

Memorandum

DATE: April 17, 2008

Audit Report Number: OAS-L-08-09

REPLY TO

ATTN OF: IG-34 (A07GT038)

SUBJECT: Report on Survey of "The Department's Controls over Leased Space in the National Capital Area"

TO: Director, Office of Management, MA-1

INTRODUCTION AND OBJECTIVE

The Department of Energy (Department) manages a sizeable inventory of real property, including both owned and leased properties. The Office of Management is responsible for the Department's real estate function, which includes acquisition by lease or purchase, inventory, utilization surveys, tracking and disposal of real property assets. In Fiscal Year 2007, the Department had approximately 10 million square feet of leased property at a cost of approximately \$168 million. This included approximately 2.3 million square feet in the Washington, D.C. metropolitan area costing approximately \$45.6 million.

In our reports on the *Department of Energy's Warehouse Space* (CR-B-97-01, January 1997) and *Management of the Department of Energy's Leased Administrative Facilities* (DOE/IG-0402, April 1997), we noted problems with the Department's use of good business practices to manage its leased administrative and storage facilities. The Department leased more space than necessary and could not determine how much space would be needed in the future. The Department's real estate management system did not include comprehensive site development plans, an accurate Department-wide real property inventory database and the appropriate level of coordination between offices responsible for leasing. We conducted this review to determine if the Department was effectively managing its leased facilities in the Washington, D.C. metropolitan area.

CONCLUSION AND OBSERVATIONS

Our review of administrative and storage facilities leased by the Department and its Management and Operating Contractors at its Headquarters in the Washington D.C. metropolitan area disclosed that progress has been made in minimizing under-utilized space and using comprehensive property development plans. No substantial vacant space was evident at any of the 15 locations we visited and the facilities appeared to be efficiently utilized. Additionally, we were notified during our review, that one of the leases we had selected for review, a leased storage facility, was released in November 2007 because it was no longer needed. The

Department has also adopted the use of ten-year property development plans that serve to identify under-utilized and excess property and provide specific disposal arrangements.

The Department has also made progress in improving its centralized property database and its coordination between responsible offices. Real estate specialists reported that the Facilities Information Management System (FIMS) is now being used as their primary source of real property information. Our tests corroborated their assertions and indicated that, for the most part, FIMS is being maintained accurately and up-to-date. Although we observed certain discrepancies, these were a relatively small proportion of the population. We also noted greater coordination between real estate specialists. At Headquarters, for example, the Department's Office of Administration within the Office of Management is now responsible for leasing all facilities.

No formal recommendations are being made in this report and a formal response is not required. We appreciate the cooperation of your staff and the various Departmental elements that provided information or assistance.



Rickey R. Hass
Assistant Inspector General
for Environment, Science, and Corporate Audits
Office of Inspector General

Attachment

- cc: Chief of Staff
Office of Administration, MA-43
Office of Engineering and Construction Management, MA-50
Audit Liaison, MA1.1
Audit Liaison, CF1.2

SCOPE AND METHODOLOGY

Our review was conducted between April 2007 and March 2008 at leased facilities in the Washington D.C metropolitan area. To accomplish our objective we:

- Reviewed the Department of Energy's (Department) policies and procedures regarding leased properties and conducted interviews with Headquarters officials;
- Conducted walk-throughs and reviewed floor plans for a judgmentally selected sample of General Services Administration and contractor facilities leased during 2007;
- Reviewed occupancy agreements and verified the accuracy of lease payments and square footage leased for each selected facility; and,
- Performed limited test work of the Facilities Information Management System computer-processed data and determined that we could rely on the data produced by the system.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our evaluation. During our review we assessed the Department's compliance with the Government Performance and Results Act of 1993. We found that the Department established specific performance measures. We did rely on computer processed data. We discussed the contents of this letter with representatives of Office of Management on March 26, 2008.