and in some cases to exceed the amounts proposed on listed projects.

Following are some of the reasons for GSA's deviations from the annual prospectus work programs submitted to the Congress.

Delay in submitting prospectuses for the Committees' consideration

Section 7 of the Public Buildings Act, as amended (40 U.S.C. 601 et. seq.), states that no appropriation shall be made to construct or alter a public building which involves a total expenditure in excess of $500,000, if the work has not been approved by the Senate and House Committees on Public Works. Although the Congress has appropriated funds for such work before the Committees approved prospectuses for the work, the Committees and GSA have an understanding that GSA will not begin work on major repairs and alterations projects without approval of both Committees.

GSA was not in a good position to carry out the annual work programs, because prospectuses for many of the projects in those programs had not been submitted for the Committees' approval when the budgets were presented to the Congress. When GSA presented its proposed program in January 1975 for fiscal year 1976, for example, of the 50 major projects in the program, GSA had approved prospectuses for only 21, and 5 others were under consideration by the Public Works Committees. At that time GSA had not cleared the prospectuses for the other 24 projects within the agency for submission to the Committees.

The Committees take from several months to well over a year in some cases, to consider and approve prospectuses for major repairs and alterations projects. Prospectuses not submitted when the budget is presented to Congress have little chance of being approved in time for design and contract awards before the fiscal year ends.

GSA has been improving its preparation and submission of prospectuses since 1976. Of the 14 required for its fiscal year 1977 work program, all but 3 were submitted to the Committees before the year began. GSA officials informed us that they plan to submit all the required prospectuses for the 1980 budget by November 1978, 1/ and for the 1981 budget by March 1979. (See app. I, pp. 40 and 41.)

GSA's allotments to regions differ from the planned programs

GSA's Central Office allots major repairs and alterations funds to its 10 regions during each fiscal year. Some allotments are specified for prospectus projects and some for non-prospectus projects. Others are lump sum amounts for other repairs. In addition to having to alter its proposed annual programs since it does not have approved prospectuses for all major projects, GSA further deviates from those programs in its allotment of funds.

Allotments recalled at end of year

Although the appropriations for major repairs and alterations are no-year funds, GSA's allotments are available to the regions only during the year they are allotted. GSA's Central Office recalls the unobligated allotments at the end of each year for reprograming. This is in accordance with Office of Management and Budget policy of apportioning funds annually to GSA. As a result, the Central Office has an opportunity to reconsider priorities and changes in work requirements nationwide for the unused funds each year. On the other hand, given the time required on large projects for design, preparation of specifications, and award of contracts, the single year allotment limits the regions' ability to use the allotments as specified. The regions use more funds than planned, therefore, to do other work including minor repairs.

The following table shows the funds allotted to GSA's Chicago Region (Region 5) for specific projects with approved prospectuses and for non-prospectus work in fiscal

1/Now estimated to be February 1979.

years 1976 and 1977, together with the amounts obligated for the two classes of work.

	Fiscal year		
	1976 (note a)	1977 (note b)	Total
	(millions)		
Funds			
Prospectus projects:			
Allotted	$ 3.3	$2.2	$ 5.5
Obligated	1.6	1.8	3.4
Non-prospectus projects:			
Allotted	6.8	5.2	12.0
Obligated	8.1	5.6	13.7
Total projects:			
Allotted	$10.1	$7.4	$17.5
Obligated	$ 9.7	$7.4	$17.1

a/Includes transition quarter

b/Excludes supplemental appropriation

For both fiscal years the Chicago Region obligated $3.4 million for prospectus work, or 62 percent of the allotments for that purpose. For other repair work, however, the region obligated nearly 20 percent more than was allotted in fiscal year 1976, and almost 8 percent more than the allotment the next year.

The regions also use the allotments for specified prospectus projects to do work on other projects. The Chicago Region's obligations for prospectus work in 1977, for example, included $148,000 on projects for which it did not have an allotment. The region also obligated $147,000 on a prospectus project for which it was allotted only $25,000, and in another case obligated $32,000 more than allotted.

Allotments differ from proposed program

GSA's allotments of funds for specified major projects, even with approved prospectuses, differ from the projects and planned obligations shown in its budget requests. For

example, in its program proposed to the Congress for new obligation authority in fiscal year 1976 and the transition quarter, GSA had included five projects of over $500,000 each in the Chicago Region, for a total of $8 million. The Milwaukee Federal Building and Court House was in the proposed program for $670,000. No allotment was made, and GSA later reported the scope of the prospectus completed without further work. During the year GSA allotted only about $3.2 million on the other four prospectus projects in the proposed program, and about $100,000 for five prospectus projects not in the program.

For the regular fiscal year 1977 appropriation and the special supplemental, GSA's proposed programs included four of Chicago's prospectus projects for a total of $2.5 million. GSA's total allotments to Chicago for prospectus work that year were $3.8 million. The allotments for three of the four programed projects were less than the amounts proposed to the Congress, however, and funds were allotted for four other prospectus projects not in the program.

There were also substantial variations between the amounts in the fiscal year 1977 proposed program and the allotments for projects with approved prospectuses in Region 3 (Washington). GSA proposed $1.8 million for work on the Department of Justice Building, and allotted the region $2.3 million. About $226,000 of work was proposed for the Department of Commerce Building, but an allotment of $108,000 was made. GSA proposed about $410,000 of work in the State Department Building, but allotted only $248,000. A GSA warehouse in Franconia, Va., was not in the 1977 proposal, but GSA allotted the region $585,000 for work there.

In commenting on the examples on pages 13 and 14 above, GSA officials explained why the allotments for particular projects were different than the amounts in its proposed program, as well as why the regions did not use allotments as specified. (See app. I, pp. 38 to 40.) In most cases, GSA pointed out that the work requirements changed after the proposed program was submitted to the Congress, or the work had to be deferred to a later year. GSA considers these examples illustrative of its need for flexibility in managing its budget.

We do not question the justifications for not spending allotments on projects, where the scope of the work requirements were reduced, eliminated, or had to be deferred to a later period. The problem, rather, is that a whole range of prospectus projects are proposed to the Congress for

each year's obligation authority. Funds that are not used in the same year for the projects specified lose any identity with those projects, and have been used for other work or were recalled at the end of the year for reprograming administratively without advising the Committees of the changes.

We asked GSA officials to identify for us the amounts obligated each year for prospectus work to each of the specific projects and buildings involved, so that we could trace the results on each of the prospectus projects in GSA's annual repair programs supporting its budget requests for the last 3 fiscal years. GSA was unable to develop this information for us. Thus, there is no real accounting by GSA as to how it uses the obligation authority justified for specified prospectus projects.

Under these allotment practices of GSA's Central Office, the regions are handicapped in planning and executing an efficient and orderly program of repairs and alterations work. The tendency in the regions, then, is to breakdown the major renovation and alterations requirements of their buildings into smaller work units for contracting. This enables the regions to cope with the reduced allotments for prospectus work, and to place contracts for as much work as possible before the annual allotments expire. The effect on the backlog of approved prospectus projects, however, is to stretch out their completion over many years.

Obtaining appropriations in excess of prospectus limitations

By receiving annual appropriations relating to a specific prospectus but obligating all or part of those funds to other repair and alteration projects, GSA is able to use prospectuses to justify appropriations in excess of the prospectus limitation. Since GSA does not report appropriations to date in its prospectus status report, Congress is not informed of the total funding approved under a prospectus.

Since 1971, at least two prospectuses in GSA Region 3 have been used to justify appropriations in excess of the prospectus limit. For example, GSA requested $6.07 million under a prospectus for the Health, Education, and Welfare (North) Building-- $1.01 million above the $5.06 million limitation approved by the Public Works Committees. The prospectus for the U.S. Courthouse in Washington, D.C., has a limitation of $5.35 million. GSA has requested appropriations totaling $9 million under this prospectus--

$3.65 million in excess of the limitation. In neither case has GSA obligated funds in excess of the limitation. But the additional funds received--$4.66 million--were available, and were largely allotted for use on other repairs and alterations work.

CHAPTER 3

PUBLIC BUILDINGS ACT REQUIREMENTS

NEED TO BE CLARIFIED

The Public Buildings Act does not specify the types of work that constitute "a total expenditure in excess of $500,000" for major repairs and alterations in a public building, and therefore requires approval of a prospectus submitted to the Public Works Committees. Should certain types of maintenance be included or excluded from the estimated total costs of work in a building? If the cumulative estimated costs of various minor repair jobs would exceed $500,000 over several years in a building, should approval of the Committees be requested? Does GSA need the approval of the Committees to change significantly the scope of work described in an approved prospectus? GSA officials disagree among themselves about the answers to these questions and, in many cases, take positions that are contrary to the understanding of the Committees about this work.

In 1961 GSA informed the Public Works Committees of the following guidelines for the preparation of prospectuses. According to GSA officials, the Committees agreed to these guidelines.

--An alteration project is any single unit of repairs, remodeling, improvements, extension, or other change, which as a matter of economy and good administration should be undertaken as a unit at any one time.

--A project, as it relates to the Public Buildings Act, is replacement and improvement work which should be completed in a building in 5 years; any alteration to a building or its equipment required by a space reassignment; any repair and replacement required by an emergency; or any alteration to be financed in whole or part by another agency.

--Prospectuses, for projects to be completed in 5 years, shall be prepared for each public building as engineering evaluations are completed, and if the estimated maximum cost of replacement and improvement work in a building will exceed $500,000.

--These prospectuses shall not include day-to-day maintenance and recurring repairs.

--Prospectuses, for space reassignment and emergency repairs and replacements, shall be prepared and submitted on an "as they occur" basis where the estimated cost of any one project will exceed $500,000.

GSA officials informed us that they no longer consider it reasonable to prepare and submit prospectuses to the Committees for work which GSA does not intend to start in the near future. GSA's current policy is to prepare prospectuses for buildings which have identifiable work costing over $500,000 in the 5-year period, and for which funding will be available to begin work in one of the next 2 budget years. (See app. I, p. 41.)

POLICY OF GSA REGIONS FOR PREPARING PROSPECTUSES

At least two of GSA's regions differed significantly from the policy stated above. Generally, they considered only the estimated costs over 1 year to be the policy for complying with the requirement that a prospectus be prepared when expenditures will exceed $500,000 in a public building.

Officials of the Washington Region said an approved prospectus is not considered necessary unless the region plans repair and alteration work that will exceed $500,000 during the following year, regardless of total work requirements. The following table shows some examples of extensive maintenance work in public buildings in Washington in the 5 fiscal years 1973-77, which were not considered to require prospectuses. Also shown are any obligations charged to approved prospectuses during that period.

Building	Prospectus obligations	Non-prospectus obligations
	(Millions)	
Agriculture--South	$ 3.3	$ 2.1
Forrestal	-	1.6
State	.5	2.2
Interior	.8	1.7
Lafayette	.2	1.2
Housing and Urban Development (HUD)	-	2.0
Federal Building 10A	-	1.0

Both the HUD building and Federal Building 10A were on a list of buildings that the GSA Central Office sent to its regions in December 1973, noting that their respective total work requirements for the next 5 years were large enough to require preparation of prospectuses. As of September 30, 1977, GSA had not submitted prospectuses for these buildings to the Committees.

In fiscal year 1974, the Washington Region obligated about $1 million for repairs and alterations to its own headquarters building, without an approved prospectus. According to region officials, the obligations included $499,000 for unforeseen tenant alterations, $230,000 to improve the air conditioning system, and $107,000 for other planned work.

The Chicago Region prepared a prospectus for a building only if the estimated work requirements exceeded $500,000 in either of the first 2 years of the 5-year inventory. For example, prospectuses were not prepared for four buildings with a combined workload estimated at $15.7 million for the current and following 5 fiscal years. The officials stated that prospectuses were not required, because the scheduled work in each of the buildings would not exceed the $500,000 limitation in either fiscal year 1979 or 1980.

According to Chicago officials, work can be rescheduled to avoid preparing a prospectus. For instance, the region had identified total work requirements of $1.6 million in the Federal Building in Toledo, Ohio, including over $500,000 in 1980. Officials said the 1980 requirement would be rescheduled so that a prospectus would not have to be prepared.

CLARIFICATION NEEDED FOR TYPES OF WORK TO BE INCLUDED IN PROSPECTUS CONSIDERATION

GSA has changed policy from time to time regarding the types of work considered to be major repairs and alterations, as opposed to maintenance. The latter class of work is not included in the total work requirements in a building that may be subject to the prospectus limitations. In some cases, the total estimated costs of work classified as maintenance may exceed $500,000 in a 1- or 2-year period. Even when less, the exclusion of such requirements from the total estimated repairs and alterations needs of a building may be the only factor keeping the total estimate under $500,000.

After passage of the Public Buildings Act of 1959, GSA excluded for several years the estimated costs of interior

painting from the scope of work in its prospectuses. Interior painting costs were then included until recently, when the policy was changed to exclude them. For exterior cleaning and painting the estimated costs were generally included for years until recently. Prior to January 1977, the repair and replacement of roof membranes was regarded as major repairs subject to prospectus approval. Since that date, roof repairs have been excluded, unless their estimated costs exceed $500,000.

The significance of these exclusions is illustrated by the inventory of repairs and alterations requirements for a Chicago building. The region identified 19 separate work projects for the building, estimated to cost about $2.7 million. Fourteen had a total estimated cost of about $700,000. Two projects estimated to cost a total of $1.6 million were to repair leaks and structural damage by replacing the deteriorated roof. Three projects for interior and exterior painting were estimated to cost $345,000.

In view of the large cost of some work classified as maintenance, the Public Works Committees should determine to what extent such types of work should be included in prospectuses. Perhaps a dollar maximum, as well as defined types of work, is necessary in determining what may be excluded from the classification of major repair and alterations work subject to Committee scrutiny as a total package of proposed work. GSA officials agree that the definition of a project for prospectus approval needs to be clarified and cleared with the Committees. (See app. I, p. 34.)

CHANGES IN THE SCOPE OF APPROVED PROSPECTUSES WITHOUT ADVISING COMMITTEES

To allow for inflation of construction prices after a prospectus has been submitted to the Committees, the Public Buildings Act permits GSA to exceed the dollar authority of approved prospectuses by 10 percent. If GSA determines that the scope of work approved will cost more than that, it has to submit a revised prospectus to the Public Works Committees for approval. Whether or not GSA can change the scope of work described in an approved prospectus, without the Committees' approval, is not clear. GSA's regulations generally state that a revised prospectus should be submitted to the Committees for approval when the scope is changed. GSA operating officials, however, do change significantly the type of work done under prospectus authority, without requesting approval.

The issue is whether the Committees are approving only the estimated cost as a spending limit or are also approving specifically all the principal elements of the proposed work described. Many prospectuses are for a variety of costly work elements, such as replacing heating and air conditioning systems and elevators, altering the interior for other purposes, constructing an addition, installing fire sprinklers, replacing the lighting fixtures, etc. If GSA later plans to do only part of the work approved or substitute work not included in the prospectus description because of increased costs or changes in the intended use of the building, should the Committees have the opportunity to consider whether or not the authority of the prospectus would be appropriate for the proposed changes? The issue is of particular importance, because many of GSA's open prospectuses were approved years ago.

The following are some examples of changes in work done or proposed by GSA, after the prospectuses for the buildings were approved by the Public Works Committees.

--A 1963 prospectus for the Federal Building at 1951 Constitution Avenue, Washington, D.C., included $4.5 million to modernize existing space and construct additional office space. As of September 1977, about $300,000 had been obligated against the prospectus. GSA plans to obligate the remaining authority in 1978. According to agency officials, the work will consist of the proposed modernization, as well as firesafety improvements not in the prospectus. We were told that the construction of additional office space would now cost about three times as much as the estimate in the prospectus, and it is not considered practical.

--In 1965 a prospectus was approved to construct an underground parking facility and modernize the Old Executive Office Building, at an estimated total cost of $21 million. The original plans were not executed, and in 1968 GSA contracted for a detailed inspection to determine the work which should be accomplished in the building. The recommended work is included in the workload inventory for reference. As of September 1977, 12 years later, GSA had obligated about $5.3 million against the prospectus. Completed work included modernizing the cafeteria and alterations to provide for an auditorium. Future plans for the prospectus authority consist of an annual obligation of $200,000 for tenant alterations, which reportedly will gradually modernize the building.

--GSA received approval in 1965 for improvements to the Railroad Retirement Board Building in Chicago, Ill., including new lighting and restrooms, installing acoustical ceiling and floor coverings, replacing window sills, and making miscellaneous repairs and improvements, for a total of $1 million. As of September 30, 1977, about $47,000 had been obligated for the planned work. Currently, the building is designated as functionally obsolete. GSA is making a feasibility study to determine if the building should be retained in its inventory. Current estimated work requirement costs for the building are about $6.6 million. Until GSA makes a decision on the building's status, regional officials indicate that only necessary operational maintenance and repairs will be done to maintain a proper environment and insure safety and protection.

--In April 1978 GSA received approval of a prospectus for $21.3 million for repairs and alterations in the Pentagon Building, including $900,000 for conversion of attic space. The conversion was dropped from GSA's plans because Defense decided that it did not need the additional space. GSA has decided to complete much needed repairs to the cafeterias' food preparation area (kitchen) under the prospectus authority. Although the project was not specifically identified under the prospectus, GSA considers the work as being covered by the general repair items described therein.

--The approved prospectus for the Department of Commerce Building in 1973 included the modernization of the cafeteria, conversion of certain areas to office space, and replacement of sump pumps. Funds to be obligated by GSA under the prospectus in 1976 were diverted by GSA to work on the Great Hall for the Bicentennial, which was not specifically identified in the prospectus. GSA regarded this work as an allowable obligation against the prospectus based on the miscellaneous improvements and repairs statement included in the approved prospectus.

Prospectus authority totaling $313 million remained available as of September 1977 for completing work previously approved by the Public Works Committees between 1961 and 1977. Approximately $52 million of this authority relates to prospectuses approved prior to 1972. In view of current building maintenance and construction costs

and possible changes in the work requirements for those buildings, the scope of work described in those prospectuses may no longer be valid.

The Public Buildings Act does not specify a period of time in which the proposed prospectus work should be completed. In defining "a project" in 1961, GSA indicated that work included in a prospectus should be completed within 5 years after the Committees approve it. Recent prospectuses approved by the Committees have a 5-year limit to the authority.

GSA officials stated that if the agency were bound irrevocably to the precise items of work described in a prospectus, it would not be able to accomplish changing work requirements in a building. If we understand GSA correctly, its officials believe that they comply with the intent of the act by interpreting the Public Works Committees' approval of a prospectus as primarily a maximum spending authorization, which permits GSA sufficient flexibility to do any work in the building needed to provide suitable quarters for the occupants. (See app. I, pp. 41 and 42.)

We doubt that GSA's interpretation is acceptable to the Committees, but the issue should be resolved in connection with clarifying the types of work subject to prospectus approval discussed on pages 19 and 20 of this report.

OTHER AGENCIES PAY FOR ALTERATIONS EXCEEDING $500,000 IN PUBLIC BUILDINGS

GSA does reimbursable repairs and alterations work costing over $500,000, without prospectus approval, if the agency paying for the work certifies that the funds are available without regard to the prospectus requirement of section 7 of the Public Buildings Act of 1959. Most of the other Federal agencies' annual work programs and appropriation requests are considered by authorizing and appropriating subcommittees other than those responsible for expenditures in public buildings. In some cases reimbursable work includes not only extraordinary alterations for the benefit of the tenant agency (for example, preparing space for special laboratory equipment), but also general building improvements which could be GSA's responsibility.

The act does not specify that reimbursable repairs and alterations projects exceeding $500,000 require prospectus approval. In the 1961 letter to the Chairmen of the House

and Senate Public Works Committees, GSA established guidelines for preparing prospectuses for reimbursable projects. These guidelines are also included in the Federal Property Management Regulations as follows:

--Reimbursable alteration project prospectuses will be prepared by GSA when requested by an agency.

--A project which is to be financed in whole or in part from funds appropriated to the requesting agency may be performed without the approval of the Committees on Public Works, when the agency appropriation from which payment is to be made is certified by that agency to be available without regard to the provisions of section 7 of the Public Buildings Act of 1959, and GSA's portion of the estimated cost, if any, does not exceed $500,000.

GSA regulations state that reimbursable services are over and above those normally provided by GSA. In fiscal years 1977 and 1978, GSA obligated about $46 million for reimbursable alterations and repair work. This amount represented 29 percent and 18 percent, respectively, of the total work undertaken by GSA in those years. Some of these reimbursable projects include substantial general improvements to buildings, as well as special facilities for the agencies paying for the work.

Below are several examples of certifications exempting reimbursable projects from the prospectus process.

--The U.S. Forest Service certified to GSA that the funds available ($580,000) to reimburse GSA for an addition to a laboratory were a line item in the Interior and Related Agencies Appropriations Act for fiscal year 1978. No additional approval was required from Congress, and, therefore, the project was exempt from prospectus requirements.

--The Navy made a similar certification to GSA regarding funds available to pay for alterations in Federal Office Building No. 2, Washington, D.C., and said that the first phase had to be ready for occupancy before July 1, 1978. The Navy requested the work in November 1977. The total estimated cost was $1.5 million.

--The Drug Enforcement Administration planned a new laboratory in the Chicago Customs House in fiscal year 1976, at an estimated cost of $1.2 million. The

Administration certified to GSA that the funds would be exempt from the prospectus requirements, because the project was specifically identified as a line item in its budget submission.

The Public Works Committees may want to consider proposed expenditures of that magnitude in public buildings, particularly when they are for general renovation and improvements to the buildings. GSA did not oppose this proposal.

CHAPTER 4

CONCLUSIONS, AGENCY COMMENTS, AND RECOMMENDATIONS

CONCLUSIONS

GSA has not been carrying out the program of prospectus work submitted annually to the Congress in support of its repairs and alterations appropriation request. A large portion of the appropriations have been used for work not considered by the Committees in their deliberations. The Public Works Committees and the Appropriations Committees have also been handicapped in exercising oversight of the program because GSA has not been reporting on the status of each of the prospectus projects shown in its annual budget proposals.

The Committees and GSA management agree that each of these annual budget proposals is a program of work that they expect to be accomplished. Some program changes are necessary, of course, to meet changes in requirements for particular buildings and unavoidable construction delays. Up to the present time, however, GSA has made substantial changes in the program without consulting the Appropriations Committees or explaining the changes made. Improved congressional control over the program appears necessary.

The Congress could exercise more control over GSA's repairs and alterations program in either of two ways. One would be to appropriate the funds on a line item basis for each prospectus project costing over $500,000 presented by GSA in its annual budget request and authorized by the Public Works Committees. A line item appropriation restricts use of the obligation authority only to the project specified, unless there is provision to transfer the funds to another project. To insure a proper degree of congressional oversight the Appropriations Committees should be notified prior to GSA exercising its transfer authority. GSA's new construction program and the entire Defense military construction appropriation are of this type. It has the advantage of complete congressional control over what the funds may be used for, but may involve some delay in exercising transfer authority to meet any unforeseen, significant repair requirements.

Another form of control would be to require GSA to make a complete accounting of its use of repair and alterations funds at the end of each year, and to explain any deviations from the budget proposal for that year. This would provide

the Agency the same flexibility in using funds that it now has, but with much improved congressional oversight of what happened.

The Committees and GSA need a clear understanding on when prospectuses should be prepared; what types of work need prospectus approval; what control is needed over major changes in prospectus work; and how to define repairs and and maintenance for prospectus purposes. This would provide GSA with a better insight into the Committees' desires so GSA can keep them informed. Once an understanding is reached, GSA can then guide its regional offices and clear up existing inconsistencies in the management of its repairs and alterations program.

Since the cost of reimbursable work GSA performs is steadily increasing, and many projects are over $500,000, a large portion of the repairs and alterations program is not being specifically approved by the Committees. The Committees may want to review such projects costing over $500,000.

GSA COMMENTS AND OUR EVALUATION

The Administrator of General Services and his staff commented on a draft of this report by letter and attachments dated October 25, 1978, (appendix I). Most of the Agency's comments are summarized in the preceding sections of this report. In general, GSA officials agreed with or did not oppose suggestions we made--congressional consideration of legislative changes, and administrative improvements by GSA. The principal points of disagreement were about our suggestion that the Congress:

--Appropriate funds on a line item basis for each prospectus project over $500,000 presented by GSA in its annual budget request, similar to the Department of Defense military construction appropriation.

--Continue to appropriate funds for projects under $500,000 each on a lump sum, no-year basis, but require GSA to support its budget request by identifying funds to be earmarked for major and minor work, a control that is also similar to the military construction appropriation.

GSA objects to the line item type of appropriation control, primarily because it would not enable GSA to adapt the

obligation authority to its changing major alterations and repair requirements over time. (See app. I, p. 44.) The inflexibility of line item control is that the obligation authority for a specific project cannot be used for any other work, without some provision for transfer authority. The authority continues to be no-year funding, "available until expended" or with a multiple-years limitation. It gives the agency ample time to start the authorized project or to transfer funds to another project.

The interest of the Congress in this subject may be illustrated by the following comments in the report of the House Appropriations Committee on GSA's fiscal year 1979 Appropriations Bill (accompanying H.R. 12930, June 1, 1978).

> "GSA has included a list of major (costing over $500,000 each) repair and alteration projects in the budget request. The committee believes that those projects for which funds are requested ought to be accomplished. The General Services Administration is directed to report to the committee annually all of those projects listed in the budget request that are not being accomplished with an explanation as to the reasons why they are not."

GSA officials stated that line item control would work, if the prospectus requirement limit were raised from $500,000 to $2.5 million, which would represent upgrading and renovation projects and not merely basic work. That is a matter for congressional determination. We would only point out that in 1977 Congress considered increasing the minimum amount of a military construction project requiring line item appropriation, and settled on an increase from $400,000 to $500,000.

GSA also objects to separate identification of funds for major and minor work in the lump sum amounts for work projects of less than $500,000 each. According to GSA, earmarking funds by these two categories of work would be too inflexible for managing the work needed to be done, and the Agency sees no advantage to the Congress in controlling and reporting funds that way.

GSA presently requires Central Office approval of all work projects estimated to cost $100,000 or more, and it allots funds to the regions specified to such projects. Allotments to the regions for less costly work are lump sum allotments. As described in chapter 2, however, the regions

do not use the allotted funds for the specified purposes in all cases. On the one hand, therefore, GSA has a system that attempts to control repair funds by "major" and "minor" categories of work, but on the other hand, the Agency has not exercised the internal discipline to make it work. We believe that the need for such controls in the appropriation acts should be considered by the Appropriations Committees and discussed with GSA officials.

RECOMMENDATIONS TO THE HOUSE AND SENATE COMMITTEES ON PUBLIC WORKS AND APPROPRIATIONS

To provide the Committees the control intended over repairs and alterations of Government-owned buildings, and to provide GSA flexibility in managing its program, we recommend that the House and Senate Public Works Committees:

--Initiate proposed legislation to amend the Public Buildings Act of 1959 to define the term, "project," so that it clearly must embrace all related work required to accomplish an identified major repairs and alteration objective in a single building. (Examples are the general renovation of a building, preparing a large block of space for new tenant agencies, and improving the energy consumption of a building by various measures such as insulation, installing a building control system, installing a new heating/air conditioning plant, etc.)

--Initiate proposed legislation to amend the Public Buildings Act of 1959, or require GSA to revise its procedures to have prospectuses submitted for approval on reimbursable work projects, when such projects include general building improvements (over and above the special program requirements of the requesting agencies) estimated to cost over $500,000. (The Public Works Committees may want to discuss any proposed amendment with the Appropriations Committees.)

--Require GSA to justify to the Public Works Committees prospectus projects that have been either approved or funded and have not been completed after a number of years. (The number of years should be mutually agreed to by the Congress and GSA. We suggest consideration of a 5-year period.)

--Determine, and advise GSA as to what extent certain costs for work classified as maintenance (such as painting and roof repairs) could be considered alterations and should be included in prospectuses.

To improve congressional control of repair and alteration funds, we recommend that the House and Senate Appropriations Committees propose that the Congress:

--Provide funds for each prospectus project over $500,000 as presented by GSA in its budget request, similar to the Department of Defense military construction line item appropriation, together with the authority to transfer funds to other projects provided the Appropriations Committees are notified in advance of any transfer. (Although appropriations should remain available for obligation for several years, consideration might be given to a 5-year limitation. For each prospectus project approved, funded, and remaining uncompleted, GSA's budget request should show the prospectus dollar limitation and the amount of funds provided and obligated.) For prospectus projects that cannot be started in the proposed fiscal year, GSA should be required to carry forward funds earmarked for specific projects or to exercise its transfer authority in order to fund other projects. As an alternative, the Committees can require GSA to make a complete accounting at the end of each fiscal year of its use of funds obtained for prospectus projects and explain any deviations from its budget proposals for that year.

--Provide funds for projects under $500,000 on a lump sum basis and require GSA to support its budget request by identifying funds to be earmarked for major and minor projects. (As in the case of our recommendation on line items, consideration might also be given to a 5-year limitation on the lump sum appropriations.)

RECOMMENDATIONS TO THE ADMINISTRATOR OF GENERAL SERVICES

In addition to implementing changes made necessary by actions taken by the above Committees, we recommend that the Administrator of General Services:

--Revalidate prospectuses approved prior to fiscal year 1973, in order to cancel or revise those that are outdated.

--For proposed projects over $500,000 to be included in the budget requests for fiscal year 1980 and succeeding years, have prospectuses approved or submit prospectuses to the Public Works Committees before the budgets are submitted.

--Seek an agreement with the Public Works Committees on the type and extent of changes in the scope of prospectuses which require the Committees' approval.

CHAPTER 5

SCOPE OF REVIEW

We made this review to determine if GSA was carrying out the prospectus requirements of the Public Buildings Act as they relate to alterations and major repairs; whether projects proposed in GSA's annual repairs and alterations program to the Congress were completed; and whether the Congress actually had the control intended over this program, namely assuring that projects are accomplished as shown in the program.

Our work was performed primarily at GSA's Repair and Alteration Divisions in the Central Office and Region 3 (Washington, D.C.), and the Repair and Alteration Branch in Region 5 (Chicago). On September 30, 1977, these two regions were responsible for 57.4 percent of all the work remaining to be done on approved prospectuses, or $180 million of $313 million.

Official records showing obligations for prospectus work were not available until fiscal year 1977 in both GSA Regions 3 and 5. GSA began a computerized reporting system in 1975 which, due to programing errors, produced no valid reports until 1977. Consequently, we used unofficial, manually prepared records to determine obligations for prior years.

We reviewed the Public Buildings Act of 1959, as amended; the reported GSA 1961 agreement with the Congress; GSA interpretations of the act; and regulations, memorandums, reports, budget requests, prospectuses, allotment advices, and informal accounting records. We interviewed GSA officials on the formulation and execution of the repairs and alterations program, budget requests, and the prospectus process.

We also discussed our work with the professional staff of the following committees:

House of Representatives

Subcommittee on Public Buildings and Grounds, Committee on Public Works and Transportation

Subcommittee on Treasury, Postal Service, and General Government, Committee on Appropriations

Senate

Committee on Environment and Public Works

Subcommittee on Treasury, Postal Service, and General Government, Committee on Appropriations

Our fieldwork was performed between December 1977 and April 1978, and additional information was obtained in October and November 1978.

UNITED STATES OF AMERICA
GENERAL SERVICES ADMINISTRATION
WASHINGTON, DC 20405

OCT 25 1978

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, DC 20548

Dear Mr. Staats:

We have reviewed the draft General Accounting Office (GAO) report entitled "Major Repairs for Public Buildings Not Carried Out as Proposed to the Congress" code 945334.

We too are concerned over the reprograming of projects included in the General Services Administration (GSA), Alteration and Major Repair (A&MR) budget. To minimize reprograming actions, our Controller-Director of Administration has been directed to institute a system which will ensure that higher authorities within the agency are fully informed of the need for any change to be made to projects listed in the Budget and that the changes are made only where fully justified, e.g., emergency repairs, unscheduled space adjustments, and new legislative programs.

We believe that GSA can provide the proper controls over the A&MR program without the necessity for an annual line item appropriation for each project $500,000 and over. With the ever expanding requirements that must be met in the development of A&MR projects, e.g., environmental impact statements, building structure reports, Cooperative Use Act consideration projects, review by the State Historic Officer and, of course, approval of the Senate Committee on Environment and Public Works and the House Committee on Public Works and Transportation, it has become exceedingly difficult to accurately forecast the fiscal year in which a construction contract can be awarded.

The A&MR program is essential in meeting GSA's responsibilities for providing functional and safe space to our occupant agencies so that they can carryout their missions. Therefore, we are also very much concerned that basic definitions, e.g., what constitutes an A&MR program and what constitutes a recurring maintenance repair, be clarified. We intend to work with your agency and the appropriate Committees of Congress to clarify these important issues and to effect any changes in legislation which may be necessary.

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We have enclosed specific comments on the draft report and have asked Mr. John F. Galuardi, the Acting Assistant Commissioner for Buildings Management, Public Buildings Service, and his staff to meet with you and your staff to discuss the draft report and our comments. Mr. Galuardi can be reached on 566-0971.

Sincerely,

Jay Solomon
Administrator

Enclosure [See GAO note.]

GAO note: Additional information contained in enclosure was considered in this report but not reproduced here.

INTRODUCTORY COMMENTS

A report to Congress, with recommendations on the General Services Administration's (GSA) program for maintaining and altering public buildings, would be extremely beneficial to both Congress and to GSA if it would also clarify provision of Section 7 of the Public Buildings Act of 1959, as amended. We believe the maximum constructive results will be achieved if the comments addressed below were included in the General Accounting Office's (GAO) report to the Congress.

TERMS AND DEFINITIONS

The term major and minor projects in the context used by GAO can be misconstrued as prioritizing two categories of work on the basis of the cost of the work.

The backup documentation for the "alteration and major repair" projects in the GSA budget submission forwarded to Congress includes:

A. A list of each of the buildings for which the appropriation sought includes work exceeding $500,000. Some of the items of work incorporated into the sum sought for a listed building are elements of work requiring a prospectus. Some of the cost is for work for which no prospectus is required.

B. A lump sum, without itemization, for all of the remainder of the proposed alteration and repair work to be initiated during the forthcoming fiscal year. This work is properly referred to as projects under $500,000.

It should be noted that all alteration and repair work whether over or under $500,000 is identified by building. The inventory of alteration and major repair work includes each item of work to be accomplished in a building regardless of costs.

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Program Integrity Between the Congressional Submission and Program Execution

The GAO report concludes that work over $500,000 identified to the Congress in the budget backup is not treated as a commitment and consequently, in many cases, not accomplished.

GSA does consider projects over $500,000 listed in support of the congressional budget a commitment and every effort is made to accomplish that program within the fiscal year designated in GSA's plan. Changes that occur represent deferrals or advances of projects and in a few cases the cancellations of a portion of a project because of circumstances not known at the time the budget was prepared some 21 months prior to the fiscal year. For example, prospectus delays may result in a project being approved too late for the solicitation and award of a contract by the end of that fiscal year. Changes in occupancy, unknown during the time the budget submission was being prepared, may arise and be of such nature as to render obsolete a proposed item of work, for which funds had been requested and appropriated. Procedural procurement problems may occur (such as a protest by a bidder) which may delay award of a contract past the end of the fiscal year. Changes in priorities (by legislation, shifts in Federal policy, emergencies, and the like) may cause deferral of some items.

GSA has considered it a matter of responsible management to make such trade-offs. With respect to the inference that work over $500,000 is more important than work less than $500,000, we reference GSA's Repair and Alteration Handbook PBS P 6800.1A, Chapter 7-6 (Attachment A) which states that work necessary to correct conditions that constitute hazards to life, property or the continuity of Government operations be given first priority. It has been our experience that these projects often cost less than $500,000. In every case when an item of work covered in budget submission backup is deferred or deleted, the regional office must submit documentation of the necessity.

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Pages 16 through 18 of the GAO report provide examples of projects which differ from the project listing backup submitted with GSA's budget request. The following are our comments concerning these projects.

In FY 1976, after the Veterans Administration (VA) submitted an urgent request for preparation of space at the Chicago Federal Building, 536 South Clark Street, into which it could move a computer facility, funds were reprogramed from other planned projects in all regions to make up the needed amount of $3 million. Subsequently, the VA decided to keep the computer facility in the old location. All but $300,000 of the assembled funding was returned to the other regions.

The scope of work in the Columbus Federal Building was reduced by the elimination of two Court facilities originally anticipated, reducing the estimated cost of the project from $1.7 million to $1.2 million. Actual cost of the project was lower than the estimate by another $0.4 million.

In addition, the obligation figures in the GAO table should include $265,500 for the Dirksen Federal Building in Chicago, which, because of an error in coding were incorrectly recorded as an obligation against funds for nonprospectus work.

The foregoing accounts for approximately $1.3 million of the $1.7 million difference between FY 1976 allotments and obligations as shown in the GAO table.

With respect to the Milwaukee Federal Building, after submission of the budget which included $670,000 in work for this building, the client agency decided that it needed storage space rather than the office space originally planned. It would have been unjustified to proceed with the expenditure of the funds. The prospectus was reported complete because all of the work encompassed therein, with the exception of the work no longer needed, had been completed.

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The $640,000 project for modernizing and repairing the Saulte St. Marie Federal Building and Courthouse was eliminated after a later survey recommended that the building be excessed. Again it would have been inappropriate to allot funds for performance of work in a building to be excessed.

Further, the report compares a figure of $1.8 million for proposed work on the Department of Justice Building, with the allotment of $2.3 million. The budget submission included $1.8 for performance of the work, while additional amounts for both design and for contract supervision were included in the lump sum amount requested for design and supervision of all projects. The allotment was properly made in a single amount for design, construction and supervision.

The statement that no allotment was made in the case of the Commerce Building is incorrect. An allotment of $108,000 was made. The allotment was, however, less than the $226,000 that had been included in the budget submission because of a reduction in scope that occurred between that time and the time the allotment was made.

Similarly, $410,000 had been included in the budget for proposed work in the State Department Building but, as a result of deferral of part of the work, only $248,000 was allotted during that fiscal year.

Finally, funds for the Franconia warehouse had been appropriated in fiscal year 1976. Because of a delay in the design, late approval of the prospectus, cancellation of the solicitation and resolicitation, the contract was not awarded until fiscal year 1977. We do not consider this as a case of an allotment differing from the proposed program inasmuch as the proposed program became an appropriation which was specifically made available until expended. The funds appropriated for the project were expended in the following fiscal year.

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The above-described experience with the VA computer facility and the Columbus Federal Building are illustrative of the need for flexibility in the course of providing accommodations to Federal agencies within a complex framework comprised of prospectus requirements, a three-year budget cycle, and the system of allocations on an annual basis.

Prospectus Policy

The GAO report concludes that there exist ambiguities in the Public Buildings Act of 1959, as amended, and that GSA should reach a clear understanding with the Public Works Committees on such issues as when should a prospectus be prepared, what is considered maintenance repair work, are changes in prospectus scope permitted without approval of the Committees and should certain reimbursable work be subject to the Act. GSA agrees that these and other items need to be reassessed in light of the 1961 agreements with the Committees and nearly 19 years of practical experience with the Act.

We point out that GSA prospectus policy changes over the years have been made in conjunction with the Committees. See, for example, the hearings before the Senate Subcommittee dated October 10 and December 15 and 16, 1975, included as Attachment B, with respect to painting, roof repairs and other repair work.

GAO reports that GSA does not submit prospectuses to the Committees on Public Works sufficiently in advance of the year in which the work is funded to assure congressional approval and sufficient time to design and award the project as scheduled. This statement is based primarily on events in 1975 and does not reflect the steady improvement since that time. Action was initiated in June 1975 through an internal reorganization to shorten GSA Central Office's processing time on prospectus submissions. Prospectuses for work included in both the FY 1977 and FY 1978 budgets were submitted to the Senate Committee on Environment and Public Works and the House Committee on Public Works and

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Transportation concurrently with the submission of those budgets to the Appropriation Committees (see Attachment C for explanation of certain minor exceptions). GSA anticipates submitting prospectuses by November of 1978 for work that will be included in the FY 1980 budget submission, and submission by March of 1979 of the prospectuses for work to be included in the FY 1981 budget submission.

With regard to GSA policy for preparing and submitting prospectuses to the Committees, GSA does not consider it reasonable nor good management to prepare and submit prospectuses for work we do not intend to start in the near future, since work would change in scope before we could get started. Our current inventory contains 297 buildings, with a work inventory of $500,000 or greater, for a total inventory in excess of $850 million. Since our annual appropriation is anticipated to be in the $200 million range escalated for inflation, if we concentrated our entire $200 million program, which could be impractical, on projects over $500,000 it would take us four and one-half years to fund the work at these locations. This approval would completely ignore new work entering the inventory that may be of greater priority.

Therefore, GSA's current policy is to prepare prospectuses for buildings in which identifiable work over a five-year period is estimated to exceed $500,000 and it is expected that funding will be made available so as to permit commencement of the work, in whole or in part, in one or both of the next two budget years.

The GAO report concludes that GSA changes the scope of approved prospectuses without advising the Committees. It must be kept in mind that a prospectus project is comprised of the work requirements that can be foreseen over a period of time (five year projection of requirements) in order to continue providing suitable accommodations to agencies. It must also be kept in mind that the needs are not static, but are subject to change with changes in the occupying agency's own needs, shifts in occupancy, changes in Federal policies and many other circumstances. GSA considers that a prospectus does, indeed, serve the

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purpose of enabling the Congressional Committees to exercise oversight. At the same time, if the prospectus approved were to be regarded as having irrevocably fixed the precise items of work to be accomplished, GSA would be virtually precluded from being able to fulfill its responsibility for providing suitable accommodations to Federal agencies, because of the long time span that would be involved in the preparation, submission and approval of revisions of previously approved prospectuses.

In addition, GSA has generally sought to achieve a conservative approach to interpretation of the prospectus as a limitation on the amount the Committees have approved for expenditure on a building for which a prospectus was approved. Therefore, new requirements not known at the time the prospectus was prepared are charged against the prospectus, rather than treating them as requirements for which no prospectus may be necessary because their cost is less than $500,000.

Generally, confronted with question of proper interpretation such as illustrated above, GSA has tended to adopt an interpretation which seems compatible with the presumed intention of Section 7 (that of the Committees' passing upon the prioriety of prospective expenditure of a substantial aggregate amount of a given building) and which permits sufficient flexibility for GSA to meet its obligation to provide suibable quarters for the occupants.

Reimbursable Work

The GAO report concludes that GSA does not request approval of the Senate Committee on Environment and Public Works and the House Committee on Public Works and Transportation for reimbursable projects, regardless of cost, unless the work is done in conjunction with GSA financed work.
On the contrary, GSA prepares prospectuses for reimbursable work when the project is expected to cost more than $500,000, except in those cases where the requesting agency certifies that funds have been appropriated to it and are legally available for expenditure on the project without regard to Section 7 of the Public Buildings Act.

Recommendations to the House and Senate Committees on Public Works and Appropriations

Recommendation #1 - We agree there should be a definition of a Project that would be more specific and eliminate problems presently encountered. We propose that a Project be defined for prospectus purposes as follows: All work concurrently required at a location which is recognized to exist at the same time and which would be expected to be accomplished as a single unit of work for economy and good administration and which should be placed under one contract. We do not agree that the word "major" should be injected into recommended changes in the implementation of Section 7 of the Public Buildings Act.

Section 7, itself, makes no mention of "major" as the criterion for submission of prospectuses. Instead, it makes the $500,000 amount the criterion for prospectus submission. We do not believe that the addition of the criterion recommended by GAO would clarify the language of the Act nor the way in which it is to be interpreted. GSA also recommends that Section 7 of the Act be amended to provide for the elimination of repair work from prospectus requirements. Repairs to property owned by the Federal Government are a basic responsibility that must be carried out to assure continuity of the Government operations in those buildings as well as to preserve the Government's investment. On the other hand, alterations to the buildings in the form of building renovations, conversion and extensions should properly be subject to the Act.

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Recommendation #2 - GSA does not oppose this recommendation.

Recommendation #3 - GSA does not oppose this recommendation. We are now in the process of reviewing the 40 prospectuses approved 10 or more years ago to determine whether those deferred items still need to be accomplished or are, instead, no longer needed because of changed circumstances. GSA will close out those no longer required.

Recommendation #4 - We do not believe that appropriations for work encompassed in a prospectus project be made by line item, to be sound or practical. First, prospectuses encompass work foreseeable over a period of years, for which appropriations are made incrementally in successive Appropriations' Acts. The Committees already recognize that work for which appropriations are made in a given year may not be put under contract until a later fiscal year and have made provision therefor by making each appropriation "available until expended." Secondly, while line item appropriation may be entirely suitable for new construction, the nature of alteration and repair work is one of considerable flux. Appropriation by line item would preclude GSA from exercising the flexibility of ordinary management judgement that must be exercised if GSA is to be responsive to the needs of the occupant agencies on anything resembling a timely basis.

This recommendation could work if the prospectus threshold were raised from $500,000 to $2,500,000 at which level the preponderance of projects become upgrading and renovation projects and not merely basic work. It would be necessary for the line item approval to fund the total prospectus project and remain available for five years.

Recommendation #5 - This recommendation should read that the Congress should continue to appropriate funds for work under $500,000 on a lump sum no year basis. We have no problem with identifying the amount of work specified for major and minor projects. Emergency contingency would be a part of the minor projects. However, we do not financially account for work by those categories nor do we see any advantage to the Congress and GSA in reporting accomplishment by the three categories.

Additionally, the proposed "earmarking" is presumed to be intended to serve the same purpose as the line item appropriation recommended in the preceding paragraph. Earmarking, like line item appropriation, would impose such rigid inflexibility as to prevent effective management of funds appropriated in such a way as to provide Federal agencies with the suitable accommodations, on a timely basis, that the appropriations are presumed to have been made for.

Recommendation #6 -

Recommendation dropped by GAO.

Recommendations to the Administrator of General Services Administration

Recommendation #1 - We do not oppose this recommendation. Although this has been an annual regional responsibility, the Central Office will take steps to review each prospectus that has remaining authority and is more than five years old. Prospectus requirements that are no longer valid will be cancelled.

Recommendation #2 - This action was already initiated in January of 1978. All regions were required to submit prospectuses in support of the FY 1980 budget by May 1978. The Central Office plans to review and forward these prospectuses to the Committees in November 1978. Further, FY 1981 prospectuses will be submitted to the Congress in March 1979.

Recommendation #3 - We agree with this recommendation with the exception of setting a dollar ceiling. Such ceilings have no relation to the scope of complexity of the work but only reflect the size of the building.

Recommendation #4 - We do not oppose this recommendation and have no further comment.

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