



**U.S. House of Representatives**  
**Committee on Transportation and Infrastructure**  
**Washington, DC 20515**

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**Ranking Member**

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April 13, 2012

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**BRIEFING MEMORANDUM**

**TO:** Members of the Subcommittee on Economic Development, Public Buildings and Emergency Management  
**FROM:** Subcommittee on Economic Development, Public Buildings and Emergency Management Staff  
**SUBJECT:** Oversight Hearing on “GSA’s Squandering of Taxpayer Dollars: A Pattern of Mismanagement, Excess, and Waste”

**PURPOSE**

The Subcommittee on Economic Development, Public Buildings and Emergency Management will meet on Tuesday, April 17, 2012, at 8:30 a.m. to receive testimony from the General Services Administration (GSA) Inspector General, the Acting Administrator of GSA as well as other current and former GSA officials and employees. The hearing will focus on GSA’s waste of taxpayer dollars on a lavish Western Regional Conference (WRC), its “Hats Off” employee rewards program and other waste and abuse of taxpayer dollars.

**BACKGROUND**

*General Services Administration*

The Subcommittee has jurisdiction over all of GSA’s real property activity through the Property Act of 1949, the Public Buildings Act of 1959, and the Cooperative Use Act of 1976. These three Acts are now codified as title 40 of the United States Code. GSA’s Public Buildings Service (PBS) is responsible for the construction, repair, maintenance, alteration, and operation of United States courthouses and public buildings of the Federal Government. Additionally, PBS leases privately owned space for Federal use. GSA owns or leases 9,600 assets and maintains an inventory of more than 362 million square feet of workspace. GSA acts as the “landlord” for the Federal

government, obtaining and managing space to meet the space needs of other Federal agencies. GSA, however, is just one of nine<sup>1</sup> Federal agencies that, in total, own or manage 93% of Federal real property.

GSA currently operates with 11 PBS regional offices (including the National Capital Region in D.C.) which are responsible for managing GSA properties and projects in those regions.

### *Property Management Issues*

Given the vast real estate holdings of the Federal Government, poor asset management and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of “high risk” government activities where it remains today. Unfortunately, despite executive orders and memoranda issued during two administrations and acts of Congress intended to improve the management of Federal real property, these problems persist.<sup>2</sup> The high risk activities of Federal real property are significant. Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security. For example, in fiscal year 2009, the Federal Government spent \$1.7 billion in annual operating costs for under-utilized buildings and \$134 million, annually, for excess buildings.<sup>3</sup>

Subcommittee Chairman Denham introduced H.R. 1734, the Civilian Property Realignment Act (CPRA), last year. That legislation passed the House and would establish a civilian BRAC-like commission to identify and get rid of waste in federal properties through selling unneeded properties, consolidating Federal space and minimizing the Federal space footprint. The Subcommittee has held two hearings this year in vacant buildings, including the Annex of the Old Post Office and the Cotton Annex to highlight the wasteful mismanagement of federal properties by GSA.

### *Administrative Costs*

On top of waste in how GSA has managed its buildings, the Committee has also begun investigating Public Buildings Service’s administrative costs. Information received by the Committee indicates that the PBS administrative costs have increased significantly over the years. Specifically, since fiscal year 2007, the PBS administrative

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<sup>1</sup> The other major land-holding departments and agencies include the Department of Defense, Department of Veterans Affairs, Department of Energy, Department of Homeland Security, Department of the Interior, Department of State, National Aeronautics and Space Administration, and the U.S. Postal Service.

<sup>2</sup> See, for example, Executive Order 13327, Federal Real Property Asset Management, signed by President George W. Bush, February 4, 2004; Presidential Memorandum, Disposing of Unneeded Federal Real Estate, signed by President Barack Obama, June 10, 2010; Public Buildings Cooperative Use Act of 1976; Public Law 108-447, Division H, Title IV, Section 412, December 8, 2004 (providing enhanced flexibility to GSA in real property management).

<sup>3</sup> FY2009 Federal Real Property Report, Federal Real Property Council, September 2010, p. 5.

costs have increased by \$260 million. The PBS Commissioner's Office expenditures have increased by more than 67% during the same period. (See chart below).

Summary of administrative personnel and other costs, FY07-FY11						
(\$s in thousands)						
Organization	Type	FY2007	FY2008	FY2009	FY2010	FY2011
PBS Commissioner *	Personnel	\$1,665	\$2,492	\$2,707	\$5,101	\$5,296
	Other	\$1,310	\$1,202	\$545	\$1,837	\$3,861
	<b>Total</b>	<b>\$2,975</b>	<b>\$3,694</b>	<b>\$3,2512</b>	<b>\$6,938</b>	<b>\$9,157</b>
PBS Headquarters	Personnel	\$38,557	\$41,418	\$42,004	\$44,277	\$49,432
	Other	\$200,381	\$236,018	\$263,189	\$272,948	\$306,429
	<b>Total</b>	<b>\$238,938</b>	<b>\$277,436</b>	<b>\$305,193</b>	<b>\$317,225</b>	<b>\$355,861</b>
Regional	Personnel	\$310,158	\$328,050	\$352,087	\$378,645	\$412,776
	Other	\$156,645	\$164,643	\$168,628	\$184,046	\$190,605
	<b>Total</b>	<b>\$466,803</b>	<b>\$492,693</b>	<b>\$520,715</b>	<b>\$562,691</b>	<b>\$603,381</b>
<b>Total</b>		<b>\$708,716</b>	<b>\$773,823</b>	<b>\$829,159</b>	<b>\$886,854</b>	<b>\$968,399</b>

The Committee began investigating the PBS administrative costs in 2011 after financial information included in GSA's State of the Portfolio Reports and Agency Financial Reports suggested an increase in costs and reduction of income from its owned inventory and an increase in losses for its leased inventory. Specifically, GSA's 2011 Agency Financial Report indicated that the Federal Buildings Fund net revenues from GSA-owned buildings dropped by \$274 million between 2010 and 2011 and lost \$133 million in 2011 on its leased facilities.

#### *Western Regional Conference*

On April 2, 2012, the GSA Inspector General issued a Management Deficiency Report on the GSA Public Buildings Service and its 2010 Western Regions Conference (WRC). The IG indicates that the GSA Deputy Administrator, Susan Brita, requested that the IG investigate allegations of possible excessive expenditures and employee misconduct related to the 2010 WRC.

Region 9, which hosted the conference in 2010, covers Arizona, California, Hawaii, and Nevada, as well as overseas in American Samoa, Commonwealth of the Northern Mariana Islands, Diego Garcia, Guam, mainland Japan and Okinawa, the Republic of Korea, Saipan, and Singapore. The conference included Regions 7, 8, 9, and 10.

The 2010 conference had approximately 300 attendees and occurred at the M Resort Spa Casino just outside Las Vegas, Nevada. The IG found that the total cost of the conference was \$822,751 including \$136,504 spent on 8 pre-conference scouting trips alone.

The IG made the following findings in the report:

**GSA spending on conference planning was excessive, wasteful, and in some cases impermissible.** To select a venue and plan the conference, GSA employees conducted two “scouting trips,” five off-site planning meetings, and a “dry run.” Six of these planning events took place at the M Resort (the conference venue) itself. Travel expenses for conference planning totaled \$100,405.37, and catering costs totaled over \$30,000. GSA spent money on refreshment breaks during the planning meetings, which it had no authority to do, and the cost of catered meals at those meetings exceeded per diem limits.

**GSA failed to follow contracting regulations in many of the procurements associated with the WRC and wasted taxpayer dollars.** GSA actions included:

- o Disclosing a competitor’s proposal price to a favored contractor;
- o Awarding a \$58,000 contract to a large business in violation of small-business set-asides;
- o Promising the hotel an additional \$41,480 in catering charges in exchange for the “concession” of the hotel honoring the government’s lodging cost limit;
- o Providing free rooms to a contractor’s employees even though the contract cost included lodging; and
- o Disclosing to the team-building contractor the agency’s maximum budget for one day of training, then agreeing to pay the contractor that amount (\$75,000).

**GSA incurred excessive and impermissible costs for food at the WRC.** GSA spent \$146,527.05 on catered food and beverages during the WRC. That spending included \$5,600 for three, semi-private, catered in-room parties and \$44 per person daily for breakfasts. GSA also paid \$30,207.60 – or roughly \$95 per person – for the closing reception and dinner; attendees at that dinner included 27 guests of GSA employees and seven contractor employees. GSA obtained repayment for guests’ meals, but only for 23 of the guests and not for the entire cost of the meal.

**GSA incurred impermissible and questionable miscellaneous expenses.** These expenses included mementos for attendees, purchases of clothing for GSA employees, and tuxedo rentals.

**GSA’s approach to the conference indicates that minimizing expenses was not a goal.** The PBS Region 9 Commissioner/Acting Regional Administrator instructed those planning the conference to make it “over the top” and to make it bigger and better than previous conferences. Several suggestions to minimize expenses were ignored.

Following the release of this report, the Administrator of GSA, Martha Johnson, resigned from her post. Other key officials, including PBS Commissioner Robert Peck and Stephen Leeds, Senior Counselor to the Administrator, were terminated. Others have since been placed on administrative leave, including David Foley, Deputy Public Buildings Commissioner; Jeff Neely, Region 9 Public Buildings Regional Commissioner; Paul Prouty, Region 8 Public Buildings Regional Commissioner, and other senior management officials.

### *Other Abuses and Hats Off Program*

Since the release of that report, other abuses have been unearthed, including a 2010 GSA internship conference hosted by Region 9 at the Palm Springs Riviera resort that included 120 interns and 20 senior staff. In addition, the Committee also learned of the GSA “Hats Off Program” and an associated IG report of an investigation resulting from the theft of 40 iPods estimated at \$8,000 reportedly stolen from GSA storage in the Phillip Burton Federal Building in San Francisco, California (GSA Region 9).

The IG found that the Public Buildings Service (PBS) Region 9 developed an awards program store known as the Hats Off Store. Shortly after the program started in 2001, program officials did begin identifying problems including employees giving themselves awards, swapping unwarranted awards and theft of award certificates. While initially the program included items of nominal value such as mugs or mouse pads, over time high value assets like iPods, digital camera, GPS devices and other electronics were included.

Under the program, Region 9 employees would have an online account at the Hats Off Store and each employee would start with 40 virtual cards that could be given to co-workers for a “specific, work-related reason.” Members of the Leadership Council could also give “Derby Hat” awards worth up to 20 virtual cards and the Regional Administrator, Regional PBS Commissioner, and Deputy Commissioner could give “Top Hat” awards worth 40 virtual cards. The cards could be accumulated by employees to redeem for items in the Hats Off Store.

Between FY 2007 and 2011, Region 9 spent \$440,000 on the Hats Off Program with the largest increase spending in FY 2009 at \$211,842. When 40 iPods associated with the Hats Off Program were reported missing from GSA storage space, the IG’s office investigated and determined that approximately 115 iPods valued at more than \$20,000 were unaccounted for.

Specifically, the findings of the IG were:

- There is an inadequate inventory process for tracking purchases and awards from the Hats Off Program Store, and no audit mechanism exists to track changes to inventory.
- There are award abuses, including patterns of employees exchanging awards with one another and supervisors exceeding their award limits.
- Top award recipients include individuals associated with the administration of the Hats Off Program.
- There is a lack of accountability for “Manager Special” awards, which are items used as gifts or prizes at meetings and events. Records of award recipients, or of justification for the awards, are lacking or inconsistent.

- There is a lack of physical security for award items in storage.
- Award items exceeded the \$99 limit per item established by GSA policy.
- Total employee awards, including the Hats Off Program awards, collectively exceeded four percent of Region 9 associates' salaries for two of the past four fiscal years, in violation of GSA policy.

*Conclusion*

The hearing will focus on these abuses, how they happened, and the growing PBS administrative costs.

**WITNESSES**

The Honorable Daniel Tangherlini  
Acting Administrator  
U.S. General Services Administration

The Honorable Brian Miller  
Inspector General  
U.S. General Services Administration

The Honorable Martha Johnson  
Former Administrator  
U.S. General Services Administration

Ms. Susan Brita  
Deputy Administrator  
U.S. General Services Administration

Ms. Alison Doone  
Chief Financial Officer  
U.S. General Services Administration

Mr. Robert Peck  
Former Public Buildings Service (PBS) Commissioner  
U.S. General Services Administration

Mr. David Foley  
Public Buildings Service Deputy Commissioner  
U.S. General Services Administration

Mr. Jeff Neely  
Region 9 Public Building Regional Commissioner

U.S. General Services Administration

Ms. Lisa Daniels  
Event Planner  
Public Buildings Service  
U.S. General Services Administration