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SEPTEMBER 12, 1979

The Honorable R. G. Freeman III  
Administrator of General Services

Dear Mr. Freeman:

Subject: <sup>GSA</sup> Real Property Disposal Procedures and Controls  
of Related Personal Property] Need Improvement  
(LCD-79-321)

We have reviewed the procedures for use and disposal of excess and surplus real property at the General Services Administration's (GSA's) regions 3, 7, and 10. We also reviewed records and procedures at other Federal agencies to determine whether property had been properly accounted for.

In regions 7 and 10, we found no significant weaknesses in real property disposal procedures, except for control of related personal property. But, in region 3, we found problems in real property disposals, as well as in the control of related personal property.

The results of our review are discussed in the enclosure. Our conclusions concerning the effectiveness of the disposal procedures are summarized below.

In our opinion, the disposal of related personal property as part of a disposal of real property should be limited to those circumstances in which the Administrator of General Services has determined it to be the highest and best use. Such a determination should be evidenced by the approval of both the Real and Personal Property Divisions. Several problems arise from GSA's lack of control of related personal property.

First, excess related personal property is not reported to the appropriate GSA property division for inventory control and reporting to other Federal agencies for screening of possible Government needs. Second, apparently much of the property GSA transfers to local organizations is not needed for their purposes. Third, the lack of accurate inventories of transferred related personal property and



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the obligation to identify and check its use, greatly complicates the compliance surveys of the sponsoring Federal agencies.

Any undue delay in the disposal of Federal real property adds to the cost of protection and maintenance, increases the risk of vandalism and deterioration, and compounds the pressures from competing parties for the property. A key factor in limiting these problems is the expeditious disposal of property, with adequate notice to interested parties and equitable consideration of their respective requests or bids. In region 3, the delays were excessive on a high proportion of disposals examined.

Region 3 did not maintain a complete record of all real property it conveys to other Federal agencies for transfer to local public agencies for public benefit uses. Our September 1978 report stated that this was a general problem in GSA regions. Without an accurate record of such conveyances, GSA cannot discharge its responsibility to oversee the compliance responsibility of the sponsoring agencies for appropriate use of the transferred properties.

We recommend that you:

- Revise the regulation to assure that personal property is disposed of as related personal property only if the Real Property Division has obtained a determination from the Personal Property Division that such disposal is in the best interest of the Government.
- Require the GSA regions to have related personal property inventoried and a record maintained by the regions, the sponsoring Federal agency, and the recipient as accountable property.
- Establish a reasonable time standard for the disposal of excess and surplus real property, and require the regions to meet this standard unless excepted in specific cases by the Central Office for good cause.
- Direct the GSA regions to maintain accurate and complete inventory records of real property transferred for public benefit uses.

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As you know section 236 of the Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving copies of these statements.

Sincerely yours,

*Donald J. Horan*  
for R. W. Gutmann  
Director

Enclosure

REAL PROPERTY DISPOSAL  
PROCEDURES AND CONTROLS OF RELATED  
PERSONAL PROPERTY NEED IMPROVEMENT

BACKGROUND

Under the Federal Property and Administrative Services Act of 1949, the Administrator of General Services is charged with promoting maximum use of excess real property by executive agencies and disposing of property no longer required by Federal agencies.

Real property can be transferred from one agency to another when it is no longer required by the holding agency and is needed by another agency. Under normal procedures, the General Services Administration (GSA) screens excess property against the needs of other Federal agencies and, if the property is needed by an agency, transfers it to that agency. Property excess to the needs of all agencies is considered surplus. Surplus property is offered first to State and local governments and then to eligible nonprofit organizations for use in their programs. If none of these institutions need it, it is offered to the public through sealed bids. In any case, such competition as is feasible is required for the sale of surplus property. Under certain circumstances, surplus property may be donated to public institutions or sold through negotiations with private parties.

Under the act, the Administrator has authority to decide how Federal excess and surplus real property will be managed. The Administrator has delegated the decisionmaking authority to the Commissioner of the Office of Federal Property Resources Service, who in turn has delegated it to the regional administrators.

We surveyed the application of these procedures at GSA region 3, Washington, D.C.; region 7, Fort Worth, Texas; and region 9, Auburn, Washington. We also reviewed records and procedures at other Federal agencies to determine whether property had been properly accounted for. For example, we reviewed records of surplus property assigned to the Department of Health, Education, and Welfare (HEW) for conveyance to local public agencies for public benefit uses.

In regions 7 and 10, we found no significant weaknesses in their overall disposal procedures. Therefore, we discontinued our efforts in those regions at an early stage of the review. But we did find two cases--one in each of these two regions--which we believe should be brought to light because they indicate a general lack of control over related personal property transferred along with the real property. Facts contained in this report were discussed with GSA officials of region 3 Real Property Division and Central's Federal Property Resources Service. Their suggestions are included in the report as appropriate.

BETTER CONTROL NEEDED FOR  
RELATED PERSONAL PROPERTY

The Code of Federal Regulations establishes procedures for controlling and disposing of either real or personal property. However, it does not establish any guidelines as to how these two types of properties will be handled when they are commingled as real and related personal property in a single disposal action.

The Code of Federal Regulations merely defines related personal property as

"any personal property: (a) which is used or useful in connection with such property or the productive capacity thereof; (b) determined by the Administrator of General Services to be otherwise related to the real property."

It does not specify whether related personal property should be handled as real or personal property, each of which has its own disposal procedures.

We were unable to determine how much related personal property had been transferred with real property disposals. In each of the three regions we were informed that personal property is rarely disposed of as related personal property. We could not substantiate this statement because GSA does not maintain records or controls relating specifically to the disposal of related personal property. To inquire into the disposition of such property, we examined one case in each of the three GSA regions with related personal property valued at over \$2 million.

Former Valley Forge General Hospital

On July 25, 1975, HEW received assignment from GSA of land, buildings, and related personal property with an estimated value of \$1.9 million. The property was to be transferred to four public agencies for health and educational purposes. The intended recipients were

- Chester County Intermediate Unit #24,
- Phoenixville Area School District,
- Pierce Junior College, and
- Pennsylvania Department of Military Affairs.

Two of the agencies were unable to obtain funds to complete the proposed projects and withdrew their requests for the property.

As a result of these withdrawals, HEW was left with about \$1.8 million of untransferable personal property. Under normal procedures the property would be turned back to GSA for disposal. In this case it was not. HEW had, onhand, a request for property from the Northwest Bible College (renamed Valley Forge Christian College), and issued the college an interim permit to use the property.

Final conveyances of personal property were completed on August 3, 1976, as follows:

| <u>Recipient</u>                     | <u>Personal property</u> |
|--------------------------------------|--------------------------|
| Northwest Bible College              | \$730,320                |
| Phoenixville Area School District    | 12,376                   |
| Chester County Intermediate Unit #24 | 14,295                   |
| Charlestown Township (note a)        | <u>26,923</u>            |
| Total                                | <u>b/\$783,914</u>       |

a/Transferred through the Department of the Interior for use with the public golf course.

b/The remainder of the personal property was returned to GSA for disposal.

GSA region 3 officials said that it is GSA's responsibility to determine what is related personal property and normally, when personal property is reported with real property, it is turned over to the Personal Property Division for disposal. In this case, region 3 waived the normal procedures, and the personal property was not screened by Federal agencies for their needs before being considered by the above organizations.

A GSA region 3 official admitted that in this case control of the personal property was weak and that GSA had no record of how much was transferred, returned for disposal, or still remained at the site.

Because the value of the personal property (\$730,320) transferred to the Valley Forge Christian College exceeded the value of real property (\$577,500), we visited the college to inquire into the use made of it. Although the files at HEW region 3 showed that the personal property had been inspected, HEW officials said that apparently no detailed inspection had been made. In fact, the HEW supervisor was unaware until he checked the regulations that HEW was responsible for surveying personal property.

Our inspection showed that the related personal property transferred to the college not only included such educational items as typewriters, desks, chairs, lamps and cafeteria equipment, but also television sets, power tools, construction equipment, and firetrucks.

At the time of our visit we noted some of the personal property was not being used for educational purposes. Instead:

- Equipment was used to renovate buildings.
- Television sets were in private staff residences, lounge areas, and a student union.
- Firetrucks were used by local fire department.

College officials also told us that the Government left about 300 window air conditioners, but they were not on the Government's inventory. We were also told that the Government left behind some large pieces of laundry equipment, which were stored and not used.

In our opinion, had GSA region 3 followed the normal personal property disposal procedures a more beneficial use may have been made of this property.

Fort Wolters, Texas

In 1975, after Fort Wolters was declared surplus, about \$87,000 of related personal property was transferred with 80 acres and 19 buildings to the Youth Rehabilitation Center, Inc. The center operates a number of rehabilitation centers throughout the country under the name of Edgемеade Institute. Edgемеade of Texas is a residential psychiatric center for emotionally disturbed children.

In 1976 Edgемеade returned about 16.6 acres of land and the hospital building because they were not being used. When HEW reported the returned property to GSA, it reported no related personal property. A later GSA inspection disclosed a large amount of personal property at the site and considerable vandalism of real property. GSA notified HEW of its findings and requested HEW to survey the property, make necessary repairs, and inventory the remaining personal property. HEW did as directed, and that portion of the property was sold through a sealed bid in June 1978 for \$231,000.

Mountain Home, Idaho

On June 9, 1970, the Bureau of Land Management reported to GSA that the Mountain Home Job Corps Civilian Conservation Center, Mountain Home, Idaho, was excess. The property consisted of approximately 150 acres of land, 25 buildings and other improvements, and related personal property. HEW requested this property for conveyance to Edgемеade of Idaho, which was accomplished in August 1971.

On August 31, 1971, the Bureau requested some of the heavy equipment. The Bureau doubted that the equipment would be useful in the youth programs, and stated that the equipment could be used in its regular activities. On September 13, 1971, HEW denied the Bureau's request stating that Federal screening had been waived, and the heavy equipment was to be used in connection with a vocational training program to be conducted at the site. On September 24, 1971, Edgемеade received the related personal property valued at about \$46,000, including caterpillar tractors, a road grader, a road roller, and cargo trailers.



In July 1977, an HEW survey disclosed that one piece of heavy equipment, a backhoe, was in the possession of a local construction firm, and that other pieces had previously been loaned and returned to Edgemeade. The survey noted that other equipment was not being used and recommended reversion of unused items.

In August 1977, HEW asked the firm to return the backhoe and notified Edgemeade that, if it were not recovered, Edgemeade would have to pay its fair market value as of September 24, 1971.

On January 16, 1978, HEW notified Edgemeade that it wanted nine items of personal property returned to the Government, and a list made of all other items that could not be used or have not been used. HEW also requested information as to what had happened to a generator and two air compressor tanks that apparently could not be located.

The HEW inspector said that he had found that most of the heavy equipment at Edgemeade had never been used and some had been improperly used. He believes that any organization receiving a large amount of surplus personal property, such as Edgemeade, should be inspected at least annually. However, HEW regulations do not specify how often nonprofit organizations should be inspected.

An HEW official stated on July 2, 1979, that the heavy equipment listed, plus several other items, were reverted to the Government and given to the Idaho Surplus Property Agency for distribution to other State health and educational agencies. He also informed us that because of the problems with Edgemeade the real property was reverted to the Government and transferred to the Bureau on October 2, 1978. The related personal property which had not been attached to the real property or had not been reclaimed by the Government belonged to Edgemeade. According to HEW officials, Edgemeade was going to sell it at public auction, however, he did not know if they had done so.

The Chief of Real Property Management in HEW region 10 said that he did not believe separable personal property should ever be commingled and assigned with real property, and that GSA's Real Property Division should be required to report surplus personal property to GSA's Personal Property Division. We agree with this and are recommending that the Administrator require that the Personal Property

Division grant its approval before the Real Property Division disposes of any related personal property.

NEED TO AVOID EXCESSIVE  
DELAY IN DISPOSALS

The Code of Federal Regulations specifies the following times for screening of needs for excess and surplus real property: Federal agencies, 30 days; local nonprofit agencies, 20 days. A Federal agency interested in property may be granted 30 additional days to develop a firm requirement. A local agency that has a tentative requirement may be granted a "reasonable" time to develop a use plan for the property. The disposal agency determines the reasonable time, considering the proposed use, the agency's request for time, the Government's protection and maintenance cost, and other relevant circumstances. No time schedule is specified for disposal to parties other than Federal or local public agencies. When real property is sold, GSA obtains an appraisal and sells it by sealed bid or negotiated sale.

GSA personnel told us that a reasonable time for normal disposal of properties is 12 to 18 months. Of the 26 cases we reviewed in region 3,

--9 were disposed of in this time,

--7 were still open (but had been in process from 15 months to over 13 years), and

--10 disposals took 19 months or longer.

The following examples illustrate the causes of delays in property in region 3.

Philadelphia Naval Home

The Office of Management and Budget's Circular A-95 directs GSA to consider local economic development plans in the disposal of all property. If the disposal does not interfere with these plans it is generally carried out promptly. If a proposed disposal conflicts with the local plan, however, the local development agency may protest the disposal and delay proceedings.

An example of such delay is the Philadelphia Naval Home property, a structure on the Register of Historic Monuments.

GSA considered two uses for the Naval Home--one a job corp center by the Department of Labor and the other was a home for the aged sponsored by HEW. The city of Philadelphia objected to GSA about these plans and was granted 1 year to study other uses for the property. After that study was completed Philadelphia decided that the study was not comprehensive enough, and GSA granted the city another year for further study. During these 2 years, the historic property deteriorated badly and the Government paid about \$150,000 to maintain it.

#### Excess agriculture land

In 1973 the Department of Agriculture declared 4,000 acres of land at Front Royal, Virginia, excess. Several Federal agencies requested parcels of the property. While GSA was in the process of transferring the land to them, a congressional inquiry led to postponing the proposed disposals. One of the requesting Federal agencies, U.S. Customs Service, subsequently withdrew its request for 229 acres.

The 229-acre parcel was declared surplus to Federal needs in November 1974. In February 1976--2.5 years later--the property was conveyed, through HEW, to the Virginia Polytechnic Institute for development of a 4-H educational center.

#### Federal building, Baltimore

Another example of a delay in disposing of surplus real property is the case of a surplus Federal building in Baltimore, Maryland, with an appraised fair market value of over \$4 million. The building was reported excess in July 1975. The city of Baltimore was granted a lease for about \$300,000 per year. GSA region 3 planned to dispose of the property by negotiated sale to Baltimore and negotiations were undertaken in 1976. However, after several negotiation sessions, the city would not pay the \$4 million. Consequently, GSA region 3 decided to sell the property by either sealed bid or public auction. GSA's Central Office became involved and decided to donate the property as a historic monument to the city of Baltimore. The Commissioner of Federal Property Resources Service and the Director of region 3's Real Property Division were in favor of selling the property, but they were overridden. The building was donated to the city of Baltimore on December 28, 1978.

INVENTORY RECORDS NOT MAINTAINED  
ON PROPERTIES CONVEYED FOR  
PUBLIC BENEFIT USE

GSA may dispose of property by conveying it to HEW or the Department of the Interior's Historic Conservation and Recreation Service for transfer to local public agencies for public benefit uses. These properties are transferred by Quit Claim Deed to recipients, with the restriction that the property be used in accordance with the program plans submitted by recipients. HEW and Interior have the primary responsibility for compliance surveys of the properties and GSA is responsible for monitoring their activity. If local agencies do not use the properties as planned, the property may revert to the Government.

Disposal personnel in GSA region 3 told us that they do not keep an inventory of the property conveyed to these agencies. In commenting on our report issued in September 1978, GSA stated that it would exercise more control over compliance surveys. During our review, we saw no improvement by GSA region 3 on these survey requirements.

In examining HEW records, we found that during the 5-year period covered by our review GSA region 3 had assigned 63 properties with an acquisition value of over \$26 million to HEW region 3. In comparing HEW records to an inventory we prepared from GSA Central Office's monthly activities listing reports, we found that over 38 percent of the assigned properties with an acquisition value of about \$19 million were not on the prepared inventory.

GSA officials told us that they do make utilization surveys of these properties, if the officials happen to be in an area where a known conveyed property exists. However, GSA does not make the surveys on a routine basis because they are the responsibility of the transferring agency.

Although the transferring agency has the responsibility of compliance surveys, GSA is responsible for assuring that such properties are surveyed. With the records maintained at GSA region 3, GSA cannot possibly maintain adequate oversight in this area because it does not have an accurate inventory of all properties transferred to local agencies.