Evaluation Report

GENERAL MANAGEMENT: Treasury's Rural Development Act Policy (OIG-CA-04-005)

July 16, 2004

Office of Inspector General

DEPARTMENT OF THE TREASURY

Contents

Abbreviations

CICA	Competition in Contracting Act of 1984
GSA	General Services Administration
IRS	Internal Revenue Service
OIG	Office of Inspector General
RDA	Rural Development Act of 1972
TD	Treasury Directive
TIGTA	Treasury Inspector General for Tax Administration
Treasury	Department of the Treasury

This page was intentionally left blank

The Department of the Treasury
Office of Inspector General

July 16, 2004

Jesus Delgado-Jenkins
Acting Assistant Secretary for Management

Section 636 of the Department of Transportation and Treasury, and Independent Agencies Appropriations Act of 2004 (Public Law 108-199) requires our office to report on what policies and procedures are in place at the Department of the Treasury (Treasury) to give first priority to the location of new offices and other facilities in rural areas, as directed by the Rural Development Act of 1972 (RDA). A similar requirement was contained in the Fiscal Year 2003 Appropriations Act and we reported in August 2003 that Treasury needed to approve and reissue its policy on the RDA.[1]

To meet our reporting requirement this year, we reviewed current policy to determine whether corrective action was taken for our prior report recommendation; and conducted a survey of Treasury offices and bureaus, except for the Treasury Inspector General for Tax Administration (TIGTA) and the Internal Revenue Service (IRS), to obtain information about facility acquisitions from January 1, 2003, to May 31, 2004, and whether RDA was considered when acquiring this space. Appendix 1 provides a more detailed description of our objectives, scope, and methodology.

We will transmit this report to the Committees on Appropriations of the United States Senate and U.S. House of Representatives.

[1] *GENERAL MANAGEMENT:* Treasury Needs To Approve And Reissue Its Policy On The Rural Development Act Of 1972 (OIG-CA-03-023; issued August 19, 2003)

Results in Brief

Treasury has a policy, Treasury Directive (TD) 72-03, *Location of New Offices and Facilities in Rural Areas*, which gives first priority to the location of new offices and other facilities to rural areas. In August 2003, TD-72-03 was updated to reflect the Department's current management structure.

Four (4) of the 11 bureaus and offices we surveyed reported that they either established new offices, or renewed leases on a total of 29 facilities between January 1, 2003, to May 31, 2004. There were 14 new office locations. None of these facilities were located in a rural area, according to the respondents. These offices and other locations were added either under the considerations permitted in TD 72-03 to locate where either mission, service to customer, or safety/security of employees was critical to program operations, or were added to existing offices. The other 7 surveyed bureaus and offices reported no facility changes during the year.

Requirements for Federal Facilities

Legislation and Presidential Executive Orders impact the location of new Federal offices and facilities. The two significant pieces of legislation are the RDA and the Competition in Contracting Act of 1984 (CICA). The RDA focuses on the location of new offices and facilities in rural locations. CICA focuses on Federal acquisition in general.

The RDA requires Treasury and other executive branch agencies to establish and maintain policies and procedures that give first priority to the location of new offices and other facilities in rural areas. This requirement applies to all moves to new office space in other locations. After agencies have chosen possible locations, CICA requires a full and open competition for the new offices and facilities within the chosen areas.

The two most significant Presidential Executive Orders on the location of new offices and facilities are Executive Order 12072, *Federal Space Management,* issued in August 1978, and Executive Order 13006, *Locating Federal Facilities on Historic Properties in Our Nation's Central Cities,* issued in May 1996. Executive Order 12072 requires Federal agencies to give first consideration to locating in a Central Business Area when mission and program requirements call for an urban location. Executive Order 13006 requires Federal agencies to locate in historic properties and districts, especially those in a Central Business Area, when it makes good economic and operational sense.

Responsibility for complying with Federal laws and Executive Orders regarding real estate acquisitions varies. The General Services Administration (GSA) is the central management agency for acquiring real estate for Federal agencies. GSA is responsible for managing the acquisition of about 40 percent of the Federal government's office space and 10 percent of all government space. Some agencies have their own authority to acquire space. To acquire real estate, an agency must go through GSA using GSA's statutory authority, use its own statutory authority, or obtain delegated authority from GSA.

When using the services of GSA, Treasury provides GSA with the geographic area where it wants to locate new office space or other facilities. GSA has its staff review each location for compliance with applicable laws and regulations. Then GSA, under CICA, acquires the site within the selected area through the use of full and open competitive procedures. When Treasury acquires property independently of GSA using its limited statutory authority, it assumes responsibility for compliance with all applicable laws and regulations.

Treasury's RDA Policy

Treasury updated and reissued TD 72-03 in August 2003. The TD states Treasury's policy on locating new Treasury offices and other facilities in rural areas, and satisfies RDA requirements for written policies and procedures. The directive has a sunset review date in August 2007.

Treasury's policy requires giving first priority to locating new Treasury facilities in rural areas, subject to certain considerations and exclusions, unless there are substantial reasons for not doing so.

Considerations include:

- The efficient performance of Treasury's missions and programs;
- The nature and functions of the facilities with regard for the convenience of the public served;
- Maintenance and improvement of safe and healthful working conditions for employees;
- Environmental and socioeconomic impacts on the employees and the communities involved;
- Need for development and redevelopment of areas consistent with State, regional, and local plans and programs as required by Executive Order 12072; and,
- Use of existing government-owned facilities, which are adequate or economically adaptable to the efficient performance of Treasury's programs.

Exclusions include:

- Facilities acquired under statutory authority, where locating the facility in a rural area would be inconsistent with statutory language or Congressional intent;
- Facilities acquired for temporary occupancy of a year or less;
- Vacant land acquisitions where no construction is planned; and,
- Permanent post-of-duty facilities used intermittently by employees whose duties require their absence from the office for extended periods of time.

TD 72-03 requires the Deputy Assistant Secretary for Departmental Offices Operations[2] to consider, and approve or disapprove, at least 60 days before the proposed effective date, requests for new Treasury offices and facilities in other than rural areas, when the request concerns:

- A major facility acquisition;
- Significant organizational changes, which involve geographic, regional adjustments requiring approval by other Treasury officials; or
- A program activity which involves 50 or more employees.

TD 72-03 requires specific information in each request for Treasury approval:

- Description of the type of program activity concerned;
- Number of employees involved;

[2] For the Office of Inspector General and TIGTA, the respective Inspector General is responsible for approving new or relocated facilities in other than rural areas in accordance with TD-72-03.

- Reason(s) for establishing or relocating the facility;

- Description of the program activity requirements, which affect the location selection, including (if applicable) a description of the area to be served by the facility; and

- Comparative analysis of alternative locations, including: (1) cost; (2) impact on program activity due to loss of employees; (3) availability of replacement employees; (4) impact on coordination with other Treasury organizations, Federal agencies, and state and local governments; (5) the proximity to supporting services; (6) socioeconomic impacts (relocation of employees; availability of low and moderate income housing on a nondiscriminatory basis for employees; location and adequacy of medical facilities, schools, recreation facilities and other public services, convenience of the facility to the public and employees); and (7) community development or redevelopment impact, including environmental implications.

Survey Results

Four (4) of the 11 bureaus and offices we surveyed reported that they either established new offices, or renewed leases on a total of 29 facilities between January 1, 2003, to May 31, 2004. There were 14 new office locations. None of these facilities were located in a rural area, according to the respondents. The Office of the Comptroller of the Currency and the Alcohol and Tobacco Tax and Trade Bureau, which added 3 and 8 new facilities respectively, reported that they considered RDA requirements, but that mission requirements and customer convenience supported locating the facilities in other than rural areas. The Office of the Thrift Supervision reported adding 2 new facilities in a community where existing offices were located. At the direction of the Inspector General, the Office of Inspector General (OIG) re-established a field office in a major city that had been previously divested to the Department of Homeland Security in March 2003. The re-established office had fewer than 50 employees.

The other surveyed bureaus and offices reported no facility changes during the year. These were: Bureau of Engraving and Printing, Bureau of the Public Debt, Community Development Financial Institutions Fund, Departmental Offices, Financial Crimes Enforcement Network, Financial Management Service, and U.S. Mint.

Management Response

In responding to a draft of this report, management advised that in addition to updating its RDA Directive, Treasury bureaus and offices were further reminded of their responsibilities under the Directive and RDA in a memorandum dated May 6, 2004. The response and the May 6th memorandum are provided as Appendix 2.

* * * * * *

We appreciate the cooperation and courtesies extended to our staff. If you have any questions, please contact me at (202) 927-5400.

Marla A. Freedman
Assistant Inspector General for Audit

Objective

As directed by the Department of Transportation and Treasury, and Independent Agencies Appropriations Act of 2004, our objective was to determine what policies and procedures are in place at Treasury Bureaus and Treasury Departmental Offices, excluding the IRS and TIGTA, to give first priority to the location of new offices and other facilities in rural areas, as directed by the Rural Development Act of 1972.

Scope

Our scope includes all Treasury bureaus and offices, excluding IRS and TIGTA. TIGTA will report separately on IRS' compliance. Our evaluation covered facility acquisitions from January 1, 2003, to May 31, 2004.

Methodology

- We reviewed requirements of the RDA, and related policies and procedures issued by Treasury.

- We surveyed Treasury bureaus and offices, to gauge if policies and procedures for compliance with the RDA are in place.

  The survey consisted of the following questions:

  1. In addition to TD 72-03, what policies and procedures has your office or bureau issued to implement the requirements of the RDA and TD 72-03?

  2. Since the beginning of January 1, 2003, how many new offices and other facilities have been acquired?

  3. If new offices and other facilities were acquired, was RDA considered? If not, was the reason (s) for the

existing location selection due to its mission, customer location, safety/security, or Congressional directive?

We did not validate the responses to our survey. Since TD 72-03 was reissued during the reporting period covered by the survey, we also did not test whether the new facility acquisitions reported by the bureaus or offices complied with the Directive requirements. We plan to test compliance in future RDA reviews.

We conducted our evaluation from May through June 2004 in accordance with the *Quality Standards for Inspections* issued by the Presidents' Council on Integrity and Efficiency.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

JUL 15 2004

**MEMORANDUM FOR MARLA A. FREEDMAN
ASSISTANT INSPECTOR GENERAL FOR AUDIT
OFFICE OF INSPECTOR GENERAL**

FROM: Barry K. Hudson
Acting Chief Financial Officer

SUBJECT: Comments to the Draft Evaluation Report – General Management: Treasury's Rural Development Act Policy

This memorandum responds to your request for comments from the Office of the Assistant Secretary for Management and Chief Financial Officer on the draft evaluation report of Treasury's Rural Development Act Policy. The report, which was completed pursuant to section 636 of the Department of Transportation and Treasury, and Independent Agencies Appropriations Act of 2004, does not contain any recommendations which would require our attention.

In accordance with Treasury Directive 40-01, "Responsibilities of and to the Inspector General," the Office of the Assistant Secretary for Management and Chief Financial Officer offers the following comment:

– In addition to having an updated directive that reflects Treasury's organizational structure, a letter dated May 6, 2004, was sent to bureaus as a further reminder of their responsibilities under the directive and implementation of the RDA.

Thank you for the opportunity to respond to the draft evaluation report. Should you have any questions concerning our response, please contact Carolyn Austin-Diggs, Director, Office of Asset Management. Ms. Austin-Diggs can be reached at (202) 622-0500.

Attachment

Letter dated May 6, 2004 that was sent to bureaus as a further reminder of their responsibilities under the directive and implementation of the RDA.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MAY 0 6 2004

MEMORANDUM FOR BUREAU/OFFICE ASSET MANAGEMENT DIRECTORS

FROM: Carolyn Austin-Diggs, Director
Office of Asset Management and
Senior Real Property Officer

SUBJECT: Treasury Implementation of the Rural Development Act (RDA) of 1972

Congress continues to show interest in whether agencies are giving rural areas priority when making office location decisions. In this year's Departments of Transportation and Treasury and Independent Agencies Appropriations Act of 2004, pursuant to Section 636, the Inspector General (IG) is directed to report what policies and procedures are in place to give rural areas first priority when locating their offices and other facilities This year's review is scheduled for this month.

In accordance with Section 638, of Treasury General Government Appropriations Act of 2004, the Treasury Office of Inspector General conducted a three-month review last year of the Department's implementation of the RDA. This office facilitated its work with your assistance. Based on office location activity and other data provided by the bureaus, the IG concluded that Treasury has policy and procedures in place to give consideration to rural areas when locating its offices and other facilities, but the policy directive needs to be updated to reflect the more current management structure to ensure that proper management controls are in place.

Specifically our data showed that Treasury's location decisions were overwhelmingly based on mission and program requirements, and convenience to the customer and public being served. Out of 27 locations acquired, 23 locations considered rural areas as possible office locations. Few offices were located in rural areas.

Consistent with the IG conclusion, this memorandum is issued to remind bureaus that it is Treasury's policy to give first priority to locating new offices and other facilities in rural areas, in accordance with the RDA. This memorandum is to assist in ensuring adherence to the policy, as stated in Treasury Directive (TD) 72-03, "Location of New Offices and Other Facilities in Rural Areas," which applies to all offices acquired by Treasury with statutory authority and by the General Services Administration on behalf of the Department.

Your support is appreciated in ensuring that all members of your staff, who are involved in real property acquisition activities, are fully aware of the Department's statutory requirement to comply with the location policy of the RDA and the policy contained in TD 72-03. The directive is available on the Treasury website at http://treas.gov/regs/.

If you have questions, please contact Charlie Ingram of my staff on (202) 622-2178 or me on (202) 622-0500.

Thomas E. Byrnes, Director, Departmental Offices Audit
John F. Lemen, Audit Manager
Cedric E. Hammond, Sr., Evaluator-in-Charge
Michael S. Stein, Referencer

The Department of the Treasury

Acting Assistant Secretary for Management
Acting Chief Financial Officer
Office of Asset Management
Office of Accounting and Internal Control

Office of Management and Budget

OIG Budget Examiner

The Congress

United States Senate, Committee on Appropriations
House of Representatives, Committee on Appropriations