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**REPORT ON REVIEW
OF
ADMINISTRATION OF GOVERNMENT HOUSING FACILITIES
BY
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR**

DECEMBER 1956

UNITED STATES GENERAL ACCOUNTING OFFICE

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON 25, D. C.

MAY 23 1957

CIVIL ACCOUNTING AND
AUDITING DIVISION

B-118601

Mr. Glenn L. Emmons
Commissioner of Indian Affairs
Department of the Interior

Dear Mr. Emmons:

Herewith is our report on the review of the Bureau's administration of Government housing facilities. We reviewed certain phases of this activity at Washington, D.C., at 5 of the 10 area offices, and at selected field locations under the jurisdiction of the area offices, as part of our audit of the Bureau of Indian Affairs for fiscal year 1956. The field work was completed in December 1956. The scope of our review is explained on page 17 of the report.

Our review disclosed that shelter rents have not always been computed in accordance with the Bureau of Indian Affairs regulations or the principles outlined in Bureau of the Budget Circular A-45 (Revised). For example, in some cases isolation percentage allowances on Government quarters have been unwarranted or computed on an improper basis. Moreover, shelter rents have in some cases been established by individuals occupying the quarters. Deficiencies and weaknesses in the administration of Government housing facilities were pointed out also in our reports on the Aberdeen, Anadarko, Billings, and Phoenix Areas for fiscal year 1955. At the time of the preparation of this report, we had received a reply only to the 1955 report on the Anadarko Area. We do not consider the reply responsive; our review of the Anadarko Area during the audit for fiscal year 1956 disclosed that satisfactory corrective action has not been taken. Our follow-up at a few other locations reported on as a result of the fiscal year 1955 review also disclosed that satisfactory corrective action had not been taken. At certain locations, however, we did note that rentals had been increased.

Bureau records show that as of November 1, 1956, there were 5,160 rental units under its jurisdiction and that the rates for shelter rent and utilities based on rates for comparable private housing totaled \$2,023,021

B-118601

compared with actual rates charged of \$1,131,485. (See appendix A.) As of November 1, 1955, Bureau records show that there were 5,390 rental units under Bureau jurisdiction and that rates for shelter rent and utilities based on rates for comparable private housing totaled \$2,522,767 compared with actual rates charged of \$1,455,183. In view of the comparatively substantial size and income-producing nature of this activity, we believe that corrective action on the deficiencies noted should be taken as soon as possible.

We wish to acknowledge the cooperation given to our representatives at each of the locations visited by us. Our findings were reviewed with responsible area officials during the audit. We are prepared to discuss these comments in greater detail with you or members of your organization.

Your comments and advice as to action taken on matters presented in this report will be appreciated.

Sincerely yours,

A. T. Samuelson
A. T. Samuelson
Director, Civil Accounting
and Auditing Division

Enclosure

C o n t e n t s

	<u>Page</u>
GENERAL COMMENTS	1
DEFICIENCIES IN THE ADMINISTRATION OF GOVERNMENT HOUSING FACILITIES	3
Isolation deductions computed on improper basis	3
Unwarranted isolation allowances	6
Improper basis for reductions in shelter rentals	9
Shelter rents established by individuals occupying the quarters under evaluation	11
Charges for utility services are lower than comparable private charges	14
SCOPE OF REVIEW	17
APPENDIXES	
	<u>Appendix</u>
Schedule of total rental units and actual rates charged for the period November 1, 1955, to November 1, 1956	A 19
Bureau of the Budget Circular A-45 (Revised), dated June 3, 1952	B 20

REPORT ON REVIEW
OF
ADMINISTRATION OF GOVERNMENT HOUSING FACILITIES
BY
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR
DECEMBER 1956
GENERAL COMMENTS

The administration of Government housing facilities supplied by the Government to its civilian employees, under provisions of the act of March 5, 1928 (5 U.S.C. 75a), is one of the activities of the Bureau of Indian Affairs. Bureau records show that it had 5,160 rental quarters under its jurisdiction as of November 1, 1956. Nearly all of these quarters, or 5,026, are located in the continental United States. The remainder of these facilities are located in Alaska. The total rental units and actual rentals collected for the period November 1, 1955, to November 1, 1956, are shown by location in appendix A.

Bureau of the Budget Circular A-45, dated June 3, 1952, establishes the principles and standardizes the procedures by which agencies of the Federal Government set and administer rents and service charges for the quarters supplied to employees. (See appendix B.) Section 208 of the General Government Matters Appropriation Act, 1956 (69 Stat. 196), provides in part as follows:

"During the current fiscal year, provisions of Bureau of the Budget Circular A-45, dated June 3, 1952, shall be controlling over the activities of all departments, agencies, and corporations of the Government ***"

Similar provisions were included in the Supplemental Appropriation Act, 1955, approved August 26, 1954, and the General Government Matters Appropriation Acts, 1957.

Our review of the Bureau's administration of Government housing facilities disclosed that shelter rents have not always been computed in accordance with the Bureau of Indian Affairs regulations or the principles outlined in Bureau of the Budget Circular A-45, dated June 3, 1952. Following are specific comments on the deficiencies noted.

DEFICIENCIES IN THE ADMINISTRATION
OF
GOVERNMENT HOUSING FACILITIES

1. Isolation deductions computed on improper basis

Our fiscal year 1956 review of quarters rentals in the Aberdeen and Anadarko Areas disclosed that isolation allowances on certain Government quarters are still computed on the basis of the distance to a city for which comparable private rental rates have not been determined for purposes of establishing Bureau rental rates. This practice, in our opinion, is contrary to the intent of Budget Circular A-45 (Revised). Similar deficiencies were reported in our fiscal year 1955 reports on audit of the Aberdeen Area Office (item 5, p. 8), the Anadarko Area Office (item 9, p. 16), and the Billings Area Office (item 26, p. 34).

Bureau of the Budget Circular A-45 (Revised), dated June 3, 1952, provides that "Rents should be set at levels similar to those prevailing for comparable private housing in the same area." As one of the qualifying considerations to this basic rent principle, the circular provides also that, in cases where the Government supplies quarters to its employees in isolated locations where no private rental housing is available in the vicinity for purposes of comparison, "the nearest representative year-round private community should be used as a base, with a reasonable adjustment to offset the unusual transportation costs incurred by residents at the station (due to the distance from public transportation, shopping, educational, medical and social centers, etc.)."

In accordance with the amendment dated May 21, 1954, to Departmental Manual of Allowances for Quarters, Subsistence, and Services, the Indian Affairs Manual (43 IAM 506.01(1)) was revised on June 11, 1954, to provide for a sliding-scale isolation deduction based upon the number of miles the Government housing facilities are located from an "established community," to be applied against comparable private housing rates. The revision provided that only "established communities," with a population of 3,000 persons or more where shopping, recreational, medical, dental, educational, and religious facilities are available, be used for the purpose of selecting comparable private rental dwellings.

Our review for fiscal year 1956 of rental rates for the 32 housing facilities at Pawnee School in the Anadarko Area disclosed that an evaluation survey of these quarters was made in December 1955, more than 1 year after the "established community" was changed from Pawnee to Stillwater, Oklahoma (population 20,238), in compliance with the manual revision. Isolation deductions, however, were still being computed on an improper basis in September 1956. The isolation deductions are improper because the town of Pawnee (population 2,861) was used in this survey in determining comparable private housing rates. Accordingly, although comparable rentals are based on housing at Pawnee, the isolation deduction of 45 percent is based on the distance of about 32 miles to Stillwater.

Area officials advised us that the Pawnee Area Field Office has been instructed to reevaluate quarters at the Pawnee School based on comparable private facilities at Stillwater, Oklahoma.

Also, our review for fiscal year 1956 of rental rates at Turtle Mountain Consolidated Agency of the Aberdeen Area disclosed that isolation deductions were computed on an improper basis.

The Aberdeen Area Office, on June 14, 1954, requested instructions from the Washington office as to whether the new percentage deductions could be applied against the quarters rental rates then in effect or whether it would be necessary to make new evaluations using communities meeting present population criteria. On June 21, 1954, the Washington office of the Bureau authorized the Aberdeen Area Office to place the new isolation deductions in effect immediately but requested that new quarters evaluations be completed as soon as practicable. At the time of our field review in July 1956, over 2 years after the instructions were received from Washington, new quarters evaluations had not been completed at the Turtle Mountain Consolidated Agency. Shelter rents at the Turtle Mountain Consolidated Agency had been reduced on July 4, 1954, by an isolation allowance of 80 percent based on the distance to Devils Lake, North Dakota, which has a population of 6,427 according to the 1950 census. The percentage, however, was applied to shelter rents based on comparable private housing rentals at Rolla, North Dakota, population 1,176, which is located about 7 miles from the Bureau housing.

Our fiscal year 1955 audit disclosed that at two agencies in the Aberdeen Area where new quarters evaluations had been made, using as a basis comparable private housing in new established communities meeting the 3,000 population criteria, the evaluations resulted in an increase in the rental rates charged by the Bureau.

Our review for fiscal year 1956 did not include a determination of whether rents at Devils Lake, North Dakota, and Stillwater, Oklahoma, are generally higher than rents at Rolla, North Dakota, and Pawnee, Oklahoma, respectively. Accordingly, we do not know if there has been a loss of income to the Government because of computing isolation allowances for these quarters on an improper basis.

During our fiscal year 1956 review, we noted also that, as a result of deductions for isolation and poor condition of quarters on two housing units at the Pawnee School, Anadarko Area, the employees were not required to pay shelter rent or the full amount for utilities and furniture rental charges as follows:

Quar- ters number	Monthly shelter rent	Deductions			Net shelter rent	Utilities and furniture rental	Net monthly rental charge
		Isolation	Other	Total			
72	\$30.00	\$13.50	\$20.00	\$33.50	-\$3.50	\$15.25	\$11.75
39-3	25.00	11.25	15.00	26.25	-1.25	12.25	11.00

It will be noted that the charges for utilities and furniture rental alone exceeded the amount paid by the occupants of these quarters by \$3.50 and \$1.25, respectively.

Recommendation

We recommend that the Commissioner require quarters evaluations to be based on the comparable private housing rates in the community used by field offices for purposes of computing isolation deductions and not on private housing rates elsewhere.

2. Unwarranted isolation allowances

Our fiscal year 1956 review of the Anadarko Area disclosed that at certain field locations allowances for isolation are

unwarranted. We noted two sites where deductions for isolation are authorized even though the Government quarters are located adjacent to established communities. Basic shelter rents for 9 housing units at Shawnee Area Field Office in the Anadarko Area were reduced by 6 percent for isolation even though the Area Field Office is located only 2 miles from the city of Shawnee, Oklahoma (population about 25,000). The Area Field Office is closer to the business center of the city of Shawnee than many houses in Shawnee. Basic shelter rents for 15 housing units at "Old Town," located about 1 mile from the city of Anadarko, Oklahoma (population about 6,100), were reduced by 2 percent as an isolation allowance for the 1 mile distance to the city of Anadarko.

We pointed out both of these examples of unwarranted isolation deductions in our fiscal year 1955 audit report on the Anadarko Area (item 9, p. 16), but the Departmental reply dated November 26, 1956, to this report indicates that action has not been taken to eliminate these allowances.

Although the Indian Affairs Manual (43 IAM 506.01(1)) provides for a maximum isolation allowance of 10 percent in such cases, these isolation allowances, although small, are unwarranted. There is no indication that in these cases unusual transportation costs are incurred by the occupants due to the distance from community facilities. Bureau of the Budget Circular A-45 (Revised) provides that, when the Government supplies quarters to its employees in isolated locations, adjustments should be made "to offset the unusual transportation costs incurred by residents at the

station (due to the distance from public transportation, shopping, educational, medical and social centers, etc.)."

Our fiscal year 1955 audit disclosed also that, in some cases, allowances for isolation are based on the distance to a town of 3,000 population located a number of miles from the Bureau housing even though communities close by have the necessary facilities of an "established community." For example, in our fiscal year 1955 audit report (item 6, p. 11) on the Aberdeen Area, we pointed out that isolation deductions for quarters at Flandreau School, located on the outskirts of the town of Flandreau, South Dakota, were based on the distance to a community 20 miles away, although the town of Flandreau, population of 2,193 in 1950, has the necessary facilities specified in the Indian Affairs Manual (43 IAM 506.01(1)) definition of an "established community." Our follow-up on fiscal year 1955 findings for the Aberdeen Area disclosed that on November 9, 1955, after our discussion of this matter with area officials, the quarters evaluations were revised to allow an isolation factor for Flandreau quarters of 25 percent instead of the maximum of 55 percent which was in effect at the time of our audit. Although we commend the action taken by area officials, in our opinion, the unusual transportation costs, if any, incurred by residents due to the distance from community facilities, do not equal 25 percent of the basic shelter rent.

Recommendation

To limit isolation deductions to cases where unusual transportation costs are incurred by residents at a station, we recommend that the Commissioner consider taking the necessary action to

revise the Indian Affairs Manual so that consideration may be given to an area having the required services and facilities but less than 3,000 population in determining the "established community." The manual revision should also include provisions authorizing elimination of isolation allowances for quarters located adjacent to the "established community."

3. Improper basis for reductions in shelter rentals

Our review of Bureau housing activities at field locations in the Anadarko Area disclosed that shelter rentals charged to Bureau employees for Government-owned housing facilities were reduced improperly.

The Bureau of the Budget Circular No. A-45 (Revised) dated June 3, 1952, states that "The Act of June 20, 1874 (5 U.S.C. 71) makes it clear that compensation is not to be supplemented through the distortion of rent schedules." This act provides that "no civil officer of the Government shall receive any compensation or perquisites, directly or indirectly from the Treasury or property of the United States beyond his salary or compensation allowed by law."

At the Cheyenne-Arapaho School and Area Field Office, Ft. Sill School, and Riverside School, in the Anadarko Area, a deduction of 15 percent is applied to reduce the comparable private housing rate when the employee is required to occupy Government-owned housing facilities because of the nature of his duties. Budget Circular A-45 (Revised) provides for recognition of official demands upon a portion of the occupant's space or imposition on his privacy in calculating deductions. The circular provides also that

adjustments may be made when the occupant is forced to accept size or quality in excess of his normal preferences. Bureau records show, however, that many deductions were made solely because the employee was required to occupy the Government quarters. Reductions made on the latter basis amounted to \$7,492 for the period August 15, 1954, to September 8, 1956.

Our review disclosed also that at Haskell Institute located at Lawrence, Kansas, rental evaluation schedules (form 5-1151) were not maintained in a manner to adequately disclose whether deductions from basic shelter rent were made in accordance with applicable provisions of Budget Circular A-45 (Revised).

At Haskell Institute, in the Anadarko Area, shelter rents based on comparable private housing were approved by the Area Director on December 22, 1955, and became effective on January 15, 1956. The Evaluation Board reduced, however, many of the rates for comparable private housing to arrive at the rental rates to be charged to Bureau employees based on several over-all justifications. Some of the justifications given as a basis for the reductions appear to be valid under Bureau of the Budget Circular A-45 (Revised). However, we believe that the following deductions should not be given consideration for the purpose of reducing shelter rents.

- a. Deduction because the Haskell Institute is located at Lawrence, Kansas, which is a high-rent area. The University of Kansas and several industries are located in or near the city.
- b. Deduction because taxes or insurance are not charged to Government quarters.

Both of the above deductions are not in accordance with the basic rent principle of equivalence with private housing set forth in Budget Circular A-45 (Revised), which states that "rents should be set at levels similar to those prevailing for comparable private housing in the same area." Rentals for the quarters at Haskell Institute, therefore, should be based on equivalent housing in the Lawrence, Kansas, Area without considering the fact that the comparable private housing is located in a relatively high-rent area or the fact that the Government does not pay certain costs paid by owners of private housing.

Our review of the evaluation schedules (form 5-1151) for the Haskell Institute quarters disclosed that they usually did not show which of the general reasons, referred to above, for making the deductions from the basic shelter rent applied to the specific units under consideration. Consequently, we were unable to determine whether all the deductions were made in accordance with the applicable provisions of Budget Circular A-45 (Revised).

Recommendation

To assure that employees do not receive additional compensation through improper reduction of shelter rentals, we recommend that the Commissioner require that all deductions from basic shelter rents be based only upon the applicable provisions of Budget Circular A-45 (Revised) and that each deduction be fully explained on the applicable evaluation schedule.

4. Shelter rents established by individuals occupying the quarters under evaluation

Our review disclosed that at certain Bureau locations Quarters Evaluation Boards were composed of Bureau employees who were

occupying the Government housing facilities at the time the quarters were evaluated and rental rates established by the board. Moreover, in some cases these employees evaluated their own quarters. The 1956 fiscal year audit disclosed this situation in varying degrees at the Cheyenne and Arapaho Area Field Office, Chilocco School, Ft. Sill School, Haskell Institute, Pawnee Area Field Office, and Riverside School of the Anadarko Area; the Cheyenne River, Pierre, Rosebud, and Turtle Mountain Agencies of the Aberdeen Area; and the Wind River Agency of the Billings Area. A similar deficiency was noted in our report on audit of the Phoenix Area for fiscal year 1955 (item 37, p. 36).

The Bureau of the Budget Circular No. A-45 (Revised) states that "in no event should the appraisal be made by residents in the housing under consideration." Also, the Indian Affairs Manual (43 IAM 503.01A and 507.01C) provides that "an individual occupying quarters shall not serve as a member of the Board during such time as the Board is recommending rental rates for the quarters he occupies" and "only one member serving on the Board may be an occupant of Government quarters whenever possible."

Our review of quarters evaluation surveys of several field locations in the Anadarko Area for fiscal year 1956 disclosed that members of the Evaluation Board occupied Government quarters during the time the board was recommending rental rates for the quarters. In several cases we noted that board members participated in the evaluation of the quarters they occupied. A summary of the findings at the Anadarko Area follows:

<u>Location</u>	<u>Evaluated own quarters</u>	<u>Occupied quarters but did not sign his own evaluation</u>	<u>Did not occupy Government quarters</u>	<u>Total members of Evaluation Board</u>
Cheyenne and Arapaho Area Field Office	2	-	2	4
Chilocco School	1	-	2	3
Ft. Sill School	2	-	1	3
Haskell Institute	1	-	2	3
Pawnee Area Field Office	-	3	-	3
Riverside School	<u>1</u>	<u>-</u>	<u>2</u>	<u>3</u>
Total	<u>7</u>	<u>3</u>	<u>9</u>	<u>19</u>

In the Aberdeen Area all of the members of the Quarters Evaluation Board at the Cheyenne River Agency, Rosebud Agency, and Turtle Mountain Agency occupied Government housing facilities. Examination of the evaluation surveys in effect for the Pierre Agency disclosed that four of the five board members occupying quarters were signing all evaluations including their own. At the Standing Rock Agency, two of the board members' evaluations were signed by only one board member, apparently the chairman, and this member co-signed his own evaluation.

At the Wind River Agency, Billings Area, the quarters evaluation surveys were made by a board of three members. One of the board members stated that two of the three members of the board occupied Government facilities at the time the evaluations were made and rental rates established.

Recommendation

To assure impartial appraisals for establishing rentals for Government quarters, we recommend that the Commissioner take the action necessary to have the Area Directors comply with the appropriate manual provisions. We recommend also that the manual

provisions be revised to specifically prohibit occupants of Government quarters in the local area under survey from serving on the board. Personnel from the area office or other Bureau offices could be used for evaluation purposes. Consideration should be given also to obtaining the assistance of private citizens with knowledge of local real estate conditions, wherever appropriate. In no event should any of the residents in the housing under consideration serve on the board.

5. Charges for utility services are lower than comparable private charges

Our review at the Anadarko Area Office and at field locations in the Anadarko Area disclosed that Bureau charges for utility and related services for Government quarters at certain locations were lower than comparable private charges. The Bureau of the Budget Circular A-45 (Revised), dated June 3, 1952, states that "Government charges to Government employees for utilities (heat, electricity, gas, water, ice, telephone, etc.) should be set by comparison with local domestic rates for similar services," that "their comparison with private facilities should be thoroughly impartial," and that "no attempt should be made to compensate through the station rent structure for the intangible disadvantages of isolation."

Our examination disclosed that utility and related service charges for 50 Bureau housing facilities at the Chilocco School, 50 units at the Haskell Institute, 17 at the Riverside School, and 15 at "Old Town," in the Anadarko Area, are lower than comparable private charges. The Bureau's evaluation schedules (forms 5-1151)

for these quarters show the charges to Bureau employees for utility and related services and the comparable private service charges as follows:

<u>Location</u>	<u>Utility or service</u>	<u>Average biweekly Bureau rate (note a)</u>	<u>Average biweekly comparable private rate (note b)</u>	<u>Biweekly difference</u>	<u>Estimated annual loss (note c)</u>
Chilocco School	Electricity	\$0.485	\$2.162	\$1.677	\$ 2,180
	Water	0.264	0.46	0.196	254
	Gas	1.406	2.331	0.925	<u>1,202</u>
					<u>3,636</u>
Haskell Institute	Electricity	0.876	3.576	2.70	3,510
	Water and garbage	0.646	2.584	1.938	<u>2,519</u>
					<u>6,029</u>
Riverside School	Electricity	0.60	2.189	1.589	702
	Gas	0.635	1.941	1.306	<u>577</u>
					<u>1,279</u>
"Old Town"	Electricity	2.223	3.30	1.077	420
	Gas	1.260	2.784	1.524	<u>594</u>
					<u>1,014</u>
Total					<u>\$11,958</u>

^aTotal biweekly actual charges by Bureau divided by the number of housing units.

^bTotal biweekly comparable private rates divided by the number of housing units.

^cRepresents the biweekly difference multiplied by the number of units multiplied by 26 pay periods for the period January 15, 1956, to January 15, 1957.

The Anadarko Area Director informed us that new evaluations of utilities and related services will be made.

In our report on audit of the Anadarko Area for fiscal year 1955 (item 10, p. 19), we commented on this same deficiency at "Old Town" and recommended that the Area Director make appropriate revisions in the rates for utility services in order to comply with the provisions of Budget Circular A-45. The Department's reply of November 26, 1956, to that report stated that the reevaluation of quarters at "Old Town" took into consideration adjustments in utility services and that new rates as established are comparable and equitable. This evaluation was made in the latter part of calendar year 1955 and became effective in January 1956. As stated above, however, the rates for utilities and related services are still lower than comparable private charges.

Recommendation

To prevent further loss of income to the Government and to provide for proper charges for utility services, we again recommend that appropriate action be taken by the Commissioner to assure compliance with the provisions of Bureau of the Budget Circular A-45 (Revised).

SCOPE OF REVIEW

Our review of the administration of Government housing facilities by the Bureau of Indian Affairs at Washington, D.C., at 5 of the 10 area offices, and at 10 selected field locations under the jurisdiction of the area offices was conducted in the following manner:

1. We reviewed the basic laws and regulations authorizing the Government housing activities and the pertinent legislative history to ascertain the purposes of the activities and their intended scope.
2. We ascertained the policies adopted by the Bureau and reviewed those policies for conformance with basic legislation and regulations.
3. We reviewed the procedures followed by Bureau employees to determine the effectiveness of the procedures.
4. We did not make a detailed examination of every transaction, but we reviewed in detail selected transactions to the extent we deemed appropriate under the existing circumstances.

TOTAL RENTAL UNITS AND ACTUAL RATES CHARGEDFOR THE PERIOD NOVEMBER 1, 1955, TO NOVEMBER 1, 1956

<u>Location</u>	<u>Number of units</u>	<u>Sum of rates for shelter rent and utilities as of November 1, 1956 (note a)</u>	<u>Net adjustments for housing or salary factors (note b)</u>	<u>Actual rates charged (note c)</u>	<u>Average annual unit charge</u>
Aberdeen Area	787	\$ 424,994	\$183,056	\$ 241,938	\$307.42
Minneapolis Area	46	22,852	10,294	12,558	273.00
Anadarko Area	373	148,195	18,267	129,928	348.33
Billings Area	371	204,168	102,264	101,904	274.67
Gallup Area	1,776	463,962	364,059	99,903	56.25
Muskogee Area	136	37,495	-	37,495	275.70
Phoenix Area	876	359,281	157,388	201,893	230.47
Portland Area	299	126,684	22,162	104,522	349.57
Sacramento Area	23	6,456	606	5,850	254.35
Cherokee Agency	49	17,128	-	17,128	349.55
Intermountain School	290	163,228	33,440	129,788	447.54
Juneau Area	134	48,578	-	48,578	362.52
Total	5,160	\$2,023,021	\$891,536	\$1,131,485	\$219.28

^aTotal rental and utility rates comparable to rates for private housing for the 5,160 units available for rental and subject to provisions of Bureau of the Budget Circular A-45 (Revised), dated June 3, 1952.

^bAdjustments or deductions for housing factors or salary factors (including isolation) on 4,655 of the 5,160 units available for rental as authorized by section 4 of Circular A-45 (Revised).

^cActual rental and utility rates charged for all units available for rental for the period November 1, 1955, to November 1, 1956, including units not occupied for all of the year. The estimated average occupancy rate for the period was 94.5 percent.

APPENDIXES

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON 25, D. C.

June 3, 1952

CIRCULAR NO. A-45
Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Rent policy for quarters supplied to Federal employees

This revision of Circular No. A-45 replaces and rescinds Circular No. A-45, dated July 9, 1951. The principal changes are as follows:

Paragraph 2 -- Trailer spaces are removed from the definition of quarters.

Paragraph 4b(3) -- Adjustments are permitted when a portion of the quarters is used for office space or for the general convenience of the public.

Paragraph 4b(6) -- It is made clear that rents for temporary Federal housing are to be based on comparison with permanent private housing with appropriate adjustments.

Paragraph 4b(7) -- Except for the Panama Canal Zone, other methods may be substituted for the principle of equivalence in the territories and possessions.

Paragraph 4c -- The rental charge for rooms may combine shelter rent and utilities charges without distinction.

Paragraph 5a -- Instructions have been added pertaining to use of registration and petitioning procedures prescribed by rent stabilization regulations.

1. Purpose. The purpose of this Circular is to establish the principles and standardize the procedures by which agencies of the Federal Government set and administer rents and service charges for the quarters supplied to employees.

2. Definition. The term "quarters," as used in this Circular includes, with the following exception, all housing supplied, under specific Government direction, as an incidental service in support of Government programs. It excludes housing furnished to members of the uniformed services assigned public quarters under 37 U.S.C. 252 (but it includes facilities occupied by such personnel on a rental basis under 37 U.S.C. 111a). It includes housing owned or leased by the Government as well as housing supplied by contract between the Government and private firms. It includes housing not only for direct Government employees but also for contractors, contractors' employees and all other persons whose

(No. A-45)

- 2 -

housing is essential to the performance of a Government activity. Finally, it includes housekeeping and nonhousekeeping units (including trailers), furnished and unfurnished, located either within the continental United States, or in U. S. territories and possessions.

3. Relevant statutes. Section 3 of the Act of March 5, 1928 (5 U.S.C. 75a) authorizes the Government to provide quarters for its employees, where the conditions of employment so require, but stipulates that the employees so provided shall be charged, as rent, the "reasonable value" of these quarters.

The Comptroller General has rendered an opinion to this same effect:

"The basis for computing the rate of rental to be charged Government employees furnished quarters by the Government is not the original investment of the Government in the building occupied by the employees, nor necessarily the present investment of the Government in the building, but the reasonable value of the quarters to the employees during the particular period and in the particular locality where situated." (Syllabus, 5 Comp. Gen. 236)

The Act of June 20, 1874 (5 U.S.C. 71) makes it clear that compensation is not to be supplemented through the distortion of rent schedules.

"No civil officer of the Government shall receive any compensation or perquisites, directly or indirectly, from the Treasury or property of the United States beyond his salary or compensation allowed by law: . . ."

4. Principles.

- a. Basic rent principle: Rents should be set at levels similar to those prevailing for comparable private housing in the same area.
- b. Qualifying considerations: There are a number of cases in which the principle of equivalence with private rents needs further explanation, or in which it may be modified.

- (1) In some cases the Government supplies quarters to its employees in isolated locations where no private rental housing is available in the vicinity for purposes of comparison. In this situation, the nearest representative year-round private community should be used as a base, with a reasonable adjustment to offset the unusual transportation costs incurred by residents at the station (due

(No. A-45)

- 3 -

to the distance from public transportation, shopping, educational, medical and social centers, etc.). No attempt should be made to compensate, through the station rent structure, for the intangible disadvantages of isolation.

- (2) Wherever Government quarters are located in areas under Federal rent control and are not exempted or decontrolled by the Housing and Rent Act of 1947 as amended (50 App., U.S.C. 1894), or the regulations issued thereunder, or by subsequent statute, the rent charges should not exceed the rents established for comparable private housing in the same area under that statute.
- (3) Some Government officers provided with quarters by the Government, are frequently required to use a portion of their quarters for the purpose of accommodating official visitors, for office space, or for the general convenience of the public. In calculating the private rental market value of this housing to the employee, recognition may be made of these official demands upon a portion of his space or imposition upon his privacy. In each such case the agency must make a specific determination that the conditions described above exist.
- (4) At some Government stations, particularly the smaller ones, a new employee will not be able to move into a house of the same size and quality that he would select in a private community. Where he is forced to accept size or quality in excess of his normal preferences, the housing will not have the same "reasonable value" to him that it would have to others. Therefore, a special adjustment may be made in exceptional cases of this kind so that, as a general rule, the rent (excluding utilities) charged an employee will not exceed 20% of his gross salary (pay and allowances).
- (5) If there appears to be an excessive differential in the private market between rents for furnished and unfurnished housing, the agency may use the comparable rents on unfurnished private units and adjust these, where appropriate, by a reasonable charge for furnishings.
- (6) Rents for temporary Federal housing will be based on comparison with permanent private housing, and adjustments in the rents may be made to reflect lower standards of amenities which may exist in the temporary Federal housing.
- (7) Except for the Panama Canal Zone, the heads of agencies may substitute for the principle of equivalence such other

(No. A-45)

- 4 -

methods as will conform to the Act of June 20, 1874 (5 U.S.C. 71) and other statutes and Comptroller General decisions thereunder in establishing rents for housing in the territories and possessions. Rents in the Panama Canal Zone will be based on comparable housing of the Panama Canal Company.

- c. Utilities principle: As a further extension of the principle of equivalence with private housing practice, Government charges to Government employees for utilities (heat, electricity, gas, water, ice, telephone, etc.) should be set by comparison with local domestic rates for similar services and should be clearly identified and distinguished from charges for rent. However, in establishing rental rates for rooms, the room rent may combine shelter rent and utilities without distinction.
5. Procedures. In order to insure effective application of the foregoing principles, appraisals of Government quarters and utility services and their comparison with private facilities should be thoroughly impartial; the procedure for setting rents and service charges should be formalized and recorded; and the appraisal should be repeated often enough to reflect important fluctuations in the private market.
- a. Initial appraisals: To help assure impartial appraisals, the agency should, wherever possible, obtain the assistance of private citizens with an extensive knowledge of local real estate conditions. In no event should the appraisal be made by residents in the housing under consideration. In situations where several different Federal agencies supply housing in the same general area, an interagency appraisal committee may be set up to make recommendations on both rents and utility rates, thus promoting a consistent local pattern. Where appropriate, advice in making rent determinations may be requested from the Regional Representative of the Housing and Home Finance Administrator in the area where the housing is located. In cases where substantial increases in rents are recommended, the agency may make the adjustment in gradual steps over a period up to twelve months. Wherever the quarters are located in areas under Federal rent control, the establishment of rents according to the basic rent principle will require consultation with the rent stabilization officials in the local area, and the use of such registration and petitioning procedures as may be prescribed by the stabilization regulations.

Whatever the procedure used, a full record of the proceedings, including the findings and recommendations of the appraisal committee, consultant, or appropriate officer, should be kept locally by the agency concerned. In all cases where an

(No. A-45)

APPENDIX B

- 5 -

exception to the rule of equivalence with private rents is considered necessary (according to the guides in paragraphs 4b(1), (3), (4), and (5)), a report of the rent determined and the reasons for the determination should be made promptly to the Bureau of the Budget. Opportunity for systematic consideration of appeals from rent determinations should be provided.

- b. Reappraisals: To make sure that the rent and service charges are kept up to date, rate schedules should be reappraised at least once every three years.

FREDERICK J. LAWTON
Director

(No. A-45)