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Report to the Subcommittee on Federal
Financial Management, Government
Information, Federal Services, and International
Security, Committee on Homeland Security and
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February 2007

FEDERAL CAPITAL

Three Entities' Implementation of Capital Planning Principles Is Mixed





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Highlights of [GAO-07-274](#), a report to the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In fiscal year 2005, the federal government spent nearly \$117 billion on capital investments intended to yield long-term benefits for its operations. Effective capital planning ensures that the sizable investments made by federal agencies result in the most efficient return to taxpayers. Accordingly, GAO evaluated (1) how well selected entities followed the planning phase principles of GAO's *Executive Guide* and the Office of Management and Budget's (OMB) *Capital Programming Guide*, (2) OMB's actions to encourage all agencies to conform with capital planning principles, and (3) what capital planning information is received by or would be useful to congressional decision makers. Based on missions, asset types, and capital spending, we selected three entities to review within the Departments of Energy (DOE) and Homeland Security (DHS).

What GAO Recommends

We recommend DOE and DHS improve conformance with capital planning principles at SC and EM, and CBP, respectively. We also make recommendations to the Director of OMB and suggest Congress make capital planning information more available to decision makers. DOE and DHS agreed with our recommendations; OMB agreed with as-needed submissions of capital plans but not with requiring them. We believe requiring these plans is important to ensure consistent conformance with the principles.

www.gao.gov/cgi-bin/getrpt?GAO-07-274.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Susan J. Irving at (202) 512-9142 or irvings@gao.gov.

What GAO Found

The selected entities—the Offices of Science (SC) and Environmental Management (EM) within DOE and U.S. Customs and Border Protection (CBP) within DHS—had mixed success with implementing the planning phase principles and practices described in OMB's and our guides. We found that in their capital planning processes, the selected entities' guidance generally requires linkage between proposed investments and strategic goals and they assess needs and identify performance gaps in a variety of ways. We also found that the selected entities' evaluations of alternatives are not always apparent in their capital planning documentation. Each entity has established a framework to review and approve proposed investments and uses criteria to rank and select projects, but problems exist with CBP's framework and CBP has only established criteria to rank and select its real property investments. In addition, although each entity produces some long-term planning documents, none has developed a comprehensive capital plan that defines all of its long-term investment decisions.

Selected Entities' Conformance with Capital Planning Principles

| Planning principle | DOE/SC | DOE/EM | DHS/CBP |
|---|--------|--------|---------|
| Strategic linkage | ● | ● | ◐ |
| Needs assessment and gap identification | ● | ● | ◐ |
| Alternatives evaluation | ◐ | ◐ | ◐ |
| Review and approval framework with established criteria for selecting capital investments | ● | ● | ◐ |
| Long-term capital investment plan | ○ | ○ | ○ |

● Practices conform ◐ Practices partially conform ○ Practices do not conform

Source: GAO analysis of agency data.

OMB worked with agencies to update its *Capital Programming Guide*, which was released in June 2006. OMB staff also told us that OMB requires agencies to comply with the principles and practices in its guide. However, OMB does not routinely request all the information recommended by its guide. For example, although OMB's guide encourages agencies to develop long-term capital plans, OMB staff told us they do not request copies of these plans, so it is not clear whether all agencies develop them. Instead, OMB staff said they are able to determine if an agency has a capital planning process based on other required documents. Although these documents contain some elements of a long-term capital plan, they do not include all expected aspects.

Congressional staff with whom we met believed additional capital planning information would be useful. Specifically, those responsible for resource allocation for and oversight of SC, EM, and CBP told us they would like to receive the type of information that would be found in a long-term capital plan. Congressional staff said that this information would help Congress make better-informed appropriations and oversight decisions.

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Abbreviations

| | |
|-------|--|
| AIP | accelerator improvement projects |
| ARB | Architecture Review Board |
| BES | Basic Energy Sciences |
| CAMP | Capital Asset Management Process |
| CBP | U.S. Customs and Border Protection |
| DOE | Department of Energy |
| DHS | Department of Homeland Security |
| EM | Office of Environmental Management |
| ESAAB | Energy Systems Acquisitions Advisory Board |
| FIMS | Facilities Information Management System |
| GPP | general plant projects |
| IFI | Integrated Facilities and Infrastructure Crosscut Budget |
| IRB | Investment Review Board |
| IT | information technology |
| MIE | major items of equipment |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| SAP | Systems, Applications and Products |
| SC | Office of Science |
| TYSP | 10-year site plan |

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United States Government Accountability Office
Washington, DC 20548

February 23, 2007

The Honorable Thomas R. Carper
Chairman
The Honorable Tom Coburn
Ranking Member
Subcommittee on Federal Financial Management,
Government Information, Federal Services, and International Security
Committee on Homeland Security and Governmental Affairs
United States Senate

In fiscal year 2005 alone, the federal government spent nearly \$117 billion on capital assets intended to yield long-term benefits for its own operations—a 17 percent increase from the \$100 billion spent in 2002. Both because large sums of taxpayer funds are spent on capital assets and because their performance affects how well agencies are able to achieve their missions, goals, and objectives, effective planning for capital investments is a very important task. The Congress, the Office of Management and Budget (OMB), and we have all identified the need for effective capital planning. In addition, budgetary pressures and demands to improve performance in all areas increase the need for agencies to make sound capital acquisition choices.

This report responds to your request that we evaluate federal entities' conformance with capital planning principles embodied in our *Executive Guide*¹ and in OMB's *Capital Programming Guide*—supplemental guidance contained in its annual *Circular No. A-11*. As requested, we evaluated (1) how well selected entities followed the planning phase principles in OMB's and our guides, (2) what actions OMB has taken to encourage all agencies' conformance with capital planning principles, and (3) what capital planning information is currently received by or would be useful to congressional decision makers. As you requested, we focused on noninformation technology (non-IT) capital investments at selected entities. Based on the diversity in their missions, the different types of assets they acquired, and their relatively high volume of capital spending, we looked at the Office of Science (SC) and the Office of Environmental

¹GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: December 1998).

Management (EM) within the Department of Energy (DOE), and U.S. Customs and Border Protection (CBP) within the Department of Homeland Security (DHS). In fiscal year 2005, SC, EM, and CBP budget authority for capital investments was \$563 million, \$1,027 million, and \$851 million, respectively.

We conducted our work from February 2006 through December 2006 in accordance with generally accepted government auditing standards. Detailed information on our scope and methodology appears in appendix I.

Results in Brief

EM, SC, and CBP have experienced mixed success with implementing the planning phase principles and practices described in OMB's *Capital Programming Guide* and our *Executive Guide*. DOE has a well-established capital planning process in place for higher-cost investments—largely based on OMB's *Capital Programming Guide*, according to DOE officials—that both SC and EM follow; as such, SC's and EM's capital planning processes better conform with capital planning principles. Conversely, CBP's capital planning process is relatively new and untested for capital investments other than IT; it did not fully conform with any of the capital planning principles at the time of our review. We found that in their capital planning processes, all three selected entities' guidance generally requires linkage between proposed investments and strategic goals and objectives and they use a variety of methods to assess needs and identify performance gaps between current and needed capabilities. A lack of non-IT examples meant we were unable to verify implementation of these practices in CBP's process; however, we were able to verify these practices for a CBP project reviewed in DHS's capital planning process. We also found that the selected entities' evaluations of alternatives are not always apparent in their capital planning documentation. Although each entity has established a framework to review and approve proposed investments and uses criteria to rank and select projects, problems exist with CBP's framework, such as it does not review non-IT capital projects below \$50 million, and it has established criteria to rank and select only its real property investments. None of the selected entities has developed a comprehensive, long-term capital plan. Each entity has some long-term planning documents, but none has an entitywide capital plan that defines all of its long-term investment decisions.

OMB has taken steps to encourage agencies' conformance with capital planning principles, but it does not request long-term capital plans from agencies. Beginning in November 2005, OMB collaborated with agencies to

update its *Capital Programming Guide*. The updated guide was released in June 2006 as a part of OMB's annual *Circular No. A-11*. In addition, OMB staff told us that OMB requires agencies to comply with the principles and practices in its guide. However, OMB does not routinely request all the information recommended by its guide. For example, although agencies are encouraged to develop long-term capital plans as a part of the *Capital Programming Guide*, OMB staff told us they do not request copies of these plans, so it is not clear whether all agencies produce them. Instead, OMB staff stated that they are able to determine if an agency has a capital planning process based on other required documents. Although these other documents contain some elements of a long-term capital plan, they do not include all expected aspects. As the principal output of an agency's capital planning process, a long-term capital plan should be the central document an agency uses to guide its capital decision making. We have previously recommended, and we continue to believe, that OMB should require agencies to develop and submit long-term capital plans to OMB and congressional decision makers.

EM, SC, and CBP provide some capital planning information to Congress. However, congressional staff with whom we met stated that they would like to receive additional information. Specifically, those responsible for resource allocation for and oversight of the selected entities told us they would like to receive the type of information that would be found in a long-term capital plan. Congressional staff said that this information would help Congress make better-informed appropriations and oversight decisions.

We make recommendations in this report to the Secretaries of Energy and Homeland Security to improve conformance with capital planning principles at SC and EM, and CBP, respectively. DOE and DHS agreed with these recommendations.

In addition, we make recommendations to the Director of OMB and offer a matter for Congress to consider to enhance the availability of long-term capital planning information to decision makers. OMB agreed that there are benefits to it reviewing an agency's long-term capital plan on an as-needed basis. However, it did not agree that all federal agencies should be required to submit a long-term capital plan to OMB and stated that these plans should be developed by agencies and shared with OMB on a case-by-case basis depending on the specific issue being addressed. We continue to believe that requiring agencies to develop and submit long-term capital plans to OMB will better ensure that agencies have long-term capital

planning processes that conform with established capital planning principles.

Written comments from DOE and DHS are included and addressed in appendixes IV and V, respectively. OMB provided comments orally and via e-mail. In addition, each of the case study entities, their respective departments, and OMB provided technical comments. We have incorporated changes as a result of these comments, as appropriate.

Background

Federal government spending on capital investments can be divided into two categories: that which provides long-term benefits to the nation as a whole—increasing the nation’s overall capital stock for economic growth—and that which improves the efficiency of internal federal agency operations—capital investment for the government as an operating entity. This report focuses on the latter. OMB and we have defined these assets, which are acquired for the government’s own use, as land, structures, equipment, and intellectual property (including software) that have an estimated useful life of 2 years or more.² Some examples are office buildings, waste storage facilities, motor vehicles, aircraft, marine vessels, construction equipment, pieces of scientific research equipment, and scanning and detection equipment.

Effective capital programming requires long-range planning and a disciplined decision-making process as the basis for managing a portfolio of assets to achieve performance goals and objectives with minimal risk, lowest life-cycle costs, and greatest benefits to the agency’s business. Capital programming consists of four phases: (1) planning, (2) budgeting, (3) acquiring, and (4) managing assets. We have previously reported that the planning phase is the crux of the capital decision-making process.³ The results from this phase are used throughout the remaining phases of the process and failure to follow key practices during this phase may have repercussions on agency operations if poor capital investment decisions are made. For the planning phase, both OMB and our guidance stress the importance of linking capital asset investments to an organization’s overall mission and long-term strategic goals. The guidance also emphasizes

²The federal government also acquires information technology assets for its own use. However, as requested, this report focuses on non-IT-related assets.

³GAO, *Budget Issues: Agency Implementation of Capital Planning Principles Is Mixed*, [GAO-04-138](#) (Washington, D.C.: Jan. 16, 2004).

evaluating a full range of alternatives to bridge any identified performance gap, informed by agency asset inventories that contain condition information. Further, the guidance calls for a comprehensive decision-making framework to review, rank, and select from among competing project proposals. Such a framework should include appropriate levels of management review and selections should be based on the use of established criteria. The ultimate product of the planning phase is a comprehensive capital plan, which defines the long-term capital decisions that resulted from the agency's capital planning process. Both OMB and our guidance highlight the importance of this plan. Table 1 further elaborates on the five key capital planning principles contained in the guidance.

Table 1: Capital Planning Principles

| Planning principle | Description |
|---|---|
| Strategic linkage | Capital planning is an integral part of an agency's strategic planning process. It provides a long-range plan for the capital asset portfolio in order to meet the goals and objectives in the agency's strategic and annual performance plans. Agency strategic and annual performance plans should identify capital assets and define how they will help the agency achieve its goals and objectives. Leading organizations also view strategic planning as the vehicle that guides decision making for all spending. |
| Needs assessment and gap identification | A comprehensive needs assessment identifies the resources needed to fulfill both immediate requirements and anticipated future needs based on the results-oriented goals and objectives that flow from the organization's mission. A comprehensive assessment of needs considers the capability of existing resources and makes use of an accurate and up-to-date inventory of capital assets and facilities as well as current information on asset condition. Using this information, an organization can properly determine any performance gap between current and needed capabilities. |
| Alternatives evaluation | Agencies should determine how best to bridge performance gaps by identifying and evaluating alternative approaches, including nonphysical capital options such as human capital. Before choosing to purchase or construct a capital asset or facility, leading organizations carefully consider a wide range of alternatives such as contracting out, privatizing the activity, leasing, and whether existing assets can be used. |
| Review and approval framework with established criteria for selecting capital investments | Agencies should establish a formal process for senior management review and approval of proposed capital assets. The cost of a proposed asset, the level of risk involved in acquiring the asset, and its importance to achieving the agency mission should be considered when defining criteria for executive review. Leading organizations have processes that determine the level of review and analysis based on the size, complexity, and cost of a proposed investment or its organizationwide impact. As a part of this framework, proposed capital investments should be compared to one another to create a portfolio of major assets ranked in priority order. |
| Long-term capital investment plan | The long-term capital plan should be the final and principal product resulting from the agency's capital planning process. The capital plan, covering 5 years or more, should be the result of an executive review process that has determined the proper mix of existing assets and new investments needed to fulfill the agency's mission, goals, and objectives, and should reflect decision makers' priorities for the future. Leading organizations update long-term capital plans either annually or biennially. Agencies are encouraged to include certain elements in their capital plans, including a statement of the agency mission, strategic goals, and objectives; a description of the agency's planning process; baseline assessments and identification of performance gaps; and a risk management plan. |

Source: GAO analysis based on OMB's *Capital Programming Guide* (Version 2.0) and [GAO-04-138](#).

Originally released in July 1997, and recently updated in June 2006, OMB's *Capital Programming Guide* provides federal agencies a basic reference for establishing an effective process for making investment decisions. In December 1998, we issued an *Executive Guide* on leading practices for capital decision making. In addition, in January 2004, we reported on the implementation of capital planning concepts in four federal agencies: the Department of Veterans Affairs, the Bureau of Prisons within the

Department of Justice, the National Park Service within the Department of the Interior, and the National Oceanic and Atmospheric Administration within the Department of Commerce.⁴ We found that these agencies' capital planning processes generally linked investments to their strategic goals and objectives, and they all considered a range of alternatives to bridge any identified performance gap. Most had established frameworks to review and select from competing project proposals, but had limited success with using agencywide asset inventory systems and data on asset condition to identify performance gaps. None of the agencies we examined then had prepared comprehensive, agencywide, long-term capital plans. Since our report, most have taken actions to improve their capital planning processes by addressing some or all of these issues.

As in our past report, this report reviews capital planning processes at selected entities. This report looks at SC, EM, and CBP, which were selected based on the diversity in their missions, the different types of assets they acquired, and their relatively high volume of capital spending.

According to its *5-Year Budget Plan for Fiscal Years 2007-2011*, SC's mission is to "deliver the discoveries and scientific tools that transform our understanding of energy and matter and advance the national, economic, and energy security of the U.S." It had a fiscal year 2006 budget of over \$3.5 billion and manages 10 national laboratories as well as additional research projects at other locations across the country. In fiscal year 2005, budget authority for SC's capital investments accounted for \$563 million, or 15 percent of the total DOE Science appropriations. Its capital spending is influenced by facility revitalization needs and the demand of the scientific community for new or improved research tools and facilities. SC invests in research-oriented assets such as research facilities, new instrumentation and components for existing facilities, and other pieces of scientific research equipment, as well as general-purpose construction, maintenance, and repair projects.

EM's mission is to complete the safe cleanup of the environmental legacy from 5 decades of nuclear weapons development and government-sponsored nuclear energy research. It had a fiscal year 2006 budget of over \$6.5 billion and manages over 80 environmental cleanup projects at 25 sites across the country. In fiscal year 2005, budget authority for capital investments accounted for \$1,027 million, or 14 percent of EM's total

⁴[GAO-04-138](#).

appropriations. EM capital spending is influenced by facility maintenance needs and the legislative and regulatory requirements that drive its cleanup operations as well as the current state of technology. EM acquires waste treatment facilities, waste storage facilities, vehicles, pumping equipment, and construction equipment. Like SC, EM also invests in general-purpose construction, maintenance, and repair projects.

CBP's mission is to prevent terrorists and terrorist weapons from entering the United States while at the same time facilitating the flow of legitimate trade and travel. CBP is organized into 20 different offices and has a large field presence. In fiscal year 2005, budget authority for capital investments accounted for \$851 million, or 13 percent of the agency's total appropriations.⁵ CBP acquires and uses many different types of capital assets to accomplish its mission. Its current facilities and tactical infrastructure portfolio consists of CBP-owned and -leased facilities and real estate, temporary structures, and other tactical infrastructure, such as fences, lights, and barriers. CBP owns and maintains a motor vehicle fleet, a variety of aircraft, and different types of marine vessels. The agency also acquires different types of scanning and detection equipment, such as large-scale X-ray and gamma-imaging systems, and nuclear and radiological detection equipment.

Objectives, Scope, and Methodology

The objectives of this study were to evaluate (1) how well selected entities followed the planning phase principles in OMB's and our guides, (2) what actions OMB has taken to encourage all agencies' conformance with capital planning principles, and (3) what capital planning information is currently received by or would be useful to congressional decision makers. Based on the diversity in their missions, the types of assets they acquired, and their relatively high volume of capital spending, we focused on non-IT capital investments at selected entities: the Office of Science (SC) and the Office of Environmental Management (EM) within the Department of Energy (DOE), and U.S. Customs and Border Protection (CBP) within the Department of Homeland Security (DHS).

To accomplish our first objective, we obtained and reviewed various forms of agency documentation, including asset management, budget, and

⁵CBP's appropriations do not fund all of its capital needs, in particular that for facilities at ports of entry. For example, the majority of land ports of entry facilities are funded through the General Services Administration's Federal Buildings Fund, which receives rent payments from CBP.

program documents; strategic plans; performance plans and other annual plans; and capital project proposals. We also conducted extensive interviews with agency officials at various levels of management, including planning, policy, budget, and facilities staff as well as program, project, and property management staff.

To accomplish our second objective, we met with OMB staff to discuss what actions OMB had taken to encourage agencies' conformance with capital planning principles. We also obtained and reviewed various OMB guidance, including its *Circular No. A-11* and its updated *Capital Programming Guide*.

To accomplish our third objective, we met with staff members of several committees responsible for resource allocation for or oversight of the selected entities in order to better understand what capital planning data are used or would be most useful in their decision making.⁶

Capital Planning Principles Are Evident but Implementation Is Mixed

The selected entities have experienced mixed success with implementing the planning phase principles and practices described in OMB's *Capital Programming Guide* and our *Executive Guide*. DOE has a well-established capital planning process in place for higher-cost investments—largely based on OMB's *Capital Programming Guide*, according to DOE officials—that both SC and EM follow; as such, SC's and EM's capital planning processes better conform with capital planning principles. Conversely, CBP's process is relatively new and untested for capital investments other than IT; it did not fully conform with any of the capital planning principles at the time of our review. We found that in their capital planning processes, the selected entities' guidance generally requires linkage between proposed investments and strategic goals and objectives and they use a variety of methods to assess needs and identify performance gaps between current and needed capabilities. A lack of non-IT examples meant we were unable to verify implementation of these practices in CBP's process; however, we were able to verify these practices for a CBP project reviewed in DHS's capital planning process.

⁶During summer 2006, we met with then majority and minority staff from the Senate Committee on Appropriations, Subcommittee on Homeland Security; Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, and International Security; House of Representatives Committee on Appropriations, Subcommittee on Energy and Water Development; and minority staff from the House of Representatives Committee on Homeland Security.

CBP officials told us that this project served as an example of how a project proceeds through DHS’s capital planning process. We also found that the selected entities’ evaluations of alternatives are not always apparent in their capital planning documentation. Although each entity has established a framework to review and approve proposed investments and uses criteria to rank and select projects, problems exist with CBP’s framework, such as it does not review non-IT capital projects below \$50 million, and it only has established criteria to rank and select its real property investments. In addition, none of the selected entities has developed a comprehensive, long-term capital plan. Each entity has some long-term planning documents, but none has a comprehensive capital plan that defines all of its long-term investment decisions. Figure 1 provides a snapshot of the degrees of conformance with the planning phase guidance at the examined entities. Further information on each entity and its capital planning process is contained in appendix II for SC and EM, and appendix III for CBP.

Figure 1: Selected Entities’ Conformance with Capital Planning Principles

| Planning principle | DOE/SC | DOE/EM | DHS/CBP |
|---|--------|--------|---------|
| Strategic linkage | ● | ● | ◐ |
| Needs assessment and gap identification | ● | ● | ◐ |
| Alternatives evaluation | ◐ | ◐ | ◐ |
| Review and approval framework with established criteria for selecting capital investments | ● | ● | ◐ |
| Long-term capital investment plan | ○ | ○ | ○ |

● Practices conform ◐ Practices partially conform ○ Practices do not conform

Source: GAO analysis of agency data.

All Three Entities’ Guidance Requires Strategic Linkage

Both OMB and our guidance emphasize the importance of linking capital asset investments, funding, and management to an organization’s overall mission and long-term strategic goals. OMB’s guide describes capital planning as an integral part of an agency’s strategic planning process within the framework established by the Government Performance and Results Act.⁷ The guide states that by linking planning and budgeting to

⁷The Government Performance and Results Act of 1993 (Pub. L. No. 103-62) requires agencies to develop strategic plans that contain mission statements, long-term strategic goals and objectives, and annual performance plans with annual performance goals, among other things. It also emphasizes identifying and measuring outcomes, including benefits.

procurement and the management of capital assets the resulting all-encompassing roadmap encourages agencies to develop a capital plan. This provides for the long-range planning of the capital asset portfolio in order to meet the goals and objectives in the strategic and annual performance plans. Both the strategic and annual performance plans should identify capital assets and define how they will help the agency achieve its goals and objectives. Our guide describes how leading organizations also view strategic planning as the vehicle that guides decision making for all spending. These organizations use their strategic planning processes to assess the needs of clients and constituents and the political and economic environment in which they are operating and to link the expected outcomes of projects, including capital projects, to the organization's overall strategic goals and objectives.

EM, SC, and CBP have guidance that calls for linking planned capital acquisitions to agency strategic plans. As required by DOE's capital planning process for investments equal to or over \$5 million—which is largely based on OMB's *Capital Programming Guide*, according to DOE officials—both SC and EM produce mission need statements to tie these higher cost investments to DOE's strategic goals. For example, an SC mission need statement for the National Synchrotron Light Source-II discusses how the proposed research facility is linked to one of SC's program goals, which in turn is linked to DOE's strategic goal to provide world-class scientific research capacity in a number of fields. For projects entering CBP's capital planning process, the related guidance directs project managers to prepare a need analysis document that outlines how the proposed investment links to both CBP and DHS strategic goals. However, we were unable to verify implementation of this practice for non-IT capital projects because none had yet completed CBP's capital planning process at the time of our review. CBP's major non-IT projects—those with an acquisition cost of \$50 million or more—are also reviewed and approved in DHS's capital planning process. DHS guidance calls for a link between the capital investment and DHS's mission and strategic goals in mission need statements. In a mission need statement for Border Patrol's aircraft recapitalization, the narrative explicitly ties aviation assets to the awareness, prevention, and protection goals in DHS's strategic plan. CBP officials told us that Border Patrol's aircraft recapitalization served as an example of how a project proceeds through DHS's capital planning process. This project was not reviewed in CBP's current capital planning process because the project began in 2003, before the process was implemented.

The Selected Entities Generally Conduct Needs Assessment and Gap Identification

Conducting a comprehensive assessment of resources needed or an analysis of program requirements is an important first step in an organization's capital decision-making process. A comprehensive needs assessment identifies the resources needed to fulfill both immediate requirements and anticipated future needs based on the results-oriented goals and objectives that flow from the organization's mission. The needs assessment is results oriented in that it determines what is needed to obtain specific outcomes rather than what is needed to maintain or expand existing capital stock. A comprehensive assessment of needs considers the capability of existing resources and makes use of an accurate and up-to-date inventory of capital assets and facilities as well as current information on asset condition. Using this information, an organization can properly determine any performance gap between current and needed capabilities.

The selected entities assess their needs and identify gaps in a variety of ways. For example, the nature of its programs leads SC to rely on discussion among its research programs, laboratories, advisory committees, and the scientific community to identify gaps in the capabilities of its research-oriented assets. However, for EM, needs assessment is driven by legal or regulatory requirements that target gaps between current and desired environmental safety conditions at cleanup sites and the current state of technology. For example, the need for its Sodium-Bearing Waste Treatment Project is driven by the Idaho Settlement Agreement between DOE, the Department of the Navy, and the state of Idaho, which lays out goals for treatment and disposal of 1 million gallons of sodium-bearing waste at the Idaho National Engineering and Environmental Laboratory. At CBP, capital planning guidance requires the identification of the need for a project, a description of the difference in the current versus required capabilities, and an explanation of why existing resources are unable to provide the required capability. As noted, we were unable to verify implementation of this practice due to a lack of non-IT examples. However, DHS also requires this information, which is illustrated by the previously cited Border Patrol example. In its mission need statement for aircraft recapitalization, Border Patrol references its five mission objectives and describes how aviation assets provide necessary support in carrying out those objectives.⁸ Also in the statement, Border Patrol identifies several gaps in its current and future capabilities

⁸Border Patrol's five mission responsibilities are (1) deterrence, (2) apprehension, (3) intelligence, (4) detection, and (5) proximity.

such as existing aircraft have become unserviceable, increasingly expensive to maintain, or have or soon will reach the end of their useful lives.

CBP has also established a separate process to determine needed improvements for its real property investments. CBP is implementing an investment planning process for Border Patrol and Field Operations facilities that involves conducting long-range strategic resource assessments to assess existing facilities, predict future needs, and analyze space capacity. For example, a strategic resource assessment of the Tucson Field Operations Office found that the main building at the Nogales West land port of entry lacks sufficient space for CBP operations and is not currently configured to achieve unification of legacy services.

CBP, EM, and SC all use inventories to track information on current assets, but data in several of these inventories are inaccurate or incomplete. CBP maintains an agencywide asset inventory that includes asset condition and other information. EM and SC report into a DOE-wide real property inventory. Although there is not yet a departmentwide personal property inventory, EM and SC maintain site-level personal property inventories that include condition information, as required by DOE.⁹ However, some data in CBP's and EM's asset inventories are inaccurate or incomplete. For example, CBP officials told us that legacy Border Patrol marine assets have not yet been transferred from Border Patrol cost centers to Air and Marine cost centers in the agency's asset inventory. In addition, in a report to the House of Representatives and Senate Committees on Appropriations on its Master Construction Planning Process, CBP cited a number of concerns with existing facility data, including that the data were not complete, contained conflicting information, or had not been updated since initial collection. EM officials at one site told us that they had not recorded all of their assets in DOE's real property inventory. Officials at both CBP and EM told us they are working to address these issues.

The Selected Entities' Evaluation of Alternatives Is Not Always Apparent

When a performance gap between needed and current capabilities has been identified, it is important that organizations carefully consider how best to bridge the gap by identifying and evaluating alternative

⁹A DOE official told us that a departmentwide personal property system is scheduled to be operational in fiscal year 2007.

approaches, including noncapital options. OMB's guide states that once detailed requirements are defined, agency management should answer the "Three Critical Questions" before planning to acquire capital assets. The Three Critical Questions are: (1) does the investment in a major capital asset support core/priority mission functions that need to be performed by the federal government, (2) does the investment need to be undertaken by the requesting agency because no alternative private sector or governmental source can better support the function, and (3) does the investment support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf technology? If the answer to all three questions is yes, according to the OMB guide, management should still consider options other than acquiring new assets to bridge the performance gap, such as meeting the objectives through regulation or user fees, using human capital instead of physical capital assets, or consider modifying existing assets. It also encourages the use of benefit-cost or cost-effectiveness analyses to determine if acquiring a new asset is the best way to reduce an identified performance gap. Our guide describes how leading organizations consider a wide range of alternatives to bridge a performance gap, including noncapital alternatives, before choosing to purchase or construct a capital asset or facility. These options include contracting out, privatizing the activity, nonownership options such as leasing, or engaging in joint venture projects with other organizations to minimize the amount invested and reduce the organization's risk. If it is determined that a capital asset is needed to bridge a performance gap, leading organizations first consider the use of existing assets before choosing to purchase or construct new assets.

The selected entities' capital planning documents do not always capture an evaluation of alternatives. Of the 12 SC and EM mission need statements we reviewed, nine included an alternatives evaluation, but even when this was included, noncapital options were not always considered. We also reviewed related acquisition plans and strategies—additional required documents that are expected to fully discuss alternatives—for five of these investments. Although all considered capital alternatives, only one each of the two SC and three EM acquisition plans and strategies we reviewed discussed noncapital options. SC and EM officials told us that alternatives are sometimes evaluated outside of the formal DOE project management process. For example, an SC official told us that senior management decides which assets SC will acquire versus fulfilling its need through noncapital options. This includes providing funding to outside entities, such as a university, for research purposes, but such evaluations were not always captured in related planning documents. CBP does not

require an evaluation of alternatives for projects below \$50 million. However, CBP considers alternatives in its strategic resource assessments of real property investments and for major capital projects that are reviewed by DHS. In the previously cited example of the Nogales West land port of entry, the strategic resource assessment of the Tuscan Field Operations Office considered two options to improve the main building at the Nogales West land port of entry: addition of new space and reconfiguration of existing space.

The Selected Entities Have Established Review and Approval Frameworks but Have Not Established Criteria to Rank and Select All Investments

Establishing a decision-making framework that encourages the appropriate levels of management review and approval is a critical factor in making sound capital investment decisions. A framework supported by the proper financial, technical, and risk analyses can mean capital investment decisions are made more efficiently and supported by better information. OMB's *Capital Programming Guide* states that each agency should establish a formal process for senior management review and approval of proposed capital assets. The cost of a proposed asset, the level of risk involved in acquiring the asset, and its importance to achieving the agency mission should be considered when defining criteria for executive review. Our *Executive Guide* describes how leading organizations use decision-making processes to help them assess where they should invest for the greatest benefit. Some organizations have processes that determine the level of review and analysis based on the size, complexity, and cost of a proposed investment or its organizationwide impact.

As a part of this framework, proposed capital investments should be compared to one another to create a portfolio of major assets ranked in priority order. It is generally beneficial, if not necessary, to rank proposed projects because the number of requested projects often exceeds available funding. OMB's guidance suggests that agencies choose portfolios of capital investments that maximize return to the taxpayer and the government—at an acceptable level of risk. The guide provides one approach to devising a ranked list of projects drawn from multiple best practices organizations: the use of a scoring mechanism that assigns a range of values based on project strengths and weaknesses. Higher scores are given to projects that meet or exceed positive aspects of the decision criteria. Our *Executive Guide* describes processes used by leading organizations for ranking and selecting proposed capital projects. These organizations determined the appropriate mix of projects by viewing all proposed investments and existing capital assets as a portfolio. They selected projects based on preestablished criteria and a relative ranking of investment proposals. The organizations used their overall missions and

strategic objectives as a basis for establishing decision-making criteria, such as increased cost savings, market growth, and link to organizational strategies, to rank projects.

The entities reviewed in this study and the departments in which they are located have established review and approval frameworks, although problems exist with those at CBP and DHS. SC and EM investments with a cost of \$5 million or more are subject to DOE’s formal review and approval framework, which was established in October 2000. Investment proposals are reviewed by a board of senior executives, the composition of which varies depending on project costs and risk, and final approval rests with a designated acquisition executive. Table 2 illustrates the various DOE review boards and approving executives. For lower-cost investments—defined as those below \$5 million—review and approval authority resides at the site level with some oversight by SC and EM. For example, many of SC’s national laboratories have site-level advisory committees that review or make recommendations for lower-cost investments.

Table 2: DOE Review and Approval Authority Thresholds for Investments Costing \$5 Million or More

| Cost threshold | Acquisition executive | Delegated executive | Review board |
|---|--------------------------------------|--|---|
| ≥ \$750 million ^a | Deputy Secretary of Energy | Cannot be delegated | Energy Systems Acquisition Advisory Board (ESAAB) |
| ≥ \$100 million to \$750 million ^a | Under Secretary | Head of program office (if <\$400 million) | ESAAB-equivalent board appointed by the acquisition executive |
| ≥ \$20 million to \$100 million | Head of program office | Program or field organization manager (except for mission need approval) | |
| ≥ \$5 million to \$20 million | Determined by head of program office | n/a | |

Source: GAO analysis of DOE Order 413.3A.

^aThe acquisition executive may designate exceptions to this threshold.

In CBP’s capital planning process, which was established in November 2004, projects are to be reviewed and approved by various bodies, including the Architecture Review Board, the project sponsor, and CBP’s Investment Review Board. Non-IT projects costing \$50 million or more also are reviewed and approved by DHS. DHS’s Investment Review Process sets forth different levels of review and approval based on the cost of the proposed project, as illustrated in table 3. However, although CBP and DHS have established review and approval frameworks, problems exist with both of them. For example, CBP uses DHS’s threshold

of \$50 million to review and approve non-IT capital investments, which is 100 times greater than CBP's threshold for reviewing IT projects. As a result, no non-IT projects had completed this process at the time of our review. Non-IT projects under \$50 million do not go through this review and approval framework, which raises questions about the decision making for projects under \$50 million. In addition, we have previously identified problems with DHS's Investment Review Process, several of which are still unresolved. We previously reported that the process had been under revision for many months, guidance was unclear, and there was confusion about aspects of the process, such as when to submit information or why some submissions had been rejected.¹⁰ We found several of these problems persisted during this review. For example, the Investment Review Process continues to operate under interim guidance and officials told us that it has been revised repeatedly during the past 2 years. One CBP official stated that because the guidance changed frequently it was difficult for staff to know if they were using the latest version.

Table 3: DHS Investment Levels for Non-IT Projects

| Investment level | Review and approval | Total acquisition cost |
|------------------|---|-------------------------------|
| Level 1 | Investment Review Board reviews and approves (after review by the Joint Requirements Council) | >\$100 million |
| Level 2 | Joint Requirements Council reviews and approves | \$50 million to \$100 million |
| Level 3 | Component agency (e.g., CBP) head approves | \$20 million to \$50 million |
| Level 4 | Component agency (e.g., CBP) head approves | <\$20 million |

Source: GAO analysis of DHS Management Directive 1400.1, dated September 26, 2006.

The selected entities have established criteria to rank and select some, but not all, capital investments. For example, SC officials told us that to compare and select among all types of capital investments, they use criteria such as the investment's alignment with SC's research goals and whether it will fill a compelling need to advance science. In addition, both SC and EM use DOE's Capital Asset Management Process (CAMP), a

¹⁰GAO, *Homeland Security: Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization*, [GAO-05-179](#) (Washington, D.C.: Mar. 29, 2005).

standardized scoring system that ranks projects based on four criteria.¹¹ SC’s Laboratory Policy and Infrastructure Division uses CAMP to determine the priority of general-purpose line item investments, whereas SC site-level committees and EM officials use it to score their general plant projects. For other assets, EM officials said that legal obligations and congressional direction on funding transfers establish investment priorities across sites. CBP developed a methodology (illustrated in table 4) to score construction and facility improvement projects at Field Operations land ports of entry and Border Patrol facilities that uses four weighted criteria to determine project priority. Each of the criteria is composed of specific factors with corresponding point values that identify and differentiate projects with the greatest priority; the maximum score a project can receive is 100 points. For example, in applying this methodology at the ports of entry under the Tuscon Field Operations Office’s jurisdiction, the Nogales West land port of entry—with a score of 86.69—had the highest score and was listed as a first priority project. However, CBP does not use similar criteria for ranking and selecting other non-IT capital projects. Instead, officials told us that CBP’s Investment Review Board recommends investment priorities, which are presented to the commissioner who makes the final decision.

Table 4: Criteria for Scoring Capital Investment Projects at CBP Facilities

| Criteria | Weight |
|-------------------------------|--------|
| Mission and operations | 35% |
| Security and life safety | 25% |
| Space and site deficiencies | 25% |
| Personnel and workload growth | 15% |

Source: CBP’s *Master Construction Planning Process* report to Congress dated July 1, 2004.

The Selected Entities Lack Comprehensive, Long-term Capital Plans

The long-term capital plan is the final and principal product resulting from the various steps and stages of the planning phase of capital investment decision making. The capital plan, covering 5 years or more, should be the result of an executive review process that has determined the proper mix of existing assets and new investments needed to fulfill the organization’s mission, goals, and objectives, and should reflect decision makers’ priorities for the future. OMB’s *Capital Programming Guide* encourages

¹¹CAMP’s four criteria are (1) health and safety, (2) environmental and waste management, (3) safeguards and security, and (4) mission and investment.

each agency to develop a capital plan defining the agency's long-term capital needs consistent with its strategic plan. The guide further encourages agencies to include the following elements in the plan:

- a statement of the agency mission, strategic goals and objectives, and annual performance plans;
- a description of the agency's planning process;
- baseline assessments and identification of performance gaps;
- justification of spending for proposed new capital assets;
- the basis for the selection of proposed assets;
- cost schedules, performance goals, and changes thereto;
- staff requirements;
- timing issues, if involved in multi-agency acquisitions;
- plans for proposed capital assets once in use; and
- a summary of the risk management plan.

Our *Executive Guide* describes how leading organizations stress the importance of a long-term capital plan. These organizations prepare long-term plans to document specific planned investments, plan for resource use over the long term, and establish priorities for project implementation. These capital plans typically cover a 5-, 6-, or 10-year period and are updated annually or biennially.

None of the entities we reviewed has a comprehensive, long-term capital plan, although each entity has some documents that contain elements of such a plan. For example, as directed by the House of Representatives and Senate Committees on Appropriations, CBP provides out-year funding estimates in its *Construction Spending Plan*, but this requirement only covers several of its construction projects.¹² CBP's *Air Strategic Plan* describes its air assets, including plans to modernize its fleet. However, as this plan states, it does not yet include plans for CBP's marine assets. CBP was unable to provide us with other documents that would contain long-term planning information, such as its *Master Construction Plan* or its *Five-Year Investment Strategy*; instead it provided us with descriptions of what would be included in them. Both SC and EM produce 5-year budget plans that consider out-year capital asset investments, but these plans lack detailed information, such as the individual projected costs of higher-cost line item projects and major items of equipment. SC and EM sites also produce multiple documents with capital planning information, such as

¹²H.R. Rep. No. 109-241, p. 46 (2005) (Conf. Rep.).

10-year site plans containing each site's investments ranked by priority and project baselines that include out-year investments. There are dozens of these documents, however, and DOE officials do not consolidate them into a comprehensive, long-term capital plan.

OMB Has Taken Actions to Encourage Agencies to Conform with Capital Planning Principles, but It Does Not Request Long-term Capital Plans

OMB has taken steps to encourage agencies' conformance with capital planning principles. OMB staff told us that OMB requires agencies to comply with the principles and practices in its *Capital Programming Guide*, an action previously recommended by us.¹³ In addition, beginning in November 2005, OMB collaborated with agencies to update its guide. OMB created four interagency working groups to facilitate this process with each group focusing on specific components of the guide. The four areas of focus were: (1) performance measurement, (2) earned value management, (3) risk management, and (4) overall improvements. An OMB staff member stated that although all agencies were invited to participate in this effort, 14 agencies formed a core active group.¹⁴ The updated guide was released in June 2006 as a part of OMB's annual issuance of *Circular No. A-11*.

Although OMB requires agencies to follow its guide, OMB staff told us that they do not always request all the information that the guide recommends. For example, although the *Capital Programming Guide* encourages agencies to prepare long-term capital plans, OMB staff told us they do not request copies of these plans, so it is not clear whether all agencies develop them. Instead, OMB staff stated that they are able to determine if an agency has a capital planning process based on other required documents, such as *Capital Asset Plans and Business Case Summaries* (Exhibits 300) and annual budget submissions. Although it is the case that these documents contain some elements of a long-term capital plan, they do not include all expected aspects. For example, Exhibits 300 focus on individual projects and do not present an agencywide, long-term portfolio of all planned capital projects.

¹³GAO-04-138, p. 106.

¹⁴Agencies that actively participated in the update effort were the Departments of Agriculture, Commerce, Education, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, State, Transportation, the Treasury, and Veterans Affairs, as well as the General Services Administration, the National Aeronautics and Space Administration, and the Office of Personnel Management.

As the principal output of the planning phase, the long-term capital plan should be the central document an agency uses for its capital asset planning. Agencies would be more likely to prepare them if OMB collected and reviewed them. As we recommended in 2004, and OMB agreed, we continue to believe OMB should require long-term agency capital plans be developed and submitted to OMB and congressional decision makers.¹⁵

Congress Receives Some Capital Planning Information from Agencies but Additional Information Would Enhance Decision Making

Agencies provide some capital planning information to Congress. However, congressional staff with whom we met stated that they would like to receive additional information. Specifically, those responsible for resource allocation for and oversight of the selected entities told us they would like to receive the type of information that would be found in a long-term capital plan. They told us this information would help Congress make better-informed appropriations and oversight decisions.

Agencies provide some capital planning information in response to requests made in congressional committee reports. For example, CBP has provided congressional appropriators with its *Master Construction Planning Process*—a description of the agency’s process to plan for real property investments—and its *Construction Spending Plan*, which contains some limited out-year funding information. In response to requests by the House Committee on Appropriations, DOE provides the committee with 5-year budget plans, laboratory business plans, and an *Integrated Facilities Infrastructure Crosscut Budget*, all of which contain information on SC and EM capital asset investments.

Congressional staff stated that additional information, such as that contained in a long-term capital plan, would enhance decision making. All of the congressional staff with whom we met expressed interest in receiving more capital planning information from agencies.¹⁶ Specifically, those responsible for resource allocation for or oversight of the selected entities stated they would like to receive priority-ranked project lists, out-

¹⁵ [GAO-04-138](#), p. 106.

¹⁶ During summer 2006, we met with then majority and minority staff from the Senate Committee on Appropriations, Subcommittee on Homeland Security; Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, and International Security; House of Representatives Committee on Appropriations, Subcommittee on Energy and Water Development; and minority staff from the House of Representatives Committee on Homeland Security.

year funding information, details on performance gaps between agency capabilities and defined mission needs, and a discussion of alternatives that were considered. All of this information would be contained in long-term capital plans. Congressional staff stated that the information contained in long-term capital plans would help them carry out their duties and provide greater confidence when making decisions about appropriations or oversight.

In 2004, we recommended that OMB should require that long-term agency capital plans developed pursuant to its guide be submitted to OMB and provided to congressional decision makers; OMB agreed with this recommendation.¹⁷ However, some congressional staff told us that OMB restricts certain capital planning information Congress would like to receive. Several congressional staff members expressed frustration with OMB, stating that it has prevented agencies from providing some capital planning information that goes beyond the current budget year, such as out-year funding projections or long-term capital plans. For example, according to some congressional staff CBP offered to brief Congress on out-year issues, but OMB would not allow it to submit written details.

Conclusions

Both because large sums of taxpayer funds are spent on capital assets and because their performance affects how well agencies are able to achieve their missions, goals, and objectives, effective planning for capital asset acquisitions is necessary to ensure that agencies are getting a good return on their investments, especially in the current budget environment.

For the planning phase, both OMB and our guidance stress the importance of linking capital asset investments to an organization's overall mission and long-term strategic goals. The guidance also places great emphasis on evaluating a full range of alternatives to bridge any identified performance gap, informed by agency asset inventories that contain condition information. Further, the guidance calls for a comprehensive decision-making framework to review, rank, and select from among competing project proposals. Such a framework should include appropriate levels of management review and selections should be based on the use of established criteria. The ultimate product of the planning phase is a comprehensive capital plan, which defines the long-term capital decisions

¹⁷[GAO-04-138](#), p. 106.

that resulted from the agency's capital planning process. Both OMB and our guidance highlight the importance of this plan.

The three entities in this study had mixed success implementing capital planning principles and practices. SC and EM conformance with capital planning principles and practices is similar because both are primarily driven by DOE's project management directive. DOE officials told us that this directive is largely based on OMB's *Capital Programming Guide*, which could be indicative of DOE's commitment to good capital planning. On the other hand, CBP's capital planning process is relatively new and untested for capital investments other than IT. We were unable to verify implementation of capital planning principles in CBP's capital planning process for those non-IT projects; as such, CBP did not fully conform with any of the capital planning principles at the time of our review.

SC generally links planned capital investments to its program goals and DOE's strategic goals. In addition, it assesses the need for investments and identifies performance gaps—for example, through discussions with its staff and stakeholders—and maintains data about its assets, including condition information, in several inventories. However, SC did not always include a discussion of alternatives in its mission need statements; when it did, it did not always consider noncapital alternatives. SC and DOE have established processes to review and approve proposed capital investments and SC uses a variety of criteria to rank and select among all of them. SC does not have a long-term capital plan, but it produces some documents, such as its 5-year budget plan, which contain some of the information that would be included in a capital plan.

Like SC, EM generally links its planned investments to its cleanup goals and DOE's strategic goals. Needs assessment at EM is driven by legal or regulatory requirements that target gaps between current and desired environmental safety conditions at cleanup sites. Although it uses several inventories to track its assets, EM has not recorded all of its assets in DOE's departmentwide real property inventory. The EM mission need statements we reviewed discussed alternatives the entity considered, but they did not always include noncapital options. EM and DOE have established processes to review and approve proposed capital investments, and EM uses a standardized scoring system to rank and select its general plant projects. EM does not have a long-term capital plan, but it produces some documents, such as project baselines, which contain some of the information that would be included in a capital plan.

Understandably, CBP's process is not as far along, as it is a newer agency. Although CBP's guidance for need analysis documents calls for project managers to link proposed investments to the agency's strategic goals and identify the need for each project and the capability gap it will fill, we were unable to verify implementation of these practices due to a lack of non-IT examples. In addition, CBP does not require an evaluation of alternatives for non-IT projects below \$50 million. CBP maintains an agencywide asset inventory, but data quality problems exist, such as inaccurate and incomplete data. CBP has established a framework to review and approve proposed capital investments. However, problems exist with this framework. For example, CBP uses DHS's review threshold of \$50 million, which is 100 times greater than CBP's threshold for reviewing IT projects. As a result, no non-IT projects had completed this process at the time of our review, which raises questions about the decision making for projects under \$50 million. In addition, CBP does not use criteria to rank and select among all of its capital projects; it only does so for real property investments. CBP has some long-term capital planning documents, such as its *Construction Spending Plan*, but none contain all of the information that would be expected in a comprehensive capital plan.

DHS's Investment Review Process requires the development of mission need statements to (1) describe the link between a proposed investment and DHS's strategic goals and (2) assess the need for a project by identifying the gap between current capabilities and future requirements. In addition, DHS's capital planning process requires an analysis of alternatives, and proposed projects are reviewed and approved by various members of DHS's senior management. We were able to verify implementation of these capital planning principles with a CBP project reviewed in the DHS process: Border Patrol's aircraft recapitalization. However, we have previously identified problems with DHS's capital planning process; several of which persist. For example, the Investment Review Process continues to operate under interim guidance, which has been revised repeatedly over the past 2 years. One CBP official told us this made it difficult for staff to know if they were using the most up-to-date version. Although we did not evaluate capital planning at other DHS component agencies, problems may exist with their processes given what we found at CBP and DHS.

As part of its annual issuance of *Circular No. A-11* guidance, OMB requires agencies to follow the capital planning principles contained in its recently updated *Capital Programming Guide*. However, OMB staff told us that they do not always request all the information that the guide recommends. In particular, OMB does not ask for copies of agency long-

term capital plans. The guide encourages agencies to prepare long-term capital plans as the principal output of the planning phase. OMB staff stated that they are able to determine if an agency has a capital planning process based on other documents, such as *Capital Asset Plans and Case Summaries* (Exhibits 300) and annual budget submissions. Nonetheless, we believe it is notable that both this review and the one in 2004, we found that none of the agencies we examined had developed a long-term capital plan, which should be the central document that an agency uses for its capital asset planning. Requiring the development and submission of agency capital plans would ensure that assets are managed to achieve performance goals and objectives with minimal risk, lowest life-cycle costs, and the greatest benefits to the agency's business.

Although Congress receives some capital planning information from agencies, all of the congressional staff with whom we met expressed interest in receiving more. Specifically, they said they would like to receive information that would be included in long-term capital plans, such as project lists ranked by priority, out-year funding information, details on performance gaps between agency capabilities and defined mission needs, and a discussion of alternatives that were considered. Some congressional staff expressed frustration with what they believed was OMB's restriction of the information agencies could provide and said that additional information would enhance their oversight capabilities.

Matter for Congressional Consideration

To ensure that it is receiving the capital planning information it needs to make informed decisions, Congress should require agencies to develop comprehensive, long-term capital plans and submit them for congressional review.

Recommendations for Executive Action

We recommend that the Secretary of Energy ensure that comprehensive alternatives evaluations of capital investments, including consideration of noncapital alternatives as appropriate, are conducted and discussed in agency planning documents. Further, we recommend that the Secretary require the development of a single, agencywide, long-term capital plan to reflect all long-term capital investment decisions.

We recommend that the Secretary of Homeland Security direct the Commissioner of CBP to (1) ensure that comprehensive alternatives evaluations of capital investments, including consideration of noncapital alternatives as appropriate, are conducted and discussed in agency planning documents, (2) require the development of criteria to rank and

select all capital projects, and (3) lower the dollar amount of the review threshold for non-IT capital projects to ensure that all capital projects are linked to the agency's strategic goals and objectives and receive an appropriate level of review. We further recommend that the Secretary direct the Commissioner to require the development of a single, agencywide, long-term capital plan to reflect all long-term capital investment decisions. The Secretary should also consider if similar changes need to be made at other DHS component agencies. Further, we recommend that the Secretary finalize the Investment Review Process and its related guidance.

We reiterate our previous recommendation that the Director of the Office of Management and Budget require that agencies develop and submit agencywide, long-term capital plans to OMB. We further recommend that the Director instruct agencies to make these plans available to congressional decision makers.

Agency Comments and Our Evaluation

We provided draft copies of this report to and requested comments from the Secretaries of Energy and Homeland Security, and the Director of OMB. We obtained comments from the entities selected for review—SC, EM, and CPB, the departments in which they are located (DOE and DHS), and OMB.

DOE and EM, in a joint letter from the Acting Deputy Director, Office of Internal Review, Office of the Chief Financial Officer, concurred with our recommendations to undertake comprehensive alternatives evaluations—including the consideration of noncapital alternatives—and to develop a single, agencywide, long-term capital plan. However, EM provided additional comments regarding our evaluation of its conformance with several capital planning principles—needs assessment and gap identification, alternatives evaluation, and a long-term capital investment plan. EM disagreed with a statement in our draft report in which we reported that EM officials told us that some of its sites had not recorded all assets in DOE's real property inventory. We have revised our statement to reflect that it was EM officials at one site that told us not all of their real property assets were currently listed in FIMS and that they were working to fix this issue. In our discussion on alternatives evaluation, EM asked for a further description of perceived shortcomings in capital planning documentation for EM projects. In response, we added information about the alternatives considered in several acquisition strategies and plans in which EM did not discuss noncapital options—a topic highlighted in both OMB's and our guidance. Additionally, EM stated that its documentation

currently meets with OMB's and our long-term capital planning guidance. However, as we state in our report, EM lacks a central, long-term capital plan that includes all planned assets and out-year funding projections. In its comments, DOE provided additional information about its corporate-level planning processes. This information describes the Department's budget and strategic planning processes, which should be informed by the Department's capital planning process. DOE noted that elements of a capital plan are contained in other documents, such as its strategic plan and congressional budget request; however, this further illustrates our point that DOE's capital planning information is contained in multiple documents and is not consolidated into a comprehensive, long-term capital plan. DOE's complete comments and our responses are contained in appendix IV.

SC provided comments in an e-mail from an audit liaison in which it suggested we take into account additional DOE-required planning documents, besides the mission need statement, that discuss alternatives evaluation. In response, we incorporated more information about alternatives that were described in SC acquisition strategies and plans.

DHS agreed with all of the recommendations we made to it and said that it will work with CBP and its other components to ensure they better conform with OMB's and our capital planning guidance. In written comments provided by the Director, Departmental GAO/OIG Liaison Office, DHS points to CBP's *Air Strategic Plan* as another source of long-term capital planning information. Although this plan contains some elements of a long-term capital plan, like other CBP capital planning documents, it is not comprehensive in nature and only covers capital assets to support air operations. DHS's complete comments and our responses are contained in appendix V.

In comments provided orally and via e-mail, OMB partially agreed with our recommendation regarding agency development and submission of long-term capital plans. OMB agreed that there are benefits from OMB review of agency long-term capital plans on an as-needed basis; however, it did not agree with our recommendation that all federal agencies should be required to submit a long-term capital plan to OMB. OMB stated that these plans should be developed by agencies and shared with OMB on a case-by-case basis depending on the specific issue being addressed and the need to view supporting materials. Agencies are encouraged to have on hand capital planning documents at various levels of detail, applying each for different purposes. For example, OMB's guide states that a summary might be sufficient for the authorization process in Congress or justifications for

the appropriations committees. However, as we noted earlier in this report, we found in both this review and the one in 2004 that none of the agencies we examined had capital planning processes that fully conformed with OMB's and our guidance, nor had any of those agencies developed long-term capital plans at the time of our reviews. A long-term capital plan should be the principal product of the planning phase and the central document an agency uses for its capital asset planning.

We continue to believe that requiring agencies to develop and submit long-term capital plans will better enable OMB to ensure that agencies have long-term capital planning processes that conform with established capital planning principles. Moreover, as expressed by congressional staff with whom we met, information contained in long-term capital plans would help Congress carry out its duties and have greater confidence when making decisions about appropriations or oversight.

In addition to the comments described above, each of the case study entities, their respective departments, and OMB provided technical comments. We have incorporated changes as a result of these comments, as appropriate.

As we agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution of it until 30 days from the date of this letter. At that time, we will send copies of this report to the Director of the Office of Management and Budget and the Secretaries of Energy and Homeland Security. We will also make copies available to others upon request. This report will also be available at no charge on the GAO Web site at <http://www.gao.gov>.

Please contact me on (202) 512-9142 if you or your staff have any questions about this report. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. Other staff acknowledgments are listed in appendix VI.



Susan J. Irving
Director, Federal Budget Analysis
Strategic Issues

Appendix I: Objectives, Scope, and Methodology

The objectives of this study were to evaluate (1) how well selected entities followed the planning phase principles in our *Executive Guide* and OMB's *Capital Programming Guide*, (2) what actions OMB has taken to encourage all agencies' conformance with capital planning principles, and (3) what capital planning information is currently received by or would be useful to congressional decision makers.

This study focused on major noninformation technology (non-IT) capital assets acquired by the federal government primarily to benefit the government's own operations. OMB and we have previously defined these assets as land, structures, equipment, and intellectual property that are used by the federal government and have an estimated useful life of 2 years or more. Capital assets exclude items acquired for resale in the ordinary course of operations or held for the purpose of physical consumption, such as operating materials and supplies. Specific capital assets acquired by the selected entities in this study include office buildings, waste storage facilities, motor vehicles, aircraft, marine vessels, construction equipment, pieces of scientific research equipment, and scanning and detection equipment. We limited the general scope of our work to the planning processes used to acquire and manage investments other than IT, so we did not address the principles and practices specific to IT acquisitions. We looked only at the planning processes used to acquire major capital assets as defined by the selected entities, including major modifications or enhancements to existing structures.

To select our case study entities, we used character class data from OMB's MAX¹ system to identify agencies with substantial capital expenditures over a 5-year period. We first sorted the agencies from highest to lowest level of average capital outlays for fiscal years 2000 through 2004. We extracted the top 24 agencies, whose capital expenditures represented 86 percent of total nondefense capital outlays for fiscal year 2004. To narrow down the candidate pool we excluded agencies from our review if (1) they had been selected in our previous review, (2) the majority of their capital investments was targeted at IT or particularly unique assets, (3) they were subject to unique sensitivities such as security restrictions or heightened activity in response to Hurricane Katrina, or (4) they relied heavily on nonappropriations-based funding sources. This resulted in a subset of nine agencies whose capital outlays represented 30 percent of nondefense

¹MAX is the computer system used to collect and process information needed to prepare the President's Budget.

capital outlays for fiscal year 2004. For this subset we examined agency characteristics, including missions, the types of assets acquired, control over asset acquisitions and recent related studies as well as our past work and other literature, organizational data available on the Internet, and agency strategic plans and performance and accountability reports. Based on this information we selected three entities within two departments to review: the Office of Science (SC) and the Office of Environmental Management (EM) within the Department of Energy (DOE), and U.S. Customs and Border Protection (CBP), an agency within the Department of Homeland Security (DHS). This final selection was based on our goal of having diversity in agency missions, the types of assets acquired, and the volume of capital spending. Both DOE and CBP had also exhibited recent growth in volume of capital spending, and this growth was expected to continue into the future.

We examined policies and procedures in place at the department level as well as at SC, EM, and CBP. A sizable portion of SC's and EM's budget authority is for capital asset acquisitions. Our work at CBP focused on the four offices that own and acquire the bulk of the agency's capital assets or with a significant role in its capital planning process: the Office of Field Operations, the Office of Border Patrol, the Office of Air and Marine Operations, and the Office of Information and Technology.

To accomplish our first objective, we obtained and reviewed various forms of agency documentation, including asset management, budget, and program documents; strategic plans; performance plans and other annual plans; and capital project proposals. We also conducted extensive interviews with officials at various levels of management, including planning, policy, budget, and facilities staff as well as program, project, and property management staff.

The findings of our study and agency capital planning practices described in this report are based on testimonial evidence and our review of documentation provided by agency officials. We did not observe or evaluate the processes in operation, nor did we evaluate the effectiveness of the specific elements of agency processes or assess the outcomes or decisions made as the result of agency planning efforts. Our work documented the agency practices and whether they conformed to OMB guidance and the practices of leading organizations.

To accomplish our second objective, we met with OMB staff to discuss what actions OMB had taken to encourage agencies' conformance with capital planning principles. We also obtained and reviewed various OMB

guidance, including its *Circular No. A-11* and its updated *Capital Programming Guide*.

To accomplish our third objective, we met with staff members of several committees responsible for resource allocation for or oversight of the selected entities in order to better understand what capital planning data are used or would be most useful in their decision making.²

We held an exit briefing with each of the selected entities to convey our findings and requested and received comments on a draft of this report. We conducted our work from February 2006 through December 2006 in accordance with generally accepted government auditing standards.

²During summer 2006, we met with then majority and minority staff from the Senate Committee on Appropriations, Subcommittee on Homeland Security; Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, and International Security; House of Representatives Committee on Appropriations, Subcommittee on Energy and Water Development; and minority staff from the House of Representatives Committee on Homeland Security.

Appendix II: Department of Energy

Background

The overarching mission of the Department of Energy (DOE) is to advance the national, economic, and energy security of the United States; to promote scientific and technological innovation in support of that mission; and to ensure the environmental cleanup of the national nuclear weapons complex. DOE is a geographically dispersed, cabinet-level agency with a budget of over \$23 billion in fiscal year 2006. DOE is organized into nine program offices, several semi-autonomous agencies, and a number of staff offices. Two program offices, the Office of Science (SC) and the Office of Environmental Management (EM), were selected for review based on their substantial real property holdings and high levels of capital asset investment.

According to its *5-Year Budget Plan for Fiscal Years 2007-2011*, SC's mission is to "deliver the discoveries and scientific tools that transform our understanding of energy and matter and advance the national, economic, and energy security of the United States." It had a fiscal year 2006 budget of over \$3.5 billion and manages 10 national laboratories as well as additional research projects at other locations across the country. SC capital spending is influenced by facility revitalization needs and the demand of the scientific community for new or improved research tools and facilities.

EM's mission is to complete the safe cleanup of the environmental legacy from five decades of nuclear weapons development and government-sponsored nuclear energy research. It had a fiscal year 2006 budget of over \$6.5 billion and manages over 80 environmental cleanup projects at 25 sites across the country. EM capital spending is influenced by facility maintenance needs and the legislative and regulatory requirements that drive its cleanup operations as well as the current state of technology.

Types of Assets

SC and EM acquire a variety of assets. SC invests in research-oriented assets such as research facilities, new instrumentation and components for existing facilities, and other pieces of scientific research equipment. EM acquires waste treatment facilities, waste storage facilities, vehicles, pumping equipment, and construction equipment. Both SC and EM invest in general-purpose construction, maintenance, and repair projects.

Capital asset investments at EM and SC can be divided into three major categories based on cost threshold and project type: (1) line item projects, (2) capital equipment—which includes major items of equipment (MIE) at SC—and (3) general plant projects (GPP). Additionally, SC invests in accelerator improvement projects (AIP). Figure 2 provides a summary of

each category of capital investment. Different policies and practices apply to each investment category. Capital investments with a total project cost of \$5 million or more are subject to DOE-wide project management directives.¹ Other investments are subject to review and approval processes in place at the site and program levels.

¹DOE Order 413.3, *Program and Project Management for the Acquisition of Capital Assets*, was approved in October 2000 and formed the foundation of the current DOE capital planning process. It was supplemented by Manual 413.3-1 in March 2003. In July 2006 the original Order 413.3 was superseded by Order 413.3A, which is now the main DOE directive governing acquisition of capital assets with a cost equal to or above \$5 million. Parts of the supplemental Manual 413.1-1 that describe formats and content of capital planning documentation remain in effect.

Figure 2: Summary of SC and EM Project Categories**(1) Line Item Projects**

Line items are construction projects with an estimated cost at or above \$5 million. SC line items include new research facilities such as light sources, technology centers, and accelerators, as well as general-use facilities. EM line items include waste processing and storage facilities. All line item projects are subject to DOE-wide project management policies.

(2) Capital Equipment

Equipment with a cost over DOE's \$50,000 capitalization threshold is considered capital equipment. SC capital equipment includes new instrumentation and components for non-accelerator facilities, such as beam lines for light sources, as well as computing hardware and other pieces of scientific research equipment. EM capital equipment includes vehicles, pumping equipment, and construction equipment. Capital equipment projects are overseen by processes in place at the site and program levels.

(3) General Plant Projects (GPP)

GPP are minor construction projects of a general nature with a cost under \$5 million. GPP may include construction of small buildings or infrastructure improvement projects. GPP are overseen by processes in place at the site and program levels.

(4) Major Items of Equipment (MIE)

SC capital asset investments with an estimated cost of \$2 million or more that do not have a significant construction portion are considered MIE projects. MIE projects with a cost at or above \$5 million are subject to DOE-wide project management policies. MIE with a cost below \$5 million are treated as capital equipment projects, described above.

(5) Accelerator Improvement Projects (AIP)

SC upgrade and maintenance projects that result in improved performance or capability of an accelerator facility are considered AIP. AIP are overseen by processes in place at the site and program levels.

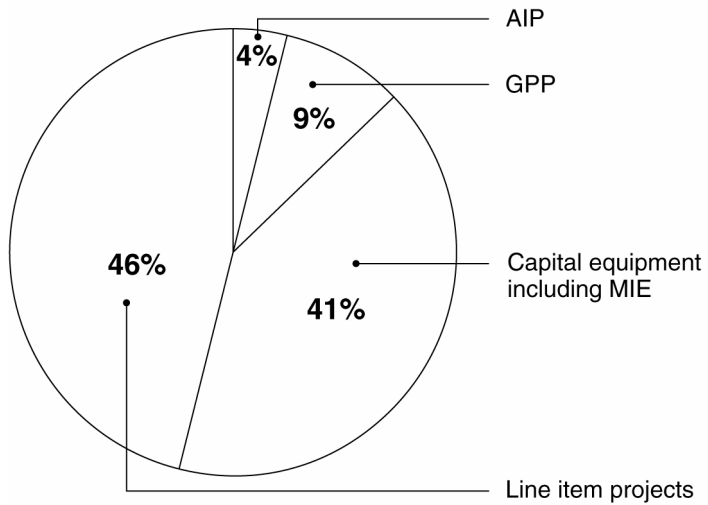
Source: GAO analysis of DOE data.

Capital Funding

A sizable portion of SC's and EM's budget authority is for capital asset acquisitions. In fiscal year 2005, SC's budget authority for capital asset investment accounted for \$563 million, or 15 percent of DOE's total Science appropriations. As figure 3 illustrates, line item projects and capital equipment accounted for most of SC's capital funding in fiscal year 2005. For EM, budget authority for capital asset investment accounted for \$1,027 million, or 14 percent of EM's total appropriations in fiscal year 2005. As figure 4 illustrates, line item projects accounted for most of EM's capital funding in fiscal year 2005.

Figure 3: SC Capital Asset Investments, Fiscal Year 2005

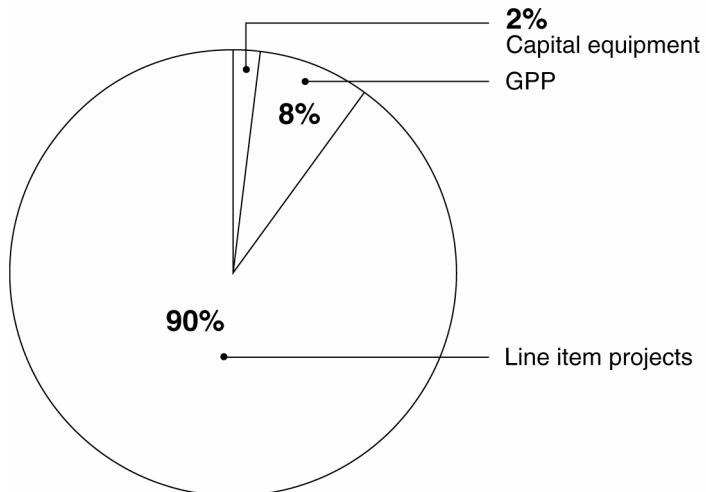
Total = \$563 million (budget authority)



Source: GAO analysis of data in DOE's *Fiscal Year 2007 Congressional Budget Request*.

Figure 4: EM Capital Asset Investments, Fiscal Year 2005

Total = \$1,027 million (budget authority)



Source: GAO analysis of data in DOE's *Fiscal Year 2007 Congressional Budget Request*.

Capital Planning Process

Both SC and EM have made commendable progress toward aligning their policies and practices with key capital planning principles. DOE requires capital asset investments with a cost at or over \$5 million—labeled higher-cost investments—to pass through a well-defined and documented decision-making process. The process, largely based on OMB’s *Capital Programming Guide*, according to DOE officials, requires that mission need statements and acquisition plans and strategies be produced to link proposed investments to strategic goals, justify capital asset needs, and evaluate investment alternatives. The process also requires formal review and approval of both the identified need and the capital alternative proposed to address it. Both SC and EM have followed DOE’s process for line item projects and qualifying MIE projects. They have also put site- and facility-level processes in place for investments below the \$5 million threshold—lower-cost investments—which consist of GPP, AIP, and capital equipment, including MIE projects. Although SC and EM have put DOE and site-level capital planning processes into place, their evaluation of investment alternatives is limited and they do not produce comprehensive, long-term capital investment plans.

Figure 5 shows SC’s and EM’s varying degrees of implementation of capital planning principles. SC and EM conformance with capital planning principles is similar because both are driven by DOE-wide project and real property management policies. However, each program office differs in how it implements these policies and the types of assets it manages and acquires. SC and EM sites also differ in how they plan for lower-cost capital investments that are not covered by DOE-wide policies.

Figure 5: SC’s and EM’s Conformance with Capital Planning Principles

| Planning principle | DOE/SC | DOE/EM |
|---|--------|--------|
| Strategic linkage | ● | ● |
| Needs assessment and gap identification | ● | ● |
| Alternatives evaluation | ◐ | ◐ |
| Review and approval framework with established criteria for selecting capital investments | ● | ● |
| Long-term capital investment plan | ○ | ○ |

● Practices conform ◐ Practices partially conform ○ Practices do not conform

Source: GAO analysis of DOE data.

Strategic Linkage

SC and EM link investments to program missions and strategic goals. SC's higher-cost line item and MIE investments are tied to scientific research goals through mission need statements produced as part of the DOE capital planning process. For example, the mission need statement for the National Synchrotron Light Source-II discusses how the proposed research facility need is linked to the Basic Energy Sciences (BES) program goal of studying material properties at the nanoscale level. This BES research goal is in turn linked to DOE's strategic goal to provide world-class scientific research capacity in a number of fields, including nanoscale science. EM's mission need statements tie line item investments to environmental cleanup goals. For example, the mission need statement for the 105-K Plutonium Vitrification Project discusses how the proposed waste treatment facility is needed to achieve a cleanup project's goal to dispose of 13 metric tons of plutonium. This objective aligns with DOE's strategic goal to cleanup contaminated nuclear weapon manufacturing and testing sites. GPP needs for both program offices are tied to department strategic goals through 10-year site plans (TYSP) produced by major SC and EM sites, as required under DOE real property management policy.² Additionally, some of SC's lower-cost investments in AIP and capital equipment are tied to facility strategic plans. EM capital equipment investments are embedded in cleanup project plans.

Needs Assessment and Gap Identification

Both program offices employ several techniques to identify performance gaps and determine needs. SC relies on discussion among its research programs, laboratories, advisory committees, and the scientific community to identify gaps in the current capabilities of its research-oriented assets. For example, new SC research facilities were selected through a series of presentations, internal hearings, community workshops, and peer reviews. EM needs assessment is driven by legal or regulatory requirements that target gaps between current and desired environmental safety conditions at cleanup sites and the current state of technology. For example, the need for the Sodium-Bearing Waste Treatment Project is driven by the Idaho Settlement Agreement between DOE, the Department of the Navy, and the state of Idaho, which lays out goals for treatment and disposal of 1 million gallons of sodium-bearing waste at the Idaho National Engineering and Environmental Laboratory.

²DOE Order 430.1B, *Real Property Asset Management*, articulates the department's policy on real property asset management.

SC and EM employ a number of real and personal property asset inventories to support needs assessments. At the department level, DOE maintains a departmentwide real property inventory, the Facilities Information Management System (FIMS), which includes summary condition information. EM officials at one site told us they had not recorded all of their assets in FIMS but are working to correct the issue. DOE does not yet have a departmentwide personal property system but a DOE official said such a system is scheduled to be operational in fiscal year 2007. At the site level, individual SC and EM sites maintain their own real and personal property asset inventories that include condition information, as required by DOE. Sites use real property asset information and standardized project-scoring to inform selection of GPP and general-purpose line item projects. Although sites maintain personal property systems to account for other assets, including capital equipment, they use other information, such as discussion within the scientific community or regulatory requirements described above, to determine need.

Alternatives Evaluation

SC and EM capital planning documents do not always capture an evaluation of the alternatives considered. In mission need statements we reviewed, we found that although all four of EM's higher-cost investments described alternatives considered, only five out of SC's eight did. In addition, only four SC and one EM mission need statements considered noncapital alternatives, such as divesting functions or using existing facilities. This may be attributed in part to the fact that alternatives evaluation was not a formal DOE requirement until March 2003, even though this practice has been included in OMB's *Capital Programming Guide* since 1997. However, not all of the investments proposed after March 2003 included a comprehensive alternatives evaluation. Three of the four SC mission need statements submitted after March 2003 considered capital and noncapital alternatives but one did not. Although both of the EM mission need statements submitted after March 2003 considered capital alternatives, one did not consider noncapital alternatives.

We also reviewed related acquisition plans and strategies—additional required documents that are expected to fully discuss alternatives—for five of these investments. Although all considered alternatives, only one each of the two SC and three EM acquisition plans and strategies we reviewed discussed noncapital options. Both of the SC acquisition plans and strategies we reviewed discussed life-cycle costs as required by DOE policy, but only one of three EM acquisition plans and strategies provided a life-cycle cost estimate. Life-cycle costs can be an important factor when

deciding among alternatives. For example, SC’s Capabilities Replacement Laboratories project found potential savings of \$53 million to \$163 million when it compared the life-cycle costs of four possible alternatives.

Alternatives may sometimes be evaluated outside of the formal DOE project management process. For example, an SC official told us that senior management decides which assets SC will acquire versus fulfilling its need through noncapital options. This includes providing funding to outside entities, such as a university, for research purposes. EM officials said that they use site-level inventories as well as excess facilities information from FIMS and the Energy Asset Disposal System when considering if an investment need can be satisfied by using existing assets.

Review and Approval Framework with Established Criteria for Selecting Projects

All SC and EM investments with a cost at or above \$5 million are subject to formal review and approval. Investment proposals are reviewed by a board of senior executives and final approval is given by a designated acquisition executive. As illustrated in table 5, the level of executive review and approval authority required varies depending on cost and other perceived investment risks. DOE officials said that they were unaware of any EM or SC project that has circumvented the DOE approval process, although they told us that MIE projects were difficult to track in later execution phases because of their low budget profiles.

Table 5: DOE Review and Approval Authority Thresholds for Investments Costing \$5 Million or More

| Cost threshold | Acquisition executive | Delegated executive | Review board |
|---|--------------------------------------|--|---|
| ≥ \$750 million ^a | Deputy Secretary of Energy | Cannot be delegated | Energy Systems Acquisition Advisory Board (ESAAB) |
| ≥ \$100 million to \$750 million ^a | Under Secretary | Head of program office (if <\$400 million) | ESAAB-equivalent board appointed by the acquisition executive |
| ≥ \$20 million to \$100 million | Head of program office | Program or field organization manager (except for mission need approval) | |
| ≥ \$5 million to \$20 million | Determined by head of program office | n/a | |

Source: GAO analysis of DOE Order 413.3A.

^aThe acquisition executive may designate exceptions to this threshold.

Review and approval authority for lower-cost investments resides at the site level with some oversight at the program level. Many of SC’s national laboratories have site-level advisory committees that review or make recommendations for lower-cost capital investments—GPP, AIP, and

capital equipment, including lower-cost MIE projects. SC research program officials told us that AIP and capital equipment—including MIE—also undergo a peer review process. Proposals for lower-cost investments are submitted to research programs at SC headquarters for additional review and approval under the budget process.³ Regarding EM, field office managers have the authority to review and approve GPP investments at sites. Officials did not identify any formal review process for capital equipment investments beyond the negotiation of work tasks between EM and its contractor.

Capital investments at SC and EM are ranked and selected in a variety of ways. At SC, research program officials told us that to compare and select among all types of capital investments they use criteria such as the investment's alignment with SC's research goals and whether it will fill a compelling need to advance science. SC senior management and science advisory committees determine the priority of prospective research facilities and some higher-cost MIE projects in SC's *Facilities for the Future of Science: A Twenty-Year Outlook*. In addition, for general-purpose line item projects, SC's Office of Laboratory Policy and Infrastructure, Infrastructure Division uses input from a standardized scoring system, DOE's Capital Asset Management Process (CAMP).⁴ Site-level review committees also use CAMP scoring to prioritize GPP investments. Officials told us that they establish the priority of AIP and capital equipment, including MIE, through discussion between labs and facilities; some facilities develop formal plans to identify out-year priorities. For EM investments, officials said that legal obligations and congressional direction on funding transfers establish project priorities across sites. At the site level, investment priorities are generally determined through agreements with federal, state, or local authorities within the context of cleanup operations.⁵ Additionally, like SC, EM uses CAMP to rank and select its GPP.

³The six major SC research programs are: Advanced Scientific Computing Research, Basic Energy Sciences, Biological and Environmental Research, Fusion Energy Sciences, High Energy Physics, and Nuclear Physics.

⁴CAMP ranks projects based on four criteria: (1) health and safety, (2) environmental and waste management, (3) safeguards and security, and (4) mission and investment.

⁵Authorities include environmental regulators such as the Environmental Protection Agency or local water boards.

Long-term Capital Investment Plan

Neither SC nor EM has a comprehensive, long-term capital investment plan at the program office level. SC and EM budget and related documents satisfy some elements of long-term capital plans but not all. For example, these documents do not always include details on planned capital investments or out-year funding projections. Moreover, this information is contained in dozens of SC and EM site- and facility-level planning documents which are not consolidated into comprehensive, higher-level capital plans.

Officials identified DOE budget documents as the best source of information for planned capital investments. Although DOE's budget request includes summaries of planned capital asset spending for SC and EM, it is limited to the current budget year. Each program office also produces a 5-year budget plan and laboratory business plan, as directed by the House of Representatives Committee on Appropriations.⁶ Although officials said these plans consider out-year capital asset investments, they lack detailed information, such as projected costs of higher-cost line item or MIE investments.⁷ DOE officials said they keep two versions of the 5-year budget plans—one version for the congressional appropriators that is tied to OMB projections and one for internal use that adopts a less constrained budget profile.

DOE program offices also produce an *Integrated Facilities and Infrastructure Crosscut Budget* (IFI) to accompany the annual budget request, as directed by the House of Representatives and Senate Committees on Appropriations.⁸ The IFI integrates information from SC and EM 10-year site plans (TYSP) for real property and provides a funding summary for facility and infrastructure. Although the IFI projects 5-budget years into the future, the version of the IFI that is provided to the appropriators is limited to the current budget year. Additionally, SC's IFI does not include all of the costs associated with capital investment in new research facilities. For example, the SC IFI for fiscal year 2007 does not include costs associated with several research facility line item projects that were planned or underway. Like the 5-year budget plans, the IFIs are tied to OMB projections.

⁶H.R. Rep. No. 109-86, p. 90 (2006).

⁷H.R. Rep. No. 109-474, p. 71 (2006) directs DOE to include funding profiles for all projects with a cost in excess of \$100 million in its 5-year budget plans for fiscal year 2008.

⁸H.R. Rep. No. 107-258, p. 108 (2001) (Conf. Rep.).

Site-level documents contain additional information that could be used as input to assemble SC- and EM-wide capital plans. Real property TYSPs produced by 10 SC national laboratories and eight major EM sites include priority-ranked lists of capital asset investments planned over a 10-year horizon. Budget proposals put forward by SC sites include capital asset investment priorities planned for out-years. Officials from the SC research programs we reviewed said they use this information when formulating their budget requests. SC research program officials also said that their research facilities produce their own capital and strategic plans that include out-year information. EM sites develop cost and activity baselines for each of their cleanup projects. Officials said that these baselines include planned capital asset investments but that planned capital investments under \$5 million are embedded with noncapital costs.

Appendix III: U.S. Customs and Border Protection

Background

The mission of U.S. Customs and Border Protection (CBP), an agency within the Department of Homeland Security (DHS), is to prevent terrorists and terrorist weapons from entering the United States while at the same time facilitating the flow of legitimate trade and travel. CBP was established during the reorganization of the federal government that created DHS, integrating and unifying all agencies with significant border responsibilities into a single organization responsible for managing, controlling, and securing the nation's border. CBP consists of the inspection and frontline border enforcement functions previously carried out by the U.S. Customs Service, Immigration and Naturalization Service, including Border Patrol, and Animal and Plant Health Inspection Service. It also includes U.S. Customs Service's trade and revenue collection functions.

Headed by a commissioner, CBP is organized into 20 separate offices and has a large field presence. Offices that own and acquire the bulk of CBP's capital assets or with a significant role in CBP's capital planning process include the Office of Field Operations (Field Operations), the Office of Border Patrol (Border Patrol), the Office of Air and Marine Operations (Air and Marine), and the Office of Information and Technology. Some of CBP's operations are geographically dispersed. For example, Field Operations maintains programs at 20 field operations offices and 327 ports of entry, of which 15 are pre-clearance stations in Canada and the Caribbean. Border Patrol agents are assigned to patrol more than 6,000 miles of the nation's land borders and are coordinated through 20 sectors.

Types of Assets

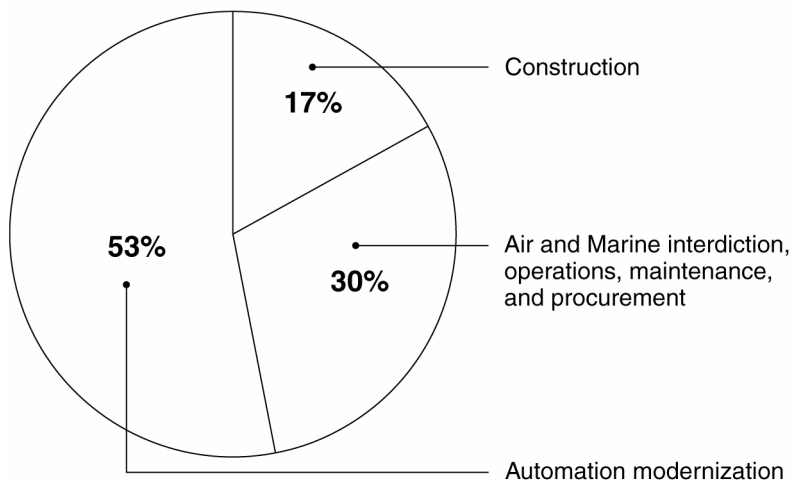
CBP acquires and uses many different types of noninformation technology (non-IT) capital assets to accomplish its mission. Its current facilities and tactical infrastructure portfolio consists of CBP-owned and -leased facilities and real estate; temporary structures, such as modular buildings for rapid deployment and temporary base camps; and other tactical infrastructure, such as fences, lights, and barriers. CBP owns and maintains a motor vehicle fleet, a variety of aircraft including fixed wing aircraft, helicopters, and unmanned aerial vehicles, and different types of marine vessels such as hovercrafts, airboats, and high-speed interceptors. The agency also acquires different types of scanning and detection equipment, such as large-scale X-ray and gamma-imaging systems, nuclear and radiological detection equipment, as well as a variety of portable and hand-held devices.

Capital Funding

A sizable portion of CBP's appropriations is budget authority for capital investments. In fiscal year 2005, budget authority for capital investments accounted for \$851 million, or 13 percent of CBP's total appropriations. However, not all of CBP's capital needs are funded by the agency's appropriations; in particular that for facilities at ports of entry. For example, the majority of land ports of entry facilities are funded through the General Services Administration's Federal Buildings Fund, which receives rent payments from CBP. Nevertheless, as illustrated in figure 6, the investments funded by CBP's appropriations fell into three main categories: (1) automation modernization, (2) construction, and (3) Air and Marine interdiction, operations, maintenance, and procurement. The majority of CBP's capital funding—53 percent—was for automation modernization.

Figure 6: CBP Capital Asset Investments, Fiscal Year 2005

Total = \$851 million (budget authority)



Source: GAO analysis of CBP's *Budget in Brief, Fiscal Year 2007*.

Capital Planning Process

The capital planning process at CBP is evolving. The agency has established a review and approval framework that requires documentation to (1) describe how a proposed capital project supports the agency's strategic goals and (2) identify the mission need and gap between current and required capabilities. CBP also evaluates alternatives for some of its capital projects. However, CBP's process is not yet mature, especially for non-IT projects. CBP has adopted DHS's threshold of \$50 million to review non-IT projects, which is 100 times higher than CBP's review threshold for IT projects. As a result, few non-IT projects have been reviewed by this

process and none have yet completed it. Therefore, CBP was unable to provide us with any examples to verify its conformance with capital planning principles. In addition, projects under the \$50 million threshold are reviewed and approved through CBP's acquisition process, which does not fully conform with capital planning principles. Conversely, DHS requires major non-IT projects to be reviewed and approved through its capital planning process and we were able to verify conformance with several capital planning principles for a Border Patrol project reviewed in this process. In addition, CBP has not developed a comprehensive, agencywide, long-term capital plan, although it produces several documents that include some elements of such a plan. Figure 7 shows CBP's conformance with capital planning principles.

Figure 7: CBP's Conformance with Capital Planning Principles

| Planning principle | DHS/CBP |
|---|---------|
| Strategic linkage | ● |
| Needs assessment and gap identification | ● |
| Alternatives evaluation | ● |
| Review and approval framework with established criteria for selecting capital investments | ● |
| Long-term capital investment plan | ○ |

● Practices conform ● Practices partially conform ○ Practices do not conform

Source: GAO analysis of CBP data.

Strategic Linkage

CBP and DHS guidance both call for capital projects to be linked to agency and department strategic goals. For projects entering CBP's capital planning process, the related guidance directs project managers to prepare a need analysis document that outlines how the proposed investment links to both CBP and DHS strategic goals. We were unable to verify this practice for non-IT capital projects because none had yet completed CBP's capital planning process at the time of our review. Major non-IT projects—those with an acquisition cost over \$50 million—must also undergo review and approval by DHS. DHS's draft guidance calls for the development of a mission need statement, which among other things describes the linkage between the capital investment and DHS's mission and strategic goals. For example, in a mission need statement for Border Patrol's aircraft recapitalization, the narrative explicitly ties aviation assets to the awareness, prevention, and protection goals in DHS's strategic plan. CBP officials told us that Border Patrol's aircraft recapitalization served as an example of how a project proceeds through DHS's capital planning process. This project was not reviewed by CBP's current capital planning

process because when the project began in 2003 the process was not yet implemented.

Needs Assessment and Gap Identification

Agency guidance requires needs assessment and gap identification. Both CBP's guidance for need analysis documents and DHS's guidance for mission need statements require the identification of the need for a project and the difference in the current capability versus the required capability. In both documents, an explanation of why existing resources are unable to provide the required capability is also required. Again we were unable to verify this practice for CBP's process due to a lack of non-IT examples; however, the Border Patrol aircraft recapitalization proposal illustrates the needs assessment and gap identification done for DHS's process. In a mission need statement, Border Patrol cites its five mission objectives and describes how aviation assets provide the necessary support in carrying out those objectives.¹ Border Patrol identifies several gaps in its current and future capabilities such as existing aircraft that have become unserviceable, increasingly expensive to maintain, or have or soon will reach the end of their useful lives. In addition, due to increasing and changing demands for air operations, Border Patrol states it has an insufficient fleet to accommodate its performance requirements, especially when operating over water.

CBP has established an additional process for assessing real property needs. CBP is implementing an investment planning process for Border Patrol and Field Operations facilities that involves conducting long-range strategic resource assessments to assess existing facilities, predict future needs, and analyze space capacity. For example, a strategic resource assessment of the Tucson Field Operations Office found that the main building at the Nogales West land port of entry lacks sufficient space for CBP operations and is not currently configured to achieve unification of legacy services.

CBP maintains an agencywide asset inventory, but the quality of its data is unclear. CBP officials told us that the agency maintains an agencywide asset inventory—Systems, Applications and Products (SAP)—which includes asset condition and other information. However, there are issues regarding the quality of CBP's asset data. For example, according to agency officials, legacy Border Patrol marine assets have not yet been

¹Border Patrol's five mission objectives are (1) deterrence, (2) apprehension, (3) intelligence, (4) detection, and (5) proximity.

transferred from Border Patrol cost centers to Air and Marine cost centers in SAP. In addition, in a July 1, 2004, report to congressional appropriators on its Master Construction Planning Process, CBP cited a number of concerns about existing facility data. According to this report, much of the data were not complete for all facilities, contained conflicting information, or had not been updated since they were initially collected. CBP officials told us the agency is working to ameliorate this situation through its data collection efforts for strategic resource assessments.

Alternatives Evaluation

CBP has no specific requirement for alternatives evaluation for non-IT projects below \$50 million, although it does consider alternatives for real property investments and DHS requires this evaluation for costlier projects. CBP does not require an evaluation of alternatives in acquisition plans, which are required for projects with a cost over \$5 million. However, in its strategic resource assessments of real property investments, CBP considers several alternatives to meet any facility needs and capability gaps. In the previously cited example of the Nogales West land port of entry, the strategic resource assessment of the Tucson Field Office considered two options to improve the main building at the Nogales West land port of entry: addition of adequate space to support staff, the public, and secure space; and reconfiguration of interior spaces. In addition, for non-IT projects costing \$50 million or more DHS requires an alternatives analysis. Again this is illustrated with Border Patrol's aircraft recapitalization project. Border Patrol presents seven alternatives to meet the identified capability gap and narrows the list to the three most reasonable and viable options: (1) procure replacement aircraft; (2) procure and lease replacement aircraft; and (3) deploy large amounts of technology, including unmanned aerial vehicles, along the borders to create an electronic "fence." In this analysis, Border Patrol provides explanations to support those three options and for the dismissal of the other four options. It concludes with Border Patrol recommending the most preferred alternative—to procure replacement aircraft.

Review and Approval Framework with Established Criteria for Selecting Projects

CBP and DHS have both established review and approval frameworks for capital investments. In November 2004, CBP established its capital planning process, creating a review and approval framework for capital investments. According to an agency official, prior to this CBP had separate capital planning processes for IT and non-IT capital investments. The first phase of the current process, the Pre-Select Phase, begins when a business project manager in one of CBP's offices identifies the need and justification for a capital project in a need analysis document. The project

is then reviewed and approved by various bodies within CBP: the Architecture Review Board (ARB), whose members include the Chief Information and Chief Technology Officers; the project sponsor—the head of the office requesting the project; and CBP’s Investment Review Board (IRB), which consists of senior agency management. The project manager also develops a cost estimate during this phase. After a project is approved, it moves into the second phase of the process, the Select Phase, which involves identifying funding and for costlier projects, review by DHS.

DHS’s Investment Review Process sets forth different levels of review and approval based on the cost of the proposed project, as illustrated in table 6. For example, Level 2 projects are reviewed and approved by the Joint Requirements Council, whose members include senior managers from each of DHS’s component agencies. Level 1 projects are reviewed by the Joint Requirements Council before being reviewed and approved by DHS’s Investment Review Board, which consists of DHS senior management, such as the Deputy Secretary, the Under Secretary for Management, and the Chief Procurement, Financial, and Information Officers. For major projects—all Level 1 and 2 projects as well as Level 3 IT projects—DHS guidance calls for extensive documentation including an investment review request with initial project information; the mission need statement to identify the need and capability gap and to link the project to DHS strategic goals; and an alternatives analysis that includes lifecycle costs.

Table 6: DHS Investment Levels for Non-IT Projects

| Investment level | Review and approval | Total acquisition cost |
|------------------|---|-------------------------------|
| Level 1 | Investment Review Board reviews and approves (after review by the Joint Requirements Council) | >\$100 million |
| Level 2 | Joint Requirements Council reviews and approves | \$50 million to \$100 million |
| Level 3 | Component agency (e.g., CBP) head approves | \$20 million to \$50 million |
| Level 4 | Component agency (e.g., CBP) head approves | <\$20 million |

Source: GAO analysis of DHS Management Directive 1400.1 dated September 26, 2006.

Although CBP has established a review and approval framework for capital investments it is not yet mature, especially for non-IT capital projects. Since its initial implementation the current process has

undergone several changes. For example, CBP replaced a previous committee, the Technology Review Committee, with the ARB, added a voting member from Air and Marine to the IRB and gave the Office of Information and Technology responsibility for facilitating the process. In addition, the current process is not as rigorous for non-IT projects as it is for IT projects. For example, IT capital projects undergo several additional steps of review and approval by CBP's ARB and Enterprise Architecture Branch that are not required for non-IT projects. Also, CBP does not review Level 3 or 4 non-IT projects (those below \$50 million) through its capital planning process. CBP officials told us that in practice they follow DHS's investment threshold and only review major non-IT capital projects, defined as those with an acquisition cost over \$50 million. This figure is 100 times higher than the \$500,000 threshold CBP has in place for IT projects and therefore few non-IT projects have been reviewed by this process and none have yet completed it. Officials told us that non-IT projects below \$50 million do not go through CBP's capital planning process, although they are reviewed and approved through the agency's acquisition process. CBP's acquisition process does not fully conform with capital planning principles. For example, although project managers prepare acquisition plans for planned acquisitions costing \$5 million or more, these plans do not include an evaluation of alternatives.

GAO has previously identified problems with DHS's Investment Review Process, several of which are still unresolved. In March 2005, we reported that DHS's Investment Review Process had been under revision for many months and officials could not provide us with a time frame for completion.² In addition, we found unclear guidance and confusion about several aspects of the process. Issues we identified included the following:

- Program managers were provided with only draft guidance regarding the information they are required to submit and the time frames for submissions. This draft guidance was, in some cases, unclear.
- Some DHS officials told us that their submissions to the review board had been rejected on an inconsistent basis with no explanation.
- Program managers had not received formal training on the investment review process. Officials told us that some program managers were unaware of when to submit information about their programs for review.

²GAO, *Homeland Security: Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization*, [GAO-05-179](#) (Washington, D.C.: Mar. 29, 2005).

Some of these problems persist. To date, the Investment Review Process continues to operate under interim guidance and officials told us that it has been revised repeatedly during the past 2 years. One CBP official stated that because the guidance changed frequently it was difficult for staff to know if they were using the latest version. Another CBP official told us that there were difficulties in getting projects reviewed and approved by DHS's Joint Resources Council and Investment Review Board; only projects with an urgent need were being placed on the agendas of these bodies.

CBP has established and used criteria to rank and select its construction and facility improvement projects, but it has not done so for other non-IT projects. As part of its strategic resource assessment process, CBP developed a methodology for ranking and selecting projects at Field Operations land ports of entry and Border Patrol facilities, although this process has not been implemented for Border Patrol. CBP officials conduct site visits to land ports of entry and facilities to verify conditions and score potential projects against four main weighted criteria, illustrated in table 7. Each of the criteria is composed of specific factors with corresponding point values that identify and differentiate projects with the greatest priority; the maximum score a project can receive is 100 points. For example, the Tucson Field Operations Office strategic resource assessment dated December 2005, presents the scores of several ports of entry, ranked into three priority categories. The Nogales West port of entry, with a score of 86.69, had the highest score and was listed as a first priority project. However, CBP does not have similar criteria for ranking and selecting other non-IT capital projects. Officials told us that the IRB determines the priority of projects based on a spreadsheet it receives that presents relevant information on all approved projects. The IRB's recommended investment priorities are then presented to the commissioner who makes the final decisions.

Table 7: Criteria for Scoring Capital Investment Projects at CBP Facilities

| Criteria | Weight |
|-------------------------------|---------------|
| Mission and operations | 35% |
| Security and life safety | 25% |
| Space and site deficiencies | 25% |
| Personnel and workload growth | 15% |

Source: CBP's *Master Construction Planning Process* report to Congress dated July 1, 2004.

Long-term Capital Investment Plan

CBP does not have a long-term capital plan but some agency documents contain elements of such a plan. In 2003, the House of Representatives and Senate Committees on Appropriations directed CBP to produce a detailed plan of its intended use of construction funding.³ However, on July 1, 2004, CBP instead provided congressional appropriators with its *Master Construction Planning Process for CBP Real Property Investments*, which describes the process CBP would take to produce such a plan. CBP did not provide an actual plan as directed. The process description provided to appropriators includes developing strategic resource assessments for each Field Operations Office and Border Patrol Sector to assess existing facilities, predict future needs, conduct space capacity analyses, evaluate alternatives, estimate costs for recommended options, and determine their priority. The projects identified by strategic resource assessments and other data gathering efforts are to be pulled together and prioritized in a *Five-Year Investment Strategy*. However, agency officials were unable to provide us with a copy of the *Five-Year Investment Strategy* and instead provided us with a description of what it would contain, as detailed in CBP's *Capital Improvement Plan*. In addition to providing congressional appropriators with a description of its planning process, CBP provides out-year funding estimates for several construction projects in its *Construction Spending Plan*, as directed.⁴ CBP's *Air Strategic Plan* describes its air assets, including plans to modernize its fleet. However as this plan states, it does not yet include plans for CBP's marine assets. Although these documents contain some elements of a long-term capital plan, such as priority ranked project lists and out-year cost data, this information is contained in multiple documents and does not cover all capital assets.

³H.R. Rep. No. 108-280, p. 31 (2003) (Conf. Rep.).

⁴H.R. Rep. No. 109-241, p. 46, (2005) (Conf. Rep.).

Appendix IV: Comments from the Department of Energy

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



Department of Energy
Washington, DC 20585

January 24, 2007

Ms. Susan J. Irving
Director, Federal Budget Analysis
Strategic Issues
United States Government Accountability Office
441 G St., NW
Washington, D.C. 20548

Dear Ms. Irving:

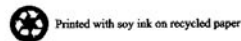
Thank you for examining the implementation of capital planning in the draft Government Accountability Office (GAO) report *Three Agencies' Implementation of Capital Planning Principles is Mixed*. The Department of Energy (DOE) appreciates the opportunity to review the draft report and would like to offer the following comments that are 1) general and throughout the draft report, 2) directly from the Office of Environmental Management (EM), and 3) provide additional information on corporate level activities that DOE conducts. These comments have been coordinated with the Office of Environmental Management, the Office of Program Analysis and Evaluation, and internally reviewed within the Office of the Chief Financial Officer.

General

First, as an overall observation throughout the draft report, it is somewhat misleading and confusing to depict the Offices of Science (SC) and Environmental Management (EM) as "agencies" based on "the diversity of their missions, the different types of assets they acquired, and their relatively high volume of the capital spending" (page 2, GAO Report). GAO subsequently notes in the document, "SC and EM conformance with capital planning principles and practices is similar because both are primarily driven by DOE's project management directive" (page 25, GAO Report). Thus, the conclusions reached in the Report are heavily weighted toward two DOE offices. We suggest the use of other terms used in the report, such as, "entities, offices or programs."

Office of Environmental Management

In general, EM agrees with the recommendation contained in the report and will work with other organizations within the Department to implement the recommendations as needed. However, further clarification is requested regarding the Government Accountability Office's (GAO) assessments of EM's Alternatives Evaluation, noted to partially conform to Capital Planning Guidance and the long-term Capital Investment Plan, noted not to conform to Capital Planning Guidance.



See comment 1.
Now on pp. 1-2 and 23,
respectively.

See comment 2.
Now on p. 13.

In regard to the Needs Assessment and Gap Identification, page 14 of the draft report states “EM officials told us that some of its sites had not recorded all assets in DOE’s real property inventory.” EM does not agree with that statement because EM made a concerted effort in 2006 to record all assets in the inventory by October 1, 2006 and, thus, obtained a score of green for both progress and status. The Office of Engineering and Construction Management agrees with EM’s assessment of this statement.

See comment 3.
Now on p. 14.

With regard to the Alternatives Evaluation, page 15 of the draft report states “Of the 12 SC and EM mission need statements we reviewed, 9 included an alternatives evaluation, but even when this was included, non-capital options were not always considered”. EM believes that by following the requirements of DOE Order 413.3A, Program and Project Management for the Acquisition of Capital Assets, in preparing Mission Need Statements, we have met the intent of the Office of Management and Budget guidance restated on page 15. A more detailed description of the perceived shortcomings in this area related to EM projects would be appreciated, so that we may better address GAO’s concerns and modify our project planning as necessary.

See comment 4.
Now on pp. 18-20.

With regard to the Long-term Capital Investment Plan, pages 21-22 of the draft report state “SC and EM sites also produce multiple documents with capital planning information, such as Ten-Year Site Plans containing each site’s investments ranked by priority and project baselines that include out-year investments. There are dozens of documents, however, and DOE officials do not consolidate them into a comprehensive long-term capital plan”. We believe the current documentation meets the OMB and GAO long-term capital investment planning guidance. We request that you clarify whether or not you believe the EM procedures and documentation reviewed by GAO meet the intent of both OMB and GAO long-term capital investment planning guidance. EM believes that, through implementation of sound acquisition and project management principles, we have met the intent of long-term capital investment planning as discussed on pages 20-21. Again, we would appreciate a more detailed description of the perceived shortcomings in this area related to EM projects so that we may better address GAO’s concerns and modify our project planning as necessary. It is our hope that GAO has reviewed the Department’s strategic planning process as this will provide additional insight into our long-term investment planning.

DOE Corporate Level Activities

In addition to the SC and EM efforts documented in the draft report, efforts at the corporate level of the Department of Energy also support comprehensive capital planning. These efforts include our Corporate Program Review and linking the DOE *Strategic Plan* to annual performance goals.

See comment 5.
Now on p. 2.

Corporate Program Review - In response to the conclusion that no agency has a “plan that defines all of its long-term decisions” (page 3, GAO Report), DOE offers the following description of our comprehensive efforts conducted annually in advance of the creation of our multi-year planning and performance Congressional Budget Request.

Each spring, DOE conducts an internal Corporate Program Review during which a list of priority elements is created. The sum total of this effort effectively becomes a comprehensive plan that defines all of our long-term investment decisions and is used to identify program priorities and make selections from alternative projects. The prioritizations reflect internal evaluations which are both quantitative (such as OMB's Research and Development Investment Criteria) and qualitative (such as opinions from expert panels).

In justification of spending for proposed new capital assets and other projects, priority elements are categorized according to the national policy they directly or indirectly support, the details of which represent the plans for the proposed capital assets and projects once in use. In addition, all elements must be categorized in terms of relevant *Strategic Plan* goals, performance outcomes and compliance requirements.

As part of the instructions in developing this information, programs are asked to identify internal and crosscutting issues and risks. These issues may necessitate a change in priorities from year to year which can manifest into cost-schedule and performance changes. Programs are asked to be prepared to propose issue resolutions and risk mitigations. Further, each Program Office provides a narrative description of the mission impact if this activity is not funded, thus facilitating an analysis of performance gaps.

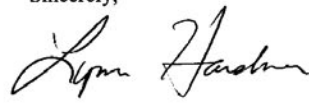
Linking the DOE *Strategic Plan* to Annual Performance Goals

Other elements of a comprehensive capital plan – a statement of the agency mission, strategic goals and objectives, the annual performance plans, and a description of the agencies – are addressed in DOE's *Strategic Plan*. Linkage of the *Strategic Plan* to annual performance goals starts with our mission statement which flows to the strategic themes. The strategic themes connect to the broader strategic goals and are linked to the annual performance goals in the performance budget through the multi-year program plans. The multi-year program plans allow DOE to strategize over a five-year period how each program will implement the strategic goals of the Department through new capital assets or projects. Annual performance goals and assessment of performance against prior-year goals are included in the budget justification materials each year, to demonstrate that actual and expected performance is considered in the planning and budget processes. A statement of the agency mission, strategic goals and objectives, and the annual performance plans is contained in our multi-year planning and performance Congressional Budget Request. In addition, the annual performance goals are linked to individual employee and contractor performance standards, thus creating an accountability model for mission achievement.

**Appendix IV: Comments from the Department
of Energy**

Should you have any additional questions please contact me at (301) 903-2556 or Jack Surash, Deputy Assistant Secretary for Acquisition and Project Management at (202) 586-3867 for specific questions relating to EM.

Sincerely,



Lynn Harshman
Acting Deputy Director
Office of Internal Review
Office of the Chief Financial Officer
U.S. Department of Energy

GAO Comments

1. We have revised our references to SC and EM throughout the report to characterize them as entities. In doing so, we also changed the title of our report to reflect this change.
2. We have revised our statement to reflect that it was EM officials at one site that told us not all of their real property assets were currently listed in FIMS and that they were working to fix this issue.
3. Both OMB's and our guidance discuss the importance of considering how best to bridge a performance gap by identifying and evaluating alternative approaches, including noncapital options. Only one of the four EM mission need statements we reviewed discussed noncapital alternatives. We also added further information about alternatives discussed in SC and EM acquisition plans and strategies—additional required documents that are expected to fully discuss alternatives—for five investments. Although all considered capital alternatives, only one each of the two SC and three EM acquisition plans and strategies we reviewed discussed noncapital options.
4. As we state in the report and appendix II, neither SC nor EM has a comprehensive, long-term capital investment plan at the program office level. SC and EM budget and related documents satisfy some elements of long-term capital plans, but not all. For example, these documents do not always include details on planned capital investments or out-year funding projections. Moreover, much of this information is contained in dozens of SC and EM site- and facility-level planning documents which are not consolidated into comprehensive, higher-level capital plans.
5. This information describes DOE's budget and strategic planning processes, which should be informed by its capital planning process. Although DOE points out that elements of a capital plan are contained in other documents, such as its strategic plan and congressional budget request, this further illustrates our point that DOE's capital planning information is contained in multiple documents and is not consolidated into a comprehensive, long-term capital plan.

Appendix V: Comments from the Department of Homeland Security

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

January 24, 2007

Ms. Susan Irving
Director, Federal Budget Analysis
U.S. Government Accountability Office
Washington, D. C. 20548

Dear Ms. Irving:

Thank you for the opportunity to comment on the draft report GAO-07-274 "Federal Capital: Three Agencies' Implementation of Capital Planning Principles Is Mixed." The Department of Homeland Security (DHS) and U.S. Customs and Border Protection (CBP) appreciate GAO's work in planning, conducting and issuing this report.

The Department and CBP concur with the four recommendations. DHS Headquarters strongly supports the recommendations and specifically a single agency wide long-term capital planning process that supports long-term capital planning and investment decisions. DHS also agrees the concept will benefit other DHS Component agencies. At present DHS Headquarters is sponsoring a complete review of all existing capital investment review practices. The results of that assessment will be the basis for recommending modifications to the capital investment review process with the objective of incorporating a consistent DHS wide long-term capital planning and investment review procedure.

Furthermore, in response to the recommendations, CBP will coordinate with DHS concerning guidance on investment planning and simultaneously, begin work on developing implementing guidance within CBP. The new guidance will cover alternatives analysis, criteria to rank and select projects, revised dollar thresholds for review of capital projects, and development of a CBP long term capital plan.

On pages 12 and 13 of the draft report, the GAO cites a Border Patrol air recapitalization plan and indicates that the plan was developed years prior to the publication of the capital planning principles and therefore was not reviewed as part of their planning process implementation audit. On page 21, the draft report states that CBP was unable to provide examples of multi-year investment plans, beyond a facilities construction plan required by Congress. The CBP Air Strategic Plan submitted to Congress in July 2006 addresses each element of the capital planning guidance, and includes a 10-year investment model for air recapitalization. A copy of the plan was provided to the GAO and may mitigate some of the criticism of CBP contained in the draft report.

www.dhs.gov

See comment 1.
Now on p. 11.

See comment 2.
Now on p. 19.

2

Now on pp. 21-22.

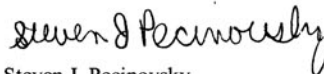
CBP Air & Marine also notes that the GAO finding concerning a lack of comprehensive, long term capital plans is directed more at OMB than the three agencies audited. And the language on page 24 touches on the desire for Congressional staffs to obtain pre-decisional budget formulation information, generally not shared with the Legislative Branch, which may be inappropriate.

The report is generally accurate, complete, balanced, constructive in tone and realistic. In areas where the auditors found compliance in CBP with capital planning principles, it was generally the real property program where the evidence was cited. However, some concerns with accuracy in the report do exist relative to findings on the real property program.

See comment 3.
Now on p. 19.

On page 21, the report states "*CBP provides out year funding estimates in its Construction Spending Plan, but this requirement only covers several of its construction projects. CBP was unable to provide us with other documents that would contain long-term planning information, such as its Master Construction Plan or its Five Year Investment Strategy; instead it provided us with descriptions of what would be included in them*". If the finding is targeted at the real property program, this is an inaccurate portrayal and perhaps resulted from a miscommunication between the auditors and subject matter experts. CBP has approved Five Year Investment Plans for real property, and the projects selected for inclusion in those plans, are selected using prescribed capital planning principles, including needs analysis; gap analysis; alternatives analysis; cost benefit analysis; and, risk management. This long-term planning information, which the auditors claim is lacking, is evidenced in the CBP Facilities and Tactical Infrastructure OMB 300, which passed DHS scoring in FY 06.

Sincerely,



Steven J. Pecinovsky
Director, Departmental GAO/OIG Liaison Office

GAO Comments

1. DHS's statement that we indicate the Border Patrol air recapitalization plan was developed prior to the publication of capital planning principles and therefore we did not review it is inaccurate. CBP officials told us that Border Patrol's aircraft recapitalization served as an example of how a project proceeds through DHS's capital planning process. This project was not reviewed by CBP's current capital planning process because when the project began in 2003 the process was not yet implemented. Therefore, we could not use this project to evaluate CBP's capital planning process and its conformance with capital planning principles.
2. We added information about CBP's *Air Strategic Plan* to our discussion of long-term capital plans, both in the main body of this report and appendix III on CBP's capital planning process. However, even with the addition of this information, CBP's long-term capital planning documents do not meet the requirements for long-term capital plans. As the *Air Strategic Plan* states, it does not yet include CBP's marine assets. A long-term capital plan should be comprehensive in nature and include information on all planned assets.
3. Our statement is not targeted at CBP's real property program. The information we added about CBP's *Air Strategic Plan* further clarifies this point (see comment 2). In addition, Exhibits 300 do not include all expected aspects of a long-term capital plan. As we state earlier in the report, Exhibits 300 focus on individual projects and do not present an agencywide, long-term portfolio of all planned capital projects.

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

Susan J. Irving, (202) 512-9142

Acknowledgments

In addition to the individual listed above, Christine Bonham, Assistant Director; Carol Henn, Assistant Director; Mark R. Gribbin; Benjamin T. Licht; and Leah Q. Nash made significant contributions to this report. Carlos Diz, Maria Edelstein, Ellen Grady, Hannah Laufe, Josh Macy, H. Jerome Noel III, and William Trancucci also made key contributions to this report.

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