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Report to the Chairman, Subcommittee on Federal Financial Management, Government Information, Federal Service, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

June 2012

FEDERAL REAL PROPERTY

National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property

GAO
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GAO-12-645

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GAO Highlights

Highlights of GAO-12-645, a report to the Chairman, Subcommittee on Federal Financial Management, Government Information, Federal Service, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

The federal government has made some progress addressing previously identified issues with managing federal real property. This includes establishing FRPC—chaired by the Office of Management and Budget (OMB)—which created the FRPP database managed by GSA. GAO was asked to determine the extent to which (1) the FRPP database accurately describes the nature, use, and extent of excess and underutilized federal real property, and (2) progress is being made toward more effective management of these properties. GAO analyzed the data collection process and agency data, visited 26 sites containing excess and underutilized buildings from five civilian federal real property holding agencies with significant portfolios, and interviewed officials from these five agencies and OMB staff about how they collect FRPP data and manage excess and underutilized properties.

What GAO Recommends

GAO recommends that, in consultation with FRPC, GSA develop a plan to improve the FRPP and that OMB develop a national strategy for managing federal excess and underutilized real property. GSA agreed with GAO's recommendation and agreed with the report's findings, in part. OMB agreed that real property challenges remain but raised concerns about how GAO characterized its findings on FRPP accuracy and other statements. GAO believes its findings are properly presented. The details of agencies' comments and GAO's response are addressed more fully within the report.

View GAO-12-645. For more information, contact David Wise at (202) 512-5731 or at wised@gao.gov.

What GAO Found

The Federal Real Property Council (FRPC) has not followed sound data collection practices in designing and maintaining the Federal Real Property Profile (FRPP) database, raising concern that the database is not a useful tool for describing the nature, use, and extent of excess and underutilized federal real property. For example, FRPC has not ensured that key data elements—including buildings' utilization, condition, annual operating costs, mission dependency, and value—are defined and reported consistently and accurately. GAO identified inconsistencies and inaccuracies at 23 of the 26 locations visited related to these data elements (see the fig. for an example). As a result, FRPC cannot ensure that FRPP data are sufficiently reliable to support sound management and decision making about excess and underutilized property.

The federal government has undertaken efforts to achieve cost savings associated with better management of excess and underutilized properties. However, some of these efforts have been discontinued and potential savings for others are unclear. For example, in response to requirements set forth in a June 2010 presidential memorandum for agencies to achieve $3 billion in savings by the end of fiscal year 2012, the General Services Administration (GSA) reported approximately $118 million in lease cost savings resulting from four new construction projects. However, GSA has yet to occupy any of these buildings and the agency's cost savings analysis projected these savings would occur over a 30-year period—far beyond the time frame of the memorandum. The five federal agencies that GAO reviewed have taken some actions to dispose of and better manage excess and underutilized property, including using these properties to meet space needs by consolidating offices and reducing employee work space to use space more efficiently. However, they still face long-standing challenges to managing these properties, including the high cost of property disposal, legal requirements prior to disposal, stakeholder resistance, and remote property locations. A comprehensive, long-term national strategy would support better management of excess and underutilized property by, among other things, defining the scope of the problem; clearly addressing achievement goals; addressing costs, resources, and investments needed; and clearly outlining roles and coordination mechanisms across agencies.

Building Incorrectly Reported in the FRPP Database

Source: GAO analysis of agency information.

Note: Data for this dilapidated U.S. Department of Agriculture building indicated that it was in near perfect condition and fully utilized even though it was vacant at the time GAO visited the site and it had multiple safety and health issues including rat and beehive infestations. The building has since been demolished.

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Abbreviations

CBO	Congressional Budget Office
CPAIS	Corporate Property Automated Information System
CPRA	Civilian Property Realignment Act
DOE	Department of Energy
FRPC	Federal Real Property Council
FRPP	Federal Real Property Profile
GSA	General Services Administration
OMB	Office of Management and Budget
PRV	plant replacement value
USDA	Department of Agriculture
VA	Department of Veterans Affairs

United States Government Accountability Office
Washington, DC 20548

June 20, 2012

The Honorable Thomas R. Carper
Chairman
Subcommittee on Federal Financial Management,
Government Information, Federal Service,
and International Security
Committee on Homeland Security
and Governmental Affairs
United States Senate

Dear Mr. Chairman,

The federal government's real property portfolio is vast and diverse and includes almost 400,000 buildings that are located throughout the country and are owned and leased by different federal agencies. We have noted long-standing problems with how this property is managed, designating federal real property management as a high-risk area in January 2003.[1] In 2004, the administration added managing federal real property to the President's Management Agenda and the President issued an executive order establishing the Federal Real Property Council (FRPC). FRPC is chaired by the Deputy Director for Management of the Office of Management and Budget (OMB) and is composed of all agency Senior Real Property Officers, the Controller of OMB, the Administrator of the General Services Administration (GSA), and any other full-time or permanent part-time federal officials or employees as deemed necessary by the Council Chairman. The executive order required FRPC to work with GSA to establish and maintain a single, comprehensive database describing the nature, use, and extent of all real property under the custody and control of executive branch agencies, except when otherwise

[1] GAO, *High-Risk Series: Federal Real Property,* GAO-03-122 (Washington, D.C.: January 2003). Our high-risk series identifies areas at high risk because of their greater vulnerabilities to waste; fraud; abuse; and mismanagement or major challenges associated with their economy, efficiency, or effectiveness.

required for reasons of national security.[2] FRPC created the Federal Real Property Profile (FRPP) to meet this requirement.

These efforts notwithstanding, we have reported that the federal government continues to face a number of challenges to effectively managing its real property.[3] In particular, we have reported on challenges to disposing of excess properties and making better use of properties that are underutilized.[4]

In response to your request that we assess issues related to excess and underutilized federal real property, this report addresses two objectives:

1) the extent to which the FRPP database consistently and accurately describes the nature, use, and extent of excess and underutilized federal real property and

[2]Federal Real Property Asset Management, Exec. Order No. 13327, 69 Fed. Reg. 5897 (Feb. 6, 2004). The executive order applies to agencies under the Chief Financial Officers Act of 1990. The act agencies are the executive branch agencies listed at 31 U.S.C. §901(b) and include the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; the Environmental Protection Agency; the National Aeronautics and Space Administration; the U.S. Agency for International Development; GSA; the National Science Foundation: the Nuclear Regulatory Commission; the Office of Personnel Management; the Small Business Administration; and the Social Security Administration. The order does not apply to the U.S. Postal Service.

[3]For example, See GAO, *Federal Real Property: Proposed Civilian Board Could Address Disposal of Unneeded Facilities*, GAO-11-704T (Washington, D.C.: June 9, 2011); *High-Risk Series: An Update*, GAO-11-278 (Washington, D.C.: February 2011); and *Federal Real Property: Progress Made Toward Addressing Problems, but Underlying Obstacles Continue to Hamper Reform*, GAO-07-349 (Washington, D.C.: Apr. 13, 2007).

[4]Section 102 of Title 40 of the U.S. Code defines excess property as "property under the control of a federal agency that the head of the agency determines is not required to meet the agency's needs or responsibilities." However, GSA officials told us that designating a property as excess in the FRPP does not mean that an agency is declaring it to GSA as excess for the purpose of disposal. For example, they said that agencies can designate a property as excess in the FRPP as a way of creating a "parking lot" for properties that they are not prepared to address. Underutilized property means "an entire property or portion thereof, with or without improvements, which is used: (a) Irregularly or intermittently by the accountable Executive agency for current program purposes of that agency; or (b) For current program purposes that can be satisfied with only a portion of the property." 41 C.F.R. § 102-75.50.

2) the extent to which progress is being made toward more effectively managing excess and underutilized federal real property.

To address these objectives, we obtained and analyzed FRPP submissions and other real property data from five civilian[5] real property–holding agencies; interviewed real property officers at these agencies; visited sites where the agencies had reported excess or underutilized properties; interviewed OMB staff; and reviewed pertinent laws, regulations, policies, and other documents related to the agencies' real property management. The five agencies we selected for review were GSA, the Departments of Energy (DOE), the Interior (Interior), Veterans Affairs (VA), and Agriculture (USDA). On the basis of the available data, these five agencies report approximately two-thirds of the building square footage reported by civilian agencies. We obtained answers to a set of questions about managing excess and underutilized properties that we posed to the senior real property officers of these five agencies. For each agency, we also obtained fiscal year 2008, 2009, and 2010 FRPP submissions, as well as data from each agency's internal systems that were the source of their FRPP submissions.[6] According to our conversations with agency officials, FRPP submissions can be changed only by the agency submitting the data. As a result, we believe that the FRPP submissions obtained from the agencies match the data contained in the FRPP database and are sufficiently reliable for the purpose of evaluating the consistency and accuracy of the corresponding data in the FRPP database. To gather detailed examples of excess and underutilized properties and to learn about the processes by which data on such properties are collected and submitted to the FRPP database, we visited

[5]We reported in September 2011 on Department of Defense excess facilities. We found that the Department of Defense is limited in its ability to identify potential excess facilities because it does not maintain complete and accurate data concerning the utilization of its facilities. See GAO, *Excess Facilities: DOD Needs More Complete Information and a Strategy to Guide Its Future Disposal Efforts*, GAO-11-814 (Washington, D.C.: Sept. 19, 2011).

[6]We chose GSA, DOE, Interior, and VA because these agencies contained the largest total building square footage of all civilian real property agencies that are required to submit data under the executive order. We added USDA to our list of selected agencies because USDA reported significantly more excess properties than the other civilian agencies in 2009, the most recent data we had available at the time.

a nonprobability sample[7] of approximately 180 buildings at 26 sites where excess or underutilized owned buildings had been reported by the five civilian agencies.[8] We selected sites clustered around four U.S. cities.[9] In selecting sites, we considered the number of excess or underutilized buildings reported at each site and the distance of each site from the city. Across the 26 sites, we attempted to balance the numbers of sites and buildings selected for the five agencies, and the numbers of excess versus underutilized buildings selected. Prior to each visit, we analyzed data for each building and developed a set of questions about the data submission for local property managers. During site visits, we interviewed local property managers, compared what we observed at each building with the FRPP data for that building, and documented what we observed. Where possible, we took photographs of the buildings.[10] In addition to this work related to the FRPP, we interviewed OMB staff because OMB chairs FRPC, oversees the implementation of the executive order, and has set cost savings goals related to excess and underutilized properties.

We conducted this performance audit from May 2011 to June 2012 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

[7]Because this is a nonprobability sample, observations made at these site visits do not support generalizations about other properties described in the FRPP database or about the characteristics or limitations of other agencies' real property data. Rather, the observations made during the site visits provided specific, detailed examples of issues that were described in general terms by agency officials regarding the way FRPP data are collected and reported and served to complement our analysis of data collection practices across these agencies.

[8]In the case of VA, which did not categorize any of its building as "excess," we visited sites where buildings had been reported as "not utilized" or "underutilized."

[9]We visited excess and underutilized properties in areas of the country where our staff members doing this work were located—Washington, D.C.; Dallas, Texas; and Los Angeles, California. We found only one DOE site that matched our criteria in these three areas, so we selected another region of the country that had a large concentration of excess and underutilized DOE properties—Oak Ridge, Tennessee. We did not attempt to compare the accuracy of one agency's data against the accuracy of another. Our purpose was to visit multiple sites from different agencies in different geographic regions.

[10]At some sites, we could not take photographs because of security concerns.

conclusions based on our audit objectives. Further details on our scope and methodology can be found in appendix I.

Background

In 2010, federal agencies reported about 3.35 billion square feet of building space to the FRPP: 79 percent of the reported building space was federally owned, 17 percent was leased, and 4 percent was otherwise managed.[11] The data indicated that the agencies used most of the space—about 64 percent—as offices, warehouses, housing, hospitals, and laboratories. The five agencies we reviewed—GSA, DOE, Interior, VA, and USDA—reported owning or leasing more than 866 million square feet of building space, or about 25 percent of the total reported square footage for all agencies.[12]

Initially, FRPC defined 23 FRPP data elements to describe the federal government's real property inventory. By 2008, FRPC had expanded the number of data elements included in the FRPP to 25.[13] FRPC requires agencies to update their FRPP real property data annually. Each asset included in the database is assigned a unique identification number that allows for tracking of the asset to the unique data that describe it.

In addition to developing the database, the 2004 executive order required FRPC to develop guidance and best practices for real property management and develop performance measures to determine the effectiveness of federal real property management. The executive order specifically states that performance measures shall be designed "to enable the heads of executive branch agencies to track progress in the achievement of Governmentwide property management objectives, as well as allow for comparing the performance of executive branch agencies against industry and other public sector agencies." In 2005, in its initial annual guidance to federal agencies, FRPC designated four

[11] Otherwise managed buildings may be owned by a state government or by a foreign government that has granted rights for use to the federal government in an arrangement other than a lease agreement. Otherwise managed properties may also be trust entities that hold title to real property assets predominantly used as museums, but federal funds may be received to cover certain operations and maintenance costs.

[12] The Department of Defense reported owning or leasing about 63 percent of the total building square footage reported for fiscal year 2010.

[13] See appendix II for a list of the 25 FRPP data elements as defined in 2010.

FRPP data elements as performance measures: utilization, condition index, annual operating costs, and mission dependency. The definitions of these four data elements in 2010 can be found in table 1.[14]

Table 1: Definitions of FRPP Performance Measures in 2010 FRPC Guidance

Data element	Description	How data are reported
Utilization	The state of having been made use of, that is, the rate of utilization.[a]	The utilization of a building is recorded as overutilized, utilized, underutilized, or not utilized.[b]
Condition index	General measure of the constructed asset's condition at a specific point in time.	Condition index is calculated as 1 minus the ratio of repair needs to plant replacement value multiplied by 100.
Annual operating costs	Expenses for recurring maintenance and repair costs, utilities, cleaning or janitorial costs, and roads or grounds expenses.	Annual operating costs must be greater than or equal to zero.
Mission dependency	The value an asset brings to the performance of the mission as determined by the governing agency.	Mission dependency must be recorded as one of three options: 1. mission critical 2. mission dependent, not critical 3. not mission dependent.

Source: GAO analysis of FRPC information.

[a]For office and hospital space, utilization measures the ratio of occupancy to current design capacity, for warehouses it measures the ratio of gross square feet occupied to current design capacity, for laboratories it measures the ratio of active units to current design capacity, and for housing it measures the percentage of individual units that are occupied.

[b]Agencies are required to submit utilization information for offices, hospitals, warehouses, laboratories, and housing. Any building categorized as a post office, prison or detention center, school, museum, industrial, service, communication systems, or "other," including "other institutional uses" does not require utilization information. Buildings categorized as housing are not permitted to receive a designation of overutilized or not utilized (not applicable must be recorded in these cases). FRPC guidance directed agencies to maintain the actual utilization percentage for audit purposes up to 2010 and some agencies reported the percentage voluntarily. Beginning in 2011, agencies were required to report utilization using actual percentages rather than the four-way classification described in this table.

FRPC's *2010 Guidance for Real Property Inventory Reporting* provides specific guidelines on how to report a building as overutilized, underutilized, utilized, or not utilized based on the building's use and the percentage of the building that is used (see table 2).

[14]GSA, *Federal Real Property Council: 2010 Guidance for Real Property Inventory Reporting* (Washington, D.C.: Oct. 25, 2010).

Table 2: FRPP Building Utilization Categories

Building use	Overutilized	Utilized	Underutilized	Not utilized
Office	>95%	75–95%	<75%	Not applicable
Hospital	>95	70–95	25–70	<25%
Warehouse	>85	50–85	10–50	<10
Laboratory	>85	60–85	30–60	<30
Housing	Not applicable	85–100	<85	Not applicable

Source: FRPC.

FRPC has been collecting FRPP data on federal government properties since 2005. We have reported that results-oriented organizations follow a number of sound data collection practices when gathering the information necessary to achieve their goals.[15] For example, these organizations recognize that they must balance their ideal performance measurement systems against real world considerations, such as the cost and effort involved in gathering and analyzing data. These organizations also tie performance measures to specific goals and demonstrate the degree to which the desired results are achieved. Conversely, we have observed that organizations that seek to manage an excessive number of performance measures may risk creating a confusing excess of data that will obscure rather than clarify performance issues. Limiting the number of measures to the vital few not only keeps the focus of data collection where it belongs, it helps ensure that the costs involved in collecting and analyzing the data do not become prohibitive. Furthermore, results-oriented organizations report on the performance data they collect.

Following the implementation of the executive order and nationwide data collection efforts, we have reported that agencies continue to face challenges with managing excess and underutilized properties.[16] For example, we have previously reported that the legal requirements agencies must adhere to, such as requirements for screening and environmental cleanup as well as requirements related to historical properties, present a challenge to consolidating federal properties.[17] In

[15]See GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118 (Washington, D.C.: June 1996).

[16]GAO-11-704T.

[17]GAO-11-278.

addition, before GSA can dispose of a property that an agency no longer needs, it must offer the property to other federal agencies. If other federal agencies do not need the property, GSA must then make the property available to state and local governments as well as certain nonprofit organizations and institutions for public benefit uses such as homeless shelters, educational facilities, or fire and police training centers. According to agency officials, as a result of this lengthy process, excess or underutilized properties may remain in an agency's possession for years. Furthermore, the costs of disposing of property can further hamper an agency's efforts to address its excess and underutilized property problems. For example, properties that contain radiological contamination must be mitigated before they can be disposed. In addition, the interests of multiple—and often competing—stakeholders may not align with the most efficient use of government resources and complicate real property decisions.

Despite these challenges, both the previous and current administrations have implemented a number of cost savings initiatives associated with excess and underutilized property. In August 2005, the administration set a goal to reduce the size of the federal inventory by $15 billion by 2009.[18] In June 2010, the President directed federal civilian agencies to achieve $3 billion in savings by the end of fiscal year 2012 through reducing annual operating costs, generating income through disposing of assets, using existing real property more effectively by consolidating existing space, expanding telework,[19] and other space realignment efforts.[20] Furthermore, on May 4, 2011, the administration proposed legislation—referred to as the Civilian Property Realignment Act (CPRA)—to establish a legislative framework for disposing of and consolidating real property, among other things. In September 2011,[21] OMB projected that the proposal would save the government $4.1 billion over 10 years from sales proceeds, and that savings would also be achieved through decreased

[18]According to OMB staff, in 2007, this goal was changed to achieving a $9 billion reduction in 2009 and a $15 billion reduction by 2015.

[19]Telework is a work flexibility arrangement under which an employee works at home or a work site other than the location at which the employee would otherwise work.

[20]The administration reports that agencies have now identified more than $3 billion in potential savings.

[21]OMB, *Living Within Our Means and Investing in the Future: The President's Plan for Economic Growth and Deficit Reduction* (Washington, D.C., September 2011).

operating costs and efficiencies.[22] However, the Congressional Budget Office (CBO) has concluded that CPRA would probably not result in a significant increase in proceeds from the sale of federal properties over the next 10 years.[23]

Excess and Underutilized Property Data Are Inconsistent and Inaccurate because of Lack of Sound Data Collection Practices

FRPC has not followed sound data collection practices, and, as a result, FRPP data do not describe excess and underutilized properties consistently and accurately. Consistent with this, FRPP data did not always accurately describe the properties at the majority of sites we visited and often overstated the condition and annual operating costs, among other things.

FRPP Data Do Not Describe Excess and Underutilized Federal Real Properties Consistently and Accurately

Agency officials described ways in which key performance measures in the FRPP database are reported inconsistently or inaccurately. At 23 of the 26 sites that we visited, we found inconsistencies or inaccuracies related to the following performance measures described in the background: (1) utilization, (2) condition index, (3) annual operating costs, and (4) mission dependency. As a result of the discussions we had with agency officials about how FRPP data are reported, as well as the inconsistencies and inaccuracies described in the following sections, we question whether FRPP data provide an adequate tool for decision making or measuring performance, such as the cost savings initiatives put forth by OMB.

[22]When CPRA was first proposed, OMB projected that it would save the government $15 billion within 3 years after enactment in sales proceeds and operations and maintenance savings. However, OMB staff told us that after internal deliberations, they decided to change this projection.

[23]Letter from Douglas W. Elmendorf, Director, Congressional Budget Office, to Darrell E. Issa, Chairman, Committee on Oversight and Government Reform, U.S. House of Representatives, responding to Chairman Issa's request for the Congressional Budget Office to analyze the President's legislative proposal to expedite the disposal of federal civilian real property, June 27, 2011.

Utilization

We found that the agencies we reviewed do not report property utilization consistently. FRPC guidance states that for offices, hospitals, and warehouses, utilization is the ratio of occupancy to current design capacity.[24] Although USDA requires its agencies to follow FRPC guidance, USDA stated that FRPC has not established governmentwide definitions for occupancy or current design capacity. As a result, each agency within USDA has its own internal procedures for determining a building's utilization level. Moreover, VA defines utilization differently from FRPC guidance, that is, the ratio of "ideal space" to existing space, which VA stated is different from occupancy. Despite the inconsistency of this method of defining utilization with FRPC guidance, VA officials reported that OMB staff approved of their method of reporting utilization.[25] Furthermore, OMB acknowledged that it is standard practice for agencies to measure utilization tailored to the agencies' specific needs and circumstances.

Among the 26 federal sites we visited, we found utilization data inconsistencies or inaccuracies for properties at 19 of these sites. For example, at one VA site, a building we toured was reported to have a utilization of 39 percent in 2010 FRPP data and 45 percent utilization in 2011 source data, even though local officials said this building has been fully occupied since 2008. See figure 1. Another building that we toured at the same site was reported to be 0 percent utilized in 2010 FRPP data[26] and 59 percent utilized in 2011 agency source data.[27] However, all

[24] For laboratories, utilization is the ratio of active units to current design capacity. For housing, utilization is the percentage of individual units that are occupied.

[25] In calculating utilization for offices, hospitals and warehouses (see footnote 24 for FRPC guidance on measuring utilization for laboratories and houses), FRPC guidance directs agencies to determine the ratio of occupancy to "current design capacity," but VA determines utilization based on "ideal space." Following their concept of utilization, VA officials reported that an old building with an inefficient floor plan may be larger than necessary for the service it provides, but if changes cannot be made to the building because of its historical designation or because it is cost prohibitive to renovate, this building may be perpetually designated as underutilized even though it is fully occupied on a day-to-day basis.

[26] Though not required, VA reported the actual percentage of utilization for buildings that required a utilization submission to the FRPP in fiscal year 2010.

[27] In addition to reviewing FRPP data from fiscal year 2008 to fiscal year 2010, we also obtained property data for select data elements from the source databases that each agency uses to generate its annual FRPP submissions. This helped ensure we had updated information for the buildings we visited during our review. The agency source data for each agency was from September or October of 2011.

but one of the rooms in the building were vacant, and local officials said only 10 percent of the building was utilized.[28]

Figure 1: Example of Inaccurate Reporting of Utilization Data at a VA site

	Fully occupied office building	Mostly vacant office building
Exterior and interior images		
2010 FRPP reported utilization	39%	0%
Reported utilization according to VA October 2011 source data	45%	59%
Actual occupancy according to VA local officials during December 2011 site visit	100%	10%

Source: GAO analysis of VA information.

In addition, at one USDA site we visited, we found two houses that have been empty since 2009; however, they were both reported to the FRPP as utilized for 2009 and 2010. See figure 2 to view images of these two USDA buildings. We also found problems with the utilization data at properties owned by the other three agencies included in our review.

[28]VA took ownership of this building from DOD in 2011, but VA began occupying approximately 10 percent of the space since 2008. According to the local VA officials who manage the building, the level of occupancy for this building has not changed since 2008 and remains only 10 percent occupied.

Figure 2: Example of Inaccurate Reporting of Utilization Data at a USDA site

	Vacant house since 2009	Vacant house since 2009
Exterior and interior images		
Reported utilization (2009-2010)[a]	Utilized	Utilized
Actual occupancy according to local officials (2009-2010)	Vacant	Vacant

Source: GAO analysis of USDA information.

[a]According to FRPC guidance, housing units must be 85 percent to100 percent occupied to warrant a utilization score of "utilized."

Condition Index

As was the case with utilization, we found that agencies do not report the condition of their properties consistently. According to FRPC guidance, condition index is a general measure of the constructed asset's condition and is calculated by using the ratio of repair needs to the plant replacement value (PRV).[29] Needed repairs are determined by the amount of repairs necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability.[30] However, we found that agencies do not always follow this guidance. For example, when agencies have determined that a property is not needed and will ultimately be disposed, they may assign no repair needs to that property even though the property may be in a state of significant disrepair. Doing so allows agencies to use their limited funds to maintain properties that they regularly use, but it can lead to condition index data that do not accurately reflect each property's condition as set forth in FRPC

[29]PRV is the cost of replacing the existing constructed asset at today's standards. PRV will be discussed in greater detail later in this report. The entire formula for condition index is 1 minus the ratio of repair needs to PRV multiplied by 100.

[30]GSA , *Federal Real Property Council: 2010 Guidance for Real Property Inventory Reporting*.

guidance. Figure 3 is an example of how the condition index of a building with high repair needs can significantly change depending on whether agency officials choose to follow FRPC guidance or if they assign zero dollars in repair needs because repairs are not planned.

Figure 3: How Alternative Repair Needs Designations Affect Condition Index Data

Scenario A: Condition index according to FRPC guidance	
Plant replacement value (PRV)	$500,000
Repair needs	$400,000
Calculation	CI = [1 – ($repair needs / $PRV)] x 100
Condition index (CI)	**20%**

Vs.

Scenario B: Condition index when repair needs are set to zero because repairs are not planned	
Plant replacement value (PRV)	$500,000
Repair needs	$0
Calculation	CI = [1 – ($repair needs / $PRV)] x 100
Condition index (CI)	**100%**

Source: GAO analysis.

While it may be a good practice not to assign repair needs to dilapidated buildings that no longer support agencies in carrying out their mission, the fact that these buildings may report a perfect or near-perfect condition index provide decision makers with an inconsistent representation of the condition of buildings at a given site. We found examples at all five agencies we visited where a property in very poor condition received a higher condition index score than a property in good condition. Figure 4 demonstrates examples of this at an Interior site we visited.

Figure 4: Example of Inconsistent FRPP Condition Index Reporting at an Interior Site

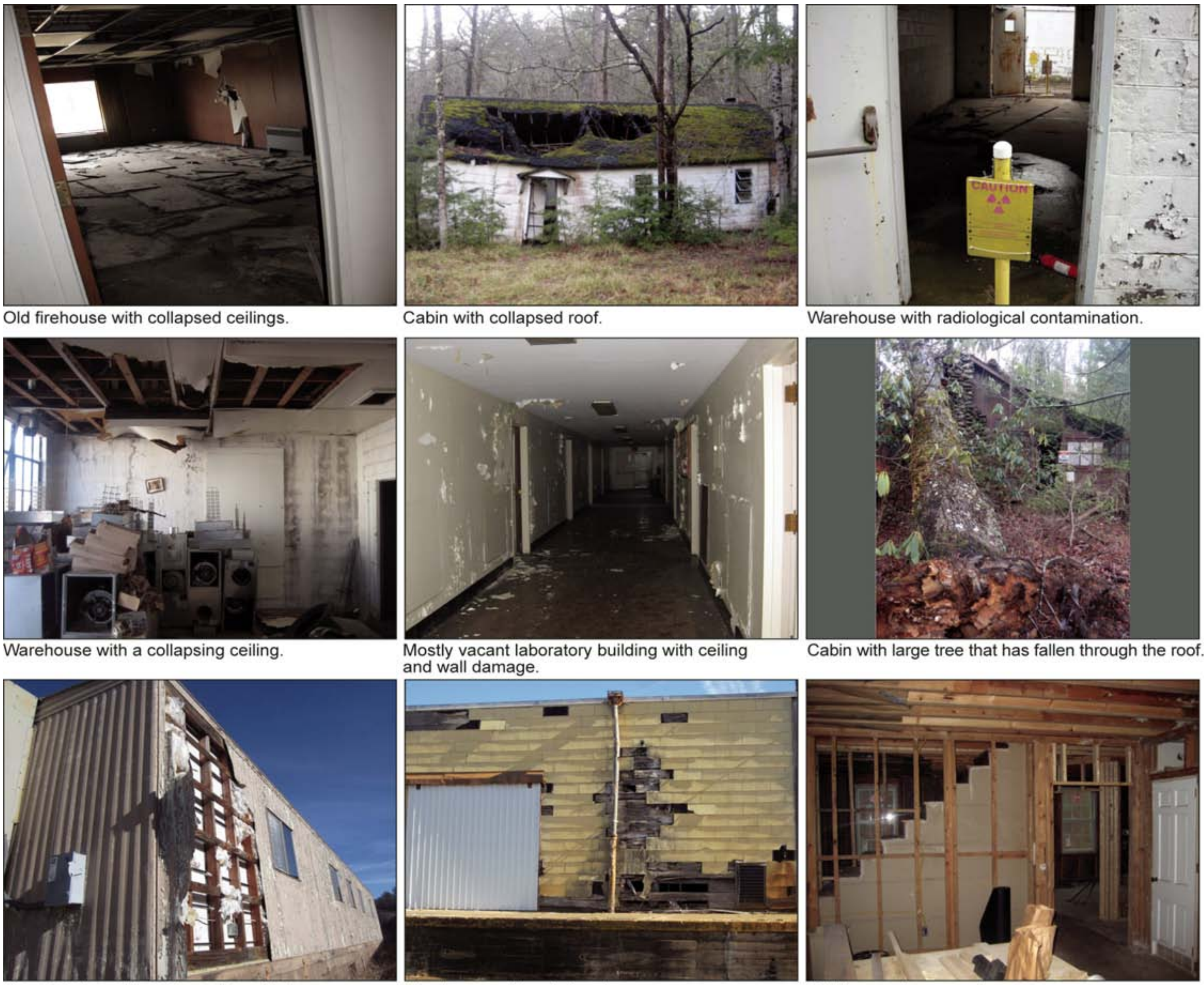
	Vacant cabin with collapsing roof and walls	Housing unit in good condition (seasonally occupied)
Exterior and interior images		
Reported Condition Index	100%	87%
Condition according to officials	Poor	Good

Source: GAO analysis of Interior information.

We found condition index reporting inconsistencies and inaccuracies at 21 of 26 sites visited. The practice of assigning no repair needs to many excess and underutilized buildings because agencies have no intention of repairing them led to severely blighted buildings receiving excellent condition scores.[31] Figure 5 illustrates several separate buildings that received high condition index scores, even though they are in poor condition. Some of the problems with these buildings include asbestos, mold, collapsed walls or roofs, health concerns, radioactivity, deterioration, and flooding.

[31]High condition indexes are indicative of properties that are in better condition than properties with lower condition indexes. As such, a property with a 100 percent condition index would represent a property that is in perfect or near-perfect condition.

Figure 5: Examples of Federal Property Reported as Being in Excellent Condition in the FRPP Database



Old firehouse with collapsed ceilings.

Cabin with collapsed roof.

Warehouse with radiological contamination.

Warehouse with a collapsing ceiling.

Mostly vacant laboratory building with ceiling and wall damage.

Cabin with large tree that has fallen through the roof.

Vacant trailer with safety and health issues (rat and beehive infestation). Now demolished.

Warehouse with exterior damage.

Building under renovation.

Sources: GAO and DOE.

Annual Operating Costs

Agencies are required to report annual operating costs to FRPP for each building. However, we found that agencies are not always able to determine the annual operating costs at the building level and this can lead to inaccurate and misleading data. For example, some DOE buildings are not individually metered, so DOE officials who manage those buildings collect annual operating costs data at the site level and apportion these costs to the individual buildings according to square footage. Additionally, VA told us that many of its buildings are located on medical campuses and are not individually metered; therefore, utilities cannot be measured for one particular building.

We found data inconsistencies and inaccuracies for annual operating costs at 19 of 26 sites that we visited. For example, an Interior property had large fluctuations in annual operating costs from one year to the next that did not seem to match the utilization of the building. It was listed as utilized in 2008 but had recorded annual operating costs of $0. In 2009, the building was listed as underutilized but the annual operating costs were listed as $10,516. In 2010, the property was then listed as underutilized with annual operating costs of $18,981, an increase of more than 80 percent. An Interior official at this site told us that annual operating costs are determined using a complicated calculation that includes a compilation of data from various sources controlled at the regional and headquarters levels. Furthermore, because of the difficulty in measuring operating costs at the building level, only one of USDA's component agencies even attempts to measure the actual operating costs of each individual building. As such, all other agencies within USDA have developed their own methods for determining annual operating costs at the location and building levels, and this can cause large fluctuations in reported operating costs. For example, a USDA property we visited had reported annual operating cost increases from $374,000 in 2009 to more than $1 million in 2010. This increase in operating costs occurred while the status, utilization, condition, and value of the property remained steady during the same time frame. Officials at this site told us another challenge in reporting these costs is that they do not have the financial system for determining actual operating costs.

In addition to large fluctuations in annual operating costs from one year to the next, we also identified instances of buildings that report high annual operating costs even though all utilities have been turned off and no maintenance was being conducted. This could lead to inflated expectations of the savings potential if these buildings were disposed. Figure 6 provides examples of some excess and inactive buildings with high annual operating costs.

Figure 6: Excess and Inactive Buildings with High Annual Operating Costs

Property image	Agency	Annual operating costs	Utilization	Status	Property management comment	Property description
 Building set for demolition.	VA	$20,885 (2010)	0%	Inactive	VA officials told us that operating expenses are prorated from the facility level to the individual buildings based on square footage and usage.	This building received a utilization score of 0 percent for all years we reviewed. Officials said the building is set to be demolished.
 Vacant warehouse.	GSA	$474,044 (2010)	0%	Excess	GSA officials said they allocate all operating costs to all buildings at a facility, whether used or vacant, per square foot. Officials also said GSA is required to maintain even unused buildings in operating condition.	This building was sold effective July 1, 2011, and had been vacant since October 2008.

Source: GAO analysis of agency information.

Mission Dependency

FRPP guidance provides very little information to agencies on how mission dependency should be reported, and the data are generally not useful for measuring performance. For example, agencies have three options for assigning mission dependency to their assets: mission critical; mission dependent, not critical; and not mission dependent.[32] A short definition of each category is included but no additional guidance or clarification is provided. We found that agencies do not measure mission dependency in a consistent manner because the data element can be measured differently by each agency. For example, one office within DOE uses a complex decision tree to determine the mission dependency of

[32]FRPC guidance defines these three categories as follows: (1) mission critical: without constructed asset or parcel of land, mission is compromised; (2) mission dependent, not critical: does not fit into mission critical or not mission dependent categories; and (3) not mission critical: mission unaffected. A fourth category, not rated, is available for Department of Defense base realignment and closure properties. GSA, *Federal Real Property Council: 2010 Guidance for Real Property Inventory Reporting*.

assets while another office at DOE reports mission dependency based on the operating status of a building. In addition, VA's designation of mission dependency is a function of utilization. Assets with a high percentage of utilization are labeled "mission critical" and those with low utilization are labeled "not mission dependent." VA officials said they use this method because it is the best way for them to manage the mission dependency of their assets—for example, hospitals measure performance by the number of patients served. However, since mission dependency is based strictly on utilization in VA data, this performance measure does not provide any new information on the asset in the FRPP database.

In fact, FRPC guidance indicates that the reported value of this performance measure is determined separately by each governing agency; thus, it is unclear how this measure can have any meaning as a performance measure across agencies when reported to the national database. Furthermore, GSA officials familiar with FRPP submissions told us that mission dependency is a subjective data element. As such, we could not determine whether FRPP data accurately described the mission dependency of the buildings we visited. For example, we visited the Eisenhower Executive Office Building in Washington, D.C., which is listed as "mission dependent, not critical" even though this building is located next to the White House and houses offices for key White House staff. Figure 7 provides exterior images of the Eisenhower Executive Office Building as it is being renovated.

Figure 7: Exterior of the Eisenhower Executive Office Building

Source: GSA.

Eisenhower Executive Office Building under renovation.

Value (PRV)

In addition to identifying the four performance measures discussed previously, FRPC also identified value as a data element for the FRPP database. Value is not identified as a performance measure by FRPC, as discussed earlier, but it is a key data element and central component for calculating condition index. However, the concept of value in the FRPP can be misleading. Value in FRPC guidance is defined as the cost of replacing an existing constructed asset at today's standards and is known as PRV.[33] However, GSA officials cautioned us not to think of PRV as an asset's actual worth because it is not an appraisal of the property or any kind of measure of the asset's market value. Moreover, we found that PRV is typically much higher than the actual worth of the building because PRV does not take into account market conditions or the condition of the asset. For example, in May 2011, GSA auctioned a parcel of land that contained several buildings and structures for $6.4 million. We visited 10 of these properties before the auction was finalized. Although the values may have been calculated according to FRPC guidance, the total PRV for the properties we saw was well over twice that amount (almost $17 million) not counting the value of the land itself. (The value of land is not reported to the FRPP.)

Additionally, according to agency officials, many excess properties do not have the potential for generating revenue for the federal government. Specifically, USDA officials reported that a lot of excess properties just need to be demolished because they cannot be sold or conveyed. Indeed, we visited more than 80 buildings on our site visits that agencies plan to demolish when they have the resources to execute the demolitions. These properties would never be replaced or sold. Some of these properties' PRVs are very high by definition, even though the condition of the building clearly indicates that the actual market or appraisal value would be much lower (because condition does not factor into PRV calculations). Figure 8 shows properties that have high reported values and high condition indexes even though they are in poor condition and have remained unused for many years. By examining the data alone, these properties would not appear to be candidates for demolition. However, these properties actually have no value to the agencies, according to agency officials, and may even be considered liabilities. In these cases, even though the agencies may be following FRPC guidance,

[33] FRPC only requires the value of buildings and structures to be reported in the federal real property inventory. As such, land is excluded for value. GSA, *Federal Real Property Council: 2010 Guidance for Real Property Inventory Reporting*.

the high PRV values could be misleading if used as an indicator of property value and potential revenue.

Figure 8: Empty Buildings in Poor Condition with High PRVs

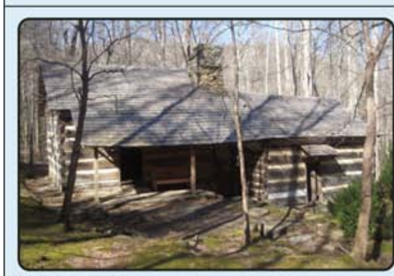
	Biology Building	Veterans' Center	Firehouse
Property images	 Vacant biology laboratory building in poor condition.	 Vacant Veterans' Center building in poor condition.	 Firehouse with collapsed ceilings and mold.
Agency	DOE	VA	GSA
2010 reported PRV	$90,136,214	$1,673,690	$1,026,188
2010 reported condition	88%	100%	100%
Status	The building has been shut down for many years and is awaiting demolition.	This building is inactive and has been empty for over 10 years.	This building is designated excess and has not been used for 10-12 years.

Sources: GAO analysis of agency information and DOE (Biology Building photographs).

We are not suggesting that FRPC should create a data element that describes the market value or actual worth of a building. Interior officials told us that evaluating the market value of federal properties is beyond the abilities of many government real property management staff, since they are not engaged in the real estate market. Furthermore, GSA officials said that it would be cost prohibitive to conduct market value appraisals of all federal property, and that it would be impractical, considering that many excess properties will be demolished rather than sold or conveyed. However, commonly referring to the PRV as "value" could perpetuate confusion on the nature of the federal government's property portfolio and an overstatement of its worth. Therefore, any broad statements made about the overall worth of the federal portfolio cannot be substantiated with FRPP data. As such, the federal government does not have any means of accurately characterizing the overall value of the federal portfolio.

In addition to the confusion that referencing the PRV as “value” can bring, we also found inconsistencies in the reported PRV at the sites we visited. For example, we found instances of a property’s PRV changing significantly from one year to another that officials were unable to explain. Figure 9 shows properties that reported significant changes in value from one year to the next that local agency officials could not explain.

Figure 9: Examples of Large Reported PRV Fluctuations for Federal Real Properties

Property image	Agency	Beginning PRV	Ending PRV	PRV change	Percent change	Property description
 Portable modular office building.	VA	$2,585,205 (2009)	$5,678,773 (2010)	$3,093,568	120%	This is a portable modular building that is used for office space.
 Vacant warehouse.	GSA	$21,029,210 (2008)	$14,120,745 (2009)	($6,908,465)	–33%	This is a large warehouse.
 Occupied house.	USDA	$175,619 (2008)	$471,109 (2009)	$295,490	168%	This property is listed as a house.
 Vacant cabin.	Interior	$149,688 (2009)	$284,965 (2010)	$135,277	90%	This is a hiker's cabin and is no longer in use.

Sources: GAO analysis of agency information and USDA (photograph).

The types of inconsistencies and inaccuracies we have identified in these five key data elements suggest that the FRPP database is not a useful decision-making tool for managing federal real property. Even though the 2004 executive order provides that performance measures shall be designed so that heads of executive agencies can track progress in meeting property management objectives, three out of five senior real property officers at the agencies we reviewed reported that they do not use FRPP data to manage real property, but instead use information from their own data systems for making management decisions. The other two officers stated that the FRPP performance measures were valuable. However, we question the utility of these performance measures considering the types of inconsistencies and inaccuracies we identified. Without consistent and accurate data, heads of executive branch agencies may not have the information they need to make effective management decisions about their excess and underutilized properties. Furthermore, OMB staff will be challenged to effectively manage problems with excess and underutilized property across the federal government.

FRPC Has Not Followed Sound Data Collection Practices

We have previously reported that results-oriented organizations make sure that the data they collect are sufficiently complete, accurate, and consistent enough to document performance and support decision making.[34] However, FRPC has not followed sound data collection practices when collecting FRPP data that would help them collect these data in a way that is sufficiently consistent and accurate to be useful for making property management decisions. We found problems with the way FRPC has collected FRPP data that relate to data consistency, performance measures, collaboration, and data reporting.

Data Consistency

FRPC has not ensured that data elements are consistently defined and reported. The 2004 executive order stated that it is the role of the Administrator of GSA, in consultation with FRPC, to establish and maintain the federal database and to establish data and information technology standards to facilitate reporting on a uniform basis. As illustrated in the previous section, we found that data were reported inconsistently, sometimes because the guidance was not clear or because agencies were not following the guidance. For example, Interior officials told us that the definitions provided in FRPC guidance of key data

[34] GAO/GGD-96-118.

elements, such as utilization, are very basic and that more guidance would be needed to report this data consistently. In addition, as stated earlier in this report, VA officials reported that OMB agreed to let VA use an alternative definition for utilization than the one provided in FRPC guidance. Because key data elements are not reported uniformly, they can have no collective meaning when amassed in a single database. If FRPC finds that certain kinds of data cannot be defined the same from agency to agency, that kind of data may not belong in a single database that appears to be standard across the government. Decision makers may assume that data reported for a particular data element have the same meaning across the federal government. This could lead to incorrect assumptions about the nature and scope of real property management problems.

Performance Measures

FRPC has designated performance measures in the FRPP database that are ineffective. As discussed previously, FRPC designated four data elements in the FRPP as performance measures. However, these measures are not linked to any performance goals, and FRPC guidance does not explain what constitutes acceptable performance on these measures. By establishing performance measures before establishing the specific performance goals that it seeks to achieve through FRPP data collection, FRPC's requirements may cause agencies to waste valuable time and resources collecting the wrong data. Without effective performance goals to guide its data collection, FRPC cannot ensure that the data gained from these performance measures are an effective use of resources.

In addition, the performance measures designated by FRPC are not consistent with the requirements described in the 2004 executive order. The executive order states that FRPC should work with the Administrator of GSA to "establish appropriate performance measures to determine the effectiveness of Federal real property management. Such performance measures shall include, but are not limited to, evaluating the costs and benefits involved with acquiring, repairing, maintaining, operating, managing, and disposing of Federal real properties at particular agencies." Furthermore, the executive order states that the measures should be designed in such a way as to allow for comparing the performance of agencies against that of industry and other public sector agencies. However, because these measures have not been implemented consistently, they cannot be used for comparison within the government or outside of it and, therefore, cannot be used to determine the effectiveness of federal real property management or to evaluate the costs and benefits of various management activities. If FRPC determines that it cannot design measures that meet the requirements described in the executive order, FRPC could request that the executive order be reexamined.

Collaboration

OMB, as the Chair of FRPC, has not collaborated effectively with the agencies that submit FRPP data and may be requiring agencies to spend resources on data collection that is not useful. The agencies we reviewed expressed concerns about the data collection process, including the amount of data collection required, the time they are given to implement new data requirements, and their ability to collect data as required accurately. For example, USDA officials told us that they have a very large portfolio of federal property and that it is labor intensive to collect all of the required data. In addition, Interior officials stated that when new data requirements are implemented, they need 1 to 2 years lead time in order to update data systems and train staff in order to collect the data accurately—historically, they said they have been given less than 6 months to implement new guidance. Moreover, GSA officials who review FRPP data submitted by other agencies stated that when agencies have told OMB staff that they do not have the ability to accurately gather information as required, OMB staff have told them to collect the data to the best of their ability. GSA officials also told us that OMB staff have acknowledged that data collection may not be accurate at first, but that as agencies get accustomed to collecting the data, they will find ways to collect it more accurately.

These agency concerns were magnified during the last FRPP reporting period (fiscal year 2011). The amount of data that FRPC requires federal agencies to report increased significantly in 2011, and federal agencies reported that they did not have the time or resources to respond to these requirements effectively. FRPC added five new data elements to the collection requirements, not counting the new elements' subelements, which also must be taken into consideration.[35] To put this into perspective, from 2005 through 2010, only two new data elements were

[35]As part of its 2011 guidance, the FRPP requires agencies to collect additional information for five new data elements which also consist of 10 subelement categories. These five new data elements include total annual British Thermal Units consumption, personnel, anticipated disposition of asset, determination of excess, and potential candidate for sale. In addition, other changes were made to previous data elements. For example, beginning in 2011, agencies were required to report the percentage of utilization. GSA, *Federal Real Property Council: 2011 Guidance for Real Property Inventory Reporting, Version 3.*

added to FRPP reporting requirements. Furthermore, FRPC did not finalize the guidance for 2011 submission requirements until October 4, 2011, and data collection was due on December 15, 2011.

Agency officials told us that the reporting changes and short timelines created a significant burden to their agencies, and that the submitted data subsequently may not be accurate. For example, USDA officials reported that it had to make extensive changes to their Corporate Property Automated Information System (CPAIS)—USDA's real property data system of record—to comply with the new reporting requirements. They added that, because of the late distribution of the requirements, agencies had little time to respond to the data changes, causing USDA to have to shut down the CPAIS system to prevent compromise of fiscal year 2011 data while they attempted to update their systems to comply with the required changes. In addition, Interior officials told us that they requested waivers for part of the new reporting requirements that they could not report accurately in the time they had to respond. However, OMB staff did not respond to their waiver request—to accept or deny it—so Interior officials submitted data to the best of their ability, with little confidence that the data were accurate. Furthermore, GSA reported that one of the new reporting requirements—obtaining the numbers of personnel in each building—will be resource intensive and time consuming and that the data could be inaccurate. OMB staff told us that they held conference calls with the agencies, reviewed their feedback and weighed the burden the data collection presented to the agencies. For example, the data element describing total annual British Thermal Units consumption was made optional for a year and reporting personnel data was limited to only certain building asset types. However, the burdens the agencies reported with the 2011 data submissions, including the fact that Interior received no response to their waiver request at all, raises questions as to the effectiveness of the collaboration efforts.

We asked OMB staff why data collection requirements increased in 2011 and they reported that the data collection requirements were modified to provide a more comprehensive basis for governmentwide analysis of the federal real estate inventory. However, it is unclear how this information provides a more comprehensive analytic basis when the agencies have told OMB that they cannot guarantee that the collected data are accurate. Collecting and analyzing data creates costs for federal agencies as they must direct time and staff resources to this task. We have previously emphasized the importance of limiting the number of measures to the vital few measures considered essential for producing data for decision making. Furthermore, increasing data collection requirements without ensuring that agencies have the time and resources to respond increases the likelihood that inaccurate data are collected. DOE reported that the increased reporting requirements drain agency resources and that FRPP reporting should be limited to a few data elements that would allow for reporting a few critical statistics describing federal properties.

While agency concerns have increased, effective collaboration has reportedly decreased. Agency officials told us that FRPC has stopped meeting as often as it did in years past, which has limited collaboration opportunities. In addition, VA officials told us that they are just one voice when FRPC meets to discuss data collection requirements. They said that many of the agencies that are part of FRPC have very small portfolios, so detailed data collection requirements are not particularly burdensome. These agencies with smaller portfolios have an equal voice to agencies with large property portfolios, such as VA and the Department of Defense, even though agencies with large portfolios bear a much greater burden when data collection requirements are added. DOE officials stated that there needs to be a formal process for adding data elements to collection requirements that includes collecting and formally resolving agency comments on difficulties with data collection or the inability to report on certain requirements accurately. Without improving collaboration efforts, FRPC cannot ensure that the costs involved in collecting and analyzing the data are commensurate with the benefits obtained from gathering it.

Data Reporting

Even if the data were useful, we found that FRPC reports very little of what it collects from the agencies. From the millions of pieces of data collected from the thousands of assets reported by federal agencies to the FRPP in fiscal year 2010, FRPC produced a 19-page, high-level summary report.[36] In this summary report, two of the four data elements listed as performance measures—condition index and mission dependency—were not included in the report. In addition, the PRV reported by agencies is also not included in the report. GSA officials told us that some information about federal real property portfolios should not be released to the public for security reasons. However, the fact that FRPC does not report two data elements that it has designated as performance measures raises issues with transparency and

[36]See FRPC, *Federal Real Property Council's FY 2010 Federal Real Property Report: An Overview of the U.S. Government's Real Property Assets* at http://www.gsa.gov/portal/content/102880, accessed April 29, 2012.

accountability. Furthermore, the amount of information that FRPC reports compared to the extensive information it collects raises further questions about whether FRPC is balancing the cost of collecting the data with the benefit it provides. We have previously stated that reporting performance information can help Congress make informed decisions and give the taxpayers a better understanding of what the government is providing in return for their tax dollars.[37] Better alignment between the data collected and reported would add transparency and accountability, not only to the federal government's management of its property, but also on the resources spent to collect the data.

The other two performance measures—utilization and annual operating costs—are included in FRPC's report. For example, the data in table 3 is provided in the summary report, which listed the annual operating costs of all reported underutilized properties at more than $1.5 billion dollars.

Table 3: Utilization and Annual Operating Cost Data for All Assets Reported by FRPC in 2010

	Number of assets	Total square feet	Annual operating cost
Not utilized	6,700	39,645,100	$112,151,700
Over utilized	65,800	959,380,400	9,693,933,400
Under utilized	71,000	450,612,900	1,553,359,300
Utilized	89,000	614,314,900	4,440,635,200

Source: GAO presentation of FRPC data.

Considering that we found inconsistencies in the way utilization and annual operating cost data are collected and reported, the accuracy of these data and other tables in the summary report is questionable. Furthermore, providing decision makers with this information is problematic. Decision makers could incorrectly use a table such as this to estimate potential cost savings through a reduction of annual operating costs associated with initiatives to dispose of properties that are underutilized or not utilized.

[37] GAO/GGD-96-118.

Although Some Progress Has Been Made, Federal Property Management Is Still Challenging and Efforts Lack a National Strategy

The federal government has taken some steps to address excess and underutilized property management problems by developing the FRPP database, among other things. However, cost savings efforts associated with excess and underutilized property over the years were discontinued and recent efforts may overstate potential savings. Although the federal agencies we reviewed have taken some actions to try to address excess and underutilized properties, long-standing challenges remain. As a result, a national strategy could help the federal government prioritize future management efforts.

Limited Progress Has Been Made in Managing Excess and Underutilized Federal Property, but the Extent of Cost Savings Is Not Clear

The federal government has made some progress in managing real property since we first added this issue to our high-risk series. In a 2007 review of federal real property, we found that the administration at that time made progress toward managing federal real property and addressing some long-standing problems.[38] The 2004 executive order established FRPC to develop property management guidance and act as a clearinghouse for property management best practices. FRPC created the FRPP database and began data collection in December 2005. As part of a 2011 update to our high-risk series, we reported that the federal government has also taken steps to improve real property management, most notably by implementing some GSA data controls and requiring agencies to develop data validation plans.[39] Prior to designating property management as high risk, reliable tools for tracking property were generally unavailable. Consequently, we determined that the development of a database and the implementation of additional data quality controls were steps in the right direction. However, on the basis of our current work, it appears that data controls have not brought about widespread improvements with data consistency and accuracy as was anticipated. Nonetheless, we found that the FRPP can be used in a general sense to track assets. For example, during our site visits, agency officials were able to match assets with the real property unique

[38] GAO-07-349.

[39] GAO-11-278.

identification numbers assigned to them in the FRPP database and were able to locate even small, remote buildings using these numbers.[40]

In addition to establishing FRPC, developing the FRPP, and implementing the executive order, the previous and current administrations have sought ways to generate cost savings associated with improving management of excess and underutilized properties. However, these efforts have not led to proven cost savings associated with the management of these properties.

Cost savings goals set by the previous administration were discontinued. In 2007, we reported that adding real property management to the President's Management Agenda in 2004 increased its visibility as a key management challenge and focused greater attention on real property issues across the government.[41] As part of this agenda, the previous administration set a goal of reducing the size of the federal real property inventory by 5 percent, or $15 billion, by the year 2015. OMB staff at the time reported that there was an interim goal to achieve $9 billion of the reductions by 2009. OMB staff recently told us that the current administration is no longer pursuing these goals. Furthermore, the senior real property officers of the five agencies we reviewed told us that they were never given specific disposal targets to reach as part of these prior disposal goals.

Cost savings associated with improved management of excess and underutilized properties as directed in the June 2010 presidential memorandum are unclear. OMB staff also said that while the goals of the previous administration are no longer being pursued, the current administration issued a memorandum that directed civilian agencies to achieve $3 billion in savings by fiscal year 2012 through better management of excess properties, among other things. According to the administration's website, as of September 2011, approximately half of the cost savings had been achieved ($1.48 billion). Almost half of the total goal (about $1.4 billion) is targeted to the five agencies we reviewed. Officials from these agencies reported various cost savings measures

[40]We did not attempt to determine whether all buildings at the sites we visited had corresponding unique identification numbers. However agency officials were able to locate buildings using unique identification numbers.

[41]GAO-07-349.

such as selling real property, forgoing operations and maintenance costs from disposed properties, and reducing energy costs through sustainability efforts to achieve agency savings targets.[42] As of the first quarter of fiscal year 2012, only two of the agencies we reviewed—GSA and USDA—were claiming any sales proceeds from the sale of federal real property: GSA reported $41.1 million in savings from sales proceeds and USDA reported approximately $5.6 million. Interior officials stated that individual sales with positive net proceeds are offset by those sales in which the cost of the disposal (i.e., as a result of environmental remediation and repair) is greater than any proceeds realized. Furthermore, DOE officials reported that the disposition costs of the properties they sold during the time frame of the memorandum were actually greater than the proceeds. As a result, DOE has reported a net loss of $128 million on property sales for this time period. VA also did not include asset sales as part of its savings plan.

Four of the five agencies told us that they believe they will reach their savings targets by the end of fiscal year 2012; however, whether they claim to reach those goals or not, the actual and estimated savings associated with excess and underutilized property management may be overstated. Furthermore, agencies were not required to develop cost savings that reflected a reduction in agency budgets. We found problems with cost savings estimates related to excess and underutilized property management from all five of the federal agencies we reviewed (see table 4).[43]

[42]The presidential memorandum does not require that all $3 billion in savings be obtained from efficiencies related to excess and underutilized property; cost savings can also be achieved through sustainability efforts such as better energy and water use that affect all real property in an agency's portfolio, among other things. However, for the purposes of this report, we focused on the extent of agency actions that are taken in response to this memorandum that affect excess and underutilized federal real property.

[43]We did not conduct a comprehensive analysis of the cost savings claimed by the five reviewed agencies and have not evaluated the reliability of the cost savings they claim. We spoke with agency officials about their cost savings targets and found several issues that were of concern to us even without conducting an in-depth review of their claims. Our concerns are detailed in table 4.

Table 4: Identified Problems with Agencies' Cost Savings Estimates Related to Excess and Underutilized Property

Agency	Cost savings projections	Identified problems
DOE	DOE officials stated that as of December 31, 2011, the department had achieved $361 million in savings associated with the operations and maintenance of disposed properties. DOE officials project that this number will reach $375 million in savings by the end of fiscal year 2012.	DOE used FRPP annual operating cost data to estimate this savings. On the basis of our findings in this report, we believe that using the FRPP data to project cost savings is questionable.
	DOE officials stated that they counted operations and maintenance savings for a full year regardless of when in the fiscal year the savings were realized.	Using this methodology, DOE would count operations and maintenance costs for an entire year, even if the property was disposed late in the fiscal year.
	DOE counted the repair needs of disposed assets as approximately $133 million of its cost savings.	Using this methodology to determine cost avoidance assumes that all of the disposed assets would have been fully repaired in the years that this memorandum covers. In reality, agencies have limited budgets to repair and maintain its assets and must carefully choose which assets to repair in a given year. Agencies often choose not to repair assets that are going to be disposed because they need to use their limited funds to repair the assets that they regularly use.
GSA	GSA officials told us that as of December 31, 2011, they had achieved approximately $317 million (out of the agency's $450 million target) and that they anticipated that the agency would reach the full target by the end of fiscal year 2012.	GSA did not provide complete information on the projected savings that would total $450 million by the end of fiscal year 2012. Furthermore, as part of its reported $317 million cost savings, GSA included $118.3 million for "Lease Transition to Federal Construction." GSA reported that this is the result of an analysis of savings that would be accrued if buildings were constructed to replace four properties that are currently leased. The estimated savings were based on the present value of savings over a 30-year period. However, the GSA estimate represents savings for the entire 30-year period (i.e., over the life of the buildings) rather than only for the 3 fiscal years specified in the presidential memorandum (fiscal years 2010 through 2012). Moreover, GSA has yet to occupy any of the four buildings, and it is unclear if their construction is under way. Thus, even if cost savings could be claimed for all 3 years reviewed for each building, the cost savings for these 3 years would be significantly lower than GSA reported saving.
	GSA counted repair needs as $55.7 million of its achieved cost savings and projects more than $30 million more by the end of fiscal year 2012.	Using this methodology to determine cost avoidance assumes that all of the disposed assets would have been fully repaired in the years that this memorandum covers. In reality, agencies have limited budgets to repair and maintain their assets and must carefully choose which assets to repair in a given year. Agencies often choose not to repair assets that are going to be disposed because they need to use their limited funds to repair the assets that they regularly use.
Interior	Interior officials stated that they had saved $78 million in operations and maintenance costs from disposed properties as of September 30, 2011.	In March 2012, Interior officials told us that they had not subtracted the disposal costs or taken into consideration replacement costs of the disposed assets. Once these costs were considered, Interior officials stated that their net savings were only $8.3 million.

Agency	Cost savings projections	Identified problems
	Interior officials stated that although they will fall short of the original projections related to the operations and maintenance costs of disposed properties, they will still achieve their disposal target through higher-than-expected innovations savings (more than $40 million higher than they had previously projected).	Interior counted $4.2 million of innovations savings from capital investment projects the department had canceled. Interior plans to count the funds that would have been spent on these projects as cost savings toward the presidential memorandum targets even though Interior used these funds for other projects. In addition, Interior counted $20.1 million in savings toward the presidential memorandum based on volunteer work (Interior valued volunteer hours at $21.86 per volunteer hour). This volunteer work is a normal part of Interior's business and does not reflect any new initiative as a result of the memorandum. Furthermore, Interior reported more than $20 million in innovations savings from eliminated operations and maintenance costs from disposed or transferred assets. Interior used FRPP annual operating cost data to estimate this savings. On the basis of our findings in this report, we believe that using FRPP data to project cost savings is questionable.
VA	In February 2012, we reported that VA assumed that it would achieve savings of nearly $14 million through a reduction in leased space in fiscal year 2012 by increasing the number of employees who telework frequently.[a]	VA did not account for the time necessary to implement this initiative—that is, the time it would take the department to increase the number of employees who telework frequently, put in place office-sharing arrangements, and subsequently reduce the amount of leased space.
	We reported that as of January 2012, VA officials said that they had not reduced the amount of space it leases and does not expect to achieve the space reductions necessary to achieve estimated savings in this area until the end of fiscal year 2012.[b]	This would result in lower savings than VA estimated.
	VA officials told us that other estimated cost savings related to excess and underutilized property management will not occur before the end of fiscal year 2012.	VA was not able to demolish or mothball many of the buildings it identified as vacant or underutilized, as it had planned, particularly larger buildings.[c]
	VA expects that it will make up these missed targets through higher-than-expected savings from energy and sustainability initiatives that affect all VA property.	While these savings could be considerable, they would encompass more than $60 million of VA's $80 million savings target, which means that very little of VA's cost savings associated with the memorandum would relate to addressing excess and underutilized property.
USDA	As of September 2011, USDA officials estimated that they would receive more than $40 million of actual cost savings (out of the agency's $300 million target) from proceeds from the sale of assets in fiscal years 2010 and 2011.	USDA based this figure on estimates using PRV. As discussed previously, the PRV is not the market value of these assets, nor is it the sales price of the asset. USDA officials found that these sales actually totaled approximately $5.6 million and they had to adjust their estimates accordingly.
	USDA officials stated that they counted operations and maintenance savings for a full year regardless of when in the fiscal year the savings were realized. USDA officials stated that it is difficult to project the date of when a lease will close and savings will begin, but they acknowledged that USDA's estimated savings assumed that all closures occurred in quarter one of the fiscal year.	Using this methodology, USDA would count operations and maintenance costs for an entire year, even if the lease was closed late in the fiscal year.

Source: GAO analysis of agency information.

[a]GAO, *VA Health Care: Methodology for Estimating and Process for Tracking Savings Need Improvement*, GAO-12-305 (Washington, D.C.: Feb. 27, 2012).

[b]GAO-12-305.

[c]The VA Handbook defines mothballing as abandoning a building but maintaining a minimal level of heating and cooling. This also includes blocking entryways, avoiding vandalism, and ensuring building integrity. See VA, *Managing Underutilized Real Property, Including Disposal, Handbook 7633* (Washington D.C.: Apr. 18, 2006).

OMB staff has not provided information to support projected cost savings if CPRA is enacted. In addition to the expected savings resulting from the June 2010 presidential memorandum, OMB staff reported that CPRA—the legislation the administration has proposed to address real property management obstacles—will result in $4.1 billion in savings within 10 years following enactment from sales proceeds as well as unspecified savings from operating costs and efficiencies. However, the CPRA projections may not reflect true cost savings. OMB staff did not provide a methodology, calculations, or any other basis for its stated projections. Furthermore, CBO concluded that CPRA would probably not result in a significant increase in proceeds from the sale of federal properties over the next 10 years.[44] CBO noted that the Department of Defense holds about one-third of the excess properties. CPRA would have no effect on these properties, because the proposal only applies to civilian agencies. Furthermore, CBO estimated that implementing CPRA would cost $420 million over the 2012 through 2016 period to prepare properties for sale or transfer. The President's fiscal year 2013 budget requested $17 million to implement CPRA (if it is enacted) and $40 million to establish an Asset Proceeds and Space Management Fund to facilitate the disposal process intended to reimburse agencies for some necessary costs associated with disposing of property. This amount is far short of the $420 million that CBO projected would be needed to prepare properties for sale or transfer within a 4-year period.[45]

Federal Agencies Have Made Progress but Still Face Long-standing Challenges

Despite problems with data collection and national cost savings goals, we found that agencies have taken steps to address excess and underutilized properties in their portfolios. For example, all five agencies we reviewed have taken steps to use property more efficiently, as follows:

[44]Letter from Douglas W. Elmendorf, Director, Congressional Budget Office, to Darrell E. Issa, Chairman, Committee on Oversight and Government Reform, U.S. House of Representatives, responding to Chairman Issa's request for the Congressional Budget Office to analyze the President's legislative proposal to expedite the disposal of federal civilian real property, June 27, 2011.

[45]While CBO questioned the proceeds that would be obtained through property sales, CBO did report in its analysis that CPRA could result in additional properties being disposed of in other ways that would reduce the need for future appropriated funds to maintain them.

- *Identifying underutilized assets to meet space needs.* VA officials told us that they implemented a process to identify vacant and underutilized assets that they could use to meet space needs. In addition, VA officials stated that the department is planning to reuse currently utilized assets that will be available in the future. VA officials added that they have identified 36 sites that include 208 buildings and more than 600 acres that they can use to provide more than 4,100 units of homeless and other veteran housing.

- *Consolidating offices among and within agencies.* USDA and Interior signed a memorandum of understanding in November 2006 that allows the agencies to colocate certain operations and use their buildings more efficiently. The memorandum of understanding enables the agencies to share equipment and space. In addition, USDA closed laboratories at four locations and consolidated operations with existing USDA sites. In its National Capital Region, USDA has consolidated five separate leased locations, totaling 363,482 square feet, into one location at Patriot's Plaza in Washington, D.C. USDA reported that the consolidation into Patriot's Plaza will result in annual rent savings of about $5.6 million. DOE officials also stated that the department encourages offices to consolidate operations when it is cost effective to do so. The department also increased the use of an office building at the Lawrence Livermore National Laboratory from 22 percent to 100 percent by changing its use from office space to a building that houses computers. Furthermore, VA consolidated its medical center campuses in Cleveland, Ohio, and engaged a number of private partners directly to reuse the unneeded sites, using its Enhanced Use Lease authority.[46]

- *Reducing employee work space.* To use space more efficiently, Interior reduced new space utilization per employee from 200 usable square feet per person to 180 usable square feet per person. This action decreased total new space by 10 percent in all areas including employee work space and conference space.

[46]We have work under way that examines how some civilian agencies, as one tool to enhance use of federal real property, are using their authority to enter into Enhanced Use Leases—long-term agreements with nonfederal entities for the use of excess or underutilized federal property in exchange for cash or other considerations.

- *Using operations and maintenance charges to reduce operating costs and encourage efficient use of space.* DOE officials reported that several sites servicing multiple programs or performing work for others have developed a space charge system whereby a site charges tenants for the operations and maintenance of the square footage they occupy on a square foot basis. This charge defrays operations and maintenance costs associated with the site and encourages tenants to minimize their own space use.

- *Transferring unneeded property to other entities.* Interior officials have disposed of excess properties by transferring them to other organizations to use. For example, Interior officials reported that the department donated a freezer building and a laboratory building at the Woods Hole Science Center in Falmouth, Massachusetts to the Woods Hole Oceanographic Institution. The department also transferred buildings and land at a Corbin, Virginia site to the National Oceanic and Atmospheric Administration.

- *Creating alternate uses for unused assets.* GSA found an alternate use for 400,000 square feet of a concrete slab that remained after demolishing an excess building. When needed, GSA leases the slab to the Federal Emergency Management Agency as outdoor storage space for electric generators and other heavy equipment and as a staging area for equipment during responses to disasters (see fig. 10).

Figure 10: Alternate Use of a Concrete Slab by GSA

Source: GAO.

Concrete slab used for storage of generators.

- *Using telework and hoteling work arrangements.*[47] All five agencies we reviewed require or allow employees to use alternate work arrangements such as teleworking or hoteling, when feasible, to more efficiently use space. For example, GSA instituted a pilot hoteling project at the Public Building Service headquarters in Washington, D.C., to reduce needed space.

Progress notwithstanding, agencies still face many of the same long-standing challenges we have described since we first designated real property management as a high-risk area.

Agency disposal costs can outweigh the financial benefits of property disposal. USDA officials reported that the costs of disposing of real property can outweigh savings that result from building demolition

[47]Hoteling is a work arrangement in which employees work in multiple sites and use nondedicated, nonpermanent work spaces assigned for use by reservation on an as needed basis thus reducing needed space.

and that limited budgetary resources create a disincentive to property disposal. USDA determined that the total annual cost of maintaining 1,864 assets with annual operating costs less than $5,000 was $3 million. Conversely, USDA concluded that the disposal costs for these assets equals or exceeds their annual operating cost of $3 million. Thus, disposal of the assets would not result in immediate cost savings, and USDA has not demolished the assets. In addition, Interior officials reported that numerous National Park Service buildings acquired during the planning for a Delaware River dam that was never built are excess, as are many cabins and houses along the Appalachian Trail. Because Interior is not spending any operations and maintenance on these assets, disposing of them would not provide savings to the department. As a result, Interior has made a business decision to only fund a small percentage of these disposals at the Delaware River dam site.

Legal requirements—such as those related to preserving historical properties and the environment—can make the property disposal process lengthy according to agency officials. Meeting requirements associated with historical properties can delay or prevent disposal of excess buildings.[48] The National Historic Preservation Act, as amended, requires agencies to manage historic properties under their control and jurisdiction and to consider the effects of their actions on historic preservation.[49] For example, VA officials reported that they are unable to dispose of a 15,200-square-foot building at Menlo Park, California that has been used as both a residence and a research building during its 83-year history. The building has been scheduled for demolition since 2001, but VA cannot demolish it because of a historical designation. In addition, in 2010, Interior canceled the disposal of a 95-square-foot stone property that we visited because it was found eligible for historic designation. The property is in poor condition and has not been used for many years, but Interior officials told us that they are now planning to stabilize and restore the structure (see fig. 11).

[48] We have work under way that examines these challenges in more detail.

[49] 16 U.S.C. §§ 470f, 470h-2.

Figure 11: Interior Property No Longer Slated for Demolition because of Historic Designation Challenges

Source: GAO.

Shed in poor condition and eligible for historic designation.

Environmental requirements can also complicate disposal. Under the National Environmental Policy Act, as amended, agencies are required to consider the environmental impact of their decisions to dispose of property;[50] landholding agencies are responsible for supervising decontamination of excess and surplus real property that has been contaminated with hazardous materials of any sort.[51] However, required environmental assessments and remediation of unneeded property can be expensive and time consuming. For example, DOE officials reported that most of the agency's excess buildings will be costly to demolish because of radiological contamination. DOE is responsible for

[50]Pub. L. No. 91-190, 83 Stat. 852 (Jan. 1, 1970), codified as amended at 42 U.S.C. §§ 4321-4347 (2011).

[51]41 C.F.R. § 102-75.955.

remediation of contaminated nuclear weapons manufacturing and testing sites that include thousands of excess buildings contaminated with radiological or chemical waste. DOE officials reported that because their decontamination and disposal funds are limited, they might not be able to dispose of these buildings for many years (see fig. 12).

Figure 12: Vacant DOE Property with Radiological Contamination

Sources: DOE and GAO.

Vacant laboratory building.

GSA officials reported that environmental contamination of properties is a significant challenge to their property disposal efforts. For example, environmental contamination has delayed disposal of a GSA site, that we visited, until at least 2015. This 435 acre site is a former Department of Defense storage site that includes abandoned warehouses, steel sheds, and concrete pier foundations, among other structures. The site is contaminated with low level radioactivity and unexploded munitions. GSA officials told us that they are working with state officials and the Department of Defense to identify the contamination at the site and plan remedial actions (see fig. 13).

Figure 13: Abandoned and Contaminated GSA Property

Aerial photo of GSA site planned for disposal.

Warehouse located at GSA site.

Sources: GSA and GAO.

Stakeholder interests can conflict with property disposal or reuse plans. VA officials reported that they have been unable to dispose of buildings in part because local interests are opposed to the department's disposal plans. In 2006, VA announced a decision to pursue an enhanced use lease on approximately 30 acres of the 56.5 acre St. Albans, New York campus. Under the terms of the lease, a private partner would construct a nursing home and domiciliary and outpatient clinic buildings with all needed equipment and furnishings in exchange for development rights to the remaining acreage at the site. In 2010, VA selected a developer to operate and maintain state-of-the-art buildings and leased land for the duration of the lease. However, VA officials reported that because of opposition to their plans from local organizations, they canceled the disposal and lease plans for the site. GSA officials also reported that local stakeholder interests have delayed conveyance of a federal building in Portland, Oregon. The Department of Education plans to use the building for educational activities beneficial to the community. However, the officials received a request from the city of Portland that certain offices that were already located in the building remain in downtown Portland. GSA is attempting to find suitable space for these offices in downtown Portland so that it can convey the building to the Department of Education.

Locations of some federal properties can make property disposal and reuse difficult. DOE officials reported that they demolish most excess buildings rather than sell or reuse them, because the department must locate buildings in remote areas that include acreage that can serve as security and environmental buffer zones for nuclear-related activities. Likewise, Interior officials reported that most of their buildings are located on public domain lands, lands held in trust, or in remote or inaccessible areas. Furthermore, VA officials reported that most of their buildings are located on medical center campuses. All three agencies reported that because excess buildings located on federal land are not easily accessible or cannot be sold to nongovernment entities, sales or conveyances of these buildings can be prevented. Interior officials reported that the department spends significant resources to eliminate the nongovernment ownership of parcels of land within the boundaries of public domain lands, so selling properties on the land, even if it were legal, would contradict the goal of the department. Often, the only option they have is to remove buildings or structures, which in many cases, are cost prohibitive. For example, Interior officials reported that many former privately owned fishing camps and recreation sites at Voyageurs National Park in Minnesota are in remote locations that make their removal difficult and cost prohibitive.

A National Strategy Could Guide Improvement Efforts

Nine years after we designated the issue of managing federal real property as high-risk, and numerous efforts to address it, the federal government still faces many of the same long-standing challenges. We previously reported that complex interagency and intergovernmental efforts can benefit from developing a national strategy; however, a comprehensive national strategy has not been developed to address the excess and underutilized property problem.[52] Given the complexities of issues related to excess and underutilized federal real property management, unsuccessful implementation of cost savings efforts across administrations, and the issues that still remain with data reporting, we believe that a national strategy could provide a clear path forward to help federal agencies manage excess and underutilized property in the long term. A national strategy can guide federal agencies and other stakeholders to systematically identify risks, resources needed to address those risks, and investment priorities when managing federal portfolios. Without a national strategy, the federal government may be ill-equipped to sustain efforts to better manage excess and underutilized property.

[52]GAO, *Biosurveillance: Efforts to Develop a National Biosurveillance Capability Need a National Strategy and a Designated Leader*, GAO-10-645 (Washington, D.C.: June 30, 2010).

In 2004, we identified a set of six desirable characteristics to aid responsible parties in developing and implementing national strategies to guide senior policy decision makers and to better ensure accountability.[53] Table 5 provides a summary of these six characteristics.

Table 5: Desirable Characteristics for a National Strategy, from Conception to Implementation

Desirable characteristic	Description
Purpose, scope, and methodology	Addresses why the strategy was produced, the scope of its coverage, and the process by which it was developed
Problem definition and risk assessment	Addresses the particular national problems the strategy is directed toward
Goals, subordinate objectives, activities, and performance measures	Addresses what the strategy is trying to achieve and steps to achieve those results, as well as the priorities, milestones, and performance measures to gauge results
Resources, investments, and risk management	Addresses what the strategy will cost, the sources and types of resources and investments needed, and where resources and investments should be targeted based on balancing risk reductions with costs
Organizational roles, responsibilities, and coordination	Addresses who will be implementing the strategy, what their roles will be compared with those of others, and mechanisms for them to coordinate their efforts
Integration and implementation	Addresses how a national strategy relates to other strategies' goals, objectives, and activities, and to subordinate levels of government and their plans to implement the strategy

Source: GAO analysis.

Such a national strategy could help the federal government make progress on managing excess and underutilized properties in the following ways, among others:

- *Defining the scope of the coverage* of national efforts to deal with properties managed by federal agencies could help keep efforts focused on issues that lend to governmentwide efforts, as opposed to those that are better left to each agency to manage.

[53] See GAO, *Combating Terrorism: Evaluation of Selected Characteristics in National Strategies Related to Terrorism*, GAO-04-408T (Washington, D.C.: Feb. 3, 2004).

- *Defining the problem and assessing the risks* could help ensure that agencies are prioritizing their efforts to manage excess and underutilized properties in the most efficient manner.

- *Clearly addressing what a strategy for managing federal properties is meant to achieve* could help FRPC develop effective performance measures and evaluate whether current performance measures and data elements are necessary for meeting nationwide performance goals.

- *Addressing the cost, sources, and type of resources and investments needed* could help FRPC measure the costs of collecting data and ensuring that it is commensurate with the benefits received from the collected data.

- *Clearly outlining roles and developing an effective mechanism for coordination* can ensure that effective collaboration is taking place between FRPC and federal agencies, particularly when new data collection requirements are implemented.

- *Addressing how the national strategy relates* to agencies' individual goals and management strategies can ensure that the national strategy provides the guidance agencies need to better manage their portfolios.

Conclusions

The federal government has made some progress in managing real property since it was first added to our high-risk series. The FRPC created the FRPP database to track federal property and the federal agencies we reviewed have taken some actions to address excess and underutilized property. Even with long-standing efforts to improve the management of excess and underutilized properties and save costs, federal agencies continue to face many of the same challenges that we have reported for over a decade. The problems still facing the federal government in this area highlight the need for a long-term, comprehensive national strategy to bring continuity to efforts to improve how the federal government manages its excess and underutilized real property and improve accountability for these efforts. Such a strategy could lay the framework for addressing the issue of inconsistent and inaccurate data on excess and underutilized federal properties. We continue to believe that consistent and accurate data on federal real property are necessary for the federal government to effectively manage real property. While the 2004 executive order charged the Administrator of GSA, in consultation with FRPC, to develop the data reporting standards for the FRPP database, the current standards have allowed agencies to submit data that are inconsistent and therefore not useful as a measure for comparing performance inside and outside the federal government. Also, the current definitions of certain data elements could perpetuate confusion on the nature of federal government properties. For example, the FRPP data element, PRV, is commonly referred to as an asset's "value," which can cause decision makers to make assumptions about the worth of the asset even though the PRV cannot be accurately used in this way. Moreover, many agencies do not have the resources to collect data at the asset level, and the information that is reported in order to meet requirements for asset-level data is likely conveying an inaccurate picture of excess and underutilized property. Furthermore, federal government agencies have vastly different uses for properties, and it may be challenging to collect certain kinds of property management data using a single database. This makes it difficult for decision makers to understand the scope of the problem and assess potential cost savings and revenue generation. Now that FRPC has had several years of experience with these data, it is in a better position to refine data collection requirements by identifying data that are suitable for comparison in a nationwide database. Following sound data collection practices could help FRPC to thoroughly evaluate and retool the FRPP so that it collects and provides data that are consistent and accurate to decision makers, even if this means collecting less data in the short term. GSA is uniquely positioned to lead this effort because of its charge to develop FRPP data reporting standards.

Recommendations for Executive Action

We are making two recommendations, one to the Director of OMB and one to the Administrator of GSA.

We recommend that the Director of OMB require the OMB Deputy Director for Management, as chair of FRPC, in collaboration and consultation with FRPC member agencies, to develop and publish a national strategy for managing federal excess and underutilized real property that includes, but is not limited to, the following characteristics:

- a statement of purpose, scope, and methodology;
- problem definition and risk assessment;
- goals, subordinate objectives, activities, and performance measures, including the milestones and time frames for achieving objectives;

- resources, investments, and risk management;
- organizational roles, responsibilities, and coordination; and
- integration and implementation plans.

We recommend that the Administrator of GSA, in collaboration and consultation with FRPC member agencies, develop and implement a plan to improve the FRPP, consistent with sound data collection practices, so that the data collected are sufficiently complete, accurate, and consistent. This plan should include, but not be limited to the following areas:

- ensuring that all data collection requirements are clearly defined and that data reported to the database are consistent from agency to agency;
- designating performance measures that are linked to clear performance goals and that are consistent with the requirements in the 2004 executive order (or seeking changes to the requirements in this order as necessary);
- collaborating effectively with the federal agencies that provide the data when determining data collection requirements and limiting the number of measures collected to those deemed essential, taking into account the cost and effort involved in collecting the data when determining data collection requirements; and
- developing reports on the data that are collected.

Agency Comments and our Evaluation

We provided a draft of this report to OMB, GSA, VA, USDA, DOE, and Interior for review and comment. OMB did not directly state whether it agreed or disagreed with our recommendations. OMB agreed that challenges remain in the management of the federal government's excess and underutilized properties; however, OMB raised concerns with some of the phrasing in our report and offered further context and clarification regarding the administration's overall efforts on real property reform. OMB's comments are contained in appendix III, along with our response. GSA agreed with our recommendation to improve the FRPP and described actions its officials are taking to implement it. GSA also partially agreed with our findings and offered some clarifications. GSA's comments are contained in appendix IV along with our response. VA generally agreed with the overall message of our report, but disagreed with how we presented certain issues. VA's comments are contained in appendix V along with our response. USDA provided clarifying comments which we incorporated, where appropriate. USDA's comments are contained in appendix VI. DOE provided technical clarifications, which we incorporated where appropriate, but did not include as an appendix. Interior did not provide comments.

OMB stated that, because our conclusion regarding the accuracy of FRPP data is based on our sample of 26 site visits, further study is needed to determine whether the problems we found are systemic. However, as discussed in the report, our findings are primarily based on the issues we identified with FRPC's data collection practices, which are the basis of the entire FRPP data collection process and are thus systemic. The 26 sites that we visited complement those findings and illustrate how poor data collection practices affect data submissions; however, they are not the only basis for our findings. Furthermore, OMB stated that the administration has a strategy for improving the management of federal real property that serves as an important foundation for the national strategy we recommend in this report. While the initiatives OMB described may represent individual, positive steps, we do not believe that they fully reflect the key characteristics of a cohesive national strategy. A national strategy would improve the likelihood that current initiatives to improve real property management will be sustained across future administrations. A more detailed discussion of our views on OMB's comments can be found in appendix III.

GSA stated that our report correctly identifies many of the problems that hampered effective FRPP data collection in 2011. According to GSA, it has taken specific actions to begin addressing our recommendation, including modifying FRPC guidance to the agencies to clarify report definitions and proposing reforms of the collection process to FRPC consistent with our recommendation. GSA also offered a few clarifications on our findings. GSA stated that it was unclear whether the examples of inconsistencies we discuss in our report are systemic. As noted, our findings are primarily based on the problems we found with the overall data collection process. Thus, our recommendation to GSA involves adopting sound data collection practices. In addition, GSA stated that, because FRPP data is reported annually, property utilization and condition may change from the time that information is submitted. However, we took steps, including discussing the history of each property with local property managers, to ensure that any inconsistencies we found were not due to changes between the time data was reported and the time we visited the building. These steps and a more detailed discussion of our views on GSA's comments can be found in appendix IV.

VA generally agreed with our findings and provided additional information on VA's federal real property portfolio, their methods of reporting real property data, and efforts the department is taking to address its excess and underutilized properties. However, VA disagreed with some of our statements related, for example, to property utilization. A more detailed discussion of our views on VA's comments can be found in appendix V. In addition, USDA provided comments and clarifications which we incorporated, where appropriate. For example, USDA clarified its previous statement regarding utilization reporting to emphasize that component agencies are directed to follow FRPC guidance, but acknowledged that this guidance was inconsistent. USDA also clarified a previous statement regarding problems faced by the agency when reporting FRPP data in 2011. USDA's comments can be found in appendix VI.

We are sending copies of this report to the Director of OMB; the Administrator of GSA; and the Secretaries of Energy, Interior, Veterans Affairs, and Agriculture. Additional copies will be sent to interested congressional committees. We will also make copies available to others upon request, and the report is available at no charge on the GAO website at http://www.gao.gov.

If you have any questions about this report, please contact me at (202) 512-5731 or wised@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are listed in appendix VII.

Sincerely yours,

David J. Wise

David Wise
Director
Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

Our objectives were to determine to what extent (1) the Federal Real Property Profile (FRPP) database consistently and accurately describes the nature, use, and extent of excess and underutilized federal real property, and (2) progress is being made toward more effectively managing excess and underutilized federal real property. We identified five civilian real property-holding agencies for our review: the General Services Administration (GSA); the Departments of Energy (DOE), the Interior (Interior), and Veterans Affairs (VA); and the U.S. Department of Agriculture (USDA). We chose GSA, DOE, Interior, and VA because these were the four largest agencies in terms of total building square footage of all civilian real property agencies that are required to submit data under the executive order.[1] On the basis of the data available, these five agencies report approximately two-thirds of the building square footage reported by civilian agencies. We did not consider agencies in the Department of Defense because we previously reported on the department's excess facilities.[2] We added USDA to our list of selected agencies because USDA reported more excess properties than any other civilian agency in 2009.[3]

To determine to what extent the FRPP database described the nature, use, and extent of excess and underutilized federal real property, we obtained and analyzed FRPP data submissions and other real property data from the five selected agencies; interviewed real property officers at these agencies; visited sites where the agencies had reported excess or underutilized properties; interviewed Office of Management and Budget (OMB) staff; and reviewed FRPC guidance and other documents related to the agencies' real property data and the FRPP database. We obtained the agencies' FRPP data submissions for fiscal years 2008 through 2010. According to our conversations with agency officials, FRPP submissions

[1]Based on the square footage reported by GSA in 2009. See GSA Office of Governmentwide Policy, *FY 2009 Federal Real Property Statistics* at http://www.gsa.gov/portal/content/102880, last accessed March 2, 2012. At the time of selection, the 2010 statistical report had not been released.

[2]GAO-11-814.

[3]In May 2011, the administration posted an interactive map of excess federal properties on its website. See http://www.whitehouse.gov/issues/fiscal/excess-property-map, last accessed February 27, 2012. OMB told us that this map was created from the list of excess properties submitted to the FRPP database in 2009. The data from this map showed that USDA has greater than 2000 more properties than the civilian agency with the next highest number.

can only be changed by the agency submitting the data. As a result, we believe that the FRPP submissions obtained from the agencies match the data contained in the FRPP database and are sufficiently reliable for the purpose of evaluating the consistency and accuracy of the FRPP database. In addition, for select data elements, we obtained real property data from the source databases that each agency uses to generate its annual FRPP submissions. We obtained source system data to get the actual percentage of utilization of each property as of the date when these data were extracted and provided to us in September or October of 2011. For the years of our FRPP data review (fiscal years 2008 through 2010), agencies were only required to report utilization using four categories: overutilized, utilized, underutilized, or not utilized. However, the FRPP guidance stated that agencies should maintain the actual percentage of utilization in their own systems for audit purposes.[4]

We posed questions to senior real property officers at the five agencies about the collecting and reporting of real property data. To gather detailed examples of excess and underutilized properties and to learn about the processes by which data on such properties are collected and submitted to the FRPP database, we visited sites where the five agencies had reported excess or underutilized properties. We selected these sites using information from the agencies' FRPP submissions. To narrow our scope, we chose only federally owned buildings for our visits. Using the most recent FRPP submissions we had at the time (fiscal year 2010), we selected a nonprobability sample of owned buildings for each agency that were listed as excess (on the status indicator data element) or underutilized (on the utilization data element), or both. Because VA did not classify any of their owned buildings as "excess," we also selected VA buildings classified as "not utilized."[5] Because this is a nonprobability sample, observations made at these site visits do not support generalizations about other properties described in the FRPP database or

[4]Beginning in fiscal year 2011, agencies were required to submit the actual utilization percentage for buildings that require a utilization submission.

[5]VA defined "excess" differently than the other agencies we reviewed. Unless VA was ready to turn a building over to GSA to be disposed, it did not list the building as excess, and in its fiscal year 2010 submission it did not record any agency-owned buildings as excess. Because we still wanted to see VA properties not in use, we selected VA properties listed as "not utilized" (on the utilization data element) and treated these in the same way as properties listed as "excess" (on the status indicator data element) by the other four agencies.

about the characteristics or limitations of other agencies' real property data. Rather, the observations made during the site visits provided specific, detailed examples of issues that were described in general terms by agency officials regarding the way FRPP data is collected and reported. We focused on sites clustered around four cities: Washington, D.C.; Dallas, Texas; Los Angeles, California; and Oak Ridge, Tennessee. This strategy afforded both geographic diversity and balance among our selected agencies while also accommodating time and resource constraints. In selecting sites and buildings in and around these four cities, we took into account the following factors:

- We prioritized sites that had multiple excess and/or underutilized properties. This allowed us to see more properties in a limited amount of time.
- We prioritized the selection of excess and/or underutilized properties that fell into one of the five types of real property uses required to submit utilization data in 2010—offices, warehouses, hospitals, laboratories, and housing. However, we also selected some buildings classified as "other," particularly buildings that were large or that had high reported values.[6]
- We attempted to balance the numbers of excess and underutilized buildings we selected. (Some buildings were classified as both excess and underutilized since these classifications are made in different data elements in FRPP.)
- We attempted to visit four or five sites from each of the five different agencies.[7] However, most GSA sites consisted of only one building, so we selected more sites for GSA. In the end, we selected four sites from each of Interior and USDA, five from each of DOE and VA, and eight from GSA. In all, we selected 26 sites.

[6]One of our site visits was a return to a property that we had visited for a 2011 testimony on federal real property. For that testimony, we visited properties that had been listed on the White House website as excess. At that time, local agency officials were puzzled as to why some utilized properties were listed as excess. Since we later found out that this information was based on the 2009 list of excess properties, we visited those properties again to follow up on the data submissions of those properties.

[7]We did not select properties to support comparisons among agencies in the reliability of their data, nor do we make any such comparisons.

Whereas we selected sites based in large part on the numbers and kinds of buildings they had, the exact set of buildings we visited at each site depended on additional factors. At some sites, there were too many excess and underutilized properties to see them all. In those circumstances, we prioritized large buildings with high reported values and tried to see a number of different kinds of buildings (e.g., a mix of offices and warehouses). At several sites, local property officials identified other properties with issues related to excess and underutilized property that we toured and analyzed.

Prior to each site visit, we analyzed the FRPP data submissions for fiscal years 2008 through 2010 and agencies' source system data we obtained in September or October 2011, and developed questions about the data submissions for local property managers. During our site visits, we interviewed local property managers and compared what we observed at each building with the FRPP data for that building. When not restricted by security concerns, we photographed the building. In addition to questions about individual properties, we questioned the local officials about the kind of data they collect on the properties and how they collect it.

To summarize inconsistencies and inaccuracies between our observations at the properties we visited and the FRPP data for those properties, we analyzed 2008 through 2010 FRPP data for all of the properties. As part of this review, we checked the reported utilization, condition index, value, and annual operating costs for each building for all three years. Four analysts, working together, evaluated these data both for inaccuracies (cases where the data clearly misrepresented the actual utilization, condition, value, or annual operating costs of a property) and for year-to-year inconsistencies (cases where reported values showed large year-to-year changes that did not correspond to observable changes in the property and that agency officials could not explain). Each of the 26 sites was counted as having a problem on a given data element if at least one inconsistency or inaccuracy was identified for that element.[8] The four analysts discussed each case and arrived at a consensus as to whether a problem existed in each data element for each site.

[8]For the purpose of our review, we defined an inconsistency as a fluctuation of 20 percent or greater for data reported from one year to another and for which local agency officials were unable to provide an explanation for such a significant change. We defined an inaccuracy as a data error that clearly misrepresented the actual utilization, condition, value, or annual operating costs of a property.

To determine the progress being made toward more effective management of federal excess and underutilized real property, we asked the senior real property officers at each of our selected agencies to provide written responses to a standard list of questions. These questions addressed management issues related to excess and underutilized owned buildings, how FRPP data are reported, and progress the agency is making toward sales and utilization goals set by the OMB. We analyzed the written responses to our questions and reviewed supporting documentation provided by agency officials such as regulations, policies, and other documents. In addition to reviewing the written responses to our questions, we reviewed a number of our previous reports and pertinent reports by the Federal Real Property Council (FRPC), the Congressional Budget Office, and the Congressional Research Service. We also reviewed and analyzed federal laws relating to real property for the major real property-holding agencies.

Because OMB chairs FRPC and has set cost savings goals related to federal real excess and underutilized properties, we analyzed documents related to these goals—including the 2004 executive order, the June 2010 presidential memorandum on “Disposing of Unneeded Federal Real Estate,” and legislation proposed by the administration known as the Civilian Property Realignment Act (CPRA). We also interviewed knowledgeable OMB staff about agency-specific targets related to the June 2010 presidential memorandum, the methodology used to project potential cost savings if CPRA were to be enacted, and progress toward costs savings goals set by the previous administration.

We conducted this performance audit from May 2011 to June 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Federal Real Property Council Fiscal Year 2010 Inventory Data Elements and Descriptions

Data element number	Data element name	Data element definition
1	Real property type	Real property type indicates the asset as land, building, or structure.
2	Real property use	Real property use indicates the asset's predominant use as land, building, or structure.
3	Legal interest[a]	The legal interest indicator is used to identify a real property asset as being owned by the federal government, leased to the federal government (i.e., as lessee), or otherwise managed by the federal government. Otherwise managed properties are (1) owned by a state or foreign government that has granted rights for use to the federal government using an arrangement other than a lease, or (2) trust entities that hold titles to assets predominantly used as museums, yet may receive some federal funds to cover certain operational and maintenance costs.
4	Status[b]	Status reflects the predominant physical and operational status of the asset. Buildings, structures, and land assets have one of the following attributes: • *Active.* Currently assigned a mission by the reporting agency. • *Inactive.* Not currently being used but may have a future need. Includes real property in a caretaker status (closed pending disposal; for example, facilities that are pending a Base Realignment and Closure action) and closed installations with no assigned current federal mission or function. • *Excess.* Formally identified as having no further program use of the property by the landholding agency. • *Disposed.* Required for assets that have exited the federal portfolio of assets during the current reporting period.
5	Historical status	Each asset owned or leased by the federal government (and those otherwise managed by museum trusts) has one of the following historical status attributes: • National Historic Landmark • National Register listed • National Register eligible • Noncontributing element of a National Historic Landmark or National Register listed district • Evaluated, not historic
6	Reporting agency	Reporting agency refers to the federal government agency reporting the property to the FRPC inventory database.
7	Using organization	Using organization refers to the predominant federal government agency or other nonfederal government entity occupying the property.
8	Size	Size refers to the size of the real property asset according to appropriate units of measure. The unit of measure used for the three real property types is as follows: • For land, the unit of measure is acreage and is designated as either rural acres or urban acres. • For buildings, the unit of measure is area in square feet and is designated as gross square feet. • For structures, the unit of measure includes the size (or quantity) and unit of measure, and can include square yards, linear feet, miles, and the numbers of specific types of structures.

Data element number	Data element name	Data element definition
9	Utilization	Utilization is defined as the state of having been made use of, that is, the rate of utilization. The utilization rate for each of the five building predominant use categories is defined as follows: • *office:* ratio of occupancy to current design capacity, • *hospital:* ratio of occupancy to current design capacity, • *warehouse:* ratio of gross square feet occupied to current design capacity, • *laboratory:* ratio of active units to current design capacity, and • *housing:* percent of individual units that are occupied.
10	Value	Value is defined as the cost of replacing the existing constructed asset at today's standards and is also known as plant replacement value (PRV) or functional replacement value.
11	Condition index	Condition index is a general measure of the constructed asset's condition at a specific point in time. The condition index is calculated as the ratio of repair needs to PRV. Repair needs are the amount necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. Agencies will initially determine repair needs based on existing processes, with a future goal to further refine and standardize the definition. The condition index will be reported as a "percent condition" on a scale of zero to 100 percent.
12	Mission dependency	Mission dependency is the value an asset brings to the performance of the mission as determined by the governing agency: • *mission critical:* without constructed asset or parcel of land, mission is compromised; • *mission dependent, not critical:* does not fit into mission critical or not mission dependent categories; and • *not mission dependent:* mission unaffected.
13	Annual operating costs	Annual operating costs consist of the following: • recurring maintenance and repair costs, • utilities, • cleaning and janitorial costs, and • roads and grounds expenses
14	Main location	Main location refers to the street or delivery address for the asset or the latitude and longitude coordinates.
15	Real property unique identifier	Real property unique identifier is a code that is unique to a real property asset that will allow for linkages to other information systems. The real property unique identifier is assigned by the reporting agency and can contain up to 24 alpha-numeric digits.
16	City	The city or town associated with the reported main location in which the land, building, or structure is located.
17	State	The state or District of Columbia associated with the reported main location in which the land, building, or structure is located.
18	Country	The country associated with the reported main location in which the land, building, or structure is located.
19	County	The county associated with the reported main location in which the land, building, or structure is located.
20	Congressional district	The congressional district associated with the reported main location in which the land, building, or structure is located.
21	ZIP code	The ZIP code associated with the reported main location in which the land, building, or structure is located.

Data element number	Data element name	Data element definition
22	Installation/subinstallation identifier	*Installation identifier.* Land, buildings or other structures, or any combination of these. Examples of installations are a hydroelectric project, office building, warehouse building, border station, base, post, camp, or an unimproved site. *Subinstallation identifier.* Part of an installation identified by a different geographic location code than that of the headquarters installation. An installation must be separated into subinstallations and reported separately when the installation is located in more than one state or county. However, an agency may elect to separate an installation into subinstallations even if the installation is not located in more than one state or county.
23	Restrictions	Restrictions are limitations on the use of real property and include • environmental restrictions (cleanup-based restrictions, etc.), • natural resource restrictions (endangered species, sensitive habitats, floodplains, etc.), • cultural resource restrictions (archeological, historic, Native American resources, except those excluded by Executive Order 13007, Section 304 of the National Historical Preservation Act, etc.), • developmental (improvements) restrictions, • reversionary clauses from deed, • zoning restrictions, • easements, • rights of way, • mineral interests, • water rights, • air rights, • other, • not applicable
24	Disposition	Agencies are required to provide all assets that have exited the federal portfolio of assets during the reporting fiscal year. This will include, but is not limited to, sales, federal transfers, public benefit conveyances, demolitions, and lease terminations. Disposition data is reported only in the year the asset has exited the federal portfolio of assets. Agencies are required to provide • status, • reporting agency, • real property unique identifier, • disposition. Agencies are also required to report • disposition method (methods include public benefit conveyance, federal transfer, sale, demolition, lease termination, or other), • disposition date, • disposition value (the PRV for public benefit conveyances, federal transfers, demolitions, and other dispositions; the sales price for sales; and the government's cost avoidance for lease terminations), • net proceeds (the proceeds received as part of assets disposed through sales and termination of leases minus the disposal costs incurred by the agency), and • recipient (the name of the federal agency or nonfederal recipient that received the property through public benefit conveyance or federal transfer).

Data element number	Data element name	Data element definition
25	Sustainability	Sustainability is reported for building assets, is optional reporting for structures, and is not reported for land and reflects whether or not an asset meets the sustainability criteria set forth in Section 2 (f) (ii) of Executive Order 13423. To be considered sustainable and report “yes,” the asset must meet the five *Guiding Principles for High Performance and Sustainable Buildings* or be third-party certified as sustainable by an American National Standards Institute (ANSI)-accredited institution: • *Yes.* Asset has been evaluated and meets guidelines set forth in Section 2 (f) (ii) of Executive Order 13423. • *No.* Asset has been evaluated and does not meet guidelines set forth in Section 2 (f) (ii) of Executive Order 13423. • *Not yet evaluated*. Asset has not yet been evaluated on whether or not it meets guidelines set forth in Section 2 (f) (ii) of Executive Order 13423. • *Not applicable*. Guidelines set forth in Section 2 (f) (ii) of Executive Order 13423 do not apply to the asset. This includes assets that will be disposed of by the end of fiscal year 2015 and are no longer in use.

Source: FRPC.

[a]The legal interest element includes a lease maintenance indicator and a lease authority indicator, which are not reported for “owned” and “otherwise managed” properties. This report focuses on owned properties.

[b]The status element includes an outgrant indicator identifying when the rights to the property have been conveyed or granted to another entity. For the purposes of this report, we did not evaluate or analyze information for the outgrant indicator.

Appendix III: Comments from the Office of Management and Budget

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

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

THE CONTROLLER

May 30, 2012

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

Dear Mr. Wise:

See comment 1.

Thank you for the opportunity to comment on the draft report entitled "Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property" (GAO-12-645). The Office of Management and Budget (OMB) agrees with the draft report's general conclusion that challenges remain in the management of the Federal Government's excess and underutilized properties, but that significant progress has been made. OMB is concerned, however, with some of the phrasing in the draft report that may lead the reader to draw unintended conclusions regarding the appropriate next steps for improving the accuracy and consistency of the Federal Real Property Profile (FRPP). Furthermore, OMB offers further context and clarification regarding the Administration's overall efforts on real property reform, and how those efforts will translate into savings for the taxpayer.

See comment 2.

(1) *Further study is needed to determine the overall accuracy and consistency of the data in the Federal Real Property Profile.*

OMB agrees that the problems that the draft report identifies (in utilization data, condition index, annual operating costs, mission dependency, and value at the 26 sites that were visited) warrant further evaluation to determine if such issues are systemic. Because the Federal Real Property Profile database covers real property data from more than 30 different agencies and roughly 1.1 million assets there can be occasional errors.

In particular, the individual findings in the draft report raise important questions about the need to verify the accuracy and consistency of the data in the FRPP. However, at this time, there remains a lack of statistically sound evidence to determine whether any issues identified by GAO are systematic and therefore generalizable to the broader FRPP. Based on our understanding of the draft report, the conclusion on the accuracy of the data in the FRPP is based on a non-probability or convenience sample that "[does] not support generalizations about other properties described in the FRPP database or about the characteristics or limitations of other agencies' real property data."[1] Yet OMB is concerned that the draft report does ultimately make generalizations about the accuracy of all data in the FRPP based on this non-probability sample, through statements such as "considering that we found multiple inconsistencies and inaccuracies in both the designation of properties as underutilized and the annual operating costs of those properties, the accuracy of this and other tables in the summary report is questionable."[2]

[1] DRAFT, n.7, p. 3.
[2] DRAFT, p. 29.

See comment 3.

In contrast, the methodology of GAO's February 2011 report—which concluded that Federal real property data was of improved reliability and should be removed from the high-risk list—was based on a more comprehensive review of "the fiscal year 2008 and 2009 data for domestic buildings and structures from the Departments of Homeland Security, the Interior, and Veterans Affairs, and the General Services Administration."[3] Similarly, in testimony on April 6, 2011 before the House Subcommittee on Economic Development, Public Buildings, and Emergency Management, the GAO witness stated that its recent analysis "found none of the basic problems we have previously found" and that "agencies continue to improve their real property data."[4] In addition, in testimony on June 9, 2011 before the Senate Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, the GAO witness reiterated its finding that "the Federal Government has taken numerous steps since 2003 to improve the completeness and reliability of its real property data."[5]

See comment 4.

Furthermore, in calling into question the reliability of FRPP data, the draft report points to the fact that agencies deploy unique approaches for measuring the utilization of Federal facilities. GAO is correct that this is the case in many circumstances. Since the creation of the FRPP database in 2004, it has been standard practice for each agency to measure certain data elements, such as utilization, through agency-specific means tailored to the agency's individual needs and circumstances.[6] OMB recognizes the trade-off that exists between providing agencies with the flexibility to define data elements based on their agency-specific requirements and establishing government-wide data elements that can be used to support aggregate analysis across the entire FRPP database. The approach on this continues to evolve as OMB and the Federal Real Property Council work with the agencies to clarify management information requirements at both the agency and government-wide level. OMB welcomes GAO's counsel on the best manner in which to manage these trade-offs.

As mentioned above, OMB believes that further study is warranted to determine the extent to which these most recent findings are systemic, and to therefore best inform the appropriate next steps for the government to drive improvements. The draft report should clarify this critical next step.

(2) Agencies have undoubtedly realized savings in seeking to meet the President's real estate savings goals. However, a clarification for the approach for calculating savings may be warranted.

From the start of this Administration, it has been a priority of the President to make sure that the Government operates with the utmost efficiency and eliminates unnecessary or wasteful spending. Particularly in these tough budgetary times, we have a responsibility to deliver an efficient, effective government that makes smart use of its resources. Accordingly, President Obama directed agencies to achieve $3 billion in real estate savings in his June 10, 2010 Presidential memorandum, "Disposing of Unneeded Federal Real Estate – Increasing Sales Proceeds, Cutting Operating Costs, and Improving Energy Efficiency." In implementing that memorandum, agencies have pursued various measures to improve the efficiency of their real estate inventories—including by disposing of excess property; reducing operations and utility costs; cancelling unnecessary projects; increasing the use of telework; and

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[3] GAO-11-278, p. 23.
[4] GAO-11-520T, p. 7.
[5] GAO-11-704T, p. 7.
[6] This agency-specific tailoring can be compared to the rationale behind the Federal Accounting Standards Advisory Board's new standards on deferred maintenance and repair, which acknowledge the role for an appropriate degree of deference to agency management decisions. *See* Federal Accounting Standards Advisory Board, *Deferred Maintenance and Repairs,* n. 4, p. 7 (2012) (indicating that "determination of acceptable condition may vary both between entities and among sites within the same entity" and that "management shall determine what level of condition is acceptable").

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consolidating leases. Agencies have established targets to exceed the President's goal of $3 billion by $500 million, and their individual targets have been posted on a public real estate dashboard on *Performance.gov*. As of the date of this letter, agencies have identified $2.4 billion in savings toward the President's goal.

The goal of improving the efficiency of real property management is consistent with some of the agency activities described in the draft report, which observes that all five agencies that were reviewed "have taken steps to use their property more efficiently," and to address excess and underutilized properties in their inventories.[7] For example, the Department of Veterans Affairs established a process to identify vacant and underutilized assets for reuse.[8] The Department of the Interior reduced its space per employee by ten percent.[9] The Department of Energy used internal rental rates to encourage efficient space utilization by its bureaus.[10] GSA found alternative uses for unused assets in its inventory.[11] All five agencies that were reviewed had increased the opportunities for their employees to use telework or hoteling arrangements in the workspace.[12] Overall, these actions that improve the Federal Government's management of real property have a significant effect on the efficient utilization of taxpayer dollars, and help agencies to overcome the challenge of implementing their missions in the current environment of reduced budgets. OMB believes that it is important to recognize agency efforts such as these to make smart choices that advance the taxpayers' long-term interests.

See comment 5.

OMB, however, acknowledges that the method for attributing cost savings to these efforts could be further clarified so that the public has a clear understanding of how such savings are being calculated. For example, measurements of savings reported by OMB include funds that are repurposed as a result of actions such as the cancellation of unneeded projects, the elimination of deferred maintenance, and the avoidance of the operations and maintenance costs of underutilized or excess property. Because these actions lead to improved use of Federal resources, they result in a more efficient government, and warrant inclusion in the "savings" metric that OMB uses to track progress on the June 2010 Presidential memorandum. Further, we believe that agencies have generally maintained accurate data concerning the effects of these actions on the cost of operating and maintaining their inventories.

See comment 6.

(3) *The draft report's characterization of the Administration's proposal for a Civilian Property Realignment Act could benefit from further clarity on the savings goals associated with the proposal and further context about GAO's recent support for the proposal.*

Building on the effort to achieve the President's real estate savings goals, this Administration proposed the Civilian Property Realignment Act (CPRA) in the President's FY 2012 Budget, followed by the transmittal to Congress of an authorizing proposal on May 5, 2011. CPRA would create an independent Board of private and public sector leaders to develop recommendations to dispose, consolidate, or reconfigure Federal civilian real estate holdings. The Board, similar to the Department of Defense's Base Realignment and Closure Commission, would aggregate identified opportunities to transform the Federal Government's civilian real estate inventory into a bundled package of recommendations, and forward that package to Congress. Congress could only disapprove of the bundled recommendations as a whole, without the ability to remove line-items. After 45 days, unless Congress disapproves, the Board's recommendations would proceed to be implemented by agencies.

[7] DRAFT, p. 36.
[8] DRAFT, p. 36.
[9] DRAFT, p. 37.
[10] DRAFT, p. 37.
[11] DRAFT, p. 38.
[12] DRAFT, p. 39.

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In the past, GAO has made statements ranging from neutral to supportive regarding the Administration's proposal. In prepared testimony of June 9, 2011 before the Senate Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, "Federal Real Property: Proposed Civilian Board Could Address Disposal of Unneeded Facilities," the GAO witness stated that CPRA is "somewhat responsive" to the "challenges to effective real property management, such as legal and financial limitations and stakeholder influences."[13] Specifically, the GAO witness stated that the independent board, the streamlined process, and the proposed revolving fund could help to streamline decisions in the disposal process, reduce financial disincentives, and address "stakeholder influences."[14]

OMB is concerned that the draft report underestimates the proposed legislation's potential to improve the management of real property. The draft report cites a CBO analysis that focuses only on "excess" properties in the FRPP and does not consider the potential proceeds reflected in other underutilized properties that are not currently designated as "excess." In contrast, the Administration's $4.1 billion estimate of the potential proceeds that would result from the enactment of the CPRA proposal reflects an analysis of the entire Federal real property inventory, not just those currently identified as "excess." The draft report does, however, cite CBO's conclusion that CPRA could result in additional properties being disposed of in other ways that would reduce the need for future appropriated funds to maintain them, which is consistent with OMB's statements to GAO and in several Congressional hearings that the CPRA has the potential to create billions of dollars of savings from greater efficiency in the inventory.

See comment 7.

(4) The Administration currently has a strategy for improving the management of Federal real property assets that serves as an important foundation for the national strategy recommended by GAO.

The Federal Government has thousands of properties, ranging from buildings to small sheds in remote locations, that it no longer needs to fulfill its mission for the American people. This is an unacceptable waste of taxpayer dollars at any time; but it is particularly unacceptable today, when we have a pressing need to rein in our spending and reduce our deficits. This Administration has already implemented several significant initiatives to reform federal real property asset management. In combination with the Administration's recommendation for the creation of a Civilian Property Realignment Board, this implementation represents a comprehensive and carefully considered governmentwide strategy for addressing the Government's long-term real estate challenges.

As described above, the June 2010 Presidential memorandum established a real estate savings goal. The memorandum described the problems in the Federal Government's real estate inventory, clarified the role of OMB and the agencies, and directed agencies to create Real Property Cost Savings and Innovation Plans to justify their contribution toward the Presidential goal.

As part of the ongoing strategy to implement the June 10 Presidential memorandum, on May 4, 2011, the OMB Director issued M-11-22 "Realignment of Federal Real Estate" and created the Real Property Advisory Committee (RPAC). Consistent with the Presidential memorandum, M-11-22 reiterated the known challenges with the real estate inventory, restated the goals of the Administration, established additional guiding principles of real estate reform, and clarified the role of the RPAC in support of Presidential real estate goals and the Administration's efforts to support the CPRA proposal. To ensure broad representation, the RPAC is made up Chief Financial Officers and Senior Real Property Officers from the agencies with the largest inventories of real estate.

[13] GAO-11-704T, "What GAO Found" section.
[14] GAO-11-704T, "What GAO Found" section

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The Administration continues to emphasize the importance of real property reform, as clarified in the recent OMB Memorandum M-12-12, "Promoting Efficient Spending to Support Agency Operations," which was issued on May 11, 2012. As part of the President's "Campaign to Cut Waste," M-12-12 provides that agencies may not increase the size of their civilian buildings inventory, unless exceptions that will be articulated in upcoming guidance apply. This policy will enable the Federal Government to continue making progress on real estate management by incentivizing better utilization of building space and more thorough justification of space acquisition.

Though the Federal Government has made significant gains in improving the management of real property through the efforts on the President's $3 billion real estate savings goal, a bold step must be taken to make a longer-term impact on the Federal Government's inventory. The Administration believes that enactment of the President's CPRA proposal would empower agencies to make the best decisions to transform the face of the Federal Government's real property holdings.

In closing, OMB appreciates the draft report's feedback on the need to continue to improve Federal real property asset management. We look forward to working with GAO to ensure that these and other efforts form a comprehensive vision of how to approach the Federal government's real estate holdings. In cooperation with governmentwide bodies such as the FRPC and the RPAC, OMB will continue to seek greater reductions in both the cost of operating the Federal real property inventory and in the Federal Government's footprint, as well as the removal of "Managing Federal Real Property" from the GAO High Risk list.

Thank you for the opportunity to comment on the draft report. We look forward to continuing our work together.

Sincerely,

Danny Werfel
Controller

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The following are GAO's comments on the Office of Management and Budget letter dated May 30, 2012.

GAO Comments

1. OMB stated that the agency agreed with the report's general conclusion that challenges remain in the management of excess and underutilized properties, but that significant progress has been made. While we stated that limited progress has been made, our draft and final report do not describe the progress as significant.

2. OMB stated that the agency is concerned with some phrasing in the report that may lead the reader to draw unintended conclusions regarding the appropriate next steps for improving the accuracy and consistency of the FRPP. OMB stated that based on its understanding of our report, our findings are based on the 26 site visits we conducted and further study is needed to determine whether the issues we found with the consistency and accuracy of FRPP data are systemic. OMB also asserts that despite our use of a non-probability sample, we make generalizations based on the sample in the report. As we discuss in the report and reiterated in discussions with OMB staff during the comment period, our findings are primarily based on the problems we found with FRPC's data collection practices, which affect the entire data collection process. The work we did at 26 sample sites complement those findings and illustrate how poor data collection practices impact data submissions, but they are not the only basis for our conclusions. Furthermore, in its comments, OMB acknowledged that "it has been standard practice for each agency to measure certain data elements, such as utilization, through agency-specific means tailored to the agency's individual needs and circumstances." Therefore, it is unlikely, as OMB asserts, that further study could find consistent data on properties outside of our sample when OMB has acknowledged that the standards themselves are inconsistent for reporting data. For these reasons, we believe our recommendation remains valid that GSA, in consultation with FRPC, should first address the problems with data collection practices, which our methodology and findings showed were in fact systemic. In response to OMB's comment, we clarified the report to emphasize the basis for our findings.

3. OMB commented that this report conflicts with previous testimonies and our 2011 update to GAO's high-risk series which described prior improvements. This report acknowledges such prior progress but provides a more in-depth review of multiple agencies' data collection practices than prior work. Furthermore, as our report describes, in

December 2011, changes were made to the data collection requirements which led to further concerns by agencies about data accuracy. Our report findings are also consistent with a September 2011 GAO report that discussed the Department of Defense's FRPP data.[1] In that report we found that the Department of Defense's reported FRPP utilization data consisted of multiple discrepancies between the reported utilization designations and actual building utilization, along with other FRPP submission inaccuracies. Therefore, this report is consistent with our prior conclusions that some progress has been made since 2003, which we have discussed in multiple GAO reports and testimonies. However, the report on the Department of Defense's data and this report demonstrated significant problems in the data collection process.

4. We believe that our first recommendation—that OMB develop a national strategy—would assist in addressing the tension OMB describes between providing agencies with the flexibility to define data elements based on their agency-specific requirements and establishing governmentwide data elements that can be used to support aggregate analysis across the entire FRPP database. We will continue to engage OMB on the topic of real property management and we believe that this report outlines the next steps. As we recommend in this report, a critical step is for OMB to develop a national strategy for managing excess and underutilized properties. In the area of data collection, a national strategy could help identify management priorities for problems such as this and lay out the principles for weighing the cost of uniform data collection to the agencies with the benefit that would be obtained by aggregate analysis of uniform data. As we stated in the report, if certain data elements cannot be collected consistently, they may not be appropriate to include in a database that appears to be standard across the government.

5. We agree with OMB's statement that the method of attributing cost savings to efforts made to improve property management could be further clarified so that the public has a clear understanding of how such savings are calculated. We believe that transparency and accountability are critical in the federal government's service to the taxpayers and would support action taken by OMB to increase

[1] GAO-11-814.

transparency in this regard. We did not make a specific recommendation regarding how cost savings, particularly cost savings associated with the June 2010 presidential memorandum, should be clarified. Our report assessed real property management issues related to excess and underutilized property and recommended a national strategy that could be used to guide efforts such as the June 2010 presidential memorandum.

6. OMB stated that the report's characterization of the administration's Civilian Property Realignment Act (CPRA) proposal could benefit from further clarity on savings goals and further context about our recent support for the proposal. Regarding savings goals, OMB stated that the administration's $4.1 billion estimate of the potential proceeds from the Act's implementation reflects an analysis of the potential proceeds that would result from the entire federal real property inventory, not just those currently identified as "excess." We acknowledged in the report that these savings, according to OMB, would also come from reduced operating costs and efficiencies. We could not, however, analyze the basis for these savings because, as we discussed, OMB did not provide us with a methodology, calculations, or any basis for its stated projections. We requested this information from OMB multiple times over a period of eight months, and were only provided with a general description of the savings, similar to what OMB provided in its letter commenting on this report. Until we can evaluate the analysis OMB references, we will be unable to provide a more thorough assessment. Furthermore, our views on the effect that CPRA could have on problems we have found in federal real property management have not changed: that CPRA can be somewhat responsive to real property management challenges faced by the government. For example, CPRA proposes an independent board that would streamline the disposal process by selecting properties it considers appropriate for public benefit uses. This streamlined process could reduce disposal time and costs.

7. OMB stated that the administration has a strategy for improving the management of federal real property that serves as an important foundation for the national strategy we recommend in this report. OMB stated that several significant initiatives, including the June 2010 presidential memorandum on excess property and the recommendation for a civilian property realignment board, represent a comprehensive and carefully considered governmentwide strategy for addressing the government's long-term real property challenges. While the efforts OMB describes represent a range of individual initiatives, we continue to believe that they lack the key characteristics

of a cohesive national strategy. A national strategy would improve the likelihood that current initiatives to improve real property management will be sustained across future administrations. The desirable characteristics of a national strategy that we've identified—such as a clear purpose, scope, and methodology; problem definition and risk assessment; and identified resources, investments, and risk management—could serve to articulate a more sustained, long-term strategy to guide individual initiatives such as those described in OMB's comments. For example, related to resources and investments, agencies often lack funding to prepare unneeded properties for disposal or to pursue demolition. A national strategy could address this issue directly and transparently so that the true costs of real property reform are evaluated more completely by decision makers.

Appendix IV: Comments from the General Services Administration

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

GSA

The Administrator

June 7, 2012

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 draft report," Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property" (GAO-12-645). The Government Accountability Office (GAO) was asked to determine the extent to which the Federal Real Property Profile (FRPP) database accurately describes the nature, use and extent of excess and underutilized federal real property, and the progress being made toward more effective management of these properties.

The report recommends that the Administrator of GSA, in collaboration with the Federal Real Property Council (FRPC), member agencies, develop and implement a plan to improve the FRPP consistent with sound data collection practices, so that data collected are sufficiently complete, accurate and consistent. We agree with the findings, in part, and the recommendation and will take appropriate action. GSA offers the following for further clarification regarding the FRPP.

(1) The FRPP is a collection of real property data reported from more than 30 agencies on an annual basis. In FY 2011 agencies reported 369,000 buildings and 465,000 structures at a total of 3.30 billion square feet; and 34 million acres. In FY 2012, GSA took steps to evaluate agency submitted data, met with agency representatives to correct errors and deficiencies to provide reasonable assurance that the data submitted was accurate. Due to the sheer magnitude of the data, it is expected that data entry errors occur. The FRPP system has a robust error identity program to minimize agencies from submitting data that is inconsistent with the business rules established in the FRPP. The report provides samples of data inconsistencies; however, it is unclear whether these inconsistencies are systemic throughout the FRPP or are occurring in specific agencies' reporting of the data.

See comment 1.

(2) As the FRPP is an annual report not a real property asset management system, and the data is stagnant as of September 30 of each year. Utilization of the properties may change from the time of submission. Additionally, the condition of buildings and structures may also change. GSA performs a condition survey every two years on its own inventory. The condition of a building/structure may not be updated annually if it is part of a facility and its repair needs were

See comment 2.

U.S. General Services Administration
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aggregated at the facility level; the asset was not active or excess; GSA did not have repair and alteration responsibility; and, the asset's condition had worsened since the last survey was completed or after the submission of the annual data.

(3) GSA supports the Administration's proposed Civilian Property Realignment Act that would create an independent Board of private and public sector leaders to develop recommendations to dispose, consolidate or reconfigure Federal civilian real property holdings. This proposal will provide opportunities to transform the real property inventory.

See comment 3.

(4) GSA requests that GAO correct the computation formula for the Condition Index on page 12. The Condition Index is calculated by subtracting the ratio of repairs to the plant replacement value (PRV) from the number 1; i.e. 1-(repairs/PRV).

Specific actions being taken in response to the GSA recommendation are enclosed. We are confident that these actions will satisfactorily remedy the concerns raised by the GAO.

If you have any questions or concerns, please do not hesitate to contact Mr. Rodney P. Emery, Associate Administrator, Congressional and Intergovernmental Affairs, at (202) 501-0563.

Sincerely,

Dan Tangherlini
Acting Administrator

Enclosure

Enclosure

GAO Draft Report (GAO-12-645)

Actions to be Taken in Response to the Recommendation

Background

Beginning with the development of the Federal Real Property Profile (FRPP), as required in Executive Order 13327, the U.S. General Services Administration (GSA) worked closely with the Federal Real Property Council (FRPC) in developing the data requirements that were used in the initial 2005 data collection. GSA was the Co-Chair of the Inventory Subcommittee of the FRPC and helped to develop the initial set of data elements with the subcommittee over a span of 6-8 months. During this time period, GSA worked with the agencies to develop general definitions of the real property data. The diverse nature of the agencies' real property portfolios and their databases required that the definitions be broad and general in order to be met by all agencies government-wide. This collaborative government-wide approach led to the initial 23 data elements that formed the basis for what was intended to be an inventory of the Federal Government's real property.

Since 2005, GSA has been improving the FRPP database by enhancing technological capabilities to increase user friendliness and identify errors. GSA meets with the agencies throughout the year to ensure proper understanding of technology and business requirements of the annual FRPP reporting.

Specific Actions

This GAO report correctly identifies many of the problems that hampered the effective collection of accurate data in 2011. GSA is responsible for the management and oversight of the FRPP database and real property policy. GSA also has staff with extensive real property experience and has a strong working relationship with the agencies. GSA has already begun to address many of the GAO recommended changes and improvements in this report. Specifically, in consultation and collaboration with an FRPC working group and OMB:

- GSA has undertaken a review of all the data elements in the FRPP and has recommended to the FRPC that data elements not consistent from agency to agency be dropped from the data base for the Fiscal Year 2012 reporting period.
- GSA revised the definitions of data elements that may have been confusing to agencies, and will modify the FRPP data dictionary to be more detailed in the discussion of the required data elements.

- GSA has tightened the reporting requirements for data elements by eliminating the optional reporting of specific data elements.
- GSA has developed and will propose a revised format for the annual FRPP final report that includes all relevant performance measures, consistent with Executive Order 13327.
- GSA will propose refining the performance measures, and limit the number of those measures to ensure that only essential measures, linked to performance goals, are collected consistent with the requirements in Executive Order 13327.

-2-

The following are GAO's comments on the General Services Administration letter dated June 7, 2012.

GAO Comments

1. GSA stated that it is unclear whether the examples of inconsistencies described in our report are systemic throughout the FRPP, or are occurring in specific agencies' reporting of the data. As we discuss in the report, our findings are primarily based on the problems we found with FRPC's data collection practices, which negatively impact the entire data collection process. The examples of inconsistencies and inaccuracies that we describe complement those findings and illustrate how poor data collection practices affect data submissions, but they are not the only basis for our conclusions. In fact, our recommendation to improve FRPP data collection involves the sound data collection practices that we believe should be put in place. GSA has agreed with this recommendation and has taken action to begin correcting the problems we identified. In response to GSA's comments, we made some clarifications to the report's discussion of the basis of our findings.

2. GSA stated that, because the FRPP is an annual report, property utilization may change from the time it is submitted in December. As we conducted site visits for this review, we took steps to ensure that any inconsistencies and inaccuracies we found were not due to a significant change in the building's use from the time it was reported to the time we visited. First, we discussed the history of the building's use with the local officials who manage the building to ensure that there was no recent change in the building's utilization. Second, since 2011 FRPP data had not been reported at the time we began our site visits, we obtained utilization data from the agencies' source systems (which are used to produce FRPP utilization data) so that we had recent utilization data (as of the fall of 2011) before we began our site visits in December 2011.

   GSA also stated that the condition of the buildings may change or may not be updated annually. Related to this issue, we found that all five agencies did not always follow the guidance provided by the FRPC on how to calculate condition index. This led to severely blighted buildings receiving excellent condition scores, which could not be accounted for by reported changes in condition over a relatively short period of time.

3. GSA made a comment related to the computation formula for Condition Index. We have clarified this statement in the report.

Appendix V: Comments from the Department of Veterans Affairs

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

DEPARTMENT OF VETERANS AFFAIRS
WASHINGTON DC 20420

May 29, 2012

David Wise
Director, Physical Infrastructure Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Wise:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, ***"FEDERAL REAL PROPERTY: National Strategy and Better Data Needed to Improve Management of Excess and underutilized Property"*** (GAO-12-645). VA generally agrees with GAO's findings.

The enclosure contains comments and provides context related to statements made in the draft report. VA appreciates the opportunity to comment on your draft report.

Sincerely,

John R. Gingrich
John R. Gingrich
Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report:
"FEDERAL REAL PROPERTY: National Strategy and Better Data Needed to Improve Management of Excess and underutilized Property"
(GAO-12-645)

General Comment:

VA currently has more than 165 million owned and leased square feet (Sq. Ft.) in 7,400 buildings. As a result of greater than anticipated demand for services, our current inventory is over-utilized, with a system-wide average of 116 percent utilization, or 16 percent over designed usage capacity. However, even with a system-wide over-utilization, the VA's current capital asset portfolio does not fully meet VA's needs for service delivery. As a result of this mismatch between what VA has in its capital portfolio and what it needs, VA does have a small inventory of vacant or underutilized assets.

VA has made progress in reducing the number of vacant and underutilized buildings in its inventory. As of the end of fiscal year (FY) 2008, VA had approximately 1,165 buildings classified as vacant or underutilized. Since that time, VA has aggressively pursued disposal and reuse options for these assets. As of March 1, 2012, VA has reduced the number of vacant and underutilized buildings to approximately 850. This represents a 27 percent reduction in vacant and underutilized buildings over a span of about three and a half years.

Several initiatives and processes have contributed to this reduction in vacant and underutilized assets. One key action was the implementation of the Building Utilization Review and Repurposing (BURR) initiative. BURR specifically focused on reuse opportunities to support homeless housing and other outcomes that provide direct benefits to the Veteran. If a given building is found to be unsuitable for repurposing, other disposal options are evaluated. The BURR initiative identified 36 sites that include 208 buildings and more than 600 acres that are being repurposed through our now-expired Enhanced-Use Lease authority to provide more than 4,100 units of homeless and other veteran housing.

The Strategic Capital Investment Planning (SCIP) process also supports reduction in vacant and underutilized assets. As part of SCIP, an annual space assessment is conducted VA-wide. This analysis reviews what space each VA Medical Center currently has in its inventory, plus whatever space would be added via projects that are currently funded and/or in-process. This is compared to the projected space needs for the next 10-years. Using the results of this assessment, the SCIP process requires that all excess space have a planned disposal or reuse action to ensure facilities would be right-sized for the 10-year planning horizon.

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Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report:
"FEDERAL REAL PROPERTY: National Strategy and Better Data Needed to Improve Management of Excess and underutilized Property"
(GAO-12-645)

Additional Comments:

Now on p. 10, first full paragraph.

1. **Page 10, second paragraph, third sentence:** GAO noted "VA officials reported using a complex model to calculate utilization using "ideal space," which is different from Federal Real Property Council (FRPC) guidance for determining a building's utilization. Despite the inconsistency of this method of measuring utilization with FRPC guidance, VA officials reported that OMB staff approved of their method of reporting utilization."

Now footnote 25.

   Page 10, footnote 24: VA mentioned as determining utilization based on "ideal space." In addition, officials reported that an old building with an inefficient floor plan may be larger than necessary for the service it provides, but if changes cannot be made to the building due to its historical designation or because it is cost prohibitive to renovate, this building may be perpetually designated as underutilized even though it is fully occupied on a day-to-day basis.

Now top of p. 24.

   Page 24, fifth sentence: VA reported as saying that OMB agreed to let VA use an alternative definition for utilization than the one provided in FRPC guidance.

See comment 1.

   VA Comment: VA does use a complex model to calculate utilization; however, this is not inconsistent with FRPC guidance. Specifically, for most space types, FRPC guidance states that utilization is defined as "ratio of occupancy to current design capacity". It further elaborates that "Agencies will have flexibility for determining current design capacity". In discussions with OMB and GSA when FRPC guidance was first introduced in 2005, VA noted that medical space, including supporting elements such as engineering and administrative space, should be based on the workload and types of services delivered to Veterans. Unlike normal office space, medical space is frequently occupied by patients, not by government full-time equivalent employees; therefore, a normal occupancy rate would not be appropriate. OMB agreed with this approach in June 2006; therefore, this is how VA calculates utilization in accordance, not in conflict, with OMB guidance.

   In regards to buildings being perpetually designated as underutilized, part of the intent of defining utilization the way VA does is to identify these situations, so instead of having "perpetually underutilized" situations, the situations can be rectified via a combination of consolidation, new construction, and disposal. While cost and historical designation affect how a building's utilization can be improved, VA believes identifying underutilizations is much better than ignoring the fact that the building may not be properly sized or suited to deliver services to Veterans.

See comment 2.

Enclosure

Department of Veterans Affairs (VA) Comments to
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Now on pages 10-11.

2. **Page 11, first paragraph, second sentence:** GAO site visit to VA location used as example for utilization data inconsistencies or inaccuracies.

See comment 3.

VA Comment: GAO cited two examples of utilization inconsistencies at VA sites. In one site, VA reported utilization of 39 percent. However, upon visiting the site, GAO noted the building was fully occupied. This building is used as swing space; therefore, utilization fluctuates based on need for swing space. FRPC reporting is done annually, so it is a point in time reference. At the time the FRPC report was generated, the building was not fully occupied. The second example notes a building with 59 percent reported utilization. However, upon visiting the site, GAO notes only 10 percent occupancy. This building is office space, with some swing space as well. Unlike medical space, office space can change utilization frequently, and timing of the FRPC reporting is only a single reference point in the utilization of a building. At the time the FPRC report was generated, the building was approximately 59 percent utilized based on VA's utilization calculation methodology.

Now near the top of p. 16.

3. **Page 16, first full sentence:** GAO noted "VA told us that most of their buildings are located on medical campuses and are not individually metered; therefore, utilities cannot be measured for one particular building."

See comment 4.

VA Comment: Many buildings do not have individual meters, but the statement that "most" do not is not accurate. There is a legislative requirement to implement building level metering (Energy Policy Act (EP Act) of 2005, EO 13423 of 2007, and Energy Independence and Security Act (EISA) 2007); however, it is up to the agency to determine the size or characteristics of buildings that would be metered. VA, in conjunction with Department of Energy guidance (Guidance for Electric Metering in Federal Buildings - October 2006 and Metering Best Practices: A Guide to Achieving Utility Resource Efficiency Release 2.0 - August 2011), determined that there would be little value in metering many of the small buildings on a medical center campus that consume little energy. Therefore, VA instead has focused on buildings that are 50,000 Gross Square Feet or larger or buildings that are highly energy intensive. For all of these buildings, VA has completed installation of electric meters. VA is also on the verge of completing the installation of gas and water meters for these buildings.

Now near the top of p. 18.

4. **Page 18, sentences 4-7:** GAO noted "VA's designation of mission dependency is a function of utilization. Assets with a high percentage of utilization are labeled "mission critical" and those with low utilization are labeled "not mission dependent." VA officials said that they use this method because it is the best way for them to manage the mission dependency of their assets --- for example, hospitals measure performance by the number of patients served. However, since mission

3

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report:
"FEDERAL REAL PROPERTY: National Strategy and Better Data Needed to Improve Management of Excess and underutilized Property"
(GAO-12-645)

dependency is based strictly on utilization in VA data, this performance measure does not provide any new information on the asset in the FRPP database."

VA Comment: Given that VA bases utilization on the workload and services offered at a given site, the rate of utilization is directly proportional to the criticality. If no services are offered and there is no workload, the asset is not considered mission dependent. Both elements are required for submission to FRPC; therefore VA submits both even if they are similar in nature. OMB has approved this as an appropriate way to designate mission dependency for VA.

Now on p. 20.

5. **Page 21, figure 8:** Veterans Center used as example. GAO notes "Figure 8 shows properties that have high reported values and high condition indexes even though they are in poor condition and have remained unused for many years."

   Page 22, figure 9: VA portable modular office building used as example. GAO notes "Figure 9 shows properties that reported significant changes in value from one year to the next that local agency officials could not explain."

   VA Comment: The current definition for replacement value, as documented by OMB and GSA, is that "*Value* is defined as the cost of replacing the existing constructed asset at today's building standards". Furthermore, a specific formula is noted as "Value = Unit x Unit Cost x Overhead Factor". Using these two definitions, VA is reporting replacement value as required and consistent with the definitions. VA uses square footage as the unit, a localized cost per square foot for each facility as the unit cost, and an overhead factor of 75% to account for construction related project costs. A modular building or vacant building, even if in poor condition, must be reported using today's construction standards and costs. The definition is not an appraised value. Although costs may look high when looking at the building as it stands today, the value is being reported as required by the FRPC definition. VA would be happy to consider using an alternative method of calculation if the FRPC proposes one.

   Specific to GAO comment on the change in value of one modular building from 2009 to 2010, this comment was the result of an incorrect square footage being reported for that asset. Because square footage is a factor in the value calculation, the value increased significantly. The error was identified and corrected for the 2011 reporting cycle.

Now on p. 31.

6. **Page 32, first paragraph, last sentence:** VA mentioned as not including asset sales as part of its savings plan.

4

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Department of Veterans Affairs (VA) Comments to
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(GAO-12-645)

VA Comment: The savings plan that VA developed in response to the Presidential Memorandum in June 2010, submitted to OMB in Sept 2010, did not include asset sales due to the requirement of savings being realized by the end of FY 2012. The timeframe for completing a sale is significant and could not be executed before the end of FY 2012. VA was and is in full compliance with the Presidential directive.

Now on p. 33.

7. **Page 35, table 4:** GAO-identified problems with VA's cost savings estimates related to excess and underutilized property.

   VA Comment: GAO's Report 12-305 *"VA HEALTH CARE: Methodology for Estimating and Process for Tracking Savings Need Improvement"* included findings related to excess and real property savings. VA non-concurred with these comments. VA's specific reasons for non-concurring are noted in the report under Agency comments. We believe we are reporting and tracking consistently with guidance provided in the Presidential Memorandum of June 2010 (Disposing of Unneeded Federal Real Estate – Increasing Sales Proceeds, Cutting Operating Costs, and Improving Energy Efficiency). We continue to non-concur with these comments.

See comment 5.

Now on p. 35.

8. **Page 36, bullet 1:** VA stated that it implemented a process to identify vacant and underutilized assets that they could use to meet space needs. Also, the agency plans to reuse currently-utilized assets that will be available in the future. In addition, VA has identified 36 sites that include 208 buildings and more than 600 acres that it can use to provide more than 4,100 units of homeless and other Veteran housing.

Now on p. 35.

   Page 37, sixth full sentence: VA consolidated its medical center campuses in Cleveland, Ohio, and engaged a number of private partners directly to reuse the unneeded sites, using its Enhanced-Use Lease authority.

   VA Comment: We appreciate GAO's recognition of VA's effort to continuously improve management of its real property portfolio. By repurposing vacant and underutilized assets using VA's now-expired Enhanced-Use Lease (EUL) authority, VA was able to outlease underutilized or vacant land and thereby obtain housing options, enhanced services, and improved operations, in addition to reducing VA's operating costs of these underutilized and vacant assets.

   The EUL authority served as a valuable and necessary tool to continue maximizing the use of our real property assets, and VA remains committed to working with the Administration and Congress on re-authorization of this authority (or similar authority).

5

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Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report:
"FEDERAL REAL PROPERTY: National Strategy and Better Data Needed to Improve Management of Excess and underutilized Property"
(GAO-12-645)

This statement is no longer in the report.

9. **Page 40, first full sentence:** VA officials stated that disposing of property under the McKinney-Vento Act can be a lengthy, cumbersome process, and can significantly delay property disposal.

Now on p. 38.

Page 40, first full paragraph, third sentence: VA reported that it is unable to dispose of a 15,200 square foot building at Menlo Park, California, that has been used both as a residence and a research building during its 83 year history. The building has been scheduled for demolition since 2001, but VA cannot demolish it because of its historic designation.

Now on p. 41.

Page 43, *Stakeholder interests can conflict with property disposal or reuse plans*: VA reported it has been unable to dispose of buildings in part because local interests are opposed to the department's disposal plans.

Now on pages 41-42.

Pages 43 - 44, *Locations of some federal properties can make property disposal and reuse difficult*: VA reported that most of its buildings are located on medical center campuses.

VA Comment: VA has made significant progress in reducing its inventory of excess or underutilized assets. However, as GAO has noted, there are challenges that frequently must be considered and overcome before disposals or reuses can occur. Much of VA's inventory is over 50 years old, with an average building age of 57 years. Thus, many of the buildings are designed as historic. In addition to the age of the inventory, many of these assets are in poor condition, and are located on large medical center campuses, with limited access to the general public. These are factors that must be considered when determining the appropriate use or disposal of the asset. The ability to sell or repurpose assets, as well as the ability to demolish assets, can be significantly impacted by these factors. VA will continue moving forward with an aggressive real property management program; however, we appreciate GAO's recognition of the challenges VA and many other agencies face.

6

The following are GAO's comments on the Department of Veterans Affairs letter dated May 29, 2012.

GAO Comments

1. VA stated that its complex model for calculating utilization is consistent with FRPC guidance because the guidance allows for flexibility on how agencies determine a key component of utilization (current design capacity) and that OMB agreed with their approach. However, rather than exercising flexibility in its use of current design capacity, VA used a different definition of utilization than the definition outlined in FRPC guidance. FRPC guidance defines utilization as the ratio of occupancy to current design capacity; however, VA defines utilization as the ratio of ideal space to existing space.[1] While we acknowledge in our report that VA received OMB approval for reporting utilization differently, this method of reporting utilization is still inconsistent with the definition of utilization in FRPC guidance. Utilization is a performance measure and the 2004 executive order stated that performance measures shall be designed to allow comparing the agencies' performance against industry and other public sector agencies. The inconsistencies we found from VA and other agencies in reporting utilization makes comparing utilization among agencies impossible.

2. VA also stated that "identifying underutilizations is much better than ignoring the fact that the building may not be properly sized to deliver services to Veterans." We did not suggest that VA should ignore any aspect of its buildings that is problematic. We continue to believe that VA's method of calculating utilization has led to some buildings being continuously designated as underutilized even when local officials, who know the buildings best, have told us that the buildings have been fully occupied.

3. VA stated that the reasons for the inaccuracies that we found in utilization at two VA buildings were due to the use of these buildings as "swing space," meaning that utilization changes frequently based on need for space. In its comments, VA indicated that since FRPP

[1] In calculating utilization for offices, hospitals, and warehouses, FRPC guidance directs agencies to determine the ratio of occupancy to "current design capacity." For laboratories, utilization is the ratio of active units to current design capacity. For housing, utilization is the percentage of individual units that are occupied. However, VA determines utilization based on "ideal space."

data are reported annually, the designation of this space at the time of reporting changed from the time that we visited the sites. However, as we conducted our site visits for this review, we took steps to ensure that any inconsistencies we found were not due to a significant change in the building's use from the time it was reported to the time we visited. First, we discussed the history of the building's use since 2008 with the local officials who manage the building to ensure that there was no recent change in the building's utilization. Second, since 2011 FRPP data had not been reported at the time we began our site visits, we obtained utilization data from the agencies' source systems (which are used to produce FRPP utilization data) so that we had recent utilization data (as of the fall of 2011). The data we obtained from VA were current as of October 2011 and our visit took place in December 2011. Based on VA's comments, we clarified this information in our report to show that we accounted for the time between 2010 FRPP reporting and our visit in December 2011. Based on our visits to the buildings and our discussions about the history of the buildings' use with the VA officials who manage them, we do not believe that VA's explanation accounts for the inconsistencies we found in utilization as detailed below:

- Local VA officials who manage the buildings told us that the first building VA discussed in its comments is used for accounting and payroll purposes and that it was always fully occupied during the period of our review (dating back to 2008). However, the building was reported to the FRPP as underutilized during each of these years. In fact, just two months prior to our visit, VA's October 2011 source data showed a utilization of 45 percent for this building even though it was fully occupied.

- Local VA officials who manage the second building VA discussed in its comments told us that the building was mostly unoccupied because they had recently acquired it from the Department of Defense and that multiple improvements had to be made before it could be occupied by staff. Based on this, the local officials told us that it could not have been utilized at 59 percent in October 2011 as VA source data indicated.

4. VA made a comment related to individually metered buildings. We clarified VA's statement in the report so that it is consistent with these comments.

5. In reference to our findings on problems with cost savings associated with the June 2010 presidential memorandum, VA stated that it

disagreed with findings in a previous GAO report (GAO-12-305) that we referenced.[2] In its comments on GAO-12-305, VA officials did not concur with certain parts of the report related to decreasing energy costs and improving non-recurring maintenance contracting. However, we did not reference the previous GAO report on these matters. Rather, we referenced that report's discussion on savings associated with reducing leased space through telework. VA confirmed the problems that the previous GAO team found with the savings associated with the telework program in its comments on GAO-12-305, stating that the "telework program is still in its infancy and actual real property savings requires reducing space that is currently leased. These reductions in leased space may not be fully realized in 2012." As a result, VA stated it its comments on GAO-12-305 that the telework initiative was removed from the description of savings in its fiscal year 2013 budget. This is consistent with what we describe in this report. Therefore, VA's restatement of its disagreement with findings in GAO-12-305 has no bearing on this report.

[2] GAO-12-305.

Appendix VI: Comments from the U.S. Department of Agriculture

USDA

United States
Department of
Agriculture

Office of the
Assistant Secretary
for Administration

1400 Independence
Avenue SW

Washington, DC
20250-0103

David Sausville
Assistant Director
Physical Infrastructure Issues
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Reference: Draft GAO Report, Federal Real Property, 12-645

Dear Mr. Sausville:

Thank you for the opportunity to comment on this draft report. The U.S. Department of Agriculture (USDA) has reviewed the draft report and wishes to provide the following clarifications and comments:

See p. 48.

Page 10: Utilization. The USDA Property Management Regulations (AGPMR) 110-84.30 requires each agency to certify the accuracy of their real property data annually. This is in addition to the inventory requirements of the Federal Management Regulations. The Federal Real Property Council (FRPC) defines utilization for categories of real property. For example, utilization for offices it is the ratio of occupancy to current design capacity (see page 10 of FRPC User Guidance for FY11 Reporting). The comment on page 10 that, "USDA allows each area to determine how it will measure utilization" is not entirely correct. The agency, Agricultural Research Service (ARS) issues guidance each year requiring their area offices to follow the guidance contained in the FRPC guidance. However the FRPC has not established a government wide definition for how occupancy and design capacity would be measured.

In FY 12, USDA has made strides to improve data accuracy by providing monthly reports on real property data anomalies to USDA agencies. Additionally, USDA has started a series of monthly training sessions in the Corporate Property Accounting Information System (CPAIS) to ensure the agencies' real property specialists are entering data accurately.

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Page 2

Page 16: Operating Costs. It is correct that USDA currently does not have an interface between its financial systems and real property system to automatically load actual operating cost data for individual assets. Also at many installations, individual assets are not separately metered, so agencies have to develop a methodology of allocating installation-level operating costs to each asset at that installation. However, the USDA National Finance Center is planning to issue a solicitation for a contractor to develop a Utility and Consumption System to automate this process of updating real property records with actual utility data.

Page 19: Value. USDA has followed the FRPC guidance that dictates the use of Plant Replacement Value instead of actual fair market value. For the vast number of excess assets USDA has, it would be cost-prohibitive to conduct appraisals. Plant Replacement Value was thus the only data available when projecting USDA's annual real property cost savings.

See p. 48.

Page 26: This comment, "Agencies only had 20 working days to respond to data changes..." should be clarified. The final FRPC FY11 reporting guidance was issued on October 4, 2011, which is after the fiscal year had ended. USDA's system of record, CPAIS, operates on a fiscal year basis and requires all data to be in compliance with the FRPC guidance and free of data gaps by September 30. As a result of not having final guidance, decisions were made for system development and data gathering based on the preliminary information provided late in the fiscal year. In order for USDA and its agencies to provide quality data, final guidance for reporting must be provided in enough time for our system of record to be modified to capture and store the data and the agencies to gather, enter and verify that data.

Should you have additional questions, please contact Paul Walden, Chief, Property Management Division, Office of Procurement and Property Management, at (202) 720-7283.

Sincerely,

Pearlie S. Reed

Pearlie S. Reed,
Assistant Secretary
for Administration

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

David Wise, (202) 512-5731 or wised@gao.gov

Staff Acknowledgments

In addition to the contact named above, David Sausville, Assistant Director; Amy Abramowitz; Russell Burnett; Kathleen Gilhooly; Raymond Griffith; Amy Higgins; Amber Keyser; Michael Mgebroff; John Mingus Jr.; Joshua Ormond; Amy Rosewarne; Minette Richardson; Sandra Sokol; and Elizabeth Wood made key contributions to this report.

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