United States Government Accountability Office

Report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

October 2013

FEDERAL REAL PROPERTY

Improved Standards Needed to Ensure That Agencies' Reported Cost Savings Are Reliable and Transparent

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GAO Highlights

Highlights of GAO-14-12, a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In June 2010, the President issued a memorandum directing federal agencies to achieve $3 billion in real property cost savings by the end of fiscal year 2012 through a number of methods, including disposal of excess property, energy efficiency improvements, and other space consolidation efforts.

GAO was asked to review the cost savings agencies reported in response to the memorandum. This report 1) describes the cost savings agencies reported in response to the June 2010 presidential memorandum and how those savings were identified by selected agencies and 2) determines the extent that selected agencies' reporting of savings was reliable and transparent, and how, if at all, reporting of real property cost savings could be improved. GAO reviewed OMB guidance for implementing the memorandum, reviewed the cost savings agencies reported on the administration's Performance.gov website, and obtained documentation from and interviewed officials from six agencies and OMB staff about the agencies' reported cost savings. GAO selected the agencies based on their overall cost-savings targets and the types of savings measures implemented, among other things.

What GAO Recommends

GAO recommends that the Director of OMB establish clear and specific standards to help ensure reliability and transparency in the reporting of future real-property cost savings. OMB generally agreed with GAO's recommendation.

View GAO-14-12. For more information, contact David J. Wise at (202) 512-2834 or wised@gao.gov.

What GAO Found

Agencies reported real property cost savings of $3.8 billion in response to the June 2010 presidential memorandum from disposal, space management, sustainability, and innovation activities. Space management savings, defined by the Office of Management and Budget (OMB) as those savings resulting from, among other things, consolidations or the elimination of lease arrangements that were not cost effective, accounted for the largest portion of savings reported by all agencies, and for about 70 percent of the savings reported by the six agencies GAO reviewed—the General Services Administration (GSA) and the Departments of Agriculture (USDA), Energy (DOE), Homeland Security (DHS), Justice (DOJ), and State (State). The requirements of the memorandum, as well as agencies' individual savings targets and the time frame for reporting savings, led the selected agencies to primarily report savings from activities that were planned or under way at the time the memorandum was issued.

GAO's review of the six selected agencies identified several problems that affect the reliability and transparency of the reporting of cost savings in response to the June 2010 memorandum. In particular, the memorandum and subsequent guidance issued by OMB were not clear on the types of savings that could be reported, particularly because the term "cost savings" was not clearly defined. For example, officials from several agencies GAO reviewed said the guidance was unclear about whether savings from cost avoidance measures could be reported. In addition, the agencies interpreted the guidance differently and, in some cases, did not follow the guidance, practices that led to inconsistent reporting, for example:

- *Agencies made different assumptions in reporting disposal savings:* Two agencies reported one year of avoided operations and maintenance savings for the year in which the disposal occurred, while three agencies reported up to 3 years of savings depending on when disposals occurred during the 3-year period.
- *Some agencies did not deduct costs associated with their disposals:* State and DHS did not deduct the costs associated with their reported disposal savings. DOE deducted costs for some of its reported disposals savings, but did not deduct costs for disposals carried out by its Office of Environmental Management.
- *Some agencies reported savings outside the time frame of the memorandum:* GSA reported savings from a property exchange, but retained ownership of the site in 2013, after the deadline, fiscal 2012's end. USDA reported savings from office closures that occurred in fiscal year 2013.

Finally, OMB did not require agencies to provide detailed documentation of their reported savings or include specific information about agencies' reported savings on Performance.gov, limiting transparency. Agency officials stated that the memorandum broadened their understanding of real property cost-savings opportunities. However, establishing clearer standards for identifying and reporting savings would improve the reliability and transparency of the reporting of cost savings and help decision-makers better understand the potential savings of future initiatives to improve federal real-property management.

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Abbreviations

CPRA	Civilian Property Realignment Act
DHS	Department of Homeland Security
DOD	Department of Defense
DOE	Department of Energy
DOJ	Department of Justice
FRPC	Federal Real Property Council
GSA	General Services Administration
OMB	Office of Management and Budget
USDA	Department of Agriculture

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The Honorable Thomas R. Carper
Chairman
The Honorable Tom Coburn
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The federal government's real estate portfolio is vast and diverse and includes almost 400,000 buildings located throughout the country that are owned or leased by the federal government. We have noted long-standing problems with how this property is managed, designating federal real property management as a high-risk area.[1] Disposing of excess and underutilized properties could potentially result in government-wide cost savings by generating sales proceeds, reducing operating and maintenance costs, and avoiding rent costs by ending leases. In recent years, the federal government has undertaken initiatives to achieve cost savings associated with better management of excess and underutilized properties, and better use of remaining real property assets. In particular, in June 2010, the President issued a memorandum directing federal agencies to achieve $3 billion in real property cost savings by the end of fiscal year 2012 through a number of methods, including disposal of excess property, energy efficiency improvements, and other space consolidation efforts.[2] The memorandum further directed the Administrator of the General Services Administration (GSA), in consultation with the Director of the Office of Management and Budget (OMB), to coordinate agency efforts to satisfy the requirements of the memorandum.

We have previously identified problems with agencies' preliminary cost-savings estimates related to the June 2010 memorandum. Specifically, we found in 2012 that the actual savings associated with selling excess property and better managing underutilized property may be overstated

[1]GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: February 2013).

[2]Presidential Memorandum, *Disposing of Unneeded Federal Real Estate – Increasing Sales Proceeds, Cutting Operating Costs, and Improving Energy Efficiency*, 75 Fed. Reg. 33987 (June 16, 2010).

and were not fully transparent.[3] As the time period for achieving cost savings as specified in the memorandum has now passed, we were asked to review the resulting cost savings that agencies reported. Our objectives were to: 1) describe the cost savings agencies reported in response to the June 2010 presidential memorandum and how those savings were identified by selected agencies and 2) determine the extent that selected agencies' reporting of savings was reliable and transparent, and how, if at all, the reporting of real property cost savings could be improved.

To address these objectives, we reviewed the June 2010 memorandum and subsequent OMB guidance to understand the types of savings that agencies could report in response to the memorandum and how those savings were to be reported. We also reviewed our previous work on excess and underutilized property to understand issues previously identified with agencies' reported cost savings. To describe the cost savings agencies reported in response to the June 2010 memorandum and how those savings were identified by selected agencies, we reviewed and analyzed cost savings information reported on the administration's Performance.gov website.[4] We also examined more specifically the cost savings reported by six agencies—GSA and the Departments of Agriculture (USDA), Energy (DOE), Homeland Security (DHS), Justice (DOJ), and State (State). We selected the six agencies because they had the largest cost savings targets for civilian agencies, collectively accounting for about 75 percent of the $3 billion cost savings goal; reported a variety of cost savings measures to achieve their savings target; and had a range of property types in their real property portfolios.[5]

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[3]GAO, *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, GAO-12-645 (Washington, D.C.: June 20, 2012). This report only focused on actions agencies reported to comply with the June 2010 memorandum that affected excess and underutilized federal real property. The report did not consider other cost savings areas, such as sustainability efforts, that agencies could use to report cost savings.

[4]Performance.gov is a website established by the administration to provide information on government-wide initiatives to cut waste, streamline government, and improve performance through various areas of focus. Managing property effectively falls under the financial management focus area.

[5]The Department of Defense (DOD) had the largest cost savings target for a single agency over the 2010 to 2012 time period. However, we focused on the cost savings reported by civilian agencies, and therefore excluded DOD from our review. Furthermore, the U.S. Postal Service was not subject to the requirements of the June 2010 memorandum.

We examined documentation from and interviewed officials with these agencies to determine the types of savings that were reported to meet the agencies' individual cost-savings targets as well as any challenges they faced in meeting the requirements of the memorandum. We did not systematically evaluate or verify the measures that agencies reported undertaking in order to achieve savings as that was outside the scope of our review. To determine the extent that selected agencies' reporting of savings was reliable and transparent, and how reporting of cost savings could be improved, we reviewed the agencies' reported cost savings against key factors identified in our data-reliability and cost-estimating guidance.[6] In particular, we analyzed and compared the selected agencies' reported cost savings across the different savings categories to determine whether the savings were consistently reported, met the requirements set forth by the June 2010 memorandum, and were well-documented. We also interviewed OMB staff about the types of savings that could be reported and steps they took to review the reported savings.

We conducted this performance audit from December 2012 to October 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Further details on our scope and methodology can be found in appendix I.

Background

We have identified numerous challenges related to the government's management of its real property, including issues pertaining to using and disposing of underutilized and excess property, an overreliance on leasing, and having unreliable real property data to support decision making.[7] The government has made progress reforming real property management after we designated it high risk in 2003. However, it has not yet fully addressed the underlying challenges that hamper reform, such

[6]GAO, *Assessing the Reliability of Computer-Processed Data*, GAO-09-680G (Washington, D.C.: July 2009); *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP, (Washington, D.C.: March 2009).

[7]GAO-13-283.

as those related to environmental cleanup and historic preservation, a lack of accurate and useful data to support decision making, and competing stakeholder interests that make it difficult to dispose of real property. In the meantime, the federal government continues to retain more real property than it needs. To address the excess and underutilized property the government holds, previous and current administrations have implemented a number of cost savings initiatives associated with better managing real property. For example, in May 2011, the administration proposed legislation—the Civilian Property Realignment Act (CPRA)—which, among other things, would have established a legislative framework for consolidating and disposing of civilian real property as a means of generating savings to the federal government. Although CPRA and other real property reform legislation introduced in the previous session of Congress have not been enacted, according to the President's budget request for fiscal year 2014, the administration will continue to pursue enactment of CPRA.[8] Most recently, OMB issued guidance for implementing the administration's Freeze the Footprint policy, which requires agencies to document their efforts to restrict any growth in the size of their domestic office and warehouse inventories.[9]

The June 2010 presidential memorandum required federal agencies to achieve $3 billion in cost savings by the end of fiscal year 2012 from increased proceeds from the sale of assets; reduced operations, maintenance, and energy expenses from asset disposals; or other efforts to consolidate space or increase occupancy rates in existing facilities, such as ending leases or implementing telework arrangements.[10] Agency actions taken under the memorandum were to align with and support previous administration initiatives to measure and reduce greenhouse gas

[8]CPRA legislation that passed the House in the 112th Congress was reintroduced in the 113th Congress in February. H.R. 695, 113th Cong. (2013). Differences exist between the House bill and the administration's proposal.

[9]OMB, *Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint*, Management Procedures Memorandum No. 2013-02 (Washington, D.C.: Mar. 14, 2013).

[10]This requirement was in addition to the $5 billion in operations and maintenance savings expected from DOD's Base Realignment and Closure disposal and other consolidation efforts.

emissions in federal facilities and consolidate data centers.[11] The memorandum also required the Director of OMB, in consultation with the Administrator of GSA and the Federal Real Property Council (FRPC)—an interagency group responsible for coordinating real property management—to develop guidance for actions agencies should take to carry out the requirements of the memorandum.[12]

In July 2010, OMB issued guidance that identified specific steps agencies could take to meet the requirements of the June 2010 memorandum.[13] For example, the guidance required agencies to develop a Real Property Cost Savings and Innovation Plan that was to identify the real property cost-savings initiatives under way and planned by the agency, the agency's proposed share of the $3-billion savings target, and actions to achieve the proposed target. The guidance specified that the $3 billion in real property cost savings by the end of fiscal year 2012 would be measured through 1) capturing eliminated operating costs; 2) increasing the income generated through disposals; and 3) better utilizing existing real property by undertaking space realignment efforts, including optimizing or consolidating existing space within owned buildings. The agency cost savings were to reflect net savings, factoring in the costs incurred by the agency to achieve the intended result.

After agencies developed their initial cost savings plans, OMB established four cost-savings categories in 2011 that agencies were to use for reporting savings: disposal, space management, sustainability, and

[11]Specifically, the actions taken by agencies were to align with Exec. Order No. 13514, *Federal Leadership in Environmental, Energy, and Economic Performance*, 74 Fed. Reg. 52117 (Oct. 8, 2009) to measure and reduce resource use and greenhouse gas emissions in federal facilities and the Federal Data Center Consolidation Initiative announced by OMB in February 2010 to improve the efficiency, performance, and environmental footprint of federal data center activities.

[12]In 2004, the administration added managing federal real property to the President's Management Agenda and the President issued an executive order establishing FRPC. FRPC is chaired by the Deputy Director for Management at OMB and is composed of all agency Senior Real Property Officers, the Controller of OMB, the Administrator of GSA, and any other full-time or permanent part-time federal officials or employees as deemed necessary by the Council Chairman. Exec. Order No. 13327, *Federal Real Property Asset Management*, 69 Fed. Reg. 5897 (Feb. 6, 2004).

[13]OMB, *Development of a Real Property Cost Savings and Innovation Plan*, Management Procedures Memorandum No. 2010-07 (Washington, D.C.: July 1, 2010). The guidance issued by OMB was specific to implementing the June 2010 memorandum for achieving $3 billion in real property cost savings, an initiative which is now complete.

innovation (see table 1). OMB used the administration's Performance.gov website to track agencies' reported savings; the website also listed individual agency's cost savings targets as a share of the $3-billion cost-savings goal and the cost-savings measures agencies planned to implement to achieve their targets. As stated previously, we have identified problems with the estimates from selected agencies to meet their savings targets.[14]

Table 1: Office of Management and Budget Real Property Cost Savings Categories

Cost savings category	Definition
Disposal	This category represents the benefit associated with the disposal of property, such as the proceeds of the sale and the captured savings from eliminated operating costs.
Space management	This category includes cost savings associated with "direct" space management decisions such as lowering operating costs by renegotiating or eliminating leases; consolidating offices; reducing square footage through techniques such as decreasing office and work station sizes; or moving from leased to Federally-owned space.
Sustainability	This category predominantly captures savings from more efficient use of energy and utilities.
Innovation	This category captures real property savings resulting from other management improvements. An example would be teleworking which would allow for shared use of workstations.

Source: GAO presentation of Performance.gov information.

[14] *See* GAO-12-645. In this report, we assessed cost savings estimates related to excess and underutilized property at DOE, GSA, USDA, the Department of the Interior, and the Department of Veterans Affairs.

Agencies Reported $3.8 Billion in Cost Savings from Under Way or Planned Activities

Agencies Reported $3.8 Billion in Cost Savings, Primarily from Space Management Activities and Disposals

Overall, agencies reported $3.8 billion in cost savings from fiscal year 2010 to fiscal year 2012 across the OMB categories of disposal, space management, sustainability, and innovation. The largest cost savings were from space management activities, which accounted for more than half of the total savings reported. Civilian agencies reported $3.1 billion in cost savings over the fiscal year 2010-to-2012 time period, and DOD accounted for the remainder of the savings reported.[15] The six selected agencies we reviewed (GSA, DHS, DOE, DOJ, State, and USDA) accounted for $2.3 billion, or 74 percent, of the total savings reported by civilian agencies.

Similar to the savings reported by all agencies, the six agencies we reviewed also reported the majority of savings from space management activities. Specifically, space management activities accounted for 70 percent of the savings reported by the six agencies, followed by disposal (17 percent), innovation (9 percent) and, sustainability (4 percent). Table 2 summarizes the cost savings reported by category for all agencies and the six selected agencies.

[15] DOD reported $731 million in cost savings, the largest amount reported by a single agency.

Table 2: Cost Savings as Reported by All Agencies and Selected Agencies, by Category, Fiscal Years 2010 to 2012

Dollars in billions

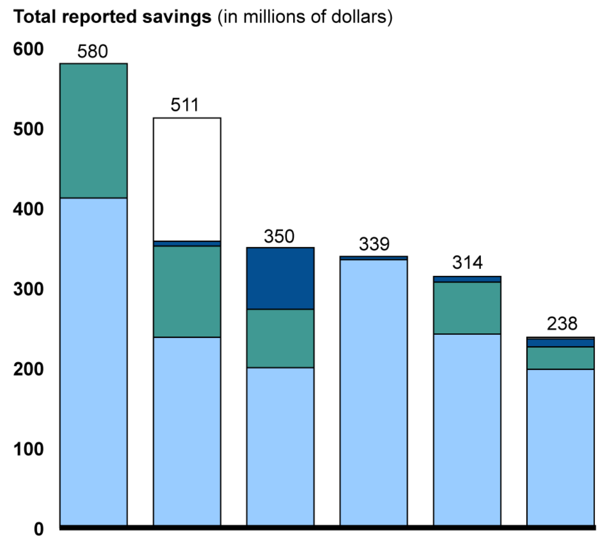
	Reported cost savings for all agencies		Reported cost savings for selected agencies[a]	
Cost savings category	**Dollars**	**Percentage**	**Dollars**	**Percentage**
Space management	$2.0	53	$1.6	70
Disposal	1.0	26	0.4	17
Sustainability	0.5	13	0.1	4
Innovation	0.3	8	0.2	9
Total	**$3.8**	**100**	**$2.3**	**100**

Source: GAO presentation of Performance.gov data.

[a]The six selected agencies were DHS, DOE, DOJ, GSA, State, and USDA.

The overall savings reported by the agencies we reviewed ranged from $238 million reported by DHS to $580 million reported by DOE. All six agencies reported savings from space management activities, five agencies reported disposal and sustainability savings, and two agencies reported innovation savings (see fig. 1).

Figure 1: Total Cost Savings as Reported by Selected Agencies, by Category, Fiscal Years 2010 to 2012



	DOE	State	GSA	DOJ	USDA	DHS
Innovation	0	154	0	0	0	2
Sustainability	0	6	77	4	7	10
Disposal	168	114	73	0	65	28
Space management	412	238	200	335	242	198

Source: GAO presentation of Performance.gov data.

Notes: According to State officials, Performance.gov has not been updated to reflect adjustments the agency made to savings reported under innovation that would result in a total of $153 million in innovation savings and a total cost savings of $510 million.

Totals may not sum due to rounding.

Selected Agencies Reported Savings from Implementing Cost Savings and Avoidance Activities Already in Their Pipelines

All of the agencies in our review determined their reported savings by identifying activities that were under way or planned at the time the June 2010 memorandum was issued.[16] In particular, the requirements of the memorandum and subsequent guidance issued by OMB specified that agencies were to report savings from ongoing and planned activities. For example, the June 2010 memorandum specified that agency actions should align with and include activities undertaken in response to two previous initiatives meant to improve the performance of federal facilities.

[16] In addition, agencies may also have reported cost savings from activities that were developed or identified after the June 2010 memorandum was issued.

As such, USDA officials told us that they reported sustainability savings identified in the agency's Strategic Sustainability Performance Plan required by a previous executive order.[17] State officials told us they reported savings from data center consolidations carried out under a previous presidential initiative.[18] In addition, the subsequent guidance issued by OMB in July 2010 also stated that agencies were expected to focus on real property cost savings initiatives under way and planned in developing their Real Property Cost Savings and Innovations Plans. As a result, for example, DOE officials stated that they did not identify any new cost savings to meet their cost-savings target and DOJ officials told us they obtained information from their bureaus about projects already planned or ongoing to identify the "low-hanging fruit" for potential cost savings. Based on our discussions with agency officials in our review, we identified two additional factors that led agencies to report savings from ongoing and planned activities: the individual cost-savings targets established for each agency, and the timeframes set forth by the memorandum.

Cost savings targets: Individual cost savings targets played a role in how the agencies in our review determined their reported savings. Agency officials told us that they developed initial targets, as required by the July 2010 OMB guidance, by estimating the savings that could be derived from activities planned or underway at the time the memorandum was issued. However, according to agency officials, OMB subsequently increased the targets in 2011. OMB staff told us that the revised targets were meant to be realistic and also to encourage agencies to think beyond the traditional savings associated with real property. To assist agencies in identifying additional savings areas, OMB developed a best practices document that highlighted various types of savings that could be reported consistent with the requirements of the June 2010 memorandum. Most of the agency officials in our review told us that they did not have difficulty in meeting their revised targets after having discussions with OMB about the variety of savings that could be included.

However, two agencies in our review, GSA and DHS, reported savings that fell short of their savings targets. According to GSA officials, the agency was conservative in reporting its overall savings achieved and

[17]Exec. Order No. 13514, 74 Fed. Reg. 52117 (Oct. 8, 2009).

[18]Federal Data Center Consolidation Initiative (February 2010).

only reported savings that could be supported by documentation that, according to GSA, were in the spirit of the memorandum. DHS officials told us that its revised savings target was not realistic in terms of the savings the agency could achieve in the 2-year timeframe established by the memorandum. Officials from USDA told us that once they had exceeded their cost savings target, they did not consider other areas for reporting potential savings that might have been achieved. Table 3 highlights the initial savings targets that the agencies proposed in their cost savings plans, compared to the savings targets that were established on Performance.gov and the savings that were ultimately reported.

Table 3: Comparison of Selected Agencies' Initial and Revised Savings Targets to Their Reported Savings

Dollars in millions

Agency	Initial cost savings target	Revised cost savings target	Reported savings
DHS	$240	$260	$238
DOE	247	375	580
DOJ	60	335	339
GSA	172	450	350
State	291	325	511[a]
USDA	71	300	314

Source: GAO analysis of selected agencies' cost savings plans and presentation of Performance.gov data.

[a]According to State officials, Performance.gov has not been updated to reflect adjustments the agency made to savings reported under innovation that would result in a total cost savings of $510 million rather than $511 million.

Time frames: Officials from some of the agencies in our review also told us that the time frames set forth by the memorandum drove them to report savings from activities that were already planned or under way. For example, DHS officials told us that the disposal savings they reported were from disposals that occurred during the 3-year time period specified in the memorandum, but were planned before the June 2010 memorandum was issued. DHS officials told us that, on average, disposals take 3 to 5 years to accomplish. Similarly, GSA officials told us that they use a tier system to evaluate the condition of their assets and place into the disposal category those assets that the agency plans to dispose of in the next 5 years. Thus, some of the disposal savings GSA reported were from assets it had already planned to dispose of at the time the June 2010 memorandum was issued and that were subsequently disposed of by the end of fiscal year 2012.

In addition, given that it takes several years for savings from real property initiatives to be realized, agency officials told us that the timeframes established by the memorandum made it more likely for savings to be reported in certain categories over others. For example, GSA officials told us that when the memorandum was first issued there was an expectation that the largest cost savings would be reported from disposals, but this did not transpire in part because of the time it takes to dispose of properties. Agency officials also told us, and we have found in prior work, that the costs associated with disposals are often significant, making it difficult to realize disposal savings in a short time period.[19] Similarly, we found that agencies did not report a large amount of innovation savings over the time period covered by the memorandum compared to other categories. Agency officials in our review told us that savings from innovation activities, particularly those resulting from telework initiatives, will increase in the future as telework is implemented more widely. For example, DHS officials told us that while they only reported $2 million in innovation savings stemming from their headquarters' flexible workspace initiative over the 2010-to-2012 time period, the agency expects to achieve greater departmentwide savings starting in 2013 as the initiative is more widely implemented. Finally, agency officials in our review told us that reporting savings from cost avoidance measures—those savings that resulted because a planned action did not take place—was necessary to meet their targets in the timeframe required by the memorandum.[20] For example, agencies reported space management savings as a result of not pursuing an approved lease prospectus for additional space or from reduced budgets for planned real estate activities, in addition to savings that were the result of consolidating space or terminating leases. The following examples illustrate some of the largest cost avoidance and savings measures reported by our selected agencies:

[19]In particular, it is difficult to realize savings in a short time period when the costs of implementing measures are not amortized for accounting purposes. Savings could be reported in the short term if the costs associated with a particular real estate action are amortized *for accounting purposes* over the life of the action's cost-savings effects, rather than accounted for as a one-time, upfront cost. *For budgetary purposes*, agencies are required to obligate the costs associated with disposal at the time they are incurred.

[20]OMB Circular No. A-131 defines "cost avoidance" as an action taken in the immediate time frame that will decrease costs in the future compared to cost savings, which are a reduction in actual expenditures below the projected level of costs to achieve a specific objective. OMB credited agencies for management actions that resulted in reported cost savings and avoided costs in response to the memorandum.

- DOE reported $412 million in space management savings based on funds related to real property expenditures it would have requested in its fiscal year 2011 and 2012 budgets for the Yucca Mountain Nuclear Waste Repository project (Yucca Mountain). DOE had terminated its licensing efforts and shut down the project in 2010.[21] In addition, DOE officials told us that after their initial savings target was increased, they included deferred maintenance eliminated by disposals in their reported cost savings.[22]
- DHS reported $126 million in space management savings from not pursuing a lease prospectus for 1.8-million square feet in new building space to accommodate employees the agency anticipated hiring.
- State reported $80 million in innovation savings over the fiscal year 2010-to-2012 time period from property exchanges, in which the agency swaps one of its properties to acquire another property.[23] State also reported $58.2 million in space management savings because the agency was appropriated less than what it requested in its 2010 and 2011 budgets for a particular account used for security, rehabilitation, and repairs at its facilities. State included savings from the property exchanges and funding received that was lower than its budget request after their initial savings target was increased.

[21]Although DOE reported savings related to the Yucca Mountain project in response to the memorandum, we reported in April 2011 that developing a new repository would likely restart the time-consuming and costly process of siting, licensing, and developing a repository. DOE had spent nearly $15 billon on the Yucca Mountain project. In addition, delays in taking custody of commercial spent nuclear fuel have resulted in an estimated cost to taxpayers of $2.6 billion and estimated future liabilities of about $19.7 billion through 2020, stemming from industry lawsuits. DOE has estimated that future liabilities may cost about $500 million each year after 2020. For more information, see, for example, GAO, *Commercial Spent Nuclear Fuel: Observations on the Key Attributes and Challenges of Storage and Disposal Options*, GAO-13-532T (Washington, D.C.: Apr. 11, 2013); *Commercial Nuclear Waste: Effects of a Termination of the Yucca Mountain Repository Program and Lessons Learned*, GAO-11-229 (Washington, D.C.: Apr. 8, 2011).

[22]DOE defines deferred maintenance as maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period. We reported in GAO-12-645 that counting the repair needs of disposed assets assumes that the disposed assets would have been fully repaired in the years covered by the memorandum, when in reality agencies have limited budgets to repair and maintain their assets and must carefully choose which assets to repair in a given year. Agencies often choose not to repair assets that are going to be disposed of because they need to use their limited funds to repair the assets that they regularly use.

[23]In particular, State reported $88 million in savings resulting from an exchange in Seoul, South Korea that was partially offset by an $8 million loss from an exchange in Beirut, Lebanon, over the fiscal year 2010-to-2012 time period.

- USDA reported $229 million in space management cost savings from funds that Congress rescinded from the agency's appropriations for 55 construction projects for Agricultural Research Service buildings and facilities. For example, $17 million in previously appropriated funds were rescinded for a research laboratory in Pullman, Washington, and about $16 million was rescinded for a national plant and genetics security center in Columbia, Missouri.[24] USDA officials told us these project rescissions were included in the agency's reported savings after its initial savings target was increased by OMB.

Agencies Lacked Clear Standards for Reporting Reliable and Transparent Cost Savings

Guidance Was Unclear on the Types of Savings that Could be Reported, and Agencies Reported Savings Differently

The guidance OMB provided to agencies for implementing the requirements of the June 2010 memorandum was unclear and lacked reporting standards. The unclear guidance led the agencies in our review to interpret the guidance differently and report savings inconsistently. Specifically, the guidance did not establish common ground rules, such as a clear definition of the term "cost savings," that according to our cost estimating and assessment guide, help ensure that data are consistently collected and reported.[25] In particular, agency officials in our review told us that there was some uncertainty about the types of savings that could be reported, particularly whether cost avoidance measures could be reported, for example:

- GSA officials told us that the OMB guidance was not specific about whether cost avoidance measures could be included in the reported savings. These officials stated that this was a challenge in

[24]The $229 million in unobligated funding was rescinded through the Fiscal Year 2011 budget and had been appropriated in prior years for specific projects.

[25]GAO-09-3SP.

determining the cost savings that could be reported in response to the June 2010 memorandum.

- State officials also told us they were initially unsure whether they could report the cost avoidance associated with the previously mentioned reduction in their budget as savings, as well as savings from value-engineering improvements.[26]
- DOJ officials told us there was uncertainty about whether or not cost avoidance savings could be included and whether to include only those savings that were actual budgetary savings, or if savings that were reprogrammed for other purposes could also be included.

Although some agency officials in our review told us that the guidance was not clear on what could be considered a savings, all of the agencies in our review reported savings from cost avoidance measures, as previously discussed.

In addition, the guidance and categories established by OMB on Performance.gov were broad. Agency officials in our review told us that they worked with OMB staff to understand the types of savings that could be reported under these categories. However, the categories lacked specific detail and standards for how the savings should be determined and reported to help ensure reliability. For example, for the disposal category, agencies were to report operations and maintenance costs avoided during the fiscal year 2010-to-2012 time period. However, it did not specify for how long agencies were supposed to capture these costs. As a result, the five agencies in our review that reported disposal savings made their own assumptions about the length of time in which to report savings from eliminated operations and maintenance costs. For disposals in the year 2010, for example, some agencies reported 1 year of operations and maintenance savings in the year in which the disposal occurred, whereas other agencies reported up to 3 years of operations and maintenance savings for disposals occurring in 2010 (see table 4). USDA officials told us that they believed it would not be fair to count more than 1 year of operations and maintenance savings for each of their disposal properties, whereas DOE officials told us that they reported up to 3 years of annualized operations and maintenance savings if a property

[26]"Value engineering" refers to an organized effort directed at analyzing the functions of systems, equipment, facilities, services, and supplies for the purpose of achieving the essential functions at the lowest life-cycle cost consistent with required performance, reliability, quality, and safety.

was disposed of in fiscal year 2010 because, as discussed previously, OMB's overall guidance encouraged agencies to look for savings from fiscal year 2010 through 2012. Similarly, OMB guidance did not specify whether agencies could report cost savings from deferred maintenance. We found that two of the five agencies—DOE and GSA—reported the eliminated deferred maintenance or repair and alteration costs associated with their disposals while three agencies did not.[27]

Table 4: Length of Time Operations and Maintenance Savings Were Reported and Amount Reported

Agency	Reported 1 year of savings in the year the property was disposed	Reported savings for 3 years if a property was disposed of in fiscal year 2010, 2 years if disposed in fiscal year 2011,and 1 year if disposed in fiscal year 2012	Amount of Operations and Maintenance Savings Reported (dollars in millions)
DHS	X		$9[a]
DOE		X	$91
GSA		X	$15
State		X[b]	$5
USDA	X		$23

Source: GAO analysis of DHS, DOE, GSA, State, and USDA data.

Note: DOJ did not report any disposal savings.

[a]In addition, DHS reported about $6 million in annual rent savings from disposals in fiscal years 2011 and 2012.

[b]According to State officials, the agency also prorated its savings based on when in the year the disposal occurred.

We also found instances where agencies reported similar types of savings in different categories. For example, savings associated with eliminating leases were included in the space management category on

[27]As previously discussed, DOE included eliminated deferred maintenance in its reported savings after its initial savings target was increased and following discussions with OMB that deferred maintenance savings could be reported to meet its revised target. GSA did not include deferred maintenance in its reported savings, which it considers separately from repair and alterations. When GSA disposes of an asset, the projected repair needs are avoided. GSA counted the entire repair value as cost avoidance, but reported these as space management savings, not disposal savings. USDA also reported about $14 million in deferred maintenance savings associated with disposals of eight Agricultural Research Service laboratories and an Animal and Plant Health Inspection Service facility, but did not report deferred maintenance savings from other disposals that occurred during the fiscal year 2010- to-2012 time period.

Performance.gov and we found that State reported them as such; however, we found that DHS reported savings from eliminating leases as disposal savings. Similarly, GSA reported savings from property exchanges under space management, while State reported this type of savings under innovation. The OMB guidance did not specify how these types of savings were to be reported.

Our guide for assessing the reliability of data identifies consistency as a key component of reliability.[28] In particular, consistency is important for ensuring that data are clear and well defined enough to yield similar results in similar analyses. However, as the previous examples illustrate, the lack of detailed standards and use of broad cost-savings categories led agencies in our review to interpret the guidance differently and report cost-savings information inconsistently. OMB staff told us that the cost-savings categories established on Performance.gov were intentionally broad to encourage innovation in the types of savings that could be achieved through better management of real property. However, the inconsistencies we identified make it difficult for the reported savings to have collective meaning that is reliable for decision-makers.

Agencies Did Not Always Follow the Guidance

In addition to interpreting the OMB guidance for implementing the June 2010 memorandum differently, we also found several instances in which agencies' reported savings did not meet the requirements of the memorandum and guidance. For example, OMB's guidance specifically stated that agencies should report the *net* savings, which factor in costs to achieve savings, in their overall savings total. Despite this, we found instances in which some agencies did not deduct costs in their reported savings, for example:

- State and DHS did not deduct costs associated with disposals in their reported savings.[29] State officials told us that the costs associated with the approximately $114 million in disposal savings reported over the 2010-to-2012 time period were about $4 million. DHS officials told us that costs were not deducted in the demolition of DHS-owned

[28] GAO-09-680G.

[29] Disposal costs can vary depending on the property type, but could include potential environmental remediation costs or real estate fees associated with the sale of the property.

assets. DHS reported $565,000 in annual operating-cost savings from 54 demolitions in fiscal year 2011 and almost $2 million in annual operating-cost and rent savings from 245 demolitions in fiscal year 2012.[30] DHS officials did not know the costs associated with these demolitions.

- DOE deducted the costs associated with some of its reported disposal savings, but did not do so if the disposals were carried out by its Office of Environmental Management. DOE officials told us that after discussions with OMB staff, they decided not to deduct the costs associated with disposals carried out by this program office because of its mission to deactivate and decommission contaminated facilities. DOE estimated in its initial cost savings plan that including these implementation costs would have resulted in a net loss of almost $900 million for the agency's disposals over the fiscal year 2010-to-2012 time period.
- DHS reported $2 million in innovation savings from reducing space due to a pilot flexible workspace initiative but, according to DHS officials, inadvertently did not deduct the one-time costs associated with reconfiguring the space in its overall reported savings. According to DHS officials, the one-time costs to reconfigure the space would have equaled 75 percent of the 1-year savings the agency has realized.

We also found instances where agencies reported cost savings outside of the fiscal year 2010-to-2012 time period required by the June 2010 memorandum, for example:

- GSA reported $50 million in space management savings from purchasing a building in 2012 that the agency previously leased. GSA reported these savings based on the purchase price, which was $50 million less than the most recent appraisal of the building. Although GSA expects to realize savings over time from purchasing this building instead of leasing it, it is unclear that the difference between the purchase price and the appraised value would represent savings, if for example, no buyers are willing to pay the appraised value. Furthermore, while we have found that ownership is often more cost effective than leasing in the long term, GSA would have realized only a small fraction of the savings related to ownership that would have

[30]Specifically, the demolition savings reported by DHS for fiscal year 2012 include $1.5 million in annual operating-cost savings and about $500,000 in annual rent savings.

accrued during the timeframe established by the June 2010 memorandum.[31] Similarly, GSA reported $10 million in space management savings from a property exchange with the City of San Antonio, in which the agency exchanged a courthouse and training facility for a parcel of land to construct a new courthouse. However, GSA retained ownership of the city's site in 2013 and the city will retain ownership of the GSA property after the construction of the new courthouse is completed, which has yet to be determined. GSA officials told us that they reported these savings in response to the June 2010 memorandum because the agreement to enter into the exchange occurred in 2012.

- USDA reported rent savings from office closures, some of which did not occur until fiscal year 2013. According to USDA officials, some of the office closures that had been planned for fiscal year 2012 were delayed and did not occur until fiscal year 2013. These 21 office closures accounted for about $4 million of the savings reported by the agency.
- DOJ reported more than $2 million in savings from consolidating six community corrections offices and the National Institute of Corrections Academy, which, according to Bureau of Prisons officials, took place in 2007 and 2008. Officials from the Bureau of Prisons stated that the reported savings were based on the estimated rent or lease amounts the agency would have incurred in the time period covered by the memorandum through renewed agreements, had the consolidations not occurred.

Finally, we found instances where some agencies in our review reported savings from non-real estate activities in their totals. For example, DHS included $30,000 in reduced transit benefits in the $2 million in innovation savings it reported from increased telework due to its flexible workspace initiative, and GSA reported $11.6 million in sustainability savings from a reduction in its fiscal year 2012 budget for travel costs and building studies. GSA officials told us that building studies involve on-site inspections, and therefore require travel, and that GSA considers decreases in travel and building studies both economically and environmentally sustainable. However, it is unclear how these savings relate to reducing energy use for the agency's assets. OMB staff told us that the savings reported by the agencies should have been tied to real

[31]GAO, *Federal Real Property: Strategy Needed to Address Agencies Long Standing Reliance on Leasing*, GAO-08-197 (Washington, D.C.: Jan. 24, 2008).

property, and that if an activity was the result of a real estate action, then the savings was justifiable. The guidance issued by OMB was specific to implementing the June 2010 memorandum for achieving $3 billion in real property cost savings, an initiative which was completed as of September 30, 2012.

Savings Were Not Well-Documented or Reviewed

We also found that the documentation of agencies' reported savings was limited because OMB did not establish specific standards that required agencies to provide detailed information in support of their reported cost savings or identify how OMB planned to review the savings agencies reported. According to our cost-estimating and assessment guide, validating cost estimates, including savings estimates, is a best practice for ensuring that estimates are well-documented, comprehensive, accurate, and credible.[32] However, OMB staff told us that they did not have the resources to review a detailed accounting of agencies' reported savings and, instead, required agencies to provide quarterly summaries highlighting the savings the agencies planned to report along with any success stories of unique savings examples. In addition, OMB staff told us they were in constant communication with the agencies about their reported savings, as well as with other OMB staff knowledgeable about the agencies' budgets and programs, to ensure that the reported savings met the requirements of the memorandum. In reviewing the information provided by the agencies, OMB staff told us they had identified instances where agencies reported savings that did not meet the requirements of the June 2010 memorandum—for example one agency reported savings that occurred outside the timeframes established in the memorandum—and adjusted the agency's overall savings on Performance.gov accordingly. However, OMB staff also told us that it may be more efficient to obtain detailed documentation of an agency's reporting upfront, to limit the amount of follow-up required. In addition, OMB did not include detailed information about the types of savings agencies reported in response to the memorandum on Performance.gov. For example, Performance.gov summarizes the total cost savings reported by each agency in each of the cost savings categories, and includes general information about the types of activities agencies reported as savings, but does not include specific information about the types of savings that were included in the totals. As a result, the overall transparency of information

[32] GAO-09-3SP.

on Performance.gov is limited for understanding the types of savings agencies reported across the categories.

Our cost estimating and assessment guide has shown that a key factor for ensuring the reliability and transparency of cost estimates, including savings estimates, is that they include an appropriate level of detailed documentation, including source data, so that they can be recreated, updated, or understood.[33] As part of this review, we obtained more detailed documentation supporting the agencies' reported savings, which allowed us to identify the issues illustrated in this report and understand the types of savings agencies reported to meet the requirements of the memorandum. Requiring more detailed documentation and establishing a more systematic process for reviewing and validating the reported cost savings could have allowed OMB to identify, in a timely manner, some of the reporting inconsistencies that resulted, while also ensuring that the savings met the requirements of the memorandum. Furthermore, including more detailed information on Performance.gov could have enhanced the transparency of actions agencies took to generate and report savings in response to the memorandum.

Real Property Reform Efforts will Continue to Emphasize Savings

The June 2010 memorandum had positive effects in the view of agency officials. For example, some agency officials told us that the memorandum allowed them to accelerate projects in their pipeline or gave them a stronger basis to encourage savings opportunities within their agencies. Agency officials also told us that the memorandum provided them with a better understanding of cost savings opportunities within their agencies, particularly those agencies wherein real property-management decisions are decentralized, stating that it allowed them to have a more comprehensive view of opportunities to collectively improve the agency's real property footprint. Finally, some agency officials cited improved collaboration among agencies and with OMB on real property issues. OMB staff told us that the memorandum served as an important first step for informing future real property reform efforts and that this initiative laid the groundwork for thinking about real property more holistically as a management tool. In particular, OMB staff said that the memorandum encouraged agencies to think more creatively about ways in which real property can be reformed to generate savings, not just from

[33] GAO-09-3SP.

a budgeting perspective, but through more innovative uses of real estate. In discussions on our findings, OMB staff stated that while they initially did not want to be too prescriptive in how agencies responded to meeting the requirements of the memorandum, they recognized that more detailed guidance, as well as, more refined cost-savings categories and metrics are likely needed in future real property cost savings initiatives. Furthermore, OMB plans to use the lessons learned from this initiative to emphasize program outcomes and increase the transparency of future real property reform efforts.

Conclusions

The current fiscal climate and emphasis on good management practices will continue to place pressure on federal agencies to find additional opportunities for cost savings. Better managing the government's real property footprint through disposing of excess property and managing existing assets more efficiently will play a role in efforts to realize such savings. Although the cost savings initiative established by the June 2010 memorandum is now complete, recent initiatives, like OMB's Freeze the Footprint policy and proposed CPRA legislation place an emphasis on generating space and cost savings to the federal government. As agencies continue to identify ways to improve the management of their real property in response to these and other initiatives, such as increasing telework, it is critical to ensure that any savings reported as a result of such improvements are meaningful and transparent. However, as our review has demonstrated, clear and specific standards are needed to ensure that savings data are consistently reported and reviewed so that they are sufficiently reliable and transparent enough to document performance and support decision making. Without more detailed standards for identifying and reporting cost savings across federal agencies, decision-makers will be ill equipped not only to assess the results of real property reform efforts in the federal government, but also to take actions that will maximize these savings in the future.

Recommendation for Executive Action

To improve future real property cost-savings initiatives and promote reliability and transparency, we recommend that the Director of OMB, in collaboration with FRPC agencies, develop clear and specific standards for:

- identifying and reporting savings that help ensure common understanding of the various types of cost savings;
- consistently reporting across categories and agencies; and
- sufficiently documenting, validating, and reviewing results.

Agency Comments

We provided a draft of this report to OMB, DHS, DOE, DOJ, GSA, State, and USDA for review and comment. OMB generally agreed with our recommendation. Specifically, OMB stated that the June 2010 memorandum had positive effects on federal real-property management, and acknowledged that there are opportunities to improve future cost-savings efforts, as identified in our report. OMB stated that our recommendation was generally reasonable as it applies to prospective initiatives that directly address cost savings. DHS, DOE, and GSA provided technical comments that we incorporated as appropriate. DOJ, State, and USDA had no comments.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to interested congressional committees, the Director of OMB; the Administrator of GSA; the Assistant Attorney General for Administration, Department of Justice; and the Secretaries of Homeland Security, Energy, State, and Agriculture; and other interested parties. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-2834 or wised@gao.gov. Contact points for our Office 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 II.

David J. Wise
Director
Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

Our review focused on the administration's June 2010 memorandum that directed federal agencies to achieve $3 billion in real property cost savings by the end of fiscal year 2012.[1] Our objectives were to (1) describe the cost savings agencies reported in response to the June 2010 presidential memorandum and how those savings were identified by selected agencies and (2) determine the extent that selected agencies' reporting of savings was reliable and transparent and how, if at all, the reporting of real property cost savings could be improved. To address these objectives, we reviewed the June 2010 memorandum and subsequent guidance issued by the Office of Management and Budget (OMB) to understand the requirements of the memorandum, including the types of savings that could be reported and how those savings were to be reported.[2] We also reviewed our prior work on excess and underutilized property to understand issues previously identified with agencies' reported cost savings.[3]

To describe the cost savings agencies reported in response to the June 2010 memorandum and how those savings were identified by selected agencies, we reviewed and analyzed information on the administration's Performance.gov website, including agencies' individual cost savings targets, the total amount of savings reported by the agencies at the end of fiscal year 2012, and the amount of savings reported across the four categories—disposals, space management, sustainability, and innovation—established by OMB.[4] We also obtained and analyzed documentation on the cost savings reported by six civilian agencies: the

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[1]Presidential Memorandum, *Disposing of Unneeded Federal Real Estate – Increasing Sales Proceeds, Cutting Operating Costs, and Improving Energy Efficiency*, 75 Fed. Reg. 33987 (June 16, 2010).

[2]OMB, *Development of a Real Property Cost Savings and Innovation Plan*, Management Procedures Memorandum No. 2010-07 (Washington D.C.: July 1, 2010).

[3]GAO, *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, GAO-12-645 (Washington, D.C.: June 20, 2012). This report only focused on the extent of agency actions that were taken in response to the June 2010 memorandum that affected excess and underutilized federal real property. The report did not consider other cost savings areas, such as sustainability efforts, that agencies could use to report savings.

[4]Performance.gov is a website established by the administration to provide information on government-wide initiatives to cut waste, streamline government, and improve performance through various areas of focus. Managing property effectively falls under the financial management focus area.

General Services Administration and the Departments of Agriculture, Energy, Homeland Security, Justice, and State.[5] In particular, we reviewed the agencies' Real Property Cost Savings and Innovation Plans developed in response to the June 2010 memorandum and documentation supporting the cost savings reported by each of the agencies. We also conducted in-depth interviews with officials from these agencies to understand the processes they used to identify and report cost savings over the 2010 to 2012 time period. We conducted interviews with OMB staff about the types of savings agencies reported and obtained documentation on the savings our selected agencies reported to OMB. We compared the information on Performance.gov to the documentation provided to us by each of the agencies and to the documentation that the agencies submitted to OMB to identify and reconcile any discrepancies, but did not systematically evaluate or verify the methods agencies reported undertaking to achieve savings, as that was outside the scope of our review. Based on our review of agency documents and interviews with officials, we determined that the data were reliable for the purpose of describing cost savings as reported by the six agencies. We selected the six agencies because they had the largest cost savings targets for civilian agencies, collectively accounting for about 75 percent of the $3 billion savings goal; reported a variety of cost savings measures to achieve their savings target; and had a range of property types in their real property portfolios.

To determine the extent that selected agencies' reporting of savings was reliable and transparent and to identify how, if at all, reporting of real property cost savings could be improved, we reviewed the agencies' reported cost savings against key factors identified in our data-reliability and cost-estimating guidance.[6] In particular, we analyzed the savings reported by the six agencies in our review to determine whether similar types of savings were consistently reported, met the requirements set

[5]The Department of Defense (DOD) had the largest cost savings target for a single agency over the fiscal year 2010 to 2012 time period. However, we focused on cost savings reported by civilian agencies, and therefore excluded DOD from our review. Furthermore, the U.S. Postal Service was not subject to the requirements of the June 2010 memorandum.

[6]GAO, *Assessing the Reliability of Computer-Processed Data*, GAO-09-680G (Washington, D.C.: July 2009); *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP, (Washington, D.C.: March 2009).

forth by the memorandum, and were well-documented. For example, we analyzed the savings the selected agencies reported in each of the categories established on Performance.gov to determine whether the agencies consistently determined the amount of savings reported within each of the categories and whether the agencies reported similar types of savings in the same categories. We also analyzed the savings reported by the selected agencies to determine whether they occurred within the time frames required by the memorandum, included the costs to implement the savings measure, and were tied to a real estate action. Finally, we reviewed the documentation the selected agencies provided to OMB to determine whether the information was clear and detailed enough to support their reported savings and to understand how OMB reviewed the savings reported to ensure they were reliable and met the requirements of the memorandum. We conducted in-depth interviews with officials from our selected agencies as well as OMB staff to further understand how they determined the cost savings reported over the 2010 to 2012 time period, challenges to meeting the requirements of the memorandum, and how similar efforts could be improved in the future.

We conducted this performance audit from December 2012 to October 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact named above, David Sausville, Assistant Director; Russell Burnett, Kathleen Gilhooly; Nancy Lueke; Nitin Rao; Amy Rosewarne; and Jack Wang made key contributions to this report.

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