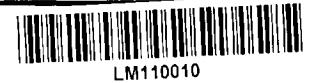


STUDY BY THE STAFF OF THE U.S.



# General Accounting Office

10,897

## Facilities Acquisition And Management Issues

The Federal Government owns over \$50 billion worth of facilities to house its employees and their activities - primarily large military complexes and civilian office buildings, warehouses, and other structures.

This study examines the principal legal, economic, social, technical and managerial issues in the Government's acquiring operating, and disposing of these facilities. It emphasizes congressional interest and needs, and other major problems requiring GAO attention.



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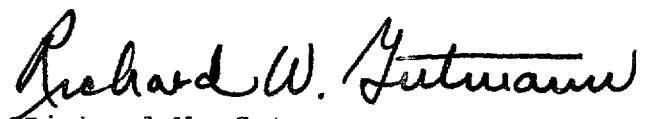
## FOREWORD

The United States Government owns over \$100 billion worth of real estate. A large portion are the national forests, parks, and other public domain lands, which the Government holds as steward for the American people. Other valuable properties are the major public works for economic services, such as flood control, inland waterways, irrigation, water power, and energy research and development.

This study is concerned with the land and improvements used to house Federal Government employees and their activities, including the military services. The kinds of facilities involved are primarily military installations of all types, and civilian agency office buildings, warehouses, and certain specialized facilities. The acquisition cost of land and structures for these facilities was between \$50 billion and \$60 billion. The annual cost of operating, maintaining, and renovating these facilities is over \$6 billion. The managerial and technical functions involved are: space utilization and requirements; acquisition by lease, construction, purchase, or exchange; operation, maintenance, protection, and alterations and major repairs; and disposal.

The Comptroller General has assigned to the Logistics and Communications Division the responsibility for analyzing the relevant legal, economic, social, managerial, and technical issues in the Government's acquisition and management of facilities, and for planning the Office's audit work on these issues. This study is based on our audit plans for approximately the next 18 months. It is organized in the form of those issues we believe deserve the greatest emphasis to meet the concerns of the Congress and to help resolve major problems.

Information on this study and our audit plans can be obtained from Harlow Williams, Coordinator for Facilities Acquisition and Management, Logistics and Communications Division, on (202) 275-3612.



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## CHAPTER 1

### FACILITIES ACQUISITION AND MANAGEMENT

This study is directed towards real property activities required primarily for the internal operations of the Government, as distinct from the public domain lands and facilities serving the public.

#### DEFINITION AND SCOPE

In carrying out their responsibilities, Government agencies manage a substantial amount of real property. According to data collected by the General Services Administration (GSA) as of September 30, 1977, the value of the Federal Government's inventory is shown in the following table.

#### Real Property Owned By The United States As Of Sept. 30, 1977

<u>Department/Agency</u>	<u>Cost in billions</u>
<u>World-Wide</u>	
Defense:	
Military	\$45.5
Civil	14.8
Interior	10.9
Energy	4.9
TVA	4.5
Agriculture	4.3
General Services	3.5
Other civil (24 agencies)	12.9
Total acquisition cost	<u>\$101.3</u>

The costs shown above are for about 750 million acres of land (primarily public domain managed by Agriculture and Interior), more than 400,000 buildings with 2.5 billion square feet of area, and major public works. Other than the nearly \$50 billion worth of facilities managed by the military services and General Services, most of the facilities costs above were for public works projects such as flood control, inland waterways, reclamation, power production, and energy research and development.

The principal Government real estate managers, within this area of concern, are the Department of Defense and GSA. Defense has the largest value of property among the Federal agencies, primarily large military installations such as

training posts, forts, industrial plants, shipyards, supply and maintenance centers, and airbases. GSA is the housekeeping agency of the Government, and houses about 850,000 Federal employees in owned and leased facilities. Other agencies with substantial property holdings for internal operations are the Postal Service, the National Aeronautics and Space Administration, the Department of Energy, the Department of Health, Education and Welfare, and the Veterans Administration. The facilities of the latter agencies are highly specialized, which involve some other issues that are discussed later.

On the average, the Government spends about \$5 billion annually for new construction and nearly \$1 billion to lease facilities to house its internal operations. Substantial portions of the annual budgets of Federal agencies are devoted to the operation and maintenance of this real property. For example, the Department of Defense spends about \$5 billion annually for maintenance and repair of real property, including operation and maintenance of utilities. For fiscal year 1979, GSA received appropriations of \$200 million for alterations and major repairs and about \$470 million for real property operations. In addition, GSA anticipated performing reimbursable work costing about \$250 million to be funded from appropriations of other agencies.

The real property in this issue area comprises all Federal military and civilian installations, active or inactive. It includes such structures as office buildings, post offices, warehouses, industrial and service plants, and the Government-owned utility systems and land connected with these facilities. Excluded are land and facilities managed or financed by the Government for the use or welfare of the general public, such as parks and forestlands, roads, dams, power projects, and public housing.

#### RELATED ISSUES

There is a practical distinction between facilities that principally house or support the activities of an agency and those facilities that are an integral part of an agency's system for providing a product or services. An example of the former is an office building. Examples of the latter are a wind tunnel or other specially designed research facilities, a postal processing center, and a hospital. Operation and maintenance of the latter types of facilities may, and often do, involve more questions about how effectively the mission purpose of the facility is being attained than about

the cleaning, utilities usage, efficiency of the building's mechanical equipment, etc. The design and construction of highly specialized facilities may also have technical and cost considerations related to the mission of the facilities, which overshadow those related solely to the basic structures housing them.

When the technical aspects of a specialized facility are significant, those technical issues must be considered along with the questions of efficiency and economy in the acquisition and management of the basic structure.

Facilities management also involves many other concerns about efficiency and economy and national policy. The principal ones defined by GAO are:

- Internal Auditing Systems in Federal and Federally Assisted Programs
- International Economic and Military Programs
- Energy
- Federal Procurement of Goods and Services
- Environmental Protection Programs
- Land Use Planning and Control
- Domestic Housing and Community Development Programs (Urban and Rural)
- Contracting Out vs. In-house Performance by Government Agencies

#### MAJOR PROBLEMS AND ISSUES

Facilities management may be viewed as having 3 major problem areas of continuing concern to the auditor.

- Government standards for the design and construction or leasing of facilities, and the efficiency and economy of the management of these functions.
- Utilization, operation, maintenance, and renovation of Government facilities.
- Disposal of the Government's real property, which is often a politically sensitive issue because of its

value and the interests of non-profit and local government entities in acquiring such property free or at a substantial discount.

Some of the major issues are:

- Are the Government's design and construction standards too elaborate in comparison with commercial standards (the trade-off of initial cost vs. useful life and life cycle costs)? (Chapter 5)
- Are the Government's economic comparisons of alternative methods of meeting space requirements based on reasonable assumptions and acceptable methodology? (Chapter 4)
- Are leases obtained after adequate competition, with reasonable terms and conditions to protect the Government's interests, and are they well administered throughout the lease term? (Chapter 4)
- Are Government facilities being utilized efficiently, made available to other agencies when not needed by the holding agency, and disposed of properly when no longer needed by any Government agency? (Chapter 3 & 8)
- Are facilities being efficiently operated and maintained, and the backlog of maintenance requirements held to a reasonable level? (Chapter 7)
- Are major renovations of buildings justified by acceptable cost/benefit studies? (Chapter 7)
- Are contracts for facilities construction, maintenance, and services administered so as to assure quality and completeness of the contract requirements and to prevent collusion and fraud? (Chapter 7)
- Do facility managers have adequate financial information on the costs (and in GSA's case, income as well) of operating and maintaining each of their facilities; do they use such information to manage or is the financial oversight of facilities operations limited to the status of major program funds? (Chapter 6)

Because of the GSA fraud disclosures, other problems in GSA's public building operations, and congressional concern about increased leasing rather than construction of Government buildings, the nation's interest in GSA's responsibilities has risen sharply during the past 2 years. In the current session of the Congress 3 bills to amend the Public

Buildings Act of 1959 were introduced in the Senate and 4 in the House of Representatives. The bills were referred to the respective Public Works Committee of each House for consideration. The Public Buildings Act is the basic statutory authority for GSA's real property operations.

Two of the proposed amendments in each House were recommended by GAO, to require GSA to obtain approval of the Public Works Committees for (1) extensive alterations at Government expense to leased space, and (2) exchange of Government property for other property valued at \$500,000 or more. A third proposal, to authorize GSA to borrow funds for construction of Federal buildings, is closely related to a subject GAO has been studying (the costs and results of a prior financing authority for the same purpose). We have been assisting the House Public Works Committee in their consideration of these proposed amendments.

GAO recently issued 2 other reports to congressional committees, recommending legislative changes. One is to improve congressional control of the obligation authority for GSA's alterations and major repairs to public buildings. The other is to clarify the intent of Congress in the Public Buildings Cooperative Use Act of 1976, regarding GSA's authority to acquire and renovate historical buildings for Government and community use.

#### LONG RANGE OUTLOOK

If the Congress authorizes loan financing by GSA to construct Federal buildings, there will be substantially more Federal construction of office buildings and Court Houses than there has been for about 4 years. A significant question at the outset of a proposed construction, lease, or major renovation project, is the comparative long range costs of each alternative. GSA is required to submit an economic analysis of these alternatives with its proposals to the Public Works Committees for approval to construct, lease, or renovate. Our preliminary work indicates that there is no clear answer to the question of whether constructing or leasing a building is generally the least costly alternative. We intend to explore more fully GSA's system for economic analyses and its underlying assumptions and estimates.

One handicap to GSA's economic analyses, as well as in its management of facilities generally, is the lack of comprehensive cost and income reporting on its buildings. Although GSA records financial data on public buildings operations



in accordance with GAO's accounting system approval, it has not developed the computer programs and reporting formats to make useful data available. We have reported this deficiency to the Administrator with appropriate recommendations, and GSA organized a study group to develop the necessary reports. When the improvements are in operation, valuable information will be available for more accurate life cycle costing estimates, measuring the efficiency of buildings operations, identifying uneconomical buildings, helping to expose waste and possible fraud, and assessing the financial condition and operating results of the Public Buildings Fund. These kinds of analyses should be a key part of GAO's facilities work in the future.

An important part of GAO's facilities work from time to time is examining for congressional committees and members the reasonableness of Department of Defense estimates of costs and savings to close or phase down operations at military bases. After a relatively inactive period of over 1 year, the Secretary of Defense announced in March 1979 the closing or realignment of various military organizations affecting over 100 bases. He also announced that studies would be made of reorganizing and reducing activities at a large number of other bases. The principal objective of these closings and realignments is to reduce the administrative and other support costs of the military services. From the number of congressional requests received already, we anticipate a heavy workload of these examinations for a long period.

Some important changes in Government design and construction standards and methods may be forthcoming. For example, GSA is considering constructing new office buildings similar to the type of commercial buildings it leases, rather than the more monumental, long-life Federal buildings of the past. At the request of a Congressman, the Army Corps of Engineers is comparing costs and other factors to construct a Reserve Center (by Corps standards) with a somewhat similar structure for the National Guard (by State government standards). We are monitoring the Corps study for the Congressman. Computer aided building design practices are slowly being adopted in the United States and should improve designs for the Government, at least to the extent of incorporating better life cycle cost and energy analyses, and the analyses of alternative materials and other design choices. All of these developments bear watching to see that the Government makes choices that are reasonable in terms of long range costs and the suitability of facilities for its particular needs.

The disposal of facilities may also become even more important, with the growing number of base closures and the obsolescence of Defense plants and Federal buildings.

MAJOR LEGISLATION IMPACTING ON  
FACILITIES ACQUISITION AND MANAGEMENT

Major legislation enacted by the Congress impacting on facilities acquisition and management in the Government include:

Federal Property and Administrative  
Services Act of 1949 ✓

This Act created the General Services Administration and imposed certain requirements intended to provide for the Government an economical and efficient system for the procurement and supply of property, the utilization of available property, and the disposal of surplus property.

Budget and Accounting Procedures  
Act of 1950 ✓

This Act requires that Government accounting systems provide both effective control over property and adequate financial information needed for management purposes.

Public Buildings Act of 1959 ✓

This Act provides for the construction, alteration, and acquisition of public buildings, and places a prohibition on the construction of buildings except by the Administrator of General Services.

Public Buildings Amendments  
of 1972 ✓

This Act provides for the establishment of a Federal Buildings Fund for the purpose of receiving rental payments of Federal buildings' tenants to be used for construction, alteration, management, and operation of Federal buildings. In addition, it provided for the reduction of an existing new construction backlog of Congressionally authorized but unfunded buildings.

The Armed Services Procurement  
Act of 1947 ✓

This Act prescribes legal requirements relating to the procurement of services and property (including all real property except land) by DOD, the Coast Guard, and NASA.

Military Construction Authorization  
Act of 1966

This Act requires DOD to provide to the Congress a full, factual report, including the justification, whenever a military installation is to be closed or abandoned.

Public Buildings Cooperative Use  
Act of 1976, Public Law 95-541

This Act requires the General Services Administration's Administrator to acquire and use space in suitable buildings of historic and architectural significance when feasible; and to encourage multiple use within the Federal Buildings by the public.

Section 13 of the Surplus Property  
Act of 1944

This Act authorizes conveyance (without monetary consideration to the U.S.) to States, municipalities, or tax-supported institutions, Federally-owned surplus property for improvement or development of public airports. Such property is conveyed subject to certain terms and restrictions set forth in the Act.

Airport and Airway Development  
Act of 1970

This Act provides that, whenever the Secretary of Transportation determines that any Federally-owned land is necessary to carry out a project for airport development, he may request the Federal agency having control of the property, to convey it to the State or municipality controlling the airport. The Act authorizes conveyance of such property if it is not inconsistent with the needs of the Federal agency.

Annual DOD O&M Appropriations Acts

These Acts prescribe minimum dollar amounts that must be spent by DOD for maintenance and repair of facilities.

National Environmental Policy Act of 1969

Federal Water Pollution Control Act Amendments  
of 1972, and 1977 Amendments

Clean Air Act of 1970, and 1977 Amendments

Solid Waste Disposal Act ✓

Noise Control Act of 1972 ✓

Pesticide Control Act ✓

These Acts impose on agencies certain restrictions and requirements in connection with the operation of Federal facilities to avoid harmful effects on the environment.

### Congressional Committees

Because all agencies and activities of the Government are involved in facilities acquisition and management either as property managers or paying tenants of GSA, all Senate and House Committees and subcommittees responsible for agency oversight or appropriations have a continuing interest and from time to time request GAO to perform reviews in the issue area. Often, these special requests concern alleged mismanagement.

Based on past experience, the following congressional committees have particular interests and legislative responsibilities in this issue area:

#### Senate

- Appropriations Committee
- Armed Services Committee
- Energy and Natural Resources Committee
- Environment and Public Works Committee
- Governmental Affairs Committee

#### House of Representatives

- Appropriations Committee
- Armed Services Committee
- Government Operations Committee
- Post Office and Civil Service Committee
- Public Works and Transportation Committee

## CHAPTER 2

### PRINCIPLE ISSUES AND CONCERNS OF FACILITIES ACQUISITION AND MANAGEMENT

The following are important issues and concerns in the acquisition and management of Government facilities.

\*Are existing Federal facilities being utilized to the maximum extent possible, including joint-use where feasible?

\*Why, despite the Congress' emphasis on Federal construction to meet increased space needs, has the amount of space leased by the Government continued to increase?

\*To what extent is GSA's Federal buildings Fund meeting its objectives of (1) reducing the backlogs for construction and major repair and alteration projects, and (2) motivating Federal agencies to seek space utilization economies?

\*Are Federal construction agencies maximizing effort to control construction costs, including consideration of life cycle costs and the application of new and innovative construction techniques to the Federal construction process?

\*Are Federal agencies operating and maintaining Government facilities in the most cost-effective manner?

\*How effective are current policies, procedures, and practices for identifying and economically disposing of excess and surplus property?

What should be the Government's policy with respect to the locations--i.e., rural, inner-city, business district--of space acquisition?

Are the military services using minor construction projects to avoid statutory project cost ceilings and circumvent congressional review?

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\* Deserving of priority attention.

What role should competitive negotiations, including price considerations, play in the selection of architect/engineers?

What can be done to reduce the time from original congressional approval of a construction project through executive branch budget processes and the appropriation to start of construction?

How accurate are the military services' estimates of costs and savings for specific realignment, phase-down or closure actions? (Congressional request assignments)

What have been the short-term and long-term effects on communities impacted by major facility closures or phasedowns?

### CHAPTER 3

#### ARE EXISTING FEDERAL FACILITIES BEING UTILIZED

#### TO THE MAXIMUM EXTENT POSSIBLE, INCLUDING

#### JOINT-USE WHERE FEASIBLE?

If the Federal Government uses existing space more efficiently, millions of dollars can be saved by reducing expenditures for building or leasing additional space. The Federal Government spends about \$6 billion annually to build or lease additional facilities for its internal operations. Had unused existing space been made available, the Federal Government could save part of the \$6 billion.

Additional space is needed to accommodate the growth or relocation of civilian agencies and the increased and modernized reserve and National Guard forces. On the other hand, the armed forces freed large amounts of Federal property since 1972, some in metropolitan areas, and have plans for further moves from such areas.

As a result of increasing costs of new construction and of privately-owned leased space, Federal agencies need to (1) increase efficient use of Government-owned and leased space and (2) consider all reasonable alternatives before acquiring additional facilities. If currently owned or leased real estate cannot be used, such property should be disposed of promptly.

#### Problems and Concerns

Facilities and land used by Federal activities to carry out their programs should be utilized for their intended purposes and occupied to the maximum extent feasible. Federal Management Circular 73-5 requires the head of each agency to evaluate his need for real property and develop criteria for efficient and economical use of it. GSA has the responsibility to assist agencies in those endeavors, and to periodically survey the use of the land and buildings by all agencies.

Prior reviews have shown that the availability of idle or under-utilized Federal space is not well coordinated within the Federal establishment. GSA has not been an effective leader, apparently from both a lack of resources for surveys

and assistance, and the frustration of not having any real enforcement authority. Within Defense there is apparently little coordination in requiring joint use of facilities, where feasible, by the active services and the Reserve and Guard units. Effective use of facilities by other property owning agencies (such as NASA, HEW, Interior, Agriculture) has not been examined comprehensively by GAO.

The efficient use of existing Federal facilities should be a prerequisite to acquiring any additional facilities of a similar type in the same area. The inefficient use of facilities also raises the possibility of closing down part of a facility to save operating and maintenance costs, or the consolidation of activities so as to free property for disposal.

#### Planned Emphasis for Addressing Problems

GAO's principal objective is to improve the Government's policies, procedures, and coordination for the use of Federal facilities and the identification of idle or underutilized facilities.

As staff time permits, we plan to inquire into each major property owning agency's procedures and controls for the use of property, and to check selected facilities for actual use. We also plan to inquire into the Government's mechanism for inter-agency coordination on the use of property and for resolving disputes about the availability and suitability of facilities for another agency's use. The President abolished the former inter-agency committee established for that purpose. No action has been taken on the 1978 recommendations of the President's administrative task force on facilities management, which would have centralized more control of that function in GSA.

The following questions deserve particular emphasis.

- Are the regular forces, the Reserves, and the National Guard making reasonable joint use of facilities in the same area?
- Are Federal storage facilities being used efficiently and released for other uses or disposal when not needed?
- Are facilities leased by the Government used efficiently; would consolidation of activities now in dispersed small leases be more economical?



--What form of centralized real property control and/or inter-agency coordinating mechanism does the Government need for reasonably efficient use of its vast holdings; and what is the Executive Branch doing about it?

## CHAPTER 4

### WHY, DESPITE THE CONGRESS' EMPHASIS ON FEDERAL CONSTRUCTION TO MEET INCREASED SPACE NEEDS HAS THE AMOUNT OF SPACE LEASED BY THE GOVERNMENT CONTINUED TO INCREASE?

Each year the Government spends about \$6 billion in appropriated funds to acquire facilities for the missions of the Executive departments and agencies. About 80 percent of this outlay is made by the Department of Defense or the General Services Administration. At present about 40 percent of all space managed by GSA is leased, but over 50 percent of all high-priced office space managed by GSA is leased.

From 1968 to 1978, leased space under GSA's control increased from about 48 million square feet to over 91.5 million square feet. Annual rental increased from about \$150 million in 1968 to \$513 million budgeted for 1979 and \$554 million for 1980. The total commitment for all GSA leases currently in effect until their expiration dates is about \$2 billion. The annual rental costs of other agencies authorized to lease space is over \$350 million.

The net total amount--acquisitions less disposals--of Government-owned space remained relatively stable over the last 10 years. Currently, GSA has a backlog of 88 proposed construction projects with an estimated cost of about \$1.6 billion. However, recent appropriation requests for construction projects has been minimal.

#### Problems and Concerns

The Public Works and Appropriations Committees have expressed their preference on several occasions for construction of Federal buildings rather than expanded leasing to meet Federal space needs. In December 1977 Chairman Brooks of the House Government Operations Committee wrote to GSA stating his belief that construction is less costly over the long run, and he asked GSA to give it more consideration. In January 1979, a bill was introduced to authorize GSA to borrow money for the construction of Federal buildings.

Leasing rather than construction may be justified on either of two grounds. Space needs for a new or expanded Government activity may not warrant construction of a Federal

building because they are too small or of indefinite duration. Leasing is also generally preferable when it does cost less over the long run than construction.

The first question in this issue is whether many small, scattered leases in the same general area are truly short term or other justified situations, or should be considered for consolidation in either a Federally constructed or leased building. A second concern is the reliability of GSA cost comparisons used in decisions to propose and justify to the Congress a project to lease space or construct a building. From some preliminary work, GSA's estimates do not appear to be reliable for economic decisions, and substantial improvements must be made in GSA's system for comparisons and in its method of developing assumptions and estimates for the various elements of costs.

A third concern is the award and administration of leases by GSA and other agencies. Annual lease costs nearing \$1 billion leave room for substantial waste, if leases are not well managed. Prior work disclosed many problems in GSA management, including little competition before awards, failure to notify lessors in time to exercise renewal options, paying rent before leased space was ready for occupancy, paying lessors for tenant alterations without requiring competitive bids, setting a standard policy of annual rental increases for lessors' operating costs and taxes based simply on changes in the Consumers' Price Index. These and other lease management problems warrant periodic oversight in GSA, and raise the possibility of similar problems in other agencies.

#### Planned Emphasis for Addressing Problems

GAO's principal objective is to assist the Congress to answer the critical question of whether or not construction is preferable generally to leasing space for Federal agencies. Because the leasing costs of the Government continue to grow steadily, there is also a need to improve the Government's management of the award and administration of leasing.

The following questions are particularly significant.

- What needs to be done to develop a reliable GSA system of assumptions, estimates, and calculations to compare the long range costs of lease vs. construction?
- To what extent does OMB and the Executive Office prevent construction projects from being proposed to the Congress, to avoid the heavy initial costs?

- Is construction, in fact, the less costly alternative generally and, if so, how should the Government finance a large construction program of Federal buildings?
- Are the award and administration of leases efficiently managed and controlled?

## CHAPTER 5

### TO WHAT EXTENT IS THE FEDERAL BUILDINGS FUND MEETING ITS OBJECTIVES OF (1) REDUCING THE BACKLOGS FOR CONSTRUCTION AND MAJOR REPAIR AND ALTERATION PROJECTS, and (2) MOTIVATING FEDERAL AGENCIES TO SEEK SPACE UTILIZATION ECONOMIES

Since July 1974 GSA has been empowered, under the Public Buildings Amendments of 1972 (P.L. 92-313), to charge rental to agencies for space and related services (referred to as the Standard Level User Charge) and to provide the agencies with special services on a reimbursable basis. These charges and reimbursements are deposited in the Federal Buildings Fund, a revolving-type fund established by the 1972 Act to finance GSA's acquisition and management of public buildings. The legislative objectives of the Fund were to: (1) reduce backlogs for new construction and major repair and alteration projects, thereby reducing costs for leased space and inflated, deferred construction; and (2) motivate the Federal agencies to seek space utilization economies by requiring them to budget for and pay rent for the space they occupy.

The Fund's approved budget for fiscal year 1979 is about \$1.7 billion, about \$1.4 billion from rental income and about \$300 million from reimbursements for special services.

#### Problems and Concerns

As a revolving fund-type operation, the Fund is generally authorized by the Congress to incur obligations each year to the extent of rental income for all operating expenses; interest, taxes, and redemption of purchase contract liabilities; and capital improvements including new construction. During the Fund's first 3 years (1975-1977). OMB and/or the Congress limited the amount of rent GSA could charge its tenant agencies. Since then, GSA has been permitted to charge full rent, which is based on commercial rental rates for similar space.

Very little new construction has been financed through the Fund. The backlog of major repair and alteration work also increased, and is now estimated to be about \$1 billion. Consequently, GSA has leased additional commercial space to meet increased space needs. In 4 years its annual rent bill rose by about 40 percent to over \$500 million for fiscal year 1979.

With these resource limitations and heavy encumbrances, there is a serious question of whether the Fund can--or should--be self-sustaining in accomplishing its mission of providing adequate space and services to Federal agencies efficiently and economically. The answer involves both legislative and executive branch policy influence on the concept of the Fund and how it is administered, the age and condition of Federal buildings, as well as the effectiveness and efficiency of the operating and capital improvement programs it finances.

There is also no evidence that the budgeting for their space costs has made Government agencies any more economical in their use of space. GSA is not reporting and analyzing information on occupancy and changes by agency. Work performed under the utilization line of effort shows that GSA and its tenant agencies are not surveying and critically analyzing their space occupancy and needs. Consequently, GSA is not attempting to determine whether one of the principal objectives of the Federal Buildings Fund is being accomplished.

Another serious problem is the incomplete reporting on the income and expenses of GSA's building operations. We reported this to the Administrator in November 1978, recommending improvements in reporting by individual buildings, in recording and depreciating capital improvements, and in financial statement reporting. Until these improvements are made, the efficiency of the Fund's operations cannot be evaluated. We will be following closely GSA's work on the recommendations.

The concept of a revolving-type fund to finance building operations and to encourage space conservation is one of the most important elements in GSA's building management. Does it work, or is it only adding administrative costs on GSA and the tenant agencies without constructive results?

#### Planned Emphasis for Addressing Problems

GAO's principal objective is to evaluate how effectively the Federal Buildings Fund functions, as both a financing mechanism (i.e., a revolving fund) for the public building operations and a financial management system.

We have completed surveys and reviews of accounting and reporting for Fund operations, the legislative and budgeting history of the Funds's income, the backlog of major repairs and alterations requirements, and building operations

and maintenance expenses. We are currently analyzing the long-range cash flow requirements for interest, taxes, principal, and other expenses for Federal buildings financed by the sale of purchase certificates and other borrowings. We are starting a study of the assumptions and estimates involved in comparing the life cycle costs of renovating old buildings, constructing new buildings, and leasing an equivalent amount of space. We plan to synthesize this information with other analyses to answer the 2 basic questions about the Fund.

--Is the rental income adequate to meet all expenses of GSA building operations, major repairs and alterations of existing buildings, and the construction of buildings for replacement or for new space needs?

--Does the budgeting and payment for their space motivate agencies to economize in the use of space?

## CHAPTER 6

### ARE FEDERAL CONSTRUCTION AGENCIES MAXIMIZING EFFORTS TO CONTROL CONSTRUCTION COSTS, INCLUDING CONSIDERATION OF LIFE-CYCLE COSTS AND THE APPLICATION OF NEW AND INNOVATIVE CONSTRUCTION TECHNIQUES TO THE FEDERAL CONSTRUCTION PROCESS

When construction is selected as the most cost-effective or only practical method of acquiring a new facility, the Government enters a complex series of analyses, considerations of alternatives, decisions, procurement actions, and oversight. These involve cost estimating, development of general specifications for design competition, selection of an architect/engineer, decisions on design problems and cost implications during the design stage, acceptance of design and detailed specifications, determination of type of construction management and control to use, solicitation of bids and awards of contracts for construction, coordination of inter-related contractors' activities, review and control of design changes and contract changeorders, inspection, and determination of financial responsibility for schedule delays and unsatisfactory construction of sub-systems.

Excluding grant financed construction managed by State and local governments, the Federal Government spends over \$6 billion a year to construct facilities. The military construction appropriation alone amounts to between \$3.5 billion and \$4 billion a year. Energy facilities built by TVA and the Department of Energy cost about \$2.5 billion a year. GSA is currently completing a massive construction program for Federal buildings under special financing authority, which cost about \$1.5 billion over several years. GSA also manages construction financed by other agencies such as the Customs Bureau, Social Security, and the Smithsonian.

#### Problems and Concerns

Congressional committees have expressed a number of concerns about Federal construction. These include: the rising costs of construction in the United States and what can be done about it; the merits of the construction manager system and other recent developments compared to the traditional general contractor method of coordinating and controlling construction activities; contractors' claims alleging



Government fault for increased costs and delays; and differences in construction standards between Federal projects and those of State and local governments and private industry.

Other problems were uncovered from our prior reviews and studies. Federal agencies are not taking advantage of the possibilities to improve project design, life cycle cost analyses, and energy conservation studies by requiring and financing the use of computer techniques in their architect/engineer contracts. There appear to be significant problems in carrying out the provisions of the Cooperative Use Act, regarding acquisition and renovation of historical structures, feasibility of renting commercial space in Federal buildings, and the practicality of any significant community use being made of Federal facilities. While it is generally accepted that Government construction costs more than private for comparable structures, the particular causes have not been clearly established.

#### Planned Emphasis for Addressing Problems

GAO's principal objective is to identify and evaluate for the Congress the major causes of high Government construction costs, and what is or can be done about them. Reviews and studies completed in the past 18 months covered construction management systems, development of computer systems for design and control of construction, and some particular problems in the rise of construction costs. The following questions are considered the most important to be explored.

- What are the Federal agencies' policies for the use of computer technology in the design of buildings, including life cycle cost analyses and energy studies?
- Are Federal building standards more elaborate than necessary for reasonably efficient working space and access?
- To what extent do legislative provisions and administrative practices cause Federal construction costs to be higher than private (e.g. Davis-Bacon Act wages, rigid construction specifications, Government ordered changes)?
- What problems does GSA face in carrying out the provisions of the Cooperative Use Act, regarding acquisition and renovation of historical structures and adapting Federal buildings for community and commercial use?

CHAPTER 7  
ARE FEDERAL AGENCIES OPERATING  
AND MAINTAINING GOVERNMENT  
FACILITIES IN THE MOST COST-EFFECTIVE  
MANNER?

Operation of real property includes utilities for heat, light, power and water; sanitation and janitorial services for trash, garbage and sewage disposal; and custodial services for security, fire and police protection.

Maintenance of real property covers preservation or restoration of real property for effective operation and use, including repairs (overhaul or replacement) of constituent parts and alterations (rearrangement or modification) of facilities to enhance their effectiveness.

DOD and GSA are the major housekeeping agencies. DOD spends about \$5 billion annually for maintenance and repair of real property, including operation and maintenance of utilities. For fiscal year 1979, GSA received appropriations of \$200 million for major repairs and alterations and about \$500 million for real property operations. In addition, GSA anticipated reimbursable work of about \$300 million funded through appropriations of other agencies.

Problems and Concerns

Two of the principal concerns of congressional committees about property management are the backlog of maintenance, repair, and alterations requirements in DOD and GSA. The Appropriations Committees have specified annually a minimum amount in the military services' operations and maintenance appropriation, which may be used only for real property maintenance. The concern of the committees is that DOD would otherwise not maintain property adequately and its backlog would grow. The committees expressed similar concern about GSA, and 2 years ago increased substantially the agency's repair and alteration budget. In spite of minimum or increased budgets, the backlog of repair and maintenance requirements continue to increase.

Another frequently expressed concern of the committees is compliance by Federal agencies with Federal pollution control standards. DOD particularly is not meeting the schedules set by Congress.

The large amount of routine building operating costs and interior alterations paid for by GSA's tenant agencies raises a question about the level of services they should receive for their rental payments to GSA.

The fraud uncovered in GSA building operations reemphasizes the importance of periodically checking all property managing agencies' controls over contracting for building repairs and services. We inquire into this in any reviews involving contract services.

Serious problems were uncovered in recent reviews of GSA's major repairs and alterations program. Cost estimates justifying major renovation projects to the Congress were not reliable. GSA has not been following the annual program of projects supporting its requests for obligation authority. These practices seriously erode both the authorizing and appropriation control over repair and alteration work done by GSA. We have reported on these problems, and plan additional work to assist the committees.

Other concerns are the efficiency of operations and maintenance activities, including the system of priorities and scheduling of work, work measurement and control, use of labor and energy saving equipment, compliance with standards for life safety and aids to the handicapped.

#### Planned Emphasis for Addressing Problems

GAO's principal objective is to improve the management of facilities operations and maintenance functions in the major property managing agencies.

Over the past 18 months we concentrated most of our self-initiated work on GSA's management of its building operations program and its repairs and alterations program. We have reported, or will soon report, on the agency's work measurement system, deviations from the annual plans of major repair work proposed to the Congress for obligation authority, validity of its major repairs backlog and lack of internal management controls over work authorizations, and the unreliability of its cost comparisons submitted to the committees as justification for proposed major renovation projects.

We have also recently completed major reviews for congressional committees of DOD's pollution control program and its backlog of facilities maintenance requirements. Additional work was requested on the backlog.

The most important questions now to be explored are:

- Are contracts for facilities maintenance and other services properly controlled to inhibit fraud and prevent waste?
- Are reported maintenance and repair backlogs reliable, and the level of funding adequate to prevent deterioration and meet the space needs of the agencies?
- Are property managing agencies taking advantage of recent improvements in work measurement and control, electronic control systems, and other means of more efficiently operating and maintaining buildings?
- Do Government owned and leased facilities conform with appropriate standards of safety and aids to the handicapped?
- Are alterations and other services paid for by tenant agencies to GSA (in addition to their rental payments) needed by the agencies, correctly priced by GSA, and properly chargeable to the agencies rather than GSA?
- Do property managing agencies have adequate systems of records, reports, and evaluations for planning, budgeting, and controlling facilities operations and maintenance?

## CHAPTER 8

### HOW EFFECTIVE ARE CURRENT POLICIES, PROCEDURES, AND PRACTICES FOR IDENTIFYING AND ECONOMICALLY DISPOSING OF EXCESS AND SURPLUS PROPERTY

Any real property under the control of a Federal agency, which the head of the agency determines is not required to discharge the responsibilities of the agency, should reported to GSA as excess property. Under normal procedures, GSA screens excess property against the needs of other Federal agencies and, when another agency needs property, transfers it to that agency. Property excess to the needs of all Federal agencies is considered surplus and disposed of outside the Government. Surplus property is offered first to State and local governments and then to eligible nonprofit organizations. If none of these organizations need it, it is offered to the public through sealed bids or is sold through negotiation with private parties.

For fiscal year 1977, GSA reported receiving 473 pieces of excess property valued at \$220 million. Four hundred and forty-nine of these cases were determined to be surplus. Also during that year, GSA reported that 479 excess properties valued at about \$21.3 million were transferred to other Federal agencies for their use, 179 properties that cost about \$217.1 million were sold for \$62.3 million, and 137 properties valued at about \$79.7 million were assigned to Federal agencies for transfer to State and local agencies. Over the past 4 years, GSA disposed of over \$500 million of property to organizations outside of the Federal Government. At the end of 1977 GSA reported an inventory of 770 cases of excess and surplus real property which had cost over \$1.7 billion.

About 53 percent of the properties in the inventory are former military facilities. Many of these are of a specialized nature--i.e., missile sites, shipyard facilities, military production plants, etc. Property having potentially harmful military uses must be "demilitarized" before it can be transferred to non-military users.

Recently, the Courts have ordered GSA to make environmental impact studies for proposed major disposals, pursuant to the National Environmental Policy Act of 1969.

Other Federally owned or controlled land which is not surplus may be conveyed for airport purposes under authority contained in Section 23 of the Airport and Airway Development Act of 1970.

### Problems and Concerns

The various Federal agencies are responsible for determining whether their properties are excess to their needs. GSA is responsible for determining whether properties are surplus to the needs of all Government agencies. If either the holding agency or GSA fails to make a proper determination, a potentially useful property could be lost to the Government agencies.

The principal problems in the disposition of excess and surplus property are:

- indications of discrepancies in the records of property between those of GSA and those of agencies that turned the property over;
- inadequate notification by GSA, or of attention paid by the Federal agencies, regarding excess property available for use by other agencies;
- failure of the appropriate Federal agencies to inspect and enforce compliance with the conditions of transfer for surplus property donated to State and local governments and nonprofit organizations;
- inadequate budget planning by GSA for protection and maintenance of surplus property prior to disposal, resulting in deterioration and vandalism.

Another problem recently uncovered is the excessive delay in disposing of surplus real property in Alaska which is within the Federal domain. Many former military bases and outposts are in that category. Provisions of the Alaskan Natives Claims Act require clearance with the Department of Interior for possible native claims, before GSA can dispose of the land. We have preliminary indications that many cases have been in Interior for years, without a decision being made.

Excess and surplus Federal real property is a highly prized commodity. There is a great demand for it by State and local governments for parks, recreation, airports, and economic development projects, and by private schools and hospitals. Federal agencies are also interested in former

military bases for Federal parks, wildlife refuges, and similar purposes. Private developers prize surplus land in resort areas or near population centers. For these reasons many conflicting pressures are placed on GSA in disposing of real property within and outside the Government.

#### Planned Emphasis for Addressing Problems

GAO's principal objective is to help improve the control and disposition of excess and surplus Government real property. The criteria to be met for screening interested parties and disposing of such property are that reasonable care and prudence should be exercised, applicable laws and regulations observed, and decisions made in the best interests of the United States.

The primary questions to be pursued in the near future are the following:

- Does GSA have accurate records of the excess and surplus real property for which it is accountable?
- Does GSA give adequate notice of available real property to other Federal agencies and outside parties in the appropriate order, and dispose of unneeded property within a reasonable time?
- Are the legal requirements impractical which require GSA to assume funding responsibility for the protection and maintenance of excess and surplus real property?
- Have the responsible Federal agencies improved their consideration of applications and their oversight for the use of Federal real property transferred to State and local governments and non-profit institutions?
- What are the particular problems in the disposal of surplus military bases and other Federal facilities on public domain lands in Alaska, and how are these properties maintained pending disposal?

## CHAPTER 9

### OTHER FACILITIES MANAGEMENT ISSUES AND CONCERNS

There are a number of other issues which we examine at the request of congressional committees or members (primarily base closures) or would explore more fully if staff time were available. A brief description of these other issues follows.

What Should be The Government's Policy with Respect to the Locations-- i.e., Rural, Inner-City, Business District--of Space Acquisition?

Executive Order 12072 directs GSA to give highest priority to inner city areas when locating Government agencies, providing only that the location does not interfere with the basic mission of the agencies. The Rural Development Act of 1972 (42 U.S.C. 3122) states that it is the desire of Congress that, whenever possible, Government agencies should locate any new facilities or offices in rural areas. The Department of Defense has a general policy of relinquishing facilities in metropolitan areas, when making choices about consolidating and closing facilities. Currently, Defense is planning on a large move from the Washington, D.C., area to release 2,000,000 square feet of space.

The intent of the Executive Order is to assist cities preserve or restore the economic life of their inner, distressed areas. In addition to the apparent conflict of Government policy mentioned above, there are questions about how effectively and actively GSA carries out the policy, whether space acquisitions are in distressed areas or in high cost prosperous areas, and how tenant agencies' mission needs are considered.

We are currently examining for several members of Congress the Defense plan to move activities from Washington. We are also inquiring into GSA's plans to consolidate agencies in the central business districts of 2 cities, as requested by other members of the Congress.

Are the Military Services Using Minor Construction Projects to Avoid Statutory Project Cost Ceilings and Circumvent Congressional Review?



The Appropriations Committees have expressed concern for years about the military services' abuse of the military minor construction authority (allowing expenditures up to \$500,000 for a construction or renovation project without prior line item authorization and appropriation). Questionable use of the authority has been primarily in the form of dividing planned work into separate smaller projects, or doing a series of projects sequentially in separate fiscal years.

We reported last on this subject to the Congress in 1978, and took note of a change in the statutory definition of a "project". We do not believe the problem has been corrected, but will wait until the services have more experience under the new definition before inquiring into the situation again.

What Role Should Competitive Negotiations, Including Price Considerations, Play in the Selection of Architect/Engineers?

Through several reports, hearings, and comments on bills, GAO's position on this subject has been reported to the key congressional committees. We believe that, after architect/engineer candidates for a contract have been narrowed down by screening their qualifications and preliminary design proposals, pricing should be one of the factors in negotiating with the final candidates. Presently, consideration of prices under any circumstances is precluded by statute.

While we do not plan any self-initiated work in the foreseeable future, we are called upon from time to time to assist in commenting on proposed legislation on the subject.

What Can Be Done To Reduce The Time From Original Congressional Approval of a Construction Project Through Executive Branch Budget Processes and the Appropriation to Start of Construction?

One of the principal causes of cost growth in planned construction projects is the long period between approval of projects by the authorizing committees and the awards of contracts. Factors involved are: (1) delays in obtaining approval of OMB to include projects in the agencies' budgets; (2) delays in obtaining appropriations; (3) delays by the agencies in contracting for design, changing plans during design, and contracting for construction.

The estimated construction costs in the plans submitted for congressional authorization usually are a forecast of contract prices 2 to 3 years in the future. Delays of an

additional 3 to 5 years are not uncommon. By the time construction contracts are awarded, prices have risen substantially. Contracting agencies then have to either reduce the scope of the project, or repeat the lengthy cycle of authorization and appropriations for more money.

We have not had the staff available to inquire further into this problem.

How Accurate are the Military Services' Estimates of Costs and Savings for Specific Realignment, Phase-down or Closure Actions? (Congressional Request Assignments.)

The typical congressional request on a base closure case asks for an independent evaluation of Department of Defense estimates of costs and savings and of the economic effect on the community. Sometimes we are also asked to report on the alternatives, if any, considered by Defense before deciding on a particular base to close or phase down.

All work done in this area of concern is for congressional requestors. For that reason we do not plan a set of overall objectives to be attained, but try to keep a reserve of staff time that can be shifted to individual requests as they occur.

Although Defense announced many proposed base closings in 1977 and 1978, the department did not announce final decisions on most of those bases until March 1979. Until that time, the feasibility, cost, and economic impact studies were not available for our examination. We now have a number of requests to analyze and report on these studies.

What Have Been The Short-term and Long-term Effects on Communities Where Major Military Facilities Have Closed or Phased-down?

The principal shock on communities results from the loss of civilian jobs and the military payroll, when a large base closes or its activities are substantially reduced. Home prices drop for military and civilian personnel who have to move from the area. The communities' tax receipts fall (real estate, sales, etc.). Stores, banks, and other commercial operations lose business. Welfare payments may rise. A ripple effect may follow, and unemployment increases.

The Government attempts to help in these situations through a Cabinet level committee and DOD's Office of Economic Adjustment, which receives an annual appropriation to assist communities in planning and to partially fund some economic

development projects. Most of the funds, however, must be provided through regular programs of other agencies. DOD coordinates and expedites Federal efforts, and assist communities obtain surplus facilities at the closed installation. Another form of aid is home owners assistance, administered by the Department of Housing and Urban Development, making up the difference between the market value before announced base closing and the actual prices obtained by military and civilian personnel who have to sell their homes.

Our principal objective under this line of effort would be to inquire into the aftermath of selected major base closings on the communities. In relation to the services' estimates of the economic impact: how many were laid off at the base and in the community; what was the Government's actual costs of Federal unemployment compensation; how many Federal employees retired; how much was paid in Federal home owners assistance; and how did the community fare by other measures of economic activity (bank deposits, store sales, tax receipts)?

A second objective would be to inquire into the role of Defense and other Federal agencies in helping the community, and the success of such efforts.

Because of other priorities, we have been unable to go beyond some preliminary inquiries into those questions.

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