

Managing the Federal Real Property Portfolio at the Right Size, Right Cost, and in the Right Condition.

Recently, my quarterly updates have focused on agency efforts to meet the Yellow standards of success for Improving Financial Performance initiative. These standards include receiving a clean audit opinion, having no material weaknesses, meeting reporting deadlines, and maintaining systems that comply with Federal financial management standards. As agencies move full steam ahead in their efforts to comply with these standards, they also continue to use this same financial information in their daily decision making to manage costs and deliver real results to the taxpayer. Nowhere are these results becoming more evident than under the President's initiative to better manage real property assets.

On February 4, 2004, the President signed Executive Order 13327, *Federal Real Property Asset Management*. The objective of the Executive Order is for agencies to manage their portfolio of real property assets at the right size, in the right condition, and at the right cost. The President highlighted the importance of managing real property when he announced that Federal Real Property Asset Management would be a new program initiative as part of his management agenda. In order to meet the President's goal of improving asset management and disposing of unneeded assets, agencies must integrate the use of financial and performance data into their daily decision-making process.

A significant milestone for the Real Property initiative was reached in December 2005 when the Federal government completed its first comprehensive inventory of Federal real property assets. Specifically, agencies reported key inventory and performance data on each individual asset in the agency's inventory. As a result, the government-wide database currently holds data on more than one million assets such as land, buildings, and structures. For the first time, the Federal government has a more complete picture of the assets in the inventory; where the assets are located; how the assets are used; and whether the assets are being used effectively to help serve agency mission and objectives. Having this information means that agencies, and the government as a whole, can make smarter asset management decisions. For example, before agencies bring additional assets into the inventory they can check the inventory to see if all of the assets in a specific location are being fully utilized. In addition, agencies can use both cost and condition data to make more informed decisions on the assets that should remain in the inventory and the assets that should be disposed of.

Since 2004, agencies are taking steps to make measurable progress in "rightsizing" their portfolio of real property assets. The State Department (State) and the General Services Administration (GSA) are the first agencies to achieve the Green status under the Real Property Asset Management initiative by clearly demonstrating that they are achieving results toward rightsizing their real property portfolio. In Fiscal Year 2005, GSA disposed of 29 assets totaling \$12 million while State successfully disposed of 17 assets totaling more than \$36 million. Both agencies have set aggressive targets for the disposal of additional assets in Fiscal Year 2006 and continue to make progress toward meeting their respective goals.

I am looking forward to agencies continued progress under the Real Property Asset Management initiative and realizing the desired results in disposing of unneeded assets, improving asset condition and utilization, and maintaining or reducing operating costs. By the close of Fiscal Year 2009, I anticipate that the Federal government will dispose of more than \$9B in unneeded assets. I invite you review these quarterly updates as we monitor the progress of this important initiative.

Sincerely,

Linda M. Combs
Controller
Office of Management and Budget