

**GENERAL MANAGEMENT:
Treasury Needs To Approve
And Reissue Its Policy On
The Rural Development Act Of 1972**

OIG-CA-03-023

August 19, 2003



Office of Inspector General

The Department of the Treasury

Contents

Evaluation Report	3
Results in Brief	4
Background.....	4
Treasury’s RDA Policy	5
Findings and Recommendations.....	8
Planned Corrective Action To Update RDA Policy Has Not Been Completed.....	8
Bureaus Reported That RDA Was Considered When Locating New Offices	9
Recommendation.....	10

Appendices

Appendix 1: Objectives, Scope, and Methodology	12
Appendix 2: Management Comments	14
Appendix 3: Major Contributors To The Report	16
Appendix 4: Report Distribution.....	17

Abbreviations

BEP	Bureau of Engraving and Printing
BPD	Bureau of the Public Debt
CDFI Fund	Community Development Financial Institution Fund
CICA	Competition in Contracting Act of 1984
DO	Departmental Offices
FinCEN	Financial Crimes Enforcement Network
FMS	Financial Management Service
GSA	General Services Administration
HSA	Homeland Security Act of 2002
IRS	Internal Revenue Service
JAMES	Joint Audit Management Enterprise System
Mint	U.S. Mint

Contents

OCC	Office of the Comptroller of the Currency
OIG	Office of Inspector General
OTS	Office of Thrift Supervision
RDA	Rural Development Act of 1972
TD	Treasury Directive
TIGTA	Treasury Inspector General for Tax Administration
Treasury	Department of the Treasury
TTB	Alcohol and Tobacco Tax and Trade Bureau

*The Department of the Treasury
Office of Inspector General*

August 19, 2003

Teresa Mullett Ressel
Assistant Secretary for Management
and Chief Financial Officer

Section 638 of the Treasury General Government Appropriations Act of 2003 (Public Law 108-7) requires our office to report on whether 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, in accordance with the Rural Development Act of 1972 (RDA). A similar requirement was contained in the FY 2002 appropriations act and we reported in May 2002 that the Treasury had implemented a policy on the RDA, but the assignment of responsibilities in the policy needed to be updated to reflect Treasury's current organizational structure. Also, we recommended that Treasury bureaus needed to be reminded about RDA requirements and that appropriate management controls be established to ensure bureau compliance with the RDA and related Treasury policy.¹

To meet our reporting requirement this year, we: (1) determined whether corrective action to our prior recommendations were completed; and (2) 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 since January 2002, and whether RDA was considered when acquiring this space. Appendix 1 provides a more detailed description of our objectives, scope, and methodology.

¹ GENERAL MANAGEMENT: *Treasury Policy Gives First Priority To Locating New Offices In Rural Areas But Could Be Better Implemented* (OIG-CA-02-004).

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

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, as directed by RDA. However, as discussed in our prior report, key responsibilities in the Directive are assigned to positions that no longer exist. Accordingly, we reaffirm our prior recommendation that appropriate management controls be established to ensure RDA compliance and the Directive updated. In this regard, a revised draft TD has been circulated within the Department for comment.

In response to our survey, 5 bureaus reported acquiring a total of 27 office locations since January 2002. The bureaus reported that they either considered the RDA in the selection process or acquired the space from GSA.

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.

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 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.

Treasury's RDA Policy

As we noted in our prior report, Treasury issued TD 72-03 in November 1989. The TD 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.

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 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:

- 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, 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.

Findings and Recommendation

Finding 1 Planned Corrective Action To Update The RDA Policy Has Not Been Completed

TD 72-03 requires a periodic assessment of the Department's implementation of RDA and its policy. Under the policy, the Director of the Office of Management Support Systems is responsible for conducting periodic reviews of bureau implementing instructions and records for compliance and provide recommendations to the bureau for improvement when bureau procedures and documentation are found in noncompliance or incomplete. However, the position of Director of the Office of Management Support Systems no longer exists.

In our prior report we noted that TD 72-03 delegated other responsibilities to positions that no longer exist. For example, it assigned responsibility to the Deputy Assistant Secretary for Departmental Finance and Management for approving bureau requests to establish or to relocate facilities in other than rural areas, and the Deputy Assistant Secretary for Administration and heads of bureaus as responsible for ensuring bureau instructions and controls are established. Both Deputy Assistant Secretary positions have been abolished.

In response to our prior report, the Assistant Secretary for Management and Chief Financial Officer agreed to revise TD 72-03 with delegation of responsibilities that reflect current management structure, and to incorporate a new definition of rural area. These actions were to be completed by January 2003. At the time of this review, a revised draft TD 72-03 was in circulation for comment. The draft outlines proposed delegations of authority and responsibility according to current Treasury organizational structure. Specifically, it proposes to assign the Deputy Assistant Secretary for Departmental Offices, the responsibility for approving bureau requests to establish or to relocate facilities in other than rural areas. The Director, Office of Asset Management is to assume the responsibilities of the abolished position of Director, Office of Management Support.

Finding 2

Bureaus Reported That RDA Was Considered When Locating New Offices And Other Facilities

Treasury offices and bureaus we surveyed reported the following office acquisitions since January 2002:

Bureau or Office	No. of Offices and Other Facilities Acquired	Was RDA Considered?	Reason (s) for Location Selection Reported by the Bureaus		
			Mission	Customer	Safety/ Security
BEP	0	-	-	-	-
BPD	0	-	-	-	-
CDFI Fund	0	-	-	-	-
DO	2	No	X	X	-
FinCEN	0	-	-	-	-
FMS	0	-	-	-	-
Mint	0	-	-	-	-
OCC	12	Yes	X	X	-
OIG*	1	Yes	X	X	-
OTS	2	No	X	X	X
TTB**	10	Yes	X	-	-
Total	27				

* New location was divested to the Department of Homeland Security in March 2003, pursuant to the Homeland Security Act of 2002 (HSA).

** The TTB was created in January 2003 by the HSA to administer the revenue collection functions of the former Bureau of Alcohol, Tobacco and Firearms.

As shown in the table, 5 bureaus and offices acquired a total of 27 new office locations since January 2002. Three of the bureaus, which acquired 23 of the 27 locations, reported giving consideration to RDA when selecting their new office locations. It should be noted that although RDA was considered for these 23 locations, none were located to rural areas. Although it is required for RDA to be considered when locating new offices, representatives for the other 2 bureaus said they did not consider RDA for 4 offices. They stated that the nature and functions of the facilities with regard for the convenience to the public served outweighed any consideration to locating in a rural area. These offices were generally located in close proximity to or were expansions of existing offices, and were acquired through GSA.

Recommendation

We reaffirm our prior recommendation that the Assistant Secretary for Management and Chief Financial Officer should:

1. 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 agreed with our recommendation. The draft directive has been updated consistent with OIG's recommendation. The directive is in the approval stage and is expected to be issued on or before October 30, 2003.

OIG Evaluation

We believe this recommendation to have a management decision.

* * * * *

We will record the recommendation contained in this report in the Department of the Treasury's Joint Audit Management Enterprise System (JAMES).

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 Treasury and General Government Appropriations Act, 2003, we must provide Congress with the answer to the following question by August 20, 2003:

What policies and procedures are in place at Treasury Bureaus and Treasury Departmental Offices, 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 all Treasury bureaus and offices, excluding IRS and TIGTA. TIGTA will report separate on IRS' compliance. Our evaluation covered office acquisitions from January 2002 to June 2003.

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 and distributed by our office to Treasury bureaus and offices, 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:

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 calendar year 2002, how many new offices another 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 conducted our review from May through June 2003 in accordance with the Presidents' Council on Integrity and Efficiency *Quality Standards for Inspections*.



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

AUG 15 2003

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

FROM:

Teresa Mullett Ressel
Assistant Secretary for Management
And Chief Financial Officer

SUBJECT:

Comments to the Draft Evaluation Report – General
Management: Treasury Needs to Update Its Policy on the Rural
Development Act of 1972

I am responding to your request for comments on the draft evaluation report on Treasury's implementation of the Rural Development Act (RDA). The report, completed under section 638 of the Treasury General Government Appropriations Act of 2003, contains two specific findings and one recommendation. My comments on the report follow in two sections; Actions Treasury Has Taken, which I would like included in the report, and Additional Comments.

Actions Treasury Has Taken

1. The Inspector General (IG) found that Treasury has a policy that generally fulfills the requirements of the RDA. However, the IG recommended in this report, and in the previous report, that we update the policy to assign responsibility to positions that correctly reflect our current organizational structure to ensure better management controls. As discussed below under Additional Comment, 3., we have updated the directive consistent with the IG's recommendation.
2. As we stated in our comments to last year's report, we have updated the revised directive to incorporate the new definition of a "rural area." The new definition, provided by the General Services Administration in a Federal Management Regulation Part 102-83 dated December 2002 and Federal Management Regulation Bulletin 2003B-1 dated January 2003, covers agencies having their own statutory authority to acquire real property. It addresses the General Accounting Office's concern that the term be defined for federal application.
3. In accordance with last year's recommendation that we forward information on implementing the RDA to all Treasury bureaus, we sent a notice on June 28, 2002, to the

Appendix 2 Management Comments

bureaus reminding them of their responsibilities under the directive. Through this action, Treasury completed this recommendation.

Additional Comments

1. I recommend that you update Appendix 4, Report Distribution, to reflect that your office sent a copy of the draft report to the Office of Asset Management as well as to the other offices listed.

2. On page 4, Results in Brief, the following comment states, "The bureaus reported that they either considered the RDA in the selection process or acquired space from GSA." I understand that the bureaus must consider the RDA regardless of the method used to acquire the space. You might want to capture that idea in your report.

3. I am concerned that the title of the report, "Treasury Needs to Update Its Policy on the Rural Development Act of 1972," does not properly reflect our implementation of the Inspector General's recommendations. We have updated the directive and received comments from our bureaus. The directive is in the approval stage at the Department. We are working with the Counsel offices for the Inspector General and Inspector General for Tax Administration to include changes they requested to the directive. I recommend that you change the title of the report to "General Management: Treasury Needs to Approve and Re-Issue Its Policy on the Rural Development Act of 1972." I expect to re-issue the revised directive on or before October 30, 2003.

If you have any questions about our response, please contact Carolyn Austin-Diggs, Director of the Office of Asset Management. You can reach Ms. Austin-Diggs at (202) 622-0500.

Attachment

Appendix 3
Major Contributors To The Report

Thomas E. Byrnes, Director, Departmental Offices Audit
Michael Sinko, Audit Manager
Cedric E. Hammond, Evaluator-in-Charge

The Department of the Treasury

Office of Strategic Planning and Evaluations
Office of Accounting and Internal Control
Office of Asset Management
Office of Budget

Office of Management and Budget

OIG Budget Examiner

The Congress

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