



FEDERAL CAPITAL

Three Entities' Implementation of Capital Planning Principles Is Mixed

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.