



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

IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN

Audit of PBS's Lease Extensions and Holdovers Report Number A190033/P/R/R20007 June 22, 2020

Assignment Number A220062
September 15, 2022

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Introduction

We have completed an implementation review of the management actions taken by GSA's Public Buildings Service (PBS) in response to the recommendations contained in our June 2020 audit report, *Audit of PBS's Lease Extensions and Holdovers*, Report Number A190033/P/R/R20007.

Objective

The objective of our review was to determine whether PBS has taken the actions as outlined in the corrective action plan for *Audit of PBS's Lease Extensions and Holdovers* (see **Appendix A**). To accomplish our objective we:

- Met and corresponded with PBS management and services programs personnel;
- Examined documentation submitted by GSA's Office of Audit Management and Accountability supporting completion of the corrective action plan steps; and
- Performed limited testing of PBS's implementation of the guidance and procedures contained in these supporting documents.

Background

When a lease approaches its expiration, the *PBS Leasing Desk Guide* states that PBS's first obligation is to check its inventory of government-owned and leased space to determine whether the tenant agency's need can be satisfied in existing vacant space.¹ If no suitable government-owned space is available to satisfy the tenant agency's need, PBS will execute a leasing procurement. GSA operates under the Competition in Contracting Act of 1984, which requires full and open competition for leasing procurements.² However, under some circumstances, noncompetitive actions such as extensions and holdovers may be necessary.

- **Extensions** – PBS uses lease extensions when a tenant agency is unable to vacate the property by the time a lease expires. An extension is a negotiated agreement between the lessor and the government allowing the tenant agency to continue to occupy its current location for a short term.
- **Holdovers** – A holdover is created when the tenant agency continues to occupy the space beyond the expiration date of the lease term despite the government having no contractual right to occupy the space. The holdover allows the tenant agency to remain in the space while PBS seeks a long-term solution.

¹ *PBS Leasing Desk Guide*, Chapter 1, Section 3c.

² 41 U.S.C. 3306(a)(1)(A).

Extensions and holdovers are generally undesirable because they limit the negotiating power of the government to secure favorable contract terms, rental rates, or other conditions due to a lack of competition. Additionally, extensions and holdovers result in shorter terms, which may carry higher rental rates. Furthermore, lessors may not want to or even be able to accept the terms sought by the government due to prior commitments for the space. Finally, lessors may have trouble securing loans needed to improve the space to meet the tenant agency's needs without a long-term agreement.

Notwithstanding these drawbacks, PBS sometimes uses extensions as part of its overall portfolio management strategy. For example, PBS may enter into a lease extension to temporarily house a tenant agency that is awaiting completion of necessary build-out before moving into federally owned space.

On June 22, 2020, we issued an audit report, *Audit of PBS's Lease Extensions and Holdovers*, to PBS. The objective of the audit was to assess if PBS is implementing its project life cycle and leasing policies and procedures to minimize the use of extensions and holdovers.

Our audit found that:

- Leasing staff face obstacles in adhering to planning milestones, increasing the likelihood that PBS will have to enter into costly extensions or holdovers.
- PBS is underutilizing the Simplified Request for Lease Proposals and missing an opportunity to reduce lease acquisition time and prevent extensions and holdovers.

To address the findings identified in our report, we recommended that the PBS Commissioner:

1. Evaluate the upfront planning requirements to determine if revisions are necessary to align the expectations of Central Office and regional offices to reduce extensions and holdovers.
2. Increase collaboration with tenant agencies and communicate the importance of compliance with upfront planning milestones to reduce extensions and holdovers.
3. Increase awareness and training of the appropriate uses of all Request for Lease Proposals models.

The PBS Commissioner agreed with our recommendations and partially agreed with our findings.

Results

Our implementation review determined that PBS has taken appropriate corrective actions to address the recommendations. We determined that no further action is necessary.

Audit Team

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

| | |
|-------------------|---|
| Byron G. Bustos | Associate Deputy Assistant Inspector General for Auditing |
| Meseret Henriques | Audit Manager |
| Emanuel Jimenez | Auditor-In-Charge |

Appendix A – Corrective Action Plan for Report Number A190033/P/R/R20007

OIG Final Audit Report, Audit of PBS's Lease Extensions and Holdovers
(A190033) Corrective Action Plan

Designated Responding Official: Stuart Burns
 Contact Person: [Tasneem Bhabhrwala](#)
 Telephone Number: (312) 339-6248
 Date: July 22, 2020

| <u>Audit Report Number/ Title:</u> | <u>Recommendation Number:</u> | <u>Proposed Recommendation Completion Date:</u> |
|--|-------------------------------|---|
| Audit Report of PBS' Lease Extensions and Holdovers A1900033 | 001 | April 30, 2021 |

Recommendation 001:
 Evaluate the upfront planning requirements to determine if revisions are necessary to align the expectations of Central Office and regional offices to reduce extensions and holdovers.

| <u>Action to be Taken Step by Step</u> | <u>Supporting Documentation to be sent to the GAO/IG Audit Management Division</u> | <u>Documentation will be sent the last day</u> |
|--|--|--|
| Step 001: Revise the Managing Customer Requirements through the Standardization and Upfront Planning Memo dated Jan. 2017 to include changes to the memo language in reference to the terms of agreement on the Client Project Agreement (CPA). | Revised Memo | February 28, 2021 |
| Step 002: Continue CPA program review via the Managing Customer Requirements Measure | CPA Program review charter /Managing Customer requirements measure write up for 2021 | February 28, 2021 |
| Step 003: The Customer Engagement programs team will Report Measure and Program Review Outcomes to the Regional Commissioner community and utilize the data to determine if the process expectations around upfront planning, as outlined in the memo are being met. | Measure Data | April 30, 2021 |

OIG Final Audit Report, Audit of PBS's Lease Extensions and Holdovers (A190033) Corrective Action Plan

Designated Responding Official: Stuart Burns
 Contact Person: ~~Tasneem Bhabhrwala~~
 Telephone Number: (312) 339-6248
 Date: July 22, 2020

| <u>Audit Report Number/Title</u> | <u>Recommendation Number</u> | <u>Proposed Recommendation Completion Date:</u> |
|---|------------------------------|---|
| Audit Report of PBS' Lease Extensions and Holdovers A190033 | 002 | April 30, 2021 |

Recommendation 002
 Increase collaboration with tenant agencies and communicate the importance of compliance with upfront planning milestones to reduce extensions and holdovers

| <u>Action to be Taken Step by Step</u> | <u>Supporting Documentation to be sent to the GAO/IG Audit Management Division</u> | <u>Documentation will be sent the last day</u> |
|---|--|--|
| Step 001: Create a national communication plan to increase collaboration that will outline GSA's outreach to the tenant agencies. The communication plan will be shared within the PBS organization via the Customer Engagement Google site | A final PBS Upfront Planning Customer Communication Plan covering 2020-2023 Link to the customer engagement google site | April 30, 2021 |
| Step 002: Communicate compliance of upfront planning expectations to PBS customers including training Also add the CES training to the Customer Facing GSA site. | - Email to customers calling for compliance. - Client Enrichment Series Training presentation - Roster of Client Enrichment Series attendees - Link to Customer Facing GSA page showcasing the training | April 30, 2021 |

OIG Final Audit Report, Audit of PBS's Lease Extensions and Holdovers (A190033) Corrective Action Plan

Designated Responding Official: Denise Broskey
 Contact Person: Ken Schelbert
 Telephone Number: 202-501-1109
 Date: July 22, 2020

| <u>Audit Report Number/Title</u> | <u>Recommendation Number</u> | <u>Proposed Recommendation Completion Date</u> |
|--|------------------------------|--|
| Audit Report of PBS' Lease Extensions and Holdovers A1900033 | 003 | April 30, 2021 |

Recommendation 003

Increase awareness and training of the appropriate uses of all Request for Lease Proposals models.

| <u>Action to be Taken Step by Step</u> | <u>Supporting Documentation to be sent to the GAO/IG Audit Management Division</u> | <u>Documentation will be sent the last day</u> |
|---|--|--|
| Step 001: Assess Request for Lease Proposal models and their use to increase awareness | Copy of Request for Lease Proposal models assessment. | December 31, 2020 |
| Step 002: Develop training for GSA leasing personnel on new and modified Request for Lease Proposal processes | Copy of training module slide deck and attendance list. | April 30, 2021 |

Appendix B – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

Commissioner (P)

Deputy Commissioner (PD)

Chief of Staff (PB)

Deputy Chief of Staff (PB)

Assistant Commissioner for Strategy and Engagement (PS)

Assistant Commissioner, Office of Leasing (PR)

Regional Commissioner (3P, 5P, 9P, WP)

Senior Advisor, Office of Portfolio Management and Customer Engagement (PT)

Program Advisor, Office of Leasing (PRBA)

Chief Financial Officer (B)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

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