Office of Inspector General

August 27, 2001
Evaluation Report No. 01-003

Field Office Cost, Space Utilization, Design, and Usage

Office of Audits - Corporate Evaluations

FDIC
Federal Deposit Insurance Corporation
Washington, D.C. 20434

Office of Audits
Office of Inspector General

DATE: August 27, 2001

MEMORANDUM TO: Chris Sale
Deputy to the Chairman and Chief Financial Officer

FROM: Russell A. Rau [Electronically produced version; original signed by Russell A. Rau]
Assistant Inspector General

SUBJECT: *Field Office Cost, Space Utilization, Design, and Usage* (EVAL-01-003)

Our Corporate Evaluations Directorate has completed the subject review. We performed this evaluation to gather comprehensive information for management's consideration and use when making future field office-related decisions.

FDIC has improved most of its field offices to FDIC design guide standards. However, field office leases are constantly expiring and DOA plans to enter into new leases and complete a number of tenant improvement projects over the next several years. We expect the Corporation will find the results of this review helpful in planning and assessing the reasonableness of future leases and projects.

On July 19, 2001, we provided a draft copy of this report to your office and to other relevant FDIC divisions. We received written and oral comments from the Division of Compliance and Consumer Affairs and the Division of Administration in early August 2001. We added clarifying statements to our report to reflect those comments where appropriate. Because this report does not contain recommendations, no further action from the Corporation is required.

Executive Summary

This report presents the results of our evaluation of the cost, space utilization, design, and usage of FDIC field offices. We performed this evaluation to gather comprehensive information for management's consideration and use when making future field office-related decisions. To assist the reader with report terminology, we have included a Glossary as Appendix II.

Annual Field Office Costs

FDIC field offices cost roughly $17.5 million annually. Leasing costs and information technology (IT) costs accounted for 67 and 20 percent of total FDIC field office costs, respectively. We benchmarked selected costs against the Office of the Comptroller of the Currency (OCC) and other government and industry facility averages. FDIC's leasing costs were generally in line with OCC costs.

FDIC IT equipment costs were higher than OCC's. The Division of Information Resources Management (DIRM) attributed this variance to FDIC's ratio of examiners to workstations. Current IT costs for data and voice circuits were similar to OCC costs. However, full implementation of DIRM's OneNet program could increase circuit costs by one-half.

Field Office Space Utilization

FDIC's ratio of rentable square feet (rsf) to field office employees, known as the utilization rate (UR), was higher than the URs of other government benchmarks that we reviewed. FDIC's median UR was 306 rsf per staff. Several FDIC field offices had URs near, or exceeding, 500 rsf per staff. FDIC's median UR was about 48 percent higher than OCC's UR. We estimated the value of FDIC leased space in excess of OCC's median UR to be approximately $3.6 million annually.

Further, the amount of FDIC's field office space increased markedly over the past few years. Specifically, FDIC's median UR increased by 146 percent under its current set of field office leases. FDIC officials indicated one reason for this increase was because the amount of field office space was probably not sufficient under prior leases, but acknowledged FDIC may have overcompensated in improving and expanding field office space.

Field Office Space Design

In March 1999, FDIC agreed to provide dedicated cubicles to all field examiners, an initiative called 1:1. The space required to implement 1:1 accounted for about 28 percent of the increase in leased space. Other design features, such as training rooms, conference rooms, storage, and DIRM space accounted for the balance of the increase. The Division of Administration (DOA) was updating the *FDIC Facilities Design Guide* concurrent with our review and was considering combining training and conference room space and reducing DIRM space.

Field Office Usage Levels

During 2000, field examiners spent a median of about 33 percent of their time in FDIC field offices. Division of Supervision (DOS) and Division of Compliance and Consumer Affairs (DCA) examiners spent 32 and 35 percent of their time in field offices, respectively. We understand that in conjunction with the telework program, FDIC will begin monitoring field office usage to determine future facilities needs.

Telework

In May 2001, FDIC offered task-based telework to all employees and home-based telework to a limited number of DCA field examiners. In addition to enhancing employee morale and work/life balance, FDIC established key results areas for evaluating program success, such as improving productivity and decreasing facilities cost.

DOS officials mentioned the team approach to conducting examinations as the greatest challenge to teleworking. DCA officials indicated their examination approach would be more suited to teleworking because many of DCA's examination teams consist of one or two members.

We researched case studies at other agencies and private sector companies to determine what characteristics of telework programs enabled reductions in facilities space. Although our research was not fully conclusive, a common characteristic of such telework programs was that teleworkers did not have dedicated cubicles or offices.

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Objectives, Scope, and Methodology

Our objectives were to evaluate:

- Non-personnel costs of FDIC field offices.
- Field office space utilization, design, and usage.
- The impact of telework on field office decisions.
- FDIC field office facilities against other benchmark entities and identify best practices.

The Corporation had a number of related initiatives underway concurrent with our evaluation. Specifically:

- DOS completed a process redesign study of its existing field structure and made recommendations for an appropriate structure for responding to changes in the banking industry while maintaining cost-effective supervision.
- DCA increased its managerial span of control and announced plans to reduce the number of Field Office Supervisors (FOS) through attrition.
- DOA contracted for a benchmarking review of headquarters (HQ) and regional office space to assess facilities cost, utilization, and design. DOA was also updating its *FDIC Facilities Design Guide*.
- DIRM was considering changes to its regional structure which would in turn affect the number of Field Office Representatives (FORs) supporting field offices.
- FDIC and the National Treasury Employees Union (NTEU) agreed to pilot task-based telework for all FDIC employees, and home-based telework for selected employees.

Scope and Methodology

To meet our objectives, we performed the following work:

- Interviewed HQ officials from DOA, DOS, DCA, DIRM, and the Division of Finance (DOF). Interviewed regional officials from DOA, DOS, and DCA. Interviewed selected DOS and DCA FOSs, including representatives from the National FOS Council.
- Visited the Atlanta, Boston, Kansas City, and San Francisco regional offices and toured the Norcross, Boston South, Overland Park East and West, and San Francisco field offices.
- Gathered and analyzed information about individual field office leases, staffing, and facilities space design.
- Gathered and analyzed comprehensive information about field office costs and cost factors and drivers.
- Analyzed Scheduling Hours and Reporting Package (SHARP) data to determine field office usage and activities performed by DOS and DCA examiners.
- Reviewed FDIC's proposed telework program. Researched other agencies' experiences in telework.
- Gathered field office information from the OCC, the Office of Thrift Supervision (OTS), and selected state banking agencies.
- Researched other facilities benchmarking and best practices information sources.

We performed our field work from January to May 2001 according to the President's Council on Integrity and Efficiency's *Quality Standards for Inspections*.

Background: Field Office Structure

As shown in Table 1, FDIC has 91 field offices within eight regions which support 2,242 DOS and DCA staff and 32 DIRM FORs. Of the total, 73 offices house both DOS and DCA examiners, 17 offices house only DOS examiners, and one office houses only DCA examiners. Appendix I presents a map showing FDIC field office locations.

Unless otherwise noted, for the purpose of this report:

- Staffing calculations are based on Core VI staffing, 2001 workload,
- All cost amounts are for annual costs, and
- URs are presented in rsf.

Table 1: Field Structure and Staffing

Region	Field Offices	DOS Staff	DCA Staff	Total Staff
Atlanta	15	227	47	274
Boston	5	148	33	181
Chicago	14	273	64	337
Dallas	8	182	35	217
KC	18	325	70	395
Memphis	10	191	42	233
New York	11	196	42	238
San Fran	10	327	40	367
Total	**91**	**1.869**	**373**	**2,242**

Other Benchmark Agencies

We also attempted to obtain facilities cost and utilization data from other federal banking agencies and selected state banking agencies.

OCC

This report presents a number of benchmark comparisons to OCC field offices. Officials from DOS and DIRM questioned whether OCC was a good comparative agency because of differences between agency mission, workload, and structure.

We acknowledge that there are differences between the two agencies. However, in our opinion, OCC is the agency most similar to FDIC. For example, OCC has 69 field offices compared to FDIC's 91 field offices. About one-half of OCC's field offices are located in cities where FDIC has a field office presence. Further, it appears that FDIC and OCC field offices serve the same sole purpose--to support examiners.

Finally, although the OCC supervises fewer banks with greater assets than FDIC, OCC field offices are responsible for supervising smaller, well-rated national banks.

OCC headquarters and onsite examiners supervise problem banks and large financial institutions, respectively. Likewise, DOS' recent process redesign initiative characterized approximately 85 percent of FDIC's supervised institutions as smaller, well-rated community banks.

OTS

OTS has 19 field offices for housing field examination staff. Each office houses 6 to 8 examiners. However, most of the facility cost and utilization information that OTS provided was summarized at the regional office level.

FRB

We contacted FRB OIG and determined that FRB would not be a good comparison, and thus, not helpful to our analysis. First, each FRB district operates autonomously. Second, FRB often houses examination staff at facilities that perform other functions, such as data processing centers.

State Banking Agencies

Finally, at DOS' request, we surveyed selected state banking agencies to obtain facilities utilization and usage information. We also determined how workstations are assigned to examiners.

Annual Field Office Costs

FDIC field offices cost roughly $17.5 million annually. This amount consists of: (1) operating expenses such as lease costs and monthly recurring costs (MRC) for data and voice circuits and (2) capital expenses such as building improvements and information technology (IT) hardware. For analysis purposes, we annualized capital expenses over a 5-year period to arrive at an annual expense amount.

Figure 2 presents the composition of field office costs by percentage. This report discusses in more detail the following primary field office costs:

- Leasing costs -- $11.7 million. Most field offices have full service leases that include costs for utilities and taxes. Field office leases are generally for a term of 5 years.

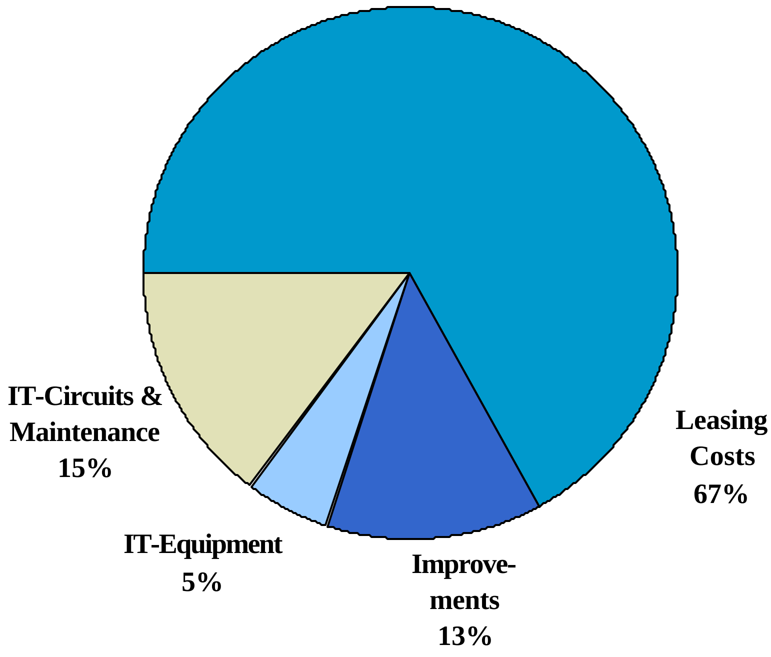
- Improvements -- $2.3 million. This is an estimate based on discussions with ACSB. FDIC actually moved and improved 32 field offices during 2000 at an annualized cost of $1.14 million. This figure includes costs for improvements and furniture, fixtures, and equipment (FF&E).

- IT--Equipment -- $0.9 million. This amount includes an annualized depreciation amount for IT hardware such as servers, routers, and telephone systems.

- IT -- Circuits and Maintenance -- $2.6 million. This amount includes MRC for data and voice circuits and maintenance charges. As discussed later, this amount also assumes full implementation of DIRM's OneNet program.

We did not include personnel costs or costs for personal computers, laptops, or other peripherals such as printers, or telephone usage charges, under the assumption that those expenses would continue regardless of whether a field office was closed or consolidated. Further, we did not include costs of DIRM FORs who provide IT support to field offices.

Figure 2: Annual Field Office Costs



Leasing Costs

Monthly leasing costs accounted for about 67 percent of total field office expenses. With the exception of the San Francisco field office, FDIC leases space for all field office facilities.

FDIC's field office leasing costs amount to about $11.7 million annually. Field office leases are generally for a term of 5 years and are all-inclusive of operating expenses, utilities, and taxes. FDIC prefers to lease Class A space, where available. FDIC is not required to lease space within central business districts (CBD).

Field office leasing policies are delineated in Circular 3540.1, *FDIC Leasing Policy Manual (LPM)*, dated December 22, 1999. The regional corporate services branch is responsible for administering field office leases.

We compared FDIC lease rates to OCC and OTS lease rates. OCC generally signs 5-year leases for Class A space, located within the CBD. We also compared FDIC rates to average commercial office real estate rates published by the Society of Industrial and Office Realtors (SIOR). Table 2 presents those comparisons for selected cities.

We concluded that FDIC rates were generally below SIOR Class A averages. However, we were unable to draw conclusions regarding the comparability of the FDIC, OCC and OTS lease rates because several factors could influence them including: building class, term of the lease, whether the space was located within the CBD, and the health of the leasing market when the terms were negotiated.

Table 2: Benchmark Comparison of FDIC Rental Rates

				SIOR CLASS A Averages	
City	**FDIC**	**OCC**	**OTS**	**CBD**	**Outside CBD**
Albuqerque	**$13.50**	$18.75		$17.08	$17.29
Boston	$28.65	**$23.05**	$26.05	$40.50	$31.20
Charlotte	**$18.35**	23.86		$25.00	$19.25
Chicago	$22.52	**$20.75**	$22.40	$33.23	$26.00
Dallas	**$19.04**	$21.48	$26.14	$23.07	$24.10
Denver	$20.63	**$17.42**		$22.84	N/A
Fargo	$14.00	**$11.48**		$13.50	$15.50
Indianapolis	**$15.06**	$16.50	$15.52	$19.50	$19.50
Jackson	**$18.50**	$26.75		$19.00	$19.50
Little Rock	$16.94	**$12.05**		$13.10	$16.78
Milwaukee	$15.90	$17.70	**$15.38**	$23.00	$21.00
Minneapolis	**$14.81**	$23.35		$30.00	$26.00
Nashville	$19.00	$30.14	**$15.00**	$19.50	$17.00
Omaha	$23.25	$20.14		**$19.00**	$21.00
Sioux City	$16.50	$15.62		**$15.00**	$17.50
Sioux Falls	$15.35	$19.91		$14.50	**$11.25**
Syracuse	$17.51	$18.44		**$15.00**	$17.00
Tampa	**$16.35**	$17.79	$21.76	$20.00	$22.00

Note: The lowest rate for each city is shaded.

Improvement and Furniture Costs

Tenant Improvements

Tenant improvement (TI) projects may be managed by the landlord or by FDIC. The cost of an improvement project may be factored into the lease rate as a TI allowance, paid by the FDIC as an improvement project, or funded by a combination of the both. For each leasing decision, FDIC first procures a market survey from its national real estate broker. Next, the LPM requires the leasing specialist to complete a financial analysis of each proposal on a net present value and nominal basis. The DOA Regional Manager then makes a best value decision based on quantitative and qualitative factors.

Because of the varied ways that improvements can be handled, and because lease rates do not specify amounts attributable to a TI allowance, we were unable to benchmark improvement costs between agencies. However, we confirmed with a commercial real estate broker that $25-$40 psf was a reasonable range for government tenant improvement projects.

To satisfy ourselves that FDIC's leasehold improvement costs were reasonable, we:

- Confirmed that FDIC performed a financial analysis for each case that we reviewed.

- Selected a judgmental sample of 10 field offices that were improved during 2000 and worked with HQ and Regional DOA staff to determine the total psf improvement costs including the TI allowance and costs funded by FDIC. We concluded FDIC's improvement costs did not exceed the reasonable range of $25-$40 psf, as shown below in Table 3 under the "PSF Improvement Cost" Column.

Furniture, Fixtures & Equipment

This category captures other, non-construction expenses associated with improving field offices and includes: FF&E, DIRM cabling, cubicles, security systems, and moving expenses.

We were unable to obtain benchmark information for FF&E costs from OCC or other government agencies. Table 3 presents improvement and FF&E cost information for the 10 improvement projects that we reviewed.

FDIC has improved all but nine of its field offices to the current design guide standards. However, a number of leases will expire over the next few years. Leases involving new space will require tenant improvements. For example, during the period 2002 through 2004, 53 leases are scheduled to expire. We expect the information included in this report will be of assistance to DOA in planning and assessing the reasonableness of future leases and improvement projects.

Table 3: Analysis of Selected Improvement Projects Completed during 2000

Field Office	Staff	RSF	TI Allowance	Total Improvement Cost	PSF Improvement Cost	Total FF&E Costs	PSF FF&E Costs	Total Cost Per Staff
Shelby	18	6,050	No TI	$229,916	$38.00	$132,056	$21.83	$20,110
Creve Coeur	23	6,205	$10 PSF	$184,193	$29.68	$158,613	$25.56	$14,905
Omaha	20	7,725	$7 PSF	$176,743	$22.88	$38,437	$4.98	$10,759
Montgomery	17	7,798	No TI	$237,467	$30.45	$164,155	$21.05	$23,625
Grand Island	17	4,896	39% of Cost	$137,919	$28.17	$72,461	$14.80	$12,375
Nashville	24	8,660	$7 PSF	$139,807	$16.14	$171,551	$19.81	$12,973
Lexington	19	7,659	$22 psf	$105,203	$13.74	$186,382	$24.34	$15,347
Little Rock	26	9,603	$75,000	$109,591	$11.41	$189,418	$19.72	$11,500
Billings	16	4,843	No TI	$73,719	$15.22	$99,664	$20.58	$10,836
Gainesville	13	5,195	$27 PSF	$54,604	$10.51	$114,037	$21.95	$12,972

Note: Total Improvement Cost equals the sum of the TI allowance and FDIC-funded construction and architecture costs.

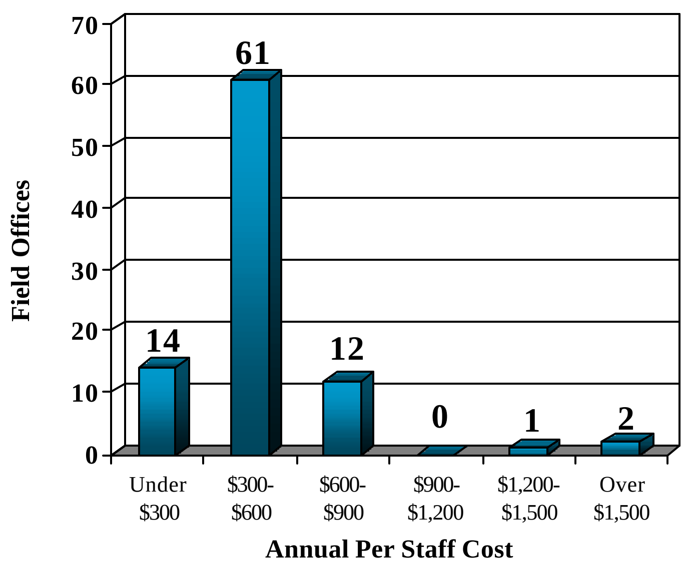
Source: Leasing files and discussions with leasing specialists.

Information Technology Equipment Costs

Information technology (IT) equipment costs consist of expenses for hardware to support data and voice services. FDIC spends a median of $462 per field office staff annually for IT equipment. In comparison, OCC's median annual cost per staff was $251. FDIC's annual cost per staff for IT equipment was 84 percent higher than OCC's annual cost per staff. Figures 3 and 4 present IT equipment per staff costs for FDIC and OCC field offices. For example, Figure 3 shows that 61 FDIC field offices have per staff IT costs in the range of $300 to $600 annually.

For the most part, IT equipment charges are fixed costs, not variable. Accordingly, smaller field offices have higher per staff IT costs. For example, the two offices in the "Over $1,500" range in Figure 3 only have 6 and 8 employees, respectively.

Figure 3: FDIC IT Hardware Costs

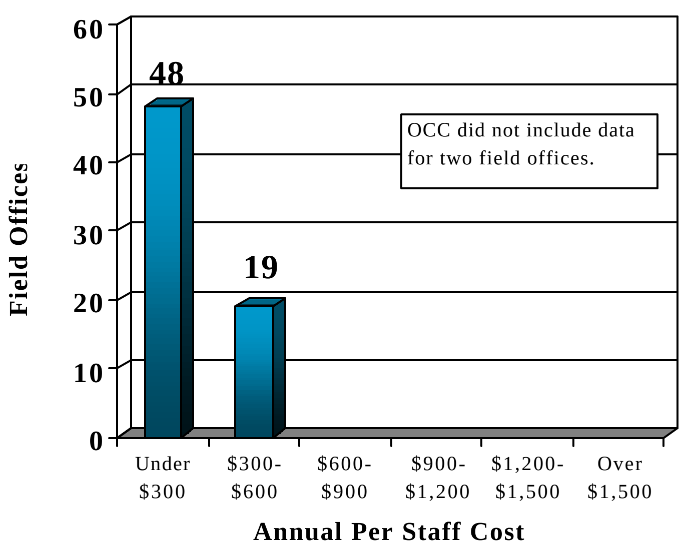


Data Hardware

Data hardware accounted for the bulk of the field office IT equipment costs and includes servers and routers physically located at the field office level. FDIC's median data hardware cost for a field office was $38,195. The servers cost about $14,500 each and were installed in 1997. A DIRM representative told us the servers were never fully utilized and are currently used to spool print requests and to image laptops. DIRM plans to remove the servers and will not be replacing them.

OCC's field office IT equipment costs were about $15,000 per field office. Approximately 25 percent of OCC's field offices do not have servers and instead use high-speed lines, which may account for a portion of the per staff cost differences.

Figure 4: OCC IT Hardware Costs



Voice Hardware

For voice equipment, DIRM indicated that it normally budgets $150,000 annually for field office telephone system purchases and upgrades and recommended that we divide that amount evenly across FDIC's field offices for analysis purposes, yielding an average per staff cost of $67.

OCC recently replaced phone systems in 70 percent of its field offices at an average cost of $10,095 per office or an annualized cost of $126 per staff.

Voice hardware costs also include the cost of individual phone units. According to a DIRM representative, under OneNet, FDIC will purchase new voice over internet protocol (VoIP) phone units for all field office staff at a cost of $400 per unit, or roughly $909,600 for FDIC's field staff. Figure 4 does not include the costs for the VoIP telephones.

IT Circuit and Maintenance Costs

This category includes Monthly Recurring Cost for data and voice circuits, maintenance, and dial tone service. As discussed earlier on page 6, we did not include costs associated with long distance usage charges.

Currently, FDIC's median annual circuit and maintenance costs are within about 5 percent of OCC's costs. However, as shown in Figure 5, if FDIC fully implements the OneNet program, FDIC's annual median cost could increase by as much as 52 percent, from $800 per staff to $1,219 per staff.

OneNet Program

During our review, FDIC was soliciting bids for the OneNet program. OneNet will consolidate FDIC's two data and voice networks from a frame relay environment to a single asynchronous transfer mode system (ATMS), a newer, more efficient technology.

OneNet will allow the Corporation to use VoIP phone service and will also support other initiatives including:

- Internet Protocol Television (IPTV)
- the Memphis Imaging Project (Documentum), and
- Server consolidation at the regional and HQ level.

In July 2000, we reported on DIRM's request for expenditure authority to support OneNet and discussed the proposed increase in circuit cost, especially at the field office level (EM-00-002, *Request for Expenditure Authority--OneNet Wide Area Network*, dated July 26, 2000).

According to a DIRM representative, monthly rates for OneNet have decreased significantly since 2000, making OneNet more attractive economically. FDIC awarded a contract to MCI in April 2001 to implement OneNet. The Director, DIRM, stressed the implementation of OneNet at the field office level would be subject to approval during the annual budget process.

As shown in Figure 6, circuit costs will increase by 52 percent if OneNet is fully implemented. To put it in perspective, the annual median cost per field office for IT circuits and maintenance will increase from $20,313 to $33,035.

Figure 5: IT Circuit Per Staff Costs

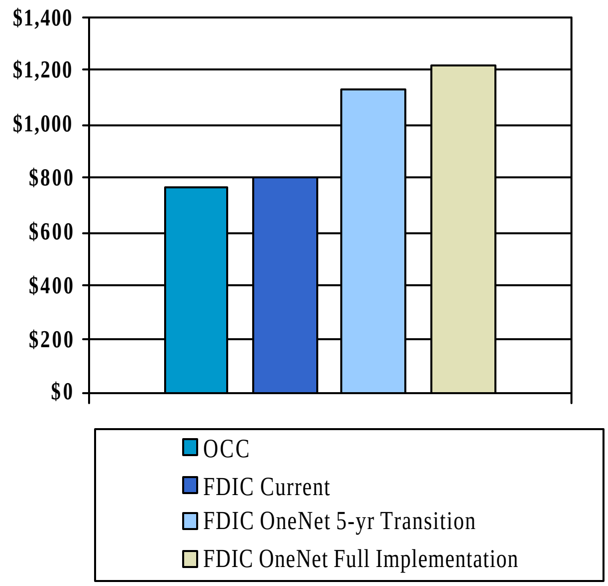
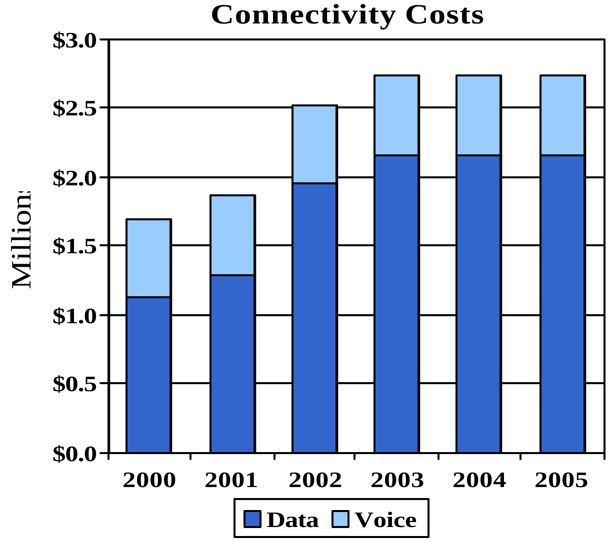


Figure 6: Projected Annual IT Connectivity Costs



We believe the decision to implement OneNet at the field office level should be viewed in the context of how often, and for what activities, examiners will use the service. As discussed later, examiners are in field offices, on average, about 33 percent of the time. Examiners spend most of their time at financial institutions. While OneNet will increase bandwidth at the field office, it will not improve performance for examiners dialing into the network from an institution or from their homes.

Facilities Cost Metrics

According to GSA's Office of Governmentwide Policy, two metrics are commonly used to evaluate facilities costs--cost per employee and cost per square foot. We are including these metrics to provide the Corporation with a baseline for evaluating existing and future field office costs.

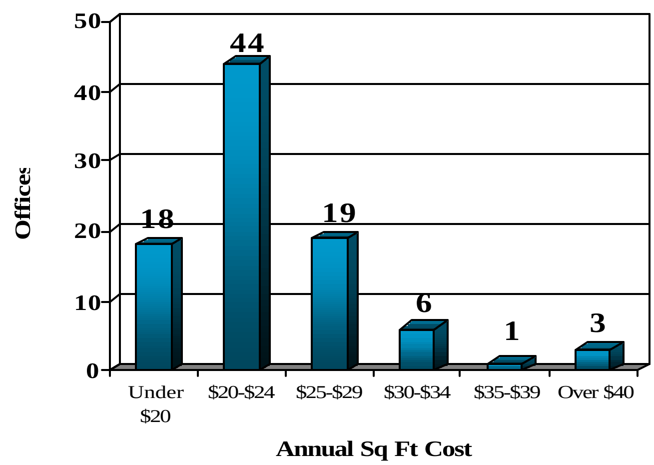
Cost Per Square Foot

This metric is more appropriate for evaluating leasing cost and tenant improvement costs. We are presenting two calculations of this metric:

- The first calculation is for all 91 field offices and includes lease and IT expenses only. FDIC's median cost per square foot was $22 considering those expenses. Figure 7 presents cost per square foot information for FDIC field offices.

- The second calculation was for the 32 field offices improved during 2000 and included lease, improvements, FF&E, and IT expenses. FDIC's median psf cost was $27 for the 32 field offices improved during 2000.

Figure 7: Cost Per Square Foot (Lease, IT Expenses)



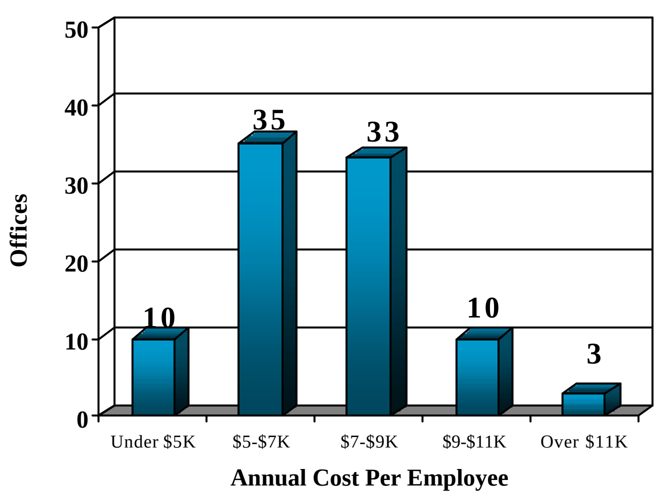
Cost Per Employee

This metric is more appropriate for evaluating FF&E and IT costs. Again, we are presenting two calculations for this metric:

- FDIC's median cost-per-employee for all 91 field offices was $6,982 considering lease and IT expenses. Figure 8 presents cost per employee information for FDIC field offices.

- FDIC's median cost-per-employee for the 32 field offices improved during 2000 was $9,070 including lease, improvements, FF&E, and IT expenses.

Figure 8: Cost Per Employee (Lease, IT Expenses)



Field Office Space Utilization

A common measure of facility space design efficiency is the utilization rate, or UR. Specifically, the UR is the ratio of rentable square feet (rsf) to the number of employees housed. We found that FDIC's median UR was higher than OCC's median rate and other government sector averages.[1] Figure 9 presents UR information from the following sources:

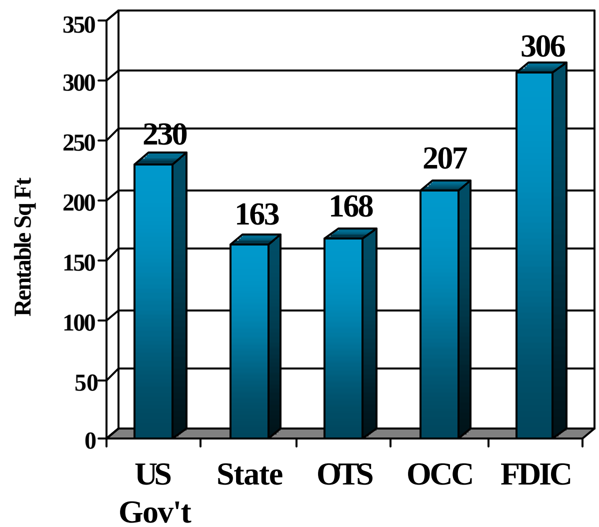
- The General Services Administration's (GSA), November 1999, *Workplace Evaluation Study Introducing the Cost Per Person Model*, which established an appropriate U.S. Government average for space use of 230 rsf per person.
- Survey responses from state banking agencies which resulted in a median UR of 163. We received responses from 7 of the 25 agencies that we surveyed.
- Analysis of current field office lease and staffing information from OTS which resulted in a median UR of 168 rsf. OTS data included regional and field office information.
- Analysis of current field office lease and staffing information from OCC which resulted in a median UR of 207 rsf, and
- Analysis of current FDIC field office lease and staffing information, which yielded a median UR of 306 rsf.

During our review, a DOA contractor was performing a facilities benchmarking study of HQ and regional FDIC offices. That study identified median URs of 383 rsf and 438 rsf for HQ and regional facilities, respectively. An ACSB representative indicated that special purpose space, such as training centers, and conference rooms increases the URs at HQ and regional facilities.

OCC Field Office Utilization

OCC has 69 field offices in six districts. Field Offices are used solely to house and support examination staff. FDIC's median UR was about 48 percent higher than OCC's median UR.

Figure 9: Space Utilization Rate



We identified possible reasons for UR differences between FDIC and OCC, such as:

- OCC field examiners are currently assigned to workstations at a 2:1 ratio.
- OCC field offices have conference rooms but do not have separate training rooms.
- OCC uses millwork workstations (desks built into the wall) instead of cubicles.
- OCC field examiners are not unionized, so OCC management can unilaterally specify space design.

OCC also houses some employees permanently at about 30 of its larger supervised institutions. We did not include these employees in any of the calculations presented in this report.

FDIC officials cautioned us to benchmark only against facilities comparable to FDIC field offices. For example, the GSA average likely includes larger facilities such as headquarters as well as regional and field locations. However, in our opinion, the comparison to OCC and OTS is a reasonable one. Further, the intent of this analysis is to provide FDIC with a baseline for space utilization and a general sense of how the Corporation's utilization of facilities space compares to other government agencies.

[1] Median figures were not available for the GSA study.

Individual Field Office Space Utilization

We next analyzed URs of individual offices. We found that 90 percent of FDIC's field offices had URs exceeding OCC's median UR of 207 rsf, as shown in Figure 10. Figure 11 presents a similar analysis of OCC individual office URs.

FDIC URs ranged from a low of 147 rsf for the San Francisco field office--a building that FDIC owns-- to a high of 544 rsf for the Richmond, VA field office. Other FDIC field offices with high URs included:

- Scott Depot, WV -- UR of 498 rsf
- Montgomery, AL -- UR of 487 rsf
- Hopkinsville, KY -- UR of 462 rsf

Offices with low URs that had already been improved to FDIC field office design guide standards included:

- Orange County, CA -- UR of 196 rsf
- Phoenix, AZ -- UR of 192 rsf
- LA West, CA -- UR of 188 rsf

An ACSB representative noted that leasing decisions are limited by the availability of vacant space and sometimes leasing specialists must select from blocks of space in excess of FDIC's needs. Likewise, the best value could be a larger property with a lower cost per square foot.

Quantification of Excess Space

We attempted to quantify the annual cost of FDIC field office space in excess of OCC's median UR. For example, in Indianapolis, FDIC leases 12,000 rsf for 40 Core VI staff at $15.06 per rsf . We determined excess space costs using the following calculation:

(Rsf -(Staff x OCC Median UR)) x Lease Rate, or

(12,000 - (40 x 207) x $15.06 = $56,023

We performed a similar calculation for each of FDIC's field offices and concluded that the value of FDIC leased space in excess of OCC's median UR was about $3.6 million annually.

Representatives from ACSB noted that DOS and DCA establish the requirement for field office space and space requirements sometimes change as the result of operational or mission-related needs.

Figure 10: FDIC UR Analysis

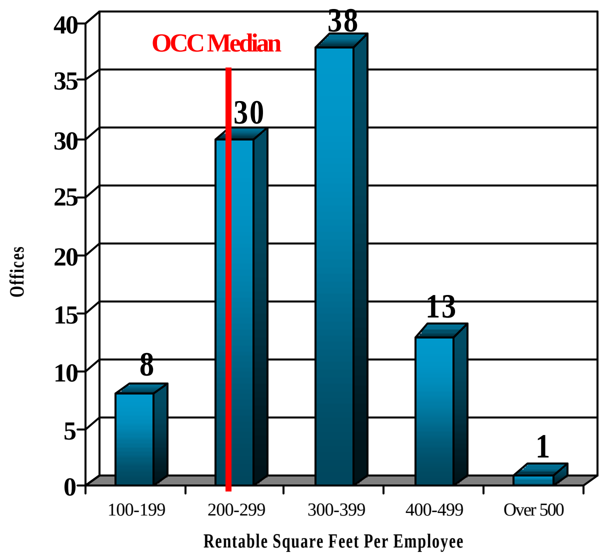
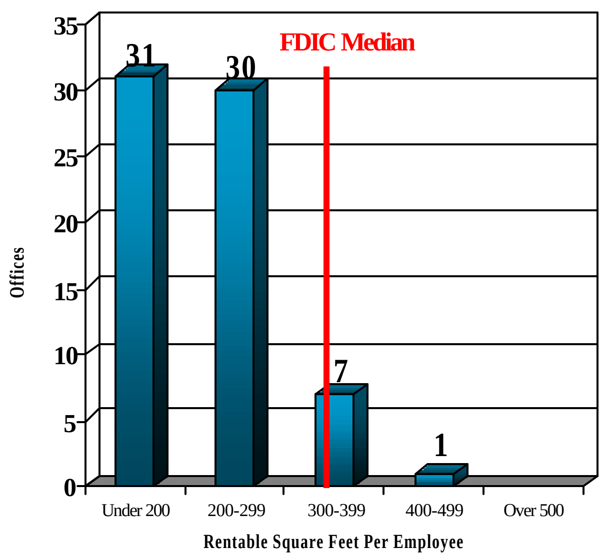


Figure 11: OCC UR Analysis



We are not suggesting that FDIC could save this amount or that FDIC should adopt OCC's UR as a goal. Instead, we are presenting this information as a baseline for management's consideration and use in evaluating future leased space inventory levels.

Space Utilization Trends

FDIC's amount of field office leased space has increased dramatically since 1997. We compared leased space amounts between current and prior field office leases and identified a median increase of 146 percent between the prior and current amount of field office space leased.

As shown in Figure 12, of the 82 field offices for which we were able to obtain sufficient prior lease information, 70 percent (or 58 field offices) experienced leased space increases greater than 100 percent. Five offices experienced lease space increases greater than 300 percent, including Columbia, SC; Columbus, OH; Indianapolis, IN, Shelby, AL; and Richmond, VA. A regional leasing specialist noted that three field offices were closed and consolidated into the Columbus and Indianapolis offices which contributed to the percentage increases in leased space.

DOA and DOS officials noted that prior field office space was probably not sufficient and that improvements were warranted. However, these officials indicated that FDIC may have gone too far in improving field office facilities.

Figure 12: Leased Space Increases

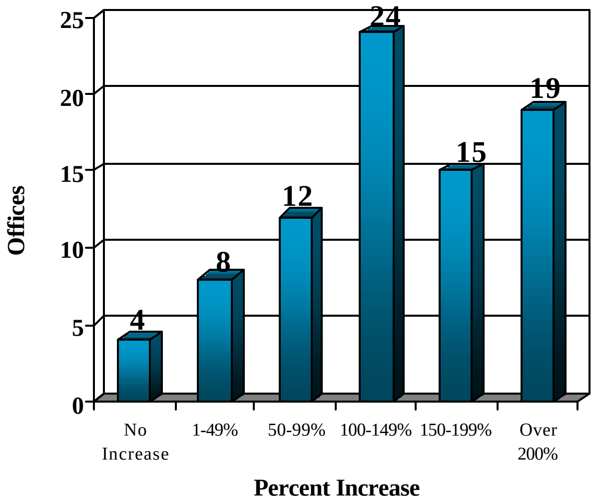
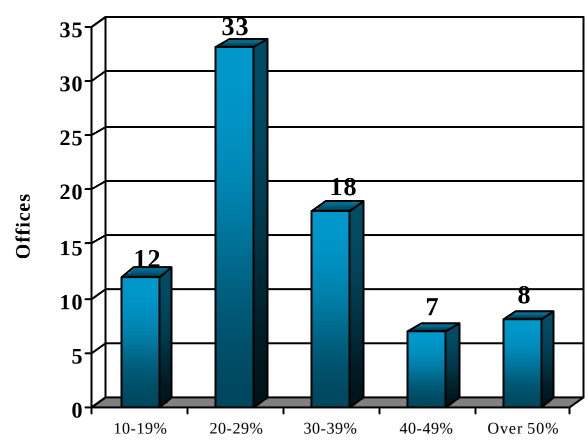


Figure 13: Increase Attributable to 1:1



Impact of 1:1

Throughout this evaluation, officials indicated the decision to provide examiners dedicated cubicles, known as 1:1, was the primary cause for increases in leased space. However, based on our analysis, it appears that 1:1 accounted for about 28 percent of the increase. Other design features and amenities accounted for the balance of the space increase.

In the early 1990s, FDIC assigned examiners to cubicles at a ratio of 2:1 (2 examiners to 1 cubicle). In March 1999, FDIC and NTEU negotiated a field agreement for DOS and DCA employees which required the Corporation to provide dedicated 64 square foot cubicles to all field examiners. FDIC, in turn, updated its *Facilities Design Guide*, to reflect 1:1 and other field office design features.

For offices with space increases, we calculated the increase attributable to 1:1 using Core VI staffing, the 64 square foot workstation requirement, and FDIC's standard 33 percent circulation factor and 15 percent loss ratio. Figure 13 presents the results of our analysis.

For example, the Minneapolis office has 27 staff. The amount of the increase attributable to 1:1 would be: *(((27/2) x 64) x 1.33) x 1.15 = 1,321.*

The current Minneapolis lease increased space by 4,782 sq. ft. compared to the prior lease. Accordingly, the amount attributable to 1:1 accounted for 28 percent of the increase.

A regional leasing specialist noted some field offices were previously at a 3:1 examiner to cubicle ratio. In those cases, the calculation discussed above would distort the percentage increase attributable to 1:1.

Field Office Space Design

As discussed earlier, the bulk of the increase in field office space was attributable to design features such as training and conference rooms. Circular 3010.2, *FDIC Facilities Design Guide*, dated September 28, 1998, provided basic design and planning criteria for existing and prospective FDIC facilities. Figures 14 and 15 present the composition and design of a typical field office.

DOA was updating its design guide during our review. We understand the revised guide will combine the training and conference room into a multi-purpose room. Further, DOA has removed the DIRM requirements from the design guide. Instead of having a standard design for IT purposes, DOA and DIRM will determine IT needs on a case-by-case basis.

Figure 14: Field Office Composition

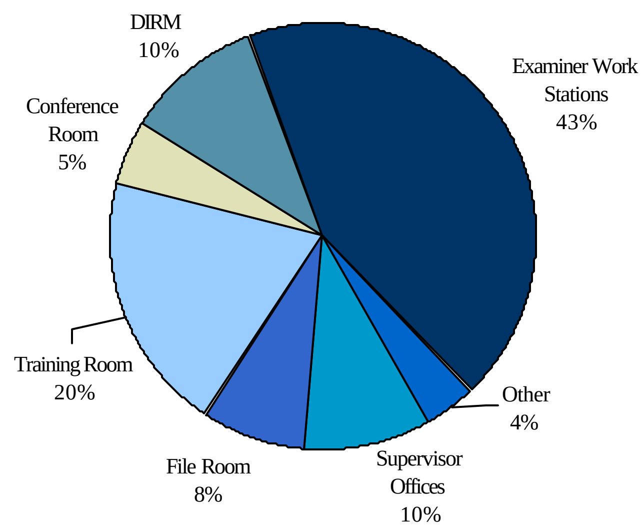
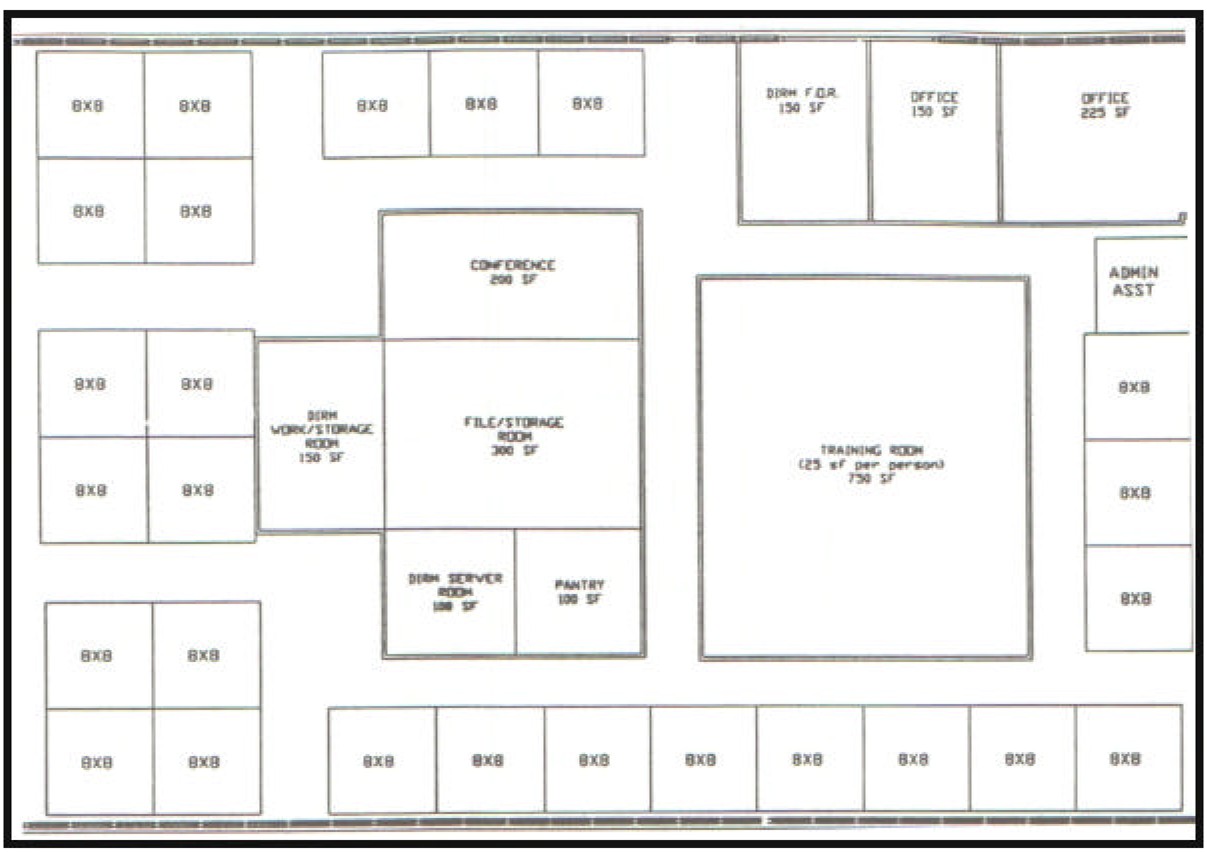


Figure 15: Facilities Design for a Typical FDIC Field Office



Source: FDIC Facilities Design Guide

Space Design: Training Room and Other Design Issues

Training rooms represented the second largest occupier of office space. For FDIC field offices, training rooms account for 13 percent of total space. FDIC spends about $1.6 million annually on field office training rooms. The design guide indicates that training room size should be based on 25 square feet per person. However, in practice we noted that leasing specialists used a factor of 30 square feet per person.

We received mixed anecdotal comments regarding the extent of training room usage. In some cases, FOSs indicated training rooms are used monthly for examiner staff meetings, by other regulators for their own training sessions, and for FDIC local diversity events such as presentations. In other cases, FOSs indicated training rooms were used once every couple of months.

We reviewed field office prototypes for OCC field offices and noted that OCC does not have training rooms at the field office level.

Figure 16: Analysis of Training Rooms

Training Space	Sq Ft/Cost
Median Size	918 sq. ft.
Median Annual Cost	$15,000
Median % of Total Space	13 percent
Total Field Office Training Space	90,700 sq. ft.
Total Annual Cost	$1.6 million
Note: Based on 30 Sq Ft. Per Employee	

Figure 17: Conference Room Rates in Selected Cities (25-person conference room)

		Annual Room Cost	
City	Room Cost Per Day	One Use Per Month	Three Uses Per Month
Columbia, SC	$600	$7,200	$21,600
Raleigh, NC	$250	$3,000	$9,000
Indianapolis, IN	$450	$5,400	$16,200
Austin, TX	$500	$6,000	$18,000
Denver, CO	$350	$4,200	$12,600
Springfield, MO	$300	$3,600	$10,800
Little Rock, AK	$250	$3,000	$9,000
Nashville, TN	$280	$3,360	$10,080
Harrisburg, PA	$250	$3,000	$9,000
Salt Lake City, UT	$500	$6,000	$18,000
Baltimore, MD	$350	$4,200	$12,600
Median	**$350**	**$4,200**	**$12,600**

Alternatives to Training Rooms

Several managers discussed the possibility of renting hotel conference rooms when needed, in lieu of maintaining training rooms at field offices. We performed limited research in this area. Figure 17 presents conference room rates at selected cities where FDIC has a field office presence. These costs do not include (1) seasonal rate variation or costs for audio visual equipment rentals or (2) other costs, such as conference scheduling and employee mileage reimbursement costs.

Other Design Comments

HQ, regional, and field staff we interviewed mentioned the following additional space design comments:

- DIRM space is too excessive. Currently, field offices have 400-450 square feet for DIRM, consisting of a server room, storage room, and private office for the FOR. The FOR also has a dedicated cubicle at those field offices for which he/she is responsible. DIRM acknowledged its field space design is no longer appropriate and noted that DIRM and ACSB have met to discuss space design efficiency and are taking steps to minimize DIRM space in future office build-out projects. With respect to FOR offices, a DIRM representative suggested that FORs spend more time in resident and non-resident offices than examiners who have dedicated space.

- DCA maintains a private office for the FOS in its satellite offices, even though the FOS is permanently stationed elsewhere.

- FDIC maintains a private office for NTEU chapter presidents under the terms of the DOS/DCA Field Agreement.

Field Office Usage Levels

In conjunction with FDIC's telework program, we understand that the Corporation will periodically review usage levels of corporate facilities to identify opportunities for reducing facilities space needs.

We reviewed 2000 data from SHARP to identify the amount of time that examiners spend in field offices and the types of activities that examiners perform in field offices. We did not assess the reliability of data within SHARP. The intent of this analysis was to develop a baseline the Corporation could use going forward to assess changes in facility usage.

We concluded that DOS and DCA examiners spent a median of 33 percent of their time in FDIC field offices during 2000. Specifically, DOS examiners spent 32 percent of their time in FDIC field offices and DCA examiners spent 35 percent of their time in field offices.

Individual field office usage levels are presented in Figure 18, and ranged from:

- Grand Forks - 46 percent
- Madison - 42 percent
- Boston-North - 20 percent
- NYC-East-19 percent

We also analyzed SHARP data to determine the types of activities that examiners perform in field offices. Figure 19 presents the results of this analysis.

Figure 18: DOS/DCA Examiner Usage

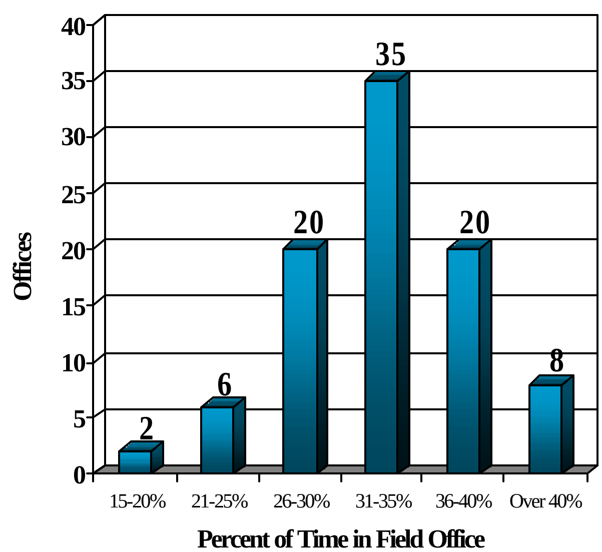
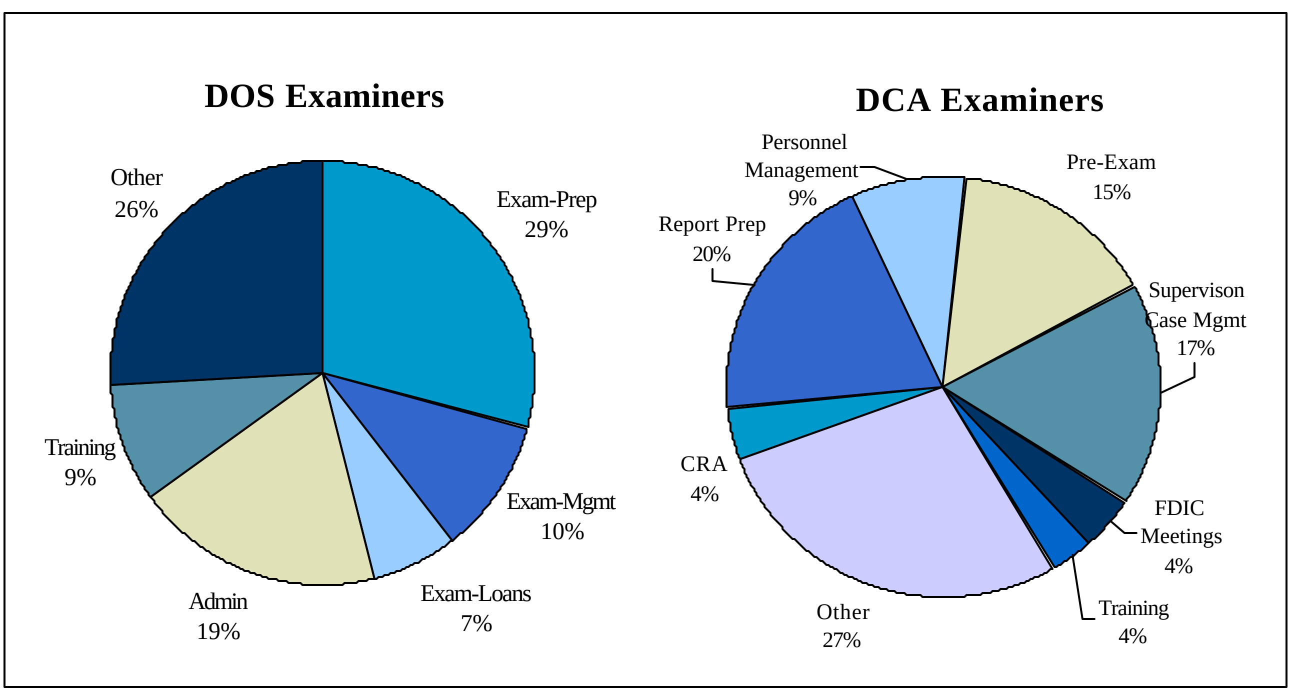


Figure 19: Examiner Activities Performed in Field Offices



Telework

Over the past several years, telework programs have become more commonplace in the federal government. In October 2000, Congress passed legislation requiring agencies to make telework available to all federal employees over the next several years. In January 2001, the Department of Labor estimated the number of full- or part-time teleworkers in the U.S. at 13 to 19 million.

FDIC's Telework Programs

In May 2001, the Corporation issued Circular 2121.1, *Nationwide Task-Based Telework Pilot Program*, which made task-based telework available to all FDIC employees. FDIC also issued Circular 2121.2*, Home-Based Telework Pilot Program.* FDIC limited the home-based program to DCA field examiners stationed at satellite offices.

According to the circulars, FDIC offered the telework programs to enhance employee flexibility and to improve employee work/life balance. However, FDIC also implemented telework programs for stewardship reasons. A Labor Employee Relations Specialist informed us that the FDIC's proposal to the NTEU included language allowing FDIC to monitor future field space usage and to evaluate future space needs depending on the level of interest and participation in the telework programs.

FDIC has established two Key Results Areas (KRAs) for evaluating the success of its telework programs. One KRA--Stewardship--focuses on productivity and costs. We asked FDIC's Personnel Services Branch (PSB) to comment on whether the telework programs would result in facilities space reduction. A PSB representative responded that at this point it was too early to gauge the impact that telework might have on facilities space requirements.

We researched the Internet for examples of telework programs with cost savings, especially for those programs that resulted in space reductions. In a number of cases, the telework program was coupled with some other alternative "desk-sharing" approach, such as hoteling or free-addressing.

We also interviewed an ACSB representative who told us FDIC could only achieve space savings through teleworking by: (1) reverting to a 2:1 examiner to cubicle ratio where examiners share cubicles or (2) making home-based telework mandatory for specific employees. The representative noted that workstations account for about one-third of field office space and thus telework space reductions would only impact a portion of total field office space.

Based on our research and discussions with ACSB and PSB representatives, we concluded that FDIC would only achieve measurable space reductions through the telework program by requiring examiners to share workstations.

Challenges to Telework

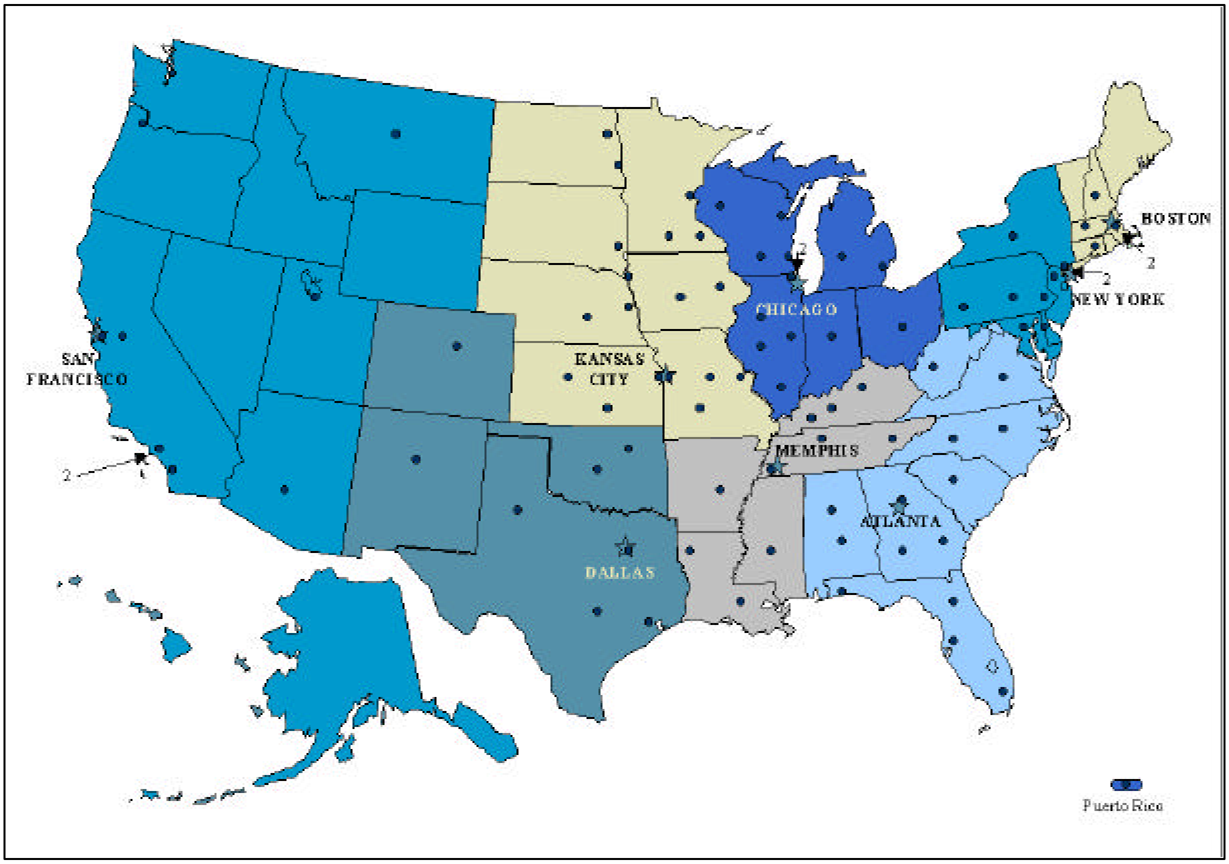
Beyond the more obvious challenges of logistics and managing remote workers, there are mission-related and technical issues that FDIC will need to address to make telework a success in the field. DOS managers that we spoke with indicated that DOS' team approach to conducting examinations would pose the greatest challenge to telework. DCA managers were more positive about the program and indicated their examination approach, which utilizes one to two examiners per team would be more suited to telework than DOS.

As for technical issues, a DIRM representative informed us that examiners would have difficulties accessing certain systems, such as DOS's General Examination System (GENESYS) over residential telephone lines. Finally, in our view, DIRM will have to address information security issues associated with accessing and transmitting sensitive information over public telephone lines.

Corporation Comments

We provided the Corporation a draft of this report, dated July 19, 2001. Because this report did not contain recommendations, FDIC was not required to provide formal written comments. We received comments from DCA and DOA. The Office of the Chief Financial Officer, DOS, and DIRM each responded that they had no comments on the draft report. Where appropriate, we added text to the final report to incorporate DCA and DOA's comments.

Appendix I: Map of FDIC Field Office Locations



Legend:

⋆ Regional Office

• Field Office

Appendix II: Glossary

Class A Space - Prime office space.

Central Business District (CBD) -The downtown section of a city, generally consisting of retail, office, hotel, entertainment, and governmental land uses with some high density housing.

Circulation Factor - Interior space required for internal office circulation, such as hallways. FDIC uses a factor of 33 percent of useable square feet.

Core VI - The staffing required to handle the projected workload in each division/office for a five-year period, 2000-2004.

Free Addressing - Multiple offices or workspaces shared by individuals on a first-come, first served basis.

Hoteling - Work space that is reserved on a first-call basis and not dedicated to any specific worker beyond a specified time. Most typically, a small staff will handle reservations, reprogram telephones and prepare the reserved space for occupancy. Hoteling can also include teaming and conference facilities.

KRA - Key Results Area, used to evaluate the success of a process or program.

Loss Ratio - The amount of floor space taken by support structures, elevator lobbies, etc., compared to the total floor space. FDIC uses a factor of 15 percent of useable square feet.

OneNet - DIRM initiative to consolidate voice and data networks into a single network. OneNet brings full capability voice, data access, and Internet services together into a single seamless communications environment.

Router - Hardware definition - The central switching offices of the Internet and internal networks. It is an interface between two networks.

Server - Hardware definition - A shared computer on the Local Area Network used to handle user tasks, such as print requests, store data, etc...

VoIP - (Voice Over Internet Protocol) - The technology used to transmit voice conversations over a data network using the Internet Protocol.