

**GENERAL MANAGEMENT: Treasury Policy Gives  
First Priority To Locating New Offices In Rural  
Areas But The Policy Could Be Better Implemented**

OIG-CA-02-004

May 10, 2002



**Office of Inspector General**

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**The Department of the Treasury**

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## Abbreviations

ATF	Bureau of Alcohol, Tobacco and Firearms
BEP	Bureau of Engraving and Printing
BPD	Bureau of the Public Debt
CDFI Fund	Community Development Financial Institutions Fund
CICA	Competition in Contracting Act of 1984
Customs	U.S. Customs Service
DO	Departmental Offices
FinCEN	Financial Crimes Enforcement Network
FLETC	Federal Law Enforcement Training Center
FMS	Financial Management Service
GSA	General Services Administration
ITC	Inventory, Tracking and Closure System
IRS	Internal Revenue Service

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Mint	U.S. Mint
OCC	Office of the Comptroller of the Currency
OIG	Office of Inspector General
OTS	Office of Thrift Supervision
RDA	Rural Development Act of 1972
Secret Service	U.S. Secret Service
TD	Treasury Directive
TIGTA	Treasury Inspector General for Tax Administration
Treasury	Department of the Treasury

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Cover Photo: Example of the rural location of a Treasury facility

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*The Department of the Treasury  
Office of Inspector General*

Edward R. Kingman, Jr.  
Assistant Secretary for Management  
and Chief Financial Officer

Pursuant to Section 647 of the Treasury and General Government Appropriations Act, 2002 (Public Law 107-67), we have prepared this report detailing what policies and procedures are in place for 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). We will transmit this report to the Committees on Appropriations of the United States Senate and U.S. House of Representatives.

To collect information for this report, we met with the Department of the Treasury (Treasury) officials in Washington, D.C. These officials confirmed that Treasury Directive (TD) 72-03, *Location of New Offices and Facilities in Rural Areas*, dated November 28, 1989, states current Treasury policies and procedures for implementation of the RDA. These officials coordinated feedback from all Treasury bureaus, except the Internal Revenue Service (IRS), on bureau policies and procedures for this report. Eleven bureaus, the Community Development Financial Institutions (CDFI) Fund, the Office of Inspector General (OIG), and Departmental Offices reported not having separate policies and procedures other than TD 72-03. Only two (2) out of these 14 respondents reported that they consider the requirements of TD 72-03 when acquiring new space.

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## Results in Brief

Treasury, to its credit, has published detailed policies and procedures to give first priority to the location of new offices and other facilities in rural areas, as directed by the RDA. However, while these policies and procedures have been published, they are not entirely "in place."

We are recommending that Treasury bureaus and offices be reminded of TD 72-03 requirements and management controls be established to ensure compliance with the policy.

## Background

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 at rural locations. CICA focuses on Federal acquisition in general. Both of these laws have priority over presidential executive orders.

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

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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 either 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 in certain cases, it assumes responsibility for compliance with all applicable laws and regulations. In these cases, Treasury is not subject to GSA regulations.

Regarding compliance with the RDA, Treasury issued TD 72-03 in November 1989. TD 72-03 states Treasury policy on locating new Treasury offices and other facilities in rural areas; and satisfies RDA requirements for written policies and procedures. The directive does not have a determined sunset review or expiration date assigned.

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## Findings and Recommendations

### **Finding 1 Treasury Policy Requires Giving First Priority To Locating New Treasury Offices And Other Facilities In Rural Areas**

Treasury 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. TD 72-03 defines a rural area as an area outside the outer boundary of any city with a metropolitan area population of 50,000 or more.

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.

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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 assigns responsibility to the Deputy Assistant Secretary for Departmental Finance and Management, a position no longer formally in effect, for approving bureau requests to establish or to relocate facilities in other than rural areas. It lists the Director, Office of Management Support Systems, a position also no longer formally in effect, as responsible for: (1) ensuring that procedures are developed and implemented; (2) reviewing, with appropriate policy officials, bureau requests for Treasury approval of new offices and facilities; and (3) conducting reviews and providing recommendations regarding bureau implementing instructions and records for compliance with TD 72-03. In addition, TD 72-03 lists the Deputy Assistant Secretary for Administration, a position no longer formally in effect, and heads of bureaus as responsible for ensuring bureau instructions and controls are established.

TD 72-03 requires the Deputy Assistant Secretary for Departmental Finance and Management 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:



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- A major acquisition;
  - Significant organizational changes, which involve geographic, regional adjustments requiring approval by other Treasury officials;
  - Organizational changes; or
  - A program activity, which involves 50 or more employees and which is not a part of a bureau proposal, that involves a major acquisition or significant organizational changes, which involve geographic, regional adjustments requiring approval by other Treasury officials.

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

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

Based on the above, we conclude that TD-72-03 generally satisfies the requirements of the RDA. However, the Directive needs to be updated so that the assignment of responsibilities reflects the Department's current management structure.

## Finding 2 Policies And Procedures For Locating Offices And Other Facilities In Rural Areas Are Not Always Followed

While policies and procedures were established to implement the RDA, Treasury bureaus and offices reported variable application. Some indicated a need for clarification of GSA's responsibilities, versus their own conformance with TD 72-03, for ensuring compliance with the RDA.

Treasury bureaus and offices, not including the IRS and Treasury Inspector General for Tax Administration (TIGTA), reported the following for calendar years 1999 through 2001:

Bureau or Office	Was the RDA Considered?	No. of Offices and Other Facilities Acquired		Primary Reason(s) for Locations Selection Reported by Bureaus and Offices			
		Rural	Urban	Mission	Customer	Safety/ Security	Congressional-Directed
ATF	No	2	25	X	X	X	
BEP	--	0	0	--	--	--	--
BPD	No	0	2		X		
CDFI Fund	--	0	0	--	--	--	--
Customs	No	36	131	X	X		
DO	No	0	4	X			
FinCEN	No	0	1	X			
FLETC	No	0	1				X
FMS	--	0	0	--	--	--	--
Mint	No	0	2	X			
OCC	Yes	2	52		X		
OIG	No	0	1	X	X		
OTS	Yes	0	6	X	X	X	
Secret Service	No	0	43	X			
		40	268				

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Responses provided by the bureaus and offices indicate that except for TD 72-03, bureaus and offices report issuing no separate RDA implementing policies or procedures. Many respondents reported that they expected GSA to ensure their compliance with the RDA and all other requirements. Some respondents reported that GSA reviews justifications for space outside of a central business district with great interest, while not requiring justifications for locating offices and facilities in other than rural areas. Regardless, and potentially limiting the impact of the RDA, bureaus and offices reported consistently placing an emphasis on locating staff in proximity to their customers, with an emphasis on mission achievement.

While for this study we have not specifically observed the reported new offices and other facilities, only 2 out of 11 bureaus and offices reported considering the RDA when acquiring new offices and other facilities. The actual records of acquisitions themselves may evidence this, but we did not examine these records. While some acknowledged difficulty in reporting the specifics of their acquisitions, out of a total 308 reported acquisitions of new offices and other facilities, only 40 were reported as being located in rural areas.

The bureaus and offices reported that they considered the efficient performance of their missions and programs when choosing locations. The nature and functions of facilities with special regard for the convenience of those served was noted in most cases. Furthermore, indications of concerns for safety and security were also reported. Environmental and socioeconomic impacts on the employees and the communities were considered as well.

In many instances, however, the reporting of new offices and facilities could be misleading to an outside reviewer. Much new space is located in close or immediate proximity to existing offices and facilities. This new space is merely an expansion, often very small, of active existing leased or owned space. In these cases, the bureaus and offices again reported relying on the discipline of GSA

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for ensuring compliance with applicable laws and executive orders, including the RDA.

An area where the bureaus and offices could improve compliance with TD 72-03 and at the same time with the RDA, is in requesting approval from Departmental management when establishing or relocating facilities in other than rural areas, as TD 72-03 requires.

Additionally, as TD 72-03 requires, the Department could better ensure that TD-72-03 is implemented consistently, and records of the new offices and other facilities acquisitions are maintained throughout Treasury. Consistent implementation, in compliance with TD 72-03, would also call for a centralized review of the detailed comparative analysis that is supposed to occur in most cases before acquiring new Treasury offices and facilities in other than rural areas.

### **Recommendations**

The Assistant Secretary for Management and Chief Financial Officer should:

1. Remind all Treasury bureaus and offices of Treasury Directive 72-03 requirements.

### **Management Response:**

Management concurred with this recommendation. By June 2002 management plans to send a notice to all Treasury bureaus reminding them of their responsibilities under this directive.

### **OIG Comment:**

The OIG believes that this proposed action addresses the intent of the recommendation.

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2. Establish management controls for ensuring that bureaus and offices comply with Treasury Directive 72-03. At a minimum, these controls should require that consideration of RDA and TD 72-03 for acquisitions of new offices and other facilities be appropriately documented and approved. In this regard, TD 72-03 should be updated to reflect Treasury's current management structure.

Management Response:

Management concurred with this recommendation. By January 2003 management plans to revise TD 72-03 to incorporate appropriate controls to ensure departmental compliance and include a new definition of a "rural area."

OIG Comment:

The OIG believes that this proposed action addresses the intent of the recommendation.

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We will record our recommendations in the Department of the Treasury's Inventory, Tracking and Closure (ITC) system. We appreciate the cooperation and courtesies extended to our staff. If you have any questions, please contact me at (202) 927-5400. The major contributor to this report is Adam Silverman, Assistant Inspector General for Management.

Marla A. Freedman  
Assistant Inspector General for Audit

## Evaluation Objectives

As directed by the Treasury and General Government Appropriations Act, 2002, we must provide Congress with the answer to the following question by May 12, 2002:

*What policies and procedures are in place at Treasury Departmental Offices and at Treasury Bureaus, excluding the IRS, 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 compliance with the RDA by all Treasury offices and bureaus, except for the IRS, whose compliance has been reported separately by TIGTA.

## Methodology

- We reviewed requirements of the RDA, and related policies and procedures issued by Treasury Departmental Offices and Treasury bureaus; and
- We reviewed the results of a survey developed by our office of bureaus and offices, distributed by the Office of Real Property Programs, to gauge if policies and procedures for compliance with the RDA are in place. Independent testing of the survey results was not conducted.

The survey consisted of the following questions:

- What policies and procedures has your office or bureau issued to implement the requirements of the RDA and TD 72-03?

- What are the addresses, acquisition dates, alternatives considered, and location justification(s) for offices and facilities acquired by the Department, Departmental Offices, and Bureaus since 1999?

### **Evaluation Standards**

We conducted our review between January 2002 and March 2002 in accordance with the President's Council on Integrity and Efficiency *Quality Standards for Inspections*.

Appendix 2  
Management Comments



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON

MAY 10 2002

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

**FROM:**

Edward R. Kingman, Jr. *5/08/02*  
Assistant Secretary for Management  
and Chief Financial Officer

**SUBJECT:**

Treasury Implementation of the Rural Development Act  
of 1972

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 implementation of the Rural Development Act (RDA). The report, which was completed pursuant to section 647 of the Treasury and General Government Appropriations Act of 2002, contained several findings and recommendations for 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 comments and plans to strengthen and clarify the Department's policy.

The Inspector General (IG) found that Treasury's policy fulfills the requirements of the RDA. However, it was not always clear to Treasury bureau officials how they should implement the RDA. The IG made several recommendations, which we plan to implement. The IG recommended that we remind the bureaus of the policy requirements contained in Treasury Directive (TD) 72-03, "Location of New Offices and Facilities in Rural Areas," and update that directive to reflect Treasury's current management structure. A notice will be sent to all Treasury bureaus by June 2002 to remind them of their responsibilities under the directive.

The IG also found that management controls should be established to ensure that the bureaus comply with TD 72-03. Again, we agree with the IG findings. TD 72-03 will be revised to incorporate appropriate controls to ensure departmental compliance.

Further, we plan to incorporate a new definition of a "rural area." To effectively comply with the RDA, we believe the definition of a "rural area" should be clearly defined. The General Accounting Office, in its report of July 2001 to Congress on agencies' implementation of the RDA, reported that the definition of a "rural area" for RDA



Appendix 2  
Management Comments

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compliance was unclear. GAO urged Congress to amend the RDA to define a "rural area." Until Congress acts, GAO recommended that the General Services Administration (GSA) define the term for federal application. GSA agreed. We plan to revise TD 72-03 by January 2003. Our revision also will incorporate the new definition of a "rural area," to be defined by GSA.

We are concerned, however, with the use of the term "inconsistent" as it is applied to Treasury's implementation of the Rural Development Act, in the report title. The term may be misunderstood to suggest that Treasury did not comply with the RDA. Treasury has not acted "inconsistently" with the Act. The IG report found, as we understand it, that it was not always clear to Treasury officials exactly how the RDA was to be implemented. We recommend that the title of the report be changed from, "General Management: Treasury Policy Gives First Priority To Locating New Offices In Rural Areas But Implementation Has Been Inconsistent" to "General Management: Treasury Policy Gives First Priority To Locating New Offices In Rural Areas But Implementation Could Be Improved." We also recommend that the word "inconsistent" be dropped from the IG report.

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.

**The Department of the Treasury**

Assistant Secretary for Management and Chief Financial Officer  
Office of Strategic Planning and Evaluations  
Director of Asset Management  
Office of Real Property Programs

**Office of Management and Budget**

OIG Budget Examiner