OPENING STATEMENT
SENATOR DICK DURBIN
Senate Appropriations Subcommittee on
Financial Services & General Government

IG Report on the 2010 Western Regions Conference and FY13 Budget

Room 138 Dirksen Senate Office Building

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AS PREPARED FOR DELIVERY

Good afternoon. Today, we convene this hearing of the Appropriations Subcommittee on Financial Services and General Government to discuss the report of the Inspector General of the General Services Administration as well as budget issues of the GSA.

I welcome Senator Jerry Moran, the ranking member,who have joined me on the dais today. I also welcome GSA Acting Administrator Dan Tangherlini and GSA Inspector General Brian Miller to the hearing.

Earlier this year, I made decisions about which of the many agencies under the jurisdiction of this subcommittee should appear for a formal public hearing relating to their Fiscal Year 2013 funding needs. The GSA was one of the four I designated, and my staff have been preparing for this hearing for a few months. The IG's recent release of disturbing findings disclosing serious management deficiencies relating to an internal conference have added a new dimension to our discussion.

Today, we'll attempt to gain a clear understanding of what transpired with regard to the conference held a year and a half ago by the western regions of the Public Buildings Service.

I was outraged to learn about the spending that occurred as a result of that conference and I am eager to hear how GSA will ensure that it never happens again. We'll also examine GSA's ability to fulfill its program obligations and the future space needs of federal agencies during a time of debt reduction.

<u>GSA IG Report on the Western Regions Conference</u>

Recently, the Office of the Inspector General for the General Services Administration issued a Management Deficiency report detailing an array of highly troubling findings as a result of an investigation into a 4-day internal staff conference held in October 2010. The report describes how a host of Federal contracting rules were skirted in the planning and execution of this event.

Issuance of this report on April 2nd sparked the immediate resignations of the GSA Administrator and two other key agency officials, and the imposition of other personnel decisions for five other high level regional management staff. It also has generated a flurry of attention here in Congress with at least four hearings this week alone and others perhaps in the offing.

Some of the more appalling lapses are not necessarily the activities that are garnering some of the sensationalized media attention such as the rental of a clown costume for a skit or a session featuring a mentalist. What is baffling to me is that there were apparently:

- numerous examples of excessive spending and improper adherence to contracting rules;
- brazen finagling of event sessions to justify the provision of food;
- multiple occurrences of advance long-distance travel to the site; and
- an appalling lack of adherence to long-standing Federal law about holding Federal events in lodging facilities that meet fire safety specifications.

It is also mind-boggling that somewhere along the way during the year of planning for this conference someone didn't say, "Wait. Stop. This is out-of-line. This does not look right."

What is most regrettable is that incidents such as this tarnish the public perception of the workings of the entire Federal government, the services delivered by its dedicated workforce, and the stewardship of precious Federal funds. In fact, the investigation began because the Deputy Administrator of the GSA asked the Inspector General to examine the matter as soon as two employees mentioned to her activities that sounded improper. I expect actions will be taken swiftly to ensure that all rules are explicitly followed in the future and that proper oversight mechanisms are established.

This all contributes to my dismay as to how all of this was allowed to happen, and I look forward to hearing from Acting Administrator Tangherlini and Inspector General Miller today about the situation that led to the Management Deficiency findings and the forecast for corrective actions.

While this fiasco in the western regions of the Public Buildings Service deserves the attention it has been receiving, along with corrective measures to address it, there are other issues that deserve our attention as well. And those include GSA's ability to fulfill its program obligations and the future space needs of federal agencies during a time of debt reduction.

<u>The Federal Buildings Fund</u>

Most GSA annual spending comes from a large revolving fund – the Federal Buildings Fund – which finances real property management for the Federal Government. Through this account, GSA operates, maintains, and repairs federally-owned and leased buildings and constructs federal buildings, courthouses, and border stations. It is financed largely through proceeds from rental payments from other agencies (using appropriated funds).

Prior to FY10, typically, between ten and twenty major construction and repair projects were requested in the President's budget and funded. Most of the balance is used for rent payments to private landlords and building operations. Once debt reduction efforts hit in FY10, those accounts were drastically reduced in order to stay within the Subcommittee's funding allocation, which couldn't provide for all the priority needs.

As GSA examines where it can spend less, certain bills, such as rent and utility charges, must be paid and those have continued to increase.

<u>We Must Pay the Obligatory Bills</u>

The Federal Buildings Fund has two contractually obligated bills which continue to increase substantially. The biggest and fastest growing is the Rental of Space account (the leasing of privately-owned buildings) and, to a lesser degree, the Building Operations account (the cleaning, utilities, and maintenance expenses of leased and government-owned space). When GSA does not receive full funding for these accounts to meet its contractual obligations, GSA is legally liable for default.

Reductions within the Federal Buildings Fund also impact other federal agencies.

Effects of Little Construction and of No Major Repairs to Buildings

The construction and repair accounts have been drastically reduced, significantly impacting federal agencies' abilities to operate efficiently.

The near-elimination of construction projects also makes these projects more expensive by delaying them. It will have the effect of requiring more leasing of federal buildings, which is more expensive over the long-term than federally-owned space. A good example of this is the Department of Homeland Security (DHS) St. Elizabeths headquarters consolidation project, which has slowed to a crawl, prompting fears that not all department elements will move and costing the Government more than planned as DHS agencies stay in leased space.

The complete elimination of major repair projects for the past two years has put some current projects on hold, such as the Daniel Patrick Moynihan U.S. Courthouse in New York, which is a top priority of the Federal Judiciary. This Courthouse is one of the buildings housing the Southern District of New York – the busiest and largest federal court in the country. Also, this has meant no funding for the requested Main Interior Department Building (currently under refurbishment, including hazardous material abatement) or the requested final phase of the State Department building (Truman Building).

The Recovery Act allowed GSA to begin to reduce the backlog of $8.4 billion in buildings needing repairs or alterations by $1.4 billion, while creating more than 60,000 jobs in the process. Now, that backlog is growing again and how long that will continue is anyone's guess.

I recognize that all agencies need to do their part to address our current economic situation, but we need to do it in a way that makes sense; not this drastic approach that leaves our agencies in substandard facilities or ill-equipped to carry out their missions efficiently, often costing the Government more money in the long run.

Now, we turn to GSA's FY13 budget request.

FY13 Budget Request

The FY13 request for GSA's appropriated accounts is a net increase of $33 million from the FY 2012 enacted level, the majority of which ($21 million) is for modernization, upgrades, and continued operation of a government-wide information system. This new system will improve contract and grant award management and reporting.

In addition to the requests increases, the FY13 request reduces spending $16.2 million, 20% below FY10 levels, for certain administrative expenses and keep consulting and advisory contract spending levels on GSA operations, at $32.8 million (or 15 percent) below FY 2010 levels.

I now turn to my Ranking Member, Senator Moran, for any remarks that he would like to make.