Federal Asset Management

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Overview

- About GAO

- Federal Real Property (Asset) Management
  - GAO High Risk Issue
  - Asset Management Framework

- Asset Management Challenges and Selected GAO Reports

- Questions

About GAO

- An independent, nonpartisan agency serving the Congress

- Helps to improve the performance and ensure the accountability of the federal government

- Core values include Accountability, Integrity, and Reliability

- To ensure its independence, the Comptroller General (CG) is appointed to a 15-year term by the President

Oversight, Insight, Foresight

Federal Buildings: Vast and Diverse Platforms Supporting Government Missions

Source: GAO and stock.adobe.com

GAO High Risk Area – Real Property

Since 2003, GAO has identified federal real property management as a High Risk issue

Managing Federal Real Property

- Excess and underutilized property
- Data reliability
- Facility security
- (Future addition?) Deferred maintenance and repairs

2023 High Risk List GAO-23-106203

Asset Management Framework

Organizational leadership, staff, and culture that support implementation of asset management framework

Organizational strategic planning

Asset management strategy and planning

| Asset management decision-making process | Risk management | Asset data and information |

Asset life cycle delivery

| Acquire | Operate | Maintain | Dispose |

Review

Source: GAO analysis of leading practices. | GAO-19-57

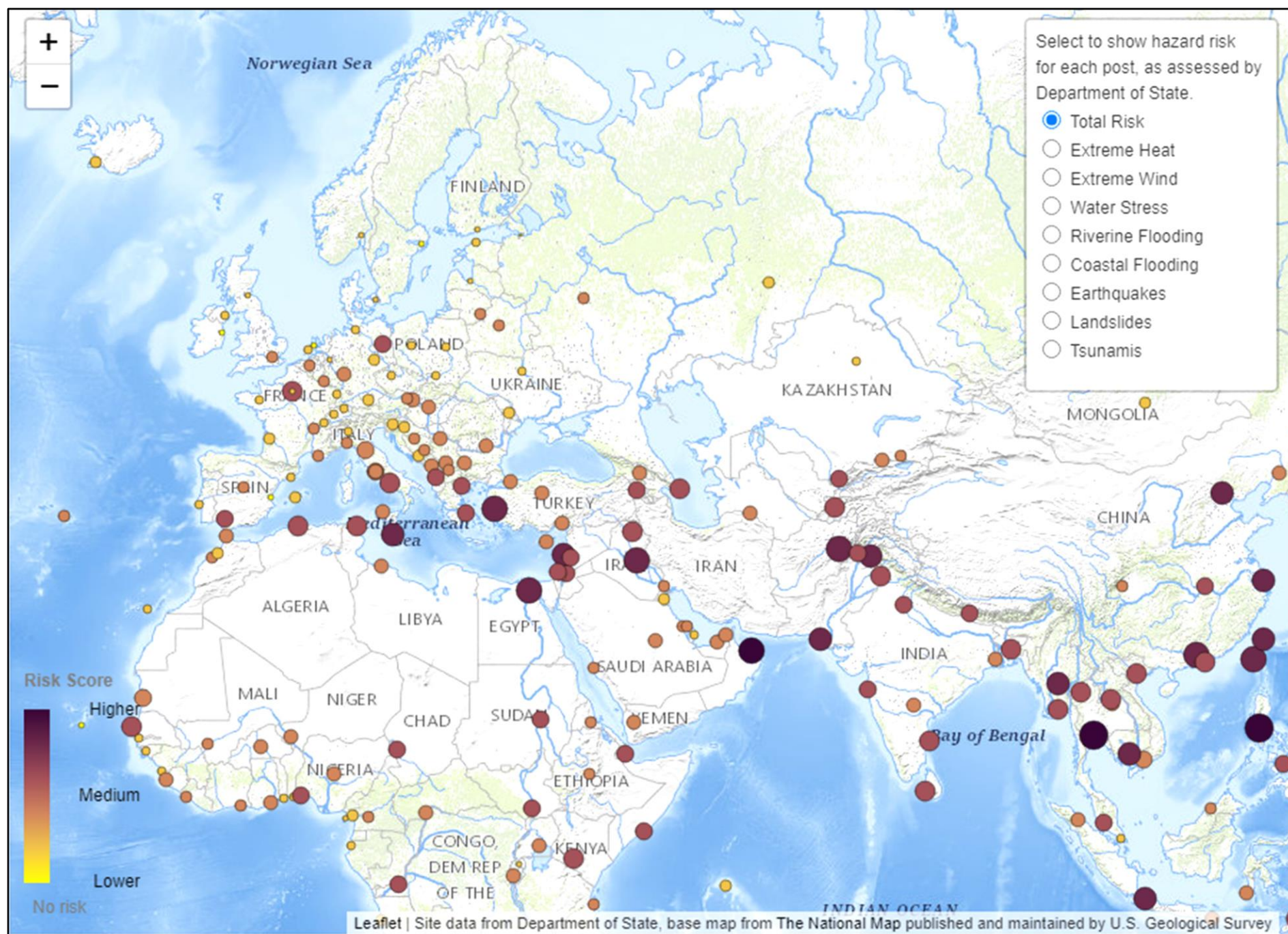# Key Characteristics of an Asset Management Framework

Characteristic	Description
Establishing formal policies and plans	Organizations should have a clearly defined governance regime that includes a strategic asset management plan that ties to the organization's mission and strategic objectives, defines the asset management scope, and defines the roles and responsibilities for each part of the organization.
Maximizing an asset portfolio's value	Organizations should develop an asset management policy to identify the value of their assets to achieve their mission and strategic objectives, and invest in those assets in such as a way as to derive the greatest value from them.
Maintaining leadership support	Organizational leadership should clearly articulate its support for asset management and provide the necessary resources for asset management to succeed.
Using quality data	Organizations should collect, analyze, and verify accuracy of asset data, including the organization's inventory of assets and data on each asset's condition, age, maintenance cost, and criticality to the organization.
Promoting a collaborative organizational culture	Organizations should promote a culture of information sharing and enterprise-wide decision-making regarding their assets.
Evaluating and improving asset management practices	Organizations should evaluate the performance of their asset management system and implement necessary improvements.

Source: GAO analysis of the ISO 55000 standards, asset management literature, and interviews with experts. | GAO-19-57

![GAO]

Asset Management Challenges & Selected GAO Reports

Challenges	GAO Reports
Climate and natural hazard resilience	Embassy Resilience (GAO-23-106887)
Sustainability	GSA Federal Building Sustainability (GAO-23-105905)
Underutilization	Federal Building Utilization (GAO-24-107006)
Disposal	Multiple Reports
Deferred Maintenance	Multiple Reports

In-depth

U.S. Embassies at Risk of Natural Hazards

Source: GAO-23-105452 https://files.gao.gov/multimedia/gao-23-105452/interactive/index.html

Relative Total Risk Scores for State Department's 294 Worldwide Posts

High total risk score

Manila, Philippines

Bangkok, Thailand

Algiers, Algeria

Abu Dhabi, United Arab Emirates

Abidjan, Côte d'Ivoire

Asunción, Paraguay

Amsterdam, Netherlands

Nuuk, Greenland

Low total risk score

Lowest risk

Risk category

Low risk | Medium low risk | Medium high risk | High risk | Highest risk

Post total risk score
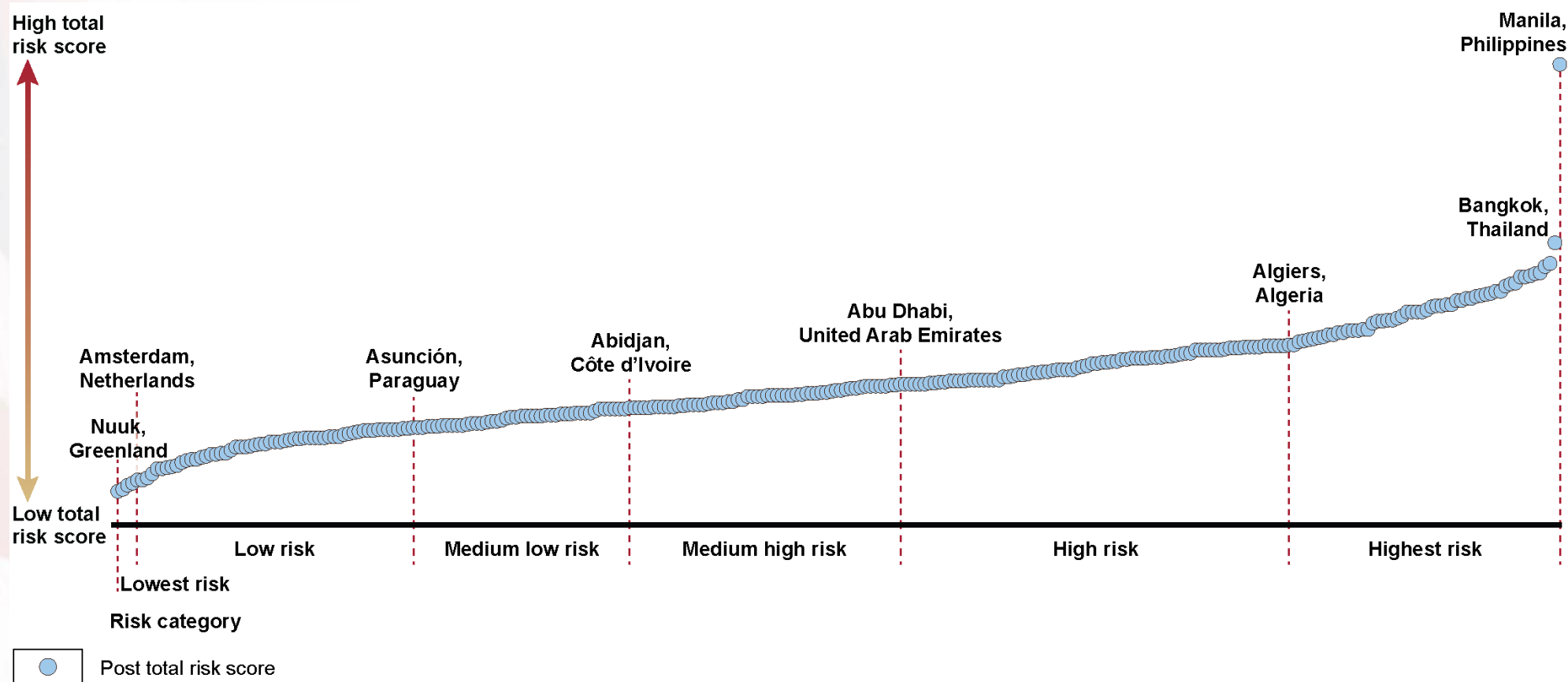
Source: GAO based on Department of State documentation. | GAO-23-105452

Sustainability of Federal Buildings

- Share of eligible GSA-owned buildings designated as sustainable increased from 24% to 31% (2018 to 2021)

Percentage

Year	2018		2019		2020		2021	
Total number of sustainable buildings	226	-	245	-	269	-	297	-
Total sustainable gross square feet (in millions)	-	76.4	-	83.7	-	89.9	-	98.0

■ Eligible owned buildings
■ Eligible owned gross square feet

Source: GAO analysis of General Services Administration (GSA) data. | GAO-23-105905
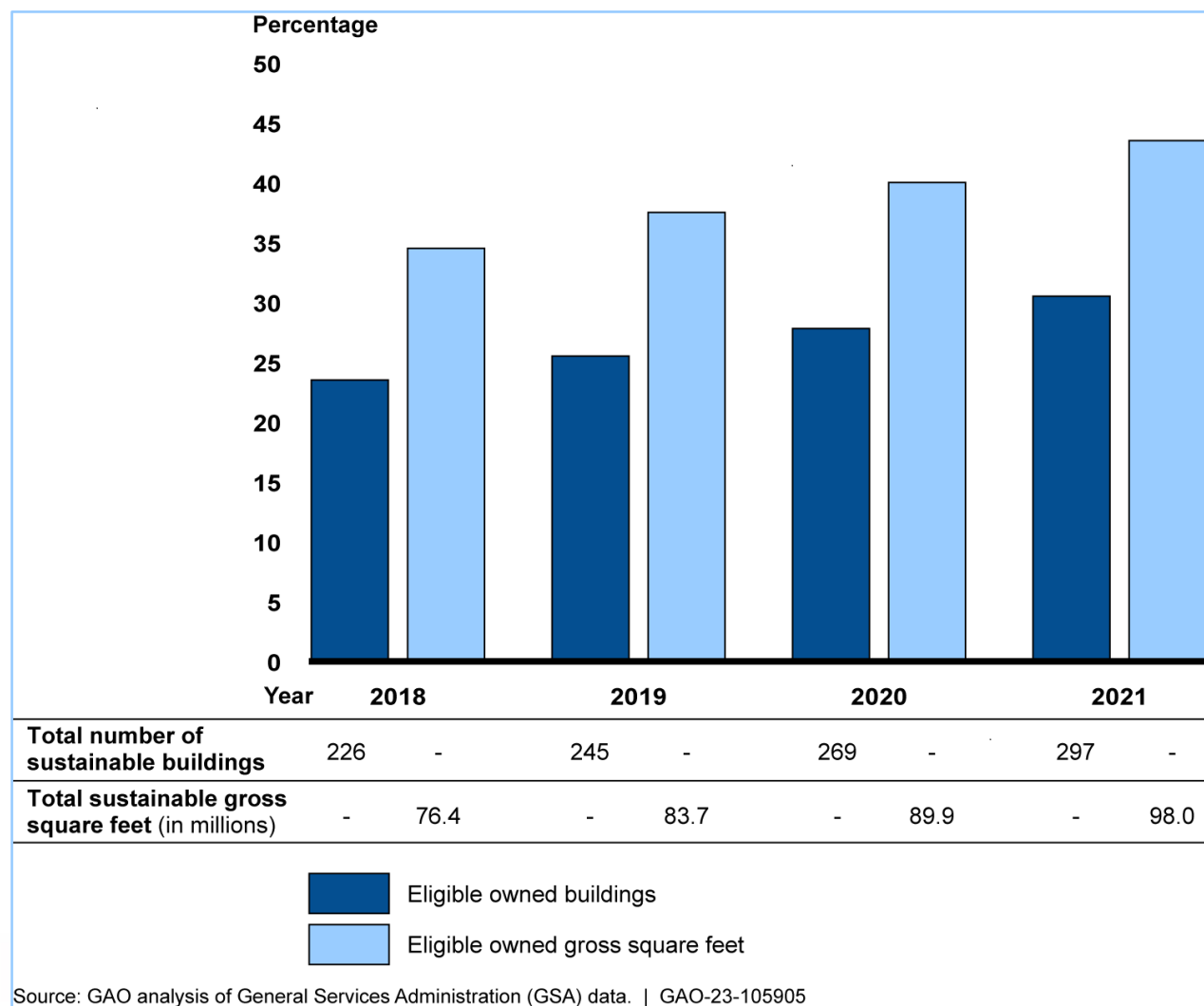
More Stringent Sustainability Requirements

- A 2021 executive order set new long-term sustainability goals
  - Net-zero emissions buildings by 2045
  - Carbon-free electricity at all buildings by 2030
- GSA staff expressed little confidence in ability to meet these goals

Interview questions

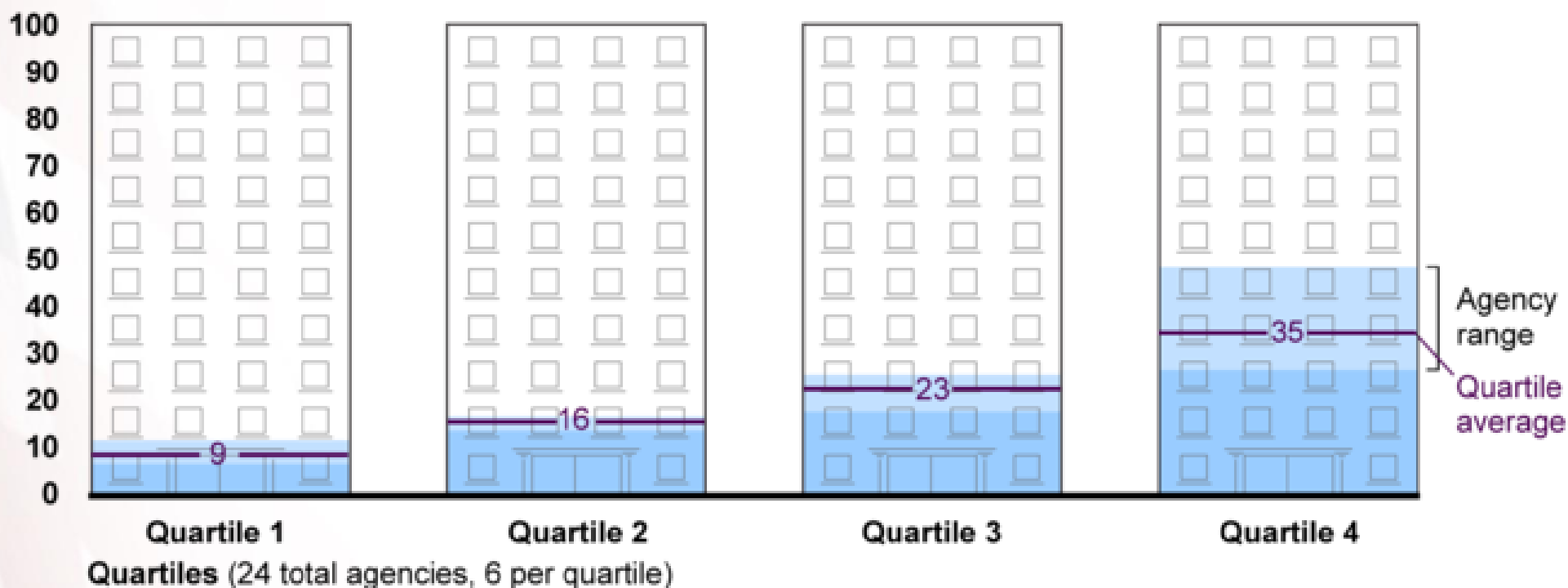|	Very or moderately confident	Slightly or not at all confident	Do not know
Net-zero emissions buildings portfolio — How confident in ability to achieve goal by 2045?	2	8	1
100 percent carbon-free electricity — How confident in ability to achieve goal by 2030?	2	8	1

Number of regions (0–11)
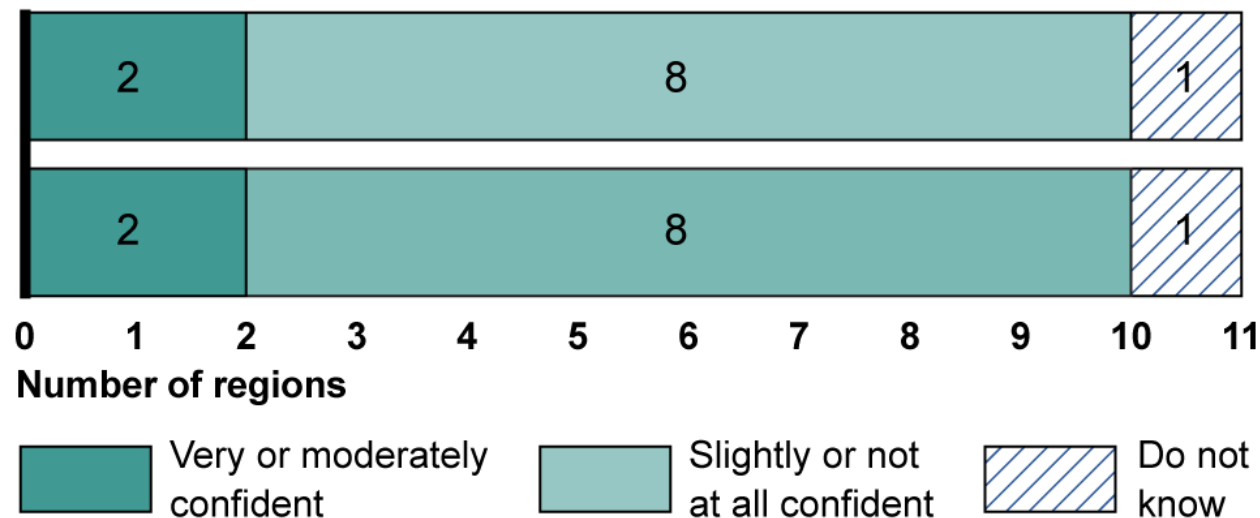
Source: GAO analysis of General Services Administration regional officials' responses to structured interview questions. | GAO-23-105905

Federal Buildings: Lots of Excess Capacity (GAO-24-107006)

Building utilization percentage

Quartile 1: 9
Quartile 2: 16
Quartile 3: 23
Quartile 4: 35

Agency range
Quartile average

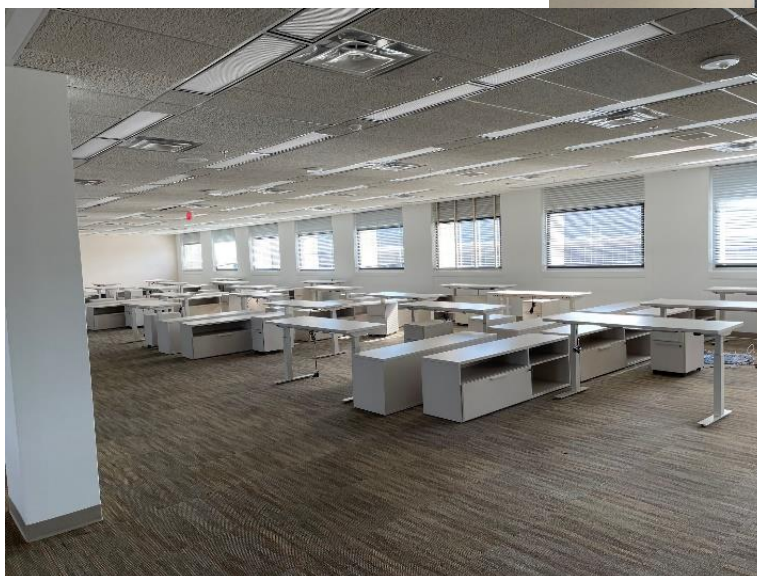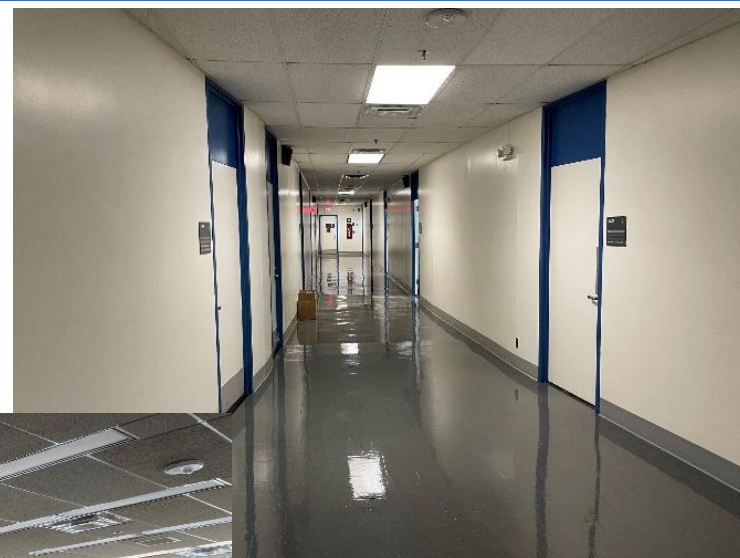Quartiles (24 total agencies, 6 per quartile)

Source: GAO analysis of data from 24 federal agencies. | GAO-23-106200

Causes of Excess Capacity

- Excess space part of High Risk since 2003

- Buildings are not configured for maximum utilization
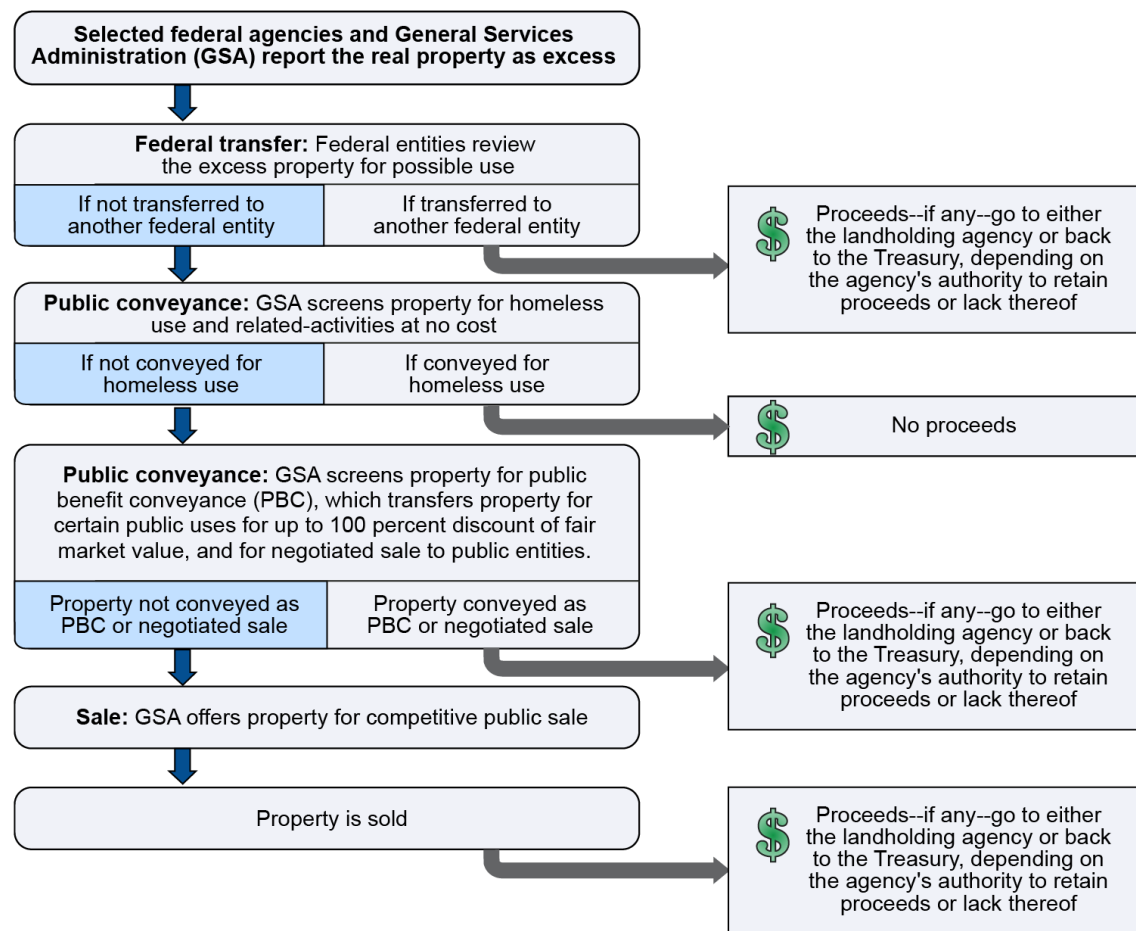
- Federal workers are telecommuting… a lot more

Before ^
&
< After

Source: GAO (both photos)

Federal Disposal Process

- Disposing of unneeded real property is a long-standing challenge due to:
  - a multi-pronged and lengthy process,
  - a lack of upfront funding, and
  - unique characteristics that make properties difficult to sell or transfer

Selected federal agencies and General Services Administration (GSA) report the real property as excess

Federal transfer: Federal entities review the excess property for possible use	
If not transferred to another federal entity	If transferred to another federal entity

Proceeds--if any--go to either the landholding agency or back to the Treasury, depending on the agency's authority to retain proceeds or lack thereof

Public conveyance: GSA screens property for homeless use and related-activities at no cost	
If not conveyed for homeless use	If conveyed for homeless use

No proceeds

Public conveyance: GSA screens property for public benefit conveyance (PBC), which transfers property for certain public uses for up to 100 percent discount of fair market value, and for negotiated sale to public entities.	
Property not conveyed as PBC or negotiated sale	Property conveyed as PBC or negotiated sale

Proceeds--if any--go to either the landholding agency or back to the Treasury, depending on the agency's authority to retain proceeds or lack thereof

Sale: GSA offers property for competitive public sale

Property is sold

Proceeds--if any--go to either the landholding agency or back to the Treasury, depending on the agency's authority to retain proceeds or lack thereof
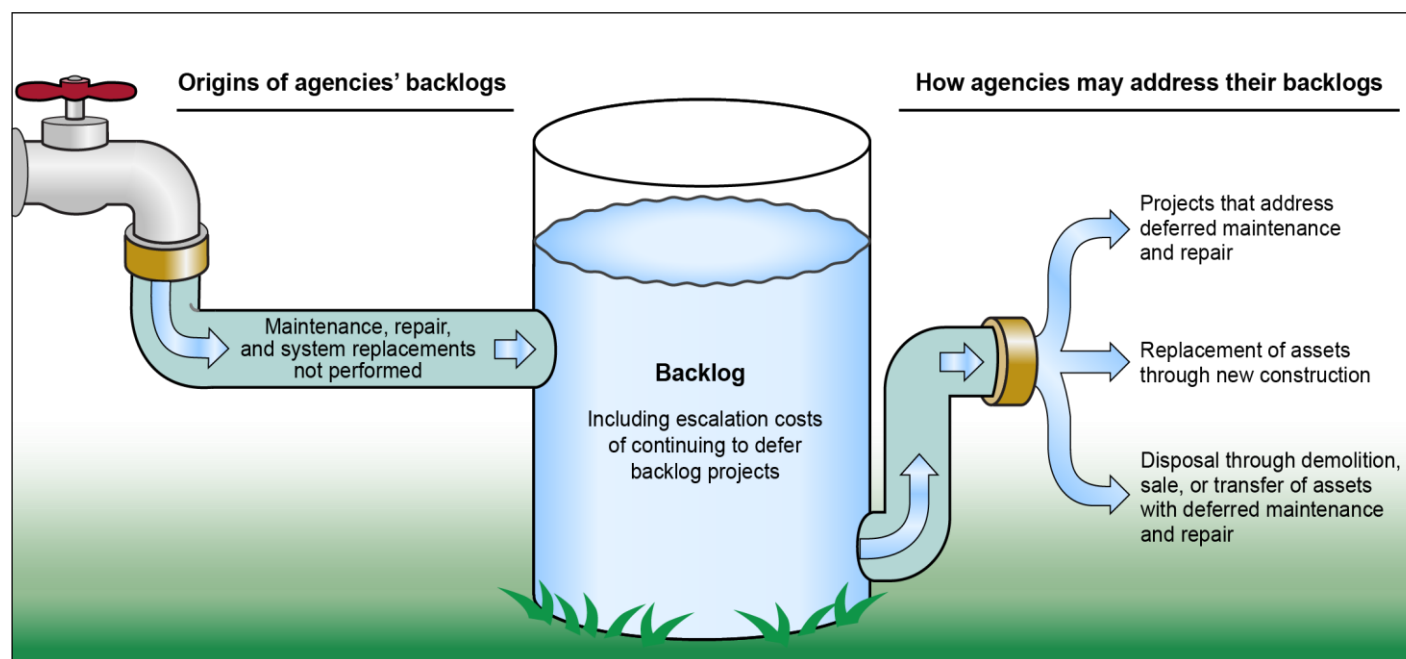
Federal Assets Sale and Transfer Act (FASTA)

- The federal government continues to struggle addressing challenges with the disposal process, including through a pilot program created under FASTA.

Setbacks Encountered While Implementing the 2019 and 2021 Rounds of the Federal Assets Sale and Transfer Act of 2016 (FASTA) and Contributing Factors, as Identified by Stakeholders
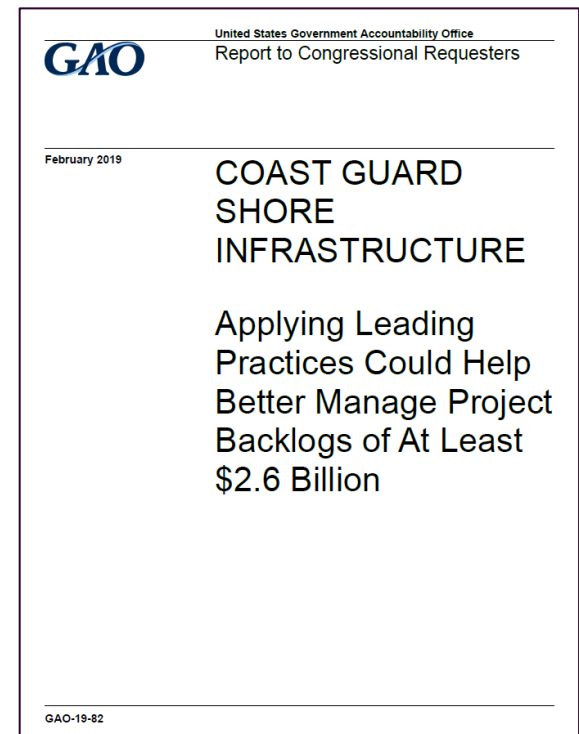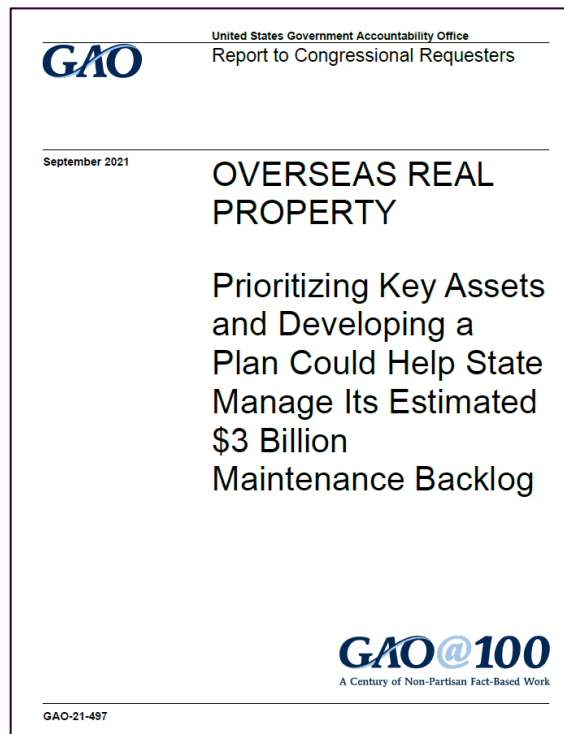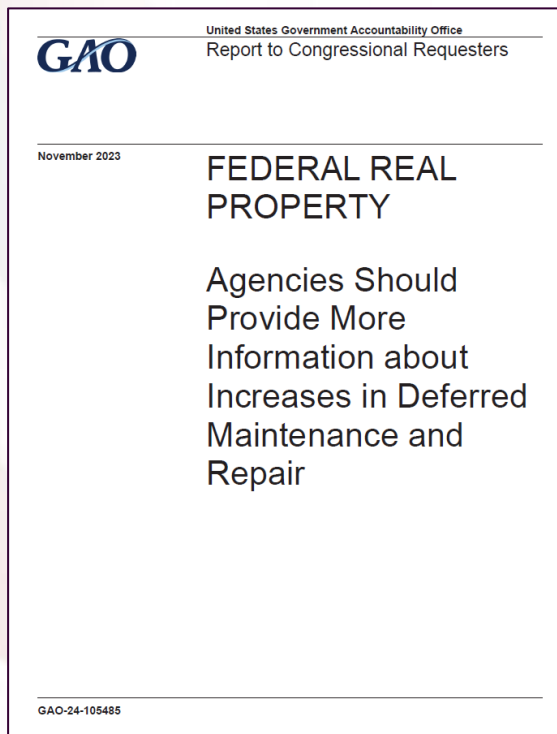
FASTA Round	Setback	Contributing Factor(s)
2019	Delays selling properties approved for disposal	• Changes in sales strategy • Due diligence activities • External stakeholder outreach and coordination
2021	Limited number, value, and complexity of properties recommended by the Board	• Lack of sales proceeds from 2019 round • Impact of COVID-19 • Lack of agency incentives
	Round termination	• Office of Management and Budget (OMB) disapproval • Lack of Board quorum

Deferred Maintenance and Repair (DM&R)

- DM&R diminishes system performance and leads to higher costs or premature replacement

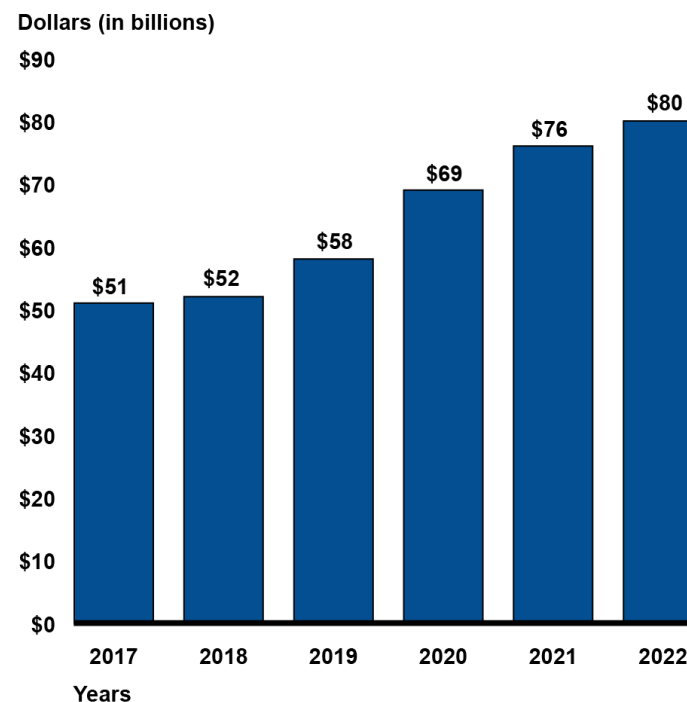- Many ways agencies can manage their DM&R backlogs
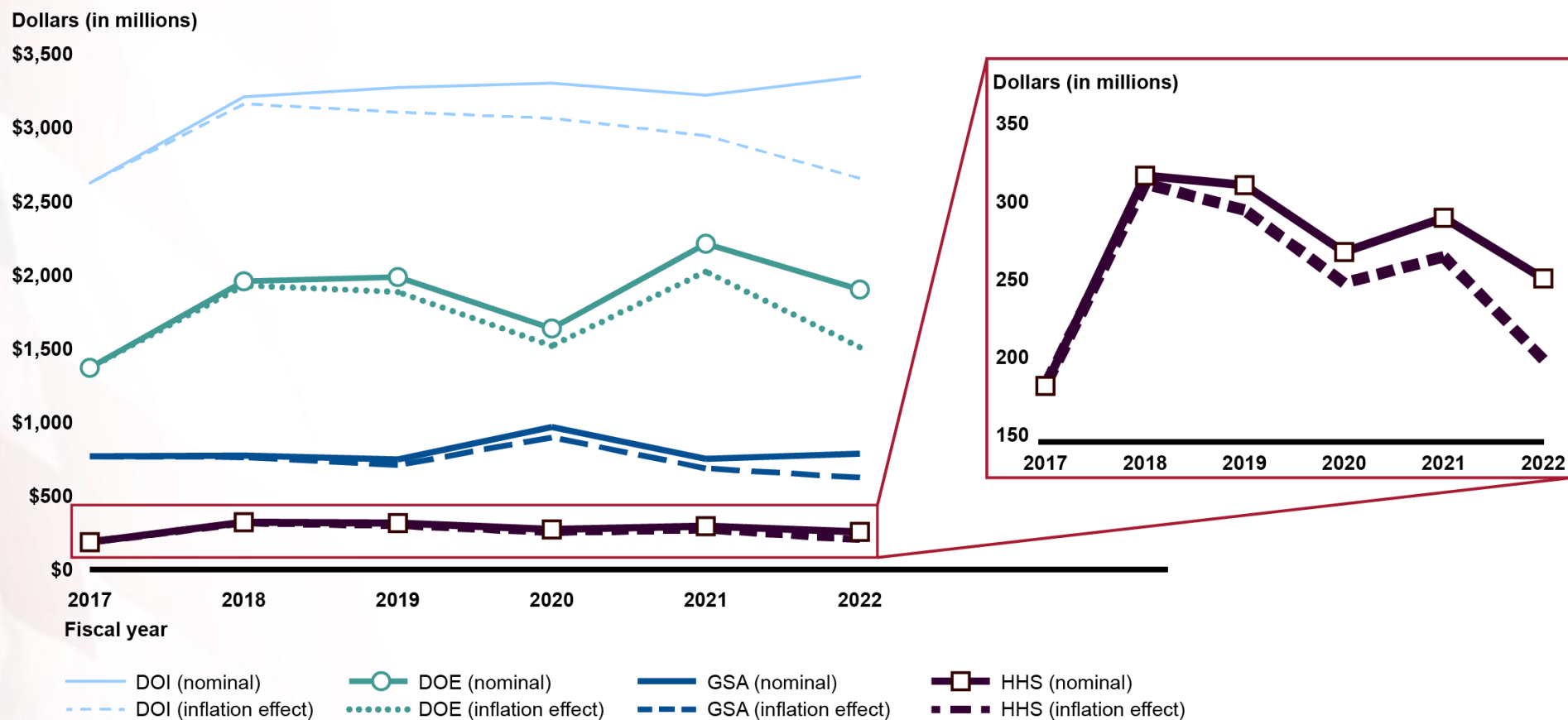
Recent GAO reports examining DM&R

FEDERAL REAL PROPERTY

Agencies Should Provide More Information about Increases in Deferred Maintenance and Repair

November 2023
GAO-24-105485

OVERSEAS REAL PROPERTY

Prioritizing Key Assets and Developing a Plan Could Help State Manage Its Estimated $3 Billion Maintenance Backlog

September 2021
GAO-21-497

COAST GUARD SHORE INFRASTRUCTURE

Applying Leading Practices Could Help Better Manage Project Backlogs of At Least $2.6 Billion

February 2019
GAO-19-82

Significant Increases in DM&R

- DM&R for civilian agencies increased by $29 billion from 2017 to 2022 (58 percent growth)

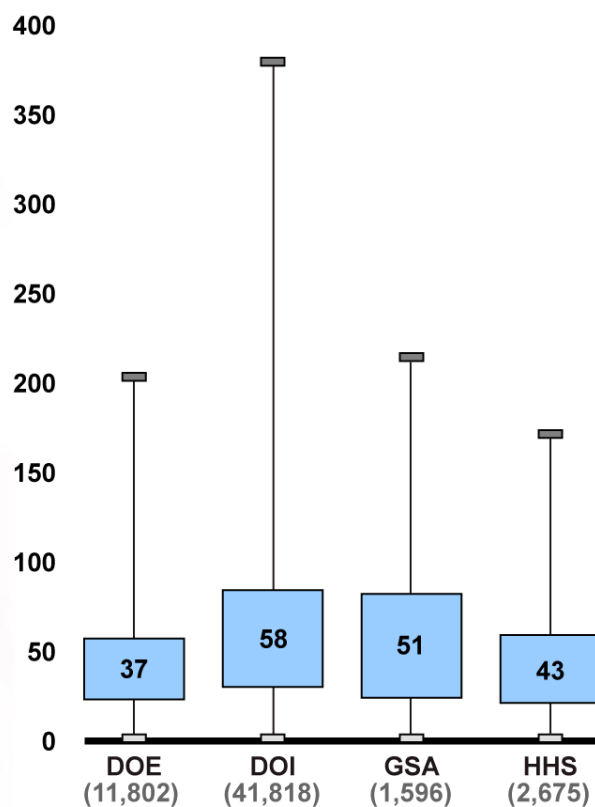- Four agencies—DOE, DOI, HHS, and GSA—accounted for $22 billion of this increase

Dollars (in billions)

Funding Constraints and Cost Increases

Dollars (in millions)

$3,500

$3,000

$2,500

$2,000

$1,500

$1,000

$500

$0

2017 2018 2019 2020 2021 2022

Fiscal year

Dollars (in millions)

350

300

250

200

150

2017 2018 2019 2020 2021 2022

Legend:
— DOI (nominal) —○— DOE (nominal) — GSA (nominal) —□— HHS (nominal)
---- DOI (inflation effect) ····· DOE (inflation effect) - - - GSA (inflation effect) ▪▪▪ HHS (inflation effect)

Large and Aging Portfolios

Age of buildings

Years old

(Box plot showing DOE: 37, DOI: 58, GSA: 51, HHS: 43)

DOE	DOI	GSA	HHS
(11,802)	(41,818)	(1,596)	(2,675)

Age of structures

Years old

(Box plot showing DOE: 40, DOI: 51, GSA: 27, HHS: 32)

DOE	DOI	GSA	HHS
(8,177)	(88,071)	(198)	(75)
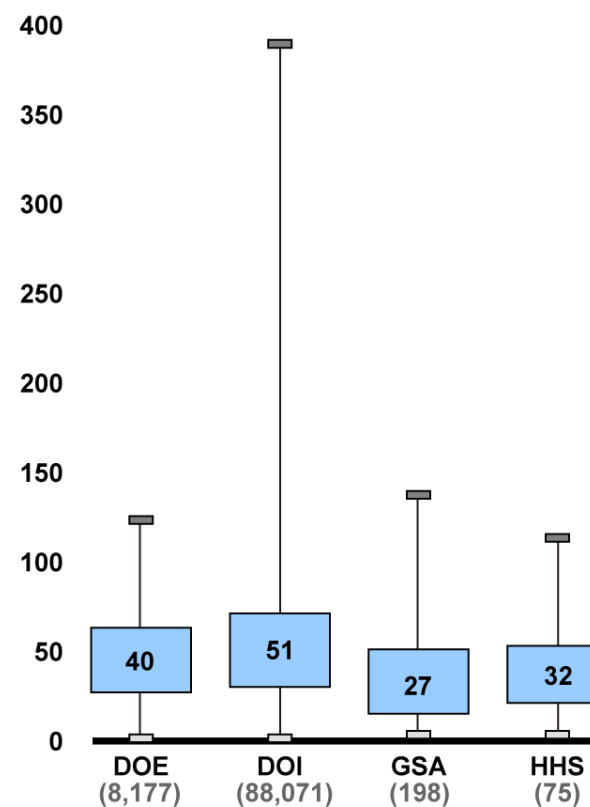
Insufficient Information to Understand DM&R Needs

- Not enough information included in budget materials or financial statements

- Explanations for substantial year to year changes were lacking and often unrelated to changes in the condition of assets

- Did not explain what assets were included in DM&R estimates or DM&R costs for critical needs
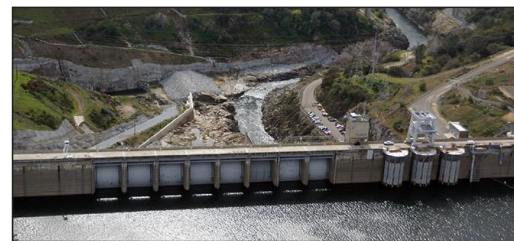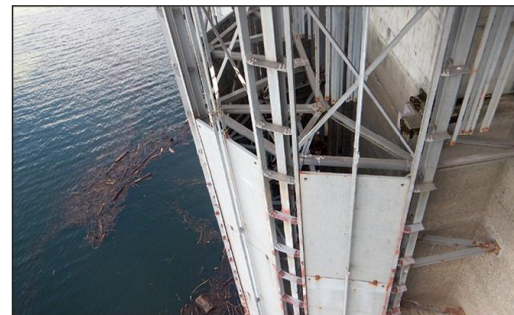
Unexplained Changes to DM&R Estimates
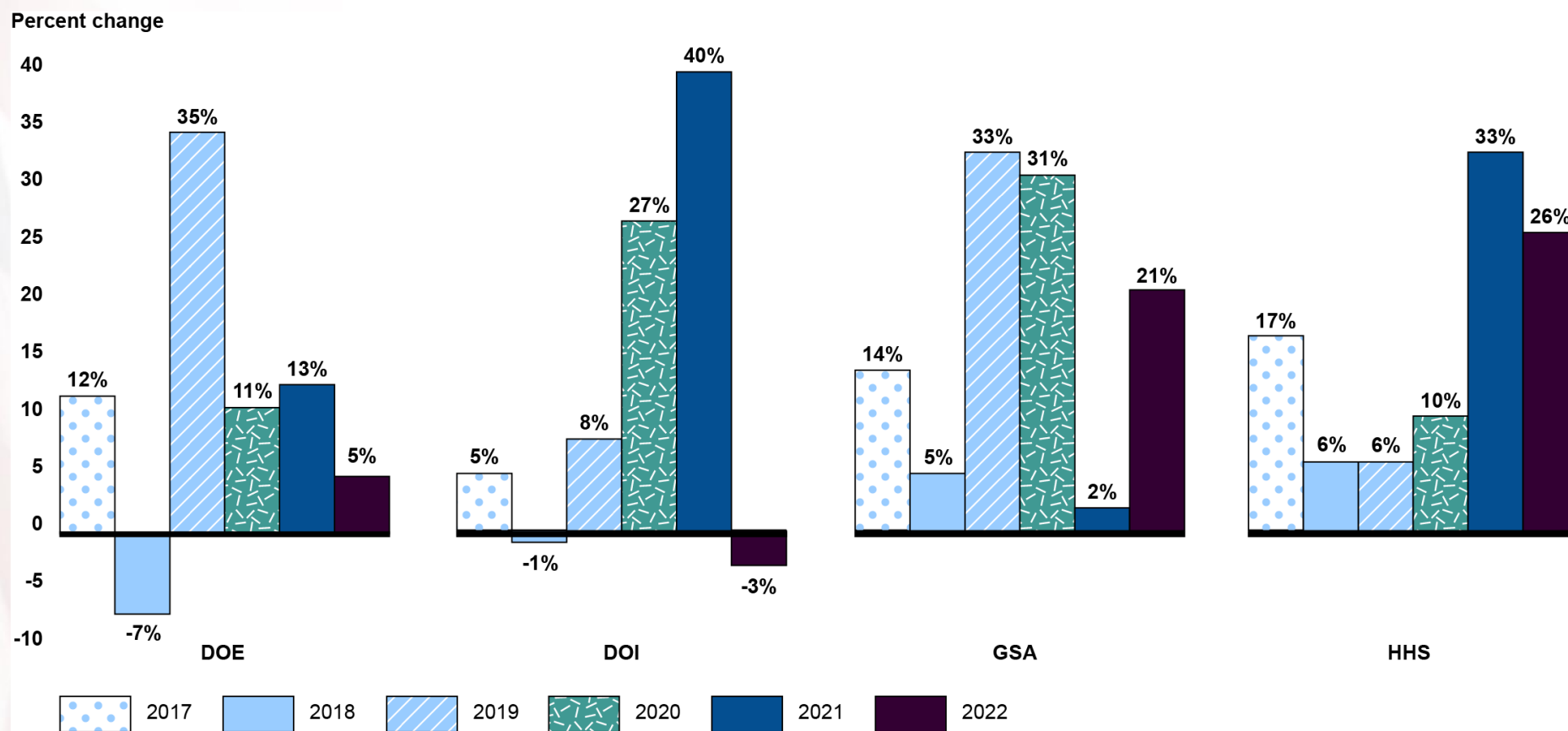
Unclear When DM&R Estimates Include Non-critical Needs

- Agencies do not clearly communicate the extent to which DM&R estimates include inactive or excess assets, or costs for projects that were deliberately deferred

Source: GAO

Source: Department of the Interior, Bureau of Reclamation

Leading Practices for Managing DM&R

Leading Practice	Extent to which agencies followed the leading practice			
	Department of Energy	Department of the Interior	Department of Health and Human Services	General Services Administration
Establish clear maintenance and repair investment objectives and set priorities among outcomes to be achieved	●	●	●	●
Identify types of facilities or specific buildings (i.e., assets) that are mission-critical and mission-supportive	●	●	●	●
Align real property portfolios with mission needs and dispose of unneeded assets	●	●	●	●
Structure budgets to specifically identify the funding allotted (1) for maintenance and repair and (2) to address any backlog of deferred maintenance and repair deficiencies	◑	◑	◑	◑
Employ models for predicting the outcome of investments, analyzing tradeoffs, and optimizing among competing investments	◑	○	◑	●

○ Agency did not meet the leading practice   ◑ Agency met some but not all aspects of the leading practice   ● Agency fully met the leading practice

Leading Practice – Budget Structure

- Leading practices recommend agencies structure their budgets to differentiate between routine/ongoing and DM&R.

- Most agencies include overall funding for maintenance in their budgets, but do not identify funding for DM&R backlogs.

- Plans to reduce backlogs with estimated funding and time frames would give stakeholders insights into agencies' needs.

- This is in line with findings presented in the National Academies report: *Strategies to Renew Federal Facilities*.

Leading Practice – Predictive Modeling

- Leading practices indicate that agencies should employ models to predict the future condition and performance of their asset portfolios.

- Most agencies use models – particularly for assessing individual assets (e.g., life expectancy and estimated maintenance models), but do not use models to predict the outcome of investments or analyze tradeoffs.

- Predictive models could help agencies prioritize among competing investments and result in the greatest return on investment.

- Agencies noted limitations with existing predictive models and the costs to acquire and use them could outweigh the benefits.

GAO Recommendations

- Provide more information to Congress and the public regarding the agency's deferred maintenance and repair backlog.
  - OMB should also update its guidance instructing agencies to communicate additional information.

- Develop plans to address their DM&R backlogs and identify the funding and time frames needed to reduce them.

- Evaluate models for predicting the outcome of investments, analyzing tradeoffs, and optimizing among competing investments, and employ such models when the benefits outweigh the costs.