



**Department of the Interior  
Office of Inspector General**

***Evaluation Report***

**Absent Immediate Action  
the Department of the  
Interior Faces Looming  
Leasing Crisis**

**Report No. Y-EV-MOA-0003-2008**

**July 2008**



**United States Department of the Interior**  
**OFFICE OF INSPECTOR GENERAL**

Office of Inspections and Evaluations  
381 Elden Street, Suite 1100  
Herndon, Virginia 20170

July 31, 2008

Memorandum

To: James E. Cason  
Associate Deputy Secretary

From: Christina M. Bruner *Christina M. Bruner*  
Regional Manager, Eastern Region

Subject: Absent Immediate Action the Department of the Interior Faces Looming  
Leasing Crisis (No. Y-EV-MOA-0003-2008)

The Office of Inspector General initiated an evaluation to determine the impact of a new General Services Administration (GSA) leasing regulation on the Department of the Interior (DOI or the Department). This report presents the results of our evaluation.

The regulation (Federal Management Regulation (FMR) Bulletin 2008-B1) limits DOI authority to lease space directly, and the Department and its bureaus and offices have taken steps to respond. However, weak oversight, errors, and gaps in the bureaus' leasing data will affect DOI continuity of operations if they are not addressed.

We offer three recommendations that we believe will help the Department meet GSA's new requirements. We would appreciate being apprised of the actions the Department takes or plans to take on our recommendations so we may track the status of their implementation. Please provide a written response to us within 30 days.

We thank the Department and the bureaus for providing us with information on DOI's real property leases. Should you have any comments or questions regarding this report, please call me at (703) 487-8011.

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## WHY WE PERFORMED THIS EVALUATION

The General Services Administration (GSA) issued a new bulletin in November 2007 on delegated leases that tightened existing regulations. The regulation restricts federal agencies' ability to lease space without going through GSA and increases reporting requirements on leases executed by individual agencies.

Most of the bureaus within the Department use the delegation of leasing authority, which allows them to assume leasing responsibilities and avoid having to rely on GSA to obtain space. They use this authority to obtain office, warehouse, housing, and other types of space needed to meet the Department's missions. These bureaus include the Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), Bureau of Reclamation (BOR), Fish and Wildlife Service (FWS), National Business Center (NBC), National Park Service (NPS), and U.S. Geological Survey (USGS).

Given the Department's use of delegated authority, we conducted this evaluation to determine the impact of the new regulation on the Department's leasing operations. We performed our work in accordance with the PCIE/ECIE "Quality Standards for Inspections" (see Appendix 3).

## BACKGROUND ON THE "CAN'T BEAT GSA LEASING" PROGRAM

In 1996, GSA created a leasing program called "Can't Beat GSA Leasing." The Program offers federal agencies a choice between leasing space through GSA or assuming leasing responsibility themselves using the delegated leasing authority. Under GSA's new regulations for delegated leasing authority, federal agencies:

- are no longer permitted to lease general purpose space in excess of 19,999 square feet;
- have additional reporting requirements<sup>1</sup>; and
- must notify GSA 18 months prior to exercising options to extend leases.

*General Purpose Space delegations include leases for office buildings and most warehouses.*

*Special Purpose Space delegations meet unique agency needs. This delegation is reserved to BLM, BOR, NPS, and USGS.*

*Categorical Space delegations cover predetermined facilities, including docks, airport hangars, temporary housing, and more.*

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<sup>1</sup> Additional reporting is required prior to and during the course of leases for general purpose space 19,999 square feet or under and for special purpose space involving 2,500 or more square feet.

## WHAT WE FOUND

### DOI CONTINUITY OF OPERATIONS AT RISK

If DOI does not immediately respond to GSA's tighter leasing restrictions, lost leases could result. Specifically, DOI must prepare for the expiration of 118 delegated leases by June 30, 2009<sup>2</sup> (see Appendix 1), by requesting new delegations or leasing space through GSA. The lack of resources at GSA, contradictory guidance, and missing data at the bureau level place DOI in danger of not meeting this timeline. If replacement space cannot be obtained, some elements of DOI bureaus could find themselves having to vacate their premises.

This problem is compounded by contradictory guidance from GSA and inaccurate or missing data at the bureau level. Within DOI, the Office of Acquisition and Property Management (PAM) has overall responsibility for Department-wide policies on space management. This includes acting as the sole intermediary between bureaus and the GSA central office, ensuring standardized leasing processes at the bureaus, and monitoring GSA's Federal Real Property Profile (FRPP) database for delegated leases to ensure consistency with internal documents. Each bureau also has its own leasing officials, who manage the bureaus' leases and are responsible for compliance with leasing regulations.

*The Federal Real Property Profile database is a single, comprehensive inventory system. It contains data on all federal real property assets within and outside the United States, including improvements on federal land.*

***At-risk Leases*** DOI leasing officials expect GSA's workload to increase due to the tighter regulation and expressed concern about losing leases. Until GSA can hire and train additional staff, all requests for new delegations throughout the Government are to be reviewed by a single person. GSA may, therefore, be unable to process new delegations within the 18-month notification period, which puts DOI continuity of operations at risk.

Of the 118 leases scheduled to expire by June 30, 2009 (see the table below and Appendix 1), eight are for general purpose space over 19,999 square feet. An additional five properties over 19,999 have leases set to expire by July 31, 2010 (see Appendix 2). The Department holds a total of 57 leases for general purpose space over 19,999 square feet (see table below). Under the new regulation, DOI cannot use a delegation to continue leasing these 57 properties and will have to rely on GSA to obtain space.

According to DOI leasing officials, GSA field office staff may be unable to meet Department leasing needs if GSA opts to control a greater share of leases under 19,999 square feet rather than to grant delegations. Since enacting the new regulation, GSA has denied roughly 10

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<sup>2</sup> GSA requires agencies to apply for new delegations at least eighteen months prior to the date of the lease. The new regulation was issued in November 2007 and took effect in January 2008.

percent of all requests for new delegations, making it difficult to predict when GSA will grant delegations for leases under 19,999 square feet. An inability to anticipate GSA's actions could inhibit effective planning by the bureaus and further affect their continuity of operations.

Leasing officials in the bureaus suggested that they can no longer assume that GSA will grant delegations for small leases or for leases in rural areas. For example, BLM, the largest user of delegations in the Department, requested a delegation to lease 300 square feet in Dillingham, Alaska, where BLM has a significant presence. GSA declined to grant BLM the delegation. Such declinations raise concern due, in part, to past experience with obtaining leased space through GSA. For example, FWS officials informed us that GSA took 3 to 4 years to find appropriate space in Orlando, Florida.

<b>Leases for General Purpose and Other Space by Agency</b>					
<b>Bureau</b>	<b>Total sq. ft.</b>	<b>Total Dollar Value</b>	<b>All Leases Over 19,999 sq. ft.</b>	<b>Leases Over 19,999 sq. ft. Expiring by June 30, 2009</b>	<b>All Leases Expiring by June 30, 2009</b>
<b>BIA</b>	<b>422,282</b>	<b>\$ 8,612,095</b>	<b>5</b>	<b>1</b>	<b>5</b>
<b>BLM</b>	<b>2,042,593</b>	<b>28,617,798</b>	<b>39</b>	<b>4</b>	<b>31</b>
<b>BOR</b>	<b>124,536</b>	<b>1,855,310</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>FWS</b>	<b>432,539</b>	<b>3,315,593</b>	<b>3</b>	<b>3</b>	<b>68</b>
<b>NBC</b>	<b>462,717</b>	<b>212,327</b>	<b>6</b>	<b>0</b>	<b>0</b>
<b>NPS</b>	<b>276,464</b>	<b>1,651,302</b>	<b>0</b>	<b>*</b>	<b>*</b>
<b>USGS</b>	<b>220,812</b>	<b>5,751,050</b>	<b>3</b>	<b>0</b>	<b>13</b>
<b>DOI Total</b>	<b>3,981,943</b>	<b>\$ 50,015,475</b>	<b>57</b>	<b>8</b>	<b>118</b>

*\* We could not obtain lease expiration dates for NPS.*

**GSA Contradictions** Conflicts between GSA guidance and regulation also put DOI at risk of losing leases. GSA has encouraged agencies to fill unused space and to co-locate with other federal agencies. Such situations could result in an interagency lease that places one agency in the position of collecting rent from another agency or supplementing the budget of another agency. Neither transaction is permitted under the delegated leasing authority.<sup>3</sup>

In one case, PAM officials stated that BLM entered into an interagency agreement with the Internal Revenue Service (IRS) where the IRS occupied unused BLM space. According to BLM and PAM, GSA approved BLM's letting of excess space to the IRS. GSA's attorneys, however, have requested that the Department's Solicitor discuss the arrangement with them. PAM is working with the Office of the Solicitor to determine whether this arrangement is an interagency **lease**, in which one agency collects rent from another agency, or an **agreement**, in which rent simply passes through BLM to the landlord.

<sup>3</sup> FMR Bulletin 2008-B1. See section 3(c)(Background).

In another case, FWS has co-located with other federal agencies in a building that is leased by the National Oceanic and Atmospheric Administration (NOAA). The FWS lease from NOAA is set to expire in calendar year 2008, which leaves FWS with less than 18 months to request a new delegation from GSA. FWS officials are uncertain as to how GSA is going to handle their situation.

The Department must understand the impact of GSA's new regulations on DOI leasing operations. Of immediate concern are the 118 general purpose leases set to expire by June 30, 2009, for which the Department must either obtain a new delegation or request a new lease through GSA. Resolution of contradictions between GSA guidance and regulations is critical to lease and space continuity.

### **Recommendation**

1. PAM should take a leadership role by clarifying with GSA its capacity to meet DOI leasing needs, the impact of leasing regulations on DOI operations, and communicating GSA's responses to the bureaus.

## **UNRELIABLE DOI DATA EXACERBATE PROBLEM**

***Inaccurate and Missing Data*** Accurate leasing data allow DOI to identify soon-to-expire leases. Our evaluation shows that leasing data are not reliable or readily available. Misclassification of the types of delegations used and an inability of the bureaus to provide accurate and timely leasing data also place DOI's continuity of operations at risk. Leasing delegations vary according to the types of space. Several bureaus incorrectly classified space, which could lead to a loss of leases. In most cases, office and warehouse space is categorized as general purpose space, but at least two bureaus classified these spaces as special purpose or categorical.

Under the new regulation, agencies must obtain general purpose space over 19,999 square feet through GSA-secured leases but may obtain a delegation of authority from GSA for general purpose spaces of 19,999 square feet or less. Therefore, bureaus may overlook leases that are misclassified and not give GSA sufficient time to obtain new space or grant a new delegation. For example:

**Fish and Wildlife Service:** FWS misclassified approximately 99 of its current leases. Of these, 86 leases for office space, warehouses, and family housing were inappropriately obtained under a special purpose delegation. FWS is not authorized to lease any space using this delegation.

**National Park Service:** NPS inappropriately reported 8 leases for office space and 17 leases for warehouse space under the categorical delegation. If NPS is obtaining office space without a general purpose delegation from GSA, the Service is violating GSA rules.

The inability of the bureaus to provide leasing data further imperils DOI continuity of operations. Being able to provide such data to GSA is important because, according to GSA and bureau leasing officials, GSA has often taken 1 to 2 years to negotiate new leases.

In early April 2008, we requested from seven bureaus the expiration dates for all leases submitted to FRPP. GSA had requested similar information in mid-March 2008. Most of the bureaus had a difficult time providing this information. Eventually, each bureau did provide us with lease expiration dates — with the exception of NPS. Only the National Business Center was able to provide timely and accurate data.

The bureaus had difficulty providing expiration dates because they were (1) unaware of what leases were contained in the FRPP; (2) not updating their internal databases, or (3) decentralized organizationally, which made it difficult to gather information on leases from field offices. For example:

- Leasing officials appeared to be unaware of which leases were submitted to GSA through the FRPP. Instead, officials at BLM, BOR, FWS, NPS, and USGS provided expiration dates from their respective space management plans. These plans contained some, but not all, of the leases submitted to FRPP. We supplied the bureaus with the FRPP data, and BLM, BOR, FWS, and USGS were able to provide us with accurate expiration dates.
- BIA provided us with a complete list of the expiration dates based on its FRPP data. However, several of the dates were expired. When we brought the expired dates to the attention of BIA leasing officials, a staff member in the office stated that she was not sure why the list had not been updated. She subsequently verified that the leases had been extended and provided us with an updated list.
- NPS could not provide us with lease expiration dates. We believe NPS had a difficult time gathering the data in a timely fashion because of its decentralized nature and process for compiling data. The FRPP data is compiled at the individual park level with no central oversight. The NPS leasing official we spoke with believes the FRPP leasing data did not match the bureau's data because "people just throw stuff in."

To identify soon-to-expire leases and take the necessary actions to ensure the continuity of DOI's operations, DOI and its bureaus must maintain accurate leasing data. We anticipate that PAM, in its oversight role, will work with the bureaus to ensure that DOI's leases are classified correctly in FRPP and that lease expiration dates for all delegated leases have been provided to GSA.

## **Recommendations**

2. Ensure that leases are classified correctly in FRPP.
3. Provide GSA with all lease expiration dates for delegated leases.



## Appendix 1

### Delegated Leases Expiring by June 30, 2009

<i>Bureau</i>	<i>Property ID</i>	<i>Type of Space</i>	<i>Square Footage</i>	<i>Type of Delegation</i>	<i>Expiration Date</i>
<b>BIA</b>	A04101000202	Office	3,500	General Purpose	7/31/2008
	A13101000001	Office	300	General Purpose	5/31/2008
	A13R01000001	Office	10,470	General Purpose	7/25/2008
	B00101000281	Office	24,715	General Purpose	9/30/2008
	B06101000801	Office	17,034	General Purpose	7/31/2008
<b>BLM</b>	GDL010003	Office	2,000	General Purpose	5/31/2008
	NCL000174	Office	1,500	General Purpose	3/31/2008
	NCL000175	Office	1,931	General Purpose	6/30/2008
	NCL000180	Office	6,250	General Purpose	5/31/2009
	NCL010203	Office	2,510	General Purpose	5/16/2009
	NCL010208	Office	5,760	General Purpose	9/30/2008
	NCL010212	Office	2,100	General Purpose	4/30/2009
	NCL030256	Office	320	General Purpose	5/31/2009
	NCL030267	Office	300	General Purpose	5/31/2009
	NCL040284	Warehouse	6,000	General Purpose	10/31/2008
	NCL040311	Office	1,018	General Purpose	6/30/2009
	NCL040314	Office	200	General Purpose	10/31/2008
	NCL050361	Office	3,694	General Purpose	4/13/2009
	NCL060368	Office	4,495	General Purpose	4/13/2009
	NCL060371	Office	2,160	General Purpose	3/31/2009
	NCL060375	Office	210	General Purpose	8/5/2008
	NCL070450	Office	1,730	General Purpose	2/14/2009
	NCL080460	Office	519	General Purpose	10/31/2008
	NCL990004	Office	22,345	General Purpose	5/17/2009
	NCL990007	Office	27,500	General Purpose	3/25/2009
	NCL990011	Office	9,246	General Purpose	10/30/2008
	NCL990023	Office	5,255	General Purpose	4/30/2008
	NCL990047	Office	6,989	General Purpose	11/17/2008
	NCL990070	Office	1,000	General Purpose	9/30/2008
	NCL990084	Office	11,579	General Purpose	2/28/2009
	NCL990094	Office	53,400	General Purpose	6/7/2009
	NCL990109	Office	10,362	General Purpose	7/6/2008
	NCL990110	Office	24,763	General Purpose	3/13/2009

<i>Bureau</i>	<i>Property ID</i>	<i>Type of Space</i>	<i>Square Footage</i>	<i>Type of Delegation</i>	<i>Expiration Date</i>
<b>BLM</b>	NCL990123	Office	370	General Purpose	12/31/2008
	NCL990126	Office	9,154	General Purpose	5/4/2009
	NCL990127	Office	5,682	General Purpose	6/7/2009
<b>BOR</b>	ZZZZ000500B	Office	17,822	General Purpose	4/17/2009
<b>FWS</b>	AK100	Office	144	Special Purpose	9/30/2008
	AK106	Family Housing	1,800	Special Purpose	2/26/2008
	AK32	Family Housing	2,400	Special Purpose	9/30/2008
	AZ04	Warehouses	700	Special Purpose	9/30/2008
	AZ05	Office	345	Special Purpose	6/30/2008
	AZ08	Office	3,524	Special Purpose	6/1/2008
	CA11	Office	3,150	Special Purpose	10/15/2008
	CA13	Office	4,010	Special Purpose	4/30/2008
	CO01	Office	22,000	Special Purpose	9/30/2008
	CO190	Office	1,600	Special Purpose	9/30/2008
	CT01	Warehouses	450	Special Purpose	9/30/2008
	FL11	Office	100	Special Purpose	4/30/2008
	FL13	Warehouses	480	Special Purpose	9/30/2008
	FL14	Warehouses	900	Special Purpose	9/30/2008
	FL15	Warehouses	300	Special Purpose	9/30/2008
	GA02	Warehouses	100	Special Purpose	9/30/2008
	HI02	Office	1,792	Special Purpose	9/30/2008
	IA02	Office	72	Special Purpose	9/30/2008
	ID01	Office	5,791	Special Purpose	9/30/2008
	IN01	Office	128	Special Purpose	12/31/2008
	KY01	Warehouses	372	Special Purpose	9/30/2008
	LA01	Office	15,574	Special Purpose	9/30/2008
	MA01	Warehouses	500	Special Purpose	9/30/2008
	MA02	Warehouses	300	Special Purpose	9/30/2008
	MI03	Warehouses	308	Special Purpose	9/30/2008
	MN03	Warehouses	1,500	Special Purpose	9/30/2008
	MO01	Warehouses	5,000	Special Purpose	9/30/2008
	MS01	Warehouses	50	Special Purpose	9/30/2008
	MT02	Office	980	Special Purpose	11/30/2008
	MT03	Warehouses	100	Special Purpose	6/30/2008
	ND03	Warehouses	1,500	Special Purpose	8/31/2008
	NE01	Warehouses	660	Special Purpose	2/10/2009

<i>Bureau</i>	<i>Property ID</i>	<i>Type of Space</i>	<i>Square Footage</i>	<i>Type of Delegation</i>	<i>Expiration Date</i>
<b>FWS</b>	NJ02	Warehouses	1,800	Special Purpose	9/30/2008
	NM01	Warehouses	1,600	Special Purpose	9/30/2008
	NM05	Warehouses	1,600	Special Purpose	9/30/2008
	NM06	Warehouses	250	Special Purpose	9/30/2008
	OH02	Office	500	Special Purpose	7/31/2008
	OK01	Warehouses	250	Special Purpose	9/30/2008
	OR02	Office	2,154	Special Purpose	9/30/2008
	OR03	Office	2,121	Special Purpose	9/30/2008
	SC01	Warehouses	250	Special Purpose	9/30/2008
	SD01	Warehouses	1,500	Special Purpose	7/6/2008
	TX01	Warehouses	800	Special Purpose	9/30/2008
	TX03	Warehouses	1,694	Special Purpose	9/30/2008
	TX04	Warehouses	1,930	Special Purpose	9/30/2008
	TX05	Warehouses	250	Special Purpose	9/30/2008
	TX07	Warehouses	250	Special Purpose	9/30/2008
	TX08	Warehouses	250	Special Purpose	9/30/2008
	VA07	Family Housing	750	Special Purpose	7/18/2008
	VA09	Family Housing	1,500	Special Purpose	1/31/2009
	VA17	Warehouses	750	Special Purpose	9/30/2008
	VT02	Warehouse	800	Special Purpose	9/30/2008
	WA01	Office	4,106	Special Purpose	9/30/2008
	WA03	Office	1,350	Special Purpose	9/30/2008
	WA05	Warehouse	600	Special Purpose	9/30/2008
	WI01	Office	1,000	Special Purpose	12/31/2008
	WY02	Warehouse	240	Special Purpose	10/29/2008
	WY03	Office	6,450	Special Purpose	5/31/2008
<b>USGS</b>	07000594	Office	2,813	General Purpose	6/30/2008
	07000252	Warehouse	1,500	General Purpose	9/30/2008
	07000727	Office	1,984	General Purpose	9/30/2008
	07000746	Warehouse	3,000	General Purpose	9/30/2009
	07001035	Laboratories	12,000	General Purpose	9/30/2008
	07001089	Warehouses	900	General Purpose	9/30/2008
	07001134	Family Housing	2,600	General Purpose	9/30/2008
	07000558	Office	640	General Purpose	10/30/2008
	07000583	Warehouses	50	General Purpose	9/30/2009

<i><b>Bureau</b></i>	<i><b>Property ID</b></i>	<i><b>Type of Space</b></i>	<i><b>Square Footage</b></i>	<i><b>Type of Delegation</b></i>	<i><b>Expiration Date</b></i>
<b>USGS</b>	07001023	Office	4,031	General Purpose	3/31/2009
	07000266	Office	10,300	General Purpose	5/31/2009
	07000248	Warehouses	2,800	General Purpose	6/30/2009
	07000726	Office	2,158	General Purpose	4/31/2009

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**Leases for General Purpose Space over 19,999 Square Feet  
Expiring Before or During 2010**

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**BIA**

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Office space lease in Oklahoma for 24,715 sq. ft. that expires on September 30, 2008.

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**BLM**

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Office space lease in Utah for 24,763 sq. ft. that expires on March 13, 2009.  
Office space lease in Colorado for 27,500 sq. ft. that expires on March 25, 2009.  
Office space lease in Colorado for 22,345 sq. ft. that expires on May 17, 2009.  
Office space lease in Oregon for 53,400 sq. ft. that expires on June 7, 2009.  
Office space lease in Arizona for 37,780 sq. ft. that expires on November 30, 2009.  
Office space lease in Oregon for 32,682 sq. ft. that expires on April 25, 2010.  
Office space lease in Nevada for 33, 128 sq. ft. that expires on August 26, 2010.

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**FWS**

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Service lease in Washington for 100,000 sq. ft. that expires on September 30, 2008.  
School lease in Minnesota for 25,112 sq. ft. that expires on September 30, 2008.  
Office space lease in Colorado for 22,000 sq. ft. that expires on September 30, 2008.

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**NBC**

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Office space lease in Virginia for 70,678 sq. ft. that expires on July 31, 2010.

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**USGS**

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Warehouse lease in California for 23,240 sq. ft. that expires on July 31, 2009.

### **Scope and Methodology**

We conducted this evaluation in accordance with the “Quality Standards for Inspections” established by the President’s Council on Integrity and Efficiency. We interviewed leasing officials in the Office of Acquisition and Management, Bureau of Indian Affairs, Bureau of Land Management, Bureau of Reclamation, Fish and Wildlife Service, National Business Center, and the National Park Service. The Office of Surface Mining and the Minerals Management Service do not have delegated leases for real property. We reviewed a small number of leases for BIA, NBC, and the U.S. Geological Survey and crosschecked the leasing data provided to us by these agencies with the data in GSA’s Federal Real Property Profile database. The latter was provided to us by PAM. We did not consider previously issued leasing regulations.

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