United States Government
Department of Energy Memorandum

DATE: April 1, 1997

REPLY TO
ATTN OF: IG-1

SUBJECT: INFORMATION: "Audit of the Management of the Department of Energy's Leased Administrative Facilities"

TO: The Secretary

BACKGROUND:

The Department is accountable for a large inventory of real property made up of owned, leased, and government-controlled property. The Office of Human Resources and Administration and the Office of Field Management are responsible for the Department's real property leasing program. These two offices, in conjunction with the Operations Offices in the field, procure space or authorize the procurement of space by contractors. Departmental records from Fiscal Year 1996 showed that approximately $136 million was spent on leased facilities. Of this amount, $60 million was for leases in the Washington, DC metropolitan area and $76 million for leased facilities in the field. The policies governing leasing require that all real property holdings be managed efficiently and economically. The objective of the audit was to determine if the Department was using good business practices to manage its leased space.

DISCUSSION:

The Department was not applying good business practices in its management of leased administrative facilities. Specifically, the Department leased more office space than it used and it could not determine its future leased space needs. These problems occurred because the Department did not have an effective management system that included comprehensive site development plans and an accurate Departmentwide database. For example, leased space was identified during the audit that was not previously reported by real estate specialists or included in the Department's database. In addition, the offices responsible for leasing did not coordinate their leasing efforts with each other. We reviewed approximately 25 percent of the total square footage leased and identified vacant office space costing over $5.6 million annually. We anticipate similar findings at the facilities not included in the review.

The Office of Field Management provided consolidated Departmental comments. In its comments, management questioned the finding which served as the foundation for the audit conclusions. Management agreed with the recommendations and stated that it had initiated corrective action. However, we concluded that the majority of proposed corrective actions do not meet the intent of the recommendations.

(Signed)

John C. Layton
Inspector General

Attachment

cc: Deputy Secretary
Under Secretary
Associate Deputy Secretary for Field Management
Assistant Secretary for Human Resources and Administration

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

# AUDIT OF THE MANAGEMENT OF THE DEPARTMENT OF ENERGY'S LEASED ADMINISTRATIVE FACILITIES

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U.S. Department of Energy
Office of Scientific and Technical Information
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Report Number: DOE/IG-0402 Capital Regional Audit Office
Date of Issue: April 1, 1997 Germantown, Maryland 20874

# AUDIT OF THE MANAGEMENT OF THE DEPARTMENT OF ENERGY'S LEASED ADMINISTRATIVE FACILITIES

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U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES

# AUDIT OF THE MANAGEMENT OF THE DEPARTMENT OF ENERGY'S LEASED ADMINISTRATIVE FACILITIES

Audit Report Number: DOE/IG-0402

## SUMMARY

Department of Energy (Department) records from Fiscal Year 1996 showed that approximately $136 million was spent on leased facilities. These facilities were leased through contracts with the Department, the Department's management and operating contractors, and the General Services Administration. The policies governing leasing require that all real property holdings be managed efficiently and economically. The audit was performed to determine if the Department was managing its leased space in accordance with good business practices.

The audit disclosed that the Department leased more office space than it used and that it could not determine future space needs. These problems occurred because the Department did not have an effective management system that included comprehensive site development plans and an accurate Departmentwide database for managing its leased facilities. For example, leased space was identified during the audit that was not previously reported by real estate specialists or included in the Department's database. In addition, the offices responsible for leasing did not coordinate their leasing efforts with each other. We reviewed approximately 25 percent of the total square footage leased and identified vacant office space costing over $5.6 million annually. We anticipate similar findings at Departmental facilities not included in our review.

We recommended that the Associate Deputy Secretary for Field Management, in conjunction with the Assistant Secretary for Human Resources and Administration, and the Department's Operations Offices limit leased space to the minimum amount necessary to perform the Department's mission by developing comprehensive site development plans for all geographic locations. We also recommended that the Department maintain an accurate Departmentwide database that includes all leased property and that real estate specialists coordinate all leasing efforts with each of the Departmental offices that maintain space in the proposed area.

_____(Signed)________________
Office of Inspector General

# PART I

## APPROACH AND OVERVIEW

### INTRODUCTION

Departmental records from Fiscal Year 1996 showed that approximately $136 million was spent on leased facilities. Of this amount, $60 million was for leases in the Washington, DC metropolitan area and $76 million for leased facilities in the field. These facilities are leased through contracts with the Department, the Department's management and operating contractors, and the General Services Administration (GSA). The policies governing leasing require that all real property holdings be managed efficiently and economically. The objective of the audit was to determine if the Department was using good business practices to manage its leased space.

### SCOPE AND METHODOLOGY

The audit was performed from February 1 through August 5, 1996, at the Albuquerque, Nevada, Richland, and Oak Ridge Operations Offices and Headquarters. The sites visited were selected judgmentally because they represented approximately 33 percent of the estimated $136 million in annual lease costs and 25 percent of the total square footage leased. Additional information was solicited from certified real estate specialists in the Department's operations and field offices. A data request to identify total leased space was sent to real estate specialists responsible for 28 of the Department's sites. Data was also obtained from personnel in the Offices of Field Management and Human Resources and Administration.

The estimated value of the leases may be understated because leased space may exist that was not identified or quantified during our review, such as space controlled by subcontractors or support service contractors. Also, during the review we identified leased space that was not on the Department's property records. This space had not been identified by the management and operating contractors or the Department.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits. It included tests of internal controls and compliance with laws and regulations necessary to satisfy the audit objective. We assessed the significant internal controls to determine whether the Department's Headquarters and field organizations had exercised adequate management control over its leasing operations. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed.

Although we did not fully examine the reliability of the various databases maintained to monitor leased property, we did determine that computer-processed data was not complete or accurate.  Therefore, we did not rely extensively on computer-processed data to accomplish our audit objective.  The report includes a recommendation for actions to remedy the problems disclosed regarding pertinent databases.

A review was made of applicable laws and Departmental orders, related Inspector General and General Accounting Office reports, implementing procedures and practices, and the active lease files at each site visited.  We also reviewed the initiation and termination procedures for leases, the tracking systems used by each site and Headquarters, and the site development plans maintained at the Operations Offices.  To identify leased space either completely or partially vacant, we physically observed 90 leased facilities (conducted walk-throughs) at the 5 different Departmental locations.  In most cases, we were accompanied by site representatives.  The walk-throughs focused on both Department and contractor leased space and verified the annual lease cost, square footage, personnel level, and the amount of unused office space.  We calculated the utilization of the office facilities at each location using square footage provided by the site or by assigning an average square footage to each vacant office identified.  A shortcoming in planning for leased office space in trailers was previously identified in the "Audit of Leased Facilities at Los Alamos National Laboratory" (WR-B-95-02) dated January 1995.  Further, the "Audit of the Department of Energy Program Offices' Use of Management and Operating Contractor Employees," (IG-0392) dated July 1996, discussed the use of laboratory personnel in Headquarters.  Therefore, we did not address the need for the personnel who occupied the leased space.  A listing of related audit reports issued by the Inspector General's office can be found in Appendix A.

BACKGROUND

The Department is accountable for a large inventory of real property that is made up of owned, leased, and government-controlled property.  The Office of Human Resources and Administration (HR) and the Office of Field Management (FM) are responsible for the Department's leasing program.  These two offices, in conjunction with the Operations Offices and field offices, may procure space or authorize the procurement of space by contractors.  HR has management responsibilities for the National Capital Area, while FM's responsibilities cover the field facilities.  Most Operations Offices retain a real estate specialist (a Departmental employee certified through FM) who is responsible for that office's real property including leases.

Over the last 4 years, the Department reported a decrease in its total Federal and contractor personnel.  However, during this same time period, the total square feet of leased space increased.  This is illustrated in the following chart:

TOTAL LEASED SPACE VS. TOTAL EMPLOYEES
1992-1995

(The chart is not available the internet)

As the chart indicates, the level of staffing decreased from about 168,000 in 1992 to about 140,000 in 1995, a decrease of 16.7 percent, while the amount of leased space increased from about 5.5 million square feet in 1992 to over 7.3 million square feet in 1995, an increase of 32.7 percent. We did note, however, that the amount of leased space decreased slightly in 1994 and 1995.

To control its real property, the Department and its sites are required to develop and maintain an approved plan for managing real property. This plan aids in the acquisition, development, utilization, and disposal of facilities and land owned, leased, or controlled by the Department. It identifies current and future site missions, determines and quantifies facility requirements to accomplish the missions of the sites, and formulates alternatives to satisfy the facility requirements. The plan should identify owned or leased land and buildings, define and quantify long-range program mission projections in terms of numbers of personnel, and determine facility and land requirements that will support the program mission projections and resource requirements. The plan also should compare facility requirements with the identified assets of the site to determine need and excess.

The Office of Human Resources and Administration issued an implementation plan that discussed facilities it leased for the Department's Headquarters program offices. This plan outlined the future plans for the facilities including proposals to terminate several leases. The plan was developed as part of the Secretary's Strategic Alignment Initiative.

To track its real property, the Department developed the Facility Information Management System (FIMS). The Department's "corporate" database was developed to provide users with access to up-to-date real property information, assist management decisions regarding real property, and automate the preparation of the property reports for the GSA and the Congress. To ensure that field and contractor organizations participated in implementing the Department's "corporate" database, policy officials included specific requirements for its maintenance, use, and reconciliation of the database in their revised Departmental orders.

This report contains a finding that addresses underutilized office space that should be considered by management in preparing the yearend assurance memorandum on management controls. Part II of this report provides details on our finding and recommendations. Part III includes detailed management and auditor comments.

# PART II

## FINDING AND RECOMMENDATIONS

# Management of the Department of Energy's Leased Administrative Facilities

## FINDING

The Department of Energy is required to manage its leased property efficiently and economically including the planning, acquiring, operating, maintaining, and disposing of its physical assets as valuable national resources. In addition, the Department is required to limit leasing of office space to the minimum amount necessary to perform its mission. However, the Department was leasing more space than necessary and could not determine how much space would be needed in the future. These conditions occurred because the Department did not have an effective management system that included comprehensive site development plans and an accurate Departmentwide database. In addition, the offices responsible for leasing did not coordinate their leasing efforts. Our review of approximately 25 percent of the Department's leased office space identified over 249,000 square feet of vacant space costing the Department about $5.6 million annually.

## RECOMMENDATIONS

We recommend that the Associate Deputy Secretary for Field Management, in conjunction with the Assistant Secretary for Human Resources and Administration, and the Department's Operations Offices:

1. Limit leased space to the minimum amount necessary to perform the Department's mission by developing comprehensive site development plans for all geographic locations, including Headquarters, that would:

    - identify all space leased at that location whether by Headquarters or the field;
    - justify the need for current lease holdings;
    - identify future needs for leased space; and
    - terminate leases that are no longer needed.

2. Maintain an accurate Departmentwide database for all leased property, including property leased from the General Services Administration, that contains, at a minimum, the lease address, annual cost, square footage, lease term, occupancy level, and capacity.

3. Require real estate specialists to coordinate all new leasing activity with each of the Departmental offices that maintain space in the proposed leasing area.

## MANAGEMENT REACTION

Management expressed disagreement with many of the audit conclusions. Management, however, generally agreed with the recommendations and stated that it had initiated corrective action. Our analysis of the proposed corrective actions indicated that the majority of the actions did not meet the intent of the recommendations. Detailed management comments and auditor response can be found in Part III.

## DETAILS OF FINDING

### PROPERTY MANAGEMENT REQUIREMENTS

The Department of Energy is required to manage its leased property efficiently and economically. This includes planning, acquiring, operating, maintaining, and disposing of its physical assets as valuable national resources. Specifically, the Department and its contractors are required to establish a management system based on effective management practices. Such management practices include maintaining a Departmentwide database containing a complete and current inventory of the Department's physical assets.

The Code of Federal Regulations requires the Department to continually study and survey space occupied to ensure efficient and economical utilization of space. Departmental orders require it to limit its leased space to the minimum amount necessary to perform its mission. To ensure the efficient and economic management of the Department's leases, orders also require that all Departmental sites develop and maintain an approved site development plan for managing real property. This plan aids in the acquisition, development, utilization, and disposal of facilities and land owned, leased, or controlled by the Department. It identifies current and future site missions, determines and quantifies facility requirements to accomplish the missions of the sites, and formulates alternatives to satisfy the facility requirements. In addition, the plan should identify owned or leased land and buildings, define and quantify long-range program mission projections in terms of numbers of personnel, and determine facility and land requirements that will support the program mission projections and resource requirements. The plan also should compare facility requirements with the identified assets of the site to determine need and excess.

GSA established and issued standards to determine the appropriate amount of office space per employee. The Department is required to use these standards along with projections of personnel numbers to determine facility requirements and minimize leasing needs. These standards set the average office space at 125 square feet per person plus 22 percent for office support area space (153 square feet total). Typical support areas include reception areas, workstations, conference rooms, storage areas, processing areas, libraries, and file areas.

### DEPARTMENTAL LEASED SPACE

The Department leased more office space than it used and it could not determine its future space needs. Walk-throughs of 90 leased facilities located in Headquarters, Albuquerque, Oak Ridge, Richland, and Nevada identified large amounts of vacant office space. Also, most Departmental field elements had not developed comprehensive plans that included current and future leased space needs.

Utilization of Space

The Department leased more space than it used at Headquarters, Albuquerque, Oak Ridge, Richland, and Nevada. At Headquarters, approximately 11 percent of the space leased by HR was vacant. In addition, more than 24 percent of the space leased by field sites in the Washington, DC area was vacant.

The Office of Human Resources and Administration leased 11 office facilities through GSA for the Headquarters program offices in the Washington, DC area. The annual lease cost for these facilities was over $54 million. Although HR had a plan in place to close many of the existing facilities and improve the utilization in the others, vacant office space existed in almost all of its leased facilities. For example, two facilities, the main Germantown facility and the Century Boulevard facility, had over 28,000 and 11,800 square feet vacant, respectively. A walk-through was not conducted at the Forrestal facility.

The Department's field sites also leased a significant amount of office space in the Washington, DC area for their contractor personnel. These leases, with an annual cost to the Department of over $6 million, augmented the office space leased for the Department by HR. Overall, Departmental records showed that 8 field sites maintained 19 leased facilities in the Washington, DC area. Walk-throughs of the 19 facilities showed that many were not fully utilized and contained excessive vacancies. For example, one field site leased a 1,480 square foot suite costing about $26,380 a year that was occupied by only one person. Another site leased a 4,560 square foot facility at a cost of about $82,140 a year that was occupied by only 4 people. A third site leased a 720 square foot suite which had not been occupied from the date of acquisition to the date of our walk-through. Followup revealed that the space was not occupied at any time during the 5-month lease period.

Walk-throughs of 61 leased facilities at the Albuquerque, Richland, Oak Ridge, and Nevada sites also showed large vacancies. For example, one site leased over 92,000 square feet of office space of which about 21,400 square feet was vacant. Another site leased over 3,600 square feet costing about $54,800 annually that had over 1,100 vacant square feet. Further, at another site, the Department leased four separate office spaces within a building; two of these spaces were entirely vacant, while the other two were partially vacant.

The following chart summarizes the information gathered during our walk-throughs. It shows the number of leases, annual lease costs, number of facilities observed, amount of vacant square feet, and the average vacancy rate. Nevada was excluded from the chart because not all of the office buildings were observed during the site visit.

| SITE | # OF LEASES | ANNUAL LEASE COST | # OF FACILITIES OBSERVED | VACANT SQUARE FOOTAGE | AVERAGE VACANCY RATE |
|---|---|---|---|---|---|
| Field Space in the Washington DC Area | 19 | $6,115,039 | 19 | 51,100 | 24.4% |
| Headquarters Program Space | 11 | $54,119,000 | 10 | 71,220 | 11.2% |
| Albuquerque | 62 | $11,855,948 | 13 | 9,444 | 4.1% |
| Oak Ridge | 41 | $8,894,920 | 25 | 43,844 | 14.1% |
| Richland | 34 | $13,072,293 | 19 | 73,897 | 12.0% |

The facilities observed were only those buildings actually located in and around the particular site rather than all office space under the Operations Office cognizance. For example, space leased by the Albuquerque Operations Office, but located in Los Alamos, New Mexico, was not included in the observation.

Future Needs for Space

While the Department requires sites to identify future needs, few sites maintained formal goals and objectives relating to facility planning. Most sites did not have an outline showing which facilities would be kept and which would be terminated this year or over the next 5 years. Without this information, managers could not effectively minimize the amount of space currently leased or plan for future needs. Situations existed in the field that may have been avoided had site development plans been maintained. For example, one site had entered into three long-term leases even though it could not fill the buildings and did not have any future plans to fill the buildings. For the last several years, another site had placed Departmental employees in contractor leased space, which is a violation of Departmental orders. Still another site moved employees from building to building without informing the real estate specialists who were responsible for determining space requirements. In our judgment, site development plans would have enabled managers to better plan for future space requirements.

REASONS FOR CURRENT MANAGEMENT PROBLEMS

The Department was not effectively managing its leased space because it did not have an effective management system that included comprehensive site development plans and an accurate Departmentwide database. In addition, the offices responsible for leasing did not coordinate their leasing efforts.

## Comprehensive Site Development Planning

The majority of the Department's field sites did not maintain site development plans that defined and quantified long-range program mission projections and identified the numbers of personnel needing to be housed during that time period. Such plans should compare facility requirements with the existing assets of the site to determine excesses and deficiencies in corresponding classes of facilities. Of the 28 sites surveyed, only 6 had submitted a current site development plan and these plans generally did not include data on leasing needs. Only Savannah River's plan considered the future of its leased facilities.

A detailed plan for downsizing the number of buildings held by the Department (through GSA) in the Washington, DC area was published by the Assistant Secretary for Human Resources and Administration. However, it was not comprehensive in that it excluded facilities leased by the field in the same area. Nineteen facilities are leased in the metropolitan area by various field offices. The inclusion of these facilities in a more comprehensive Departmentwide space requirements plan for the Washington, DC area could, in our judgment, (1) allow for the consolidation of leased facilities in the Washington area and (2) minimize the amount of vacant leased space through better coordination of available facilities. Given the cost of leasing administrative space in the Washington, DC area, we concluded that the cost savings to the Department of such action would be significant.

## Tracking Space Leased by the Department

The Department did not maintain an accurate Departmentwide real property database. Although the Department's Headquarters and field sites had spent an estimated $1.8 million on the development and implementation of the Facility Information Management System (FIMS), none of the sites visited were using FIMS as their current real property information system.

In March 1996, officials from the Nevada Operations Office indicated that they planned to implement and use FIMS in the near future. In May, the Nevada Operations Office issued a memorandum stating that they were planning to have FIMS operating and its data validated by June 30, 1996.[1] In August 1996, a real estate official informed us that they still had not begun using FIMS. Richland officials informed us that they had no plans to use FIMS as their primary real property information system because they believed the implementation and maintenance of FIMS provided little or no benefit to their operation. While the Albuquerque Operations Office had personnel assigned to the maintenance of FIMS, the system was not maintained as its current real property information system. An Oak Ridge official informed us that they did not use FIMS to manage their real property holdings.

Instead, Oak Ridge assigned responsibility for maintaining the information in FIMS to their management and operating contractor. But, contractor officials had only entered the data for the cost of their real property holdings and not the data for most of the more than 200 other fields in FIMS.

While we did not visit other Departmental sites, we requested information from real estate specialists on their current leased facilities and on their use of FIMS. The majority of Departmental real estate specialists responded that FIMS was their primary source for real property information; however, their assertions were not supported by the lease information they provided. In most cases, the lease information disagreed significantly with that tracked in FIMS. Further, after pointing out these inaccuracies, we found that several field organizations took little or no action to update FIMS lease information to ensure that FIMS data agreed with their actual leased facilities.

Despite the fact that most contractors also maintained site specific real property databases, real estate specialists were not using or relying on these systems to identify and track leased space. For example, using leasing information in Departmental and contractor databases, we identified additional leases at each of the sites that were not previously reported by the real estate specialists. Two leases were identified using accounts payable records and several others were discovered by comparing the Department's system list to the site's list of leased space. Others were identified during our walk-throughs of the leased facilities. Without the ability to accurately track active leases, the Department cannot monitor and regulate its current space or plan for its future needs.

### Leasing Responsibilities

Responsibility for leasing within the Department was decentralized. No one office had responsibility for all leases at a geographic location. Two offices in Headquarters and many offices in the field had the authority to lease space for the Department. HR was responsible only for space leased in the Washington, DC area for the Headquarters program offices, while FM was responsible for the space leased by the field including some space in the metropolitan area. Each of the Operations Offices also had at least one real estate specialist who could acquire space or authorize the procurement of space by contractors. No single group existed to monitor the total space leased by the Department and communication or coordination between the numerous responsible offices was very limited.

## IMPACT OF CURRENT LEASING PRACTICES

In Fiscal Year 1996, the Department paid at least $136 million for leased space. Although total personnel employed by the Department and its contractors decreased in the last 4 years, the total square feet of leased space increased. We reviewed approximately 25 percent of the square footage leased and identified vacant office space costing over $5.6 million annually. We anticipate similar findings at those Departmental facilities which were not included in the review.

The cost to the Department for underutilization of space was not included in our savings calculation, but if leased space is fully utilized, significant additional savings could result. The Department's overall utilization rate exceeded the GSA standard of 153 square feet per person by about 49 percent. For example, one facility in the Washington, DC area had a utilization rate of 297 square feet per person and a per square foot cost of $50.48. The annual cost of exceeding the GSA standard in this facility was over $787,000 or about $7,200 per person. In some Departmental facilities, the standard was exceeded by as much as 300 percent.

The Department's Headquarters and field sites had also paid an estimated $1.8 million to develop and implement a Departmentwide database, while at the same time the contractors were maintaining their own duplicative databases. Since none of the systems seemed to track the property accurately, the expense of maintaining duplicative systems appears unnecessary.

The Department is in a period of significant downsizing with personnel reductions anticipated throughout the complex. In this environment, it is important that the Department apply good business practices in its management of leased administrative space with the goal of reducing leased facilities expense to the minimum practical level.

# PART III

## MANAGEMENT AND AUDITOR COMMENTS

In responding to the initial draft report, the Office of the Associate Deputy Secretary for Field Management summarized and consolidated comments received from the Assistant Secretary for Human Resources and Administration and the Departmental field sites. A summary of management's comments and our response follows.

### GENERAL COMMENTS

Management disagreed with the finding, and stated that leasing is a dynamic process. Further, much of the vacant space identified was in transition and the sites reviewed were not representative. Management also advised that many of the field sites have finely tuned leasing programs in place. Overall, management generally agreed with the recommendations and stated that it had initiated corrective action. However, the majority of initiated corrective actions do not meet the intent of the recommendations. Formal action plans, with target dates that addressed the recommendations, were not prepared.

Management Comments. The Office of Human Resources and Administration provided their schedule to reduce space into the year 2000 based on the Department's Strategic Alignment Initiative. A summary table that shows the projected space utilized per person will decline to 172 square feet by the year 2000 is in Appendix B.

Auditor Comments. While a decrease in office space is planned, the large amount of vacant space throughout the Washington, DC area and the possibility of further reductions in staffing levels shows a continuing need for comprehensive site development plans. In addition, the projected utilization rate of 172 square feet per person is well above the GSA standard of 153 square feet. We believe management should strive to achieve the GSA standard.

Management Comments. Comments from eight Operations Offices, two field offices, and one area office were summarized by the Office of Field Management. A number of field sites did not agree with the finding which served as the foundation for the conclusions reached. They also objected to the complex-wide assumptions made based on a visit to only five sites and stated that there were instances where the report identified:

- o vacant space that appeared to be corporate space for which the Department had no responsibility;

- o estimates of vacant square footage that differed from what the field had on record or where the field believed there was no vacant space; and

- o instances where space was in transition towards termination or subsequent occupancy.

Management expressed concern that the report did not reflect the true nature of the space acquisition, utilization, or termination process and the actual state of vacant space. The field activities also plan to cancel some existing leases, let other leases expire, and consider transition needs in making future decisions. Based on the available records, some sites expressed the opinion that they were not aware of any vacant space.

Auditor Comments. We recognize that our review was limited to five sites and that vacant square footage was identified at a point-in-time. However, the space discussed in the report represented about 25 percent of square footage leased by the Department. Furthermore, the amounts of vacant space were not based on estimates, but were based on walk-throughs of the space using floor plans. In addition, onsite representatives guided us through the facilities in most cases. We fully considered any transition, termination, or subsequent plans for facilities at the sites visited by reviewing the lease agreements and any available plans that set out future needs for the next 5 years. Specific comments regarding management's concerns follow:

- o The leases that the Department stated were corporate leases were not corporate leases at the time the Office of Inspector General auditors conducted the walk-throughs in June 1996. These leases did not become corporate leases until October 1996. Nevertheless, since the Department pays its share of a corporate lease through an overhead account, it should be aware of any vacant space within a given facility.

- o The audit report identified many instances related to the inaccuracy of the Departmental records. Therefore, we are not surprised that the field's records reflecting vacant square footage did not agree with the information gathered during actual observation of the facilities. However, since our walk-throughs were conducted at a point-in-time, improvements may have been made in back-filling or terminating the space. Further, the fact that the field's records show no vacancies does not refute the evidence obtained during actual walk-throughs of the facilities.

- o Terminating leases that contain excess space is responsive to our recommendations and the reevaluation of need is beneficial. However, since plans were not provided that would have identified future terminations of space, the positive steps the Department has taken subsequent to this audit could not be previously recognized.

The fact that subsequent to our walk-throughs, management terminated leased space and is reevaluating the need for other space clearly indicates that the Department had more space than it needed and that vacant space did exist.

Management Comments. Management disagreed with our use of 153 square feet per person as a standard for office space utilization. They stated that the 153 square feet is not a goal but a threshold below which GSA will automatically approve an agency's request for space. Above that threshold, GSA will examine the request for space in more detail. Ultimately, it is the requesting agency that establishes its requirement for space. Management added that the GSA threshold is only measured on the office space portion of the total space, and GSA excludes all storage and special types of space from the utilization calculation.

Auditor Comments. While the report does not state that the 153 square feet per person (125 square feet + 22% support space) level is a goal, GSA temporary regulation D-76 and the DOE Leasing Handbook label it as such in its discussion of the reduction from the original 135 square feet of primary office space "goal." The wording used in the report is consistent with wording used by field personnel and GSA. It is our contention that while the 153 square feet may only be a threshold, it is a meaningful standard to measure DOE's average usage. In addition, when we calculated utilization rates, we excluded, as much as possible, the square footage allocated to storage facilities, laboratories, computer rooms, etc. All sites were asked to differentiate space usage in our written requests and during walk-throughs of the facilities.

RECOMMENDATIONS

We recommend that the Associate Deputy Secretary for Field Management, in conjunction with the Assistant Secretary for Human Resources and Administration, and the Operations Offices:

1. Limit leased space to the minimum amount necessary to perform the Department's mission by developing comprehensive site development plans for all geographic locations, including Headquarters, that would:

- o identify all space leased at that location whether by Headquarters or the field;
- o justify the need for current lease holdings;
- o identify future needs for leased space; and
- o terminate leases that are no longer needed.

Management Comments. Management agreed and stated that there are already in place, throughout the field, performance objectives, criteria, and measures in the comprehensive planning and leasing area that are a first step to satisfy this recommendation. DOE Order 430.1, Life Cycle Asset Management, provides the basis for these performance measures and seeks to promote efficiency through performance, not process. They stated that they will be reviewing these performance measures and strengthening them where appropriate to achieve desired results. Management emphasized that leasing is a highly complex, dynamic process that is bound in contract law, and many factors, not the least of which are sometimes political, impact their ability to maximize an optimum mix of government-owned and leased space at any given point in time.

Auditor Comments. Although they agreed with the recommendation, managementms proposed action to review performance measures and strengthen them where appropriate does not meet the intent of our recommendation. Regardless of whether sites have adopted DOE Order 430.1, they still have not developed plans that identify all leased space, justify the need for current lease holdings, identify future needs for leased space, or terminate leases that are no longer needed. The fact that leasing is a highly complex, dynamic process does not eliminate the need to plan for optimum use of leased space and to reduce or eliminate space not needed.

Management Comments. Management added that comprehensive planning represents a culture change for some field offices. Immediate results cannot be expected. Management can request that the Certified Realty Specialists in the field responsible for leasing have a heightened awareness of their responsibilities in executing their leasing program and management can continue to champion the need for comprehensive planning.

Auditor Comments. Regardless of whether comprehensive planning is a "culture change" for field offices, Certified Realty Specialists should be able to identify all the space leased under their cognizance, the need for that lease now and in the future, and the time when the lease is no longer needed. We found that the Certified Realty Specialists at the sites visited could not provide this information in any form, whether in a

Comprehensive Plan, a Site Development Plan, or in their own version of such a document.

2. Maintain an accurate Departmentwide database for all leased property, including property leased from the General Services Administration, that contains, at a minimum, the lease address, annual cost, square footage, lease term, occupancy level, and capacity.

Management Comments. Management generally agreed with the recommendation and stated that the Facility Information Management System (FIMS) is already designed to accept data regarding GSA assigned space on a site basis. However, GSA is currently revising its database and has indicated that agencies will have "read only" access to data on space they occupy. Management will balance the cost to populate the FIMS database and its ease of access against accessing the GSA database. In the meantime, they stated that the Department will examine the leasing portion of the FIMS database and determine what, if any, new data elements are necessary.

Auditor Comments. Management's action to examine the leasing portion of FIMS is a positive step. However, our concern with the contents of FIMS was primarily related to the accuracy and completeness of the data in the system already, not with whether or not it has enough data elements. In addition, without the information on the property leased from GSA, the system is incomplete. During our review, we found that none of the sites visited used FIMS as their primary database and that the information for leased facilities tracked in FIMS disagreed significantly with the validated lease facility information provided by the Departmental real estate specialists.

3. Require real estate specialists to coordinate all new leasing activity with each of the Departmental offices that maintain space in the proposed leasing area.

Management Comments. Management agreed with the thrust of the recommendation and directed that all future and renewal requirements for contractor leased space in the National Capital Region be approved by the Office of Field Management prior to execution. This process will allow coordination with HR and ensure that the utilization of Department controlled contractor leased space, including Department leased space, as well as space assigned to the Department by GSA, is maximized. In addition, management believes that many of the DOE operations or area offices already coordinate any new leasing requirement with all DOE offices that maintain space within the proposed leasing area.

Auditor Comments. The guidance forthcoming from FM should encourage regular coordination among real estate specialists, FM, and HR for the space in the Washington, DC area. Additional coordination must take place between real estate specialists to avoid overlap at other sites. We are aware that some offices are beginning to see the benefits of co-locating their personnel. For example, Richland and Sandia have recently decided to share space in Germantown, and Chicago stated that they had arranged to backfill unused GSA space on at least one occasion.

APPENDIX A

## PART IV

### Related Reports Issued by the Department of Energy's Office of Inspector General

| Report Number | Report Title |
|---|---|
| IG-0392 | Audit of the Department of Energy Program Offices' Use of Management and Operating Contractor Employees |
| WR-B-95-02 | Audit of Leased Facilities at Los Alamos National Laboratory |
| IG-0288 | Leased Office Space for the Yucca Mountain Project |
| IG-0279 | Administrative Facility Requirements at the Savannah River Site |
| IG-0270 | Management and Operating Contractors' Support Services at McCarran International Airport, Las Vegas, Nevada |
| WR-L-87-27 | Review of Office Space Utilization at the Albuquerque Operations Office and Selected M&O Contractors |
| WR-L-87-26 | Review of Office Space Utilization at the Bonneville Power Administration |
| WR-L-87-25 | Review of Office Space Utilization at the Idaho Operations Office and Selected M&O Contractors |
| WR-L-87-24 | Review of Office Space Utilization at the Richland Operations Office and Selected M&O Contractors |

APPENDIX B

OFFICE OF HUMAN RESOURCES AND ADMINISTRATION CHART

TOTAL OFFICE SPACE LEASED THRU GSA VS. TOTAL PERSONNEL AT HEADQUARTERS

(APPENDIX B NOT AVAILABLE ON THE INTERNET)

IG Report No.  DOE/IG-0402

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2. What additional information related to findings and recommendations could have been included in this report to assist management in implementing corrective actions?

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[1] see W/P ID-8