



January 2022

# FEDERAL REAL PROPERTY

GSA Should Fully  
Assess Its Prospectus  
Process and  
Communicate Results  
to Its Authorizing  
Committees

# GAO Highlights

Highlights of [GAO-22-104639](#), a report to congressional committees

## Why GAO Did This Study

Each year, GSA spends hundreds of millions of dollars in funding to construct, repair, and alter buildings in its portfolio and another \$5.7 billion in rent for over 8,000 leases of privately owned space. GSA's prospectus process can pose challenges to its ability to effectively manage its assets.

GAO was asked to review GSA's prospectus process. This report: (1) describes GSA's process for developing and obtaining approval of prospectuses; (2) determines average time frames for prospectuses' reviews and approvals; and (3) examines the extent to which GSA has assessed the prospectus process to identify and address challenges, if any, that may affect GSA's management of federal assets. GAO reviewed, among other things, relevant statutes and regulations and GSA documents; analyzed data for prospectuses submitted for funding for fiscal years 2014 through 2020; and interviewed GSA and OMB officials.

## What GAO Recommends

GAO recommends: (1) that GSA fully assess the prospectus process for leases and capital projects—including identifying, analyzing, and responding to risks associated with the process—and implement potential improvements to the process, and (2) that GSA communicate to its authorizing committees the results of its assessment, including any proposed changes that may require legislative action to implement. GSA agreed with the recommendations and stated that it is developing a plan to address them.

View [GAO-22-104639](#). For more information, contact Catina Latham at (202) 512-2834 or [lathamc@gao.gov](mailto:lathamc@gao.gov).

January 2022

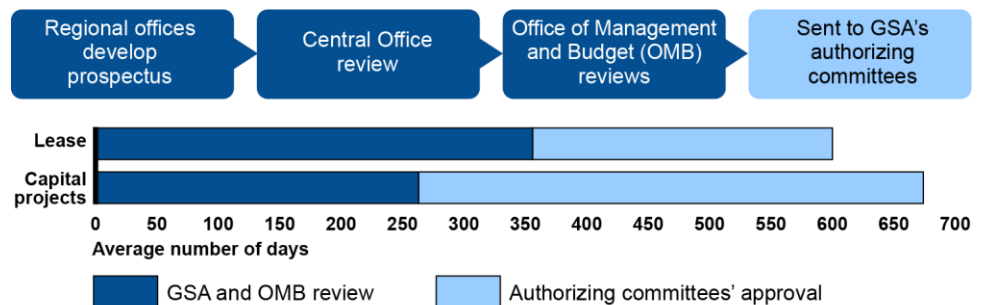
## FEDERAL REAL PROPERTY

# GSA Should Fully Assess Its Prospectus Process and Communicate Results to Its Authorizing Committees

## What GAO Found

The Public Buildings Act of 1959, as amended, requires the General Services Administration (GSA) to submit a proposal (prospectus) for capital and lease projects with an estimated cost that exceeds a certain dollar threshold to two congressional-authorizing committees. Per GSA guidance, GSA's 11 regional offices develop prospectuses that describe the projects. GSA's Central Office and the Office of Management and Budget each review the prospectuses before GSA submits them to the authorizing committees. GSA obtains these committees' approvals before obligating appropriated funds for the project.

### Steps and Time Frames for the Development and Approval of the General Services Administration's (GSA) Prospectuses, Fiscal Years 2014–2020



Source: GAO. | GAO-22-104639

In general, for fiscal years 2014 through 2020, GSA averaged 1 year to submit lease prospectuses and 9 months to submit capital project prospectuses to the authorizing committees. The committees averaged 8 months to approve leases and 14 months to approve capital projects. However, the time frames vary and can be affected by the appropriations process. GSA waits for the President's budget to be transmitted to Congress before submitting capital project prospectuses to the committees. In 4 of the 7 fiscal years that GAO reviewed, the budget was submitted after February. In addition, the committees' approvals typically occurred after annual appropriations were enacted.

GSA has taken steps to assess some aspects of the prospectus process. For example, GSA assessed its leasing process and found it needed to submit prospectuses to the committees earlier to reduce extensions on existing leases while awaiting committees' approvals. However, GSA has not completed a full assessment of the prospectus process, including the process for capital projects. GSA officials stated that challenges related to the prospectus threshold, delayed approvals, and limited funding contribute to difficulties GSA faces in managing its portfolio (e.g., addressing repair and maintenance backlogs). While GSA has identified potential changes that would require legislative action, it has not communicated its concerns or potential changes to the authorizing committees. By fully assessing the prospectus process and communicating with the authorizing committees, GSA can work with the committees to address any risks posed by the process, while also ensuring that any changes do not impede the committees' oversight activities.

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## Abbreviations

BLS	Bureau of Labor Statistics
GSA	General Services Administration
OMB	Office of Management and Budget
R&A	repair and alteration
VA	Department of Veterans Affairs

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January 21, 2022

The Honorable Thomas R. Carper  
Chairman  
The Honorable Shelley Moore Capito  
Ranking Member  
Committee on Environment and Public Works  
United States Senate

The Honorable Peter A. DeFazio  
Chairman  
The Honorable Sam Graves  
Ranking Member  
Committee on Transportation and Infrastructure  
House of Representatives

The General Services Administration (GSA) annually spends hundreds of millions of dollars in funding to construct, repair, and alter federal buildings in its portfolio, including office buildings, courthouses, and land ports of entry. GSA also manages more than 8,000 leases of privately owned space costing about \$5.7 billion annually. Both GSA's Office of Inspector General and we have previously found that GSA faces long-standing challenges in managing these assets. These challenges include

- a growing backlog of repairs needed at its federally owned buildings, currently estimated at over \$2.5 billion;
- difficulties in reducing lease costs; and
- funding constraints that affect GSA's effort to consolidate federal space.<sup>1</sup>

For capital and lease projects with an estimated cost above a certain dollar threshold, GSA must submit a proposal (prospectus) to its congressional-authorizing committees—the House Committee on

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<sup>1</sup>GSA, Office of Inspector General, *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2021* (Oct. 15, 2020); GAO, *Federal Real Property: Performance Goals and Targets Needed to Help Stem GSA's Reliance on Lease Extensions and Holdovers*, [GAO-15-741](#) (Washington, D.C.: Sept. 30, 2015). GSA officials told us that they are working to reduce lease costs through the Lease Cost Avoidance Plan, which aims to reduce lease costs by establishing longer firm term leases; negotiating favorable rates; reducing rentable square feet; backfilling vacant federal or leased space; and accelerating lease cycle time.

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Transportation and Infrastructure and the Senate Committee on Environment and Public Works.<sup>2</sup> Prior to obligating funds for a project, GSA obtains approval of the prospectus from these committees. A prospectus provides high-level information on the proposed project or lease, the tenant agencies, the project justification, and the estimated budget and schedule. We have previously found that the timing of prospectus submission and committee approval can affect the timeliness of GSA's projects and can lead to lease extensions.<sup>3</sup> Given how the development, review, and approval of prospectuses affect GSA's projects, you asked us to review GSA's prospectus process.

This report (1) describes GSA's process for developing and obtaining approval of prospectuses (the prospectus process); (2) determines the average time frames for prospectus review and approval; and (3) examines the extent to which GSA has assessed the prospectus process to identify and address challenges, if any, that may affect GSA's management of federal assets.

To describe the prospectus process, we reviewed relevant statutes and GSA regulations and guidance, including GSA's *Project Planning Guide*, a 2007 memorandum on lease prospectus development, Leasing Desk Guide, and fiscal year 2022 Capital Investment and Leasing Program Call.<sup>4</sup> In addition, we interviewed GSA officials from the Office of Portfolio Management and Customer Engagement, which is responsible for overseeing the prospectus process; the Office of Congressional and Intergovernmental Affairs; and the Office of General Counsel. We interviewed GSA staff from offices that help review prospectuses, including the Office of Design and Construction and the Office of Leasing. We also interviewed staff from eight out of 11 regional offices to

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<sup>2</sup>40 U.S.C. § 3307. GSA refers to construction, acquisition, and repairs and alterations (R&A) projects as capital projects, and leasing privately owned space as lease projects.

<sup>3</sup>[GAO-15-741](#) and GAO, *Foresighted Planning and Budgeting Needed for Public Buildings Program*, [PAD-80-95](#) (Washington, D.C.: Sept. 9, 1980). When leases expire before a long-term solution can be finalized, GSA may pursue short-term extensions. If GSA and a private lessor cannot come to agreement prior to expiration, the lease may go into holdover status—where a federal tenant occupies space without a contractual agreement. Extensions and holdovers may limit GSA's ability to obtain favorable contract terms.

<sup>4</sup>Each year, GSA issues the Capital Investment and Leasing Program Call to its regional offices, which outlines the specific requirements for projects to be considered for inclusion in the GSA's annual budget request, and the time frames for submission of projects to the Central Office.

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understand the regional offices' role in the prospectus process and to understand the factors that can affect proposal development and review time frames.<sup>5</sup> Finally, we interviewed Office of Management and Budget (OMB) staff about the agency's role in reviewing prospectuses developed by GSA.

To determine the average time frames for prospectus review and approval, we reviewed GSA's internal prospectus data. GSA staff use this data to track the basic information and milestone dates for each prospectus. To ensure that our time range included more than one administration or Congress, we reviewed data for prospectuses submitted for funding for fiscal years 2014 through 2020.<sup>6</sup> GSA provided spreadsheets that officials use to track information about prospectuses, including milestone dates. This data included 389 prospectuses, 360 of which we included in our analyses.<sup>7</sup> For this analysis we calculated the average (i.e., mean) number of days for each step of the prospectus process. In order to verify the validity of presenting the average number of days, we compared this measure to the median number of days for each time frame, and have noted when the difference between the two measures of central tendency was greater than one month (30 days). To help us understand the data and any factors that may affect prospectus review and approval time frames, we reviewed the prospectuses for 12 projects and interviewed regional office staff about those projects. We selected this non-generalizable sample of prospectus-level projects to ensure variation in fiscal year; project type (capital or lease); cost; and regional location. We also specifically sought to include prospectuses in our sample that GSA had submitted to the committees more than once,

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<sup>5</sup>We selected the regional offices associated with the 12 prospectuses that we reviewed as part of our analysis of factors that may affect prospectus review and approval time frames, as discussed later in this section.

<sup>6</sup>Fiscal year in this report refers to the fiscal year for which funding was being sought and not the fiscal year in which GSA submitted the prospectus for the authorizing committees' approvals. For example, data for fiscal year 2014 projects refers to prospectuses that were developed for projects included in the President's Budget for fiscal year 2014.

<sup>7</sup>We excluded 11 "fact sheets" that GSA indicated it sent to inform its authorizing committees of changes to projects that did not require committee approval, 7 prospectuses that GSA indicated it had previously received committee approval for, 7 lease prospectuses that were not submitted to the authorizing committees, and 4 erroneous records (3 duplicate records and a 2013 project outside of our scope). In our data reliability assessment, we also identified that GSA's data were missing 1 lease it submitted to the committees in 2017, and 6 leases it submitted in 2015. Because GSA's data did not include these prospectuses, we are unable to include them in our analysis.

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that were associated with a lease extension, or that had longer than average review or approval time frames

To assess the reliability of GSA's data, we compared data elements to other publicly available information on prospectus-level projects posted on the GSA's website and the House Committee on Transportation and Infrastructure's website. In addition, we reviewed GSA's data to identify and correct discrepancies such as duplicate prospectus numbers, blank fields, and milestone dates that did not occur in chronological order. We compared 10 percent of the prospectuses (39 of 389) in GSA's spreadsheet data against the original prospectus documents to identify discrepancies. While we identified some instances in which GSA data conflicted with the publicly available information or the original documents, we were able to correct these discrepancies or determined that they were not material enough to affect our work. For example, for three projects, we found discrepancies between the estimated total project cost noted on the prospectus versus the estimated cost noted on GSA's spreadsheet, but we did not use the estimated total project cost in our analysis. Consequently, we found the data, following our corrections, were reliable for the purpose of understanding the average time frames for prospectus development and approval, and the average number and type of prospectuses submitted to the authorizing committees annually.

To determine the extent to which GSA assessed the prospectus process to identify and address any challenges, we reviewed the GSA guidance previously mentioned, as well as its strategic goals related to the execution of capital and lease projects. We interviewed GSA Central Office and regional office officials to understand how GSA assesses the effectiveness of the prospectus process. In addition, we asked GSA officials about the prospectus process, for examples of any effects on GSA's ability to manage its portfolio, and for their suggestions, if any, on how the process could be improved.

We evaluated GSA's efforts to assess the prospectus process against GSA's strategic goals and essential elements of risk management that we identified in prior work.<sup>8</sup> We also determined that federal internal control standards were significant to GSA's ability to manage its federal asset

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<sup>8</sup>The elements that we identified as relevant to our work include: identify risks, assess risks, select risk response, and communicate and report on risks. GAO, *Enterprise Risk Management: Selected Agencies' Experiences Illustrate Good Practices in Managing Risk*, [GAO-17-63](#) (Washington, D.C.: Dec. 1, 2016).



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portfolio within the framework of the prospectus process and assessed GSA's efforts against two internal control components:

- risk assessment and the underlying principle that management should identify, analyze, and respond to risks related to achieving the defined objectives, and
- information and communication and the underlying principle that management should externally communicate the necessary quality information to achieve the entity's objectives.<sup>9</sup>

We evaluated GSA's efforts to identify, analyze, and respond to risks that affect its achievement of defined objectives by reviewing its actions to identify and address challenges in the prospectus process. We assessed GSA's effort to externally communicate quality information by reviewing its actions to inform its authorizing committees of and to solicit the committees' opinions regarding any concerns with the prospectus process.

We conducted this performance audit from November 2020 to January 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

GSA manages a vast portfolio of federally owned and leased assets and leases privately owned space for federal agencies. To support these assets, GSA manages capital and lease projects. GSA's capital projects include construction and acquisition projects in which a facility is built or purchased, as well as a wide variety of repair and alteration (R&A) projects to existing buildings, such as roof replacements, elevator repairs,

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<sup>9</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

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and efforts to address structural damage.<sup>10</sup> Lease projects involve GSA leasing privately owned space for federal use.

GSA's capital and lease projects are funded from the Federal Buildings Fund. The fund is primarily financed by income from charges that GSA assesses to tenant agencies occupying federally owned facilities. In contrast, GSA's portfolio of leases is designed to be revenue neutral, meaning GSA disburses the funds it collects from federal agencies occupying the space to pay the cost of the underlying leases. As part of the annual budget process, GSA estimates the amount of funding it needs for its projects for the fiscal year and includes this amount in its budget request. As part of its role developing the federal budget, OMB reviews the budget request information, including GSA's prospectuses for capital and lease projects, before the prospectuses are submitted to congressional committees. Through the annual appropriations process, Congress makes a certain amount of funding—that may differ from what GSA requested—in the Federal Buildings Fund available to GSA to implement its projects.

In addition to exercising control over the activities of GSA through the annual appropriations process, Congress also oversees GSA's activities and the obligation of funds through the prospectus process.<sup>11</sup> GSA has long been required by statute to submit a prospectus to its two authorizing committees—the House Committee on Transportation and Infrastructure and Senate Committee on Environment and Public Works—for certain projects. The Public Buildings Act of 1959 contains requirements for GSA to submit a prospectus for the proposed construction, acquisition, and R&A of federally owned buildings to two congressional committees for approval, if the estimated project cost exceeds a certain dollar threshold

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<sup>10</sup>Although alterations are defined by statute as including repairs as well as improvements and modernizations to buildings or space, other statutes and GSA refer to repairs separate from alterations in the context of project funding. In addition, according to GSA, construction projects address essential tenant agency needs that cannot be met with the existing inventory, and can also include, but are not limited to, projects that (1) support border and homeland security, (2) improve the safety and condition of government-owned assets, (3) address known environmental liabilities; (4) reduce the cost of operating the federal government, and (5) improve the portfolio's climate impact and resilience.

<sup>11</sup>The congressional "power of the purse" refers to the power of Congress to appropriate funds and to prescribe the conditions governing the use of those funds. Through this power, Congress retains oversight over agency funding and associated activities, and may exercise its control through requirements in authorizing legislation, appropriation acts, or other laws, as well as non-statutory direction in committee reports, hearings, or other correspondence.

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(prospectus threshold), which differs based on project type.<sup>12</sup> This general requirement was extended to lease projects in 1972 and alterations of federally leased space in 1988.<sup>13</sup> Over the years, the prospectus thresholds have changed.<sup>14</sup> For fiscal year 2022, the prospectus threshold is \$3.375 million for the net rent of leased space, as well as for the construction, acquisition, and R&A of federally owned buildings.<sup>15</sup> The threshold for alterations of federally leased space is \$1.6875 million.

Under 40 U.S.C. § 3307, prospectuses must include certain information including, as appropriate:

- a brief description of the building to be constructed, acquired, altered, or leased;
- the building's location;
- an estimate of the maximum cost of the project;
- a statement by the GSA Administrator that suitable space in existing federally owned buildings is not available;
- a statement of rents and other housing costs currently being paid by agencies to GSA that would occupy the building affected by the project; and
- an estimate of the future energy performance of the building or space affected by the project.

We have previously noted that GSA also provides other information in prospectuses for leases, beyond what is required by statute.<sup>16</sup> For

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<sup>12</sup>Pub. L. No. 86-249, § 7, 73 Stat. 479, 480 (codified as amended at 40 U.S.C. § 3307).

<sup>13</sup>Public Buildings Amendments of 1972, Pub. L. No. 92-313, § 3, 86 Stat. 216, 217; Public Buildings Amendments of 1988, Pub. L. No. 100-678, § 3, 102 Stat. 4049, 4049.

<sup>14</sup>While the prospectus thresholds are set by statute, the statute also authorizes the GSA Administrator to annually adjust the thresholds to reflect changes in construction costs during the prior calendar year. 40 U.S.C. § 3307(a)-(b), (h). GSA refers to prospectus-level R&A projects as Major R&A projects, and R&A projects that do not require a prospectus as Minor R&A projects.

<sup>15</sup>GSA determines whether a project exceeds the prospectus threshold level based on: net rent (which excludes operations costs such as for utilities and cleaning services) for lease projects; site cost and estimated construction cost for construction projects; and estimated construction cost for non-recurring items in R&A projects.

<sup>16</sup>GAO, *Federal Real Property: Greater Transparency and Strategic Focus Needed for High-Value GSA Leases*, [GAO-13-744](#) (Washington, D.C.: Sept. 19, 2013).

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example, in lease prospectuses, GSA includes information regarding the rentable square footage, current lease expiration date, and information on the proposed acquisition strategy.

Statute and GSA guidance provide circumstances in which GSA is to submit an “amended” prospectus to its authorizing committees.<sup>17</sup> These circumstances include:

- the estimated cost of a previously approved capital project exceeds the estimated maximum cost in its approved prospectus by more than 10 percent;<sup>18</sup>
- a material change in the scope of a capital project prospectus that the committees previously approved—regardless of whether the project has been funded or not; and
- the estimated net annual rent of a lease project prospectus exceeds the amount proposed in the prospectus by any amount.

In addition, 40 U.S.C. § 3307 provides that appropriations for a prospectus-level project may be made only if the authorizing committees adopt resolutions approving funds for those purposes and requires GSA to submit a prospectus to Congress for such projects.<sup>19</sup> Further, recent annual appropriations acts have stated that amounts made available from the Federal Buildings Fund shall not be available for expenses of projects for which a prospectus has not been approved.<sup>20</sup> The executive branch has questioned the extent to which GSA is legally required to obtain authorizing committees’ approvals before it may obligate appropriated

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<sup>17</sup>Circumstances in which GSA submits an amended prospectus are separate from GSA’s procedures and provisions applicable to the reprogramming or transfer of funds.

<sup>18</sup>40 U.S.C. § 3307(c).

<sup>19</sup>40 U.S.C. § 3307(a).

<sup>20</sup>See, e.g., Consolidated Appropriations Act, 2020, Pub. L. No. 116-93, 133 Stat. 2317, 2465 (2019) (providing that “the total amount of funds made available from [the Federal Buildings Fund to GSA] shall not be available for expenses of any construction, repair, alteration and acquisition project for which a prospectus, if required by 40 U.S.C. 3307(a), has not been approved, except that necessary funds may be expended for each project for required expenses for the development of a proposed prospectus”).

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funds for a prospectus-level project.<sup>21</sup> GSA guidance indicates and GSA officials stated that although these provisions are not legal requirements, GSA's policy is to wait for the committees' approvals before obligating funding for a project for reasons of comity between the branches of government and the committees' continued interest in oversight over these projects.

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## GSA Annually Develops Prospectuses to Request Authorizing Committees' Approval of Capital and Lease Projects

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### GSA Regions Develop Capital and Lease-Project Prospectuses Based on Identified Needs

#### Capital Projects

According to GSA guidance and agency officials, GSA's 11 regional offices have primary responsibility for the activities that generate a prospectus, the first step in the process of the prospectus development and review process (see fig. 1). Staff in the regional offices initially identify needs to be addressed by capital projects through ongoing collaboration with their local tenant agencies, and by conducting routine physical condition surveys and building evaluation reports.

Once a regional office has identified a need (such as to address deteriorating building conditions or an agency's need for additional

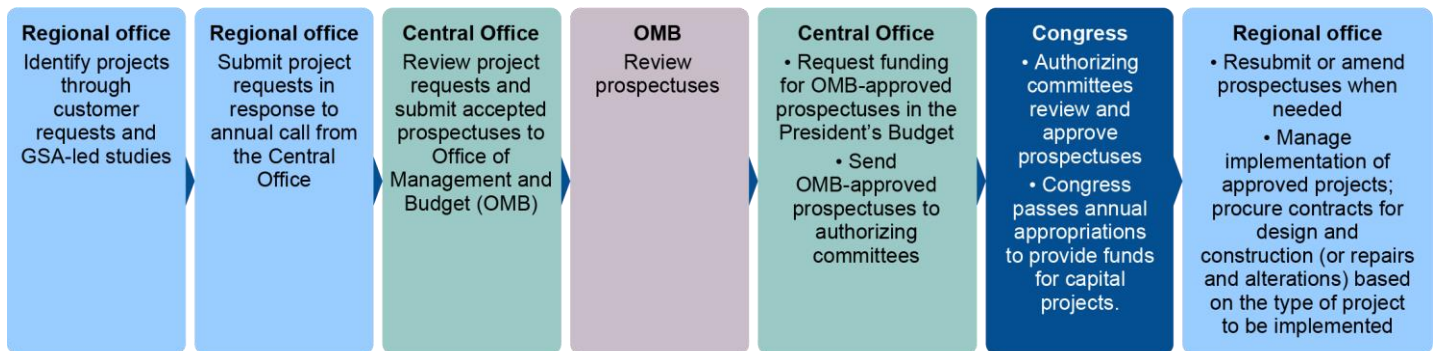
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<sup>21</sup>Committee Resolutions Under 40 U.S.C. § 3307(a) and the Availability of Enacted Appropriations, 42 Op. O.L.C. 1 (2018); (concluding that appropriated funding is "available to GSA without regard to whether the [authorizing] committees have approved them under [40 U.S.C.] section 3307(a)", otherwise the provision "would operate as an unconstitutional legislative veto."); see also *INS v. Chadha*, 462 U.S. 919 (1983) (stating that one chamber of Congress may not take legislative action, because such actions are subject to the constitutional requirements of bicameralism and presentment). We do not take a position on the legality of 40 U.S.C. § 3307(a) or these appropriations provisions.

space), the office determines how to meet the need. To aid in this effort, regional offices generally undertake feasibility and program development studies that aim to evaluate options and develop the scope for a project that best meets the identified need. These studies produce the cost and schedule estimates for the selected option, and as needed, inform the development of the prospectus.<sup>22</sup> Depending on the selected option, project scope elements may include design, site acquisition, new building construction, or repairs and alterations to existing buildings.

According to GSA officials, as a matter of policy, regional offices are required to transmit prospectuses and supporting materials to the Central Office for projects that are within 10 percent of the prospectus thresholds. These officials stated that this practice allows for the timely submission of a prospectus should the costs or scope increase above the threshold while the Central Office reviews the project.

**Figure 1: Steps in the General Services Administration’s (GSA) Process for Developing and Obtaining Approval of Prospectus-Level Capital Projects**



Source: GAO analysis of GSA information. | GAO-22-104639

At the national level, GSA’s Office of Portfolio Management and Customer Engagement is responsible for establishing the strategies and policies for GSA’s capital projects program. This office issues an annual “planning call” to GSA’s regional offices that outlines the requirements for submitting the projects to the Central Office to be considered for inclusion in GSA’s annual budget request.<sup>23</sup> According to GSA officials, regional

<sup>22</sup>GSA typically contracts with technical experts, such as architect and engineering companies, to produce the program development study, and these companies may also assist with the feasibility study.

<sup>23</sup>GSA’s budget request is part of the President’s Budget Request that is annually made to Congress.

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offices generally submit capital project prospectuses to the Central Office about 2 years before the fiscal year for which GSA is seeking project funding. For example, in the spring of 2020, GSA's regional offices submitted project requests to the Central Office so that those projects could be considered for approval and appropriations for fiscal year 2022. GSA officials also explained that given the frequency of continuing resolutions prior to the enactment of annual appropriations acts and limited funding, they have been issuing a "directed call," in which the Central Office works with the regional offices to determine which capital project prospectuses the regions should submit. In a directed call, the Central Office considers which projects were previously submitted to the Central Office or to the authorizing committees but were unable to move forward due to a lack of funding or committee approval, and prioritizes these projects for resubmission. GSA officials stated that this practice allows them to help manage the regions' workload, resources, and customer expectations.

Regional offices may resubmit prospectuses to the Central Office, such as in response to a directed call or in cases where the Central Office previously decided to exclude a prospectus-level project in the agency's budget request. GSA officials explained that due to the frequent occurrence of continuing resolutions that create uncertainty concerning the timing and amount of funding that will be available to implement projects, regions can generally expect a 2-year lead-time for their prospectus to be resubmitted for authorizing committees' approval and appropriations. For example, in February 2018, GSA submitted capital project prospectuses to the authorizing committees in conjunction with its fiscal year 2019 budget request. However, Congress passed continuing resolutions and in February 2019, passed GSA's annual appropriations act for the fiscal year. As a result, according to GSA officials, GSA could not include in its fiscal year 2020 budget request—which was submitted in March 2019—its resubmission of projects that GSA was unable to fund with its fiscal year 2019 appropriations. For projects that did not receive funding from the fiscal year 2019 budget, GSA could resubmit them for consideration for the fiscal year 2021 appropriations at the earliest.

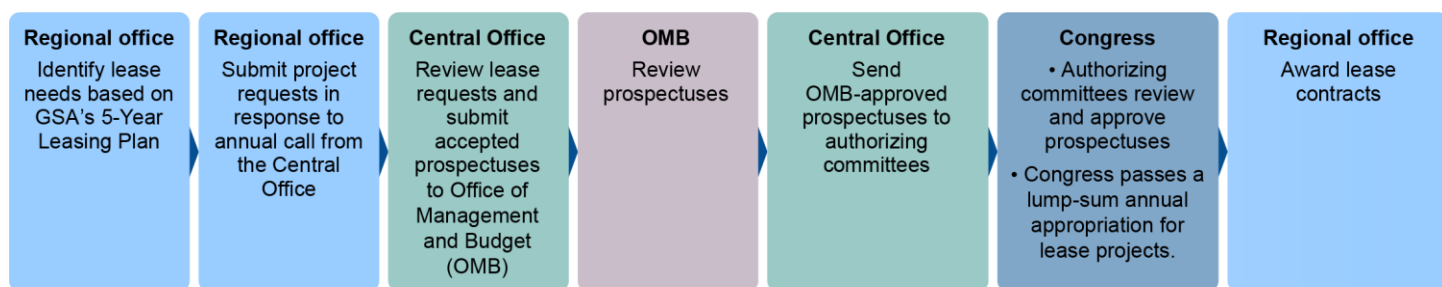
## Lease Projects

For lease projects, according to GSA officials, GSA's Office of Portfolio Management and Customer Engagement and the Office of Leasing meet with regional offices three times per year to identify upcoming lease expirations and leasing needs. In cases where these meetings lead GSA to determine that it needs a new lease to replace an expiring lease, its guidance recommends that regional offices begin work on new

prospectus-level leases 5 years before the existing lease expires.<sup>24</sup> GSA officials explained that their goal is to submit prospectuses to the authorizing committees 3 to 4 years prior to lease expiration.

To achieve this goal, GSA uses information about upcoming lease expirations and leasing needs to develop a 5-year leasing plan. This plan identifies which leases will expire in the next 5 years and when the associated project documentation for new leases should be submitted to the Central Office so that it can then be submitted to the authorizing committees in accordance with GSA’s goal. For prospectuses that needed to be submitted to the authorizing committees for fiscal year 2022 approval, for example, GSA required its regions to initially submit prospectuses to the Central Office for review by November 2020. According to GSA officials, GSA can advertise to potential lessors its interest in leasing privately owned space after the prospectus is submitted to the authorizing committees, but GSA’s policy is not to enter into a lease until the committees approve the prospectus. As shown in figure 2, the steps to develop and submit a lease prospectus are similar to the capital-project prospectus process.

**Figure 2: Steps in the General Services Administration’s (GSA) Process for Developing and Obtaining Approval of Prospectus-Level Lease Projects**



Source: GAO analysis of GSA information. | GAO-22-104639

<sup>24</sup>As we previously reported, according to GSA, agencies occupy spaces leased through GSA for an average of around 22 years. GAO, *GSA Leasing: Improving Stakeholder Outreach and Lease Model Evaluation Could Enhance Competition*, [GAO-20-181](#) (Washington, D.C.: Dec. 18, 2019).



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## GSA's Central Office and OMB Each Review Prospectuses before GSA Submits Them to the Authorizing Committees

According to GSA guidance and agency officials, GSA's Central Office reviews prospectuses and the supporting project documentation provided by regional offices and works with these offices to obtain any needed clarification or revisions before submitting the prospectuses to OMB for review, and during the OMB review process. For capital projects, the Central Office prioritizes and selects which capital projects to include in its annual budget request to OMB. As outlined in its fiscal year 2022 budget request, for example, GSA used the following criteria to prioritize Major R&A projects: risk, return, optimization (i.e., improvement in facility condition), and customer priorities.<sup>25</sup> Following its selection of projects, GSA submits the associated prospectuses to OMB for its review and consideration for inclusion in GSA's annual budget request. Lease prospectuses are not submitted with the annual budget request. Rather, GSA officials stated that they try to submit lease prospectuses to OMB in the spring or summer each year.

According to OMB staff, OMB examiners' review of capital project and lease prospectuses focuses on verifying tenant agency needs and the estimated cost specified in the prospectus. OMB examiners meet with GSA to discuss the projects. Further, OMB staff said that the examiner responsible for GSA may consult with OMB examiners who are familiar with the tenant agency affected by GSA's capital or lease project to obtain their perspectives on whether the prospectus aligns with the tenant agency's budget and needs. OMB may suggest changes to the proposed projects based on the administration's priorities or if OMB believes that there is a misalignment between the tenant agency's needs and what GSA has described in the prospectus, according to OMB staff.

Once OMB clears the prospectuses and returns them to GSA for signature by GSA's Administrator and the Public Buildings Service Commissioner, GSA transmits the signed prospectuses to the authorizing committees for review and approval. According to GSA guidance, GSA submits capital project prospectuses to the committees at the same time that the President's Budget Request, which includes GSA's budget request, is submitted to Congress. According to GSA officials, GSA submits lease prospectuses to the committees as they are signed by both GSA's Administrator and by the Public Buildings Service Commissioner.

For fiscal years 2014 through 2020, GSA submitted, on average, 51 prospectuses per year to its authorizing committees. Of the prospectus

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<sup>25</sup>Major R&A projects refer to prospectus-level R&A projects.

projects that GSA submitted over this time period 47 percent were Major R&A projects; 39 percent were lease projects; and 14 percent were construction projects (see table 1).

**Table 1: Number and Type of Prospectus Projects That the General Services Administration (GSA) Submitted to Its Authorizing Committees, Fiscal Years 2014–2020**

Fiscal Year	Major Repair and Alteration	Construction	Lease	Total
2014	29	7	13	49
2015	30	6	13	49
2016	23	20	15	58
2017	15	5	30	50
2018	29	6	11	46
2019	13	3	32	48
2020	31	3	26	60
<b>Total</b>	<b>170</b>	<b>50</b>	<b>140</b>	<b>360</b>

Source: GAO analysis of GSA data. | GAO-22-104639

GSA estimated that there were 65 capital project prospectuses that it submitted to the committees for fiscal years 2014 through 2020 that it later resubmitted or amended.<sup>26</sup> According to GSA officials, projects that are resubmitted or amended are delayed in their implementation and may face increased costs from scope changes and inflation. GSA officials noted that resubmissions commonly occur when the authorizing committees do not approve the prospectus for a project or when the amount of funding appropriated that fiscal year does not cover the cost of a project. GSA submits an amended prospectus when a previously approved project exceeds the original estimated cost by a certain amount or when the scope materially changes.

<sup>26</sup>GSA's data do not distinguish between amendments and resubmissions, and we identified other prospectuses that may have been amendments or resubmissions but that were not identified as such in GSA's data, so this number is an estimate. GSA's data include prospectuses that were submitted for fiscal years 2014 through 2020 but were amended at a later date, including for fiscal year 2021.

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## Prospectus Review and Approval Time Frames Average 19 to 24 Months and Are Affected by Various Factors

On average, it takes 19 to 24 months from a regional office's submitting a prospectus to the Central Office to the authorizing committees' approving the prospectus.<sup>27</sup> This time frame includes, on average, about 10 months for GSA to submit a prospectus to the authorizing committees and about 11 months for the authorizing committees to approve a prospectus. This varies by project type and is affected by the timing of the President's Budget Request and enactment of annual appropriations acts.<sup>28</sup>

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## Central Office Review and Submission of Prospectuses to Authorizing Committees Averaged 10 Months but Varied by Project Type and Year

Based on our review of GSA's data for projects submitted for funding for fiscal years 2014 through 2020, after the Central Office receives a prospectus from the regions, it takes GSA, on average, 10 months to review the prospectus, to coordinate with OMB, and to submit the prospectus to its authorizing committees.<sup>29</sup> The time varies somewhat based on project type, with the average times being 230 days for construction projects; 273 days for Major R&A projects; and 356 days for lease projects (see fig. 3). GSA officials noted that while they set a deadline each year for the regional offices to submit capital prospectuses to the Central Office, the time frames for GSA's providing capital project prospectuses to OMB and the authorizing committees depend on when the President's Budget Request is submitted to Congress.<sup>30</sup>

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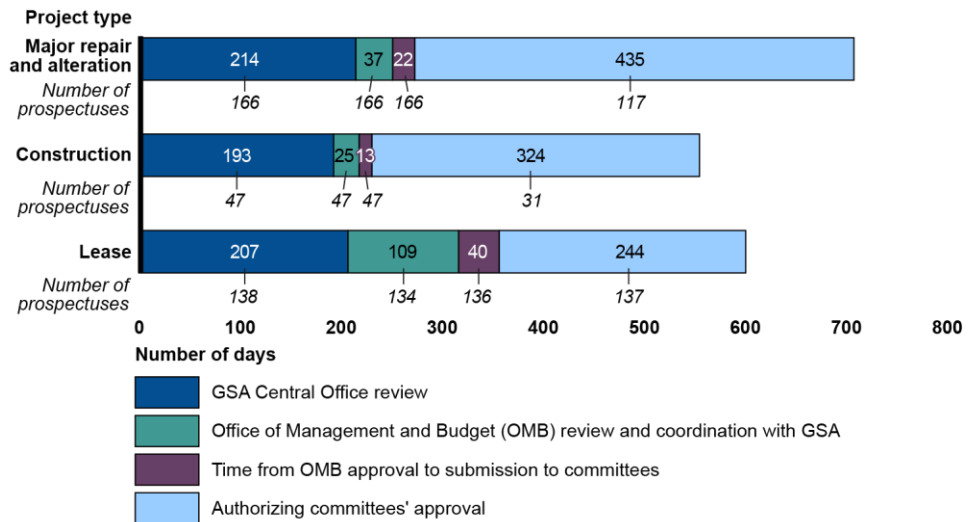
<sup>27</sup>The median for this measure is 19 to 22 months. For this analysis, we calculated the average number of days for each step of the prospectus process. Due to the wide range in the number of days for each step, we are noting when the median differs from the mean by 30 days or more.

<sup>28</sup>Once the authorizing committees receive a prospectus, there is no deadline by which they must make a decision on whether to approve the prospectus.

<sup>29</sup>The median for this measure is 9 months.

<sup>30</sup>The President's Budget Request is due to Congress each February, but in 4 of the 7 fiscal years that we reviewed, the budget was submitted after February. For example, the President's Budget Request for fiscal year 2018 was sent in May 2017. GSA sends capital prospectuses to the authorizing committees at the time of the President's Budget submission; therefore, any delays to the budget submission will affect the timing of GSA's prospectus submissions.

**Figure 3: Average Time Frames in the General Services Administration’s (GSA) Prospectus Process by Project Type, for Fiscal Years 2014–2020**



Source: GAO analysis of General Services Administration (GSA) data. | GAO-22-104639

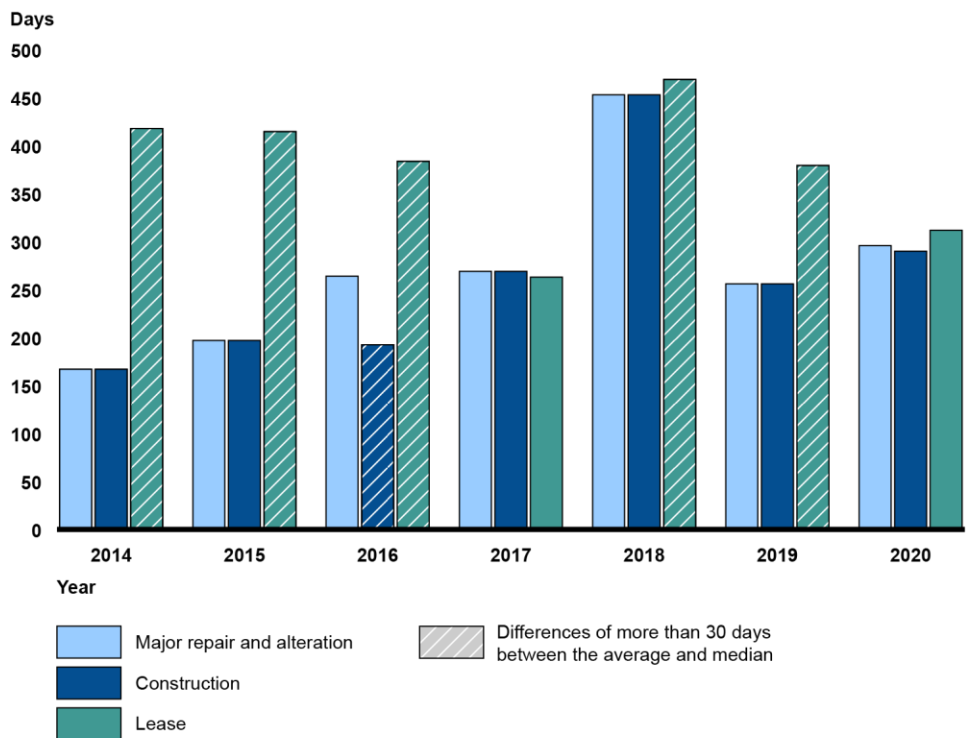
Note: We note the number of prospectuses for each data point because the authorizing committees did not approve all of the prospectuses they received, and to indicate where prospectuses were excluded from a specific time frame calculation due to a lack of data. Specifically, GSA was missing the date to OMB for 2 leases, and the date of OMB approval for 6 leases. In addition, 6 prospectuses are excluded from our analysis of 360 prospectuses due to a lack of data regarding when GSA’s Central Office received the prospectus from the regional offices, and one prospect was removed because it was only submitted for the approval of one authorizing committee.

The time it takes for GSA to review and submit a prospectus to its authorizing committees also includes OMB reviews and coordination with GSA. OMB officials stated that they are able to quickly review capital project prospectuses because GSA typically provides them with advance information about the projects as part of the budget-planning process. OMB officials also noted that GSA’s data on the time that a lease prospectus is with OMB likely include the time OMB spends awaiting GSA’s response to OMB questions.

Average time frames for GSA to submit prospectuses to the authorizing committees have varied from year to year (see fig. 4). For example, the time required for GSA to submit a prospectus increased for both construction and Major R&A projects from 2017 to 2018. The increased time frame coincided with projects’ being submitted earlier than usual to GSA’s Central Office (in February 2016, rather than in the summer like other fiscal years we reviewed), and later than usual to the authorizing committees (in May 2017, rather than February). According to GSA officials, the late submission of prospectuses to the authorizing

committees occurred because the President’s Budget Request for fiscal year 2018 was submitted to Congress later than usual as a result of the change in administrations in January 2017. GSA officials said that factors that are outside of GSA and OMB control contribute to the variability observed in the time frames for prospectus submissions.

**Figure 4: Average Number of Days for the General Services Administration (GSA) to Submit a Prospectus to its Congressional-Authorizing Committees for Fiscal Years 2014–2020**



Source: GAO analysis of General Services Administration (GSA) data. | GAO-22-104639

Note: This analysis measures the time from the GSA Central Office’s receiving a prospectus from the regional office to GSA’s submitting the prospectus to its congressional-authorizing committees. Six prospectuses are excluded from our analysis of 360 prospectuses due to a lack of data regarding when GSA’s Central Office received the prospectus from the regional offices.

The time it takes for GSA to submit a lease prospectus to its authorizing committees has also varied from year to year. Based on our review of GSA’s data, leases were generally submitted to the Central Office in the fall. In addition, it took about one year, on average, for GSA to submit leases to the authorizing committees (although this time varied considerably, ranging from about 2 months to over 2 years). GSA officials

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noted that the variation in submission time frames to the authorizing committees could be driven by the expiration date of existing leases.

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### Authorizing Committees' Review and Approval of Prospectuses Averaged 11 Months but Varied By Project Type and Year

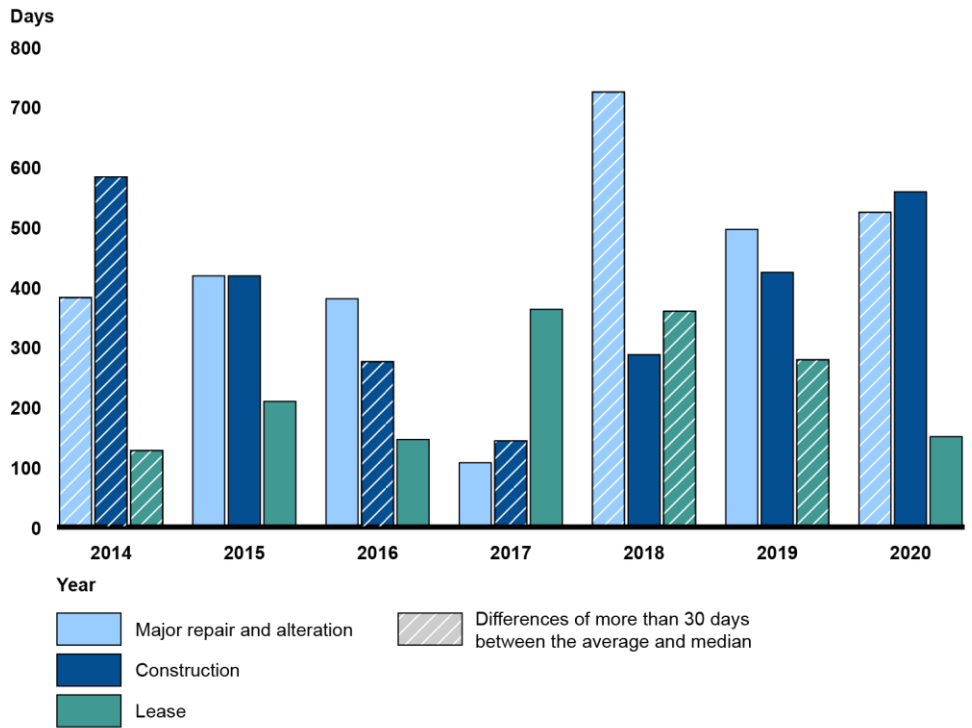
Based on the GSA data we reviewed for prospectuses submitted for fiscal years 2014 through 2020, GSA's authorizing committees averaged 11 months to review and approve a prospectus. The authorizing committees' review times varied based on project type, with Major R&A projects taking the longest for review and approval. GSA's data show that for project requests for fiscal years 2014 through 2020, the time interval for both committees' approvals of projects averaged 244 days for lease projects, 311 days for construction projects; and 431 days for Major R&A projects (see fig. 3).<sup>31</sup> We found that for fiscal year 2014 through 2020 prospectuses, on average, 19 percent of prospectuses did not receive approval from both committees. This represents 32 percent of construction projects; 29 percent of Major R&A projects; and 2 percent of leasing projects. GSA officials said that they do not continue to seek approvals for prospectus projects that GSA cannot fund with appropriations enacted for the fiscal year, but rather resubmit the prospectuses in a later fiscal year. Thus, they said that the amount of funding appropriated annually for these kinds of projects would have an effect on the number of projects ultimately approved in a fiscal year.

The authorizing committees' average approval time frames have also varied year to year, but generally have decreased for leases and increased for capital projects from fiscal year 2017 through fiscal year 2020 (see fig. 5). GSA officials noted that some prospectuses submitted for fiscal year 2021 and fiscal year 2022 are being reviewed more quickly than prospectuses submitted during the fiscal years (2014 through 2020) included in the scope of our review.

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<sup>31</sup>The median review time was 211 days for lease projects and 349 days for construction projects.

**Figure 5: Average Number of Days for Authorizing Committees' Approval of Prospectuses Submitted by the General Services Administration (GSA) for Fiscal Years 2014–2020**



Source: GAO analysis of General Services Administration (GSA) data. | GAO-22-104639

Note: One prospectus was excluded due to GSA's indicating that the prospectus only needed approval from one committee.

We also found variation in the sequencing of appropriations and prospectus approvals. While the authorizing committees approved some prospectuses prior to the enactment of annual appropriations for a fiscal year, the authorizing committees' approval of Major R&A projects, in particular, tended to come after GSA had already notified the appropriations committees of which projects GSA planned to fund

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following the enactment of appropriations for the fiscal year.<sup>32</sup> For the fiscal years we reviewed, annual appropriations acts generally required GSA to submit a spend plan to the House and Senate Committees on Appropriations outlining the Major R&A projects for which GSA plans to obligate the funding appropriated for the fiscal year, usually within 60 days after appropriations were enacted.<sup>33</sup> We found that for the years we reviewed (2014–2020), 6 percent of projects in the spend plans were approved by the authorizing committees before annual appropriations were enacted; 60 percent were approved within 6 months after enactment; 18 percent were approved 6 to 12 months after enactment; and 15 percent were approved more than 1 year after appropriations were enacted. One project was not approved.<sup>34</sup> See figure 6.

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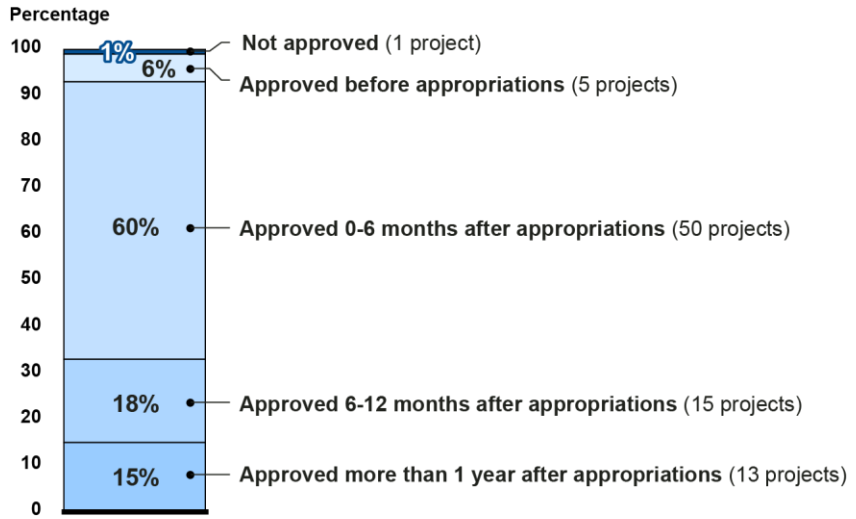
<sup>32</sup>As previously mentioned, 40 U.S.C. § 3307 provides that appropriations for a prospectus-level project may be made only if the authorizing committees adopt resolutions approving funds for those purposes, and requires GSA to submit a prospectus to the authorizing committees for such projects. Recent annual appropriations acts provide that amounts made available from the Federal Buildings Fund shall not be available for expenses of projects for which a prospectus has not been approved. While the extent to which GSA is legally required to obtain this approval before obligating appropriated funding for its prospectus-level projects has been questioned within the executive branch, GSA does so as a matter of policy.

<sup>33</sup>See, e.g., Consolidated Appropriations Act, 2020, Pub. L. No. 116-93, § 526, 133 Stat. 2317, 2468 (2019). Prospectuses for projects in the spend plan may or may not have received authorizing committees' approval. The 2014 annual appropriations act only required certain consolidation of space projects to be in the spend plan.

<sup>34</sup>Our analysis of the timing of authorizing committees' approval is specifically focused on the year in which funding was sought. For example, for a project seeking funding for fiscal year 2018, we compared the date the authorizing committees approved the prospectus, if they did, to the date that appropriations were enacted for fiscal year 2018.



**Figure 6: Timing of Authorizing Committees' Approval for Major Repair and Alteration Projects in the General Services Administration's (GSA) Spend Plan, for Fiscal Years 2014–2020**



Source: GAO analysis of General Services Administration (GSA) data. | GAO-22-104639

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## GSA Identified Challenges with the Prospectus Process but Has Not Fully Assessed the Process or Communicated Challenges to Its Authorizing Committees

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### GSA Officials Noted Challenges Related to the Prospectus Threshold, Delayed Approvals, and Limited Funding for Projects

The prospectus process provides GSA's authorizing committees with information that they can use to exercise oversight of GSA's planned projects. We have previously noted the importance of such oversight and the role of prospectuses in informing authorizing committees of projects' planned costs.<sup>35</sup> GSA officials also told us that they recognize the need for such oversight and how the prospectus process facilitates it. However, according to GSA officials, in some cases, the prospectus process as currently structured exacerbates some of the difficulties the agency faces in managing its portfolio of assets, such as addressing the repair backlog at its buildings. Specifically, GSA officials identified challenges related to the prospectus threshold, delayed approvals, and budgetary resource limitations.

### Challenges Related to the Prospectus Threshold and Delayed Approvals

According to GSA officials, the prospectus threshold of \$3.375 million for certain R&A, construction, and lease projects limits GSA's flexibility in managing its portfolio. Officials characterized the threshold as relatively low in light of the average costs of such projects, so that projects for ordinary maintenance and repairs—particularly in large buildings or complexes—must go through the prospectus process. For example, in 2019, GSA submitted a prospectus for a \$5.9 million project to replace the fire sprinkler system in a federal building in Denver, CO. According to GSA officials, having to implement these ordinary maintenance and repair projects as prospectus-level projects can delay the completion of work

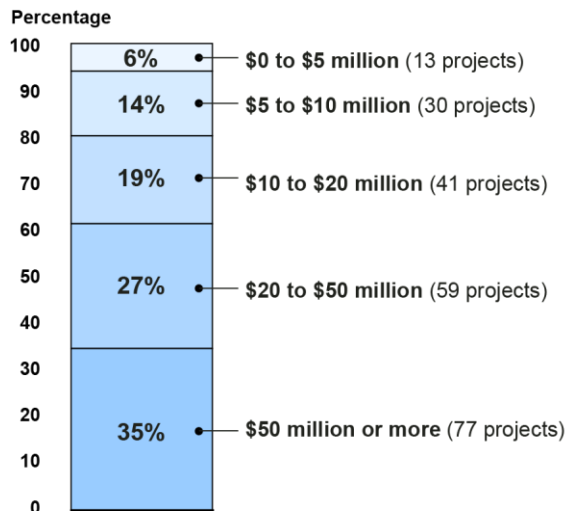
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<sup>35</sup>GAO, *Federal Buildings: GSA Can Improve Its Communication about and Assessment of Major Construction Projects*, [GAO-20-144](#) (Washington, D.C.: Dec. 12, 2019).

that would otherwise be completed as a minor project if the prospectus threshold were higher.

GSA officials stated that in 2018 they considered how raising the threshold to \$25 million for capital projects and \$10 million for lease projects would affect the number of prospectuses submitted to the authorizing committees. According to these officials, they determined that raising the threshold would significantly decrease the number of submitted prospectuses. Using GSA’s data for prospectuses submitted for fiscal years 2014 through 2020, we analyzed various threshold levels to determine the effect on the number of prospectuses submitted for authorizing committees’ approval. For example, 20 percent (43 of 220) of prospectus-level capital projects for fiscal years 2014 through 2020 would have fallen below the threshold if it had been set at \$10 million (see fig. 7).<sup>36</sup>

**Figure 7: Percentage of the General Services Administration’s (GSA) Capital Projects by Notional Prospectus Threshold Levels, Fiscal Years 2014–2020**



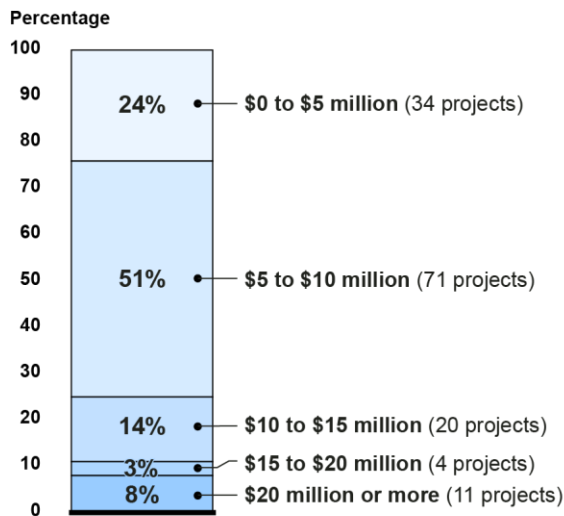
Source: GAO analysis of General Services Administration (GSA) data. | GAO-22-104639

Note: The figure illustrates how the number of prospectuses developed by GSA and reviewed by the authorizing committees would vary based on changes to the dollar threshold. Currently, for capital projects with an estimated cost above \$3.375 million, GSA must submit a prospectus to its congressional- authorizing committees.

<sup>36</sup>To determine whether a project meets the prospectus threshold, GSA uses estimated construction costs for R&A projects; estimated construction costs and site costs for new construction; and the fully serviced rent minus operating expenses for leases

Similarly, 24 percent (34 of 140) of prospectus-level lease projects for fiscal years 2014 through 2020 had estimated total annual rents of less than \$5 million (see fig. 8) indicating that these leases would likely be below-threshold if the threshold were increased from its current level of \$3.375 million to \$5 million.<sup>37</sup>

**Figure 8: Percentage of the General Services Administration’s (GSA) Lease Projects by Notional Prospectus Thresholds Based on Estimated Total Annual Rent, Fiscal Years 2014–2020**



Source: GAO analysis of General Services Administration (GSA) data. | GAO-22-104639

Note: The figure illustrates how the number of prospectuses developed by GSA and reviewed by its congressional- authorizing committees would vary based on changes to the dollar threshold that triggers prospectus development. GSA uses net annual rent—full rent less operating costs—to determine whether a lease project exceeds the prospectus threshold (\$3.375 million for fiscal year 2022). Because of limitations in the GSA data that were available to us, we used total rent in our analysis.

In addition, GSA officials stated that prospectuses that are not approved by both committees within GSA’s planned time frames may increase costs for projects or require GSA to pursue interim measures, such as entering into a more costly lease extension. According to GSA officials,

<sup>37</sup>GSA determines whether a lease project exceeds the prospectus threshold by calculating its net annual rent, which requires subtracting the estimated operating costs from the estimated total annual rent. However, GSA did not have data available on operating costs in the lease project cost data that it provided for the projects in our scope. As a result, we cannot determine the actual net annual rent for the prospectus leases in our scope. Because GSA told us that operating costs are generally low in comparison to total rent, we are using the available data on total rent in our analysis.

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they develop a project's cost estimate based on its expected implementation schedule, which factors in time for prospectus approval; however, delayed approval can result in increased project costs and the need for interim measures. For example, GSA officials noted that they sought funding appropriated for fiscal year 2020 for a Major R&A project to alter existing space in a federally owned building in Suitland, Maryland, to accommodate the Department of Labor, Bureau of Labor Statistics (BLS), but did not receive approval from one authorizing committee that year of this project's prospectus.<sup>38</sup> The project involves relocating BLS to the building, which is already occupied by two federal tenants. According to GSA, Members of Congress expressed concerns about the project's impact on the existing tenants and building capacity, such as whether the existing building was sufficient to meet post-COVID-19 space requirements, and one authorizing committee withheld approval of the prospectus. To facilitate the authorizing committee's approvals of the prospectus, GSA officials said that they have responded to questions from the authorizing committee and Members' concerns during several meetings and provided tours of the facility to authorizing committee and congressional staff.

Due to the efforts to secure approval of the project in Suitland, Maryland, GSA officials said they will need to both extend BLS's current tenancy agreement, which expires in 2022, for space that it currently occupies in a U.S. Postal Service-owned building and increase its cost estimate for the Major R&A project to account for inflation.<sup>39</sup> GSA also noted that this delay in the committee's approval may affect BLS's budget as the overall project cost increase will raise the costs for the tenant-funded portions of the project. The other authorizing committee approved the prospectus on July 28, 2021.

GSA officials stated that they have taken some actions to facilitate timely committee approvals and to mitigate the effects of delays. Specifically, in an effort to reduce lease costs, GSA determined that submitting lease prospectuses to the authorizing committees 3 to 4 years before the lease expiration date would help ensure that existing leases did not expire during the committees' reviews. As a result, GSA implemented its rolling

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<sup>38</sup>The Senate Committee on Environment and Public Works approved the prospectus on December 17, 2019.

<sup>39</sup>According to GSA, tenancy agreements are used in place of leases between GSA and U.S. Postal Service, since the federal government does not contract with itself.

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5-year prospectus-level lease plan in 2016 to establish the base milestone schedules necessary to meet that goal.<sup>40</sup> According to GSA officials, the 5-year plan is intended to decrease the need to enter into costly lease extensions for prospectus-level lease projects.

In addition, GSA officials told us they have taken steps to help ensure that GSA is providing the authorizing committees the information they need to act on submitted prospectuses. For example, GSA regional office officials told us that they receive guidance from the Central Office to provide information in their proposal documents to address questions that the Central Office anticipates that either OMB or the authorizing committees may raise. After receiving questions from one of its authorizing committees about the delineated areas of leasing projects, for example, GSA began including this information on lease prospectuses.<sup>41</sup> Officials in the Office of Congressional and Intergovernmental Affairs and the Central Office said that they offer the authorizing committees briefings to discuss specific submitted prospectuses and that they work to ensure that all questions from the authorizing committees about specific projects are addressed in a timely manner.

## Challenges Related to Budgetary Resource Limitations

GSA officials said that overall, the greater challenge is the limited amount of budgetary resources GSA receives in the annual appropriations process to undertake capital projects.<sup>42</sup> These officials stated that when funding limitations preclude GSA from undertaking all of its planned capital projects in a given fiscal year, the frequent occurrence of continuing resolutions, and timing of the annual budget cycle means that 2 additional years will elapse before annual appropriations for an unfunded project could potentially be available. The officials said that

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<sup>40</sup>The rolling 5-year plan was implemented in response to GSA's National Prospectus Lease Strategy that was created to understand existing statutory requirements for prospectus-level leases, establish clear expectations for regions for the development and submittal of lease prospectuses, and to establish standardized internal review timeframes.

<sup>41</sup>Delineated area refers to the specific boundaries within which space will be obtained to satisfy an agency space requirement. 41 C.F.R. § 102-83.20.

<sup>42</sup>Through the appropriations process Congress sets an annual limit on how much GSA can spend from the Federal Buildings Fund for property-related activities, such as construction and acquisition of facilities and maintenance and repair projects. In recent fiscal years, Congress has authorized GSA to spend less from the Federal Buildings Fund than the rent it has received from tenant agencies. As such, the balance of the Federal Buildings Fund has increased. GAO, *Capital Fund Proposal: Upfront Funding Could Benefit Some Projects, but Other Potential Effects Not Clearly Identified*, [GAO-21-215](#) (Washington, D.C.: Sept. 10, 2021)

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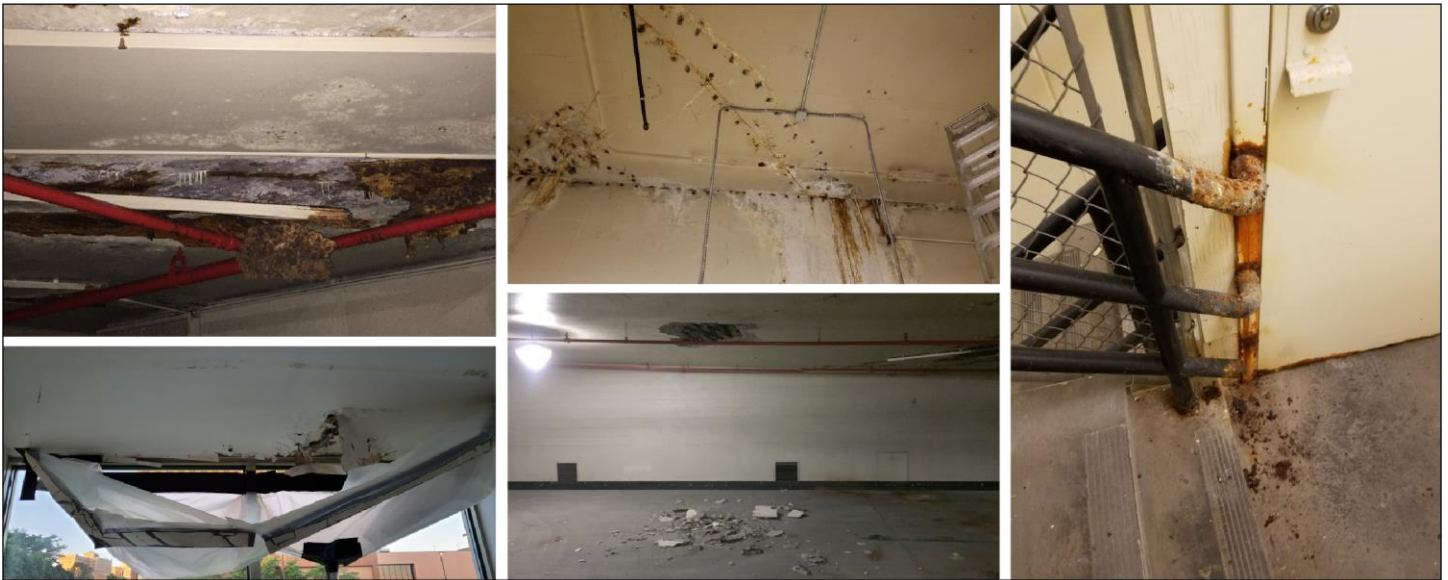
such delays can lead to increased project costs, scope changes, or both, if, for example, building conditions continue to deteriorate during the delay. According to GSA officials, having to resubmit a prospectus for a project that cannot be undertaken because of limited appropriations for a fiscal year results in the deferral of work for that project and potentially for others. As we have previously reported, deferred maintenance and repairs can result in significantly higher maintenance, repair, and operating costs, and may require some assets to be replaced through new construction.<sup>43</sup>

GSA's planned project to address structural deficiencies and other problems caused by water infiltration at its federal building in Akron, Ohio, according to regional officials, illustrates how project delays can lead to increased deterioration (see fig. 9). In 2017, GSA submitted a prospectus for an R&A project with an estimated cost of \$17.9 million. However, GSA officials said that the project was not approved by its authorizing committees nor did GSA receive enough funding that year to undertake the project even if it had been approved. In 2019, GSA resubmitted a prospectus for the project, which reflected that its estimated cost had increased by over \$2 million. GSA attributed this increase primarily to additional building damage that resulted from deferred repairs and inflation. As a result of worsening conditions at the site, GSA officials said that they had to relocate some tenants to another space within the building. Further, these officials said that GSA spent \$1.5 million for interim measures to mitigate water leaks and control mold growth in the office spaces and to address concrete deterioration in the parking garage. These officials said that such interim measures are only a stopgap for issues that cannot be addressed without proper mitigation. In June 2021, GSA resubmitted the prospectus with a further additional cost of \$2.6 million (total estimated cost of \$22.6 million), and as of October 2021, this prospectus is pending authorizing committees' approval.

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<sup>43</sup>GAO, *Federal Real Property: Improved Transparency Could Help Efforts to Manage Agencies' Maintenance and Repair Backlogs*, [GAO-14-188](#) (Washington, D.C.: Jan. 23, 2014).

**Figure 9: Water Damage in a Federal Building in Akron, Ohio**



Source: General Services Administration (GSA). | GAO-22-104639

## GSA Has Not Conducted a Full Assessment of Its Prospectus Process or Communicated Challenges to Its Authorizing Committees

### GSA's Partial Assessment of the Prospectus Process

GSA has taken some steps to assess and make targeted changes to its prospectus process for leases, but has neither fully assessed the lease or capital-prospectus process to identify, analyze, and respond to any risks presented by the process. With respect to leases, GSA assessed aspects of its leasing process to reduce lease costs. However, GSA officials did not provide us with any evidence to show that they have assessed the entire prospectus development, review, and approval process for lease and capital projects. In our discussions with GSA officials, they said that the authorizing committees had not raised any concerns about the overall process to GSA. Nonetheless, one GSA official stated that GSA is currently considering how to improve the prospectus process. As of October 2021, GSA had not provided us with any documentation or further details on the scope or time frames of that effort or on any efforts to assess any part of the prospectus process.



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*Standards for Internal Control in the Federal Government* calls for agencies to identify, analyze, and respond to risks to help achieve their defined objectives.<sup>44</sup> Similarly, our prior work has demonstrated that effective risk management involves, among other things, comprehensively identifying risks, assessing the likelihood and impact of risks, and determining the appropriate response.<sup>45</sup> Conducting a comprehensive assessment could help to mitigate the risks posed by the prospectus process as currently structured which, according to GSA, exacerbate some of the difficulties the agency faces in managing its portfolio of assets.

Such an assessment could yield information about process deficiencies that might not otherwise be understood and lead to improvements. GSA regional office staff and OMB staff we interviewed generally complimented the Central Office's management of the process; however, they also identified potential improvements, for example, based on their experiences. Specifically:

- OMB staff stated that their review time frames of lease prospectus proposals could decrease if GSA provided OMB preliminary details about these lease projects earlier in the process, such as by providing an earlier indication of which leases will be expiring and coming to OMB for review.
- Officials from two regional offices stated that the Central Office could provide more insight into how the Central Office selects which prospectus-level projects will be submitted to OMB and the authorizing committees. One regional office official added that the Central Office recently made some improvements in this area, but another official said that additional information would be helpful. Another regional official also noted that debriefing the regional offices on the decision-making process after the prospectuses are transmitted to Congress would lead to improved submissions.

Without a full assessment of the prospectus development, review, and approval process, GSA may not identify potential improvements to the process that could help GSA address the risks posed by the current process to GSA's ability to effectively manage its portfolio of assets.

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<sup>44</sup>GAO-14-704G.

<sup>45</sup>GAO, *Enterprise Risk Management: Selected Agencies' Experiences Illustrate Good Practices in Managing Risk*, GAO-17-63 (Washington, D.C.: Dec. 1, 2016).

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GSA Has Not Communicated Its Concerns and Suggestions to Authorizing Committees or Solicited Their Feedback on the Process

GSA officials identified two specific suggestions that they believed would address their concerns and improve the prospectus process and noted these actions may require support from the authorizing committees and legislative changes. However, GSA officials said that GSA has not communicated these suggestions to the authorizing committees or solicited their feedback on the process. In particular, multiple GSA officials suggested (1) raising the dollar threshold for prospectus-level projects or (2) establishing a threshold based on a cost per square-foot calculation to determine which capital projects rise to prospectus-level. Such a change, in turn, would likely reduce the number of prospectuses submitted each year and the workload for the authorizing committees. However, it would also mean that GSA's authorizing committees would have less visibility over GSA's lease and capital projects.

The GSA Administrator's statutory authority to annually adjust the prospectus threshold is limited to the percentage change in construction costs during the previous calendar year.<sup>46</sup> Other changes to the threshold would require a statutory change. The last legislative amendment to the prospectus threshold was in 1988, which raised the threshold from \$500,000 for all project types to \$1.5 million.<sup>47</sup> According to GSA officials, this change to the threshold resulted in a decrease in the number of prospectuses submitted to the authorizing committees for approval from 120 in 1988 to 60 in 1989.

Provisions relating to GSA's prospectus process differ in some ways from requirements applicable to other agencies. For example, the Department of Defense generally may carry out certain unspecified minor military construction projects (up to \$6 million) if the Secretary concerned provides advance approval of the project, notifies the congressional defense committees of the decision, provides justification for the project,

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<sup>46</sup>The Public Buildings Amendments of 1988 authorized the GSA Administrator to make this annual adjustment and provided that the Department of Commerce's composite index of construction costs determines the percentage change in the previous calendar year's construction costs. Pub. L. No. 100-678, § 4, 102 Stat. 4049, 4050 (codified as amended at 40 U.S.C. § 3307(h)). However, the Department of Commerce no longer publishes this table. In 2005, GSA began using the Building Cost Index published by McGraw-Hill's Engineering News Record as an alternative index, at the recommendation of Commerce staff. In January 2021, GSA notified its committees that to expand the pool of information it uses to set the threshold, GSA would use the Marshall and Swift Quarterly Index for construction and repair and alterations projects and leasing trend data reported by REIS, CoStar, and CBRE for lease projects.

<sup>47</sup>Public Buildings Amendments of 1988, § 2.

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and estimated project cost, and then waits until a 14-day period beginning on the date the committees received the notification has ended.<sup>48</sup> As another example, the Department of Veterans Affairs (VA) must submit a prospectus to the congressional veterans' affairs committees to fund a major medical facility lease, which has a lower prospectus threshold than GSA's lease projects, as well as a major medical facility construction (major construction) project, which has a higher prospectus threshold than GSA's construction projects.<sup>49</sup> The VA may not obligate funds for a major medical facility lease or major construction project unless funds for the project have been specifically authorized by law.<sup>50</sup> In addition, at least 30 days before entering into a proposed major medical facility lease, the VA is required to submit to the veterans' affairs committees a notice of its intention to do so.

GSA has not proactively communicated to its authorizing committees any of its concerns related to the prospectus process or potential changes that it believes could help improve the process. GSA officials told us that they have drafted legislative proposals that provide insight on the challenges posed by the prospectus requirements and the resulting implications to GSA's effective management of its assets. However, officials explained that they did not submit these legislative proposals to OMB or to GSA's authorizing committees because, as a matter of practice, GSA generally does not submit proposals seeking changes to statutory requirements without a request to do so from the authorizing committees.

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<sup>48</sup>The unspecified minor military construction projects to which these requirements apply are generally military construction projects that cost more than \$2 million but not more than \$6 million. 10 U.S.C. § 2805.

<sup>49</sup>38 U.S.C. § 8104. The VA is required to submit the prospectus for a project on the same day it submits to Congress a request for the project's funding.

<sup>50</sup>See, e.g., VA Choice and Quality Employment Act of 2017, Pub. L. No. 115-46, tit. III, 131 Stat. 958, 968-969 (2017) (authorizing funding for 28 major medical facility leases); Major Medical Facility Authorization Act of 2021, Pub. L. No. 117-30, 135 Stat. 307 (2021) (authorizing funding for 5 major construction projects). In addition, because the VA seeks delegation of leasing authority from GSA for its major medical facility leases, GSA will submit a prospectus to its own authorizing committees for each of these leases, provided that the annual average rent of the lease exceeds the prospectus threshold applicable to GSA's leases. See *generally* 40 U.S.C. § 121(d); 41 C.F.R. pts. 102-72, 102-73. According to VA officials, the VA waits for GSA's notification that the prospectus for its major medical facility lease has been approved by GSA's authorizing committees before obligating funds for the lease.

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Similarly, officials in the Office of Congressional and Intergovernmental Affairs told us that GSA has not proactively solicited feedback from the authorizing committees on whether the prospectus process meets the committees' oversight needs. Rather, they said that GSA relies on the authorizing committees to identify and communicate any concerns that they may have with the prospectus process as part of the committees' regular interaction with GSA during the prospectus submittal, review, and approval process. However, these officials said that they have not received any feedback as part of these interactions indicating that the committees are unsatisfied with the prospectus process as currently structured, but stated that GSA is willing to adapt in response to any feedback it may receive.

By not effectively communicating its concerns and potential improvements, such as changes to the current threshold levels, GSA is missing an opportunity to engage in discussions on how the process might be improved and to potentially reduce the associated challenges GSA faces in its ability to manage its portfolio. Our prior risk management work has shown that sharing information about risks and incorporating feedback from stakeholders can help organizations better manage risks, as well as increase transparency and accountability to Congress.<sup>51</sup> In addition, *Standards for Internal Control in the Federal Government* call for agencies to externally communicate the necessary quality information to achieve their defined objectives.<sup>52</sup>

Communicating challenges identified in the prospectus process to the authorizing committees, and soliciting feedback from them on whether the prospectus process as currently structured is meeting the committees' needs would also better position GSA to ensure that it is addressing any risks posed by the process. In addition, soliciting the committees' insights on any potential changes would help ensure that any modifications to the process do not impede on the committees' oversight activities. As previously noted, agencies are subject to congressional oversight of their capital and lease projects, and there are varying processes and requirements for agencies to obtain approval for their capital and lease projects. By not communicating to the authorizing committees the challenges posed by the process and potential legislative actions to

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<sup>51</sup>GAO, *Enterprise Risk Management: Selected Agencies' Experiences Illustrate Good Practices in Managing Risk*, [GAO-17-63](#) (Washington, D.C.: Dec. 1, 2016).

<sup>52</sup>[GAO-14-704G](#).

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address them, GSA may be limiting its ability to achieve one of its strategic goals: to save taxpayer money through better management of federal real estate.<sup>53</sup>

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## Conclusions

The prospectus process is a means by which Congress exercises oversight as prospectus documents convey important information about GSA's leases and capital projects that inform the authorizing committees' decisions to approve prospectus-level projects. While GSA has identified challenges to the effective operation of the prospectus process, it has not fully assessed the process to identify and analyze risks, nor has it proactively engaged with its authorizing committees to address its concerns or seek their input. As a result, GSA may be missing an opportunity to work with the committees to consider what actions could be taken to help respond to any risks posed by the operation of the prospectus process. Doing so will better position GSA to more effectively implement the capital projects and leases that are needed to help it to address some of the long-standing portfolio management challenges GSA faces, such as a deferred maintenance backlog.

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## Recommendations for Executive Action

We are making the following two recommendations to GSA:

The Commissioner of the Public Buildings Service should fully assess the prospectus process for leases and capital projects—including identifying, analyzing, and responding to risks associated with the process that may limit GSA's ability to manage its assets portfolio—and should implement potential improvements to the process identified through the assessment. As part of this assessment, the Commissioner should solicit input from GSA's authorizing committees about challenges and risks posed by the prospectus process. (Recommendation 1)

The Administrator of the General Services Administration should communicate to the agency's authorizing committees the results of GSA's assessment, including any proposed changes to the process that may require legislative action to implement. (Recommendation 2)

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## Agency Comments

We provided a draft of this product to the General Services Administration for comment. In its comments, reproduced in appendix I, GSA concurred with the recommendations and stated that it is developing a plan to address them.

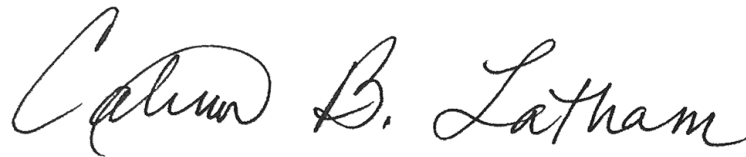
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<sup>53</sup>GSA, *GSA's Strategic Plan: Fiscal Years 2018—2022* (Washington, D.C.).

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We are sending copies of this report to the appropriate congressional committees and the Administrator of GSA. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report please contact Catina B. Latham at (202) 512-2834 or [LathamC@gao.gov](mailto:LathamC@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

A handwritten signature in black ink that reads "Catina B. Latham". The signature is written in a cursive style with a large, looping initial "C".

Catina B. Latham  
Acting Director, Physical Infrastructure

# Appendix I: Comments from the General Services Administration

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The Administrator

January 7, 2022

The Honorable Gene L. Dodaro  
Comptroller General of the United States  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the U.S. Government Accountability Office's (GAO) draft report, *FEDERAL REAL PROPERTY: GSA Should Fully Assess Its Prospectus Process and Communicate Results with Its Authorizing Committees* (GAO-22-104639).

GAO made the following recommendations to GSA:

- (1) The Commissioner of the Public Buildings Service should fully assess the prospectus process for leases and capital projects, including identifying, analyzing, and responding to risks associated with the process that may limit GSA's ability to manage its assets portfolio, and implement potential improvements to the process identified through the assessment. As part of this assessment, the Commissioner should solicit input from GSA's authorizing committees about challenges and risks posed by the prospectus process.
- (2) The Administrator of the General Services Administration should communicate to the agency's authorizing committees the results of its assessment, including any proposed changes to the process that may require legislative action to implement.

GSA agrees with the recommendations and is developing a plan to address them.

If you have any questions or concerns, please contact me or Gianelle Rivera, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Sincerely,

  
Robin Carnahan  
Administrator

cc: Ms. Catina B. Latham, Acting Director, Physical Infrastructure, GAO

U.S. General Services Administration  
1800 F Street NW  
Washington DC 20405-0002  
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# Appendix II: GAO Contact and Staff Acknowledgments

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## GAO Contact

Catina B. Latham at (202) 512-2834, or [LathamC@gao.gov](mailto:LathamC@gao.gov).

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## Staff Acknowledgments

In addition to the contact named above, Mike Armes (Assistant Director); Crystal Huggins (Analyst-in-Charge); Delwen Jones; Terence Lam; Josh Ormond; Mary-Catherine P. Overcash; Maria Storts; Janet Temko-Blinder; Tatyana N. Walker; Elizabeth Wood; Sirin Yaemsiri; and John Yee made key contributions to this report.



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