



November 2014

FEDERAL REAL PROPERTY

Strategic Focus Needed to Help Manage Vast and Diverse Warehouse Portfolio

GAO Highlights

Highlights of [GAO-15-41](#), a report to congressional requesters

Why GAO Did This Study

GAO has identified managing the federal government's real property portfolio—which includes warehouses—as a high-risk area, due to long-standing problems such as reliance on long-term leasing. In 2013, federal civilian agencies reported that they occupied approximately 19,000 warehouses consisting of approximately 90-million square feet of space. GAO was asked to examine the management of federal civilian warehouses.

This report examines (1) available information on the characteristics of federal warehouses held or leased by civilian agencies; (2) the challenges selected civilian agencies report in acquiring, managing, and disposing of warehouse space; and (3) the extent to which GSA has fulfilled its federal real property leadership role with respect to warehouses. GAO analyzed fiscal year 2013 FRPP data on warehouses held or leased by federal civilian agencies; visited 30 GSA, Interior, and DOE warehouses—selected to reflect a variety of uses and sizes—and interviewed officials from the three agencies about real property data, the characteristics of warehouses, challenges to warehouse management, and GSA's real-property leadership role.

What GAO Recommends

GAO recommends that GSA take actions to (1) enhance transparency of the FRPP data, (2) develop and implement a strategy to prioritize and plan for warehouse space, and (3) develop a strategy for its government-wide policy role in relation to warehouses. GSA generally agreed with the recommendations.

View [GAO-15-41](#). For more information, contact David Wise at (202) 512-2834 or wised@gao.gov.

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What GAO Found

The federal government's vast civilian warehouse inventory supports a wide range of agencies' storage needs; however, some data in the Federal Real Property Portfolio (FRPP) are not transparent for decision makers. According to the fiscal year 2013 FRPP data, three civilian agencies—the General Services Administration (GSA), the Department of the Interior (Interior), and the Department of Energy (DOE)—held or leased the most civilian warehouse space. GSA's warehouse portfolio—the largest covering about 29-million square feet—was divided across multiple agencies. This is because of GSA's landlord role to provide federal agencies with space from its government-owned inventory, as well as through leases with private companies. In the FRPP, GSA classified nearly all of this warehouse space as *utilized* and *active*. However, GAO found that among these warehouses were buildings that were vacant for extended periods of time. This discrepancy raises questions about the transparency and usefulness of FRPP warehouse data, which could be misinterpreted by decision makers, including Congress and the Office of Management and Budget.

GSA, Interior, and DOE officials reported a wide range of challenges in **acquiring, managing, and disposing** of warehouse space, for example:

- Storage specifications related to the materials being stored, such as humidity controls for paper documents, can pose challenges **acquiring** space.
- Aging and historical facilities can be difficult to **manage** because they require costly maintenance or may no longer meet agencies' storage requirements.
- Agencies are required to address contamination or environmental concerns when **disposing** of warehouses—for example through sale or demolition—which can be expensive and time consuming. Disposing of warehouses in remote or secured areas can be particularly challenging.

GSA has taken steps to fulfill its real-property leadership role for the warehouse portfolio, but its approach lacks strategic focus. As the government's landlord, GSA has applied needs assessment and alternatives evaluation—leading capital-planning practices—to help agencies acquire warehouse space. However, GSA applied these practices on an asset-by-asset basis, rather than as part of a larger strategy rooted in priorities and a long-term plan, per leading practices. A strategic approach could help GSA overcome what are often seen as intractable challenges, such as a reliance on costly, long-term leasing or taking action to dispose of aging and obsolete assets. Additionally, GSA has a leadership role as a government-wide policy maker in the real property area. As part of the *Freeze the Footprint* policy, which directs agencies not to increase the total square footage of their domestic office and warehouse inventory compared to a fiscal year 2012 baseline, GSA has a role to consult with other agencies on more effective practices and efficient use of warehouse and office space. Despite past efforts, GSA has not fulfilled this government-wide policy role by providing a strategy for efficient use of warehouse space or leveraging its landlord experience to strategically address some of the challenges facing federal agencies. Such a strategy could encourage agencies to rethink their overall storage needs, and consolidate and collocate, when possible.

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Abbreviations

DLA	Defense Logistics Agency
DOE	Department of Energy
GRS	General Records Schedule
GSA	General Services Administration
FBMS	Financial and Business Management System
FIMS	Facilities Information Management System
FRPC	Federal Real Property Council
FRPP	Federal Real Property Profile
NARA	National Archives and Records Administration
NPS	National Park Service
OGP	Office of Government-wide Policy
OMB	Office of Management and Budget
PBS	Public Buildings Service
USGS	U.S. Geological Survey

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November 12, 2014

The Honorable Bill Shuster
Chairman
The Honorable Nick J. Rahall, II
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

The Honorable Lou Barletta
Chairman
The Honorable André Carson
Ranking Member
Subcommittee on Economic Development,
Public Buildings, and Emergency Management
Committee on Transportation and Infrastructure
House of Representatives

The Honorable Eleanor Holmes Norton
House of Representatives

Warehouses are a part of the federal government's vast and diverse real property portfolio, which GAO has identified as a high-risk area due to the long-standing problems in managing federal real property. Federal real property management is on GAO's high risk list due to overreliance on leasing, the presence of unneeded and underutilized facilities, and security challenges at federal facilities.¹ In 2013, federal civilian agencies reported that they occupy approximately 19,000 warehouses consisting of approximately 90-million square feet of space worldwide.

You asked us to review the management of federal civilian agency warehouses. This report examines: (1) available information on the characteristics of federal warehouses held or leased by civilian agencies in terms of size, location, utilization, and purpose; (2) the challenges selected civilian agencies report in acquiring, managing, and disposing of warehouse space; and (3) the extent to which GSA has fulfilled its federal real property leadership role with respect to warehouses.

¹GAO, *High Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: February 2013).

To address these objectives, we obtained and analyzed Federal Real Property Profile (FRPP) summary data submissions from fiscal year 2013, the most recent data available for warehouses owned and leased by the federal government. We identified three real property-holding agencies for our review, the General Services Administration (GSA), the Department of Energy (DOE), and the Department of the Interior (Interior). We chose GSA, DOE, and Interior because these were the three largest agencies in terms of total warehouse square footage of all civilian real property agencies that are required to submit data for the FRPP, and accounted for over one half of the warehouse square footage reported by civilian agencies.

To determine what is known about federal warehouses, we obtained and analyzed real property data from FRPP, DOE's Facilities Information Management System (FIMS) and Interior's Financial and Business Management System (FBMS) for fiscal year 2013. We also reviewed Federal Real Property Council (FRPC) guidance and other documents related to the agencies' real property data and the FRPP database. According to our conversations with agency officials and our review of FRPP, FIMS, and FBMS we believe that the data contained in these databases are sufficiently reliable for the purposes of this report.

To gather detailed examples of warehouse size, location, utilization and purpose, we selected a nonprobability sample of owned and leased buildings for each agency that were listed as *active*, *inactive*, *utilized*, and *unutilized*, and visited 30 warehouses clustered around four cities: Washington, D.C.; Fort Worth, Texas; Denver, Colorado; and Livermore, California. This strategy afforded both geographic diversity and balance among our selected agencies while also accommodating time and resource constraints. Because this is a nonprobability sample, observations made at these site visits do not support generalizations about other properties described in the FRPP database or about the characteristics or limitations of other agencies' real property data. Rather the observations made during the site visits provided specific, detailed examples of issues that were described in general terms by agency officials regarding the characteristics of warehouses and challenges the officials face in acquiring, managing, and disposing of warehouse space.

To determine the extent to which GSA fulfilled its federal real property leadership role with respect to warehouses, we analyzed GSA's

acquisition, management, and disposition policies and practices and compared them with (1) Office of Management and Budget's (OMB) *Capital Programming Guide*² and (2) GAO's *Executive Guide: Leading Practices in Capital Decision-Making*,³ and we interviewed headquarters and regional officials about warehouse acquisition, management, and disposal.

We conducted this performance audit from November 2013 to November 2014 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.

Background

The federal government's real property portfolio is vast and diverse and includes about 400,000 buildings that are located throughout the country and are held or leased by different federal agencies, both civilian and defense. In addition to warehouses, it includes office buildings, courthouses, laboratories, land ports-of-entry, and housing, among other assets. To promote efficient and economical use of federal government real property, in 2004, the President issued Executive Order 13327 establishing the FRPC, which is composed of senior federal real property managers and representatives from the Office of Management and Budget (OMB) and GSA, among others.⁴ The executive order required GSA, in consultation with the FRPC, to establish and maintain a single, comprehensive database describing the nature, use, and extent of all real

²OMB, *Capital Programming Guide, Supplement to Office of Management and Budget Circular A-11, Part 7: Planning, Budgeting, and Acquisition of Capital Assets* (June 2006).

³GAO, *Executive Guide: Leading Practices in Capital Decision-Making*, [GAO/AIMD-99-32](#) (Washington, D.C.: December 1998).

⁴Federal Real Property Asset Management, Exec. Order No. 13327, 69 Fed. Reg. 5897 (Feb. 6, 2004). The executive order applies to executive branch agencies listed at 31 U.S.C. §901(b); the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; the Environmental Protection Agency; the National Aeronautics and Space Administration; the U.S. Agency for International Development; GSA; the National Science Foundation; the Nuclear Regulatory Commission; the Office of Personnel Management; the Small Business Administration; and the Social Security Administration.

property under the custody and control of executive branch agencies, except when otherwise required for reasons of national security. To meet this requirement, GSA established the FRPP and provides guidance to agencies about how to annually report real property data under the custody and control of executive branch agencies. FRPP data can be used by government decision makers, including Congress, OMB, and agencies, to understand the nature, use, and the extent of federal real property assets.

According to FRPC guidance, warehouses are “buildings used for storage, such as ammunition storage, covered sheds, and buildings primarily used for storage of vehicles or materials.” This can include a wide range of buildings’ types and sizes that are used for both long-term and temporary storage purposes. For example, the federal government owns civilian warehouses (later referred to as warehouse space) ranging from large buildings covering hundreds of thousands of square feet used to store a wide variety of items, including official government records and research equipment to shed-like buildings for storage of such things as grounds-keeping equipment. The government also leases warehouse space from the private sector. Such space is used to store a variety of items including, for example, historical artifacts and items left in tribute at the Vietnam War Memorial and maintenance items for other federal buildings.

According to the FRPC, real property assets must be categorized based on the predominant or greatest use of the real property asset. Buildings used primarily for storage purposes are classified as *warehouses* even though large portions of them may be used for an office or research. For example, the federal government owns a warehouse in Lakewood, Colorado, which according to FRPP data is almost 700,000 square feet; however, according to local officials over, 100,000 square feet of the building is actually office space. In addition there may be fluctuations across asset classes from year to year when buildings’ space is reconfigured and reclassified. Further, the FRPP data identifies a single using agency for a building based on the largest share of occupied space while other agencies may also occupy space in the same building.

Buildings used predominantly as warehouses are one of the two real property classes (the other being office space) identified in the *Freeze the Footprint* policy issued by OMB. Specifically, in June 2010, the President directed agencies to achieve \$3 billion in total real property cost savings by the end of fiscal year 2012 through a number of measures, including disposing of excess real property and reducing leasing through

consolidations and increased space utilization.⁵ In May 2012, OMB issued a memorandum directing agencies to not increase the size of their civilian real-estate inventory, stating that increases in an agency's total square footage of civilian property must be offset through consolidation, colocation, or disposal of space from the inventory of that agency.⁶ In March 2013, OMB issued a memorandum establishing implementation procedures for the *Freeze the Footprint* policy. This memorandum clarified that agencies were not to increase the total square footage of their domestic office and warehouse inventory compared to a fiscal year 2012 baseline.⁷

GSA has key leadership responsibilities related to real property management for the federal government.

- First, GSA acquires, manages, and disposes real property on behalf of agencies, a function that is commonly referred to as the landlord role. This function is performed by GSA's Public Buildings Service, and in doing so, GSA has an inventory of about 9,000 government-owned or -leased facilities. GSA is responsible for managing the life cycle of federally owned assets, including eventually disposing of such properties, and entering into, renewing, and terminating contracts for leased properties.
- Second, in a government-wide policy role, GSA sets real property management policy for the federal government as a whole. The Office of Government-wide Policy (OGP) is tasked, among other things, to identify, evaluate, and promote best practices to improve efficiency of management processes. In this policy role, GSA also supports the FRPC by providing oversight guidance, publishing performance measures, and maintaining the FRPP database. Additionally, the *Freeze the Footprint* policy assigns GSA leadership responsibilities; directing GSA to consult with other agencies on promoting full implementation of the policy, including how to use technology and space management to consolidate, increase occupancy rates in

⁵Presidential Memorandum, *Disposing of Unneeded Federal Real Estate—Increasing Sales Proceeds, Cutting Operations Costs, and Improving Energy Efficiency*, 75 Fed. Reg. 33987 (June 16, 2010).

⁶OMB, *Memorandum to the Heads of Executive Departments and Agencies: Promoting Efficient Spending to Support Agency Operations* (May 11, 2012).

⁷OMB, *Management Procedures Memorandum No. 2013-02* (Mar. 14, 2013).

facilities, and eliminate lease arrangements that are not cost or space effective.

We stated in the February 2013 update to the High-Risk Series that although some progress had been made, the government continued to lack consistent, accurate, and useful data that could support strategic decision making about federal real property.⁸ Internal control standards for federal executive-branch agencies require that agencies have relevant, reliable, and timely information for decision-making and external-reporting purposes.⁹ We have also identified concerns with GSA's capital planning, high-value leases, and FRPP data quality. Specifically, in 2012 we found that GSA's use of information to make capital investment decisions conforms to some leading practices identified in GAO's *Executive Guide on Leading Practices in Capital Decision Making*¹⁰ and OMB's *Capital Programming Guide*¹¹, but GSA lacks a transparent process for prioritizing projects and a comprehensive long-term capital plan that fully aligns with leading practices.¹² These guides also identify leading practices in capital decision making including: needs assessment, alternatives evaluation, project prioritization, and long-term capital planning. In another 2012 report, we raised concerns that the FRPP is not a useful tool for describing the nature, use, and extent of excess and underutilized federal real property. For example, FRPC had not ensured that key data elements—including buildings' utilization, condition, annual operating costs, mission dependency, and value—were defined and reported consistently and accurately.¹³ Lastly, in a 2013 report we found that overreliance on costly leasing has been a concern, and we found that GSA has not systematically prioritized high value leases that would be most beneficial to move to federally owned

⁸[GAO-13-283](#).

⁹See, e.g., 31 U.S.C. § 3512 (c), (d); and GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

¹⁰[GAO/AIMD-99-32](#).

¹¹OMB, *Capital Programming Guide, Supplement to Office of Management and Budget Circular A-11, Part 7: Planning, Budgeting, and Acquisition of Capital Assets* (June 2006).

¹²GAO, *Federal Buildings Fund: Improved Transparency and Long-term Plan Needed to Clarify Capital Funding Priorities*, [GAO-12-646](#) (Washington D.C.: July 2012).

¹³GAO, *Federal Real Property: National Strategy and Better Data Needed to Improve Management of Excess and Underutilized Property*, [GAO-12-645](#) (Washington D.C.: June 2012).

solutions, and it has not incorporated space needs that are the highest priority for ownership investment into a long-term capital plan.¹⁴ As a result of these reports, we made several recommendations to address these issues, which we discuss later in this report.

Warehouse Inventory Is Vast and Diverse, but Data in the Federal Real Property Database Are Not Consistent or Transparent

GSA, Interior, and DOE Hold or Lease Over Half of Civilian Warehouse Space Owned or Leased by the Federal Government

According to FRPP data, in fiscal year 2013, three agencies held or leased most of the civilian warehouse space either owned or leased by the federal government: GSA, Interior, and DOE. Of the approximate 90-million square feet of warehouse space occupied by civilian agencies, GSA accounted for about 29-million square feet, Interior for about 15-million square feet, and DOE for about 11-million square feet. (See table 1.) Cumulatively, these three agencies held or leased about 63 percent of total civilian warehouse space. Interior had the most warehouses among civilian agencies by far.

¹⁴GAO, *Federal Real Property: Greater Transparency and Strategic Focus Needed for High-Value GSA Leases*, [GAO-13-744](#) (Washington D.C.; September 2013).

Table 1: Civilian Agencies' Space Categorized as Warehouse (in Descending Order by Square Feet) Based on Federal Real Property Profile Fiscal Year 2013 Data

Agency	Square feet	Number of warehouses
General Services Administration ^a	29,293,442	600
Interior	15,266,082	9,644
Energy	11,475,630	2,205
Veterans Affairs	6,491,669	884
State	4,995,428	553
Agriculture	4,790,154	1,444
Justice	4,286,865	331
National Aeronautics and Space Administration	4,054,944	494
Homeland Security	3,181,477	1,531
Transportation	2,512,673	810
Labor	1,030,231	139
Health and Human Services	902,358	246
Commerce	664,675	100
National Science Foundation	241,730	62
State (USAID)	236,921	13
Environmental Protection Agency	87,413	25
Total	89,511,692	19,081

Source: GAO analysis of fiscal year 2013 Federal Real Property Profile data. | GAO-15-41

Notes: All real property data from the agencies required to submit data to the FRPP.

^aGSA data includes civilian warehouse space used by GSA as well as by other federal agencies based on GSA's fiscal year 2013 FRPP submission.

Of about 19,000 warehouses held or leased by all civilian agencies, the majority—about 18,000 warehouses covering about 68-million square feet of warehouse space—were government-owned. In addition, civilian agencies leased about 1,000 warehouses covering about 24-million square feet of warehouse space.

Civilian warehouses vary in size, ranging from very small—for example, a 16-square foot fire hose shed used by Interior in the Shenandoah National Park—to very large storage facilities, such as a vast GSA warehouse of about 1 million square feet in Burlington, New Jersey. This warehouse serves as a distribution center for GSA's Federal Acquisition Service.

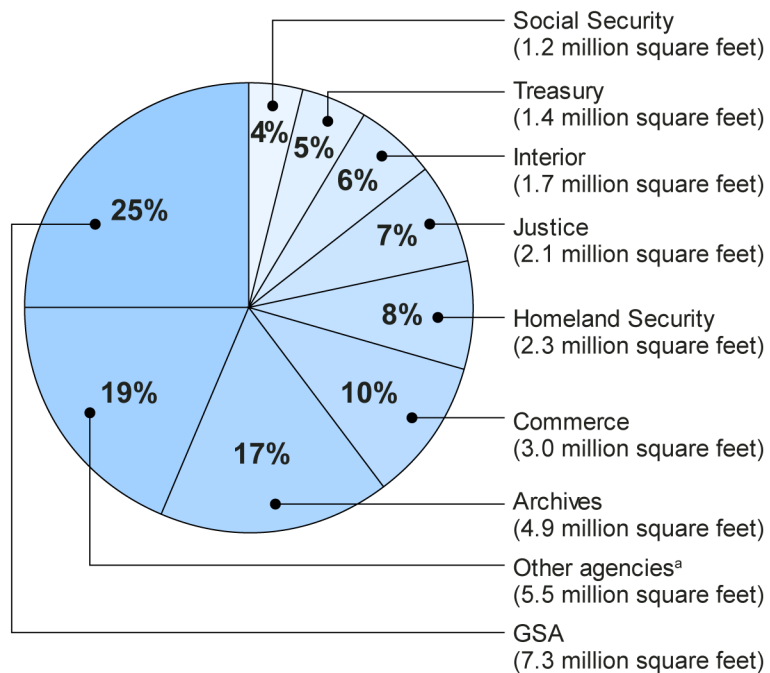
GSA, DOE, and Interior Have Varied Inventories Based on Size and Location of Warehouses

GSA-Held or Leased Warehouse Inventory

GSA, Interior, and DOE’s inventories of warehouses are made up of warehouses of diverse sizes, locations, and purposes.

According to the fiscal year 2013 FRPP data, GSA held or leased 600 warehouses, ranging from 40 to over 1 million square feet. These warehouses were occupied by GSA or other federal agencies, as GSA provides other agencies with warehouse space from its government-owned inventory as well as through leases with private lessors. Civilian agencies used over 29 million square feet of GSA-held or leased warehouse space, with GSA itself occupying the largest share—7.3 million square feet. (See fig. 1.)

Figure 1: General Services Administration’s Civilian Warehouse Space, by Predominant Using Agency and Square Footage (in Million Square Feet), Based on Federal Real Property Profile, Fiscal Year 2013 Data



Source: GAO analysis of GSA fiscal year 2013 Federal Real Property Profile data. | GAO-15-41

Note: Percentages may not add to 100 because of rounding. Predominant using agency is based on a single agency in a building with the largest share of occupied space and may not fully represent other agencies’ occupancy.

^aDOE space acquired through GSA is included in “Other agencies” category.

GSA, in its role as the government's landlord, is responsible not only for helping federal agencies acquire real property, including warehouses, but also for helping agencies to dispose of real property in their custody and control. Thus GSA acts as a disposal agent, not only for its own inventory, but also for other federal agencies that declare their assets excess. As such, in fiscal year 2013, a portion of GSA's warehouse inventory—40 warehouses totaling 3.2-million square feet—was comprised of excess warehouses that GSA was in the process of disposing. Excess warehouses and challenges associated with their disposal are discussed in greater detail later in this report.

Unlike most other agencies, in fiscal year 2013, the GSA-reported inventory of warehouse space for civilian agencies consisted predominantly of warehouses leased from private lessors: 434 warehouses covering 15.5-million square feet. The annual rent for these warehouses totaled about \$170 million. Warehouses leased by GSA and challenges associated with them are discussed later in this report.

According to GSA headquarters officials, the agency does not collect data on what is being stored in the warehouses used by GSA and other agencies. GSA is not required to collect storage information; however, in our discussions with regional officials, they were able to tell us how warehouses were being used on a case-by-case basis. For example, in addition to excess warehouses in GSA's own inventory, GSA warehouses were used for operations and maintenance purposes by the agency's field offices as well as for storing and distributing supplies in support of federal acquisition functions, among other things. Although FRPP data cannot provide information on how other agencies use their warehouses, GSA headquarters officials told us that the installation-name descriptor in FRPP—indicating warehouses used to store federal records, equipment, or as garages or hangars—offers some insight.

Interior-Held or Leased Warehouse Inventory

In fiscal year 2013, Interior held or leased about 10,000 warehouses, ranging from under 10 to over 400,000 square feet, scattered across the country in national parks, wildlife refuges, and urban areas. According to Interior officials, its warehouse inventory supports and reflects the agency's mission to protect and manage the nation's natural resources and cultural heritage. Interior warehouses are predominantly government owned.

According to Interior's FBMS data, most Interior warehouses are used for storage of equipment and vehicles as well as shed outbuildings where seed and other maintenance supplies are stored. (See fig. 2.)

Additionally, Interior-held or leased warehouses include historic buildings, such as at Fort Vancouver, Washington, which are not currently utilized for storage purposes, but are categorized as warehouses based on the historic functional use that is exhibited for the visiting public.

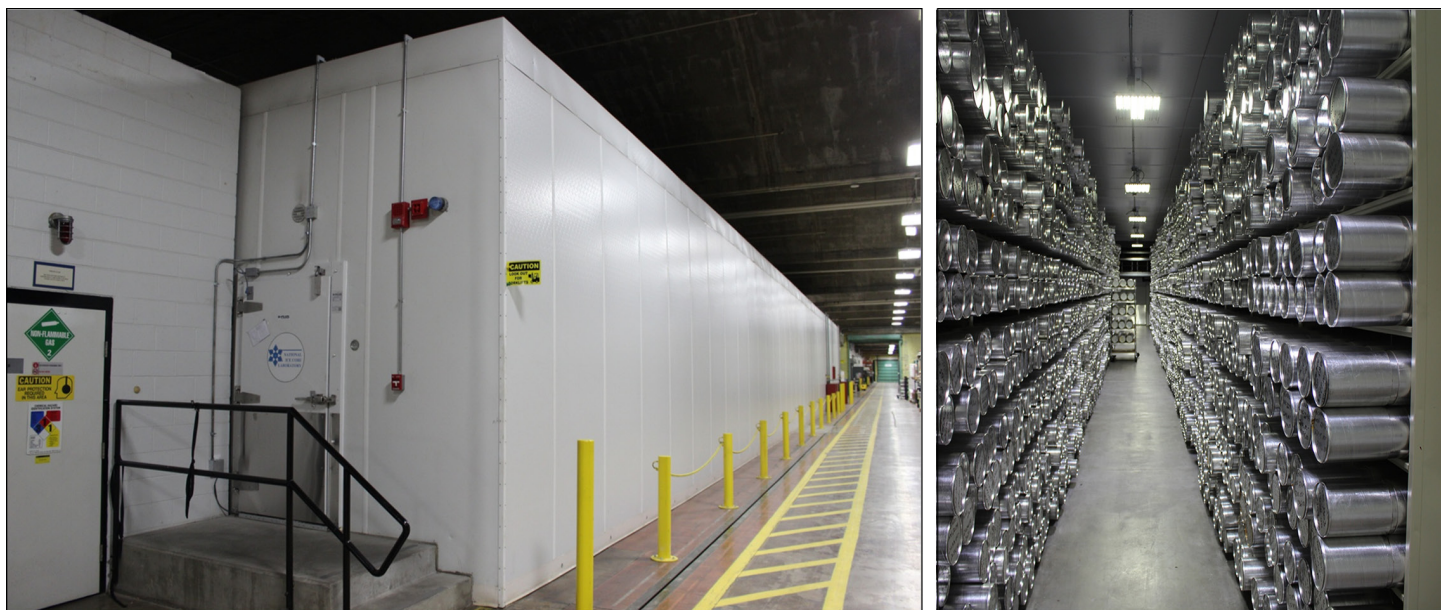
Figure 2: Examples of Department of the Interior Warehouses Used by the National Park Service in Washington, DC, (left) and Fish & Wildlife Service in Denver, Colorado, (right)



Source: GAO. | GAO-15-41

Interior has also added to its portfolio of warehouses through its occupancy agreements with GSA, and this inventory is reflected in the FRPP for GSA-held or leased properties. In fiscal year 2013, through GSA, Interior used 107 warehouses, covering about 1.7-million square feet. (See fig. 1.) Based on our site visits, these warehouses support a wide variety of Interior storage needs, including storage requiring special-temperature and air-quality conditions. For example, U.S. Geological Survey is using portions of a large industrial warehouse in Lakewood, Colorado, for fossils, rock core, maps, and records storage purposes as well as to store samples of ice core from Antarctica and Greenland that require special temperature controls. The ice core samples are located inside a separate, smaller storage facility within the larger warehouse. The separate facility includes two temperature-controlled chambers; one used for ice core storage and the other for a work area to cut ice core into smaller samples for scientific research. (See fig. 3.)

Figure 3: The National Ice Core Laboratory Building in Lakewood, Colorado, (left) Is Used to Store Ice Core Samples (right)



Source: GAO. | GAO-15-41

DOE-Held or Leased Warehouse Inventory

In fiscal year 2013, DOE held or leased about 2,200 warehouses, ranging from about 10 to almost 400,000 square feet, located primarily at DOE sites. DOE's inventory is predominantly government-owned warehouses located within the secure perimeters of its sites, such as national laboratories and other research and storage facilities. In support of DOE's energy research and nuclear safety and security mission, a portion of DOE warehouses is used for storage of nuclear as well as other materials that require special storage conditions. Specifically, based on DOE's FIMS data for fiscal year 2013, out of 11.5-million square feet of warehouse space, 4.2-million square feet were used for storage of nuclear, hazardous, combustible, and other materials requiring special storage conditions. Additionally, 6.9-million square feet of warehouse space were used for general storage and programmatic general-storage purposes, which include items such as laboratory equipment and research testing materials. The remaining approximate 400,000 square feet were used for other storage purposes. For example, one DOE site we visited used a warehouse for storage of wind-energy-testing equipment, including 50-foot blades for testing wind turbines.

Consistency and Transparency Issues Affect Warehouse Data in the Federal Real Property Profile

In our previous assessment of the FRPP, we found that the FRPP's data can be used in a general sense to track assets—such as their location—to provide an overall perspective on agencies' asset portfolios (as presented above). However, our previous findings also raised concerns about the quality of the FRPP data.¹⁵ In our 2012 report, we found that agencies were allowed to use their own definitions for some FRPP data elements, a practice that undermined the quality of the data when amassed in a single database. More specifically, we raised concerns that the FRPC has not ensured that key data elements—including buildings' utilization, condition, annual operating costs, mission dependency, and value—are defined and reported consistently and accurately. The FRPC has not followed sound data-collection practices, and agencies were able to submit data that were inconsistent and therefore not useful as a measure for comparing performance inside and outside the federal government. We recommended that GSA take specific actions to improve the FRPP data, including that all data collection requirements are clearly defined and that data reported to the database are consistent from agency to agency. GSA developed an action plan for implementing our recommendations. We are in the process of determining whether the actions in this plan, if fully implemented, will improve FRPP's consistency and reliability. We plan to report our results as part of our 2015 high risk update.

Similarly, in this review, we found inconsistencies in how GSA interprets and agencies report certain data elements for its warehouse inventory.

Utilization: We found that agencies inconsistently interpreted FRPP's definition of utilization for warehouses making it difficult for decision makers to compare utilization data across agencies and government-wide. The utilization data element is meant to track the extent that an asset is used. Prior to fiscal year 2013, utilization was defined as a percentage of occupied space; thus, a space that was 75 percent occupied and 25 percent vacant had utilization rate of 75 percent. In fiscal year 2013, the FRPC changed the definition of utilization from a percentage value to three options—*utilized, underutilized, and*

¹⁵[GAO-12-645](#).

unused,¹⁶ consistent with regulatory definitions implementing the McKinney-Vento Act.¹⁷ FRPC guidance specified the change to the data element but not how agencies should interpret these definitions or how the percentage values agencies previously submitted (and may still track in their internal databases) should be translated into the three new utilization options. According to GSA headquarters officials, agencies are expected to interpret utilization options based on regulatory definitions and in relation to their asset portfolios and data collection systems. DOE headquarters officials told us that they developed their own policy that converts percentage utilization scores in FIMS to *utilized*, *underutilized*, and *unused* options in the FRPP. For example, for fiscal year 2013, all DOE assets with utilization score of 40 percent and above are considered *utilized*; scores from 2 to 39 percent reflect *underutilized* assets; and assets that scored 1 percent or lower are considered *unused*. Interior's FBMS system had the same three utilization options as the FRPC guidance, but also included additional utilization options, such as *overutilized*.

In addition to other agencies' using this data element inconsistently, GSA interprets FRPP utilization definitions in a way that leads to GSA's identifying nearly all of its warehouses as *utilized*. GSA does not identify any of its civilian warehouses as *underutilized*, only using two of the three utilization data options—*utilized* and *unused*. Specifically, in fiscal year 2013, of the 600 civilian GSA-held warehouses, 537 warehouses were identified as *utilized*, 40 as *unused* for warehouses in excess status, and 23 warehouses did not have a utilization code because they were listed in *disposed* status.

¹⁶The FRPC guidance refers to the following definitions. *Unused* property means an entire property or portion thereof, with or without improvements, not occupied for current program purposes for the accountable Executive agency or occupied in caretaker status only." 41 C.F.R. § 102-75.1160; 24 C.F.R. § 581.1. *Underutilized* means an entire property or portion thereof, with or without improvements, which is used only at irregular periods or intermittently by the accountable landholding agency for current program purposes of that agency, or which is used for current program purposes that can be satisfied with only a portion of the property." 41 C.F.R. § 102-75.1160; 24 C.F.R. § 581.1. *Utilized* means anything that is not defined as *unused* or *underutilized*.

¹⁷Pub. L. No. 100-77, 101 Stat. 482 (1987). The Act, as amended, requires federal landholding agencies to make available real property that they identify as excess, surplus, unused or underutilized for possible use to assist the homeless. 42 U.S.C. §§ 11301 et seq. See also forthcoming GAO report *Federal Real Property: More Useful Information to Providers Could Improve the Homeless Assistance Program*, [GAO-14-739](#) (Washington, D.C.: Sept. 30, 2014).

To gain further insights into GSA's warehouse space utilization and what space may potentially be vacant and available for federal tenants, we examined GSA's monthly vacancy report, which GSA uses to track vacant space for lease to agencies. We found that among the warehouses listed in the FRPP as *utilized*, some were vacant for long periods of time.¹⁸ During our site visits, we identified 3 GSA warehouses totaling almost 200,000 square feet that have been vacant 1, 5, and 10 years and were listed as *utilized* in the fiscal year 2013 FRPP. We also found that GSA's monthly vacancy report does not collect information on vacancy duration, and therefore there is no way of knowing how many warehouses listed as *utilized* have long-term vacancies. Additionally, the May 2014 vacancy report provided by GSA did not include 2 of the warehouses included in our site visits, one of which has been vacant since at least 2004 and the other since 2009. (See fig. 4.) As such, while GSA's interpretation of utilization in the FRPP may be explained given its government landlord role, its warehouse data in the FRPP—for warehouses GSA uses and those that it provides to tenant agencies—could be misinterpreted by decision makers, including Congress, OMB, and agencies, to mean that nearly all GSA warehouse space is being used for storage. This raises questions about the transparency and usefulness of GSA's data and creates potential inconsistencies with government-wide data from other agencies in the FRPP.

¹⁸According to GSA headquarters officials, vacancy and the FRPP definition of utilization are not synonymous.

Figure 4: Vacant GSA Warehouses Identified as *Active* and *Utilized* in the FRPP: Warehouses in Washington, DC Have Been Vacant since 2009 (left) and 2004 (right)



Source: GAO. | GAO-15-41

Status: Similarly, GSA used the status data element in such a way that nearly all of its warehouses were identified as *active*. The FRPP guidance document for fiscal year 2013 states that the status data element reflects the predominant physical/operational status of the asset, and *active* status refers to an asset that is currently needed to support the agency’s mission or function. There are several options in the FRPP to describe status;¹⁹ however, GSA interprets the FRPP status definition in such a way that the agency is not using the *inactive* option, which, according to the FRPP guidance, refers to an asset that is not currently needed to support the agency’s mission or function but will have a planned need in the future. In the fiscal year 2013 FRPP, all GSA warehouses, unless identified as “*disposed*” or “*report of excess accepted*,” meaning that the property is undergoing disposal process, were listed as *active* or currently needed. (For example, see fig. 4.)

¹⁹The following options are available in the FRPP to describe the status of the asset: *active*, *inactive*, *report of excess submitted*, *report of excess accepted*, *determination to dispose*, *disposed*, and *cannot currently be disposed*. These options represent the complete list of options, which applies to government-owned inventory. Fewer options from this list apply to leased assets and assets in other *legal interest* categories.

According to GSA headquarters officials, they interpret the FRPP definitions to mean that all assets, including warehouses, are *active* because they may be needed to provide space to federal agencies in fulfilling GSA's mission as the government's landlord. According to fiscal year 2013 FRPP data, about 90 percent of warehouses in GSA's inventory were listed as *active*. These same warehouses were also listed as *utilized*. However, there is no discernable way to determine from the FRPP data whether these warehouses are *active* and *utilized* beyond GSA's interpretation of these data elements, which, in its view, are particular to its mission. The Government Accountability and Transparency Board, established in 2011 to provide strategic direction for enhancing transparency of federal spending data, determined that consistent data promote more accurate and comparable data for improved reporting and decision-making.²⁰ However, GSA has not clarified its interpretation and practice in the FRPP annual reports or its guidance documents, thus decision makers reviewing GSA's FRPP data would assume that the vast number of warehouses listed as *utilized* and *active* are needed and being used, when in fact, some may be vacant for extended periods of time or not useful to other agencies. Thus, GSA's interpretation of utilization and status data elements for its warehouse inventory affects the accuracy and clarity of the data, limiting the transparency of warehouse inventory for the largest civilian holder of warehouse space and for the government as a whole. As a result of GSA's interpretations, Congress and other decision makers lack accurate and transparent information that may be needed to help the federal government reduce its unused warehouse inventory.

²⁰Government Accountability and Transparency Board, *Report and Recommendations to the President* (December 2011).

Selected Agencies Report a Wide Range of Challenges in Acquiring, Managing, and Disposing of Warehouse Space

Challenges Acquiring Warehouse Space: Storage Specifications and Funding Constraints Increase Reliance on Leased Space

GSA, in its landlord role, is responsible for acquiring warehouses on behalf of federal agencies and works with those agencies to identify their storage needs. According to GSA regional and headquarters officials, an agency's warehouse needs depend largely on what it plans on storing at a particular location, and a key challenge is to match storage specifications with the available inventory. As such, one of the first factors GSA considers as it begins to identify warehouse space, is what the tenant agency plans on storing and whether special storage conditions are required. GSA regional officials told us that, for example, paper products such as official records, require humidity controls to prevent moisture from destroying the documents. They noted that if these paper records contain secure information, the warehouse needs to have security features not required for other warehouses. The length of time paper records must be retained is determined by the General Records Schedules (GRS), which are issued by the Archivist of the United States, and guide disposal of records, common to several or all agencies of the federal government.²¹ GSA regional officials also noted that storage of artwork in warehouses requires certain climate controls and security features. GSA regional and headquarters officials noted that acquiring leased warehouse space begins with an assessment of what the agency plans on storing since that determines warehouse requirements. The officials told us that GSA released internal guidance in May 2014, which is intended, in part, to make sure leasing specialists are collecting the

²¹GRS includes records relating to civilian personnel, fiscal accounting, procurement, communications, printing, and other common functions, and certain nontextual records. They also include records relating to temporary commissions, boards, councils and committees. These records comprise an estimated one third of the total volume of records created by federal agencies. Usually, administrative subject files have short retention periods, less than 3 years. Program subject files may be needed by the agency for 10 years or more and may have archival value as well.

appropriate information from agencies about their storage needs in order to acquire warehouse space at the best deal along with supplying the agencies what they need.

Headquarters officials with GSA, Interior, and DOE told us the agencies face challenges acquiring warehouse space through construction or purchasing because of funding constraints, and thus rely on warehouses already owned by the government or leased from the private sector. According to fiscal year 2013 FRPP data, the federal government leased about 24million square feet of warehouse space for civilian use, a substantial increase from the approximately 19-million square feet of leased warehouse space for both civilian and defense agencies reported in a 1999 GSA report on government warehouse, storage, and distribution functions.²² We have previously found that overreliance on costly leasing where ownership would be more economical is one reason that federal real property has remained on GAO's high risk list. Managing federal real property has been designated as high risk since 2003, and in our 2013 *High Risk Series: An Update*,²³ we found that the government continues to rely heavily on leasing and that the government often leases space from private landlords in the same real estate market where it also owns underutilized real property. This practice is inefficient, resulting in millions of dollars of additional costs to federal agencies.

Additionally, GSA headquarters and regional officials told us that some agencies have highly specialized requirements for warehouses and thus generally rely on warehouse space acquired from the private sector. In some cases, agencies have been leasing warehouse space from the private sector for extended periods of time. For example, we visited a warehouse GSA has leased from the private sector for approximately 25 years and currently uses to store operating equipment such as electrical transformers, fire alarms, and tools. This warehouse, the lease for which does not expire until 2020, also serves as a continuity-of-operations center. We also visited another warehouse that has been leased from the private sector for approximately 14 years where the National Park Service (NPS) stores a variety of artifacts including statues and film negatives requiring specialized storage conditions. In these examples, GSA and

²²GSA, *Strategic Storage Needs of the Federal Government* (Washington D.C.: July 1999).

²³[GAO-13-283](#).

NPS regional officials acknowledged that the agencies' storage needs were unlikely to change in the future and that they did not know of any plans to determine whether the government should attempt to purchase the warehouses or to move to government-owned space.²⁴

Challenges Managing Warehouse Space: Aging and Historic Assets, Location, and Vacancies

Officials at the agencies we reviewed stated that aging infrastructure, and issues regarding historic preservation and maintenance could result in additional costs and more time needed for restoration, repair, or disposal. According to GSA, Interior, and DOE officials, some government-owned warehouses were built in the 1940's and 1950's and the buildings' conditions have deteriorated, which can make them costly to maintain and repair. For example, we visited warehouses at one site in Fort Worth, Texas, which, according to GSA officials, were used as temporary barracks for German prisoners of war during World War II. The officials told us that some of these buildings have cracked foundations, holes in the siding, and leaky roofs, and coupled with the outdated design,²⁵ this means that repairing or updating them could be prohibitively expensive. (See fig. 5.) At the time of our site visit, the officials were in the process of moving the tenant agencies from one of these warehouses to other government-owned warehouses nearby. Once the building is vacant, GSA plans to demolish the building and lease the foundation to the Federal Emergency Management Agency as an area to preposition emergency response supplies.²⁶

²⁴According to Interior headquarters officials, purchasing a warehouse in the current fiscal environment would be very difficult. The officials told us that there is an effort across Interior's bureaus to coordinate museum program needs and to consolidate collections in fewer owned facilities nationwide, when feasible.

²⁵According to the officials, the support beams and low ceilings of these warehouses make for an inefficient storage environment.

²⁶According to the officials, once the buildings are demolished, they would no longer be considered *warehouses* in FRPP and would be reclassified as *structures*.

Figure 5: Aging Occupied GSA Warehouse in Ft. Worth, Texas



Source: GAO. | GAO-15-41

Aging buildings can also mean warehouses no longer meet agencies' storage requirements, which can result in agencies vacating for newer space. For example, GSA regional officials showed us a warehouse previously occupied by the National Archives and Records Administration (NARA) to store official government records. According to GSA officials, NARA vacated this approximately 150,000 square foot building in 2013 because the building's humidity controls and roof quality did not meet NARA's requirements for storing government records. NARA moved to a privately owned warehouse that could meet the agency's requirements. The government-owned building is currently vacant, and GSA officials told us they have a potential tenant. GSA is considering remodeling and turning the building into office space. Given the cost of this potential project, officials estimated the building would remain vacant for at least 4 years, while GSA conducts feasibility and financial analyses, even if the potential tenant agency decides to occupy the space.

In addition to the costs associated with aging warehouses, agencies may also face additional costs dealing with sites that have historic or cultural value. The National Historic Preservation Act, as amended, requires agencies to establish a preservation program to identify, evaluate, and nominate historic federal buildings to the National Register of Historic

Places, and manage those buildings in a manner that considers their historic character.²⁷ Listing on the National Register of Historic Places provides a process for reviewing federal buildings before federal agencies can demolish or alter the buildings in ways that affect their historic character. According to Interior and GSA regional officials, historic preservation requires specialized materials and trades, and historic properties are traditionally more expensive to repair and maintain than modern facilities. Additionally, GSA regional officials told us they have halted disposals at the Denver Federal Center until a final determination has been made regarding designating the area a historic site. The officials said that for the two warehouses pictured in figure 6, given their deteriorating condition, the most cost-effective option for them would be to dispose of the buildings through demolition. The brick building pictured in figure 6 below is approximately 500 square feet used for record storage; if allowed, officials report they will consolidate it into another larger warehouse being used at the center. The wood-framed structure pictured in figure 6 below is approximately 1,600 square feet and is currently vacant. The officials said that these outdated buildings will remain in GSA's portfolio until a final determination has been made about their historical significance, but in the meantime GSA will continue to pay for maintenance and building security fees.

²⁷Pub. L. No. 89-665, 80 Stat. 915 (1966), codified at 16 U.S.C. 470 §§ et. seq.

Figure 6: GSA Held Warehouses in Lakewood, Colorado, Pending Historic Designation



Source: GAO. | GAO-15-41

With regard to location, Interior headquarters officials told us that to support the remote location of mission needs, buildings, including warehouses, may be remotely located, and that this determines whether consolidation is feasible. The officials noted that most field stations (where warehouses are located) are in remote and rural areas, and are geographically dispersed, which makes colocation and sharing of facilities with other federal agencies difficult. The remote location of these buildings also leads to increased costs for construction, maintenance, repair, and demolition since it costs more to transport materials and people to these locations.

With regard to vacancies, when an agency vacates space because it is changing locations or no longer needs the space, GSA becomes responsible for the overall cost and maintenance of a vacated space until another tenant is identified or, if the warehouse is not government owned, the lease is terminated or the lease's term expires. As mentioned previously, NARA moved to a privately owned warehouse, and now GSA holds a 150,000 square-foot empty warehouse and will be responsible for it until it finds a new tenant. The space has been vacant for approximately 1 year (see fig. 7). At another warehouse we visited, a U.S. Geological Survey (USGS) official told us USGS had vacated approximately 55,000 square feet of warehouse space in 2013. While this vacancy reduces the overall square footage of space held by USGS, GSA now holds an additional 55,000 square feet of space that it is financially responsible for

until it finds a new tenant agency. According to GSA regional officials, when a tenant agency vacates privately leased space, GSA is also responsible for continuing to pay for the space and must decide whether to continue to do so for the remainder of the lease or to try and buy out the lease from the landlord.

Figure 7: Vacant GSA Warehouse Formerly Used by the National Archives and Records Administration, Lakewood, Colorado



Source: GAO. | GAO-15-41

GSA produces monthly vacancy reports comprised of all owned and leased active buildings, including warehouses where GSA can assign space. According to GSA headquarters officials, GSA uses these reports for several purposes, including monitoring vacancy, researching the causes of vacancies, identifying assets for potential consolidation, and prioritizing backfill opportunities.²⁸ This report includes information on whether the building is owned by the federal government or leased from the private sector, the rentable square footage of the building that is not undergoing construction or renovation, and the total percentage of the building that is both vacant and available for a federal tenant, among other items. Officials told us that there are both regional and national vacancy targets. The national combined target is around 3 percent, 5

²⁸“Backfilling” generally refers to assigning an agency to space that has been previously vacated by another agency in either government-owned space or leased from the private sector.

percent for government-owned space, and 1.5 percent for leased space. Based on the May 2014 vacancy report, GSA's combined vacancy rate for warehouses was 7 percent.²⁹ GSA headquarters officials stated that they monitor monthly vacancy rates, and when they see increasing vacancy trends, they work with regional officials to identify and address the cause.

Challenges Disposing of Warehouse Space: Contamination and Environmental Remediation, Location, and Stakeholder Interests

Environmental requirements can result in additional costs and more time needed for warehouse disposal. Under the National Environmental Policy Act, as amended, agencies are required to consider the environmental impact of their proposed actions, including the disposal of property, and consider alternatives less damaging to the environment.³⁰ Landholding agencies are responsible for supervising decontamination of excess and surplus real property that has been contaminated with hazardous materials of any sort.³¹ However, required environmental assessments and remediation of excess or surplus property can be expensive and time consuming. For example, GSA headquarters officials told us that 40 government-owned warehouses remain in excess status because the sites are undergoing environmental remediation and are contaminated. These warehouses have been listed as excess for at least 7 years and as long as 11 years. According to the GSA headquarters officials, these warehouses had all been previously held by either the U.S. Army or the Defense Logistics Agency (DLA) and had been used to store materials for weapons development. The officials said that the Army and DLA vacated these properties because the warehouses were obsolete and that in the areas where the warehouses are located, there was no demand from other federal agencies for the space. When GSA was unable to find new tenants for the facilities, GSA began the disposal process.

Until the cleanup is completed, GSA is responsible for the warehouses, and they remain part of GSA's inventory. In such cases, GSA relies on original property-holding agencies to complete environmental

²⁹As we mentioned previously, the May 2014 vacancy report provided by GSA did not include two warehouses included in our site visits, one of which has been vacant since at least 2004 and the other since 2009.

³⁰ Pub. L. No. 91-190, 83 Stat. 852 (Jan. 1, 1970), codified as amended at 42 U.S.C. §§ 4321-4347.

³¹ 41 C.F.R. § 102-75.955.

remediation, if necessary, prior to disposal. For example, the Curtis Bay Depot consists of 11 primary structures and numerous abandoned warehouses (along with other structures and buildings) on approximately 435 acres of land and was previously used by DLA as a strategic stockpile and munitions storage. (See fig. 8.) GSA headquarters officials said many of the buildings at the complex are in an extremely deteriorated condition and that environmental and military munitions contamination is expected to be fully remediated sometime in fiscal year 2016.

Figure 8: Excess GSA Warehouses in Curtis Bay, Maryland



Sources: Curtis Bay Depot and GAO. | GAO-15-41

Agencies efforts to dispose of potentially contaminated sites add time and costs. According to DOE headquarters officials, contamination issues affect DOE warehouses since they are often located on or adjacent to parcels with a history of contamination. Additionally, about 500 warehouses, or 25 percent of the total number of warehouses held by the agency, store hazardous materials including radioactive or nuclear substances. These officials told us that warehouses used to store hazardous materials or located near contaminated sites are unlikely to receive their full market value through a sale, and DOE typically disposes of them through demolition. Interior headquarters and regional officials also told us that environmental remediation was a major challenge with disposing of warehouse space since the majority of the portfolio was constructed when lead and asbestos were commonly used during construction. Due to funding constraints, remediation and disposal of old

and underutilized assets may be delayed. Both DOE regional and Interior headquarters officials told us that in many cases the cost of cleanup of old warehouses outweighs the potential sale or salvage price. Interior headquarters officials noted that in addition to the challenges related to managing historic warehouses, Interior faces additional challenges disposing of historic warehouses. According to the officials, section 106 of the National Historic Preservation Act³², requires agencies to consider the effects of their undertakings on historic properties, including historic warehouses which are included in or eligible for inclusion in the National Register of Historic Places. This process, which involves consultation with stakeholders, an assessment of the effects of the disposal on the historic property, and possible mitigation, may also result in more time needed for warehouse disposal and additional costs.

Locations of some federal properties can make property disposal and reuse costly or undesirable. DOE headquarters officials reported that the vast majority of DOE's warehouses are either 1) located within a secured perimeter, often on or adjacent to property with a history of contamination, or 2) have stored hazardous materials or, in some cases both. Officials said there is "rarely if ever" an opportunity to dispose of unneeded warehouse space through sale or some other conveyance. Instead, DOE typically demolishes unneeded warehouses following remediation as funding becomes available. For example, officials at Lawrence Livermore National Laboratory told us that one warehouse located within the secured perimeter has been listed for disposal for 7 years; however, the building is very low on the site's priority list for disposal and will likely not be demolished for another 20 years because it is considered low risk with no current hazards. Given the warehouse's location within the secured perimeter, officials said the only disposal option for this site is demolition. Likewise, Interior headquarters officials noted that the majority of the assets (including warehouses) are located on public lands that directly contribute to bureaus' missions and cannot be easily divested. Because of this, the officials said there are a limited number of Interior's assets eligible for disposal or sale to a private organization or individual, and those that are, must undergo environmental remediation (as discussed above), and then be demolished or salvaged for reuse at another location. The officials also said that due to the remote locations and cost of remediation, demolition, and salvage, it is rare that the residual value in

³² 16 U.S.C. § 470f.

the materials is adequate to attract private interests to perform the removal of the asset, or to obtain any monetary benefit to the federal government for the assets.

Stakeholder interests can also result in delays to property disposal or reuse. GSA works with partner federal agencies, state and local governments, non-profit organizations, business groups, and citizens when disposing of owned assets such as warehouses. As such, stakeholders can have differing views of what should be done with the property. For example, GSA holds a 33,000-square-foot government-owned warehouse in Washington, D.C., near the Nationals baseball park, a warehouse that has been vacant since 2009. (See fig. 9.) The area surrounding this warehouse has increased substantially in value as new residential and commercial buildings are built. Local stakeholders have expressed an interest in this site, including a Washington, DC, Advisory Neighborhood Commission, which has proposed using the property for an “educational-commercial partnership” to create a new institute for culinary business education. As of May 2014, GSA has not come to a final determination regarding the future of this warehouse, but could presumably benefit from the appreciation of land values in this area.

Figure 9: Vacant GSA Warehouse in Washington, DC



Source: GAO. | GAO-15-41

The challenges described above are similar to those we have previously found in relation to all excess and underutilized real property, not solely warehouses.³³ GSA could better position itself to address these long-standing challenges by following leading practices in capital decision making. We have previously found that leading practices in capital decision making, which are practices that help inform strategic and long-term thinking about capital assets, can help address challenges agencies face with regard to their capital asset portfolios.³⁴ These practices, and their relevance to GSA's role as a leader in managing federal real property, are discussed in the next section of this report.

GSA Has Taken Some Steps to Fulfill Its Leadership Role with Respect to Warehouses, but Its Approach Lacks a Strategic Focus

As a Government Landlord, GSA Has Taken Steps to Fulfill Its Leadership Role in Managing Warehouses

As mentioned above, as a landlord, GSA acquires, manages, and disposes real property on behalf of agencies. Consistent with GSA's landlord role, which is performed primarily by GSA's Public Buildings Service (PBS), GSA has taken steps to help reduce agencies' warehouse real property footprint and has tried to reduce costs by moving tenants from leased warehouses into government-owned space. GSA has done so when specific situations and opportunities presented themselves. For example, in one region where GSA manages a federal center with government-owned warehouses, GSA has been helping agencies move to the federal center as their leases with private lessors expire. In one such case, officials from Interior's Fish and Wildlife Service relocated their storage for ecological services field work and realty program from a leased warehouse to two smaller warehouses: one government-owned at

³³[GAO-12-645](#).

³⁴[GAO-12-646](#), [GAO-13-744](#).

the federal center and another one elsewhere, anticipating about \$30,000 in annual savings. GSA has also reduced the federal government's warehouse footprint by helping agencies consolidate their existing space. For example, GSA officials told us they helped a tenant agency reduce its warehouse space from 90,000 square feet to 60,000 square feet by consolidating space for their different divisions rather than each division's having its own space.





Further, GSA has taken steps to assist agencies in the acquisition of warehouse space. For example, in May 2014, GSA's Office of Leasing issued internal guidance on leasing warehouses from private lessors using a lease model that is specifically designed to accommodate the special characteristics of warehouse space. According to this guidance, the different characteristics of warehouse space require a distinct approach to its procurement, including acquisition strategy, evaluation of offers, pricing, and paying for tenant improvements. The guidance also provided new flexibility to GSA regional officials to seek space and evaluate price by volume rather than strictly by square footage area, which would maximize value to the government when storage height is a factor. Further, GSA provided guidance on space configurations, loading docks, and vehicle accommodation as well as calculations for determining space by volume.

In its role as a landlord and helping agencies to acquire, manage, and dispose of real property, GSA is expected to follow capital-planning leading practices. Making informed capital investment decisions requires full information about an agency's current and long-term needs, alternative courses of action, and how potential projects compare amongst each other. We identified leading practices for using information to make capital investment decisions primarily based on GAO's *Executive Guide*³⁵ and OMB's *Capital Programming Guide*³⁶. Leading practices in capital decision making include: (1) conducting a needs assessment, (2) conducting an alternatives evaluation, (3) developing a project prioritization, and (4) creating a long-term capital plan. (See fig. 10.)

³⁵[GAO/AIMD-99-32](#).

³⁶OMB, *Capital Programming Guide, Supplement to Office of Management and Budget Circular A-11, Part 7: Planning, Budgeting, and Acquisition of Capital Assets* (June 2006).

Figure 10: Leading Capital-Planning Practices for Using Information to Make Capital Investment Decisions

Leading practices	Description
<p>Needs assessment</p> 	<p>A comprehensive needs assessment identifies the resources needed to fulfill both immediate requirements and anticipated future needs based on the results-oriented goals and objectives that flow from the organization’s mission. A comprehensive assessment of needs considers the capability of existing resources and makes use of an accurate and up-to-date inventory of capital assets and facilities, as well as current information on asset condition. Using this information, an organization can make decisions about where to invest in facilities.</p>
<p>Alternatives evaluation</p> 	<p>Agencies should determine how best to bridge performance gaps by identifying and evaluating alternative approaches. Before choosing to purchase or construct a capital asset or facility, leading organizations carefully consider a wide range of alternatives, such as using existing assets, leasing, or undertaking new construction.</p>
<p>Project prioritization</p> 	<p>Leading organizations have processes in which proposed capital investments should be compared to one another to create a portfolio of major assets ranked in priority order.</p>
<p>Long-term capital plan</p> 	<p>The long-term capital plan should be the final and principal product resulting from the agency’s capital planning process. The capital plan should cover 5 years or more and should reflect decision makers’ priorities for the future. Leading organizations update long-term capital plans either annually or biennially. Agencies are encouraged to include certain elements in their capital plans, including a statement of the agency mission, strategic goals and objectives; a description of the agency’s planning process; baseline assessments and identification of performance gaps; and a risk management plan.</p>

Sources: GAO and OMB. | GAO-15-41

GSA has applied the first two capital planning leading practices—needs assessment and alternatives evaluation—to help agencies acquire warehouses.

Needs assessment. As described previously, GSA officials told us they typically meet agencies’ warehouse space needs by identifying storage specifications for warehouse contents. GSA regional officials told us that when looking to provide warehouse space, GSA works with customer agencies to understand their missions and assess their needs. Guided by agencies’ specific storage needs, GSA works with each agency to meet their needs on a case-by-case or asset-by-asset basis.

Alternatives evaluation. Next, GSA evaluates alternatives by seeking out available government-owned warehouse space first, given its lower cost to the government and ease of occupancy. If government-owned space is

not available within the tenant-specified area, GSA considers occupying vacant space currently leased from private lessors, and if such suitable space is not available, then GSA considers leasing new space from a private lessor. GSA regional officials told us that they also conduct feasibility studies—to help decision makers evaluate project alternatives—when warehouses or other assets are large and costly. For example, GSA officials told us that they were embarking on a feasibility study for the previously mentioned 150,000-square foot warehouse in Lakewood, Colorado, formerly occupied by NARA to determine the feasibility of converting it into office space.

GSA's Approach to Managing Its Warehouses Lacks Priorities and a Long-term Strategy

In its landlord role, GSA has taken steps to apply capital-planning practices related to needs assessment and alternatives evaluation; however, GSA has done this on an asset-by-asset basis and has not prioritized warehouses or developed a long-term plan. GSA has about a third of all warehouse space among civilian agencies, totaling about 29-million square feet. As such, managing warehouses based on priorities and identifying steps that benefit tenant agencies and taxpayers would better position GSA to fulfill its role as a steward of these assets and partner in helping agencies achieve their missions. It would also help GSA begin to overcome what are often seen as intractable challenges, such as a reliance on costly, long-term leasing, or taking action to dispose of aging and obsolete assets.

Prioritization, for example, could help GSA address obsolete warehouses in its inventory. As mentioned above, government-owned warehouse space in the GSA inventory is aging and becoming obsolete. This trend is likely to push even more warehouses into excess status and in need of disposal. GSA could prioritize warehouses to determine those in most critical need of an alternative plan, such as disposal. This would allow GSA to be proactive in managing its warehouse inventory. Furthermore, GSA has relied on leasing to support long-term mission needs. We have previously found that building ownership often costs less than leasing,

especially for long-term space needs.³⁷ GSA officials acknowledged that for long-term warehouse needs, it would be more economical for the government to own an asset, but given current funding constraints, GSA tries to lease warehouse space in markets with low rental rates rather than with high rental rates, such as New York City or Washington, D.C. By analyzing and prioritizing long-term leases for conversion to ownership, GSA could be better positioned to make the case for funding that could help reduce costs for the government in the long term. In 2013, we similarly determined that GSA has not systematically prioritized which high-value leases would be most beneficial to move to federally owned solutions and recommended that GSA prioritize its high-value leases for ownership for its entire real property inventory.³⁸ GSA agreed with this recommendation and has taken some steps to address it. As with its high-value lease portfolio, GSA has not conducted such an analysis or prioritization of its unique and varied warehouse inventory, prioritization that could help GSA more efficiently address the storage needs of the federal government.

Long-term capital-planning principles applied to the warehouse portion of GSA's portfolio could also help address challenges, as well as help GSA and the federal agencies better plan for the future. A long-term capital plan encourages agencies to weigh and balance the need to maintain existing capital assets against the demand for new assets. By thinking long term rather than simply from year to year, an agency can make fully informed choices about long-term investment needs and maximize its use of available funding over time. Previously, in 2012, we found that GSA lacked a comprehensive long-term capital plan and recommended that

³⁷In 1995, we found that 55 of 73 operating leases that GSA had entered into cost a total of \$700 million more than construction. In 1999, we reported that for eight of nine major operating lease acquisitions GSA had proposed, construction would have saved the government \$126 million over 30 years. In 2008, we found that for four of seven GSA operating leases we analyzed, construction rather than leasing would have saved an estimated \$83.3 million over 30 years. See GAO, *Federal Real Property: Strategy Needed to Address Agencies' Long-standing Reliance on Costly Leasing*, [GAO-08-197](#) (Washington, D.C.: Jan. 24, 2008); *General Services Administration: Comparison of Space Acquisition Alternatives—Leasing to Lease-Purchase and Leasing to Construction*, [GAO/GGD-99-49R](#) (Washington, D.C.: Mar. 12, 1999); *General Services Administration: Opportunities For Cost Savings in the Public Buildings Area*, [GAO/T-GGD-95-149](#) (Washington, D.C.: July 13, 1995); and *General Services Administration: Comparison of Space Acquisition Alternatives—Leasing to Lease-Purchase and Leasing to Construction*, [GAO/GGD-99-49R](#) (Washington, D.C.: Mar. 12, 1999).

³⁸[GAO-13-744](#).

GSA adapt leading practices in capital decision making by developing a 5-year capital plan.³⁹ GSA agreed with this recommendation, but has not yet developed a 5-year capital plan.⁴⁰ As part of implementing this recommendation, assessing the long-term warehouse needs of its tenants would be beneficial, given the amount of warehouse space GSA holds and the challenges it faces with this portion of its inventory. A focused assessment of GSA's total warehouse portfolio could include an analysis of GSA and its tenants' needs for storage space by region; prioritization of long-term leases for ownership; and a determination of a desired combination of owned and leased warehouse inventory, its type, and regional makeup, over the long term.

GSA's Government-Wide Policy Efforts Are Not Focused on Warehouses

In addition to capital planning for warehouses as it relates to GSA's landlord role, GSA is uniquely positioned to provide leadership on warehouse issues given its government-wide policy role, in particular, its role to promote best practices to improve efficiency of management processes. GSA's Office of Government-wide Policy (OGP) is the primary unit that performs such a role. Since the early 1990s, we have emphasized that GSA's role was envisioned to be that of a central policy agency that provides strategic direction to the federal government, not only a service delivery organization helping agencies fulfill space needs on an asset-by-asset basis.⁴¹ Additionally, leveraging the experiences gained in its role as a landlord, GSA is positioned to help federal agencies that manage their own warehouse space by promoting policy, developing guidance, and sharing lessons learned. For example, GSA's internal leasing guidance issued in May 2014 could potentially have government-wide application. While government-wide warehouse portfolio is vast, only 16 civilian agencies hold warehouses for civilian storage needs. In particular, agencies that have large warehouse inventories, such as Interior and DOE, could benefit from GSA's government landlord experience in applying capital planning leading practices to address some of the challenges mentioned above.

³⁹[GAO-12-646](#).

⁴⁰GSA officials stated that they have not developed a 5-year plan due to limited funding.

⁴¹GAO, *Real Property Management Issues Facing GSA and Congress*, [GAO/T-GGD-92-4](#) (Washington, D.C.: Oct. 13, 1991).

To fulfill its government-wide policy role under the *Freeze the Footprint* policy, which calls on GSA to consult other agencies on more effective practices and efficient use of space, GSA has identified a number of innovative practices for making more efficient use of office space, but has not provided similar guidance to other federal agencies for efficient use of warehouse space. The *Freeze the Footprint* policy applies to both office and warehouse space. According to GSA headquarters officials, they have focused mainly on office space, and not warehouses, because real property cost savings mostly come from office space.

A 1999 GSA report on warehouses in the federal government exemplified GSA's government-wide leadership role and discussed opportunities for greater efficiencies. GSA conducted an extensive review of civilian and defense warehouses and issued a report titled *Strategic Storage Needs of the Federal Government*.⁴² In this report, GSA addressed some of the key issues that are still relevant today, such as warehouse design and technology, and looked at the issue from a government-wide perspective, such as highlighting opportunities for space sharing among agencies. The report included technical aspects, covering infrastructure attributes such as floor load, roofing, and lighting, as well as policy aspects such as personal property and supply management. The report also made recommendations, emphasizing the nexus between real and personal property as well as the need for efficient space utilization. However, GSA officials told us that since the report was issued in 1999, they were unable to determine whether the report's recommendations had been implemented or had a specific impact on any developments in the warehousing area.

In the last 15 years, the government's practices and business processes have advanced, for example, incorporating e-government and direct delivery solutions. Further, the overall federal fiscal environment has changed, placing resource constraints on federal agencies to purchase and store items. In this climate, we believe that agencies that hold warehouse space would benefit from a strategic approach that not only reflects current fiscal constraints but also takes advantage of recent developments in the warehouse area outside government. The private warehousing industry has grown more sophisticated in recent decades,

⁴² GSA, *Strategic Storage Needs of the Federal Government* (Washington D.C.: July 1999)

particularly with the advent of e-commerce, just-in-time delivery, and supply-chain management. According to literature on warehouse management, these developments created pressures for more efficient utilization of warehouse space. To improve warehouse functions, the industry has identified some principles, such as benchmarking warehouse performance and automating warehouse functions, as well as leading practices in such areas as material handling, inventory control, and warehouse management systems. Industry experience with warehousing has also identified ways to maximize warehouse space within an existing footprint through such methods as warehouse redesign, vertical space utilization, and narrower aisle widths and pallet racks, among others. While government's overall storage needs may be distinct from the private industry, some of these warehousing industry leading practices for maximizing space may be applicable to the government.

GSA headquarters officials told us that the agency has not provided a strategy for efficient use of warehouse space because it has been primarily focused on office space. Recent developments in the private-warehousing industry along with current fiscal constraints of the federal government create opportunities for GSA to provide a strategy for more effective and efficient use of warehouse space government-wide. For example, as discussed earlier in this report, warehouse specifications and special conditions are based on the contents that are being stored, thus GSA could identify broad categories of storage types (e.g., documents, equipment, historical artifacts) and provide guidance on storage specifications, best practices, and efficiencies associated with them. Further, a strategy could encourage agencies to rethink their overall storage needs, and consolidate and colocate (share space), when possible. Ultimately, such an effort could contribute to a decrease in the government-wide warehouse footprint and—by leveraging GSA's landlord experience and by defining the type of leadership GSA could provide to agencies as they assess their warehouse portfolios—strategically address some of the challenges facing federal agencies.

Conclusions

The federal government's vast and diverse civilian warehouse portfolio presents challenges to agencies—including reliance on costly, long-term leasing and aging and obsolete warehouses—when acquiring, managing, and disposing of warehouse space. Accurate and transparent information is critical to addressing these challenges and making informed capital-asset decisions. GSA manages the FRPP, which was created to provide information for promoting efficient and economical use of the federal government's real property assets. However, GSA's interpretation of its

mission to provide space to federal agencies results in categorizing nearly all warehouses in its portfolio as *active* and *utilized* even when they are vacant. As the largest civilian holder of government warehouse space, this lack of transparency reduces the usefulness not only of GSA's data but also of all warehouse portfolio data government-wide. Improved transparency would help GSA and others make better informed decisions regarding warehouse space.

In GSA's leadership role as the government's landlord and as a policy-setting body for real property management, GSA has taken steps to help agencies consolidate their warehouse space and reduce their footprint. GSA has also followed some leading practices in capital- decision making to fulfill agencies' warehouse space needs; however, GSA has applied these practices on a case-by-case, asset-by-asset basis. Thus, it lacks a strategic approach to prioritize warehouses and make long-term, informed decisions about government warehouse space. Further, in light of GSA's aging warehouse inventory and agencies' modern-day storage needs, there is potentially a growing gap between what GSA can provide from the government's owned portfolio and what the tenant agencies require. Because the agency lacks a comprehensive 5-year capital plan, as well as a strategy focused on its warehouse portfolio, GSA may have limited ability to address this potentially growing gap as well as the above-mentioned challenges facing GSA's warehouse portfolio. Such a strategy would enable GSA and tenant agencies to prioritize their needs and take a long-term view of the warehouse inventory to support better informed decisions.

Similarly, in its policy role, GSA has developed initiatives and models to enhance the efficiency of office space; however, it has not done so for warehouses. As agencies work to reduce their footprint, this could be an ideal time to develop a strategic approach that would capitalize on broader trends, economies of scale, leading practices, and private industry experience in the warehouse area. GSA lacks a government-wide strategy to promote effective and efficient use of government warehouse space, and therefore each agency must address its storage needs individually and may miss opportunities for consolidation or colocation. Developing and implementing a government-wide strategy could help the federal government reduce its footprint while also addressing some of the challenges facing federal agencies.

Recommendations for Executive Action

To enhance the transparency of the FRPP data and help GSA make more informed decisions regarding the planning, effective and efficient management, and disposal of civilian warehouse assets, we recommend that the Administrator of GSA take the following three actions:

- In GSA's FRPP documents, GSA should make transparent how its mission, which is to provide space to federal agencies, affects the reporting of its real property portfolio as it relates to utilization and status data elements.
- In GSA's landlord role, which is performed by the Public Buildings Service, and as part of its efforts to address our 2012 recommendation to develop and publish a comprehensive 5-year capital plan, GSA should develop and implement a strategy specific to warehouses. This strategy should apply capital-planning leading practices, involving prioritization and long-term planning, to the warehouse portion of GSA's portfolio.
- In its government-wide policy role, which is performed by Office of Government-wide Policy, GSA should develop a strategy for its role in promoting effective and efficient practices in warehouse management across the federal government, including, but not limited to: warehouse management guidance that GSA could develop, lessons learned that GSA could promote, and the type of leadership that GSA could provide to agencies as they assess their warehouse portfolios.

Agency Comments and Our Evaluation

We provided a draft of this report to the Administrator of GSA and to the Secretaries of Energy and the Interior for review and comment. The Departments of Energy and the Interior did not have comments.

GSA provided written comments on the draft, which are reprinted in appendix II. GSA agreed with our recommendation that it should make transparent in its FRPP documents how its mission affects the reporting of its real property portfolio. GSA stated that it appreciates that the complexity of the FRPP data may lead to misinterpretation, and that it plans to reassess the use of the status data-element categories to better address the status of completely vacant assets that lack a viable asset strategy or defined customer need.

Regarding our recommendation that GSA should develop and implement a strategy specific to warehouses as it develops a comprehensive 5-year capital plan, GSA noted several efforts in place to reduce the federal footprint. GSA said that it has a portfolio management program that takes into consideration the asset, market, and customer components for all assets in its inventory and that it also includes a financial diagnostic of

assets and segmentation of the portfolio into holding periods. GSA stated that in order to address the recommendation, GSA will continue to analyze and develop strategies for maximizing its inventory to increase value. As part of these efforts, a strategy specific to warehouses, as described in our recommendation, would help GSA make long-term, informed decisions about government warehouse space. In addition, such a strategy would enable GSA and tenant agencies to prioritize their needs and take a long-term view of the warehouse inventory in the support of better informed decisions.

GSA agreed with our recommendation that it should develop a government-wide strategy to promote effective and efficient practices in warehouse management. GSA said it would address the recommendation by developing personal property guidance, researching best practices in warehouse and inventory management, and publishing lessons learned and guidance. GSA also provided technical clarifications that we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Director of the Office of Management and Budget, the Administrator of General Services, and the Secretaries of Energy and the Interior. In addition, the report will be available at no charge on GAO's website at <http://www.gao.gov>.

If you or your staff have any questions, please contact me at (202) 512-2834 or wised@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.



David J. Wise
Director, Physical Infrastructure Issues

Appendix I: Objectives, Scope, and Methodology

Our objectives were to examine (1) available information on federal warehouses held or leased by civilian agencies in terms of size, location, utilization, and purpose; (2) challenges selected civilian agencies report in acquiring, managing, and disposing of warehouse space; and (3) the extent to which GSA has fulfilled its federal real property leadership role with respect to warehouses. We identified three real property-holding agencies for our review: the General Services Administration (GSA), the Department of the Interior (Interior), and the Department of Energy (DOE). We chose GSA, Interior, and DOE because these were the three largest agencies in terms of total warehouse square footage of all civilian real property agencies that are required to submit data for the Federal Real Property Profile.¹ On the basis of the data available, these three agencies accounted for over one-half of the warehouse square footage reported by civilian agencies.

To determine what is known about federal warehouses, we obtained and analyzed FRPP data submissions, and real property data from DOE's Facilities Information Management System (FIMS) and Interior's Financial and Business Management System (FBMS); visited sites where the agencies had reported warehouses; reviewed Federal Real Property Council guidance and other documents related to the agencies' real property data and the FRPP database; and interviewed officials at these agencies. We obtained the agencies' real property data submissions, which support the FRPP annual reports. To analyze FRPP data on warehouses held or leased by civilian agencies, we removed defense agencies from government-wide FRPP warehouse data and from GSA FRPP data identified as predominant using agencies. According to our conversations with agency officials and our review of FRPP, FIMS, and FBMS, we believe that the data contained in these databases are sufficiently reliable for the purpose of providing basic information on the size and location of warehouses. We posed questions to senior real property officers at the three agencies about the collecting and reporting of real property data and about characteristics of warehouses. To gather detailed examples of warehouse size, location, utilization, and purpose, we identified warehouses from the agencies' FRPP, FIMS, and FBMS submissions and visited 30 warehouses at selected sites. We selected a nonprobability sample for each agency of owned and leased buildings that were listed as *active*, *inactive*, *utilized*, and *unutilized*. Because this is

¹Based on the square footage reported in fiscal year 2012 FRPP annual report.

a nonprobability sample, observations made at these site visits do not support generalizations about other properties described in the FRPP database or about the characteristics or limitations of other agencies' real property data. Rather the observations made during the site visits provided specific, detailed examples of issues that were described in general terms by agency officials regarding the characteristics of warehouses. We focused on sites clustered around four cities: Washington, D.C.; Fort Worth, Texas; Denver, Colorado; and Livermore, California. This strategy afforded both geographic diversity and balance among our selected agencies while also accommodating time and resource constraints.

To determine what challenges, if any, selected civilian agencies face in acquiring, managing, and disposing of warehouse space, we interviewed headquarters and regional officials at GSA, Interior, and DOE. In addition we conducted the site visits mentioned above in order to observe warehouses and challenges agencies' officials had identified in acquiring, managing, and disposing of warehouse space.

To determine the extent to which GSA has fulfilled its federal real property leadership role with respect to warehouses, we analyzed GSA's acquisition, management, and disposition policies and practices and compared them with: (1) Office of Management and Budget's (OMB) *Capital Programming Guide*, and (2) GAO's *Executive Guide: Leading Practices in Capital Decision-Making* ([GAO/AIMD-99-32](#)). We interviewed headquarters and regional officials about warehouse acquisition, management, and disposal.

We conducted this performance audit from November 2013 to November 2014 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.

Appendix II: Comments from the General Services Administration



The Administrator

October 30, 2014

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

This letter provides the General Services Administration's (GSA) response to the Government Accountability Office's (GAO) draft report entitled, *Federal Real Property: Strategic Focus Needed to Help Manage Vast and Diverse Warehouse Portfolio* (GAO-15-41). In the report, the GAO recommends that the GSA Administrator take the following actions:

1. GSA should make transparent in its FRPP documents how its mission, which is to provide space to federal agencies, affects the reporting of its real property portfolio as it relates to utilization and status data elements.
2. In GSA's landlord role, which is performed by the Public Buildings Service, and as part of its efforts to address our 2012 recommendation to develop and publish a comprehensive 5-year capital plan, GSA should develop and implement a strategy specific to warehouses. This strategy should apply capital planning leading practices involving prioritization and long term planning, to the warehouse portion of its portfolio.
3. In its government-wide policy role, which is performed by Office of Government-wide Policy, GSA should develop a strategy for its role in promoting effective and efficient practices in warehouse management across the Federal Government, including, but not limited to, warehouse management guidance GSA could develop, lessons learned GSA could promote, and the type of leadership GSA could provide to agencies as they assess their warehouse portfolios.

GSA agrees with recommendation 1 and will make transparent how our mission affects reporting. GSA appreciates that the complexity of our Federal Real Property Profile (FRPP) data may lead to misinterpretation, and it is important to note that GSA has followed the strictest interpretation of the data element definitions provided in the Federal Real Property Council 2013 Guidance for Real Property Inventory Reporting issued by the GSA Office of Governmentwide Policy. As such, GSA has reported assets as either active or excess in concert with our mission as a provider of space to

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partner Federal agencies. More specifically, assets in our inventory that are needed to meet the space needs of our tenant agencies are labeled as active, and only after an asset is determined to be no longer needed to support our mission, does the status change to excess. For the fiscal year (FY) 2014 reporting period, GSA will reassess our use of the status data element categories to better address the status of completely vacant assets that lack a viable asset strategy or defined customer need.

Additionally, GSA reports assets as unutilized or underutilized based upon the statutory definitions per the McKinney Vento Act. GSA's role in the reporting of properties to the Office of Housing and Urban Development (HUD) is rather unique in that we are both a landholding agency, as well as, the primary disposal agent for real property across the Federal Government. Given this dual role, GSA-held properties are reported to HUD as they are submitted for disposal, at which point they are excess. As a provider of space to other Federal agencies, properties held by GSA are sometimes vacant or partially vacant as tenant agencies' housing needs fluctuate with expansion and contraction. As this fluctuation occurs, GSA updates the inventory data for these properties in order to assist in fully optimizing the asset. Therefore, properties that temporarily contain vacant space as a result of fluctuating tenant needs are nonetheless still meeting GSA's mission needs in that the available space is needed to provide space for Federal tenants.

Consequently, these instances of intermittently unoccupied space are not considered to be "unutilized" or "underutilized" and therefore are not reported to HUD as such. When assets are determined to no longer meet the needs of Federal tenants, they are reported excess to the Office of Real Property Utilization and Disposal and reported in the FRPP accordingly. In an effort to enhance transparency in the FRPP documents, GSA Office of Governmentwide Policy will include a statement in the FY 2014 and subsequent FRPP Annual Reports clarifying how GSA's mission, which is to provide space to Federal agencies, affects the reporting of real property assets as it pertains to utilization and status data elements.

In response to recommendation 2, GSA has several strategic efforts in place to work proactively to reduce the Federal footprint, including strategies to provide agencies with necessary storage requirements that utilize less space. GSA has a robust portfolio management program that takes into consideration the asset, market, and customer components for all the assets in our inventory. It includes a financial diagnostic of the assets and segmentation of the portfolio into holding periods. To address the recommendation, GSA will continue to analyze and develop strategies for maximizing our inventory to increase value for partner Federal agencies.

GSA agrees with recommendation 3 and GSA's Office of Governmentwide Policy will promote effective and efficient practices in warehouse management by developing personal property guidance, and by researching best practices in warehouse and

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inventory management. Once this effort is complete, GSA will publish lessons learned and guidance in a Federal Management Regulation bulletin for government-wide dissemination. In addition, GSA will re-evaluate the 1999 GSA Report, *Strategic Storage Needs of the Federal Government*, to assess if there are still relevant findings and recommendations. Finally, GSA will continue to work with the Federal Real Property Council and Federal agencies to track, monitor, and communicate warehouse space management progress in meeting the requirements of the Freeze the Footprint policy.

In addition to these comments, technical comments that update and clarify statements in the draft report are enclosed. If you have any additional questions or concerns, please do not hesitate to contact me at (202) 501-0800, or Ms. Lisa Austin, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 208-1806.

Sincerely,



Dan Tangherlini
Administrator

Enclosure

cc: David Wise, Director, Physical Infrastructure Issues, Government Accountability
Office

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

David Wise, (202) 512-2834 or wised@gao.gov

Staff Acknowledgments

In addition to the contact named above, David Sausville, Assistant Director; Irina Carnevale, Aaron Kaminsky, SaraAnn Moessbauer, Joshua Ormond, Amy Rosewarne, and Crystal Wesco made key contributions to this report.

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