

April 2007

# FEDERAL REAL PROPERTY

## Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform



GAO  
Accountability · Integrity · Reliability

# Highlights

Highlights of [GAO-07-349](#), a report to congressional committees

## Why GAO Did This Study

GAO prepared this report under the Comptroller General's authority to conduct evaluations on his own initiative to assist Congress. Federal real property is a high-risk area due to excess and deteriorating property, reliance on costly leasing, unreliable data, and security challenges. GAO's objectives were to determine (1) what progress the administration and major real property-holding agencies have made in strategically managing real property and addressing long-standing problems and (2) what problems and obstacles, if any, remain to be addressed. GAO reviewed documents and interviewed officials from the Office of Management and Budget (OMB) and nine agencies that hold 93 percent of federal property.

## What GAO Recommends

GAO recommends that OMB, in conjunction with the Federal Real Property Council, (1) develop a framework to better ensure the validity and usefulness of key agency data; (2) develop an action plan for addressing key problems, including reliance on leasing, security challenges, and the effect of competing stakeholder interests; and (3) create a clearer link between agencies' efforts under the real property initiative and broader capital planning requirements. OMB agreed with the report and concurred with its recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-349](http://www.gao.gov/cgi-bin/getrpt?GAO-07-349).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Mark L. Goldstein at (202) 512-2834 or [goldsteinm@gao.gov](mailto:goldsteinm@gao.gov).

## FEDERAL REAL PROPERTY

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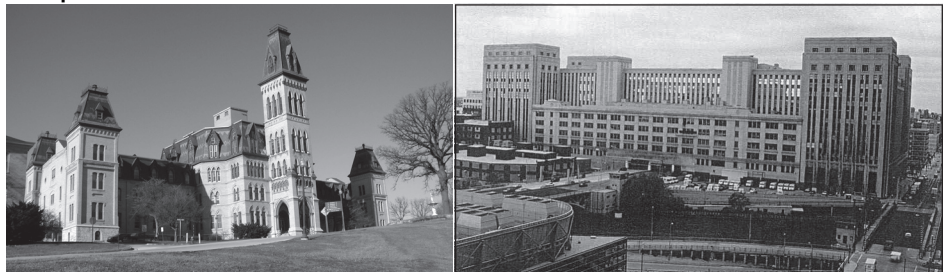
## What GAO Found

The administration and real property-holding agencies have made progress toward strategically managing federal real property and addressing long-standing problems. In response to the President's Management Agenda real property initiative and a related executive order, agencies have, among other things, established asset management plans; standardized data reporting; and adopted performance measures. Also, the administration has created a Federal Real Property Council (FRPC) and plans to work with Congress to provide agencies with tools to better manage real property.

These are positive steps, but underlying problems still exist. For example, the Departments of Energy (Energy) and Homeland Security (DHS) and the National Aeronautics and Space Administration (NASA) reported during this review that over 10 percent of their facilities are excess or underutilized. Also, Energy, NASA, the General Services Administration (GSA), and the Departments of the Interior (Interior), State (State), and Veterans Affairs (VA) reported repair and maintenance backlogs for buildings and structures that total over \$16 billion. The Department of Defense (DOD) reported a \$57 billion restoration and modernization backlog. Also, Energy, Interior, GSA, State, and VA reported an increased reliance on leasing to meet space needs. While agencies have made progress in collecting and reporting standardized real property data, data reliability is still a challenge at DOD and other agencies, and agencies lack a standard framework for data validation. Finally, agencies reported using risk-based approaches to prioritize security needs, which GAO has suggested, but some cited obstacles such as a lack of resources for security enhancements.

In past high-risk updates, GAO called for a transformation strategy to address the long-standing problems in this area. While the administration's approach is generally consistent with what GAO envisioned, certain areas warrant further attention. Specifically, problems are exacerbated by underlying obstacles that include competing stakeholder interests, legal and budgetary limitations, and the need for improved capital planning. For example, agencies cited local interests as barriers to disposing of excess property, and agencies' limited ability to pursue ownership leads them to lease property that may be more cost-effective to own over time.

### Examples of Excess Federal Facilities



Sources: VA and USPS.

From left to right: former Main VA Hospital Building, Milwaukee, WI; former Main Post Office Chicago, IL.

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### Abbreviations

BRAC	Base Realignment and Closure
CARES	Capital Asset Realignment for Enhanced Services
DHS	Department of Homeland Security
DOD	Department of Defense
DOT	Department of Transportation
EUL	Enhanced-use lease
FCC	Federal Communications Commission
FRPC	Federal Real Property Council
FRPP	Federal Real Property Profile
GSA	General Services Administration
HHS	Department of Health and Human Services
NASA	National Aeronautics and Space Administration
NEPA	National Environmental Policy Act
NPS	National Park Service
OMB	Office of Management and Budget
PBS	Public Buildings Service
PMA	President's Management Agenda
STAR	System for Tracking and Administering Real Property
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USPS	United States Postal Service
VA	Department of Veterans Affairs

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United States Government Accountability Office  
Washington, DC 20548

April 13, 2007

The Honorable Joseph I. Lieberman  
Chairman  
The Honorable Susan M. Collins  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Henry A. Waxman  
Chairman  
The Honorable Tom Davis  
Ranking Member  
Committee on Oversight and Government Reform  
House of Representatives

In January 2003, we designated federal real property as a high-risk area<sup>1</sup> because of long-standing problems with excess and underutilized property, deteriorating facilities, unreliable real property data, and over-reliance on costly leasing. Federal agencies were also facing many challenges in protecting their facilities against the threat of terrorism. In addition, we found that these problems have been exacerbated by obstacles that include competing stakeholder interests in real property decisions, various legal and budget-related limitations, the need for better agency capital planning, and the lack of a strategic, governmentwide focus on real property issues. In our 2005 high-risk update, we reported that the administration had initiated several key reform efforts that included issuing Executive Order 13327 in February 2004 and adding the real property initiative to the President's Management Agenda (PMA). We further noted that the Departments of Defense (DOD) and Veterans Affairs (VA) continued to make progress with the Defense Base Realignment and Closures (BRAC) Commission and the VA Capital Asset Realignment for Enhanced Services (CARES) decisions, respectively. We acknowledged that these efforts were positive, but said that it was too early to judge

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<sup>1</sup>High-risk areas are those that either have greater vulnerabilities to waste, fraud, abuse, and mismanagement or major challenges associated with their economy, efficiency, or effectiveness.

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whether the administration's focus on this area would have a lasting impact.

For this report, our objectives were to determine (1) what progress the administration and major real property-holding agencies have made in strategically managing real property and addressing long-standing problems, and (2) what problems and obstacles, if any, remain to be addressed. To do this work, we obtained answers to a set of questions that we posed to the nine<sup>2</sup> federal real property-holding agencies that hold 93 percent of the government's owned and leased space. These agencies are DOD; VA; and the Departments of Energy (Energy), Homeland Security (DHS), the Interior (Interior), and State (State); the General Services Administration (GSA); the National Aeronautics and Space Administration (NASA); and the United States Postal Service (USPS). We also interviewed officials from the Office of Management and Budget (OMB) because it oversees the implementation of the executive order. We analyzed (1) agencies' written responses to our questions and (2) pertinent laws, regulations, policies, and other documents relating to these agencies' real property management. We relied largely on the agencies' responses to assess their progress and performed an assessment of the reliability of the information they provided. We determined that this approach was adequate to meet our objectives. Additional information about our methodology and the agencies included in our review appears in appendix I. A summary of our findings for this report was included in our high-risk update that was released in January 2007.<sup>3</sup> We prepared this report under the Comptroller General's authority to conduct evaluations on his own initiative as part of a continued effort to assist Congress with oversight of real property issues. We conducted our work between April 2006 and February 2007 in accordance with generally accepted government auditing standards.

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## Results in Brief

The administration and major real property-holding agencies have made progress toward strategically managing federal real property and addressing some long-standing problems. In response to the executive order and the PMA real property initiative, agencies covered under the

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<sup>2</sup>For the purposes of our review we focused on eight of the largest real property-holding agencies and USPS, which is an independent establishment in the executive branch and is among the largest property holders in terms of owned and leased space.

<sup>3</sup>GAO, *High-Risk Series: An Update*, [GAO-07-310](#) (Washington, D.C.: January 2007).

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executive order have, among other things, designated senior real property officers, established asset management plans, standardized real property data reporting, and adopted various performance measures to track progress. The administration has also established a Federal Real Property Council (FRPC) that supports reform efforts. In addition, the administration intends to work with Congress to provide agencies with asset management tools to more effectively manage real property. For example, VA, NASA, DOD, Energy, Interior, and USPS have limited authorities that allow the agency to enter into enhanced-use lease (EUL) agreements.<sup>4</sup> Each agency has been provided its own statutory authority, and the authority varies from agency to agency. These agencies are also authorized to retain proceeds from the lease and to use them for items specified by law, such as improvement of their real property assets. Additionally, certain agencies such as GSA and VA have been authorized to retain the proceeds from disposal of their real property and to use these proceeds for their real property needs.

Although progress toward strategically managing real property and addressing some long-standing problems has been made, these problems largely persist and the underlying obstacles remain. For example, Energy, DHS and NASA reported that over 10 percent of their facilities are excess or underutilized. In addition, Energy, NASA, GSA, Interior, State, and VA reported repair and maintenance backlogs that total over \$16 billion. DOD reported a backlog of more than \$57 billion, which includes the cost of restoring and modernizing obsolete buildings.<sup>5</sup> Furthermore, Energy, Interior, GSA, State, and VA reported an increased reliance on operating leases—an approach which we have reported is generally more costly for long-term space needs. While agencies have made progress in collecting and reporting standardized real property data, data reliability is still a challenge at some of the agencies, and agencies lack a standard framework for data validation. Finally, all of the major real property-

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<sup>4</sup>EUL agreements are lease agreements for property under an agency's control or custody that the agency can (1) enter into with a public or private entity and (2) receive as payment under the lease either cash or other consideration such as repairs of the facilities. For the purposes of this report, we have stated that an agency has enhanced use leasing authority if it is authorized to enter into an agreement as defined in the prior sentence even if the agency's authority does not specifically use the words enhanced use leasing.

<sup>5</sup>Deferred maintenance backlog includes deteriorating facilities for which major upkeep, repair, and maintenance have not been funded and the repair and maintenance on these assets has been postponed. Estimates provided by DOD include restoration and modernization needs and represent the actual measured need for major repairs (restoration), renovations, modernization, and alterations.



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holding agencies reported using risk-based approaches to prioritize security needs, as we have suggested, but some cited a lack of resources for security enhancements as an ongoing problem.

In our past high-risk reports, we called for a transformation strategy to address the long-standing problems in this area. The administration's approach is generally consistent with what we envisioned, but certain areas warrant further attention. More specifically, underlying obstacles, such as competing stakeholder interests, legal and budgetary limitations, and a need for improved capital planning, persist. For example, some agencies cited local interests, such as historic preservation organizations or various advocacy groups that want to keep the federal government in their community, as barriers to disposing of excess property. Furthermore, agencies' limited ability to pursue ownership often leads them to lease property that may be more cost-effective over time for them to own. Finally, long-term capital planning efforts to improve the efficiency of government operations continue to be a challenge, and these efforts are not clearly linked with the real property initiative. The federal government has generally not planned or budgeted for capital assets, such as real property, over the long term. We are making recommendations aimed at (1) ensuring the validity of agency data, (2) focusing reform efforts to better address the leasing problem and security challenges, (3) and addressing obstacles that include competing stakeholder interests and the need for improved capital planning. OMB agreed with the report and concurred with its recommendations. VA, Energy, DHS, GSA, and NASA generally agreed with the report. State, DOD, Interior, and USPS did not state whether they agreed or disagreed with the report and its recommendations. However, State provided additional information for the report and Interior, DOD, and USPS provided technical clarifications, which we incorporated, where appropriate.

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## Background

The federal real property portfolio is vast and diverse. The federal government controls over \$374 billion (gross value) in real property assets worldwide.<sup>6</sup> DOD, USPS, GSA, and VA hold the majority of the owned and leased facility space, totaling over 3 billion square feet of space. Numerous laws and regulations govern the acquisition, management, and disposal of federal real property. The Federal Property and Administrative Services

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<sup>6</sup>Department of the Treasury, *2006 Financial Report of the U.S. Government* (Washington, D.C.: Sept. 30, 2005).

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Act of 1949, as amended (Property Act), is the law that generally applies to real property held by federal agencies, and GSA is responsible for the act's implementation.<sup>7</sup> Agencies are subject to the Property Act unless they are specifically exempted from it. Agencies may also have their own statutory authority related to real property outside of the Property Act. In addition, agencies must comply with numerous other laws related to real property. For example, the Stewart B. McKinney Homeless Assistance Act (McKinney Act), as amended, provides that property that agencies have identified as unnecessary for mission requirements must first be made available to assist the homeless.<sup>8</sup> The National Historic Preservation Act, as amended, requires agencies to manage historic properties under their control and jurisdiction and to consider the effects of their actions on historic preservation.<sup>9</sup> USPS, which is an independent establishment in the executive branch, is authorized to sell, lease, or dispose of property under its general powers.<sup>10</sup> USPS is exempt from most federal laws dealing with real property and contracting.<sup>11</sup>

A number of federal laws enacted in the 1990s, including the Federal Acquisition Streamlining Act, the Clinger-Cohen Act, and the Government Performance and Results Act of 1993, placed increased emphasis on improving capital decision-making practices. OMB has issued various guidance and requirements for agencies to implement in developing disciplined capital programming processes. For example, the *Capital Programming Guide* is intended to provide agencies with a basic reference for establishing an effective investment decision-making process.<sup>12</sup> Agencies are expected to have a disciplined capital programming process, and the *Capital Programming Guide* and our *Executive Guide*<sup>13</sup> are intended to help them effectively plan, procure, and

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<sup>7</sup>40 U.S.C. § 101 et seq. The Property Act excludes certain types of property, such as public domain assets and land reserved or dedicated for national forest or national park purposes.

<sup>8</sup>42 U.S.C. § 11411.

<sup>9</sup>16 U.S.C. § 470 et seq.

<sup>10</sup>39 U.S.C. §§ 201 and 401.

<sup>11</sup>39 U.S.C. § 410.

<sup>12</sup>OMB, *Capital Programming Guide*, V 2.0 Supplement to OMB Circular A-11, Part 7: Planning Budgeting, and Acquisition of Capital Assets (Washington, D.C.: June 2006).

<sup>13</sup>GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: December 1998).

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use assets to achieve the maximum return on investment. Under the guide, agencies have flexibility in implementing the key principles.

Real property decisions draw considerable attention during congressional deliberations over federal appropriations. Members of Congress take a keen interest in federal facilities in their districts and in the economic impact of any decisions. Several stakeholders other than Congress, OMB, and the real property-holding agencies, have an interest in how the federal government carries out its real property acquisition, management, and disposal practices. These stakeholders include state and local governments, business interests in the communities where the real property assets are located, private sector construction and leasing firms, historic preservation organizations, various advocacy groups, and the public in general, which often views the facilities as the physical face of the federal government in their communities. At both the national and local levels, federal real property practices also often attract significant media attention, particularly when these practices are under scrutiny for waste and mismanagement.

In response to our designation of federal real property as a high-risk area, the President signed Executive Order 13327 in February 2004. Shortly after the issuance of the executive order, the President added the Federal Asset Management Initiative, commonly referred to as the real property initiative, to the PMA. The executive order, which applies to 24 executive branch departments and agencies<sup>14</sup> but not to USPS, established new federal property guidelines for these agencies. To increase accountability for real property asset management, the executive order called for each agency to establish the position of Senior Real Property Officer. This officer is required to prepare and submit to OMB an asset management plan that is intended to ensure systematic agency procedures and actions related to real property asset management. The executive order also called for establishing a FRPC to develop guidance, collect best practices, and help the Senior Real Property Officers improve the management of real property assets. FRPC is to be composed of the Senior Real Property

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<sup>14</sup>The executive order applies to the Departments of Agriculture (USDA), Commerce, Defense, Education, Energy, Health and Human Services (HHS), Homeland Security (DHS), Housing and Urban Development (HUD), the Interior, Justice (DOJ), Labor (DOL), State, Transportation (DOT), the Treasury, and VA; the Environmental Protection Agency (EPA); NASA; United States Agency for International Development (USAID); GSA; the National Science Foundation, the Nuclear Regulatory Commission; the Office of Personnel Management; the Small Business Administration; and the Social Security Administration.

Officers, the Controller of the Office of Management and Budget (OMB), the Administrator of General Services, and any other officials or employees permitted by the chair of FRPC. The Deputy Director for Management for OMB is to be the chair, and OMB is to provide funding and administrative support to the Council. OMB, FRPC and GSA all have various roles and responsibilities under the executive order, as shown in table 1.

**Table 1: Roles and Responsibilities under the Executive Order**

Agency/Entity	Role or responsibility designated by the executive order
OMB	<ul style="list-style-type: none"> <li>• Review the efforts of agencies in implementing their asset management plans and achieving the governmentwide policies established in the executive order.</li> <li>• Develop legislative initiatives in consultation with the agencies to improve federal real property management through the adoption of appropriate industry management techniques and the establishment of managerial accountability for implementing effective and efficient real property management practices.</li> </ul>
FRPC	<ul style="list-style-type: none"> <li>• Develop guidance for preparing and implementing agency asset management plans.</li> <li>• Work with GSA to establish asset management performance measures.</li> <li>• Serve as a clearinghouse to executive agencies for best practices in real property management.</li> </ul>
GSA	<ul style="list-style-type: none"> <li>• Work with FRPC to establish information technology standards for the government's database of real property assets.</li> <li>• Provide policy oversight and guidance for executive agencies for federal real property management.</li> <li>• Publish common performance measures and standards adopted by FRPC.</li> <li>• Work with FRPC to establish and maintain a single, comprehensive, and descriptive database of all real property under the control of executive agencies.</li> </ul>

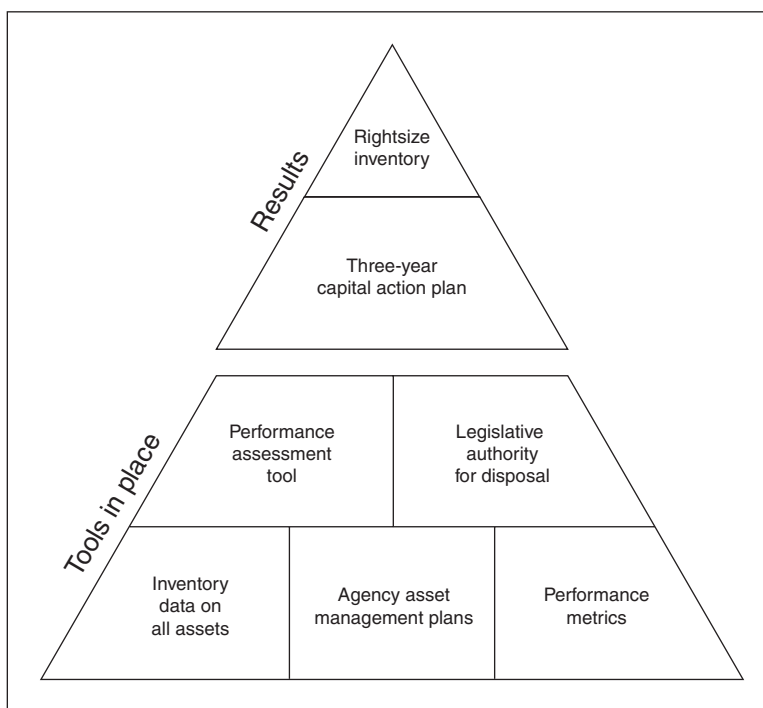
Source: GAO analysis of Executive Order 13327.

The real property initiative<sup>15</sup> was added to the PMA, which is an administration program that has raised the visibility of key, governmentwide management challenges; increased the emphasis on achieving outcome based results; and reinforced the need for agencies to focus on sustaining improvements that address long-standing management problems, including items on our high-risk list. The Executive Branch Management Scorecard, which OMB administers, tracks how well agencies are executing the governmentwide management initiatives. The scorecard employs a simple grading system: green for success, yellow for mixed results, and red for unsatisfactory. Scores are based on scorecard standards for success that have been developed for each initiative. The

<sup>15</sup>The real property PMA initiative is a program initiative applicable to the 15 largest landholding agencies.

real property initiative focuses on the 15 largest landholding agencies,<sup>16</sup> except for USPS; and, like the executive order, the initiative is designed to ensure that property inventories are maintained at the right size, cost, and condition to support agency missions and objectives. The real property initiative's framework consists of various layers, as shown in figure 1, which include asset management decision-making tools that are intended to help agencies right-size their inventories.

**Figure 1: Real Property Initiative Framework**



Source: OMB.

To help agencies achieve these objectives, the base of the initiative's framework specifies a complete and accurate inventory of all constructed assets; asset management plans that systematize agency procedures and actions related to asset management; and performance metrics against which agencies can measure and evaluate asset management performance. Also, the performance assessment tool segment provides an analytical

<sup>16</sup>These agencies include the USDA, DOD, DOE, HHS, DHS, the Interior, DOJ, DOL, State, DOT, and VA; the Army Corps of Engineers; GSA; NASA; and USAID.

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formula to help federal agencies better identify and rank their assets using performance measurement data to highlight properties that are nonmission-dependent, underutilized, costly to operate, and in poor condition for possible disposal or rehabilitation. The legislative authority segment is intended to help address barriers and process inefficiencies that agencies currently encounter when disposing of, transferring, constructing, or renovating assets in the modern real estate market. The initiative also requires agencies to develop a 3-year timeline that is updated annually and identifies the specific real property reform activities that support their individual asset management plans.

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## The Administration and Major Real Property-Holding Agencies Have Taken Actions to Strategically Manage Real Property and Address Some Long-standing Problems

Pursuant to Executive Order 13327, the administration established the FRPC to support reform efforts. As a result of the government's real property initiative, agencies have taken preliminary steps to improve the strategic management of real property and have adopted some of the administrative tools necessary to do so, including asset management plans. In addition, individual agencies have taken steps toward addressing some of the long-standing problems and are implementing various tools to prioritize reinvestment and disposal decisions. To date, some individual agencies have received special authorities, including the use of EUL agreements. Additionally, certain agencies have been provided the authority to dispose of real property and to retain the proceeds for their real property needs. (App. II contains information on selected enhanced real property authorities for major real property-holding agencies.)

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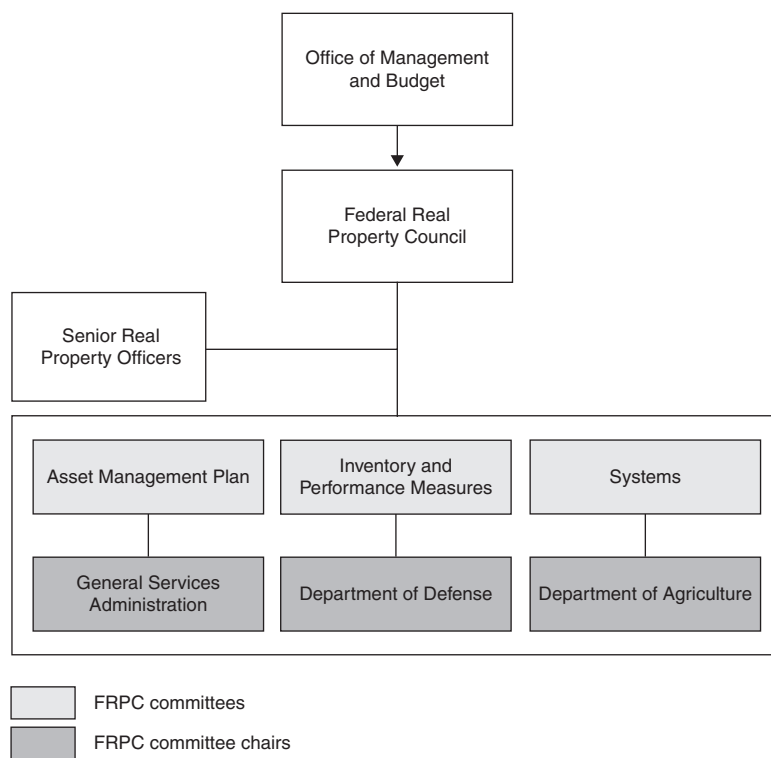
## The Administration and Agencies Have Made Progress Toward Strategically Managing Federal Real Property

### Federal Real Property Council Established

The administration established FRPC in 2004, which subsequently created interagency committees to work toward developing and implementing a strategy to accomplish the executive order. One such interagency committee, the Asset Management Plan Committee, currently chaired by GSA, develops governmentwide asset management strategies, such as requirements for each agency's asset management plan. The Inventory and Performance Measures Committee, currently chaired by DOD, is responsible for the overall approach and direction of the new inventory system, including new data definitions and reporting methodologies. In addition, the committee develops metrics that can be used to assess and

benchmark the government’s real property management performance. The Systems Committee, chaired by the Department of Agriculture, is responsible for identifying the information technology requirements of the inventory system. The full FRPC meets quarterly, and the four interagency committees meet at least quarterly (see fig. 2).<sup>17</sup>

**Figure 2: FRPC Organization and Committees**



Source: FRPC *Fiscal Year 2005 Federal Real Property Report*.

FRPC established asset management principles that form the basis for the strategic objectives and goals in the agencies’ asset management

<sup>17</sup>As previously mentioned, USPS is not subject to the executive order. However, USPS officials reported that they have a position similar to that of Senior Real Property Officer.

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programs.<sup>18</sup> The asset management principles include the following goals and objectives:

- support agency missions and strategic goals;
- use public and commercial benchmarks and best practices;
- employ life-cycle cost benefit analyses;
- promote full and appropriate utilization;
- dispose of unneeded assets;
- provide appropriate levels of investment;
- accurately inventory and describe all assets;
- employ balanced performance measures;
- advance customer satisfaction; and,
- provide safe, secure and healthy workplaces.

FRPC also developed a sample asset management plan and published *Guidance for Improved Asset Management* in December 2004. The guidance addresses published FRPC guiding principles, required components for agency asset management plans, property inventory data elements, and governmentwide performance measures. The asset management plan is intended to systematize agency procedures and actions related to asset management. According to FRPC's sample asset management plan and guidance, the major sections of the asset management plan are supposed to describe how the agency:

- addresses its mission and real property support in implementing its missions and strategic goals, human capital and organizational structure, decision-making framework, and owner's objectives;

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<sup>18</sup>GSA published these principles and issued a Federal Management Regulation bulletin to further explain the asset management principles approved by FRPC. *Real Property Asset Management Guiding Principles, Federal Register*, Vol. 71, No. 116, June 16, 2006, pp. 35087-35111.



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- plans for and acquires real property assets, develops its capital plan, prioritizes its list of acquisitions each fiscal year, measures the effectiveness of its acquisition results, and identifies key initiatives to improve financial management and acquisition performance;
  - operates its real property assets (including its inventory system, operations and maintenance plans, asset business plans, or “building block” plans, and periodic evaluation of assets), utilizes operational measures, and implements key initiatives to improve operational performance; and
  - disposes of unneeded real property assets, measures the effectiveness of its redeployment actions, and identifies key initiatives to improve the pace of disposition as well as its ability to dispose of difficult, environmentally challenged properties.

In addition, the plan is to include a list of the agency’s recent disposals as a frame of reference and identify assets for disposal in current and future years.

## Enhanced Inventory System Developed

FRPC worked with GSA to develop and enhance an inventory system known as the Federal Real Property Profile (FRPP), which was designed to meet the executive order’s requirement for a single database that includes all real property under the control of executive branch agencies.<sup>19</sup> The FRPC, with the assistance of the GSA Office of Government-wide Policy, developed 23 mandatory data elements, which include four performance measures. The four performance measures are utilization, condition index, mission dependency, and annual operating and maintenance costs. (App. III lists and describes the data elements.) In June 2006, FRPC added a data element for disposition that included six major types of disposition, including sale, demolition, or public benefit conveyance. In addition, a performance assessment tool has been developed, which is to be used by agencies to analyze the inventory’s performance measurement data in order to identify properties for disposal or rehabilitation. To assist agencies in their data submissions for the FRPP database, FRPC provided standards and definitions for the data elements and performance measures through guidance issued on December 22,

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<sup>19</sup>OMB officials told us that Federal Management Regulations require all executive branch agencies, including independent agencies, to report data for the FRPP. USPS is not subject to the executive order but collaborated with OMB on data elements for the FRPP in 2005 that did not include data on performance measures.

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## Agencies Have Met Scorecard Standards to Varying Degrees

2004, and a data dictionary issued by GSA in October 2005.<sup>20</sup> The first governmentwide reporting of inventory data for FRPP took place in December 2005, and selected data were included in the fiscal year 2005 FRPP published by GSA, on behalf of FRPC, in June 2006. Data on the four performance measures were not included in this report.

Adding real property asset management to the PMA has increased its visibility as a key management challenge and focused greater attention on real property issues across the government. OMB has identified goals related to the four performance measures in the inventory for agencies to achieve in right-sizing their real property portfolios, which include demonstrating results by

- reducing the number of nonmission-dependent assets,
- increasing utilization of assets,
- improving the condition of assets, and
- reducing the operating costs of assets or at least maintaining them consistent with industry standards.




Specifically, it is the administration's goal to reduce the size of the federal real property inventory by 5 percent, or \$15 billion, by disposing of unneeded assets by 2015. In October 2006, the administration reported that \$3.5 billion in unneeded federal real property had been disposed of since 2004.

To achieve these goals and gauge an agency's success in accurately accounting for, maintaining, and managing its real property assets so as to efficiently meet its goals and objectives, the administration established the real property scorecard in the third quarter of fiscal year 2004. The scorecard consists of 13 standards that agencies must meet to achieve green status, which is the highest status. These 13 standards include 8 standards needed to achieve yellow status, plus 5 additional standards. An agency reaches "green" or "yellow" status if it meets all of the standards for success listed in the corresponding column in figure 3 and red if it has any one of the shortcomings listed in the "red" column.

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<sup>20</sup>FRPC, *Guidance for Improved Asset Management* (Washington, D.C.: Dec. 22, 2004) and GSA, Office of Governmentwide Policy for the FRPC, *Interim FY 2005 Guidance for Real Property Inventory Reporting*, (Washington, D.C.: Oct. 11, 2005).

**Figure 3: PMA Executive Branch Management Scorecard Standards for the Real Property Initiative**

<b>Green standards</b> 	<b>Yellow standards</b> 	<b>Red standards</b> 
<p>Agency:</p> <ul style="list-style-type: none"> <li>• Meets all yellow standards for success;</li> <li>• Established an OMB-approved 3-year rolling timeline with date certain deadlines by which agency will address opportunities and determine its priorities as identified in the asset management plan;</li> <li>• Demonstrated steps taken toward implementation of asset management plan as stated in yellow standards (including meeting established deadlines in 3-year timeline, meeting prioritized management improvement actions, maintaining appropriate amount of holdings, and estimating and optimizing cost levels);</li> <li>• Accurate and current asset inventory information and asset maximization performance measures are used routinely in management decision making (such as reducing the amount of unneeded and underused properties); and</li> <li>• The management of agency property assets is consistent with the agency's overall strategic plan, the agency asset management plan, and the performance measures established by the FRPC as stated in the Federal Real Property Asset Management Executive Order.</li> </ul>	<p>Agency:</p> <ul style="list-style-type: none"> <li>• Has a Senior Real Property Officer (SRPO) who actively serves on the FRPC;</li> <li>• Established asset management performance measures, consistent with the published requirements of the FRPC;</li> <li>• Completed and maintained a comprehensive inventory and profile of agency real property, consistent with the published requirements of the FRPC;</li> <li>• Provided timely and accurate information for inclusion into the governmentwide real property inventory database; and</li> <li>• Developed an OMB-approved comprehensive asset management plan that:               <ul style="list-style-type: none"> <li>• Complies with guidance established by the FRPC</li> <li>• Includes policies and methodologies for maintaining property holdings in an amount and type according to agency budget and mission</li> <li>• Seeks to optimize level of real property operating, maintenance, and security costs.</li> </ul> </li> </ul>	<p>Agency:</p> <ul style="list-style-type: none"> <li>• Does not actively participate on the FRPC;</li> <li>• Has not established asset management performance measures or has asset management performance measures that are inconsistent with the published requirements of the FRPC;</li> <li>• Has not completed or does not maintain a comprehensive inventory and profile of agency real property consistent with the published requirements of the FRPC;</li> <li>• Does not provide timely and accurate information for inclusion into the governmentwide real property inventory database; or</li> <li>• Has not developed an OMB-approved comprehensive asset management plan.</li> </ul>

Source: OMB.

OMB evaluates agencies quarterly, and agencies then have an opportunity to update OMB on their progress toward achieving green status.

According to PMA real property scorecards, as of the first quarter of fiscal year 2007, all of the 15 real property-holding agencies that are part of the real property initiative have, at a minimum, met the standards for yellow status as shown in figure 4.

**Figure 4: PMA Executive Branch Management Scorecard Results for the Real Property Initiative**

	FY 2004	FY 2005				FY 2006				FY 2007
	4 <sup>th</sup> quarter	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> quarter
GSA	○	○	○	○	○	●	●	●	●	●
State	○	○	○	○	○	○	●	●	●	●
VA	○	○	○	○	○	○	○	●	●	●
NASA	○	○	○	○	○	○	○	●	●	●
Energy	○	○	○	○	○	○	○	○	●	●
Labor	○	○	○	○	○	○	○	○	○	○
HHS	○	○	○	○	○	○	○	○	○	○
Interior	○	○	○	○	○	○	○	○	○	○
Justice	○	○	○	○	○	○	○	○	○	○
DOT	○	○	○	○	○	○	○	○	○	○
USAID <sup>a</sup>	NA	NA	NA	NA	○	○	○	○	○	○
Defense	○	○	○	○	○	○	○	○	○	○
Army Corps	○	○	○	○	○	○	○	○	○	○
DHS	○	○	○	○	○	○	○	○	○	○
USDA	○	○	○	○	○	○	○	○	○	○

- Red for unsatisfactory
- Yellow for mixed results
- Green for success

Source: OMB scorecards.

Note: USPS is not part of the real property initiative and is not evaluated using the Executive Branch Scorecard. However, USPS officials reported that they are finalizing an asset management plan. The target date for the official release of the asset management plan is the end of the first quarter 2007, but the plan will be implemented in phases and is currently under clearance review. We have ongoing work related to USPS's management of real property, which we expect to issue in 2007.

<sup>a</sup>The real property initiative initially applied to 14 agencies, but 1 additional agency, USAID, that maintains a substantial real property inventory, was added during the fourth quarter of fiscal year 2005.

Among the 15 agencies under the real property initiative, 5 agencies—GSA, NASA, Energy, State, and VA—have achieved green status. According to OMB, the agencies achieving green status have established 3-year timelines for meeting the goals identified in their asset management plans and have provided evidence that they are implementing their asset management plans, using real property inventory information and performance measures in decision making, and managing their real property in accordance with their strategic plan, asset management plan,

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and performance measures. Once an agency has achieved green status, OMB continues to monitor its progress and results through PMA using deliverables identified in its 3-year timeline and quarterly scorecards. Each quarter, OMB also provides formal feedback to agencies through the scorecard process, along with informal feedback, and clarifies expectations. Yellow status agencies still have various standards to meet before achieving green.

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### Agency Actions Intended to Address Some Long-standing Problems

Besides responding to the administration's real property initiative, some agencies have taken steps toward addressing some of their long-standing problems, including excess and underutilized property and deteriorating facilities. Some agencies are implementing various tools to prioritize reinvestment and disposal decisions on the basis of agency needs, utilization, and costs. For example, GSA and NASA officials reported establishing models that integrate agency mission, utilization, and cost considerations into asset management planning. Specifically, NASA officials reported that they have taken steps to better align holdings with agency space needs and priorities, which includes an approach that incorporates operating costs and utilization information. Likewise, GSA officials reported that GSA's Portfolio Restructuring Strategy sets priorities for disposal and reinvestment based on agency missions and anticipated future need for holdings. In addition, GSA developed a methodology to analyze its leased inventory in fiscal year 2005. This approach values leases over their life, not just at the point of award; considers financial performance and the impact of market rental rates on current and future leasing actions; and categorizes leases by their risk and value. Examples of some real property asset management strategies adopted by agencies are described in table 2.

**Table 2: Examples of Some Real Property Management Strategies Adopted by Agencies**

Agency	Property management strategy
GSA	In 2002, GSA began its Portfolio Restructuring Strategy to create a portfolio capable of funding its own long-term capital requirements out of the proceeds of current operations. Under this initiative, GSA is reducing its reinvestment liability by investing in financially sustainable properties and by divesting itself of properties unable to generate sufficient revenue to support full occupancy and reinvestment. In 2005, GSA further refined its asset management strategy to include Core Asset Analysis, which assigns holding periods to each government-owned asset and identifies GSA's core assets based on utilization, customer need, and mission dependency.
DOD	The Defense Base Closure and Realignment Act of 1990, as amended, authorized a new round of base realignment and closures (BRAC) in 2005, the fifth such round in recent years but the first since 1995. The BRAC 2005 round continues the goal of previous rounds of reducing excess infrastructure within the department and achieving savings that could be applied to other priorities. However, DOD expanded the focus of BRAC 2005 to include transformation issues, to accommodate restationing of forces from overseas, and to improve joint efforts among the military services. A primary objective of BRAC 2005 was to determine and implement opportunities for greater joint activity among the DOD components. DOD officials noted that the amount of funding provided to the Department's Base Closure Account in the Revised Continuing Appropriations Resolution for fiscal year 2007 is significantly less than requested. <sup>a</sup>
VA	The VA Capital Asset Realignment for Enhanced Services (CARES) process aims to provide a systematic planning process to prepare VA's facilities and campuses to meet veterans' future health care needs through a systemwide assessment of the current and future space needs and of the size, mission and locations of facilities, compared with the number of projected enrollees and forecasts of their anticipated utilization of medical services. In May 2004, the Secretary announced his CARES decisions and overall, the CARES process identified more than 100 major construction projects in 37 states, the District of Columbia, and Puerto Rico. VA officials estimate that, upon completion of the CARES plan, vacant space within the Veterans Health Administration will be reduced by 42.5 percent.
NASA	NASA has a master planning initiative under way to establish and improve master plans for all its field centers, which each have unique missions. The master plans form the foundation for integrating long-range mission requirements with physical infrastructure. In addition, NASA has established a central demolition fund to start removing obsolete facilities from its portfolio. NASA uses an algorithm to prioritize capital repair projects that takes into account utilization and facility costs and has begun a "repair by replacement" program through which it demolishes older costly facilities and constructs newer, cost-efficient facilities as replacements.
State	State strategies to improve the disposal process and eliminate surplus assets include its Property Utilization Assessment Initiative, Disposal Initiative, and Decommissioning Initiative. As part of its Property Utilization Assessment Initiative, State reviews and analyzes the utilization of its overseas facilities to determine if there are unused or underutilized properties. Subsequently, as part of its Disposal Initiative, State conducts a property-by-property analysis to determine if those properties identified as unused or underutilized are candidates for disposal. Disposal recommendations include an analysis of the performance measures for the property under consideration. The Decommissioning Initiative was initiated by the Bureau of Overseas Building Operations because an increasing number of major facilities were being vacated as a result of the New Embassy Compound construction program. In fiscal year 2005, State sold properties in 20 countries, generating \$36.7 million in proceeds, and decommissioned 23 properties.
Energy	In September 2003, Energy issued an order that established a performance-based approach to real property life-cycle management. This approach requires all sites to annually identify all real property assets not fully utilized or excess to the mission needs to facilitate reuse or disposal. A key element of Energy's real property asset management is the establishment of Ten Year Site Plans as the mechanism to link real property asset management to program missions.

Source: GAO analysis of agencies' data.

<sup>a</sup>P.L. No. 110-5, 121 Stat. 8,40 (2007).

In addition to trying to align assets with their missions, some agencies are taking steps to make the condition of core assets a priority and address maintenance backlog challenges. For example, Energy officials reported

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establishing budget targets to align maintenance funding with industry standards as well as programs to reduce the maintenance backlogs associated with specific programs. Interior officials reported that the department has conducted condition assessments for 72,233 assets as of fourth quarter fiscal year 2006. VA reported establishing a facility condition assessment process that will help identify the funding needed to improve the current infrastructure. In addition, USPS officials reported having a program under way to inspect replacement values and information on the condition of facilities in order to better link condition assessments and maintenance and repair funding.<sup>21</sup>

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## Additional Efforts Made to Strategically Manage and Address Problems

### The Administration Intends to Work with Congress to Provide Agencies with Tools to More Effectively Manage Real Property

As mentioned previously, Executive Order 13327 requires that OMB, along with landholding agencies, develop legislative initiatives to improve federal real property management and establish accountability for implementing effective and efficient real property management practices. Some individual agencies have obtained legislative authority in recent years to use certain real property management tools, but no comprehensive legislation has been enacted.<sup>22</sup> Accordingly, the administration plans to support legislative reforms that would allow agencies to have the funds necessary to cover the costs of disposal; and streamline the federal transfer process, including the actions needed to comply with the McKinney Act and the National Environmental Policy Act (NEPA). A current OMB legislative initiative involves a three-part approach that (1) identified demonstration properties for disposal, (2) included a disposal pilot program in the President's Fiscal Year 2007 and 2008 Budgets, and (3) enhanced individual agency authorities.

- OMB staff reported that about 8 to 10 demonstration projects were identified for disposal and resulted in mixed success. Among the

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<sup>21</sup>As part of our ongoing work related to USPS facility management, we plan to assess issues related to the maintenance of USPS facilities.

<sup>22</sup>In the 108th and 109th Congresses, the following real property management reform bills were introduced: the Federal Property Asset Management Reform Act of 2003, H.R. 2548, 108th Cong. (2003); the Public Private Partnership Act of 2003, H.R. 2573, 108th Cong. (2003); and the Federal Real Property Disposal Pilot Program and Management Improvement Act of 2005, H.R. 3134, 109th Cong. (2005).

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properties identified were the NASA Camp Parks site in California and Federal Communication Commission (FCC) properties in California and Hawaii. Both NASA and FCC were authorized to sell these sites and to retain the proceeds from their sale.<sup>23</sup> However, OMB staff reported FCC had encountered impediments to disposing both FCC properties. These impediments were: (1) proximity of the asset to a military blast zone, and (2) presence of an endangered species.

- The President's 2007 and 2008 Budget Submissions included a proposal for a Federal Real Property Disposal Pilot Program that would authorize the Director of OMB to conduct a pilot program for the disposal of real property that is not meeting federal government needs. The pilot would have lasted 5 years and agencies would have recommended candidate disposition properties to OMB. Properties identified for disposal under this proposal would have been subject to, among other requirements, the McKinney Act. The administration's proposal would have permitted agencies to retain 20 percent of the net proceeds of sale from properties that an agency disposes of through the pilot program. The remaining 80 percent would have been deposited into the Treasury as miscellaneous receipts. Congress did not act on this proposal, and OMB staff believe that the Congressional Budget Office scoring will play an important role in determining the shape of a permanent real property reform solution.
- In its fiscal year 2005 appropriation act, GSA was authorized to convey real property by sale, lease, exchange, or other means and to retain the net proceeds in the Federal Buildings Fund to be used for GSA's real property capital needs subject to an appropriation act.<sup>24</sup> In addition, in 2005, the U.S. Forest Service, within USDA, was provided authority until September 30, 2008, to sell, lease or exchange administrative sites of 40 acres or less under the Secretary's jurisdiction and to retain the proceeds.<sup>25</sup>

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<sup>23</sup>Section 627 of P.L. No. 109-108, 119 Stat. 2290, 2342 (2005) authorized NASA to dispose of the property and retain the proceeds, and Section 638 of P.L. No. 108-447, 118 Stat. 2809, 2922 (2004) authorized FCC to dispose of the property and retain the proceeds.

<sup>24</sup>Section 412 of P.L. No. 108-447, 118 Stat. 2809, 3259 (2004). Although this authority was contained in GSA's annual appropriation act for fiscal year 2005, GSA has determined that Section 412 is permanent authority and OMB has concurred with that determination. We believe GSA's position relating to the permanency of the provision of law is reasonable. Within Section 412, GSA has the authority to retain the proceeds from the sale or disposition of real property, which the use of such retained proceeds is subject to an authorization in annual appropriation acts. In addition, GSA has determined that it has a new grant of authority relating to the conveyance of real property and is formulating guidance on the use and availability of this as required by OMB.

<sup>25</sup>Section 501 et. seq. of P.L. No. 109-54 (2005); 16 U.S.C. § 580d note (uncodified).



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## Some Agencies Have Special Legal Authorities to Manage Their Federal Real Property Assets

Some agencies have received special real property management authorities, such as the authority to enter into EUL agreements.<sup>26</sup> These agencies are also authorized to retain the proceeds of the lease and to use them for items specified by law, such as improvement of their real property assets. DOD, Energy, Interior, NASA, USPS, and VA are authorized to enter into EUL agreements and have authority to retain proceeds from the lease. These authorities vary from agency to agency, and in some cases, these authorities are limited. For example, NASA is authorized to enter into EUL agreements at two of its centers,<sup>27</sup> and VA's authority to enter into EUL agreements expires in 2011.<sup>28</sup> In addition, VA was authorized in 2004 to transfer real property under its jurisdiction or control and to retain the proceeds from the transfer in a capital asset fund for property transfer costs, including demolition, environmental remediation, and maintenance and repair costs.<sup>29</sup> VA officials noted that although VA is authorized to transfer real property under its jurisdiction or control and to retain the proceeds from such transfers, this authority has significant limitations on the use of any funds generated by any disposal under this authority. Additionally, GSA was given the authority to retain proceeds from disposal of its real property and to use the proceeds for its real property needs. In another example, using its BRAC authorities, DOD estimated that it reduced its domestic infrastructure by about 20 percent, and about 90 percent of unneeded BRAC property is now available for reuse. Substantial net savings of approximately \$29 billion have been realized, according to DOD. After the previous BRAC recommendations were adopted, DOD declared that 504,000 acres of property were unneeded and available for transfer to other federal or nonfederal entities. (App. II contains information on enhanced real property authorities for major real property-holding agencies.)

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<sup>26</sup>This authority allows the agency to lease real property under its control or custody to public and private entities and to accept as payment under the lease either cash or other consideration, such as construction, maintenance, restoration, and repair of facilities, or services that are of benefit to the agency.

<sup>27</sup>42 U.S.C. § 2459j. Our ongoing work is looking at how NASA is using the enhanced use leasing authority and also reviewing its financial impact on NASA.

<sup>28</sup>38 U.S.C. § 8169.

<sup>29</sup>In 2004, VA was authorized to transfer real property under its control or custody that is not part of an EUL for fair market value and to deposit the proceeds in VA's Capital Asset Fund. 38 U.S.C. § 8118.

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Agencies with enhanced authorities believe that these authorities have greatly improved their ability to manage their real property portfolios and operate in a more businesslike manner:

- VA used its enhanced authorities to dispose of its underutilized Lakeside Campus in Chicago. In January 2005, VA executed an EUL for the Lakeside facility, and, in turn, received \$28 million for the lease, as well as the right to lease back space for 3 years to house its existing outpatient clinic at Lakeside. In October 2005, the Secretary determined that the department no longer needed the campus, and VA sold it for an additional \$22 million. VA officials reported that the transaction resulted in a demonstrable improvement of services to eligible veterans by permitting VA to offset the cost of implementing CARES in Chicago and other locations, and avoid the future costs of maintaining aging health care facilities.
- GSA officials successfully sold through auction the 1.9 million square foot facility known as the Middle River site in Baltimore County, Maryland for \$37.5 million. GSA received specific authority in its fiscal year 2005 appropriation act to sell the property and to retain the sale proceeds.<sup>30</sup>

Overall, the administration's efforts to raise the level of attention to real property as a key management challenge and to establish guidelines for improvement are noteworthy. The administrative tools, including asset management plans, inventories, and performance measures, were not in place to strategically manage real property before we updated our high-risk list in January 2005. The actions taken by major real property-holding agencies and the administration to establish such tools are clearly positive steps. However, these administrative tools and the real property initiative have not been fully implemented, and it is too early to determine if they will have a lasting impact. Implementation of these tools has the potential to produce results such as reductions in excess property, reduced maintenance and repair backlogs, less reliance on leasing, and an inventory that is shown to be reliable and valid.

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<sup>30</sup>As mentioned previously, GSA has determined that it has permanent authority to retain proceeds from the sale of its property and is no longer dependent on special authority such as section 407 of P.L. No. 108-477, 118 Stat. 2809,3258 (2004).

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## Long-standing Problems in Real Property Largely Persist and Obstacles Remain

Although clear progress has been made toward strategically managing federal real property and addressing some long-standing problems, real property remains a high-risk area because the problems persist and obstacles remain. Agencies continue to face long-standing problems in the federal real property area, including excess and underutilized property, deteriorating facilities and maintenance and repair backlogs, reliance on costly leasing, and unreliable real property data. Federal agencies also continue to face many challenges securing real property. These problems are still pervasive at many of the major real property-holding agencies, despite agencies' individual attempts to address them.

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## Long-standing Problems in Real Property Largely Persist

### The Federal Government Continues to Hold Many Unneeded Assets

Although the changes being made to strategically manage real property are positive and some realignment has taken place, the size of agencies' real property portfolios remains generally outmoded. As we have reported, this trend largely reflects a business model and the technological and transportation environment of the 1950s.<sup>31</sup> Many of these assets and organizational structures are no longer needed; others are not effectively aligned with, or responsive to, agencies' changing missions. At the same time, technological advances have changed workplace needs, and many of the older buildings are not configured to accommodate new technologies. Furthermore, electronic government has changed the way the public interacts with the federal government, and this change will have significant implications for the type and location of property needed in the 21st century.

As we have reported, many of the major real property-holding agencies have undergone significant mission shifts over the last decade that have affected their real property needs, and some agencies are working to reduce their unneeded federal real property assets. After five rounds of base closures and a 6-year demolition program that eliminated over 86 million square feet of excess and obsolete real property assets, DOD identified more unneeded facilities to be eliminated by fiscal year 2013. DOD officials reported that the department has not yet finished reporting

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<sup>31</sup>GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-352T (Washington, D.C.: Feb. 16, 2005).

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all excess property because its property holdings are so extensive, and it has just started to collect detailed information on excess facilities for the FRPP.

Similarly, VA initiated its CARES process—the first comprehensive, long-range assessment of its health care system’s capital asset requirements since 1981—to address its obsolete infrastructure. We reported in August 2005 that CARES resulted in decisions to realign inpatient services at some VA facilities and to leave services as currently aligned at others.<sup>32</sup> VA did not complete inpatient alignment decisions agencywide for long-term care and mental health services and for inpatient services at some facilities because it lacked sufficient information on demand for such care and other factors. We reported that VA, however, made some inpatient long-term care and mental health alignment decisions for some locations.

While some major real property-holding agencies have had some success in attempting to realign their infrastructures in accordance with their changing missions, others still maintain a significant amount of excess and underutilized property.<sup>33</sup> For example, officials with Energy, DHS, and NASA—which are three of the largest real property-holding agencies—reported that over 10 percent of the facilities in their inventories were excess or underutilized. While some agencies, including Interior, State, VA, and USPS reported relatively low levels of excess property, the need to address the problem at other agencies is still significant. Table 3 describes the status of excess and underutilized real property challenges at the nine major real property-holding agencies.

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<sup>32</sup>GAO, *VA Health Care: Key Challenges to Aligning Capital Assets and Enhancing Veterans’ Care*, [GAO-05-429](#) (Washington, D.C.: Aug. 5, 2005).

<sup>33</sup>GSA Management Regulations define not utilized property as an entire property or portion of a property that is not occupied or used for current program purposes of the accountable agency or property that is occupied in caretaker status only. According to a GSA official, property that is not utilized is generally considered vacant. The regulations also define underutilized property as an entire property or portion of a property that is used only at irregular periods or intermittently by the accountable agency or property that is being used for the agency’s current program purposes that can be satisfied with only a portion of the property. (41 C.F.R. 102-75.45 and 41 C.F.R. 102-75.50).

**Table 3: Status of Excess Property Challenges at the Major Real Property-Holding Agencies**

Agency	Status
DOD	DOD officials indicated that because its real property holdings are so extensive and DOD has just begun collecting detailed excess facility information, the department has not fully completed its reporting of all excess property.
Energy	Energy officials reported that approximately 16 percent of Energy's real property inventory has been identified as excess or underutilized.
DHS	According to DHS officials, for the 2006 FRPP submission, the percentage of underutilized real property is 9.7 percent.
Interior	In December 2006, Interior reported in the FRPP during fiscal year 2006 that 1,181 assets of 185,527 were disposed, or less than 1 percent of the inventory. Officials reported that Interior is working to address its excess and underutilized facilities, citing two major initiatives undertaken at Interior: (1) Bureau of Land Management (BLM), the Space Management Program and (2) Service First, to better meet space needs and priorities. <sup>a</sup>
GSA	According to GSA officials, 258 buildings, with 13.8 million rentable square feet (RSF), have been reported as excess property. Additionally, 21 buildings, with 0.7 million RSF, are pending disposal or demolition.
NASA	NASA officials reported that over 10 percent of all assets are underutilized or not utilized at all.
State	According to State officials, the department's properties showed a high level of utilization in 2005. Only about 1.5 percent of the portfolio was reported as underutilized. State has identified 65 properties (less than 0.4 percent of the overseas portfolio for government-owned assets) for potential disposal.
USPS	According to USPS officials, 1 percent of its inventory of 8,807 owned properties is considered excess or underutilized. Fewer than 50 properties are considered excess. <sup>b</sup>
VA	According to VA officials, VA has moved from 98 percent utilized space in fiscal year 2005 to 100 percent in fiscal year 2006. In fiscal year 2006, VA disposed of 77 buildings, including 6 buildings via sales, 19 buildings via demolition, and 52 buildings via EUL.

Source: GAO analysis of agencies' data.

<sup>a</sup>The Space Management Program is a top management initiative to review space requirements and reduce space allocations across the department. Started in 2003 and managed by the Office of Acquisition and Property Management, the program is designed to strengthen management decision making at all levels throughout the life cycle (acquisition through disposition) of owned, leased and GSA-provided space. The Service First Initiative is a cross-agency partnership between BLM and the Department of Agriculture's U.S. Forest Service. It was established several years ago with three broad goals to improve customer service, increase operational efficiency, and enhance land stewardship.

<sup>b</sup>As part of our ongoing work, we are reviewing USPS infrastructure realignment plans.

The magnitude of the problem with underutilized or excess federal real property continues to put the government at risk for lost dollars and missed opportunities. As we have reported, underutilized or excess property is costly to maintain. For example, according to GSA officials, 188 assets accepted for disposal account for 8 million gross square feet and \$8.1 million in operating expenses that will be eliminated upon completion of the disposal action. Another 6 underutilized assets with approximately 580,000 gross square feet and \$1.4 million in operating costs are projected for disposal in the next 5 years, pending customer relocation. However, it is too early to tell whether GSA will be successful in disposing of these assets. Furthermore, VA officials reported that VA has a significant number of properties no longer located in places where

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veterans live, and many of these properties are over 50 or 60 years old. Two examples of excess federal properties are the former Main VA Hospital Building, in Milwaukee, Wisconsin, and the former Main Post Office in Chicago, Illinois, both of which are vacant (see fig. 5).

**Figure 5: Vacant Federal Property**



Source: VA.  
Former Main VA Hospital Building, Milwaukee, WI.



Source: USPS.  
Former Main Post Office Chicago, IL.

### Major Real Property-Holding Agencies Still Have Multibillion-Dollar Repair and Restoration Backlogs

Addressing the needs of aging and deteriorating federal facilities remains a problem for major real property-holding agencies. According to current estimates, tens of billions of dollars will be needed to repair or restore these assets so that they are fully functional. Furthermore, much of the federal portfolio was constructed over 50 years ago, and these assets are reaching the end of their useful lives. Energy, NASA, GSA, Interior, State, and VA reported repair and maintenance backlogs for buildings and structures that total over \$16 billion. In addition, DOD reported a \$57 billion restoration and modernization backlog.

To determine whether agencies still have repair and restoration backlogs, we asked each agency to provide updated estimates of their backlogs, which we defined as needs in facilities for which major upkeep, repair, and maintenance have not been funded and the repair and maintenance on these assets has been postponed. We found that there was variation in how agencies reported data on their backlog. Some agencies reported deferred maintenance figures consistent with the definition used for data

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on deferred maintenance included in their financial statements.<sup>34</sup> Others provided data that included major renovation or restoration needs. More specifically,

- For DOD, facilities restoration and modernization requirements total over \$57 billion. Officials noted that the backlog does not reflect the impact of BRAC 2005 or related strategic rebasing decisions that will be implemented over the next several years. BRAC decisions that result in closing installations will reduce the overall restoration and modernization backlog. However, this benefit will be partially offset by new requirements to restore and modernize facilities to accommodate new missions at gaining BRAC installations.
- For Energy, the backlog in fiscal year 2005 for a portfolio valued at \$85.2 billion was \$3.6 billion. Officials reported that Energy's real property portfolio is aging and assets had been undermaintained in the past; but the department has emphasized maintenance and has been funding maintenance within accepted industry guidelines. Moreover, Energy officials added that multiple real property owning programs have established funding lines to address the existing backlog. Energy has seen a stabilization of deferred maintenance and has indications that the overall backlog has gone down.
- For Interior, officials reported an estimated maintenance backlog of over \$3 billion for buildings and other structures.<sup>35</sup> Officials reported that each bureau maintains its deferred maintenance backlog based on condition assessments. Interior officials noted that the maintenance backlog cannot be expressed as a static figure. For example, in the case of the National Park Service (NPS), it is based on a limited set of assets (buildings, roads, water and wastewater plants, trails, and campgrounds) but does not

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<sup>34</sup>Deferred maintenance is defined by the Statement of Federal Financial Accounting Standards No. 6, which includes the accounting standards for deferred maintenance, as maintenance that was not performed when it should have been or scheduled maintenance that was delayed or postponed. Maintenance is the act of keeping fixed assets in acceptable condition, including preventative maintenance, normal repairs, and other activities needed to preserve the assets, so that they can continue to provide acceptable services and achieve their expected life. Maintenance excludes activities aimed at expanding the capacity of assets or otherwise upgrading them to serve needs different from those originally intended.

<sup>35</sup>It is important to note that the National Park Service, which has responsibility for trails and recreation sites in addition to buildings and other structures, has previously reported an estimated \$5 billion maintenance backlog. The estimated \$3 billion maintenance backlog reported here does not include roads, bridges, trails, irrigation, dams or other water structures.

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include other assets such as national landmarks and monument. The maintenance backlog is based on preliminary condition assessments that were completed prior to the end of fiscal year 2006. Interior officials noted that they are continually finding out more about its assets as part of the comprehensive assessments. Furthermore, every asset is not of equal priority, according to Interior officials, and managers must make informed decisions about where to invest dollars using management tools, including performance metrics. Interior officials also reported that the department has significantly improved its management of maintenance and construction priorities and projects with the implementation of the 5-year plan, the facility condition index, and the asset priority index.<sup>36</sup>

- GSA's current maintenance backlog is estimated at \$6.6 billion. GSA officials cited obtaining additional sources of capital as the major barrier in addressing the maintenance backlog. Specifically, officials noted that additional appropriations are generally not available for reinvestment or operating expenses, and GSA can rely only on what the Federal Buildings Fund generates. According to officials, many of GSA's buildings are in need of extensive renovation and the reinvestment needs of the portfolio have not been met with available funding.
- For State, the maintenance backlog is estimated at \$132 million, which includes all of the deferred/unfunded maintenance and repair needs for prior fiscal years. Officials noted that major rehabilitation projects require funding of at least \$100 million annually.
- For NASA, the restoration and repair backlog is estimated at over \$2.05 billion as of the end of fiscal year 2006. Officials noted that having a maintenance backlog can result in further damage if, for example, a roof leak is not repaired and water intrusion causes further damage.
- For VA, the maintenance backlog for facilities with major repair needs is estimated at \$5 billion, and according to VA officials, VA must address this aged infrastructure while patient loads are changing. VA officials noted that VA has moved aggressively to address its maintenance and repair backlog.

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<sup>36</sup>The facility condition index is the ratio of accumulated deferred maintenance to the current replacement value for a constructed asset. The asset priority index is a measure of the importance of a constructed asset to the mission of the installation where it is located.



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Despite Long-Term Cost,  
Several Agencies Reported  
That Reliance on Leasing to  
Meet New Space Needs Is  
Increasing

Many of the major real property-holding agencies continue to rely on costly leased space to meet new space needs. As a general rule, building ownership options through construction or purchase are the least expensive ways to meet agencies' long-term requirements. Lease purchases—under which payments are spread out over time and ownership of the asset is eventually transferred to the government— are generally more expensive than purchase or construction but are generally less costly than using ordinary operating leases to meet long-term space needs.<sup>37</sup> For example, we testified in October 2005 that for the Patent and Trademark Office's long-term requirements in northern Virginia, the cost of an operating lease was estimated to be \$48 million more than construction and \$38 million more than lease purchase. However, over the last decade we have reported that GSA—as the central leasing agent for most agencies—relies heavily on operating leases to meet new long-term needs because it lacks funds to pursue ownership.

Operating leases have become an attractive option, in part because they generally “look cheaper” in any given year, even though they are generally more costly over time. Under current budget scorekeeping rules,<sup>38</sup> the budget records the full cost of the government's commitment. Operating leases were intended for short-term needs and thus, under the scorekeeping rules, only the amount needed to cover the first year lease payments plus cancellation costs needs to be recorded. However, the rules have been stretched to allow budget authority for some long-term needs being met with operating leases to be spread out over the term of the lease, thereby disguising the fact that over time, leasing will cost more than ownership. Resolving this problem has been difficult; however, change is needed because the current practice of relying on costly leasing to meet long-term space needs results in excessive costs to taxpayers and does not reflect a sensible or economically rational approach to capital asset management.

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<sup>37</sup> According to VA officials, VA does not enter into lease-purchase agreements.

<sup>38</sup> The extent to which capital costs are reflected in the budget depends on how they are “scored.” The Congressional Budget Office (CBO) and OMB separately “score” or track budget authority, receipts, outlays, and the surplus or deficit estimated to results as legislation is considered and enacted. CBO develops estimates of the budgetary impact of bills reported by the different congressional committees. OMB also uses the scorekeeping guidelines to determine how much budget authority must be obligated for individual agency transactions.

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Five of the nine largest real property-holding agencies—Energy, Interior, GSA, State, and VA—reported an increased reliance on operating leases to meet new space needs over the past 5 years. According to DHS officials, per review of GSA’s fiscal year 2005 and 2006 lease acquisition data for DHS, there has been no significant increase in GSA-acquired leased space for DHS. In addition, officials from NASA and USPS reported that their agency’s use of operating leases has remained at about the same level over the past 5 years.

- Energy officials reported that the department has increasingly relied on operating leases instead of federal construction over the past 5 years. Officials told us that the difficulty in obtaining funding for major construction projects has made operating leases an attractive alternative. In addition, Energy officials added that the department scrutinizes lease proposals and compares the life-cycle costs for line item construction and the operating lease to ensure the operating lease is in the best interest of the department and the taxpayer.
- GSA officials reported that GSA’s reliance on operating leases has increased over the past 6 years. While the owned square footage has decreased from 183.9 million in fiscal year 2000 to 174.4 million in fiscal year 2006, the leased inventory has grown from 152.8 million to 172.3 million during the same period.
- According to Interior officials, the total square footage in direct leases increased from 2.7 million to 3.7 million from fiscal year 2002 to fiscal year 2005.
- State officials reported that the department’s reliance on operating leases has increased to meet the growth of agencies overseas. Officials reported that funding for short- and long-term operating leases is vital for providing the space U.S. agencies need to perform their missions. Specifically, in countries where the U.S. agencies’ programmatic growth is expected to be rapid or temporary, short-term operating leases (i.e., those with initial lease terms of less than 10 years) might be a more economical option and result in less risk than the construction of government facilities.
- According to VA officials, the number of VA direct operating leases has increased, with the leased square footage increasing over 4 million in fiscal year 2004 to over 7 million in fiscal year 2006. VA officials reported that VA needs a more flexible facility infrastructure to accommodate changes in medical technology and shifts in demographic data.

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We did not analyze whether the leasing activity at these agencies, either in the aggregate or for individual leases, resulted in longer-term costs than if these agencies had pursued ownership. For short-term needs, leasing likely makes economic sense for the government in many cases. However, our past work has shown that, generally speaking, for long-term space needs, leasing is more costly over time than direct ownership of these assets.

Decision makers have struggled with how to balance transparency over long-term costs and constraints on annual budgets since federal budget scoring rules were established.<sup>39</sup> As an alternative, we have suggested scoring the budget authority for all operating leases up front on the basis of the underlying time requirement for the space so that all options are treated equally.<sup>40</sup> If pursued, this approach would pose implementation challenges, including the need to evaluate the validity of agencies' stated space requirements. Finding a solution for this problem has been difficult; however, the current practice of relying on costly leasing to meet long-term space needs results in excessive costs to taxpayers and does not reflect a sensible or economically rational approach to capital asset management. Furthermore, despite its significance, this problem has gone largely unaddressed in the real property initiative. Without greater attention to resolving this problem, the government will likely continue to choose options that clearly cost taxpayers significantly more over the long term.

### Governmentwide Real Property Data Inventory Is in Early Stages, and Data Reliability Is Still a Problem at the Agency Level

While the administration and agencies have made progress in collecting standardized data elements<sup>41</sup> needed to strategically manage real property, the long-term benefits of the new real property inventory have not yet been realized, and this effort is still in the early stages. The federal government has made progress in revamping its governmentwide real

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<sup>39</sup>GAO, *Federal Real Property: Reliance on Costly Leasing to Meet New Space Needs Is an Ongoing Problem*, [GAO-06-136T](#) (Washington, D.C.: Oct. 6, 2005). According to the scoring rules (OMB *Circular No. A-11, app. B*), in cases where the operating lease does not have a cancellation clause or is not paid for by funds that are self-insuring, budget authority to cover the total costs expected over the life of the lease is to be scored in the first year of the lease.

<sup>40</sup>GAO, *Budget Issues: Alternative Approaches to Finance Federal Capital*, [GAO-03-1011](#) (Washington, D.C.: Aug. 21, 2003).

<sup>41</sup>As previously mentioned in this report, GSA, working under the leadership of FRPC, collaborated with numerous agencies to develop mandatory data elements, which include performance measures.

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property inventory since our 2003 high-risk report. As previously mentioned, the first governmentwide reporting of inventory data for FRPP took place in December 2005, and GSA published the data on behalf of FRPC, in June 2006. According to the 2005 FRPP report, the goals of the centralized database are to improve decision making with accurate and reliable data, provide the ability to benchmark federal real property assets, and consolidate governmentwide real property data collection into one system. According to FRPC, these improvements in real property and agency performance data will result in reduced operating costs, improved asset utilization, recovered asset values, and improved facility conditions, among others.

According to OMB staff, the first reporting for FRPP in 2005 included information for 1.2 million assets and all agencies under the Chief Financial Officers Act of 1990 (CFO Act) reported data to the FRPP. OMB staff reported that some agencies requested and received waivers for reporting a portion of their inventory or performance data in December 2005. Most of the waivers related to the agencies' ability to capture the data early enough for the December 2005 reporting deadline. OMB staff said that these waivers have expired for the December 2006 reporting. Also, OMB staff said that agencies reported performance measure data to the FRPP as part of the FRPP fiscal year 2005 submission. Performance data were not reported in the publicly available, governmentwide report.

According to OMB staff, the biggest challenge encountered by the FRPC, in establishing the inventory data elements and performance measures, was developing common definitions. Officials reported that it was difficult to agree on one definition for elements such as square footage (e.g., gross versus rentable) and value (e.g., book, appraised, or replacement) when agencies use many working definitions for those elements. According to OMB staff, FRPC has analyzed the results of the initial inventory data reporting and determined that at this time, the guidance does not need further revision. Currently, FRPC is working to promote the identification and prioritization of assets for disposal; assets that are in good condition and are highly used are considered low priority, and assets that are in poor condition and have high operating costs are considered high priority.

OMB staff reported that the subjective nature of some data elements was also a challenge when attempting to make comparisons across agencies. According to OMB staff, the FRPC guidance was drafted to allow each agency to interpret mission criticality in an agency-specific manner. For example, part of GSA's mission is to help federal agencies better serve the public by providing workplaces. Therefore, GSA's fulfillment of tenant

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agencies' space needs at a location would make that location mission dependent from GSA's perspective. For agencies such as Energy, officials reported that mission dependency is determined based on the application of published definitions of mission critical, mission dependent, and not mission dependent. These align with the guidance promulgated by FRPC. Determination of mission dependency is made at the asset level by site management with input from real property owning programs.

It is important to note that real property data contained in the financial statements of the U.S. government have also been problematic. The CFO Act, as expanded by the Government Management Reform Act, requires the annual preparation and audit of individual financial statements for the federal government's 24 major agencies. The Department of the Treasury is also required to compile consolidated financial statements for the U.S. government annually, which we audit. In March 2006, we reported that—for the ninth consecutive year—certain material weaknesses<sup>42</sup> in internal control and in selected accounting and financial reporting practices resulted in conditions that continued to prevent us from being able to provide the Congress and the American people with an opinion as to whether the consolidated financial statements of the U.S. government were fairly stated in conformity with U.S. generally accepted accounting principles. We also reported that the federal government did not maintain effective internal control over financial reporting (including safeguarding assets) and compliance with significant laws and regulations as of September 30, 2005.<sup>43</sup>

### Individual Agencies Continue to Struggle with Data Reliability Issues

While agencies have made significant progress in collecting the data elements from their real property inventory databases for the FRPP, data reliability is still a problem at some of the major real property-holding agencies and agencies lack a standard framework for assessing the validity of data used to populate the FRPP. Quality governmentwide and agency-specific data are critical for addressing the wide range of problems facing the government in the real property area, including excess and unneeded

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<sup>42</sup>A material weakness is a condition that precludes the entity's internal control from providing reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements or to stewardship information would be prevented or detected on a timely basis.

<sup>43</sup>GAO, *Fiscal Year 2005 U.S. Government Financial Statements: Sustained Improvement in Federal Financial Management Is Crucial to Addressing Our Nation's Financial Condition and Long-Term Fiscal Imbalance*, [GAO-06-406T](#) (Washington, D.C.: Mar. 1, 2006).

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property, deterioration, and security concerns. Despite the progress made by the administration and individual agencies in recent years, decision makers historically have not had access to complete, accurate, and timely data on what real property assets the government owns; their value; whether the assets are being used efficiently; and what overall costs are involved in preserving, protecting, and investing in them. Also, real property-holding agencies have not been able to easily identify excess or unneeded properties at other agencies that may suit their needs. More recent information on agency data reliability issues shows that this problem has persisted.

- In April 2006, the DOD Inspector General (IG) reported weaknesses in the control environment and control activities that led to deficiencies in the areas of human capital assets, knowledge management, and compliance with policies and procedures related to real property management. As a result, the military departments' real property databases were inaccurate, jeopardizing internal control over transactions reported in the financial statements.<sup>44</sup>
- According to agency officials, DHS's real property data inventory, called its Real Property Information System, is mostly complete, but some DHS components face challenges collecting some data elements, including key performance measures such as condition indexes. According to DHS officials, all DHS components met the latest requirements for its FRPP data submission in December 2006. To meet the FRPP reporting requirement, proxies were used for operating costs and condition indexes as components work toward developing more robust data in these areas.
- According to GSA's Office of the Inspector General (OIG) in 2005, improvements were needed in management, operational, and technical controls for GSA's System for Tracking and Administering Real Property (STAR).<sup>45</sup> Specifically, the IG concluded that additional steps were needed to establish and achieve system-specific measures and goals for long-term efficiency and effectiveness. Further, the IG determined that GSA's Public

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<sup>44</sup>DOD, Office of Inspector General, *Internal Controls Related to Department of Defense Real Property*, D2006-072 (Arlington, VA: Apr. 6, 2006).

<sup>45</sup>PBS maintains an inventory system, the System for Tracking and Administering Real Property (STAR). STAR includes key fields on the number, size, location, use, type, occupants, and age of the assets and tracks all space and customer occupancies in GSA's owned and leased buildings. It is an automated database that is tied into core PBS systems (including the accounting system) that tracks payments to landlords for GSA leased locations.

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Buildings Service (PBS) had not yet completed a comprehensive data dictionary for STAR that can be leveraged across the organization to effectively support business functions. PBS acknowledged the need for improvement in the areas identified in the OIG Audit Report and developed a corrective action plan to address the two IG recommendations. The action plan to address the recommendations included (1) an information paper that summarized and provided a course of action to address the issue of establishing STAR system-specific measures and goals for long-term efficiency and effectiveness and (2) a complete system data dictionary designed to capture the comprehensive nature of information in STAR and more effectively leverage the system across the PBS organization, which has been implemented by PBS. The data dictionary can be accessed by PBS associates with an authorized user ID and password. According to GSA officials, all audit recommendations have been addressed.

- Interior officials reported, during this review, that the department is gradually strengthening its ability to identify excess property through the use of performance measurement data, which is maintained in the centralized governmentwide inventory system of real property holdings.
- State officials reported, during this review, that State had a shortage of timely and valid facility data needed to manage its maintenance backlog. According to officials, the Bureau of Overseas Building Operations (OBO) is addressing several problems in this regard, including (1) several databases that are not linked together; (2) the absence of a modern computerized maintenance management system; and (3) OBO's lack of access to posts' assessments of critical facilities, systems, and equipment. Officials reported that a new data management system that will combine all of the databases and address many of the current data challenges will be phased in, starting in 2007.

Compounding these issues is the difficulty each agency has in validating its real property inventory data that are submitted to FRPP. Validation of individual agencies' data is important because the data are used to populate the FRPP. Because a reliable FRPP is needed to advance the administration's real property initiative, ensuring the validity of data that agencies provide is critical. In general, we found that agencies' efforts to validate the data for the FRPP are at the very early stages of development. For example, according to Interior officials, the department had designed and was to begin implementing a program of validating, monitoring, and improving the quality of data reported into FRPP in the last quarter of fiscal year 2006.

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Furthermore, according to OMB staff, there is no comprehensive review or validation of data once agencies submit their real property profile data to OMB. OMB staff reported that both OMB and GSA review agency data submissions for variances from the prior reporting period. However, agencies are required to validate their data prior to submission to the GSA-managed database. OMB staff reported that some agencies, as part of the PMA initiative, have provided OMB with plans for ensuring the quality of their inventory and performance data. OMB staff reported that OMB has not, to date, requested these plans of all agencies. OMB staff reported that agencies provide OMB with information that includes the frequency of data updates and any methods used for data validation. In addition, according to OMB staff, OMB relies on the quality assurance and quality control processes performed by individual agencies. Also, OMB staff noted that they rely on agency IGs, agency financial statements, and our reviews to establish the validity of the data. Furthermore, OMB staff indicated that a one-size-fits-all approach to data validation would be difficult to implement. Nonetheless, a general framework for data validation that could guide agencies in this area would be helpful, as agencies continue their efforts to populate the FRPP with data from their existing data systems. A framework for FRPP data validation approaches could be used in conjunction with the more ad hoc validation efforts OMB mentioned to, at a minimum, suggest standards for frequency of validation, validation methods, error tolerance, and reporting on reliability. Such a framework would promote a more comprehensive approach to FRPP data validation.

### Physical Security Is Still a Problem for Major Real Property-Holding Agencies

The threat of terrorism has increased the emphasis on physical security for federal real property assets. All of the nine agencies reported using risk-based approaches to some degree to prioritize facility security needs, as we have suggested;<sup>46</sup> but some agencies cited challenges, including a lack of resources for security enhancements and issues associated with securing leased space. For example, DHS officials reported that the department is working to further develop a risk management approach that balances security requirements and the acquisition of real property and leverages limited resources for all its components. In many instances,

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<sup>46</sup>In GAO, *Homeland Security: Further Action Needed to Coordinate Agencies' Facility Protection Efforts and Promote Key Practices*, GAO-05-49 (Washington, D.C.: Nov. 30, 2004) we identified several key practices in facility protection, which included using risk management to allocate resources; leveraging security technology; coordinating protection efforts and sharing information; realigning real property assets to an agency's mission, thereby reducing vulnerabilities; strategically managing human capital; and measuring program performance and testing security initiatives.



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available real property requires security enhancements before government officials can occupy the space. Officials reported that these security upgrades require funding that is beyond the cost of acquiring the property, and, therefore, their acquisition is largely dependent on the availability of sufficient resources.

In the security area, Energy officials reported that safeguards and security programs are based on vulnerability and risk assessments, the results of which are used to design and provide graded protection in accordance with an asset's importance or the impact of its loss, destruction, or misuse. In addition, Interior published the National Monument and Icon Security Assessment Methodology in August 2004 to quantify risk levels, identify needed security enhancements, and measure risk reduction benefits at monument and icon assets. Interior officials told us that the department hired a security manager to provide oversight and a liaison function for its real property holdings. Also, GSA officials reported that GSA, in conjunction with Federal Protective Service, conducts periodic building security assessments for all GSA-controlled buildings on a schedule determined by each building's Department of Justice security level.<sup>47</sup> Threats and vulnerabilities are identified and designated low, medium, or high risk, and countermeasures that address high-risk threats take priority. NASA officials reported that NASA incorporates risk management in all of its prioritization of security resources.

While some agencies have indicated that they have made progress in using risk-based approaches, some officials told us that they still face considerable challenges in balancing their security needs and other real property management needs with their limited resources. According to GSA officials, obtaining funding for security countermeasures, for both security fixtures and equipment, is a challenge, not only within GSA, but for GSA's tenant agencies as well. In addition, Interior and NASA officials reported that their agencies face budget and resource constraints in securing real property. Interior officials further noted that despite these limitations, incremental progress is made year after year in security.

Given their competing priorities and limited security resources, some of the major real property-holding agencies face considerable challenges in balancing their security and real property management needs. We have

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<sup>47</sup>A study of federal facilities done by DOJ in 1995 resulted in minimum-security standards and an evaluation of security conditions in the government's facilities.

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reported that agencies could benefit from specific performance measurement guidance and standards for facility protection to help them address the challenges they face and help ensure that their physical security efforts are achieving the desired results.<sup>48</sup> Without a means of comparing the effectiveness of security measures across facilities, particularly program outcomes, the U.S. government is open to the risk of either spending more money for less effective physical security measures or investing in the wrong areas. Furthermore, performance measurement helps ensure accountability, since it enables decision makers to isolate certain activities that are hindering an agency's ability to achieve its strategic goals. Performance measurement can also be used to prioritize security needs and justify investment decisions so that an agency can maximize available resources.

Despite the magnitude of the security problem, we noted that this area is largely unaddressed in the real property initiative. Without formally addressing security, there is a risk that this challenge could continue to impede progress in other areas. The security problem has an impact on the other problems that have been discussed. For example, to the extent that funding will be needed for a sustained investment in security, the funding available for repair and restoration, preparing excess property for disposal, and improving real property data systems may be further constrained. Furthermore, security requires significant staff time and other human capital resources and thus real property managers may have less time to manage other problems.

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## Underlying Obstacles Hamper Agency Real Property Reform Efforts Governmentwide

In past high-risk reports, we called for a transformation strategy to address the long-standing problems in this area. While the administration's current approach is generally consistent with what we envisioned and the administration's central focus on real property management is a positive step, certain areas warrant further attention. Specifically, problems are exacerbated by underlying obstacles that include competing stakeholder interests and legal and budgetary limitations. For example, some agencies cited local interests as barriers to disposing of excess property. In addition, agencies' limited ability to pursue ownership often leads them to lease property that they could more cost-effectively own over time.

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<sup>48</sup>GAO, *Homeland Security: Guidance and Standards Are Needed for Measuring Effectiveness of Agencies' Facility Protection Efforts*, [GAO-06-612](#) (Washington, D.C.: May 31, 2006).

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Several Agencies Cited  
Competing Stakeholder  
Interests as Impeding Real  
Property Management Decision  
Making

Another obstacle—the need for improved long-term capital planning—remains despite OMB efforts to enhance related guidance.

In addition to Congress, OMB, and the real property-holding agencies, several other stakeholders have an interest in how the federal government carries out its real property acquisition, management, and disposal practices. These stakeholders include foreign governments; state and local governments; business interests in the communities where the assets are located; private sector construction and leasing firms; historic preservation organizations; various advocacy groups; and the public in general, which often views the facilities as the physical face of the federal government in local communities. As a result of competing stakeholder interests, decisions about real property often do not reflect the most cost-effective or efficient alternative, which would be in the interest of the agency or the government as a whole, but instead reflect other priorities. In particular, this situation often arises when the federal government attempts to consolidate facilities or otherwise dispose of unneeded assets.

Some major real property-holding agencies reported that competing local, state, and political interests often impede their ability to make real property management decisions, such as decisions about disposing of unneeded property and acquiring real property. For example, VA officials reported that disposal is often not an option for most properties because of political stakeholders and constituencies, including historic building advocates or local communities that want to maintain their relationship with VA. In addition, officials said that attaining the funding to follow through on CARES decisions is a challenge because of competing priorities. Other agencies cited similar challenges related to competing stakeholder interests.

- Interior officials reported that the department faces significant challenges in balancing the needs and concerns of local and state governments, historical preservation offices, political interests, and others, particularly when coupled with budget constraints. If the interests of competing stakeholders are not appropriately addressed early in the planning stage, they can adversely affect the cost, schedule and scope of a project. In addition, according to Interior officials, unrequested earmarks can circumvent careful planning and divert resources from more critical needs, such as reducing the maintenance backlog.
- According to State officials, property disposal is affected by multiple competing parties including host nations, local governments, historic preservation groups, and political groups. Often, host governments may

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have the authority to approve property sales and purchases and also may assess large transfer fees or delay the issuance of documents.

- Historically, proposed post office closures in urban, suburban, or rural areas, and changes to postal infrastructure by USPS, have provoked intense opposition because post offices are part of American culture and business and are viewed as critical to the economic viability of small towns and central business districts. Members of Congress and other stakeholders have often intervened in the past when USPS attempted to close post offices or consolidate facilities. Also, a variety of factors enter into decisions about managing USPS facilities, which include different statutory requirements, depending upon the type of facility. For example, in 1976, Congress amended the Postal Reorganization Act and established specific requirements for USPS when planning to close a post office, including that USPS must consider the effects on the community served, the employees of the facility, and economic savings to USPS that would result from the closure, as well as provide notice to customers.<sup>49</sup> This amendment sought to involve communities in decisions, which would help to ensure that these decisions were made fairly and consistently. Recently, concerns have been raised about the adequacy of USPS's communication with affected communities as it implements changes to its mail processing network to reduce excess capacity.<sup>50</sup> In December 2006, legislation was enacted that encouraged USPS to move forward to streamline its distribution network, but it also required USPS to provide adequate public notice to affected communities.<sup>51</sup> We are currently reviewing USPS's efforts related to realigning its mail processing network and will be issuing a report on the results of that review.

Despite its significance, the obstacle of competing stakeholder interests has gone unaddressed in the real property initiative. It is important to note that there is precedent for lessening the impact of competing stakeholder interests. BRAC decisions, by design, are intended to be removed from the political process, and Congress approves BRAC decisions as a whole. OMB staff said they recognize the significance of the obstacle and told us that FRPC would begin to address the issue after the inventory is

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<sup>49</sup>39 U.S.C. § 404(b).

<sup>50</sup>GAO, *U.S. Postal Service: USPS Needs to Clearly Communicate How Postal Services May Be Affected by Its Retail Optimization Plans*, [GAO-04-803](#) (Washington, D.C.: July 13, 2004).

<sup>51</sup>Section 302 of the Postal Accountability and Enhancement Act, P.L. No. 109-435, 120 Stat. 3198 (2006); 39 U.S.C. § 3691 note (uncodified).

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Legal and Budgetary  
Limitations Continue to  
Hamper Agencies' Disposal  
Efforts

established and other reforms are initiated. Without addressing this issue, however, less than optimal decisions that are not based on what is best for the government as a whole may continue.

As discussed earlier, budgetary limitations that hinder agencies' ability to fund ownership lead agencies to rely on costly leased space to meet new space needs. Furthermore, the administrative complexity and costs of disposing of federal property continue to hamper some agencies' efforts to address their excess and underutilized real property problems. Federal agencies are required by law to assess and pay for any environmental cleanup that may be needed before disposing of a property—a process that may require years of study and result in significant costs. As valuable as these legal requirements are, their administrative complexity and the associated costs of complying with them create disincentives to the disposal of excess property.

- We reported that VA, like all federal agencies, must comply with federal laws and regulations governing property disposal that are intended, for example, to protect subsequent users of the property from environmental hazards and to preserve historically significant sites.<sup>52</sup> We have reported that some VA managers have retained excess property because the administrative complexity and costs of complying with these requirements were disincentives to disposal.<sup>53</sup>
- Energy officials reported that although an aggressive demolition and decommissioning program reduced the agency's footprint by 9 million square feet from fiscal year 2002 through fiscal year 2005, 16 percent of their inventory remains excess or underutilized. According to Energy officials, the department understands the need to screen excess real property under the McKinney Act and follows this requirement. But, officials noted that Energy would benefit from streamlining the process because much of the portfolio being disposed of has no remaining useful life and is most often located within a secure compound. In these cases, demolition is the only viable method of disposition, and screening requirements needlessly slow the process. Additionally, some agencies reported that the costs of cleanup and demolition sometimes exceed the costs of continuing to maintain a property that has been shut down. In

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<sup>52</sup> GAO-05-429.

<sup>53</sup> GAO-05-429.

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such cases, it can be more beneficial economically to retain the asset in a shut-down status.

- GSA officials noted that GSA is challenged to balance funding for assets that GSA needs to retain, such as those that will recapture vacant space, with funding for the demolition of underutilized properties that remain vacant until they can be torn down or environmental remediation of assets prior to disposal.
- Interior officials reported that the department continues to face several challenges in disposing of excess or underutilized real property, including competing priorities for funding that includes costs to cover environmental analysis and cleanup of hazardous materials, or other costs associated with disposal, such as deconstruction, demolition, or off-site removal. Interior officials further noted that if the department was allowed to retain proceeds from the sale of assets, it would facilitate the process by off-setting the cost of disposal.
- State officials indicated that owning and disposing of properties in an international environment presents challenges, including risks associated with normal economic and real estate conditions. Depending on the law of the host country, the host government may have the authority to make decisions that affect the department's disposal plans. Also, State officials said that, while not common, congressional interest can sometimes lead to further study into the retention of unneeded real property.

Given that agencies are required to fund the costs of preparing property for disposal, the inability to retain any of the proceeds acts as an additional disincentive. It seems reasonable to allow agencies to retain enough of the proceeds to recoup the costs of disposal, and it may make sense to permit agencies to retain additional proceeds for reinvestment in real property where a need exists. However, in considering whether to allow federal agencies to retain proceeds from real property transactions, it is important for Congress to ensure that it maintains appropriate control and oversight over these funds, including the ability to redistribute the funds to accommodate changing needs.

## Need for Improved Capital Planning Still Exists

Over the years, we have reported that prudent capital planning can help agencies to make the most of limited resources, and failure to make timely and effective capital acquisitions can result in acquisitions that cost more than anticipated, fall behind schedule, and fail to meet mission needs and goals. In addition, Congress and OMB have acknowledged the need to improve federal decision making regarding capital investment. A number of laws enacted in the 1990s placed increased emphasis on improving

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capital decision-making practices and OMB's *Capital Programming Guide* and its revisions to *Circular A-11* have attempted to address the government's shortcomings in this area.

Our prior work assessing agencies' implementation of the planning phase principles in OMB's *Capital Programming Guide* and our Executive Guide<sup>54</sup> found that some agencies' practices did not fully conform to the OMB principles and agencies' implementation of capital planning principles was mixed.<sup>55</sup> Specifically, while agencies' capital planning processes generally linked to their strategic goals and objectives and most of the agencies we reviewed had formal processes for ranking and selecting proposed capital investments, the agencies have had limited success with using agencywide asset inventory systems and data on asset condition to identify performance gaps. In addition, we found that none of the agencies had developed a comprehensive, agencywide, long-term capital investment plan. The agency capital investment plan is intended to explain the background for capital decisions and should include a baseline assessment of agency needs that examines existing assets and identifies gaps and help define an agency's long-term investment decisions. In January 2004, we recommended that OMB begin to require that agencies submit long-term capital plans to OMB. Since that report was issued, VA—which was one of our initial case study agencies—issued its first 5-year capital plan. However, recent work in this area showed that although OMB now encourages such plans, it does not collect them, and the agencies that were included in this review did not have agencywide long-term capital investment plans.<sup>56</sup>

Shortcomings in the capital planning and decision-making area have clear implications for the administration's real property initiative. Real property is one of the major types of capital assets that agencies acquire. Other capital assets include information technology, major equipment, and intellectual property. OMB staff said that agency asset management plans are supposed to align with the capital plans but that OMB does not assess

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<sup>54</sup>GAO/AIMD-99-32.

<sup>55</sup>GAO, *Agency Implementation of Capital Planning Principles Is Mixed*, GAO-04-138 (Washington, D.C.: Jan. 16, 2004).

<sup>56</sup>GAO, *Three Agencies' Implementation of Capital Planning Principles Is Mixed*, GAO-07-274 (Washington, D.C.: Feb. 23, 2007). This review covers the Offices of Science and Environmental Management within DOE and U.S. Customs and Border Protection within DHS.

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whether the plans are in alignment. We found that guidance for the asset management plans does not discuss how these plans should be linked with agencies' broader capital planning efforts outlined in the Capital Programming Guide. In fact, OMB's asset management plan sample, referred to as the "shelf document," which agencies use to develop the asset management plans, makes no reference to the guide. Without a clear linkage or crosswalk between the guidance for the two documents, there is less assurance that agencies will link them. Furthermore, there could be uncertainty with regard to how real property goals specified in the asset management plans relate to longer term capital plans.

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## Conclusions

The executive order on real property management and the addition of real property to the President's Management Agenda (PMA) have provided a good foundation for strategically managing federal real property and addressing long-standing problems. These efforts directly address the concerns we raised in past high-risk reports about the lack of a governmentwide focus on real property management problems and generally constitute what we envisioned as a transformation strategy for this area. However, these efforts are in the early stages of implementation, and the problems that led to the high-risk designation—excess property, repair backlogs, data issues, reliance on costly leasing, and security challenges—still exist. As a result, this area remains high risk until agencies show significant results in eliminating the problems by, for example, reducing inventories of excess facilities and making headway in addressing the repair backlog. Furthermore, the current efforts lack an overall framework for helping agencies ensure the validity of real property data in FRPP and do not adequately address the costliness of long-term leases and security challenges. While the administration has taken several steps to overcome some obstacles in the real property area, the obstacle posed by competing stakeholder interests has gone largely unaddressed, and the linkage between the real property initiative and broader agency capital planning efforts is not clear. Focusing on these additional areas could help ensure that the problems and obstacles are addressed.

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## Recommendations for Executive Action

We are making three recommendations to OMB's Deputy Director for Management. We recommend that the Deputy Director, in conjunction with FRPC, take the following three actions:

- Develop a framework that agencies can use to better ensure the validity and usefulness of key real property data in the FRPP. At a minimum, the framework would suggest standards for frequency of validation methods,



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error tolerance, and reporting on reliability;

- Develop an action plan for how the FRPC will address key problems, including the continued reliance on costly leasing in cases where ownership is more cost effective over the long term, the challenges of securing real property assets, and reducing the effect of competing stakeholder interests on businesslike outcomes in real property decisions; and
- Establish a clearer link or crosswalk between agencies' efforts under the real property initiative and broader capital planning guidance.

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## Agency Comments and Our Evaluation

We provided a draft of this report to OMB, DOD, DHS, Energy, GSA, Interior, NASA, State, USPS, and VA for review and comment. OMB agreed with the report and concurred with its recommendations. OMB also provided technical clarifications, which we incorporated, where appropriate. OMB's comments are discussed in more detail below. OMB's letter is contained in appendix IV without the enclosure that contained the technical clarifications. Comments we received from GSA, NASA, Interior, DHS, Energy, State, and VA are contained in appendixes V through XI, respectively. VA, Energy, DHS, GSA, and NASA generally agreed with the report. VA provided technical clarifications and expanded comments in an enclosure that are discussed below. Interior, DHS, and Energy also provided technical clarifications, which we incorporated, where appropriate, but did not include in the appendixes. Also, DHS provided information in its letter that identified activities it was undertaking that relate to our recommendations. State, DOD, Interior, and USPS did not state whether they agreed or disagreed with the report and its recommendations. However, State provided additional information for the report and Interior, DOD, and USPS provided technical clarifications, which we incorporated, where appropriate. State's comments are also discussed in more detail below.

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## Evaluation of OMB Comments

In general, OMB agreed with our assessment that challenges remain in meeting the goal of improving federal real property management. OMB said that it is continuing to work to ensure that governmentwide efforts will ultimately lead to improved asset management, the disposal of unneeded federal real property, and the removal of federal real property from our high-risk list. OMB indicated that significant progress has been made in four main areas, including (1) all agencies have established asset management plans, addressing acquisition, operations, and maintenance,

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and disposition; (2) the FRPC has established a standard catalog and identifies 23 data elements to be captured on all assets in the federal portfolio; (3) agencies have captured and reported the required constructed asset level inventory and performance data to the FRPP governmentwide database; and (4) agencies now have reliable performance information to assist them in identifying underperforming assets suitable for investment or disposition. OMB reported that tools are now in place for improved asset management and that this has led to results that include data on more than 1.2 million assets and more than \$4.2 billion in disposals completed since the real property initiative was established in 2004.

OMB agreed with our three recommendations and provided additional information relating to them. Regarding the first recommendation to develop a framework that agencies can use to better ensure the validity and usefulness of key real property data in the FRPP, OMB reported that it will work with the FRPC to take steps to establish and implement a framework. OMB agreed that establishing a framework to ensure the validity and usefulness of key real property data, especially performance data, will lead to greater reliability of key data. According to OMB, the framework that it will pursue will identify acceptable validation methods, frequency, error tolerance, reliability, and processes for reporting corrective actions.

For the second recommendation to develop an action plan for how the FRPC will address key problems, OMB said that the FRPC is currently drafting a strategic plan for addressing long-standing issues such as the continued reliance on costly leasing in cases where ownership is more cost effective over the long-term, the challenge of securing real property assets, and reducing the effect of competing stakeholder interests on businesslike outcomes in real property decisions. OMB agreed that it is important to build upon the substantial progress that has been realized by both the FRPC and the federal real property community in addressing the identified areas for improvement. OMB said that it will share the strategic plan with us once it is in place and will discuss strategies for ensuring successful implementation. For our third recommendation to establish a clearer link or crosswalk between agencies' efforts under the real property initiative and broader capital planning guidance, OMB stated that as agencies update their asset management plans and incorporate updated guidance on capital planning, progressive improvement in this area will be realized. OMB also provided technical comments, which we incorporated into the final report, where appropriate.

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## Evaluation of State Comments

In commenting on our related work on long-term capital investment plans, State said that its long-range overseas buildings plan qualifies as a long-term capital plan. We agree that State's long-range overseas building plan contains elements that qualify as a long-term capital plan for OBO. However, our statement that agencies lacked such plans refers to the Offices of Science and Environmental Management within DOE and U.S. Customs and Border Protection within DHS, and not to State.<sup>57</sup> State asked us to change text related to funding backlogs and reliance on leasing to emphasize the relative importance of budgetary constraints in resolving maintenance backlogs. We agree that the legal and budgetary limitations are obstacles, and we discussed this extensively in the draft. We also relate these limitations to more than just the challenge of funding real property needs, but also to the policy environment these limitations create. As such, we feel that the effect of legal and budgetary limitations as underlying obstacles that exacerbate backlogs is accurately portrayed and did not make the changes to the report that State requested. State requested that the report acknowledge the limiting effect of scoring rules on lease-purchase agreements. While it is true that the report focuses on the scoring of operating leases, it also discusses the tendency of agencies to choose operating leases over ownership options (such as lease purchases) due to the way that operating leases are scored.

State also pointed out that there are maintenance and repair costs associated with property ownership, while operating leases typically hold landlords responsible for maintenance and repair costs. As stated previously in this report, we did not analyze whether the leasing activity at these agencies, either in the aggregate or for individual leases, resulted in longer-term costs than if these agencies had pursued ownership. For short-term needs, leasing likely makes economic sense for the government in many cases. However, our past work has shown that, generally speaking, for long-term space needs, leasing is more costly over time than direct ownership of these assets. State believed our report should have more emphasis on maintenance and repair costs associated with trade-offs between choosing operating leases or property ownership options. We agree that maintenance and repair costs are key factors and believe that our draft accurately explained the importance of them. Lastly, State wanted us to remove a reference to congressional interest in property disposals so that it would not be misinterpreted by Congress. We chose to

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<sup>57</sup> [GAO-07-274](#).

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clarify the statement in the report to more accurately represent State's response during our review.

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## Evaluation of VA Comments

VA agreed with our general conclusion that progress has been made toward addressing real property problems and that there is still work to be done. However, VA stated that its progress is greater than we portrayed in the draft and suggested several examples of its initiatives. For example, in the area of data validation, VA stated that VA's Capital Asset Management System provides a single means to validate data from multiple source systems. In the area of unneeded assets, VA stated that it has disposed of 156 buildings since fiscal year 2004 and 146 buildings are planned for disposal in fiscal year 2007 and fiscal year 2008. VA further stated that it is implementing a sustainment model and investing in sustainment needs, among other things, to address its maintenance and repair backlog. Lastly, VA stated that it has developed an assessment methodology for its facilities, assessed those facilities considered most mission-critical, and requested funding for physical security enhancements to address the physical security of its facilities. Although our report was largely based on the information VA provided to us during the time of our review, we have included information on these initiatives and incorporated other technical comments that VA provided, where appropriate.

Regarding our discussion of the government's over-reliance on costly operating leases, VA stated that it relies on operating leases because of its need for a more flexible facility infrastructure and that VA's mission has driven its increased use of this type of leasing. VA said that it is true that it has increased its reliance on leasing to meet space needs, but that the majority of its leases are outpatient or store-front facilities. VA said that it does not use these leases because they look cheaper in any given year, asserting that our draft made this conclusion. In fact, our report did not state that VA enters into operating leases for this reason. Instead, our report states that operating leases have become an attractive option, in part because they generally "look cheaper" in any given year, even though they are generally more costly over time. This discussion in the report related to leasing issues in general and was not specific to VA. Furthermore, we included information in the report about VA's views on leasing. That is, we stated that VA officials reported needing a more flexible facility infrastructure to accommodate changes in medical technology and shifts in demographic data. Finally, we stated that for short-term needs, leasing likely makes economic sense for the government in many cases.

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We are sending copies of this report to the Director and Deputy Director of OMB; Secretaries of DOD, DHS, Energy, Interior, State, and VA; the Administrators of GSA, and NASA; and the Postmaster General of the United States. Additional copies will be sent to interested congressional committees. We will also make copies available to others upon request, and the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions about this report, please contact me at (202) 512-2834 or at [goldsteinm@gao.gov](mailto:goldsteinm@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix XII.



Mark L. Goldstein  
Director, Physical Infrastructure Issues

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# Appendix I: Objectives, Scope, and Methodology

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Our objectives were to determine (1) what progress the administration and major real property-holding agencies have made in addressing long-standing problems and (2) what problems and obstacles, if any, remain to be addressed. For the purpose of this review, we identified the nine<sup>1</sup> real property-holding agencies that are largest in terms of owned and leased space. These agencies are the Departments of Defense (DOD), Energy (Energy), Homeland Security (DHS), the Interior (Interior), State (State), and Veterans Affairs (VA); the General Services Administration (GSA); the National Aeronautics and Space Administration (NASA), and the United States Postal Service (USPS). Together, these agencies hold a majority of the federal government's real property assets, totaling 93 percent of the total square footage owned and leased by the federal government. We also interviewed officials from the Office of Management and Budget (OMB) because it oversees the implementation of Executive Order 13327, which addresses federal real property management. Our January 2003 high-risk work identified five long-standing problems in federal real property management, including excess and underutilized property, deteriorating facilities, reliance on costly leasing, and unreliable real property data. Federal agencies were also facing many challenges in protecting their facilities against the threat of terrorism.

To determine what progress these nine major real property-holding agencies have made in addressing the five long-standing problems in managing federal real property assets, we asked knowledgeable real property officials at each of the nine agencies to provide written responses to a standard list of questions. These questions addressed what steps, if any, the agencies have taken to address the five problems and to implement the requirements of Executive Order 13327, which established guidelines for improving executive branch agencies' real property management; created a new organization, the Federal Real Property Council (FRPC); and supported a presidential initiative, the President's Management Agenda (PMA) real property initiative. We analyzed the written responses to our questions and reviewed supporting documentation provided by agency officials. It is important to note that although USPS is a major real property-holding agency, it is not subject to Executive Order 13327. The list of questions administered to USPS

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<sup>1</sup>For the purposes of our review, we focused on the eight of the largest major real property-holding agencies and USPS, which is an independent establishment in the executive branch and is among the largest property holders in terms of owned and leased space.

addressed the long-standing problems and real property management efforts related to the requirements of the executive order.

In addition to reviewing the written responses to our questions, for each major real property-holding agency, we obtained and reviewed available information and related documentation on the agency's plans to address the long-standing problems in managing its federal real property assets, including its asset management plans and related real property policies and reports. We also reviewed a number of our previous reports and pertinent work by agency Inspectors General and by the Congressional Research Service on real property management at the major real property-holding agencies. Finally, we reviewed and analyzed federal laws relating to real property for the major real property-holding agencies and USPS.

Because the OMB is responsible for overseeing the implementation of Executive Order 13327, we reviewed applicable federal laws and authorities and interviewed knowledgeable OMB staff to obtain information on OMB's oversight role—including FRPC activities—and OMB's assessment of the progress made by major real property-holding agencies in implementing the executive order. OMB staff also provided us with information on OMB's guidance for implementing the PMA real property initiative and related reports. In addition, we reviewed the PMA's real property initiative standards and scorecards developed by OMB to obtain additional information on each agency's implementation of the executive order and governmentwide and individual agency efforts related to real property management.

Agency officials and the representatives of stakeholder organizations provided much of the data and other information used in this report. We relied largely on agency responses to our questions to assess progress, performed an assessment of the reliability of the data they provided, and determined that the data were adequate for the purpose of our review. When officials provided their views and opinions as spokespersons for their organizations, we corroborated the information with other officials. We prepared this report under the Comptroller General's authority to conduct evaluations on his own initiative as part of a continued effort to assist Congress with oversight of real property issues. We conducted our work from April 2006 through February 2007 in accordance with generally accepted government auditing standards.

# Appendix II: Selected Enhanced Real Property Authorities of Major Real Property-Holding Agencies

Agency	Authority	Description of authority
DOD <sup>a</sup>	Leases of nonexcess property of military departments	The Secretary of a military department is authorized to lease real property under the control of the department that is not considered to be excess property if the Secretary considers the lease to be advantageous to the United States. The term of the lease may be up to 5 years unless the Secretary determines the term should be longer to promote the national defense or for the public interest. Lease payments shall be in cash or in-kind consideration for an amount not less than fair market value. In-kind consideration includes maintenance, alteration, protection, environmental restoration, construction of new facilities, and providing facilities, facilities operation support, or other services on the leased property. <sup>b</sup> [10 U.S.C. § 2667]
	Retention of proceeds/Leases of nonexcess property of military departments	Proceeds from leases are deposited in a special account in the Treasury and are available to the Secretary of that military department to the extent provided in an appropriation act. At least 50 percent of proceeds can be used for maintenance, protection, alteration, environmental restoration, construction of new facilities, or facilities operation support at the military installation where proceeds were derived. Proceeds received from leases entered into at military installations to be closed or realigned under a base closure law pending the final disposition of real property are deposited in special DOD base closure accounts. [10 U.S.C. § 2667]
Energy	Leasing of excess property	The Secretary of Energy is authorized to lease excess real property located at a DOE facility that is to be closed or reconfigured and is not needed by DOE at the time the lease is entered into if the Secretary considers the lease appropriate to promote national security or is in the public interest. The term of the lease may be up to 10 years with an option to renew the lease for up to another 10-year term. Lease payments shall be in cash or in-kind consideration for an amount not less than fair market value. In-kind consideration includes services relating to the protection and maintenance of the leased property. The authority to enter into leases terminates on September 30, 2010. [42 U.S.C. § 7256]
	Retention of proceeds/Leasing of excess property	The Secretary shall use the funds received as rent that the Secretary considers necessary to cover administrative expenses of the lease, maintenance, and repair of the leased property, or environmental restoration activities at the facility where the leased property is located to the extent provided in an appropriation act. [42 U.S.C. § 7256]
GSA	Conveyance of property	The Administrator of GSA, notwithstanding any other provision of law, is authorized to convey by sale, lease, exchange or otherwise, including through leaseback arrangements, real property, or interests therein. [Section 412 of P.L. No. 108-447, 118 Stat. 2809, 3259 (2004)]
	Retention of proceeds/ Conveyance of property	The Administrator of GSA is authorized to retain net proceeds from the disposition of real property in its Federal Buildings Fund (FBF), which are to be used for GSA real property capital needs to the extent provided in an appropriation act. [Section 412 of P.L. No. 108-447, 118 Stat. 2809, 3259 (2004)]
	Southeast Federal Center	The Administrator of GSA is authorized to enter into leases with private entities for the development of the Southeast Federal Center. Agreements shall be for fair consideration and may include in-kind consideration such as construction, repair, remodeling, or maintenance of federal property, and providing office, storage, or other usable space. [P.L. No. 106-407, 114 Stat. 1758 (2000)]



**Appendix II: Selected Enhanced Real  
Property Authorities of Major Real Property-  
Holding Agencies**

<b>Agency</b>	<b>Authority</b>	<b>Description of authority</b>
	Retention of proceeds/Southeast Federal Center	The Administrator of GSA is authorized to retain from the proceeds amounts necessary to recover the expenses incurred with respect to the property. Net proceeds are deposited in FBF and available to the extent provided in an appropriation act.  [P.L. No. 106-407, 114 Stat. 1758 (2000)]
	Middle River Depot Sale	The Administrator of GSA is authorized to sell the Middle River Depot at Middle River, Maryland.  [Section 407 of P.L. No. 108-447, 118 Stat. 2809, 3258 (2004)]
	Retention of proceeds/Middle River Depot sale	The proceeds of sale from the Middle River Depot are to be credited to FBF for capital activities and available to the extent provided in an appropriation act.  [Section 407 of P.L. No. 108-447, 118 Stat. 2809, 3258 (2004)]
Interior	Leases for National Park System (NPS)	The Secretary of the Interior is authorized to enter into leases with any person or governmental entity for the use of buildings and associated property administered as part of NPS. Rental payments shall be for the fair market value, but can be adjusted by the Secretary for amounts spent by the lessee for such expenses as preservation, maintenance, restoration, and improvement of the property. [16 U.S.C. § 1a-2]
	Retention of proceeds/Leases for NPS	Rental payments are deposited into a special account in the Treasury where the availability of funds is not subject to an appropriation act. Funds are available for infrastructure needs such as facility refurbishment, repair, and replacement, and for maintenance of the leased buildings and associated properties. [16 U.S.C. § 1a-2]
	Housing for NPS employees	The Secretary of the Interior is authorized to lease federal land and interests in land for up to 50 years for the construction of field employee quarters.  [16 U.S.C. § 17o]
	Retention of proceeds/Housing for NPS employees	The proceeds from any lease are retained by NPS and deposited into a special fund for maintenance and operation of quarters. [16 U.S.C. § 17o]
	Presidio of San Francisco	Established the Presidio Trust, a wholly owned government corporation, to manage the Presidio in the Golden Gate National Recreation Area through a public/private partnership. Authorized the Presidio Trust to enter into leases with any person, firm, association, organization, corporation or governmental entity necessary to carry out its authorized activities. Authorized the Presidio Trust to establish procedures for lease agreements for the use and occupancy of Presidio facilities.  [16 U.S.C. § 460bb note]
	Retention of proceeds/Presidio of San Francisco	All proceeds and other revenues received by the Presidio Trust are retained by the Trust and are available to the Trust, without further appropriation, for such expenses as administration, preservation, restoration, maintenance, or improvement of Presidio properties.[16 U.S.C. § 460bb note]
NASA	Enhanced-use leases (EUL) real property demonstration	The Administrator of NASA is authorized to enter into lease agreements with any person or entity, including federal, state, or local governments, with regard to any real property at two NASA centers. The lease shall be for fair market value and payments may be in cash or in-kind consideration such as construction, maintenance, or improvement of facilities, or providing services to NASA such as launch and payload processing services.  [42 U.S.C. § 2459j]

**Appendix II: Selected Enhanced Real  
Property Authorities of Major Real Property-  
Holding Agencies**

<b>Agency</b>	<b>Authority</b>	<b>Description of authority</b>
	Retention of proceeds/EUL real property demonstration	Cash consideration received for the lease is to be used to cover the full costs to NASA in connection with the lease. Any remaining cash shall be deposited in a capital asset account available for maintenance, capital revitalization, and improvements of real property assets at the two NASA centers. [42 U.S.C. § 2459]
	Camp Parks Military Reservation sale	The Administrator of NASA is authorized to sell its property at the Camp Parks Military Reservation in Alameda, California. [Section 627 of P.L. No. 109-108, 119 Stat. 2290, 2342 (2005)]
	Retention of proceeds/Camp Parks Military Reservation sale	The Administrator of NASA is authorized to retain the proceeds from the Camp Parks Military Reservation in Alameda, California. [Section 627 of P.L. No. 109-108, 119 Stat. 2290, 2342 (2005)]
State	Disposition of property	The Secretary of State is authorized to sell, exchange, lease, or license any property acquired in foreign countries for diplomatic and consular establishments. [22 U.S.C. § 300]
	Retention of proceeds/Disposition of property	The Secretary of State is authorized to retain proceeds from the disposition of properties in foreign countries, which may be used to acquire, construct, and maintain properties overseas. [22 U.S.C. § 300]
USPS	Leasing	USPS is authorized to acquire, in any lawful manner, real property or any interest therein, as it deems necessary and to lease, or otherwise dispose of, property or any interest therein. [39 U.S.C. § 401(5)]
	Leasing	USPS is authorized to lease and maintain buildings, facilities, equipment, and other improvements on any property owned or controlled by it. [39 U.S.C. § 401(6)]
	Retention of proceeds/Leasing	USPS is authorized to keep the proceeds from its real-estate transactions. [39 U.S.C. § 2401]
VA	EUL	The Secretary of VA is authorized to enter into leases for up to 75 years with public and private entities for underutilized and excess land that is under the Secretary's jurisdiction or control. The EUL shall be for fair consideration, and lease payments may be made for in-kind consideration such as construction, repair, or remodeling of department facilities; providing office, storage, or other usable space; and providing goods or services of benefit to the department. The authority to enter into EUL terminates on December 31, 2011. [38 U.S.C. §§ 8161-8169]
	Retention of proceeds/EUL	Expenses incurred by the Secretary of VA in connection with EUL will be deducted from the proceeds of the lease and may be used to reimburse the account from which the funds were used to pay such expenses. The proceeds can be used for any expenses incurred in the development of additional EUL. Remaining funds shall be deposited in the VA Medical Care Collections Fund. [38 U.S.C. § 8165]
	Disposal of EUL property	If the Secretary of VA determines that during the term of the EUL that the property is no longer needed, the Secretary is authorized to initiate an action to dispose of the property. [38 U.S.C. § 8164]
	Retention of proceeds/Disposal of EUL property	Funds received by VA from a disposal of EUL property shall be deposited into the VA Capital Asset Fund and may be used for property transfer costs such as demolition, environmental remediation, and maintenance and repair to the extent provided in an appropriation act. [38 U.S.C. §§ 8118, 8164, and 8165]

**Appendix II: Selected Enhanced Real  
Property Authorities of Major Real Property-  
Holding Agencies**

Agency Authority	Description of authority
Transfer of Non-EUL property	The Secretary of VA is authorized to transfer real property under the Secretary's jurisdiction or control to a public or private entity if the Secretary receives fair market value for the property. The Secretary is authorized to accept less than fair market value for the property if the transfer is made to an entity providing services to homeless veterans. This authority to transfer real property expires on November 30, 2011. [38 U.S.C. § 8118]
Retention of proceeds/Transfer of Non-EUL property	Funds received by VA from a transfer of non-EUL property shall be deposited into the VA Capital Asset Fund and may be used for property transfer costs such as demolition, environmental remediation, and maintenance and repair to the extent provided in an appropriation act. [38 U.S.C. § 8118]
Authority to acquire sites for medical facilities	The Secretary is authorized to acquire land or interests in land for a medical facility site by purchase, lease, condemnation, donation, or exchange. [38 U.S.C. § 8103]

Source: GAO analysis.

Notes:

This list of real property authorities is not intended to be all inclusive. For purposes of this appendix, we have provided some examples of an agency's authority relating to real property such as enhanced use leasing authority or conveyance authority.

<sup>a</sup>For the Department of Defense, we have limited our description to its authority relating to enhanced use leasing. Additionally, while DHS was one of the nine agencies we reviewed, we did not include it in this appendix since it was not provided any specific real property authority under the Homeland Security Act of 2002.

<sup>b</sup>The John Warner National Defense Authorization Act for Fiscal Year 2007, P.L. No. 109-364, 120 Stat. 2083, 2263 (2006), included additional limitations on the Secretary when entering into EULs pursuant to 10 U.S.C. § 2667 for providing community support facilities or providing community support services for morale, welfare, and recreational programs.

# Appendix III: FRPC Inventory Data Elements and Descriptions

Data element number	Data element name	Definition
1	Real property type	Identifies the asset as one of the following categories of real property: land; building; or structure.
2	Real property use	Indicates the asset's predominant use in one of the following categories: land; building; or structure.
3	Legal interest	Identifies a real property as being owned by the federal government, leased by the federal government (i.e., as lessee), or otherwise managed by the federal government.
4	Status	Reflects the predominant physical/operational status of the asset as active, inactive, or excess.
5	Historical status	Identifies owned and leased property as National Historic Landmark (NHL); National Register Listed (NRL); National Register Listed; National Register Eligible; Noncontributing element of NHL/NRL district; Not evaluated; Evaluated, Not Historic.
6	Reporting agency	Refers to the federal government agency/bureau reporting the property to the FRPC Inventory database.
7	Using organization	Refers to the predominant federal government agency/bureau (or other nonfederal government entity) occupying the property.
8	Size	Refers to the size of the real property asset according to appropriate units of measure. The unit of measure used for the three real property types is as follows: <ul style="list-style-type: none"> <li>• For land, the unit of measure is acreage and the land is designated as either <b>rural acres</b> or <b>urban acres</b>.</li> <li>• For buildings, the unit of measure is area in square feet and designated as <b>gross square feet</b> (GSF).</li> <li>• For structures, a <b>structure unit of measure</b> table is provided that contains reporting guidelines for the unit of measure for specific types of structures.</li> </ul>
9 (PM)	Utilization	Captures the rate of utilization for a building—that is, the percentage of space (square footage) used for agency purposes. Is reported <ul style="list-style-type: none"> <li>• on a scale from 0 to 100;</li> <li>• by building type—office, warehouse, hospital, laboratory, and housing—and</li> <li>• by category—overutilized, utilized, underutilized, or not utilized—depending on where the utilization rate falls within percentage ranges defined for each building type.</li> </ul>
10	Value	Defined as the functional replacement value; the cost of replacing the existing constructed asset at today's standards. (value = unit x unit cost x overhead factor)

**Appendix III: FRPC Inventory Data Elements  
and Descriptions**

<b>Data element number</b>	<b>Data element name</b>	<b>Definition</b>
11 (PM)	Condition index	<p>Provides a general measure of a building or structure's condition at a specific point in time.</p> <p>Is calculated</p> <ul style="list-style-type: none"> <li>• annually,</li> <li>• as the ratio of repair needs to plant replacement value (PRV); <math>CI = (1 - \text{\\$repair needs}/\text{\\$PRV}) \times 100</math>.</li> <li>• "Repair needs" is the amount necessary to restore a building to a condition substantially equivalent to its original condition <ul style="list-style-type: none"> <li>• Agencies and departments will initially use an existing process to determine their repair needs</li> <li>• Agencies will later refine and standardize their definition of repair needs.</li> </ul> </li> <li>• PRV is the cost of replacing an existing building so that it meets today's standards.</li> <li>• The higher the CI, the better the condition of the building</li> <li>• is reported</li> <li>• for an entire agency or department,</li> <li>• on a scale from 0 to 100 percent.</li> </ul> <p>Agencies and departments initially set target CI levels in consultation with OMB.</p>
12 (PM)	Mission dependency	<p>The value a building brings to an agency's performance of its mission as determined by the agency</p> <p>May be categorized as</p> <ul style="list-style-type: none"> <li>• mission critical – without the building or land, the agency's mission is compromised;</li> <li>• mission dependent, not critical – falls between mission critical and not mission dependent; or</li> <li>• not mission dependent – without the building or land, the agency's mission is unaffected.</li> </ul>
13 (PM)	Annual operating costs	<p>Includes costs for</p> <ul style="list-style-type: none"> <li>• recurring maintenance and repairs;</li> <li>• utilities (plant operating and energy purchase costs);</li> <li>• cleaning or janitorial services (pest control, refuse collection and disposal, including recycling operations); and</li> <li>• roads/grounds (grounds maintenance, landscaping, and snow and ice removal from roads, piers and airfields).</li> </ul> <p>Will be reported annually.</p>
14	Main location	<p>Refers to the street/delivery address for the asset or the latitude and longitude coordinates. Either of the following will be provided for the constructed asset or parcel of land: street address; or latitude and longitude (if no security concerns).</p>

**Appendix III: FRPC Inventory Data Elements  
and Descriptions**

<b>Data element number</b>	<b>Data element name</b>	<b>Definition</b>
15	Real property unique identifier	A code that is unique to an item of real property that will allow for linkages to other information systems. The <b>real property unique identifier</b> is assigned by the reporting agency and can contain up to 24 alpha-numeric digits.
16	City	Provides the four-digit Geo Location Codes (GLC) for the <b>city</b> or town associated with the reported <b>main location</b> in which the land parcel, building, or structure is located.
17	State	Provides the two-digit GLC for the <b>state</b> associated with the reported <b>main location</b> in which the land parcel, building, or structure is located.
18	Country	Provides the three-digit GLC for the <b>country</b> associated with the reported <b>main location</b> in which the land parcel, building, or structure is located.
19	County	Provides the three-digit GLC for the county associated with the reported main location in which the land parcel, building, or structure is located.
20	Congressional district	Provides the value for the <b>congressional district</b> associated with the reported <b>main location</b> in which the land parcel, building, or structure is located.
21	ZIP code	Provides the five-digit ZIP code associated with the reported <b>main location</b> in which the land parcel, building, or structure is located and, if known, the additional four-digit zip code suffix.
22	Installation/Subinstallation identifier	<p>Headquarters installations – Land, buildings, other structures, and facilities, or any combination of these. Examples of installations are a national forest, national park, hydroelectric project, office building, warehouse building, border station, base, post, camp, or an unimproved site. Provide a 24-digit alpha-numeric code for the installation ID assigned by the reporting agency.</p> <p><b>Subinstallation</b>—Part of an installation identified by a different geographic location code than that of the headquarters installation. An installation must be separated into subinstallations (and reported separately) when the installation is located in more than one state or county. However, an agency may elect to separate an installation into subinstallations, even if the installation is not located in more than one state or county. Provide a six-digit alpha-numeric code for the <b>subinstallation</b> ID assigned by reporting agency.</p>
23	Restrictions	Refers to limitations on the use of real property. Provides one or more of the following values for each building, structure, and parcel of land: environmental restrictions (cleanup-based restrictions, etc.); natural resource restrictions (endangered species, sensitive habitats, floodplains, etc.); cultural resource restrictions (archeological, historic, Native American resources (except those excluded by EO 13007, section 304 of the National Historical Preservation Act), etc.); developmental (improvements) restrictions; reversionary clauses from deed; zoning restrictions; easements (including access for maintenance rights, etc.); rights-of-way; mineral interests; water rights; air rights; other; nonapplicable.

Source: GSA, Interim FY 2005 Guidance for Real Property Inventory Reporting as of October 11, 2005.

Note: PM = Performance measure.

# Appendix IV: Comments from the Office of Management and Budget



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

THE CONTROLLER

MAR 23 2007

Mr. Mark Goldstein  
Director, Physical Infrastructure  
U.S. Government Accountability Office  
440 G Street, NW  
Washington, DC 20548

Dear Mr. Goldstein:

Thank you for the opportunity to comment on the Government Accountability Office's (GAO's) draft report entitled "Federal Real Property: Progress Made toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform" GAO-07-349. In general, the Office of Management and Budget (OMB) agrees with your assessment that challenges remain in meeting the goal of improving Federal real property management and we are continuing our work to ensure that government-wide efforts will ultimately lead to improved asset management, the disposal of unneeded Federal real property, and the removal of Federal real property from the GAO High Risk list. We also believe that significant progress has been made including:

1. all agencies have established Asset Management Plan addressing acquisition, operations and maintenance, and disposition;
2. the FRPC has established a standard taxonomy and identified 23 data elements to be captured on all assets in the Federal portfolio;
3. agencies have captured and reported to the Federal Real Property Profile government-wide database, the required constructed asset level inventory and performance data;
4. agencies now have reliable performance information to assist them in identifying underperforming assets suitable for investment or disposition.

The tools for improved asset management are in place and this has led to real results. Data is now available on more than 1.2 million assets, and more than \$4.2 billion in disposals completed since the real property initiative was established in 2004.

Below are OMB's specific responses to the three recommendations included in the draft report:

Regarding the first recommendation to develop a framework that agencies can use to better ensure the validity and usefulness of key real property data in the FRPP, OMB agrees with the recommendation and will be working with the Federal Real Property Council (FRPC) to take steps to establish and implement a framework. To date, emphasis has been placed on capturing the necessary inventory and performance measure data resulting in more than 1.2 million assets in the national inventory database. OMB has required agencies to establish their own internal

validation process, consistent with their internal practices. OMB agrees with the GAO recommendation that establishing a framework to ensure the validity and usefulness of key data, especially performance data will lead to greater reliability of key data. The framework that we will pursue will identify acceptable validation methods, frequency, error tolerance, reliability, and processes for reporting corrective actions.

Regarding the second recommendation to develop an action plan for how the FRPC will address key problems [including the continued reliance on costly leasing in cases where ownership is more cost effective over the long term, the challenges of securing real property assets, and reducing the effect of competing stakeholder interests on businesslike outcomes in real property decisions], the FRPC is currently drafting a strategic plan for addressing these issues and other areas of importance to the Federal real property community. OMB agrees that it is important to build upon the substantial progress which has been realized by both the FRPC and the Federal real property community in addressing the identified areas for improvement. Once the strategic plan is in place, we look forward to sharing the plan with GAO and discussing strategies for ensuring successful implementation.

Regarding the third recommendation to establish a clearer link or crosswalk between agencies efforts under the real property initiative and the broader capital planning process, OMB agrees that there is a need within agencies to increase such coordination. OMB believes that the emphasis placed on capital planning in the agency Asset Management Plans as well as the greater emphasis on real property included in the Capital Programming Guide version 2.0 (released June 2006) is a critical first step. As agencies update their Asset Management Plan annually and work to incorporate the updated guidance of the Capital Programming Guide in their planning process, progressive improvement in the area of capital planning will be realized.

Again, we want to thank GAO for the opportunity to comment on this draft report. We look forward to our continuing work in the area of improving Federal Real Property Asset Management.

Sincerely,



Linda M. Combs  
Controller

Enclosure: Technical Comments



# Appendix V: Comments from the General Services Administration



GSA Administrator

March 23, 2007

The Honorable David M. Walker  
Comptroller General  
of the United States  
Government Accountability Office  
Washington, DC 20548

Dear Mr. Walker:

The U.S. General Services Administration (GSA) appreciates this opportunity to submit agency comments on the Government Accountability Office (GAO) draft report entitled "Federal Real Property: Progress Made toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform," GAO-07-349.

GSA agrees with the findings and recommendations. GSA will continue to work with the Federal Real Property Council to address the recommendations and to promote Federal Real Property Asset Management initiatives on behalf of the Federal Government.

Again, thank you for the opportunity to comment on the draft report. Should you have any questions, please contact me. Staff inquiries may be directed to Mr. Kevin Messner, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Cordially,

A handwritten signature in black ink, appearing to read "Lurita Doan".

Lurita Doan  
Administrator

cc: Mark Goldstein, Director, Physical Infrastructure

U.S. General Services Administration  
1800 F Street, NW  
Washington, DC 20405-0002  
Telephone: (202) 501-0800  
Fax: (202) 219-1243  
[www.gsa.gov](http://www.gsa.gov)

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# Appendix VI: Comments from the National Aeronautics and Space Administration

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National Aeronautics and  
Space Administration  
**Headquarters**  
Washington, DC 20546-0001



March 23, 2007

Reply to Attn of: Office of Institutions and Management

Mr. Mark Goldstein  
Director, Physical Infrastructure  
Government Accountability Office  
Washington, DC 20548

Dear Mr. Goldstein:

We have reviewed the draft report entitled, "Federal Real Property: Progress Made Toward Addressing Problems, But Underlying Obstacles Continue to Hamper Reform" (GAO-07-349), and concur with the report with no further comment.

Thank you for the opportunity to participate in the development of this report. If you have any questions, please contact Albert Johnson at (202) 358-1834.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles H. Scates".

Charles H. Scates  
Associate Administrator  
Office of Institutions and Management

# Appendix VII: Comments from the Department of the Interior



United States Department of the Interior

OFFICE OF THE ASSISTANT SECRETARY  
POLICY, MANAGEMENT AND BUDGET  
Washington, DC 20240



MAR 21 2007

Mark Goldstein, Director  
Physical Infrastructure  
U. S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Goldstein

Thank you for the opportunity to comment on GAO's draft report entitled, "*Federal Real Property: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform*" (GAO-07-349).

Enclosed are the Department of the Interior comments. If you have any questions concerning the response, please contact Michael Keegan, Associate Director, Facility and Property Management at 202-208-3347.

Sincerely,

R. Thomas Weimer  
Assistant Secretary

Enclosure

# Appendix VIII: Comments from the Department of Homeland Security

U.S. Department of Homeland Security  
Washington, DC 20528



**Homeland  
Security**

March 26, 2007

Mr. Mark L. Goldstein  
Director, Physical Infrastructure Issues  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Goldstein:

RE: Draft Report GAO-07-349, Federal Real Property: Progress Made toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform (GAO Job Code 543171)

The Department of Homeland Security (DHS) appreciates the opportunity to review and comment on the draft report referenced above. The Government Accountability Office (GAO) makes three recommendations to the Deputy Director for Management at the Office of Management and Budget and the Federal Real Property Council (FRPC). We agree with the intent of the recommendations and will work with other FRPC members and Office of Management and Budget (OMB) officials in building a consensus on how best to fulfill the recommendations' objectives. As noted below, FRPC members are aware of the issues raised in the report. DHS also is taking steps as a Department to address specific conditions.

GAO recommends that OMB in conjunction the FRPC:

1. Develop a framework that agencies can use to better ensure the validity and usefulness of key real property data in the Federal Real Property Profile (FRPP). At a minimum, the framework would suggest standards for frequency of validation methods, error tolerance, and reporting on reliability.

DHS completed its first data validation on selected assets in Seattle, Washington and Washington, DC, two metropolitan areas where a diverse cross-section of DHS components are located. FRPP data points were validated by physical inspection and review of supporting documentation. DHS has completed a Statement of Work to procure a more robust data review. We expect to award the contract by the end of May.

2. Develop an action plan for how the FRPC will address key problems including (a) the continued reliance on costly leasing in cases where ownership is more cost effective over the long term, (b) the challenges of securing real property assets, and (c) reducing the effect of competing stakeholder interests on business-like outcomes in real property decisions.

Council members and the organizations represented including DHS are fully aware of leasing costs to the government, the immense challenge of securing our assets, and stakeholder influence on real property decisions. DHS is focused on collocation efforts and lease cost reduction across our portfolio. We have completed a Statement of Work to provide a strategic assessment of Department-wide high potential collocation candidate space assignments/leases. We expect to award the contract by the end of May. The FRPC and member organizations are addressing to the best of their ability the challenges of securing assets and addressing stakeholder influences in real property decisions.

3. Establish a clearer link or crosswalk between agencies' efforts under the real property initiative and broader capital planning guidance.

In support of this recommendation, DHS recently completed a Statement of Work to procure a complete assessment of our agency wide capital planning processes with the objective of developing and implementing a Headquarters Asset Management Review Board (AMRB) function. The AMRB will be responsible for assuring that capital investment principles are consistently applied across DHS components. We expect to award the contract by the end of May.

The FRPC continues to do a remarkable job given the magnitude of the task of providing guidance and oversight under the President's Management Agenda and related Executive Order 13327- Federal Real Property Asset Management. DHS appreciates the recognition that progress is being made but realizes that work remains.

Technical comments have been provided under separate cover. Recommended changes mentioned therein will enhance the accuracy of the report with respect to the Department of Homeland Security.

Sincerely,



Steven J. Pecinovsky  
Director  
Departmental GAO/OIG Liaison Office

# Appendix IX: Comments from the Department of Energy



Department of Energy  
Washington, DC 20585

MAR 26 2007

Mr. Mark Goldstein  
Government Accountability Office  
Director, Physical Infrastructure  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Goldstein:

Thank you for providing the draft Governmental Accountability Office (GAO) Report 07-349, "Federal Real Property – Progress Made toward Addressing Problems, but Underlying Obstacles Continuing to Hamper Reform" for comment.

The Department of Energy (DOE) accepts the conclusions in the draft report. Recently, we have made great strides in Federal real property management and we appreciate GAO's acknowledging these efforts. We will continue to make progress and strive for excellence in Federal real property management.

Please contact Paul Bosco, Director, Office of Engineering and Construction Management and Senior Real Property Officer, if you have any additional questions. He can be reached at (202) 586-1784.

Sincerely,

A handwritten signature in black ink that reads "Ingrid Kolb".

Ingrid Kolb  
Director, Office of Management



Printed with soy ink on recycled paper

# Appendix X: Comments from the Department of State



**United States Department of State**

*Assistant Secretary for Resource Management  
and Chief Financial Officer*

Washington, D.C. 20520

Ms. Jacquelyn Williams-Bridgers  
Managing Director  
International Affairs and Trade  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548-0001

MAR 26 2007

2007 MAR 26 PM 4:05

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "FEDERAL REAL PROPERTY: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform," GAO Job Code 543171.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Jurg Hochuli, Managing Director, Office of Resource Management, Overseas Buildings Operations, at (703) 875-6352.

Sincerely,

Sid L. Kaplan (Acting)

cc: GAO – Dave Sausville  
OBO – Gen. Charles Williams  
State/OIG – Mark Duda

U.S. Department of State's Comments on GAO Draft Report  
Federal Real Property: Progress Made Toward Addressing Problems, but  
Underlying Obstacles Continue to Hamper Reform  
(GAO-07-349 GAO Code 543171)

Thank you for the opportunity to comment on the draft report *FEDERAL REAL PROPERTY: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform*.

1. Recognizing the Department's Long-Range Overseas Buildings Plan: On page no. 58, the GAO report states, "The agencies included in our follow-up review do not have agency wide long-term capital investment plans." The Department believes that its Long-Range Overseas Buildings Plan (LROBP) qualifies as a long-term capital plan. The Bureau of Overseas Buildings Operations (OBO) has published the LROBP annually since 2001, and each year the document covers a six-year planning period. OBO referenced the LROBP on page nos. 7, 8, 16, and 18 of its response to the GAO's inquiry. Accordingly, the Department requests that the GAO reference the LROBP on page no. 58 of its report and in other relevant paragraphs.
2. Eliminating backlogs: In the report's front-page summary and "Results in Brief" section, the GAO states that maintenance backlogs "are *exacerbated* [emphasis added] by underlying obstacles that include . . . legal and budgetary limitations." This statement implies that budget constraints merely worsen primary obstacles, which further implies that such obstacles reside within agencies. The Department believes that budget limitations are clearly the most significant barrier to resolving maintenance backlogs. Accordingly, the Department requests that the GAO change text in the front-page summary and the "Results in Brief" section to accurately reflect the relative importance of budgetary constraints in resolving maintenance backlogs.
3. Minimizing the use of operating leases: As with response no. 2 above, the Department believes that budget limitations are the most significant obstacle to minimizing the use of operating leases. On page 40, the GAO recommends scoring leases up front for the entire time requirement to create, in effect, an accurate comparison of total costs between leases, purchase contracts, and construction contracts. As the GAO is aware, in many cases this scoring method would make operating leases less cost-effective than other contracts. As a result, OBO would be forced to try to purchase or



construct new facilities, which OBO often cannot accomplish because of funding limitations. At the very least, operating leases provide a functional way to provide the space required to support U.S. foreign policy goals.

In addition, the GAO report does not discuss the maintenance and repair costs that are associated with property ownership. These significant costs are difficult to meet, as evidenced by the maintenance backlogs GAO discusses in this very report. Without proper maintenance, buildings can deteriorate and lose significant value. Operating leases, however, typically hold landlords responsible for maintenance and repair costs.

Based on these comments, the Department requests that the GAO change text in the front-page summary, the “Results in Brief” section, and other relevant paragraphs, to accurately reflect the relative importance of budget constraints in the Department’s use of operating leases. Moreover, the Department requests that the report acknowledge the maintenance and repair costs that are associated with property ownership.

4. Using lease-purchase agreements: The GAO report states that lease-purchase agreements are generally more expensive than purchase or construction contracts. The report does not mention that current scoring rules from the Office of Management and Budget (OMB) diminish the cost-effectiveness of lease-purchase agreements. If OMB’s scoring rules were changed, OBO could lease buildings and then purchase them for a nominal amount at the end of the lease term. In their current form, the rules would limit OBO to purchasing such buildings at their fair market value, which would most likely be cost prohibitive. Accordingly, the Department requests that the report acknowledge the limiting effect of scoring rules on lease-purchase agreements.

5. Statement regarding Congressional interest: The Department requests that the GAO remove the following comment on page 57: “Also, State officials said that congressional interest can sometimes lead to the retention of unneeded real property.” Although the Department included this statement in its response to the GAO’s inquiry, and while it is a true statement, the Department is sympathetic to Congressional intentions regarding the retention of certain overseas properties. The Department would not want Congress to misinterpret this comment.

# Appendix XI: Comments from the Department of Veterans Affairs



THE DEPUTY SECRETARY OF VETERANS AFFAIRS  
WASHINGTON

March 23, 2007

Mr. Mark Goldstein  
Director, Physical Infrastructure  
U. S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Goldstein:

The Department of Veterans Affairs (VA) has reviewed your draft report, ***FEDERAL REAL PROPERTY: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform*** (GAO-07-349), and agrees with your general conclusion that progress has been made toward addressing real property problems, and there is still work to be done. However, VA believes its progress is greater than that portrayed in the draft report. VA has a number of unrecognized initiatives in place toward sustained real property reform.

In the area of data validation, VA's Capital Asset Management System provides a single means to validate data from multiple source systems. In addition, VA's Management Quality Assurance Service conducts audits related to capital asset management such as data validation.

In the area of unneeded assets, VA has disposed of 156 buildings since fiscal year (FY) 2004, and 146 buildings (2.7 million gross square feet) are planned for disposal in FY 2007 and FY 2008. VA's enhanced-use lease (EUL) authority leverages under-performing property for the "highest and best" return; for example, VA received \$28 million for an EUL of its Chicago Lakeside facility and, upon determining the campus was no longer needed, sold it for an additional \$22 million.

Regarding the maintenance and repair backlog, VA is implementing a sustainment model; investing in sustainment needs, facility upgrades, and replacements; and refining asset condition assessments.

To address the critical matter of physical security, VA has developed an assessment methodology for its facilities, assessed the ones considered most mission-critical, and requested funding for physical security enhancements.

Enclosed are technical corrections and detailed comments in response to your draft report.

Page 2

Mr. Mark Goldstein

VA appreciates the opportunity to comment on your draft report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gordon H. Mansfield", written in a cursive style.

Gordon H. Mansfield

Enclosure

Enclosure

Department of Veterans Affairs (VA)  
Comments to  
Government Accountability Office (GAO)  
Draft report,  
***FEDERAL REAL PROPERTY: Progress Made Toward Addressing  
Problems, but Underlying Obstacles Continue to Hamper Reform***  
(GAO-07-349)

Technical comments:

- Page 37 – while the reference to lease-purchase is generic to all the agencies polled, VA does not “lease-purchase.”
- Page 39 – Third bullet, last sentence, “VA direct leases through GSA allow VA to terminate occupancy quickly.” This sentence is somewhat misleading as VA does not enter into “VA direct leases” with GSA. For the most part, the Veterans Benefits Administration is the major VA element that acquires space through GSA assignment with an Occupancy Agreement. The reason for this is that they can expand or reduce square footage easier without a penalty simply by giving a 120-day notice. VHA rarely obtains space through GSA mainly because they are seeking clinical/medical space and not office space.

Expanded Remarks:

**General**

**Summary page.** “While agencies have made progress in collecting and reporting standardized real property data, data reliability is still a challenge at DOD and other agencies and agencies lack a standard framework for data validation.”

**VA Response**

It is true; data reliability is always a challenge. However, VA is validating data now and has plans for more validation in the next year. Currently, VA’s Capital Asset Management System (CAMS) provides the ability to view data collectively across multiple systems, an invaluable tool for data validation. Inventory data is viewed alongside financial, planning and workload data. Data can be viewed at a high level summary or drilled down for detailed analyses. Discrepancies and outliers can be investigated for accuracy and/or performance issues. For the most part, data is updated monthly and provided for discussion and analysis at the Deputy Secretary’s Monthly Performance Review.

Enclosure

Department of Veterans Affairs (VA)  
Comments to  
Government Accountability Office (GAO)  
Draft report,

**FEDERAL REAL PROPERTY: Progress Made Toward Addressing  
Problems, but Underlying Obstacles Continue to Hamper Reform**  
(GAO-07-349)  
(Continued)

In addition, the VA Federal Real Property Officer has charged the VA Management Quality Assurance Service (MQAS) with auditing capital asset management assets to improve oversight. The MQAS capital asset management review team audits internal controls related to capital asset management, compliance with Federal and VA policies and procedures, consistency with VA strategic goals and objectives, and effectiveness of operations. To date, MQAS has audited VA programs such as the non-recurring maintenance program and the enhanced-use lease program. Future plans include potential audits in the FY2008-2009 timeframe in the following areas:

- Review of capitalized personal property inventory and accounting.
- Validation of data used to establish a baseline for implementing the Presidential executive memorandum that requires all federal agencies to achieve the energy, environment, and transportation measures outlined in the memorandum.
- Validation of the data residing in VA's Capital Asset Inventory database.
- Identification of underused space potentially available for advantageous disposition.
- Review of claims process in regard to major and minor construction projects.
- Leasing for community-based outpatient clinics.

**CARES**

**Pages 30-31.** "We reported that VA, however, made some inpatient long-term care and mental health alignment decisions for some locations. Despite this progress and the recent CARES decisions, VA continues to face significant challenges with excess and underutilized real property."

Enclosure

Department of Veterans Affairs (VA)  
Comments to  
Government Accountability Office (GAO)  
Draft report,  
***FEDERAL REAL PROPERTY: Progress Made Toward Addressing  
Problems, but Underlying Obstacles Continue to Hamper Reform***  
(GAO-07-349)  
(Continued)

**VA Response**

While VA does have significant challenges in its inventory of excess and underused buildings, following are examples of how VA is addressing this matter.

In August 2005, through its enhanced-use lease program (Title 38 U.S.C. 8161-8169), VA out-leased 38 underused buildings along with approximately 50 acres of land to a developer that will restore the existing buildings to ensure historical compliance at the VA Medical Center (VAMC) campus in Leavenworth, Kansas. This project was made possible after the right-sizing of the VAMC and the need for cemetery expansion. This restoration will also bring to the campus services that VA does not directly offer to the nation's veterans such as assisted living, transitional housing for the homeless, and affordable housing. By this project, the historical significance of the buildings were preserved, the existing cemetery was expanded, additional services were offered to veterans, and underused buildings and land were put back into service to benefit our nation's veterans.

On various properties at the VAMC in Dayton, Ohio, through the enhanced-use lease program, VA has been able to out-lease underused buildings to private providers of transitional housing for the homeless. These buildings, while they have very little fair market value (similar to Leavenworth above), they have been put back into service by the private sector to fulfill a need to provide housing for homeless veterans.

In September 2006, VA out-leased an entire campus of underused buildings and land at the VAMC in Fort Howard, Maryland, to a private developer who is going to restore the historical buildings for commercial use, as well as provide affordable and assisted housing for veterans and their families.

While there are significant challenges with excess and underused buildings and land, we are using innovative ways to deal with the situation in today's real estate market. The way to succeed is to make it a win-win for the community and federal government. Reuse of federal buildings/land, such as mentioned above, allows for transfer of buildings from the federal to the non-federal community without adversely affecting the local economy, community or VA facilities.

Enclosure

Department of Veterans Affairs (VA)  
Comments to  
Government Accountability Office (GAO)  
Draft report,  
***FEDERAL REAL PROPERTY: Progress Made Toward Addressing  
Problems, but Underlying Obstacles Continue to Hamper Reform***  
(GAO-07-349)  
(Continued)

**Capital Asset Fund**

**Page 26.** "In addition, VA was authorized in 2004 to transfer real property under its jurisdiction or control and to retain the proceeds from the transfer in a capital asset fund for property transfer costs, including demolition, environmental remediation, and maintenance and repair costs."

**VA Response**

Although VA is authorized to transfer real property under its jurisdiction or control and to retain the proceeds from such transfers, it is important to note that this authority has significant limitations on the use of any funds generated by any disposal under this authority.

**Enhanced-Use Authority**

**Page 27.** "VA used its enhanced authorities to dispose of its underutilized Lakeside Campus in Chicago. In October 2005, the Secretary determined that the Department no longer needed the campus and VA sold it for \$22 million. VA officials reported that the transaction resulted in a demonstrable improvement of services to eligible veterans by permitting VA to offset the cost of implementing CARES in Chicago and other locations, and avoid the future costs of maintaining aging health care facilities."

**VA Response**

The information above does not portray all the salient facts regarding the Lakeside enhanced-use lease (EUL) and its subsequent disposal. It is correct that VA disposed of its underused Lakeside Campus in Chicago through the EUL legislation. In January 2005, VA executed an EUL for the Lakeside facility and, in turn, received \$28 million for the lease, as well as the right to lease back space for 3 years to house its existing outpatient clinic at Lakeside. In October 2005, the Secretary determined that the Department no longer needed the campus and VA sold it for an additional \$22 million; thus, the total for the EUL transaction was

Enclosure

Department of Veterans Affairs (VA)  
Comments to  
Government Accountability Office (GAO)  
Draft report,  
***FEDERAL REAL PROPERTY: Progress Made Toward Addressing  
Problems, but Underlying Obstacles Continue to Hamper Reform***  
(GAO-07-349)  
(Continued)

\$50 million. The lease-back provisions for the outpatient clinic remained intact. VA's EUL program provides a proven method of leveraging VA's diverse real estate portfolio and market position. In addition, the program has brought significant cost savings as well as the realignment of under-performing property to produce the "highest and best" return to veterans, taxpayers and the government.

**Maintenance and Repair Backlog**

**Page 23.** "VA is establishing a facility condition assessment process that will help identify the funding needed to improve the current infrastructure."

**Page 36.** "For VA, the maintenance backlog for facilities with major repair needs is \$4.9 billion and according to VA officials, VA must address this aged infrastructure while patient loads are changing."

**VA Response**

VA's current deferred maintenance backlog is approximately \$5 billion; this figure is continually updated to reflect the most recent data. It is true that VA is establishing a facility condition assessment process, and it is important to note that VA has moved aggressively to address its maintenance and repair backlog. Some actions include:

- In accordance with Federal Real Property Council principals, VA has developed a sustainment model to ensure that VA facilities will not deteriorate further.
- VA has fully funded the sustainment needs in the FY 2007 (\$517 million) and FY 2008 (\$573 million) budget requests. (The sustainment model estimated that VA needs approximately \$500 million annually to fund these needs.)
- VA is investing \$2.5 billion in upgrading or replacing existing facilities, which will reduce the backlog estimate.



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- VA disposed of 77 buildings in FY 2006, reducing nonmission-dependent and underused assets, some of which also needed condition improvements.
- VA is currently refining asset condition information. A revised assessment of need and an updated strategy to address the backlog figure will be completed in summer 2007.

**Operating Leases**

**Summary page.** "VA reported an increased reliance on leasing to meet space needs."

**Page 4.** "Furthermore, Energy, Interior, GSA, State and VA reported an increased reliance on operating leases – an approach which we have reported is generally more costly for long-term space needs."

**Page 37.** "Operating leases have become an attractive option, in part because they generally "look cheaper" in any given year, even though they are generally more costly over time...."

**Page 39.** "According to VA officials, the number of direct operating leases has increased, with the leased square footage increasing over 4 million in fiscal year 2004 to over 7 million in the fiscal year 2006. VA officials reported that VA needs a more flexible facility infrastructure to accommodate changes in medical technology and shifts in demographic data. VA direct leases through GSA allow VA to terminate occupancy quickly."

**VA Response**

Factual Correction. VA strongly disagrees with the GAO premise regarding leases. It is true that VA has an increased reliance on leasing to meet space needs. However, it is not because they "look cheaper in any given year." VA relies on operating leases because of our need for a more flexible facility infrastructure. VA's mission drives its increased use of leasing. The majority (822) of our leases are outpatient or store-front facilities that can be moved or

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relocated depending on the changes in medical technology and shift in demographic data. This is true for both GSA and VA direct leases. GSA leases allow VA the ability to terminate quickly as they are self-insured for cancellation.

It is understood that building or purchasing facilities is more cost effective over a 30-year life cycle. Unfortunately, there are too many constraints for these to work for VA in all circumstances. This assumes our mission and the delivery of services will be the same for a 30-year period. Not only are veterans mobile, they require different methods of healthcare and service delivery. The needs of today's veterans range from the nursing home care or burial services of a World War II veteran, to behavioral health or community outreach for Vietnam veterans, to acute hearing loss of the returning Operation Enduring Freedom/Iraqi Freedom veteran. CARES revolves around this understanding of changing healthcare needs. VA will continue to need the flexibility of operating leases to meet the needs of delivering services to veterans.

A cursory review of the Veterans Health Administration (VHA) in FY 2007 would show there is almost a one-for-one of vacant space (7,414,926 SF) to operational leased space (7,101,920 SF). Unfortunately, the locations for underused space do not match the locations for needed space. VA cannot stop leasing and meet ongoing needs. For example, VISN 8 has a significant increase in workload demands and the corresponding space need. Outpatient visits in VISN 8 increased from 5.2 million in FY 2004 to over 5.7 million by the end of FY 2006. In that same period, leased space has increased from 687,406 to 845,588 square feet. Based on projected workload, VISN 8 still has a need for half again as much space (4,135,037 SF) as the currently available owned square feet. Leased space can immediately meet the demands for veteran care in already over-utilized space and allow for a reduction or realignment of space based upon the changing healthcare environment and any potential change in veteran needs.

The bottom line is that operating leases allow VA to provide the right service at the right time and place. In FY 2007, VHA has 895 operational leases (both direct and GSA) for 7,101,920 square feet. Ninety-one percent of those leases are for community-based support for either referral inpatient service or secondary support which provides actual or follow-up care. These community-based leases

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represent a point of presence in the community that is vital anytime, but especially when a nation is at war and must respond when and where the need arises.

**Physical Security**

**Pages 4-5.** "Finally, all of the major real property-holding agencies reported using risk-based approaches to prioritize security needs, as we have suggested, but cited a lack of resources for security enhancements as an ongoing problem."

**Page 48.** "Physical Security Is Still a Problem for Major Real Property-Holding Agencies. The threat of terrorism has increased the emphasis on physical security for federal real property assets. All of the nine agencies reported using risk-based approaches to some degree to prioritize facility security needs, as we have suggested, but some cited challenges, including a lack of resources for security enhancements and issues associated with securing leased space."

**Page 49.** "While some agencies have indicated that they have made progress in using risk-based approaches, some officials told us that they still face considerable challenges in balancing their security needs and other real property management needs with their limited resources."

**VA Response**

VA has made considerable progress in the area of physical security for federal real property assets, demonstrating leadership in multi-hazard protection of VA facilities. Accomplishments are as follows:

- **Developed Physical Security Assessment Methodology for VA Facilities, September 2002:** This multi-hazard risk assessment process includes identifying and ranking risks and vulnerabilities, with suggested remedial actions to mitigate the major vulnerabilities at prioritized mission critical facilities.

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- **FEMA Requested VA Assistance to Evolve VA's Assessment Process into a System Suitable for Both Private and Other Public Facilities:** This collaborative effort resulted in FEMA's *Reference Manual to Mitigate Potential Terrorist Attacks Against Buildings (FEMA 426)*; Published December 2003) and *Risk Assessment: A How-To Guide to Mitigate Potential Terrorist Attacks (FEMA 452)*, Published January 2005). DHS took the unusual step of placing VA's seal with theirs on the cover of FEMA 452 to express appreciation for VA's assistance.
- **Beginning in FY 2005, included funding for Physical Security Enhancements in Major Program Project Budget Requests.**
- **Completed Physical Security Assessments of 140 VA Most Mission Critical Facilities in 2006**
- **Secretary Concurred in VA Physical Security Strategies Report in May 2006:** The Report outlined 24 elements to enhance the protection of VA facilities and improve their ability to remain in operation and protect the safety of veterans, staff, and visitors. This program includes requirements for four categories of VA facilities, both new and existing, mission-critical which must remain in operation, and life/safety protected facilities.
- **Completed Final Draft of Physical Security Design Manual in December 2006:** The manual is based on the Physical Security Strategies Report. Physical Security Design Manual and related Design and Construction Standards are to be issued in the second quarter of FY 2007.

**Underutilized Real Property Disposal**

**Page 21.** "Some agencies are implementing various tools to prioritize reinvestment and disposal decisions on the basis of agency needs, utilization, and costs. For example, GSA and NASA officials reported establishing models that integrate agency mission...etc.

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**Page 32.** "According to VA officials, for fiscal year 2005, 2 percent of the department's real property holdings have been identified as excess or underutilized."

**Page 32.** "Furthermore, VA officials reported that VA has a significant number of properties no longer located in places where veterans live, and many of these properties are over 50 or 60 years old." The Main VA Hospital Building in Milwaukee was pictured as an example of excess federal property (page 33).

**Page 52.** "Some major real property-holding agencies reported that competing local, state, and political interests often impede their ability to make real property management decisions, such as decisions about disposing of unneeded property and acquiring real property. For example, VA officials reported that disposal is often not an option for most properties because of political stakeholders and constituencies, including historic building advocates or local communities that want to maintain their relationship with VA. **In addition, officials said that attaining the funding to follow through on CARES decisions is a challenge because of competing priorities.**"

**Page 55.** "We reported that VA, like all federal agencies must comply with federal laws regulations governing property disposal that are intended, for example, to protect subsequent users of the property from environmental hazards and to preserve historically significant sites. We have reported that some VA managers have retained excess property because the administrative complexity and costs of complying with these requirements were disincentives to disposal."

**VA Response**

As a Department, VA has moved from 98 percent utilized space in FY 2005 to 100 percent in FY 2006. This high level of performance is due in part to CARES, in part to VA moving aggressively to dispose of unneeded assets, and in part to an increasing medical care need for veterans. It is important to note that this performance is nationally based. There are other VA assets that are overused while others are underused.

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It is true that disposal of real property is not an easy process and some properties may not be disposed in a timely manner. However, VA has moved aggressively to dispose of underused or vacant properties. Actual disposals are as follows:

- FY 2004 - 12 buildings
- FY 2005 - 67 buildings, including 38 enhanced-use leases
- FY 2006 - 77 buildings, including 6 buildings via sales, 19 buildings via demolition, and 52 buildings via enhanced-use lease
- FY 2007 - 4 buildings (calendar year, to date)

Planned disposals include an additional 99 buildings (2.2 million GSF) in FY 2007 and 47 buildings (539,000 GSF) in FY 2008.

To further address underused assets, VA is conducting "site reviews" that will identify packages or bundles of assets available for disposal, including enhanced-use leases, to private sector developers in exchange for funds supporting VA's capital needs. As part of its capital asset management program, the Department is seeking to more effectively assess and manage its real property assets. This is because, during the development of the CARES reuse studies, VA encountered a number of unrecorded encumbrances due to grants, out-leases, licenses, permits and easements that had been executed at the campus level. In order to better understand the Department's commitments on each campus and to more effectively manage these assets, it is important that VA collect and validate baseline data on all relevant encumbrances and perform site assessments on every campus. As a result of this initiative and in support of its mission, VA shall be able to identify marketable sites as targets of opportunity to maximize and monetize the value of its real property assets.

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# Appendix XII: GAO Contacts and Staff Acknowledgments

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## GAO Contact

Mark Goldstein (202) 512-2834

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## Staff Acknowledgments

In addition to the individual named above, Janice Ceperich, Anne Izod, Susan Michal-Smith, and David Sausville made key contributions to this report.

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