

September 1999

GENERAL SERVICES
ADMINISTRATION

Secret Service
Uniformed Division
Lease





G A O

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United States General Accounting Office
Washington, D.C. 20548

General Government Division

B-283063

September 7, 1999

The Honorable Bob Franks, Chairman
Subcommittee on Economic Development,
Public Buildings, Hazardous Materials and
Pipeline Transportation
Committee on Transportation and Infrastructure
House of Representatives

Dear Mr. Chairman:

This report responds to your request concerning new leased space acquired for the Secret Service's Uniformed Division (SSUD) at 1111 18th Street, N.W., Washington, D.C., by the Public Buildings Service (PBS) of the General Services Administration (GSA). Specifically, you asked us to assess the circumstances that resulted in this lease being awarded without PBS' first submitting a prospectus for the project to GSA's Senate and House authorizing committees, as provided for by law and PBS' policy and procedures. Appendix I provides a chronology of events in the acquisition of the SSUD lease.

Results in Brief

A lack of adequate internal controls over the leasing process at GSA's National Capital Region (NCR) resulted in PBS' awarding a lease for SSUD on August 5, 1998, above the prospectus dollar threshold without first preparing and submitting a prospectus for the lease to GSA's Senate and House authorizing committees. First, there was confusion about the costs that were to be considered in determining whether a prospectus was needed. Specific written guidance on how to calculate the cost did not exist. Second, although the space requirements increased about 40 percent—from about 50,000 square feet to about 70,000 square feet—during the acquisition process, procedures did not call for the revalidation of the decision that a prospectus was not needed when the space requirements and/or market rental rates used to make the decision changed during the acquisition process.

After a congressional staffer asked questions about the lease on August 31, 1998, NCR officials reviewed the award of the lease and determined that a prospectus should have been prepared and submitted to GSA's Senate and House authorizing committees as provided for in section 7(a) of the Public Buildings Act of 1959, as amended, 40 U.S.C. 606(a), and PBS' policy and procedures. Subsequently, NCR has instituted a new policy requiring its

Portfolio Management Division to verify all leases before they are awarded. Still, GSA has not developed specific guidance on how to calculate the cost to be used to determine whether a prospectus should be prepared, nor has GSA determined that it needs to revalidate prospectus decisions when space requirements or market rental rates change. We believe that these internal control weaknesses need to be corrected and are recommending that actions be taken to address these issues.

Background

On August 5, 1998, PBS entered into a lease with Jack I. Bender & Sons, General Partnership to provide lease space and parking for SSUD at an annual net rent of \$2,129,461. This figure exceeded the prospectus threshold of \$1.93 million for fiscal year 2000, the year in which occupancy is to commence. A prospectus was not submitted to GSA's Senate and House authorizing committees at the time the lease was signed.

As the federal government's primary real estate agent, GSA, through PBS, provides space for agencies in federally owned buildings or by leasing space in privately owned buildings. NCR is responsible for providing space for agencies in the Washington, D.C., metropolitan area.

Pursuant to section 210(h)(1) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 490(h), the Administrator of GSA is authorized to enter into lease agreements for periods of up to 20 years on such terms as the Administrator deems to be in the interest of the United States and necessary for the accommodation of federal agencies. Section 7(a) of the Public Buildings Act of 1959, as amended, 40 U.S.C. 606(a), among other things provides for a detailed project description, called a prospectus, containing a project cost estimate and justification to be submitted to GSA's Senate and House authorizing committees. A prospectus is (1) called for if the average annual rental of a lease is expected to exceed the prospectus threshold, as specified in the statute, and (2) adjusted by GSA annually, as authorized by the statute, to reflect changes in costs during the preceding year.¹

Annually, the PBS National Office issues a Capital Investment and Leasing Program call asking all GSA regional offices to submit their prospectus-level projects. Each year the National Office provides the regions with the prospectus-level threshold and general guidance on preparing prospectuses. The National Office reviews the prospectuses submitted by the regions and the prospectuses that it approves are then consolidated

¹The actual prospectus thresholds for fiscal years 1998, 1999, and 2000 were \$1.81 million, \$1.89 million, and \$1.93 million, respectively.

into GSA's Capital Improvement and Leasing Program and submitted to the Office of Management and Budget (OMB) for approval. Once OMB approves the program, it is sent to GSA's authorizing committees. PBS stated that its policy since 1972 has been not to enter into any lease agreement if the annual rental exceeds the prospectus threshold unless the authorizing committees have approved a prospectus.

Scope and Methodology

At your request, we assessed the circumstances surrounding the award of the SSUD lease. As agreed, we did not evaluate NCR's overall process for identifying prospectus-level leases or for preparing prospectuses.

To determine the circumstances surrounding the award of the lease for SSUD, we spoke with the cognizant NCR officials in the Regional Counsel's Office, Portfolio Management Division, and Property Acquisition and Realty Services Division; reviewed GSA's leasing policies and procedures; and discussed policy issues and guidance provided to regional offices with officials in PBS. We also spoke with two former NCR staffers—the original contracting officer for the SSUD lease and an attorney from the Regional Counsel's Office—since both played significant roles in this acquisition.

We reviewed the contract file for the lease to determine the acquisition process used and the critical decision points. Only limited documentation was available to support some of what we considered to be the critical decisions, such as the initial decision that this action was not a prospectus-level acquisition. Thus, some of the information being provided in this report is based on what current and former GSA officials remembered about events that occurred up to 3 years ago. We also obtained information on actions taken by NCR to help prevent prospectus-level leases from being awarded without a prospectus being prepared.

Further, we obtained and reviewed GSA's policies and guidance related to the preparation of lease prospectuses, and we verified that the rental-of-space account in the Federal Buildings Fund (FBF) had sufficient appropriated funds to cover the obligation for the SSUD lease. We discussed the specifics of the SSUD lease with an official in PBS' Office of Portfolio Management. We also contacted regional officials in 9 of GSA's 10 other regions to determine whether they had guidance in place specifying how to calculate the lease costs to be used to determine if a prospectus is needed for an acquisition, and whether the decision that a lease is not prospectus-level is revalidated when space requirements or market rental rates change. We were unable to contact the appropriate official in the remaining GSA region in time for inclusion in this report.

We did our work between March and July, 1999, in accordance with generally accepted government auditing standards. On July 26, 1999, we requested comments on a draft of this report from the Administrator of GSA. GSA's written comments are discussed near the end of this letter.

The Lease Was Awarded Without Adequate Evaluation of the Need for a Prospectus

In NCR, it is initially the Portfolio Management Division's responsibility to review expiring leases to identify new leases that might be above the prospectus threshold and to prepare the prospectuses for those leases. In the case of the SSUD lease, there was no indication that Portfolio Management identified the lease as potentially needing a prospectus.

According to the contracting officer, who has since left GSA, even though Portfolio Management had not identified this lease as needing a prospectus, when she began working on the SSUD lease in April 1996, she confirmed her expectation that the lease would be below the prospectus threshold. Her estimate of the lease costs was made by multiplying the expected market rental rate (\$29 to \$30 per square foot) by the estimated space requirement (50,000 square feet). This calculation resulted in an estimated total rent of \$1.45 million to \$1.5 million, which was below the fiscal year 1998 prospectus threshold initially being used for this lease of \$1.81 million. Therefore, she went forward with the acquisition process as a nonprospectus-level lease.

In the contract file, we found documents showing that early in the acquisition process there was information available indicating that the SSUD lease could be closer to the fiscal year 1998 prospectus threshold. A letter, dated June 27, 1996, to NCR from a Secret Service official estimated that SSUD would need 55,000 to 60,000 square feet of space. Using the contracting officer's estimated market rental rate (\$29 to \$30 per square foot), the dollar range of \$1.6 million to \$1.8 million for that much space would have been much closer to the fiscal year 1998 prospectus threshold. Although the actual space requirement had not yet been determined, it appears to us that PBS should have recognized that if the space requirement or rental rate were higher than expected, the lease could possibly exceed the fiscal year 1998 prospectus threshold.

When the Solicitation for Offers (SFO) was issued in November 1997, it stated that SSUD required 69,500 to 72,250 rentable square feet of office and related space and 78 parking spaces. The SFO stated that this was not a prospectus-level lease. Therefore, to be considered, any offer must be below the prospectus threshold. There was nothing in the contract file to indicate that a check had been done after SSUD's space requirements were finalized to verify that NCR could still expect lease offers for this project to

be below the prospectus threshold. Because of the increase in space needs over SSUD's June 1996 estimate, it would seem prudent to have done another prospectus-level calculation before issuing the SFO. Had this calculation been done using the actual minimum space requirement in the SFO (69,500 square feet) times the low end of the estimated market rental rate (\$29) that the contracting officer had initially used, the estimated annual rent would have been about \$2.02 million. This amount exceeded both the fiscal year 1998 prospectus threshold of \$1.81 million that was initially used for this lease and the fiscal year 2000 threshold of \$1.93 million that was later used. We believe that if an update of the prospectus calculation had been done at this point, the need to reevaluate the prospectus decision would have been apparent to NCR.

Early in 1998, there were three offerors competing for the SSUD lease. About the time that NCR received the best and final offers, the original contracting officer left GSA. When the new contracting officer took over responsibility for the SSUD lease, he raised the question about the need for a prospectus on the basis of the offers received. In May 1998, the contracting officer reopened negotiations on the lease to clarify the calculation for determining compliance with the prospectus threshold. Before this time, there was no indication in the contract files that the offerors had been informed about how to calculate whether their offers would comply with the SFO requirement that the offer be below the prospectus threshold.

In an attempt to clarify how to calculate the prospectus threshold, the contracting officer sent the offerors two letters in May 1998. His first letter, on May 8, 1998, specified that parking, operating expenses, and the cost of amortizing the tenant allowance for above standard requirements should be subtracted from the total full-service rental rate to determine if the offer would be below the prospectus threshold. A week later, on May 15, 1998, the contracting officer sent the offerors a second letter, amending the May 8 letter. This letter stated that only operating expenses and any concessions offered to the government should be subtracted from the total full-service rental rate when determining compliance with the prospectus threshold. Officials at the National Office and in NCR's Portfolio Management Division, stated the same calculation mentioned in the May 15 letter as the correct way to determine if an offer met the prospectus threshold.

After receiving these letters from the contracting officer, attorneys for two of the offerors expressed concerns about the changes in the calculation being used to determine prospectus compliance at such a late stage in the

process. Before the new contracting officer reopened the negotiations, correspondence between the offerors and NCR indicated that the offerors had been informed or led to believe that their offers met the basic requirements for the acquisition, including compliance with the requirement that their offers be below the prospectus threshold amount. Ultimately, none of the offers met that requirement on the basis of the calculation provided in the May 15 letter.

The NCR officials involved with this lease said that there were discussions about how to respond to the letters from the offerors' attorneys and how to proceed with the acquisition. The officials said that their decision to try to complete this acquisition without a prospectus was based on the (1) time already invested in this acquisition, (2) concerns raised by the offerors' attorneys, and (3) need to award the lease in time for the new space to be ready when SSUD's current lease expires in February 2000. We found little written documentation in the contract files of the discussions that were held and the decisions made regarding the SSUD lease. The contracting officer said that he consulted primarily with an attorney in the Regional Counsel's Office on this matter. By telephone and E-mail, the attorney sought input from both the National Office and regional Portfolio Management officials. However, a consensus opinion on how to proceed with this lease was never developed.

It appears that the contracting officer acted on advice from the attorney when he issued an amendment to the SFO in July 1998 informing the offerors that (1) the calculation for determining prospectus compliance was the aggregate cost of the contract, minus operating expenses, minus any tenant improvement allowance, and divided by the 20-year term of the lease and (2) the fiscal year 2000 prospectus threshold of \$1.93 million would be used for this lease. According to the attorney, who has since left GSA, his advice was based on his understanding and interpretation of the guidance he received from various sources. Specifically, he said he advised the contracting officer that the cost of SSUD's above standard tenant requirements could be excluded from the prospectus calculation on the basis of discussions with his supervisor and his interpretation of a 1990 Comptroller General decision.²

However, the Comptroller General decision stated that the cost of "specials" (i.e., items above standard tenant requirements) could be excluded from the prospectus calculation because GSA elected to pay for

²Peter N. G. Schwartz Companies Judiciary Square Limited Partnership, B-239007.3, Oct. 31, 1990, 90-2 CGPD 353.

the specials on a lump-sum basis from the tenant agency's appropriation. The general rule relating to above standard requirements is that if the costs are paid on a lump-sum basis, they are not included in the annual net rent payment. But, if the costs are amortized in the lease, they are included in the annual net rent payment. In the case of SSUD, it was clear early in the acquisition process that the cost of the above standard tenant requirements would be amortized over the term of the lease because the Secret Service did not have the funds available to pay for these costs by lump-sum payment.

The attorney advised the contracting officer to use the fiscal year 2000 threshold because it will be the year when the lease payments begin. The contracting officer confirmed that this was consistent with the oral guidance provided by Portfolio Management in the National Office.

The contracting officer ultimately set July 10, 1998, as the date for final revisions to the offers for the SSUD lease, and two final offers were received. The third offeror withdrew because it said that it could not meet the economic requirements specified in the amended SFO. Only one of the offers actually fell below the prospectus threshold as defined in the July 1998 amendment to the SFO. According to the contracting officer, once it was determined that only one offer met the requirements, he had the attorney in the Regional Counsel's Office, in accordance with NCR's practice, review and concur in the lease award before it was awarded. The Budget Office also reviewed the lease as an operating lease and certified that funds were available for the award. The contracting officer signed the SSUD lease for GSA on August 5, 1998.

A Prospectus Should Have Been Prepared for the SSUD Lease

NCR reviewed this acquisition after the lease was awarded and questions were raised by a congressional staffer about whether it should have had a prospectus. According to an NCR official, it is GSA's policy to prepare lease prospectuses for all leases that exceed the prospectus threshold. NCR concluded that the SSUD lease did exceed the prospectus threshold, and that a prospectus should have been prepared in this case. NCR then prepared a prospectus and submitted it to GSA's authorizing committees on September 25, 1998. During NCR's review of this lease, it also determined that while the lease was treated as an operating lease when it was awarded, it was in fact a capital lease.³ As a result, about \$22 million in budget authority had to be counted against GSA's fiscal year 1998 rental-of-space account for the lease. We verified that at the time the SSUD lease

³According to OMB Circular A-11, a capital lease is "one that transfers substantially all the benefits and risks inherent in the ownership of the property" to the lessee.

was signed, there were sufficient unobligated funds in the FBF rental-of-space account to cover the obligation.

NCR officials said that in their opinions, awarding the SSUD lease without a prospectus resulted from NCR employees' "creatively" interpreting the prospectus threshold. According to a senior NCR official, this action was in response to the specific circumstances of this lease and does not indicate that there is a systemic problem within NCR. Although we did not evaluate NCR's overall process to determine if there were systemic problems, we found no specific written PBS guidance on what costs are to be included in the calculation to determine whether a lease will need a prospectus. Also, NCR's internal controls were not sufficient to ensure that the SSUD lease was correctly identified as prospectus-level, and that a prospectus was prepared and submitted to GSA's authorizing committees before the lease's award.

To strengthen the internal controls, on October 26, 1998, NCR began requiring the Portfolio Management Division to verify all leases before they are awarded. The staff was told that "this verification must be made in sufficient time prior to award so that a different course of action (other than making an award) is available." However, there still is no written guidance on how to calculate the costs that should be used to determine if a lease is prospectus-level or not. Also, there is still no requirement to revalidate the prospectus decision when space requirements and/or market rental rates change during the course of the acquisition.

Similar Internal Control Weaknesses Reported in Other GSA Regions

We spoke with officials in 9 of GSA's 10 other regional offices⁴ to ask whether they had guidance in place specifying how to calculate if a prospectus is needed for a lease, and if they revalidate the decision that a lease is not prospectus-level when space requirements or market rental rates change. None of the officials with whom we spoke said they currently had specific written guidance to follow when determining if a lease prospectus was needed beyond the general guidance provided by the National Office. However, some of the officials said that the old leasing handbook, which is no longer used as guidance, specified that when determining whether a lease was prospectus-level, operating expenses should be subtracted from the total rent. Several officials said that it would be helpful to have specific written guidance on what costs to include and exclude when determining if a lease is expected to exceed the prospectus threshold.

⁴We did not speak with the appropriate official in the other regional office in time for inclusion in this report.

When we asked, these nine regional officials said they also did not specifically require that the decision that a lease was not prospectus-level be documented or revalidated when space requirements or market rental rates change. However, many of the officials said that this recheck is inherent in the process. The officials said that when the final offers are received, if those offers are above the prospectus threshold, the region cannot and does not go forward with the award.

Conclusions

The lack of adequate internal controls over the leasing process at NCR resulted in PBS' signing a prospectus-level lease for the SSUD space on August 5, 1998, without first preparing and submitting a prospectus for the lease to GSA's authorizing committees. While NCR has instituted a new policy requiring its Portfolio Management Division to verify all leases before they are awarded, written guidance on how to calculate the average annual rental to be used to determine whether a prospectus is needed still does not exist. Also, NCR still does not require that the decision that a lease is not prospectus-level be documented when that initial decision is made, or that the decision be revalidated and documented when one or both of the factors on which such a decision is based—agency space requirements and market rental rates—change. Officials in nine other GSA regions with whom we spoke said that written guidance on how to calculate the average annual rental and a requirement to document and revalidate decisions that a lease is not prospectus-level is also missing in these regions.

Recommendations

We recommend that the Administrator of GSA direct the PBS Commissioner to issue explicit written guidance defining the specific cost elements that may be excluded from the total full-service rental rate when calculating whether a prospectus should be prepared for a proposed lease. This guidance should also cover the fiscal year threshold that should be used for making this determination for a capital lease and for an operating lease.

We also recommend that the Administrator of GSA direct the PBS Commissioner to establish a requirement specifying that the decision that a lease is below prospectus-level be documented and revalidated whenever there is a change in one or both of the factors on which such a decision is based—agency space requirements and market rental rates—could affect the outcome of the decision on whether a prospectus would be required.

Agency Comments

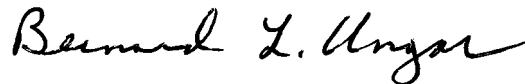
On August 20, 1999, we received written comments on a draft of this report from PBS' Commissioner. He said that the report accurately reflects the

factual circumstances surrounding the award of this lease. While the Commissioner believes that the awarding of the SSUD lease without a prospectus was an anomaly, he said that he agrees with our recommendations that current written guidance is needed and has directed his staff to prepare such guidance. The Commissioner's letter is reproduced in appendix II. In addition, an NCR official provided some technical comments, which we incorporated as appropriate.

We are sending copies of this report to Representative Robert E. Wise, Ranking Democratic Member of your Subcommittee; Senator John Chafee, Chairman, and Senator Max S. Baucus, Ranking Minority Member, Senate Committee on Environment and Public Works; the Honorable David J. Barram, Administrator, GSA; Mr. Nelson B. Alcalde, Regional Administrator, NCR, GSA; and to others upon request.

If you have any questions about this report, please call me or Ron King on (202) 512-8387. Key contributors to this assignment were Maria Edelstein, Shirley Bates, and Susan Michal-Smith.

Sincerely yours,



Bernard L. Ungar
Director, Government Business
Operations Issues

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Abbreviations

FBF	Federal Buildings Fund
GSA	General Services Administration
NCR	National Capital Region
OMB	Office of Management and Budget
PBS	Public Buildings Service
SFO	Solicitation for Offers
SSUD	Secret Service Uniformed Division

Chronology of Events on Secret Service Uniformed Division Lease

Table I.1 contains a chronology of major events that transpired in relation to the award of the lease for the United States Secret Service Uniform Division (SSUD).

Table I.1: Chronology of Events on Secret Service Uniformed Division Lease

Date	Event
April 1996	The General Services Administration's (GSA) National Capital Region (NCR) and SSUD began discussing relocation from 1310 L Street.
June 1996	Secret Service provided NCR information on location requirements, generic security standards, and estimated space needs (55,000 and 60,000 square feet) so NCR could begin advertising the need for space to assess the properties that might be available for lease.
November 1997	NCR issued Solicitation for Offers (SFO) seeking leased space for SSUD. Solicitation was for a 20-year lease of between 69,500 and 72,250 rentable square feet with 63,408 to 64,500 occupiable square feet of space. The SFO stated that this was not a prospectus level procurement and thus the economics of any lease offer must be below the prospectus threshold. (Note: the initial SFO did not specify the threshold amount or how compliance with the prospectus requirement would be calculated.) Initial offers were due to NCR January 20, 1998.
January 1998	Four offers were submitted on the basis of NCR's SFO. Offers were submitted by Jack I. Bender & Sons, General Partnership c/o Blake Construction, Inc.; 17 H Associates L.P. and 17 H II Limited Partnership c/o Carr America; Associated General Contractors c/o Dickstein Shapiro Morin & Oshinsky LLP; and 1920 L Street LLC c/o Leggat McCall Properties.
February 1998	The offerors were given an opportunity to present their offers and were notified of the areas in which their offers did not meet the requirements and were given the opportunity to correct these areas. Representatives from 1920 L Street LLC did not attend a scheduled meeting and failed to submit a best and final offer. Therefore, at this point there were three remaining offerors.
March 1998	Original contracting officer left GSA to work for the Secret Service and a new contracting officer took over the SSUD lease. The new contracting officer said that when he became involved with the SSUD lease he saw the need for a prospectus.
May 8, 1998	Current contracting officer tried to clarify calculation for determining if offers meet the prospectus threshold. Letter to offerors defined the calculation as the total full-service rental rate, minus parking, minus operating expenses, and minus the cost of amortizing the tenant improvement allowance. The letter also specified that using the above calculation, the offers must not exceed the fiscal year 1998 prospectus threshold of \$1.81 million.
May 15, 1998	Contracting officer sent another letter to the offerors amending the May 8, 1998, letter. In this letter, the calculation for determining if offers meet the prospectus threshold was defined as the total full-service rental rate, minus operating expenses, and minus any concessions offered to the government. This letter also amended the prospectus threshold to fiscal year 2000, which is \$1.93 million.

Appendix I
Chronology of Events on Secret Service Uniformed Division Lease

Date	Event
May 20, 1998	Associated General Contractors of America withdrew from the competition for the SSUD lease because it said that it could not meet the economic requirements. Attorneys for the two remaining offerors, Jack I. Bender & Sons, General Partnership and 17 H Associates L.P. and 17 H II Limited Partnership, both wrote letters to GSA expressing concerns about the changes to the calculation for determining compliance with the prospectus threshold.
May - June, 1998	Internal NCR discussions about how to calculate compliance with the prospectus threshold and which fiscal year to use for the threshold were held.
June 22, 1998	Amendment number 6 to the SFO issued stating that the prospectus threshold being used for the SSUD lease is fiscal year 2000 (\$1.93M) and the calculation for determining prospectus compliance is the aggregate cost of the contract (including parking), minus operating expenses and any tenant improvement allowance, and then divided by the 20-year term of the lease.
July 1, 1998	Final amendment (number 7) to the SFO was issued setting July 10, 1998, as the date for final revisions to offers.
July 20, 1998	Analysis done on offers, including initial offer submitted by Associated General Contractors of America, found that only the offer from Jack I. Bender & Sons, General Partnership met the prospectus threshold requirement as defined in amendment number 7 to the SFO.
August 5, 1998	GSA signed a 20-year lease with Jack I. Bender & Sons, General Partnership for 72,250 rentable (64,500 usable) square feet of space at 1111 18 th Street, Washington, D.C.
August 31, 1998	A Senior Professional Staff Member for the Subcommittee on Economic Development, Public Buildings, Hazardous Materials and Pipeline Transportation called NCR to ask about the SSUD lease that was reported in the newspaper. He asked why the Subcommittee had not seen a prospectus for the lease since the reported size and cost of the lease appeared to be prospectus-level.
September 25, 1998	A prospectus for the SSUD lease at 1111 18 th Street was prepared and transmitted to GSA's authorizing committees.

Source: GAO review of SSUD lease file.

Comments From the General Services Administration



U.S. GENERAL SERVICES ADMINISTRATION
Public Buildings Service

August 20, 1999

Mr. Bernard L. Ungar
Director, Government Business Operations Issues
General Accounting Office
Washington, DC 20548

Dear Mr. Ungar:

The Administrator has asked me to respond to your July 26, 1999 letter forwarding a copy of the draft report, "Secret Service Uniformed Division Lease." We have reviewed the draft report and believe that it accurately reflects the factual circumstances surrounding the award of the lease. We appreciate that it reflects the oral comments we previously provided you.

Since the enactment of the Public Buildings Act in 1959, it has been the policy of PBS to submit prospectuses for Congressional approval in every instance required by law. As you have stated in the draft report, this continues to be PBS policy. The Secret Service Uniformed Division lease was an anomaly in that it was awarded without a prospectus where one should have been prepared and submitted to Congress prior to award. While the deviation from policy was not a concerted effort by PBS, we consider any deviation to be unacceptable. We agree with the recommendation of your office that we need current written guidance to prevent a recurrence of this kind of lapse. I have directed my staff to prepare such guidance and to disseminate it to each PBS regional office.

Thank you for the opportunity to review this report.

Sincerely,

A handwritten signature in black ink that reads "Robert A. Peck".

Robert A. Peck
Commissioner

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