



Testimony

Before the Subcommittee on
Government Operations, Committee on
Oversight and Government Reform,
House of Representatives

For Release on Delivery
Expected at 10:00 a.m. ET
Tuesday, July 29, 2014

FEDERAL REAL PROPERTY

Better Guidance and More Reliable Data Needed to Improve Management

Statement of David J. Wise, Director
Physical Infrastructure Issues

GAO Highlights

Highlights of [GAO-14-757T](#) a testimony before the Subcommittee on Government Operations, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

The federal real property portfolio, comprising approximately 900,000 buildings and structures and worth billions of dollars, presents several key management challenges. GAO has designated federal real property management as a high risk issue since 2003 due to long-standing challenges including unreliable data on this property, excess and underutilized property, over-reliance on leasing, and challenges with security. Since then, the federal government has given high-level attention to reforming real property management and has made some progress. It established the FRPC, chaired by OMB, in 2004. The FRPC created the FRPP, which is intended to be a comprehensive database developed for describing the nature, use, and extent of all real property under the custody and control of executive branch agencies. The FRPP is managed by GSA and began collecting data in 2005. GAO's recent work has found, however, that data problems related to federal real property have continued.

This statement discusses data guidance and reliability issues GAO has found regarding federal civilian agencies' data on: (1) excess and underutilized property, (2) structures, (3) maintenance backlogs, and (4) cost saving estimates. It is based on previous GAO reports on federal real property issued from June 2012 through January 2014 and some updates on the status of recommendations made in those reports. To obtain these updates, GAO monitored agency actions taken and performed follow-up with agency officials.

View [GAO-14-757T](#). For more information, contact David Wise at (202) 512-2834 or wised@gao.gov

July 29, 2014

FEDERAL REAL PROPERTY

Better Guidance and More Reliable Data Needed to Improve Management

What GAO Found

GAO found in 2012 that government-wide real property data were not sufficiently reliable to support sound management and decision making about excess and underutilized property. The Federal Real Property Council (FRPC) had not ensured that key data elements of the Federal Real Property Profile (FRPP) were defined and reported consistently and accurately. For example, FRPP data did not accurately describe the properties at 23 of the 26 locations GAO visited, often overstating the condition and annual operating costs of buildings. GAO recommended that the General Services Administration (GSA), in consultation with FRPC, develop a plan to improve the FRPP. Consequently, GSA developed an action plan and was scheduled to complete these changes by June 2013. GAO is determining whether these actions improve FRPP consistency and reliability and plans to report the results as part of GAO's 2015 high risk update.

In 2014, GAO found that incorrect and inconsistent data on federal structures such as roads, bridges, railroads, and utility systems, limited the value of the government-wide FRPP data. For example, agencies GAO reviewed defined structures differently leading to inconsistencies. GAO recommended that GSA, in coordination with FRPC, clarify the definition of structures and assess the feasibility of limiting the data on structures submitted to the FRPP. GSA provided an action plan in December 2013 to implement GAO's recommendations, but no timeframe was provided for when the proposed actions would be completed.

In a 2014 report, GAO found that civilian agencies followed most leading practices in managing their facility maintenance and repair backlogs, except for transparent reporting about the funding amounts agencies are spending to maintain their assets and manage their backlogs. Different agency financial reporting requirements as well as FRPP reporting guidance did not require a specific process for determining deferred maintenance and repair backlogs, and agencies could use their existing processes. Thus, GAO recommended that OMB, in collaboration with agencies, collect and report information on agencies' costs for annual maintenance and repair performed and funding spent to manage their existing backlogs. OMB and FRPC agencies have taken actions to improve management of deferred maintenance, including working to refine FRPP data, but have not yet fully implemented GAO's recommendation.

In a 2013 review of selected agencies' reporting of real property cost savings data, GAO identified several challenges that reduced the reliability and transparency of the data the government reported. For example, OMB did not require agencies to provide detailed documentation of their reported savings or include specific information about agencies' reported savings on Performance.gov, limiting transparency. Furthermore, guidance issued by OMB was not clear on the types of savings that could be reported, particularly because the term "cost savings" was not clearly defined. GAO recommended that OMB establish clear and specific standards to help ensure reliability and transparency in the reporting of future real-property cost savings. OMB generally agreed with the recommendation. GAO is determining the extent to which OMB has implemented it and GAO plans to report the results as part of GAO's 2015 high risk update.

Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee:

I am pleased to be here today to discuss federal real property management, including how data guidance and reliability issues contribute to its high risk designation. The federal government's real property portfolio comprises approximately 900,000 buildings and structures and is worth billions of dollars.¹ Federal real property management has been on our high-risk list since 2003 due to the presence of unneeded and underutilized facilities, overreliance on leasing, security challenges at federal facilities, and unreliable real property data.² In 2004, the President issued an executive order establishing the Federal Real Property Council (FRPC). The executive order required the FRPC to work with the General Services Administration (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 required for reasons of national security.³ The FRPC created the Federal Real Property Profile (FRPP) to meet this requirement and began data collection in 2005. GSA is responsible for managing the FRPP. As we have reported, despite the implementation of the executive order, nationwide data collection efforts, and various reform efforts and proposals, data problems have continued and agencies continue to face persistent challenges with managing real property.⁴

¹Examples of federal buildings include office buildings, warehouses, laboratories, hospitals, and family housing. Examples of federal structures include items such as roads and bridges, railroads, utility systems, weapons ranges, and monuments and memorials.

²GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: February 2013).

³Federal Real Property Asset Management, Exec. Order No. 13327, 69 Fed. Reg. 5897 (Feb. 6, 2004). The executive order applies to executive branch agencies listed at 31 U.S.C. §901(b); the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the 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.

⁴GAO, *Federal Real Property: Excess and Underutilized Property Is an Ongoing Challenge*, [GAO-13-573T](#) (Washington, D.C.: April 2013).

My statement today summarizes our recent work as it pertains to data problems affecting federal real property management by civilian agencies. It highlights our work on data guidance and reliability issues related to the management of: (1) excess and underutilized property, (2) structures, (3) maintenance and repair backlogs, and (4) cost saving estimates. For this statement, we drew primarily from GAO reports on federal real property issued from June 2012 through January 2014 including some updates on the status of recommendations made in those reports. To obtain these updates, we monitored agency actions taken and performed follow-up with agency officials. See appendix I for a list of these GAO reports. For those reports, we obtained and analyzed FRPP data submissions and other real property data from the agencies we selected, reviewed FRPC and agency guidance documents, and interviewed federal agency officials. Our reports contain more detailed explanations of the methods used to conduct our work. The work on which this statement is based was conducted 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.

Unreliable Data Create Challenges for Managing Excess and Underutilized Property

Federal excess and underutilized property is an ongoing challenge facing the government due in part to unreliable data. In June 2012, we found that the FRPC did not ensure that key data elements—including buildings' utilization, condition, annual operating costs, mission dependency, and value—were defined and reported consistently and accurately.⁵ For example, the FRPP data did not accurately describe the properties at 23 of the 26 locations we visited, often overstating the condition and annual operating costs of buildings. The types of inconsistencies and inaccuracies we identified in these five key data elements suggest that the FRPP database is not a useful decision-making tool for managing federal real property. Our review focused on five civilian federal real property-holding agencies—GSA and the departments of Energy (DOE),

⁵GAO, *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, [GAO-12-645](#) (Washington, D.C.: June 2012).

the Interior (Interior), Veterans Affairs (VA), and Agriculture (USDA).⁶ We reviewed key agency-reported FRPP data elements including utilization, condition index, annual operating costs, and value, and we found inconsistencies and inaccuracies for each of these data elements. For example, several buildings that received high scores for condition were actually in poor condition, with problems including: asbestos, mold, health concerns, radioactivity, and flooding (see fig. 1).

⁶We 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. In May 2011, the administration posted an interactive map of excess federal properties on its website, and 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 over 2,000 more properties than the civilian agency with the next highest number.

Figure 1: Examples of Federal Property Reported as Being in Excellent Condition in the Federal Real Property Profile, 2012



GSA: Old firehouse with collapsed ceilings.



Interior: Cabin with collapsed roof.



DOE: Warehouse with radiological contamination.



GSA: Warehouse with a collapsing ceiling.



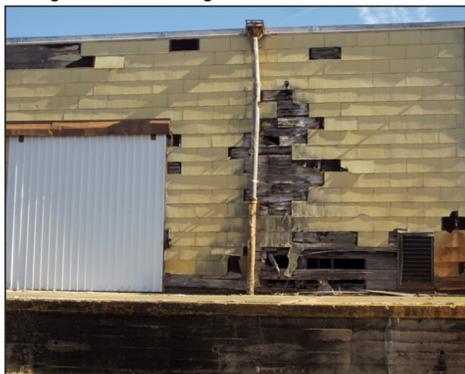
USDA: Mostly vacant laboratory building with ceiling and wall damage.



Interior: Cabin with large tree that has fallen through the roof.



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



GSA: Warehouse with exterior damage.



Interior: Building under renovation.

Sources: GAO and DOE. | GAO-14-757T

In addition to the various problems we found and documented with real property data, we have also found that the federal government continues to face other challenges when managing excess and underutilized

properties.⁷ Such challenges include (1) the high cost of property disposal, (2) legal requirements prior to disposal such as those related to preserving historical properties and the environment, (3) stakeholder resistance to property disposal or reuse plans, and (4) remote property locations that make selling or disposal difficult. 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 remain with data reporting, we concluded 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.

In our June 2012 report, we recommended that OMB, in consultation with the FRPC, develop a national strategy for managing federal excess and underutilized real property. OMB did not directly state whether it agreed or disagreed with our recommendation. Up to now, no comprehensive national strategy has been issued. We view such a strategy as a key step needed to improve the federal government's management of its real property portfolio. Additionally, FRPP is not yet a useful tool for describing the nature, use, and extent of excess and underutilized federal real property. We concluded in June 2012 that FRPP data must be consistent and reliable to help decision makers overcome these long-standing problems. Accordingly, in the same report, we recommended that GSA and FRPC take action to improve the FRPP. GSA stated that they intend to improve the agency's management of FRPP data by:

- making enhancements to clearly define data collection requirements,
- performing data quality tests and assessments to ensure data reliability,
- developing new performance measures to support government-wide goals, and
- improving collaboration with agencies.

⁷GAO, *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, [GAO-12-645](#) (Washington, D.C.: June 2012).

GSA developed an action plan for implementing GAO's recommendations and was scheduled to complete these changes by June 2013. We are in the process of determining whether these actions improve FRPP consistency and reliability. We plan to report our results as part of our 2015 high risk update.

**Incorrect and Inconsistent
Data Undermines
Government-wide
Management of Structures**

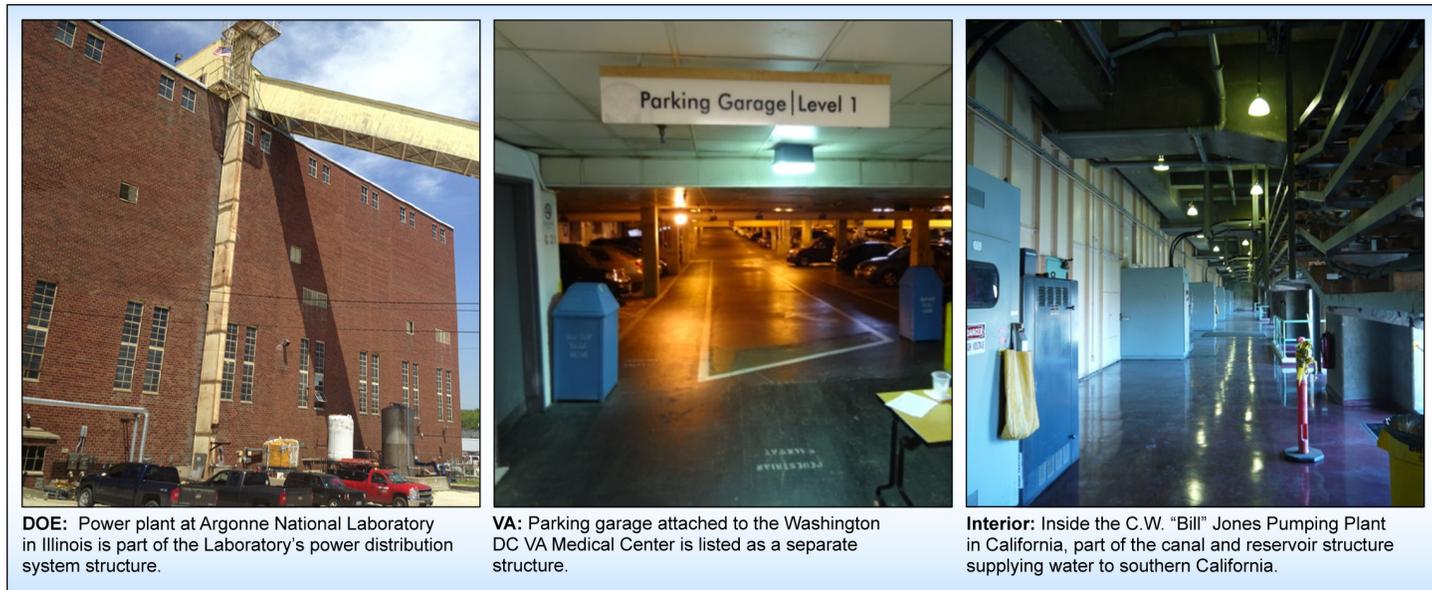
The federal government manages a wide variety of structures that represent over half of the federal government's real property assets, including roads and parking structures, utility systems, monuments, and radio towers. In January 2014, we found that incorrect and inconsistent data on structures limit the value of the government-wide FRPP data the government collects.⁸ First, at the most basic level, some of the data agencies submit on their structures are incorrect, undermining agencies' ability to manage their structures and the reliability of the data in FRPP.

Second, even if agencies effectively apply the OMB guidance, the government-wide data will continue to face reliability problems because of the flexibility built into FRPP guidance on how agencies track key elements, such as defining and counting structures. For example, agencies we reviewed—including the Department of Transportation (DOT), DOE, VA, USDA, and Interior⁹—defined structures differently leading to inconsistencies in what assets are included in the FRPP. Figure 2 provides examples of some facilities we visited that were classified as structures, even though they were similar to buildings (having features such as walls, roofs, doors, windows, and air-conditioning systems in some cases). We concluded that agencies must improve their data quality in order to document performance and support decision making.

⁸GAO, *Federal Real Property: Actions Needed to Improve How Agencies Manage Structures*, [GAO-14-87](#) (Washington, D.C.: January 2014).

⁹We selected these civilian real property-holding agencies for our review using the following criteria: number of structures, diversity in types of structures, and the high replacement value and operations and maintenance costs.

Figure 2: Examples of Building-Like Structures Owned by Federal Government Agencies, 2014



Source: GAO. | GAO-14-757T

Additionally, the agencies we reviewed submitted incorrect information for key data elements for structures, such as replacement value, annual operating costs, and condition. GSA officials who manage the FRPP said that FRPC chose to provide flexibility in the reporting guidance for data on structures to account for the wide diversity in federal structures, but it also aggregates the data as if they were comparable. We found that, even if this data were useful, FRPC reports very little information on structures. Officials at GSA told us that there is low interest in and demand for this information, creating few incentives to improve data reliability.

We recommended that OMB, in coordination with the FRPC, develop guidance to improve agencies' internal controls to produce consistent, accurate and reliable information on their structures.¹⁰ We also recommended that GSA, in coordination with the FRPC, clarify the definition of structures and assess the feasibility of limiting the data collected on structures submitted to the FRPP. OMB and GSA agreed

¹⁰Internal control standards for federal executive branch agencies require that agencies have relevant, reliable, and timely information for decision-making and external reporting purposes.

with the recommendations, and GSA provided an action plan in December 2013 to implement them, but no timeframe was provided for when the proposed actions would be completed.

Agencies Do Not Apply Standard Definitions for Deferred Maintenance and Repair Needs

In a 2014 report, we found that civilian agencies followed most leading practices in managing their facility maintenance and repair backlogs, except for transparent reporting about the funding amounts agencies are spending to maintain their assets and manage their backlogs. However, the deferred maintenance and repair of federal real property contributes to deteriorating assets in the federal inventory, and we found that the eventual need to address deferred maintenance and repair could significantly affect future budget resources.¹¹ The five federal agencies we reviewed for our 2014 report— GSA, DOE, VA, Interior, and the Department of Homeland Security (DHS) — reported fiscal year 2012 deferred maintenance and repair backlog estimates that ranged from nearly \$1 billion to \$20 billion.¹² However, agencies do not share a common definition of deferred maintenance, resulting in dissimilar backlog estimates. In addition, financial reporting requirements as well as FRPP reporting guidance do not require a specific process for determining deferred maintenance and repair backlogs, and agencies can use their existing processes to do so. For example, Interior excludes, while DHS includes, costs for some assets scheduled for disposal. As a result, when agencies report information in their financial reports and to FRPP, data include dissimilar backlog estimates and makes estimates across agencies not comparable. As such, an opportunity exists to better conform to leading practices and increase transparency.

We recommended that OMB, in collaboration with agencies, collect and report information on agencies' costs for annual maintenance and repair performed and funding spent to manage their existing backlogs. OMB agreed with our recommendation, and along with FRPC, has taken actions to improve management of deferred maintenance, including working to refine FRPP data and develop performance measures that

¹¹GAO, *Federal Real Property: Improved Transparency Could Help Efforts to Manage Agencies' Maintenance and Repair Backlogs*, [GAO-14-188](#) (Washington, D.C.: January 2014).

¹²We selected these five civilian agencies because they were examined as part of our 2011 high risk update on managing federal real property and reported a high ratio of deferred maintenance and repairs to annual operating costs.

reflect current federal real-property management priorities, but OMB has not yet fully implemented our recommendation. Thus, as OMB and FRPC agencies work to improve FRPP data and develop new performance metrics, the opportunity exists to revise requirements for agencies to collect and report costs of annual maintenance and repair and to address deferred maintenance and repair backlogs as we recommended earlier this year.

Cost Savings Data is Not Reliable or Transparent

In June 2010, the President issued a memorandum directing federal agencies to achieve \$3 billion in real property cost savings by the end of fiscal year 2012 through a number of methods, including disposal of excess property, energy efficiency improvements, and other space consolidation efforts. Agencies reported real property cost savings of \$3.8 billion across the OMB categories of disposal, space management, sustainability, and innovation in response to the June 2010 presidential memorandum. Space management savings, defined by OMB as those savings resulting from, among other things, consolidations or the elimination of lease arrangements that were not cost effective, accounted for the largest portion of savings reported by all agencies. In October 2013, we found that space management savings accounted for about 70 percent of the savings reported by the six agencies we reviewed— GSA, USDA, DOE, DHS, the Department of Justice (DOJ), and the Department of State (State).¹³ The requirements of the memorandum, as well as agencies' individual savings targets and the time frame for reporting savings, led the selected agencies to primarily report savings from activities that were planned or under way at the time the memorandum was issued.

GAO's October 2013 review of the six selected agencies found several problems that affected the reliability and transparency of the cost savings

¹³GAO, *Federal Real Property: Improved Standards Needed to Ensure That Agencies' Reported Cost Savings Are Reliable and Transparent*, [GAO-14-12](#) (Washington, D.C.: October 2013). We selected the six agencies because they had the largest cost savings targets for civilian agencies, collectively accounting for about 75 percent of the \$3 billion cost savings goal; reported a variety of cost savings measures to achieve their savings target; and had a range of property types in their real property portfolios. The Department of Defense (DOD) had the largest cost savings target for a single agency over the 2010 to 2012 time period. However, we focused on the cost savings reported by civilian agencies, and therefore excluded DOD from our review. Furthermore, the U.S. Postal Service was not subject to the requirements of the June 2010 memorandum.

data that the government reported in response to the June 2010 memorandum. For example, OMB did not require agencies to provide detailed documentation of their reported savings or include specific information about agencies' reported savings on Performance.gov, limiting transparency. Furthermore the memorandum and subsequent guidance issued by OMB were not clear on the types of savings that could be reported, particularly because the term "cost savings" was not clearly defined. For instance, officials from several agencies we reviewed said the guidance was unclear about whether savings from cost avoidance measures could be reported. In addition some agencies made different assumptions in reporting disposal savings. Some agencies did not deduct costs associated with disposals, and some reported savings outside the time frame of the memorandum. For example, two agencies reported one year of avoided operations and maintenance savings for the year in which the disposal occurred, while three agencies reported up to 3 years of savings depending on when disposals occurred during the 3-year period.

Agency officials stated that the memorandum broadened their understanding of real property cost-savings opportunities. However, we concluded that establishing clearer standards for identifying and reporting savings would improve the reliability and transparency of the reporting of cost savings and help decision-makers better understand the potential savings of future initiatives to improve federal real-property management. As such, we recommended that OMB establish clear and specific standards to help ensure reliability and transparency in the reporting of future real-property cost savings. OMB generally agreed with the recommendation. We are in the process of determining the extent to which OMB has implemented the recommendation and plan to report our final results as part of our 2015 high risk update.

Sustained progress is needed to address the conditions and persistent challenges that make the area of federal real property management high risk. Multiple administrations have committed to a more strategic approach toward managing real property. However, problems with data reliability remain an underlying challenge for agencies to properly manage the multiple areas of real property reform. We will continue to monitor these agencies' efforts to implement our recommendations, which we believe are critical to addressing the challenges that have led us to keep federal real property management on our High Risk List.

Chairman Mica, Ranking Member Connolly, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to answer any questions that you may have at this time.

GAO Contacts and Staff Acknowledgments

For further information regarding this testimony, please contact David Wise at (202) 512-2834 or wised@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony are Keith Cunningham (Assistant Director), David Sausville (Assistant Director), Raymond Griffith, Geoffrey Hamilton, Amy Higgins, Hannah Laufe, and Sara Ann Moessbauer.

Related GAO Products

GAO, *Federal Real Property: Improved Transparency Could Help Efforts to Manage Agencies' Maintenance and Repair Backlogs*, [GAO-14-188](#) (Washington, D.C.: January 2014).

GAO, *Federal Real Property: Actions Needed to Improve How Agencies Manage Structures*, [GAO-14-87](#) (Washington, D.C.: January 2014).

GAO, *Federal Real Property: Improved Standards Needed to Ensure That Agencies' Reported Cost Savings Are Reliable and Transparent*, [GAO-14-12](#) (Washington, D.C.: October 2013).

GAO, *Federal Real Property: Excess and Underutilized Property Is an Ongoing Challenge*, [GAO-13-573T](#) (Washington, D.C.: April 2013).

GAO, *Federal Real Property: High-Risk Designation Remains due to Persistent Management Challenges*, [GAO-13-422T](#) (Washington, D.C.: February 2013).

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

GAO, *Federal Real Property: Improved Data and a National Strategy Needed to Better Manage Excess and Underutilized Property*, [GAO-12-958T](#) (Washington, D.C.: August 2012).

GAO, *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, [GAO-12-645](#) (Washington, D.C.: June 2012).

GAO, *Federal Real Property: The Government Faces Challenges to Disposing of Unneeded Buildings*, [GAO-11-370T](#) (Washington, D.C.: February 2011).

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#). Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#). Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

