



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

November 2018

FEDERAL PERSONAL PROPERTY

GSA and VA Have Opportunities to Improve the Exchange/Sale Process

GAO Highlights

Highlights of [GAO-19-33](#), a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

According to the U.S. Treasury, the government owns about \$1.3 trillion in “personal property” such as computers, furniture, and vehicles. Federal law authorizes agencies to exchange or sell personal property and retain the allowances or proceeds for replacing similar needed property. These are called “exchange/sale” transactions. GSA is responsible for issuing exchange/sale regulations and guiding agencies on the use of the authority.

GAO was asked to review agencies’ use of the exchange/sale authority. This report (1) describes what is known about personal property exchange/sale transactions from fiscal year 2013 through fiscal year 2017 and (2) examines selected agencies’ experiences using the exchange/sale authority and monitoring such activities. GAO analyzed multi-year data compiled by GSA OGP and found the data to be sufficiently reliable. GAO selected three agencies—GSA, the Army, and VA—based on the type, quantity, and value of personal property exchanged and sold; reviewed agencies’ personal property policies; examined agencies’ monitoring of exchange/sale activities; and interviewed their officials about personal property management.

What GAO Recommends

GAO is recommending that GSA OGP address agency confusion about the exchange/sale authority and that GSA clarify its responsibilities and the scope of its authority. GAO is also recommending VA revise its policy to address monitoring and communicate the revision to staff. Both agencies agreed with the recommendations.

View [GAO-19-33](#). For more information, contact Lori Rectanus at (202) 512-2834 or rectanusl@gao.gov.

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GSA and VA Have Opportunities to Improve the Exchange/Sale Process

What GAO Found

According to data compiled by the General Services Administration’s Office of Government-wide Policy (GSA OGP), 27 agencies executed exchange/sale transactions, governed by statute and GSA regulations, to exchange (trade-in) or sell personal property from fiscal year 2013 through fiscal year 2017. The 27 agencies reported transactions totaling about \$3.1 billion. Vehicle sales accounted for \$2.6 billion (about 84 percent) of that total.

Examples of High-Value “Personal Property” Items



Source: GAO. | GAO-19-33

GAO found that GSA officials who procure vehicles for federal agencies and Army officials who purchase helicopters appeared to understand the exchange/sale process and used it frequently. However, Department of Veterans Affairs (VA) officials expressed confusion about key aspects of the authority. For example, officials were unclear about how to sell property; this lack of clarity led to missed opportunities to use sale proceeds for replacing property. GSA OGP officials who guide agencies on the use of the authority acknowledged that the exchange/sale regulations can be confusing but GSA’s plan to amend them is at least 2 years away. Because GSA does not plan to address this confusion in the near term through other means such as bulletins or outreach, agencies’ misunderstanding of the authority could lead to additional missed opportunities to be effective stewards of government funds.

Regarding monitoring of exchange and sale activities, GAO found that the Army monitored activities consistent with its policy. However, GSA and VA performed limited monitoring because:

- GSA had not clarified its responsibilities or defined the scope of its authority for monitoring internal GSA exchanges and sales, and
- VA did not have a detailed policy for monitoring and had not communicated information about monitoring to pertinent employees.

Until GSA clarifies its responsibilities and the scope of its authority and VA revises its policy with pertinent details and communicates this information to staff members, neither agency will be positioned to sufficiently monitor exchange/sale activities.

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Abbreviations

DOD	Department of Defense
GSA	General Services Administration
GSA Fleet	Office of Fleet Management
GSA OAS	Office of Administrative Services
GSA OGP	Office of Government-wide Policy
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

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November 16, 2018

The Honorable Ron Johnson
Chairman
The Honorable Claire McCaskill
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The federal government owns and manages more than a trillion dollars of “personal property”—government property other than real property—ranging from vehicles and aircraft to specialized medical equipment and scientific devices. In fiscal year 2017, federal agencies reported approximately \$1.3 trillion in personal property assets.¹ Over time, agencies’ personal property may no longer adequately perform the task for which it was used. Federal law authorizes agencies to exchange (trade-in) or sell such property still needed to meet their missions and apply the exchange allowance or sale proceeds in whole or in partial payment to acquire similar replacement property.² Such transactions are known as personal property “exchange/sale” transactions. These transactions facilitate the replacement of property by allowing agencies to offset the cost of new property, resulting in savings to taxpayers. Without this authority, agencies may have to charge the full purchase price of new property to their appropriations, while depositing the proceeds from the disposition of their worn property in the U.S. Treasury.

Because exchange/sale transactions provide agencies with an opportunity to save costs, it is important that agencies using the authority establish policies, processes, and procedures with effective controls to help ensure they meet applicable requirements and are good stewards of government resources. The General Services Administration (GSA) has issued regulations that describe the terms, conditions, and reporting requirements for using such exchanges or sales, but agencies are to carry out the authority and adhere to legal requirements after assessing their own needs and making decisions about whether to use the authority.

¹U.S. Treasury, *Financial Report of the United States Government, Fiscal Year 2017*. The report also shows agencies reported approximately \$700 billion in real property assets (i.e., land and facilities).

²40 U.S.C. § 503.

You asked us to review agencies' use of the personal property exchange/sale authority. This report:

- describes what is known about personal property exchange/sale transactions, as reported by federal agencies from fiscal years 2013 through 2017 and
- examines selected agencies' experiences using the personal property exchange/sale authority and monitoring such activities.

To address both objectives, we reviewed applicable federal statutes and regulations pertaining to personal property management and the exchange/sale authority; our prior work; and reports by federal agencies' offices of inspectors general on personal property management issues. To describe what is known about personal property exchange/sale transactions, we analyzed annual exchange/sale summary data, as reported to GSA's Office of Government-wide Policy (GSA OGP) by federal agencies from fiscal year 2013 through fiscal year 2017. These data—which are the only federal government-wide data available on exchange/sale transactions—identify the agency involved in the transactions, the transaction method, and the type and value of the property. To assess the reliability of these data, we reviewed GSA's electronic template provided to federal agencies for reporting data and the user guide and other materials related to GSA's personal property reporting tool. We interviewed GSA officials about the process for collecting, submitting, reconciling, verifying, and compiling annual government-wide, exchange/sale summary reports. To assess the reliability of selected agencies' data, we interviewed officials from these agencies (see below) about the exchange/sale data they reported to GSA and reconciled documentation on transactions with data reported to GSA to identify any discrepancies. We determined that the data were sufficiently reliable to describe the agencies that use the authority and the general types of property they acquire, but determined that data from the Department of Veterans Affairs (VA) were unreliable.

To examine selected agencies' experiences using the personal property exchange/sale authority and monitoring such activities, we selected three agencies—GSA, Army, and VA—based on various characteristics, such as type, quantity, and value of personal property reported as exchanged and sold in GSA's summary data.

- GSA: We selected GSA because it reported a high-value of exchange/sale transactions. Within GSA, two offices have key roles in the internal use of the exchange/sale authority. First, the Office of

Fleet Management (GSA Fleet) uses the authority to manage the government-wide motor-pool program that acquires vehicles and then leases them to other federal agencies. Second, the Office of Administrative Services (GSA OAS) is the office responsible for performing personal-property management functions, such as developing policy and procedures, internal to the agency.

- Army: We selected the Army within the Department of Defense (DOD) because it reported a relatively low-number of high-value items, such as aircraft. In particular, the Army Program Executive Office for Aviation (Army Aviation) accounted for the majority of high-value aviation-related exchange/sale transactions within DOD. Beyond the three selected agencies, we heard from other agencies when we attended a joint GSA-DOD presentation focused on aviation that brought together GSA, Army, Navy, and Air Force officials to discuss their experiences using the exchange/sale authority.
- VA: We selected VA because it reported a high-number of low-value items sold or exchanged. For in-depth interviews, we selected three medical centers (Long Beach, California; Cincinnati, Ohio; and Portland, Oregon) that reported using the authority for the acquisition of medical equipment and the three Veterans Integrated Service Networks (Regional Offices) responsible for monitoring these medical centers.

We also reviewed applicable federal internal control standards,³ agencies' personal property policies and programs to understand agencies' use of the authority and monitoring of exchange/sale activities, and conducted interviews with selected offices within these agencies to understand their experiences in using the authority. Information we obtained from these three agencies is not generalizable to all federal agencies but provides illustrative examples in how agencies have used this authority. See appendix I for more details on our scope and methodology.

We conducted this performance audit from August 2017 to November 2018 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.

³GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

Background

Personal property refers to a wide variety of property that may include commonly used items such as computers, office equipment and furniture, and vehicles, as well as more specialized property specific to agencies such as medical equipment for VA and medical helicopters for the Army. See figure 1.

Figure 1: Examples of Federal Personal Property

Shown clockwise from top left: facsimile machine, office furniture, truck, and tractor with bucket loader.



Source: General Services Administration. | GAO-19-33

The personal property exchange/sale authority allows agencies to replenish property that is not excess or surplus and that is still needed to meet the agency's continuing mission. Agencies must meet several requirements, including:

-
- The property exchanged or sold is similar to the property acquired.⁴ Agencies can meet the similarity requirement in one of several ways. First, the property acquired is identical to the property replaced. Second, the acquired property and the replaced property fall within a single federal supply group of property.⁵ Third, both the acquired and the replaced property constitute parts or containers for similar parts. Fourth, the acquired and the replaced property are designed or constructed for the same purpose. For instance, ambulances and station wagons adapted for use as ambulances would be considered similar.
 - The property exchanged or sold was not acquired for the principal purpose of later exchanging or selling it using the authority. For example, an agency cannot purchase a costly piece of equipment for the sole reason that it will deliver a higher value when sold using the authority.
 - Proceeds from the sale can only be put toward the purchase of replacement property and cannot be spent on services. In other words, an agency can use proceeds from the sale of a vehicle to purchase a new vehicle, but it cannot use proceeds to hire a mechanic to repair an existing vehicle.

In addition, GSA regulations, except as otherwise authorized by law, require that proceeds from sales be available during the same fiscal year the property was sold or the following fiscal year for replacement property.⁶ For an item sold in fiscal year 2018, an agency has the rest of fiscal year 2018 as well as fiscal year 2019 to purchase a replacement item. If agencies do not spend these funds by the end of fiscal year 2019, monies are to be deposited in the U.S. Treasury. Finally, agencies are prohibited from using the authority to replace certain types of property (i.e., hand tools and clothing).⁷ However, agencies may request a waiver

⁴40 U.S.C. § 503; 41 C.F.R. § 102-39.20.

⁵The Federal Supply Classification is a commodity classification designed to serve the functions of supply and permits the classification of all items of personal property. The structure of the federal supply classification consists of 78 category groups identified by 2-digits (i.e., 65 for medical, dental, and veterinary equipment and supplies) and classes identified by 4-digits (i.e., class 6520 represents dental equipment and class 6525 represents x-ray equipment and supplies).

⁶41 C.F.R. § 102-39.80.

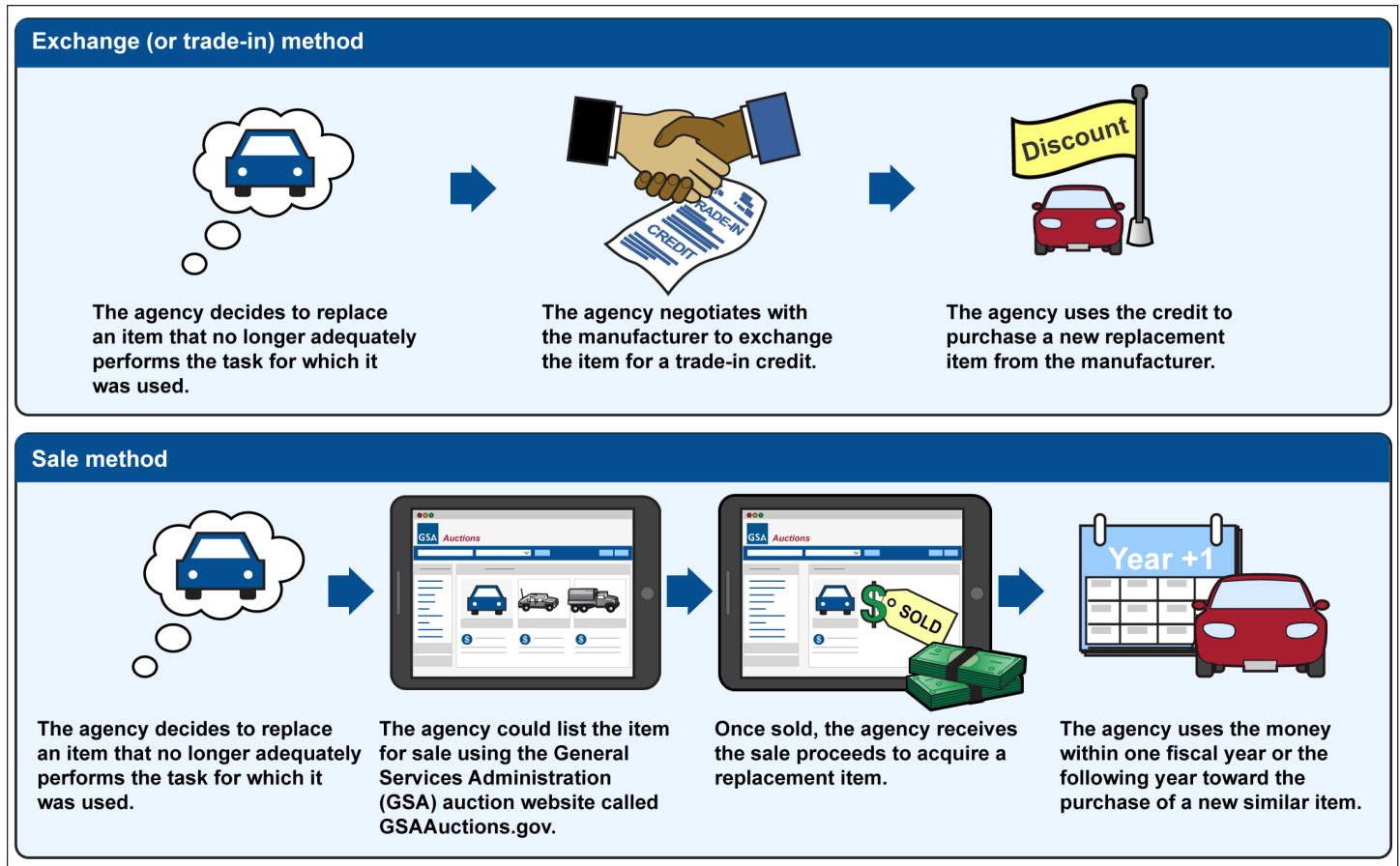
⁷41 C.F.R. § 102-39.60. According to GSA OGP officials, the prohibited property list includes property that is hazardous or dangerous, requested by state-run organizations, or managed with greater control than other property.

from GSA to sell these prohibited items or to extend the time frame to purchase replacement property.

Agencies may choose between two transaction methods to replace property—the exchange (trade-in) or sale method, but must determine which method provides the greater return to the government, including administrative and overhead expenses.⁸ A typical exchange occurs when the original manufacturer delivers a replacement item to the agency and removes the item being replaced. The manufacturer applies a trade-in credit (an allowance) for the purchase of a replacement item. If the sale method is used, the agency receives the sale proceeds for the sale of the non-excess items (needed to meet mission requirements) and applies those proceeds to the purchase of the replacement personal property. See figure 2.

⁸40 U.S.C. § 503; 41 C.F.R. § 102-39.50.

Figure 2: Illustrative Examples of the Federal Personal Property Exchange and Sale Transaction Methods



Source: GAO. | GAO-19-33

Note: Generally, agencies sell property through one of seven approved sales centers. Property may be sold through online auctions, live auctions, fixed price sales, negotiated sales, sealed bid, and spot bid sales.

In conducting a sale, agencies are to follow a process similar to the disposal process for excess property.⁹ When an agency disposes of excess property, it makes the item available to other federal agencies and state agencies by posting it in GSAXcess—GSA’s website for reporting, searching, and selecting excess property. The disposal process generally consists of four sequential stages in which personal property may be

⁹GAO, *Federal Personal Property, Opportunities Exist to Improve Identification of Unneeded Property for Disposal*, GAO-18-257 (Washington, D.C., Feb. 16, 2018).

transferred to another agency or eligible recipient, donated, sold, or abandoned or destroyed.

Similarly, agencies may use GSAXcess to facilitate the replacement of property under the exchange/sale authority. However, unlike the disposal process for excess property that may be offered at no cost, if another federal agency or state agency needs the property, the agency is to pay no more than the fair market value for the item or a negotiated fixed price, respectively. Otherwise, the property may be listed for sale to the general public at approved sales centers, such as GSA AuctionsSM, or through other approved methods, such as live auctions or Internet sales. After the sale closes, the agency receives the proceeds to apply toward the purchase of a similar item.¹⁰

Agencies are required to submit a summary report to GSA at the end of each fiscal year on the type, the quantity, the exchange allowances or sale proceeds, and the original acquisition cost of items for both exchange and sale transactions. Agencies that made no transactions during a fiscal year must submit a report stating that they made no transactions. Ultimately, agencies decide whether to use the exchange/sale authority to replace property in their inventory. In managing property, federal law requires agencies to maintain adequate inventory controls and accountability systems as well as assess the extent to which the agency's mission depends on the property.¹¹

A Few Agencies Carried Out Most Transactions, Which Involved Selling Billions of Dollars in Property

¹⁰In contrast to the exchange/sale process, sale proceeds of surplus property are deposited into the General Fund of the U.S. Treasury, unless an agency is otherwise authorized to retain the proceeds.

¹¹40 U.S.C. § 524.

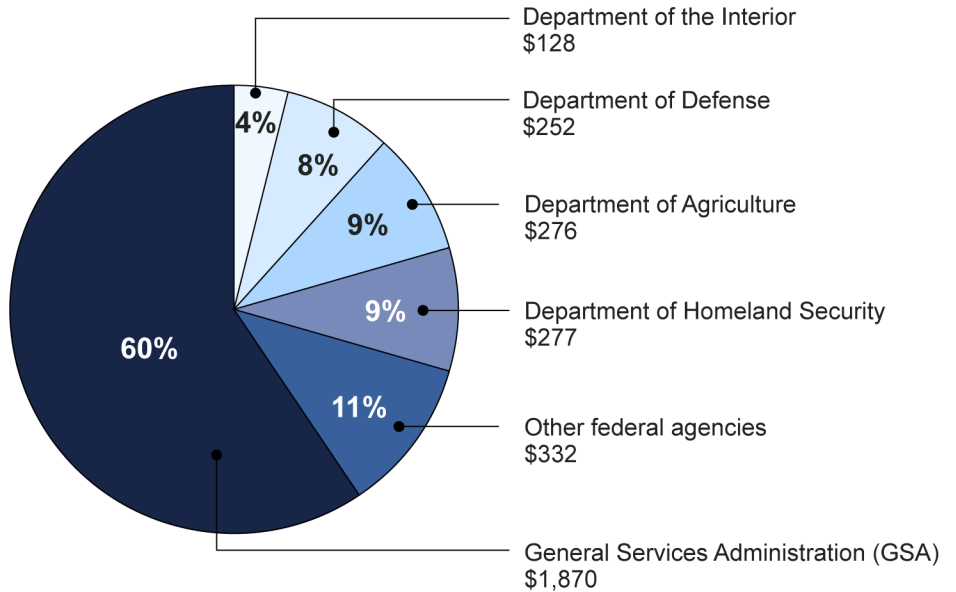
GSA Reported About 60 Percent of Proceeds across the Federal Government

According to GSA's annual summary data, 27 agencies reported using the exchange/sale authority and received a total of about \$3.1 billion in exchange allowances or sale proceeds from fiscal year 2013 through fiscal year 2017.¹² While many agencies used the authority, a few agencies, particularly GSA, together accounted for about 90 percent of all allowances and proceeds. Specifically, 5 of 27 agencies reported nearly all exchange allowances and sale proceeds. GSA accounted for about \$1.9 billion of about \$3.1 billion (or about 60 percent) of reported allowances and proceeds across the federal government. Four other agencies—the Departments of Homeland Security, Agriculture, Defense, and the Interior—accounted for about \$934 million (or about 30 percent) of the total. The other 22 agencies using the authority reported about \$332 million (or about 11 percent) in exchange allowances or sales proceeds over the 5-year period.¹³ See figure 3. Finally, agencies reported using the sale method more than the exchange method. Sales by agencies accounted for about \$2.9 billion (or about 91 percent), while use of the exchange method accounted for about \$275 million (or about 9 percent) of total transactions reported, primarily due to GSA's and DOD's reporting more use of the sale method over the exchange method.

¹²Although 27 agencies used the authority over the 5-year period, not all agencies used the authority every year. Agencies reporting exchange/sale transactions included executive, legislative, and judicial agencies.

¹³Percentages do not add to 100 percent due to rounding.

Figure 3: Percentages of Total Allowances and Proceeds Reported by Agencies from the Exchange/Sale Authority from Fiscal Year 2013 through Fiscal Year 2017 (Dollars in Millions)



Source: GAO analysis of GSA data from fiscal years 2013 through 2017. | GAO-19-33

Note: Percentages do not add to 100 percent due to rounding.

While some agencies reported hundreds of millions of dollars in exchange allowances and sale proceeds, the data show that 10 federal agencies—including the Department of Labor, Office of Personnel Management, and the Social Security Administration—reported relatively few transactions, which totaled less than \$100,000 in exchange allowances and sales proceeds.

GSA OGP officials consider the agency-reported data to provide a representative picture of the overall exchange/sale transactions occurring across the federal government. GSA OGP officials rely on the agencies to ensure the accuracy and completeness of the exchange/sale information. According to GSA OGP officials, because GSA does not have authority to compel the agencies to report or address quality issues, it does not look at record level data from the agency to determine the data’s accuracy and does not have a way of verifying if exchange data are accurate and complete. Nonetheless, GSA officials said they take steps to ensure the data are reliable and complete. For example, GSA OGP officials said they review the data for any obvious inaccuracies and follow up with the reporting agency to correct the inaccuracy. In addition, according to GSA

OGP officials, they report the sales portion of most agencies' exchange/sale transactions for any sales that were conducted by GSA and ask agencies to verify the data before finalizing it in the summary report.

Agencies Reported Selling High-Value Items, Primarily Vehicles

While agencies exchanged and sold a wide variety of items, GSA's annual summary data show that high-value items, primarily vehicles, accounted for the vast majority of allowances and proceeds from fiscal year 2013 through fiscal year 2017. Specifically, vehicle sales across the federal government accounted for about \$2.6 billion of \$3.1 billion (or about 84 percent) in total proceeds, of which GSA's Fleet program accounted for about 71 percent of that total. According to GSA Fleet program officials, the authority allows GSA to continuously update its fleet of over 214,000 vehicles while keeping lease payments low for its 75 customer agencies.¹⁴ The program sells an average of about 36,000 vehicles each year, bringing in about \$370 million in sales proceeds annually. In fiscal year 2017, the program received almost \$300 million in proceeds from vehicle sales and spent about \$776 million acquiring new vehicles. Three agencies—the Departments of Agriculture, Homeland Security, and the Interior—each reported over \$100 million in proceeds from vehicle sales.

In addition to vehicles, agencies reported exchanging and selling other types of high-value items. For example, DOD reported using the authority to sell or exchange helicopters. According to the Army Aviation Program Executive Office, the Army continues to divest and plans to replace up to 800 Black Hawk helicopters from 2014 to 2025, each having an average value of about \$1.5 million.¹⁵ See figure 4. DOD reported about \$150 million in exchange allowances and sale proceeds by using the authority to replenish aircraft, and as of January 2018 Army Aviation had

¹⁴For more information on vehicle fleet management, see GAO, *Federally Owned Vehicles: Agencies Should Improve Processes to Identify Underutilized Vehicles*, [GAO-17-426](#) (Washington, D.C.: Apr. 25, 2017).

¹⁵DOD policy requires approval from Congressional authorizing committees to use proceeds from sales when acquiring an item not identical to the item sold. (See DOD 7000.14-R, Vol. 3, Chapter 6, para 0609). According to Army officials, because the Army Aviation program is acquiring a new model of the Black Hawk helicopter, it is subject to this policy. In March 2018, Army Aviation program officials stated that they could lose \$85 million in sales proceeds if the request was not approved prior to the expiration of the funds on September 30, 2018. According to the DOD Comptroller's Office, in June 2018, Army Aviation program received Congressional approval for this acquisition.

purchased five Black Hawk helicopters.¹⁶ Other DOD agencies—the Naval Air Systems Command and the Air Force Life Cycle Management Center—are using the authority for exchanging aircraft engines and parts containing rare earth metals under a reclamation and propulsion material exchange program.

Figure 4: Examples of Personal Property Exchanged or Sold by Selected Agencies

Retinal imaging equipment

Black Hawk helicopters



Source: GAO. | GAO-19-33

In addition to high-value items, agencies reported selling a wide variety of other items, including missiles, office equipment, lumber, and packing supplies. One of our selected agencies, VA, predominately used the authority to exchange medical equipment. See figure 4. However, we did not find data for VA to be sufficiently reliable to report separately. Based on our interviews with VA medical centers we found that reported data did not reflect actual exchange/sale transactions, which we discuss later in this report. However, we have included VA data in the reported \$332 million for “Other federal agencies” in figure 3.¹⁷

¹⁶According to Army Aviation officials, they reported more exchange/sale transactions and a higher dollar value than is reported in the GSA annual summary data. GSA OGP officials stated that discrepancies in reported data may be a result of transactions taking place across fiscal years, where the sale is initiated in one fiscal year but not completed until the following fiscal year.

¹⁷VA data account for 11 percent of “Other federal agencies” and about 1 percent of total proceeds for the federal government.

Selected Agencies Expressed Confusion About How to Use the Authority or Monitor Exchange/Sale Activities

VA Did Not Understand How to Use the Exchange/Sale Authority

GSA regulations for the personal property exchange/sale authority set forth several conditions for using the authority, including that the property exchanged or sold is not excess or surplus and that agencies report information on their exchange/sale transactions to GSA on an annual basis. Federal internal control standards state that management should externally communicate the necessary quality information to achieve the entity's objectives.¹⁸

However, the agencies in our review had different levels of understanding about the authority, which affected their experiences for how they used the authority and outcomes. For example, VA officials said they misunderstood key aspects of the exchange/sale authority, resulting in inefficiencies and data inaccuracies, as described below:

- **Process for selling property:** Officials from all three selected VA medical centers said they did not understand the sequence of events in selling property using the sale method, a situation that led to VA's using a potentially less economical method to acquire new equipment. For example, officials at two selected VA medical centers told us that they believed that they had to sell their medical equipment prior to acquiring replacement equipment. Officials at one medical center said this sequence of events makes it difficult to use the sales method of the exchange/sale authority because VA medical centers must have medical equipment, such as x-ray machines, readily available and fully operational for veterans at all times. However, GSA OGP officials stated that replacement property can be purchased prior to the sale of property. In addition, officials at a VA medical center reported they had limited storage, making it difficult to buy replacement equipment and store it until VA can sell the equipment. As a result, a VA medical center official stated that they instead used the exchange method

¹⁸[GAO-14-704G](#).

because it provided a seamless replacement of equipment to prevent any break in availability of medical equipment. While the exchange method is a viable approach, in this case, the sales method could have delivered a higher monetary return. In addition, by using the sale method, VA could potentially have replaced equipment more efficiently than replacing the full cost of the item with the agency's appropriation. A VA headquarters official was also unclear about how to use the proceeds from sales. This official was unclear whether the sales proceeds could be used from any type of medical equipment in a particular supply category, such as a scalpel, toward the replacement of another item in that same classification, such as a wheelchair, or whether the items had to be identical or serve a similar purpose.

- **Data Reporting:** Officials at two selected VA medical centers did not clearly understand the annual summary data reporting process. These officials stated that they found GSA's reporting template confusing because it provides minimal direction to the user and does not clearly define some data-reporting elements. The template includes a space for reporting "exchanged/sold;" however, officials at one medical center were unaware that "sold" referred specifically to exchange/sale transactions only and not to other transactions referred to as sales, such as surplus property sales; according to medical center officials, this medical center reported about 1,000 misclassified sales in GSA's annual summary data.
- **Exchange/sale versus disposal:** According to VA officials, they or others involved in personal property management did not fully understand the distinction between the process for acquiring replacement property under the exchange/sale authority and the process for declaring property as excess.¹⁹ Officials within all three selected VA medical centers misunderstood the difference between the two processes, possibly because both processes use GSAXcess to sell property under the exchange/sale authority or to report property as excess for disposal. As a result, one VA medical center mistakenly reported excess disposals as exchange/sale in the GSA OGP annual summary data. In addition, two facilities disposed of some still needed property instead of conducting sales under the exchange/sale authority. A VA headquarters official acknowledged that property

¹⁹Under the disposal process, property is declared excess when an agency determines that an item is no longer needed to carry out its mission. Once property is deemed excess or surplus, it can be transferred to another federal agency or eligible non-federal entity, donated, sold, or abandoned/destroyed. See [GAO-18-257](#).

managers in charge of implementing the exchange/sale authority at medical centers may be confusing these two processes or may be unaware that the exchange/sale authority exists.

Similarly, officials from the Air Force and Navy said they or others involved in personal property management did not always understand the difference between these two processes.²⁰ An Air Force official stated that DOD's policies do not clearly distinguish the exchange/sale process from the disposal process and do not consistently define terms, such as "excess" and "non-excess" property, that align with GSA's regulations. In retrospect, Air Force officials stated that they disposed of property that could have been replaced through the exchange/sale authority. Generally, disposal results in (a) sales proceeds being returned to the U.S. Treasury rather than retained by the agency and (b) services possibly having to use their appropriation for replacement property, rather than working directly with the vendor to obtain a replacement at a reduced cost. We have previously reported on DOD's disposing of \$855 million in excess items for which they will likely have a continuing need.²¹

Conversely, based on our interviews and review of their policies, records, and transaction data, two program offices within the Army and GSA—Army Aviation and GSA Fleet—appeared to understand how to use the exchange/sale process. We found that these offices may have a greater level of understanding for a few key reasons:

- **Narrow scope:** Both programs are designed around replacing one type of item—helicopters for helicopters or vehicles for vehicles. When items are not so directly interchangeable, determining whether or not an item sold and replaced or exchanged are "similar" can be challenging.²² Because the Army Aviation and the GSA Fleet programs focus on one type of item, the determination of what constitutes similar property under the GSA regulation is not a challenge.

²⁰We participated in a meeting with Army, Navy, Air Force, and GSA officials who discussed their experiences using the exchange/sale authority.

²¹GAO, *Defense Inventory: Actions Needed to Improve the Defense Logistics Agency's Inventory Management*, [GAO-14-495](#) (Washington, D.C.: June 19, 2014).

²²As previously discussed, when using the exchange/sale authority, the item acquired must be similar. 40 U.S.C. § 503.

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- **Established programs with frequent sales:** The Army Aviation and the GSA Fleet programs have sold hundreds of aircraft and tens of thousands of vehicles over the past several years. They have invested resources into developing an exchange/sale process. Conversely, programs that may sell or exchange an item or two a year—even very expensive items, such as medical equipment—may not have the same opportunities to develop processes and guidance through repeated sales or exchanges.
 - **High-value items:** Similarly, both the Army Aviation and the GSA Fleet programs sell high-value items. Thus, investing resources in an exchange/sale process makes sense, as programs benefit from the sales and have a process to guide and track these high-value items. For an agency like VA, which disposes of some low-value items, there may not be the same motivation to develop a standard process. GSA OGP officials emphasized that high-value items, such as helicopters and vehicles, are best suited for using the exchange/sale authority.

GSA Has Not Clarified Aspects of Using Exchange/Sale Authority for Agencies

GSA OGP officials stated that they recognize some agencies, such as VA, may experience confusion using the authority, that the regulations are misunderstood by agencies, and that aspects of the authority need to be clarified. According to these officials, GSA attempted to amend the regulations in 2015 to address key areas of confusion, including:

- restricting the definition of similar to ensure that items replaced are clearly similar. GSA wanted to change the federal supply category criteria to make agencies replace items at the more specific four digit level rather than the broader two digit level. As an illustration, this change would help clarify the confusion VA reported about whether a scalpel and a wheel chair qualify as similar items.
- clarifying the process for selling property; specifically, clarifying that agencies can purchase replacement property prior to the sale of property that no longer adequately performs its task.

However, GSA OGP officials stated that they did not complete the rulemaking process in order to give the incoming administration an opportunity to review and approve any revisions.

Since the change in administration, GSA officials said they have been focused on evaluating the continued need and relevance of all of their regulations as part of the administration's plan to conduct regulatory

reviews.²³ Nonetheless, GSA OGP officials said they plan to address these areas of confusion by amending the regulations. Specifically, they plan to clarify the definition of similar property and the difference between excess and non-excess property, among other changes. However, officials estimate the rulemaking will likely not be finalized for at least 2 years. As a result, the extent to which the rulemaking process will result in clarifying language is unknown.

Although GSA anticipates initiating a rulemaking to amend regulations, which could make the definition of “similar” more restrictive, GSA OGP officials told us that clarifying the issues agencies found confusing would not necessarily require a rulemaking. They highlighted other actions they are taking to promote the use of the authority, inform agencies of the requirements, and train agencies on using the authority. For example, they conduct outreach by making presentations at national conferences (i.e., FedFleet), meet with representatives from the National Property Management Association,²⁴ and hold small group discussions with program managers specializing in certain high-value items, such as aircraft. GSA’s presentations aim to educate agencies on what the authority is, the conditions and requirements of the authority, and when to use the authority. According to GSA OGP officials, as a result of their outreach, they have seen immense growth in exchange/sale transactions among the aviation community.

GSA has also issued bulletins to help dispel misunderstandings related to using the exchange/sale authority.²⁵ For example, GSA issued a bulletin in 2010 to federal agencies to remind them to submit annual reports on exchange/sale transactions.²⁶ This bulletin contained information on the reporting requirements, frequently asked questions, and points of contact

²³*Enforcing the Regulatory Reform Agenda*, Exec. Order No. 13777, 82 Fed. Reg. 12285 (Feb. 24, 2017) and *Reducing Regulation and Controlling Regulatory Costs*, Exec. Order No. 13771, 82 Fed. Reg. 9339 (Jan. 30, 2017).

²⁴The National Property Management Association is a non-profit association for professionals who are responsible for the effective and efficient management of personal property.

²⁵According to GSA, bulletins “clarify provisions and the requirements outlined in the regulations. They also serve as timely updates to regulations.”

²⁶GSA Bulletin FMR B-27, *Annual Executive Agency Reports on Excess and Exchange/Sale Personal Property*, (Washington, D.C.: July 22, 2010).

for agencies to reach out to with additional questions.²⁷ In summer 2018, GSA OGP officials drafted a new bulletin to further address financial aspects of the exchange/sale authority and expect to issue it in December 2018. This bulletin details why agencies should use the authority and directs agencies to develop policies for using the authority and to consult with the Chief Financial Officer of the agency to obtain more information. According to these officials, an additional bulletin would take 3 to 4 months to develop and issue.

However, neither GSA's outreach nor its draft bulletin addresses existing confusion regarding the sales process or data reporting, or distinguishes the exchange/sale process from the disposal process. For example, GSA's outreach, such as the FedFleet presentation, generally describes the authority and discusses provisions of using the authority but does not address issues agency officials told us they found confusing. The presentation tells agencies that they can sell property under the authority but does not go into the mechanics of how to sell property. By making presentations like these to address areas agencies found confusing, GSA would have an opportunity to help clarify these issues and encourage agencies to use the authority more.

Moreover, GSA OGP officials told us that they believe that a lack of knowledge of the authority is a reason why some agencies do not use it more. As we reported earlier, 10 of the 27 federal agencies that reported transactions had few exchange/sale transactions over the past 5 years. According to a VA official, if VA medical centers better understood how to use the authority, they could see a significant increase in use throughout the agency. Furthermore, if GSA provided clearer information on using the authority, the 10 agencies that we found that used the authority infrequently may increase their use.²⁸

Additionally, GSA's draft bulletin on financial issues does not address the logistical issues agencies found confusing, such as how to sell property using the exchange/sale authority. The bulletin addresses accounting procedures agencies should follow when conducting transactions but does not describe how agencies are to conduct these transactions. Until

²⁷ GSA OGP officials stated that agencies do not need to report their own sales data if sales are conducted through GSA sales centers because these sales are reported to OGP by GSA's Federal Acquisition Service.

²⁸ Agencies may be choosing not to use the authority for other reasons, such as not having suitable property to exchange or sell under the authority.

GSA takes action to address confusion, agencies may continue to misunderstand and not use the exchange/sale authority. If agencies continue to misunderstand aspects of the exchange/sale authority, they may not take full advantage of the authority, thereby missing opportunities to be more effective stewards of government property and replenish property more efficiently.

GSA and VA Did Not Monitor Exchange/Sale Activities

Agencies are responsible for managing their own personal property, including monitoring their exchange/sale activities. Federal internal control standards call on managers to establish and operate monitoring activities to monitor the internal control system and evaluate the results.²⁹ Monitoring involves regular management and supervisory activities, comparisons, reconciliations, and other routine actions.

We found that the Army monitored its exchange/sale activities, as outlined in its policies. The Army's policy delegated responsibility to the Army's Deputy Chief of Staff (Logistics) to monitor and approve Army programs seeking to use the authority.³⁰ Our review of Army's policy found that multiple Army offices monitor financial, logistical, legal, and procurement functional areas as they reviewed and communicated on the eligibility of exchange/sale transactions. The policy also allows program and inventory managers to use the authority for high-value items, requires contracting officers and attorneys to review the transactions, and uses a management checklist for transactions. Consistent with policy, the Army's Deputy Chief of Staff, in conjunction with offices within DOD, reviewed and approved requests from Army Aviation to use the exchange/sale authority to sell Black Hawk helicopters and apply proceeds to replacement helicopters. The Army official said that the office continues to monitor exchange/sale transactions in collaboration with the Army Aviation program to manage the exchange and sale of their personal property that includes Black Hawk helicopters.

Unlike the Army, GSA OAS did not monitor its internal exchange/sale activities. In 2009, GSA's internal policy established a position

²⁹[GAO-14-704G](#).

³⁰Army Regulation 725-1, *Special Authorization and Procedures for Issues, Sales, and Loans*, (Washington, D.C., Oct. 17, 2003). The Under Secretary of Defense (Comptroller) approved the Army's use of the exchange/sale authority on the conditions that an internal control process was implemented and that the process was reviewed and approved by the Army Audit Agency.

responsible for ensuring compliance with government-wide, personal property requirements.³¹ However, GSA officials stated that the position was never staffed and later subsumed into GSA OAS when the office was established in 2011 to manage personal property, including exchange/sale activities, within the agency.³² Since that time, GSA OAS officials said that they have not monitored these activities because senior management did not prioritize personal property, including exchange/sale transactions. For example, management did not clarify GSA OAS's responsibilities nor did it define the scope of its authority for monitoring exchange/sale activities. As a result, GSA OAS officials said they have not been involved with any exchange/sale activities within the agency, and besides GSA Fleet, they do not know the extent to which other internal offices are using (or should be using) the authority.³³

According to GSA OAS officials, they have recently focused on an effort to rebuild an internal personal-property management program that will take several years to develop given the current staff of two. As part of this effort, GSA OAS revised the policy for internal personal property management in 2018 and is drafting a standard operating procedure that is expected to provide additional clarification for monitoring and conducting exchange/sale activities within GSA.³⁴ According to GSA officials:

- the 2018 policy provides relevant updates and more details that distinguish between (a) the exchange/sale authority for the exchange and sale of non-excess, non-surplus personal property and (b) the disposal authority with a focus on the disposal of excess personal property.

³¹GSA Order, 7800.12 *ADM Management of the U.S. General Services Administration's (GSA) Internal Personal Property*, (Washington, D.C.: Mar. 19, 2009).

³²GSA Order, 5440.640A *ADM Change in GSA Organization (Office of Administrative Services)*, (Washington, D.C.: Nov. 18, 2011).

³³According to GSA OAS officials, the level of exchange/sale transactions occurring in GSA—apart from the GSA Fleet program—is not known. They said some anecdotal information exists indicating that at least one GSA office may be using or should be using the exchange/sale authority.

³⁴GSA Order, OAS 7800.13 *Management of the General Services Administration's (GSA) Internal Personal Property*, (Washington, D.C.: Aug. 7, 2018) and GSA OAS-IWMD Standard Operating Procedure Exchange/Sale Authority FMR 102.39, (DRAFT) (Washington, D.C.: May 14, 2018).

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- the draft standard operating procedure is to provide procedures for all internal GSA offices to follow when using the authority. This standard operating procedure establishes a position to, among other things, help internal offices conduct and report exchange/sale transactions. GSA OAS officials referred to this procedure as a work-in-progress and were uncertain when it would be finalized.

However, GSA OAS officials said that they do not know whether this policy revision will allow them to monitor exchange/sale activities for two reasons. First, GSA OAS is unclear about the scope of its authority, such as whether the GSA Fleet program falls under its exchange/sale purview. GSA Fleet program officials said that they are not opposed to having GSA OAS monitor their program in the future. Second, this procedure will not be formally approved or coordinated throughout GSA, a situation that means there may not be consensus among all GSA offices as to GSA OAS's responsibilities and scope of authority. As a result, the revision of the policy and completion of the procedure may not be enough to ensure compliance with exchange/sale requirements. In the absence of clear responsibilities and scope of its authority, GSA OAS may not be able to monitor exchange/sale activities or provide clear information and direction to other offices within GSA.

Similar to GSA, VA conducted limited monitoring of its exchange/sale activities. VA policy states that the Deputy Assistant Secretary for Acquisition and Logistics has the departmental-wide responsibility for personal property inventory management, utilization, and disposition as well as to monitor VA logistics programs and policies.³⁵ Within VA's Veterans Health Administration (VHA), the Office of Procurement and Logistics assigns logistics officers at VHA Regional Offices with monitoring responsibilities of medical centers to ensure compliance with VA and VHA policies.³⁶ However, we found that the three VHA Regional Offices conducted limited monitoring of 23 medical centers under their purview. According to the officials we contacted, they conducted a cursory review of end-of-year data from medical centers before the data were submitted through VHA to GSA for the annual summary report.

³⁵VA Directive 7348, *Utilization and Disposal of Personal Property* (Washington, D.C.: Mar. 30, 2012).

³⁶VHA Directive 1761(1), *Supply Chain Inventory Management* (Washington, D.C.: Oct. 24, 2016).

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- According to officials at one Regional Office, they did not focus on monitoring exchange/sale transactions beyond a cursory review to see that property fell within the medical or laboratory equipment supply categories. As previously mentioned, we found that reported data did not reflect actual exchange/sale transactions. Specifically, we found that none of the sale transactions reported in 2016 as exchange/sale transactions by a selected medical center in this region was correct. Instead, these transactions were sales of surplus property.
 - According to officials at another Regional Office, they have no reason to review exchange/sale transactions in a more robust manner because end-of-year reporting presented no problems in the past that would warrant a more standardized approach. However, for the one selected medical center in this region, we found several errors in reporting end-of-year data from 2013 through 2017. Specifically, we found that nearly all reported exchanges were actually sales of surplus property, a reported exchange in 2017 was actually a transfer to another medical center, and despite reporting no transactions in 2016, we identified an exchange valued at \$500,000.
 - According to officials from a third Regional Office, they monitored various aspects of VA's personal property program—inventories and disposals, but not exchange/sale transactions. During our review, we found that one selected medical center under their purview reported about 1,000 sale transactions to GSA, but none was correct. Instead of sales of needed (non-excess, non-surplus) property, they were actually sales of surplus property. Regional officials are aware of this error and have added four new questions about exchange/sale transactions to the checklist used for their annual quality-control reviews.³⁷ They said they do not know whether other Regional Offices perform similar reviews.

An official in VA's Office of Acquisition and Logistics acknowledged that these findings are likely not uncommon because the office has not developed or communicated the management activities necessary for Regional Offices to consistently monitor medical centers' exchange/sale transactions. The lack of communication on monitoring procedures was corroborated by two Regional Offices. An official with the Office of

³⁷The questions are (1) what are the regulatory guidelines for sale of personal property, (2) has your facility conducted any sales of personal property this fiscal year, (3) did you identify any equipment as exchange/sale, and (4) what steps did you use to determine whether or not an exchange/sale would provide the greater return for the government?

Acquisition and Logistics explained that the office promulgates policy and that VHA's Office of Procurement and Logistics helps ensure policy is followed, but the absence of monitoring stems, in part, from these two offices' not collaborating or communicating the activities Regional Offices are to conduct. VHA Regional Offices monitor medical centers through annual quality-control reviews, but the reviews did not have an exchange/sale component. Furthermore, VA internally reviews a small sample of the VHA's annual quality-control reviews each year. From a Regional Office perspective, officials told us they prioritized other activities, such as monitoring inventories or disposal of equipment, over exchange/sale activities. The VA office has also not communicated with VA medical centers on how to effectively use the authority to support their medical equipment replacement needs or the benefits associated with the authority. For example, the VA office has not provided specific guidance beyond issuing personal property policies for how to conduct and monitor exchange/sale transactions.

VA officials are taking steps to improve communication to those involved in exchange/sale transactions throughout the agency—those monitoring transactions and those initiating transactions. For example, officials within the Office of Acquisition and Logistics stated that they plan to clarify the use of the exchange/sale authority within the agency's policies for personal property disposal.³⁸ This clarification will be in the form of a notice (an incremental policy change) or as part of a planned rewrite of personal property policies.³⁹ However, it is uncertain whether the information will have a level of detail to be useful for medical centers to understand the requirements for using the exchange/sale authority or will delineate how the exchange/sale process differs from the disposal process. Adding to this is the uncertainty about the time frame for finalizing and communicating such information to medical centers. Furthermore, VA officials said the policy changes alone will not be sufficient and assistance from VHA will be necessary to ensure Regional Offices understand their monitoring roles and responsibilities. A VHA official acknowledged the need to work with Regional Offices to augment the annual quality-control review checklists with an exchange/sale component, but it is unclear if and when such an update will take

³⁸VA Directive 7348; VA Directive 7002, *Logistics Management Policy*, (Washington, D.C., July 10, 2009).

³⁹VA officials said that they recently drafted two policy memorandums and several offices with competing priorities will need to approve such changes. The officials plan to promulgate new policy by December 2018.

place. Until VA and VHA work together to develop a detailed policy for monitoring and establish time frames with milestones for communicating information, they cannot be assured that 172 medical centers and 18 Regional Offices understand the exchange/sale authority, how to use it, and how to monitor end-of-year reporting data.

Conclusions

By using the exchange/sale authority, agencies have an opportunity to be good stewards of government property by efficiently replacing needed property, including high-value items, that serves critical and continuing requirements to meet agency missions. However, unfamiliarity with the exchange/sale authority and confusion surrounding the authority may lead to decisions that may not be in the government's best interest. Although GSA OGP officials acknowledge the need to amend the regulations to address areas that require rulemaking, delay in taking action to address areas of confusion that currently exist but do not require rulemaking will continue to lead to misinterpretation or misunderstanding about the authority. Moreover, until GSA specifies GSA OAS's responsibilities and defines the scope of its authority, it will continue a long-term pattern of not monitoring GSA's exchange/sale activities. Finally, until VA develops and communicates the necessary information to help Regional Offices and medical centers with their exchange/sale responsibilities, it will not have an assurance that all VA medical centers are reporting transactions accurately or effectively using the exchange/sale authority.

Recommendations for Executive Action

We are making the following two recommendations to GSA and one recommendation to VA.

- The GSA's Associate Administrator for the Office of Government-wide Policy should take action to address specific areas of federal agency confusion with the exchange/sale authority, areas such as the process for selling property, reporting data, and distinguishing the exchange/sale process from the disposal process. Such actions could include issuing bulletins or conducting expanded outreach and, as necessary, issuing regulations. (Recommendation 1)
- The Administrator of General Services should take steps to improve agency-wide monitoring of exchange/sale activities within GSA by specifying the Office of Administrative Services' responsibilities and by defining the scope of its authority. (Recommendation 2)

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- The VA's Deputy Assistant Secretary of Acquisition and Logistics, in collaboration with VHA's Office of Procurement and Logistics, should revise VA's policy to include details on the exchange/sale authority, particularly those related to monitoring by Regional Offices and use of the authority for medical centers, and establish time frames with milestones for communicating such information. (Recommendation 3)

Agency Comments

We provided a draft of this report to GSA, DOD, and VA for comment. All three agencies agreed with the findings. GSA and VA also agreed with the recommendations for their agencies. DOD provided a technical comment to the report in an email; we incorporated the technical suggestion.

GSA agreed with our recommendations and stated that it has already begun to increase understanding and appropriate use of the exchange/sale authority within GSA and across the federal government. GSA is finalizing a plan to address the recommendations. GSA's written response is reprinted in appendix II.

VA agreed with our recommendation to revise its policy to include details on the exchange/sale authority. VA stated that the Office of Acquisition and Logistics, in conjunction with the VHA Procurement and Logistics Office, has produced two draft memorandums to amend policy related to the exchange/sale authority as well as the utilization and disposal of personal property. The agency plans to promulgate the new policy by December 2018. VA's written response is reprinted in appendix III.

We are sending copies of this report to the appropriate congressional committees, the Administrator of General Services, the Secretary of Defense, and the Secretary of Veterans Affairs. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

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

A handwritten signature in black ink that reads "Lori Rectanus". The signature is written in a cursive, flowing style.

Lori Rectanus
Director, Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

Our objectives were to (1) describe what is known about personal property exchange/sale transactions, as reported by federal agencies from fiscal years 2013 through 2017, and (2) examine selected agencies' experiences using the personal property exchange/sale authority and monitoring such activities. To address both objectives, we reviewed applicable federal statutes and regulations pertaining to personal property management and the exchange/sale authority, our prior work,¹ and reports by federal agencies' offices of inspectors general on personal property management issues.² To understand General Services Administration's (GSA) role and responsibilities for personal property management in support of exchange/sale activities across the federal government, we reviewed GSA's personal property management structure, policies, bulletins, briefings, and training materials.³

To describe what is known about the personal property exchange/sale transactions, we analyzed annual exchange/sale summary data, as

¹GAO, *Federal Vehicle Fleets: GSA Has Opportunities to Further Encourage Cost Savings for Leased Vehicles*, [GAO-14-443](#) (Washington, D.C.: May 7, 2014); GAO, *Excess Personal Property: DOD Should Further Reassess the Priorities of Its Disposal Process*, [GAO-16-44](#), (Washington, D.C.: Jan. 29, 2016); GAO, *Federally Owned Vehicles: Agencies Should Improve Processes to Identify Underutilized Vehicles*, [GAO-17-426](#) (Washington, D.C.: Apr. 25, 2017); GAO, *DOD Excess Property: Enhanced Controls Needed for Access to Excess Controlled Property*, [GAO-17-532](#) (Washington, D.C.: July 18, 2017); and GAO, *Federal Personal Property: Opportunities Exist to Improve Identification of Unneeded Property for Disposal*, [GAO-18-257](#) (Washington, D.C.: Feb. 16, 2018).

²Department of Homeland Security Office of Inspector General, *Review of FEMA's Use of Proceeds From the Sales of Emergency Housing Units*, OIG-08-23 (Washington, D.C.: February 2008); General Services Administration Office of Inspector General, *Implementation Review of Corrective Action Plan, Audit of Personal Property Management Donation Program Federal Acquisition Service*, Report Number A080104/Q/5/P09003 (Arlington, VA: January 2012); and Department of Veterans Affairs, Office of Inspector General, *Audit of VA's Excess Equipment Program*, Report No. 7D2-E06-018 (Washington, D.C.: Feb. 12, 1997).

³GSA Order, *7800.12 ADM Management of the U.S. General Services Administration's (GSA) Internal Personal Property* (Washington, D.C.: March 2009); GSA Order, *OAS 7800.13 ADM Management of the General Services Administration's (GSA) Internal Personal Property* (Washington, D.C.: August 2018); GSA Order, *5440.640A ADM Change in GSA Organization (Office of Administrative Services)* (Washington, D.C.: Aug. 9, 2011); GSA OAS-IWMD Standard Operating Procedure Exchange/Sale Authority FMR 102.39, (DRAFT) (Washington, D.C.: May 14, 2018); GSA Bulletin FMR B-13, *Personal Property* (Washington, D.C.: June 8, 2006); GSA Bulletin FMR B-26, *Accountability and Stewardship of Personal Property* (Washington, D.C.: May 7, 2010); and GSA Bulletin FMR B-27, *Annual Executive Agency Reports on Excess and Exchange/Sale Personal Property* (Washington, D.C.: July 22, 2010).

reported to GSA's Office of Government-wide Policy (GSA OGP) from federal agencies from fiscal year 2013 through fiscal year 2017.⁴ These data identify the agency involved in the transactions, the transaction method, and the type and value of the property. These data are the only federal government-wide data available on exchange/sale transactions. Accordingly, we analyzed these summary data to characterize transactions over a 5-year time frame, by agency, by type of transaction (exchange or sale), by type of personal property using personal property categories, and by amount of exchange allowances and sale proceeds.

We assessed the reliability of these data from a government-wide perspective and for selected agencies.

- From a government-wide perspective, we reviewed GSA's electronic template provided to federal agencies for reporting data, viewed a training video used to help agencies report data to GSA, and reviewed the users' guide and other materials related to GSA's personal property reporting tool. In addition, we interviewed GSA OGP officials regarding their data processes—such as data collection, submission, reconciliation, verification, and compilation of annual exchange/sale summary reports—to understand the steps GSA OGP takes to determine the accuracy, consistency, and completeness of data. We did not independently verify all the exchange and sales data that was provided to us because of the large quantity of detailed data associated with each agency and because some of the data were not within the scope of our selected agencies and personal property categories. However, we determined that GSA's government-wide summary data was sufficiently reliable for our purposes of describing the agencies that use the authority, the general types of property they acquire, and the relative order of magnitude of exchange allowances and sales proceeds. For sales conducted through GSA sales centers, GSA reports summary information on behalf of most agencies. GSA officials told us all exchange transactions are self-reported by agencies. GSA does not ensure the accuracy of this information beyond a review for obvious errors. However, because sales account for about 91 percent of the dollar value of all transactions, we believe that the total value of transactions across the federal government is sufficiently reliable for our purposes of describing exchange/sale activity.

⁴For agencies selling property through GSA sales centers, GSA sometimes uses actual sales data on their behalf rather than using data agencies reported to GSA.

- To assess the reliability of GSA and other selected agencies' summary data, we compared annual exchange/sale summary data collected by GSA OGP with detailed GSAAuctionsSM sales data associated with the exchange/sale authority collected by GSA's Office of Personal Property Management. We looked to see if aggregated sales totals matched, identified similarities and gaps, and observed individual agency and government-wide trends for using the exchange/sale authority. We found data reported by GSA's Office of Fleet Management (GSA Fleet) and the Army's Program Executive Office for Aviation (Army Aviation) to be reliable. However, we found reliability issues with data reported by the Department of Veterans Affairs (VA). As a result of our interviews with selected facilities, we found that some reported sale and exchange data from VA did not represent actual exchange/sale transactions. Accordingly, we determined that VA data were not reliable to analyze independently. We did include these data in the total for the federal government given that they accounted for about 1 percent of that total.

To examine selected agencies' experiences using the exchange/sale authority and monitoring such activities, we selected three agencies—GSA, the Department of the Army within the Department of Defense (DOD), and the VA—based on various characteristics, such as the values of the agencies' exchange allowances and sale proceeds; the quantity of items exchanged and sold; and selected three different types of personal property categories—vehicles, aircraft, and medical equipment—for which the exchange/sale authority was used over the 5-year time period.

- GSA: We selected GSA because it reported a high-value of exchange/sale transactions. Within GSA, two offices have key roles in the internal use of the exchange/sale authority. First, through GSA Fleet, GSA manages the government-wide motor-pool program (the largest user of the exchange/sale authority) that acquires vehicles and then leases them to other federal agencies. Second, GSA's Office of Administrative Services (GSA OAS) is the office responsible for performing personal-property management functions, such as developing policy and procedures, internal to the agency.
- Army: We selected the Army because it reported a relatively low-number of high-value items. In particular, Army Aviation accounted for the majority of high-value aviation-related exchange/sale transactions within DOD. During the course of our review, we also attended a joint GSA-DOD presentation focused on major end items that brought together GSA, Army, Navy, and Air Force officials to discuss their experiences using the exchange/sale authority.

- VA: We selected VA because it reported a high-number of low-value items sold or exchanged. For in-depth interviews, we selected three medical centers (Long Beach, California; Cincinnati, Ohio; and Portland, Oregon) that reported using the authority for the acquisition of medical equipment and the three Veterans Integrated Service Networks (Regional Offices) responsible for monitoring these medical centers. See table 1 below.

Table 1: Veterans Integrated Service Networks (VISN) and Veterans Affairs (VA) Medical Centers Contacted

VISN	VA Medical Center
VISN 10: VA Healthcare System of Ohio (Cleveland, OH)	VA Medical Center, Cincinnati (Cincinnati, OH)
VISN 20: Northwest Network (Vancouver, WA)	Portland VA Medical Center (Portland, OR)
VISN 22: Desert Pacific Healthcare Network (Long Beach, CA)	VA Long Beach Healthcare System (Long Beach, CA)

Source: GAO. | GAO-19-33.

At all of these agencies, we reviewed exchange/sale transactions to understand agencies' experiences in using the authority, personal property policies and program, financial documents applicable to exchange/sales, and applicable *Standards for Internal Control in the Federal Government* and GSA's regulations.⁵ We also reviewed relevant sections of *Principles of Federal Appropriations Law* to understand decisions on using the exchange/sale authority for acquiring personal property.⁶ In addition, we examined agencies' monitoring of exchange/sale transactions in the context of internal control standards.

We interviewed officials from each of our selected agencies responsible for using exchange/sale authority and implementing processes to manage and monitor personal property.⁷ We interviewed GSA Fleet officials and visited Army Aviation officials in Huntsville, Alabama. During these interviews, GSA and Army Aviation officials walked through materials and explained their exchange/sale processes by using actual sample transactional information. We examined personal property documentation associated with personal property that had been either exchanged or sold.

⁵GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

⁶GAO, *Principles of Federal Appropriations Law*, [GAO-08-978SP](#) (Washington, D.C.: September 2008).

⁷We also reviewed GSA's FedFleet conference materials on the exchange/sale authority.

For VA, we selected 3 of 172 VA medical centers to understand how these medical centers implemented their personal property exchange/sale processes and procedures. We selected one site based on its high number of exchange/sale transactions of medical equipment and its close geographic proximity to one of our field offices. The other two sites were chosen based on a high and low number of exchange/sale transactions of medical equipment. At the VA locations, we interviewed medical center officials responsible for supply chain management as well as Regional Office officials responsible for oversight of those selected medical centers and the exchange/sale management activities. During these interviews, we discussed selected agency officials' understanding and use of the exchange/sale authority, reviewed data and documentation, addressed what officials did to implement processes for their exchange/sale programs, identified challenges, and took photographs at one location of selected personal property that was exchanged or sold. Information we obtained from the three selected agencies is not generalizable to all federal agencies but provides illustrative examples in how agencies have used the authority.

We conducted this performance audit from August 2017 to November 2018 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the General Services Administration



The Administrator

November 2, 2018

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the U.S. Government Accountability Office (GAO) draft report, *GSA and VA have Opportunities to Improve the Exchange/Sale Process* (GAO-19-33).

GAO made the following two recommendations to GSA:

- 1) The GSA Associate Administrator for the Office of Government-wide Policy should take action to address specific areas of federal agency confusion with the exchange/sale authority, such as the process for selling property, reporting data, and distinguishing the exchange/sale process from the disposal process. Such actions could include issuing bulletins or conducting expanded outreach, and, as necessary, issuing regulations.
- 2) The Administrator of General Services should take steps to improve agency-wide monitoring of exchange/sale activities within GSA by specifying the Office of Administrative Services' responsibilities and by defining the scope of its authority.

GSA has reviewed this report and agrees with the recommendations. The exchange/sale authority is an important asset management tool given to agencies directly by law and can save significant funds in acquiring needed property. GSA has already begun work to increase understanding and appropriate use of the exchange/sale authority within GSA and across the Federal Government, and is finalizing its plan to address the recommendations made to GSA. The agency is confident that these actions will satisfactorily remedy the concerns raised by GAO.

If you have any questions, please contact me at (202) 501-0800 or Mr. Jeffrey A. Post, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Sincerely,

A handwritten signature in blue ink that reads "Emily W. Murphy".

Emily W. Murphy
Administrator

1800 F Street, NW
Washington, DC 20405-0002
www.gsa.gov

Appendix III: Comments from the Department of Veterans Affairs



THE SECRETARY OF VETERANS AFFAIRS

WASHINGTON
November 6, 2018

Ms. Lori Rectanus
Director
Physical Infrastructure Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Rectanus:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report: ***"Federal Personal Property: GSA and VA Have Opportunities to Improve the Exchange/Sale Process"*** (GAO-19-33).

The enclosure includes general comments and sets forth the actions to be taken to address the GAO draft report recommendation.

VA appreciates the opportunity to comment on your draft report.

Sincerely,

A handwritten signature in cursive script that reads "Robert L. Wilkie".

Robert L. Wilkie

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***“Federal Personal Property: GSA and VA Have Opportunities to
Improve the Exchange/Sale Process”***
(GAO-19-33)

General Comment:

The Department of Veterans Affairs (VA) Office of Acquisition and Logistics (OAL) and Veterans Health Administration (VHA) Office of Procurement and Logistics (P&LO) both recognize exchange/sale authority as a pillar of a successful and comprehensive property utilization program, and that thorough and efficient operation of exchange/sale authority has the potential for significant cost avoidance.

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***“Federal Personal Property: GSA and VA Have Opportunities to
Improve the Exchange/Sale Process”***
(GAO-19-33)

Recommendation 3: The VA Deputy Assistant Secretary of Acquisition and Logistics, in collaboration with VHA’s Office of Procurement and Logistics, should revise VA’s policy to include details on the exchange/sale authority, particularly related to monitoring by Regional Offices and use of the authority for medical centers, and establish time frames with milestones for communicating such information.

VA Comment: Concur. VA OAL, in conjunction with VHA P&LO, has produced two draft memoranda to amend: 1) VA Handbook 7002 (2009 as amended), *Exchange/Sale Authority Policy Changes* and 2) VA Directive and Handbook 7348, *Utilization and Disposal of Personal Property*. These policy documents modify logistics services requirements language regarding the precedence of consideration and overall duties of property utilization/disposal and provide clarification of definition, function, and reporting regarding exchange/sale authority and utilization. VA’s Office of Acquisition, Logistics, and Construction (OALC) plans to promulgate the new policy to VA Under Secretaries, Assistant Secretaries, and Other Key Officials (to include all VA Utilization Officers, per VA Directive 7348, Appendix A, Part 1) by December 2018. OALC, VHA P&LO, and the General Service Administration Federal Acquisition Service will provide collaborative training on VA National exchange/sale authority, overview, usage, and procedures in a series of 1-hour sessions:

- Six initial sessions beginning November 1, 2018, which will be spread over a 2-week period; and
- Subsequent sessions provided as needed/requested.

As an additional internal control, the Executive Director, OAL (formerly VA Deputy Assistant Secretary of Acquisition and Logistics) will review with VA Utilization Officers, the statuses of progress, compliance, success, and shortcomings at the following:

- During the last 2 weeks of each fiscal quarter of Fiscal Year (FY) 2019; and
- Annual end of year review will resume beginning in FY 2020, if favorable results appreciate in FY 2019.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Lori Rectanus, 202-512-2834, rectanusl@gao.gov

Staff Acknowledgments

In addition to the individual named above, the following individuals made important contributions to this report: Nancy Lueke (Assistant Director); Steve Martinez (Analyst-in-Charge); Aisha Cabrer; SaraAnn Moessbauer; Malika Rice; Amy Rosewarne; Jerry Sandau; Travis Schwartz; and Crystal Wesco.

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