Several Factors Limit DOT's Ability To Efficiently Utilize Its Office Space

Report No. ZA2019049

April 9, 2019

Highlights

Several Factors Limit DOT's Ability To Efficiently Utilize Its Office Space

Self-initiated

Office of the Secretary | ZA2019049 | April 9, 2019

What We Looked At

Since 2003, the Government Accountability Office (GAO) has identified Federal real property management as a high-risk area, prompting reform efforts across the Federal Government. The Department of Transportation (DOT), excluding the Federal Aviation Administration (FAA), maintains approximately 300 office properties across the country, through ownership, lease, or an occupancy agreement with another agency, primarily the General Services Administration (GSA). In fiscal year 2018, DOT (excluding FAA) reported expending over $101 million for just the office space it occupies through GSA. We initiated this review in response to these factors, as well as our recent audit of FAA's office and warehouse leases and the potential to improve the efficiency of departmental expenditures. Accordingly, our audit objective was to assess DOT's utilization of its office spaces, focusing on the degree to which its office spaces comply with the Agency's utilization standard.

What We Found

The Department's May 2016 *Office Space Design Standard Policy* (Policy) only requires DOT to apply the Agency's utilization standard to office space renovations and new acquisitions, which comprise a very small percentage of the total office space. While allowable, this approach limits the effect of Governmentwide initiatives to promote more efficient use of Federal office space. It also does not fully support DOT's own stated Policy goals of ensuring efficient use of all office space and regularly reviewing space to act on efficiency opportunities when possible. The Department also lacks controls to ensure that its Operating Administrations (OA) document justifications if they deviate from the Agency's standard; does not verify that OAs properly calculate their office space utilization rates; and does not have a complete and accurate system for tracking DOT office spaces. Finally, DOT lacks an overall strategic approach for reviewing its entire office space portfolio to find potential efficiency opportunities and cost savings. Based on our findings, we estimate that DOT could put $2.1 million to better use because it is paying for office space in excess of the Agency's utilization standard.

Our Recommendations

We made five recommendations to improve DOT's achievement of efficient office space utilization. The Department concurred with four and partially concurred with one.

All OIG audit reports are available on our website at www.oig.dot.gov.

For inquiries about this report, please contact our Office of Congressional and External Affairs at (202) 366-8751.

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Memorandum

Date: April 9, 2019

Subject: ACTION: Several Factors Limit DOT's Ability To Efficiently Utilize Its Office Space | Report No. ZA2019049

From: Mary Kay Langan-Feirson
Assistant Inspector General for Acquisition & Procurement Audits

To: Assistant Secretary for Administration

Executive branch policy promotes the efficient and economical use of Federal real property assets and provides accountability for department and agency implementation of Federal real property management reforms.[1] Since 2003, the Government Accountability Office (GAO) has identified Federal real property management as a high-risk area, citing long-standing management challenges—including too much excess and underutilized property. These concerns, among others, have prompted widespread attention and reform efforts across the Federal Government. The Department of Transportation (DOT)—excluding the Federal Aviation Administration (FAA)—maintains approximately 300 office properties across the country, comprising over 3 million square feet. DOT owns these properties, leases them directly, or occupies them through an agreement with another agency, primarily the General Services Administration (GSA). In fiscal year (FY) 2018, DOT (excluding FAA)[2] reported expending over $101 million for the approximately 2.7 million square feet of office space it occupies through GSA.

We initiated this review in response to the results of our recent FAA office and warehouse lease audit,[3] GAO's high-risk designation, sustained Governmentwide focus on reform in this area, and the potential to improve the efficiency of departmental expenditures. Accordingly, our audit objective was to assess DOT's

[1] Executive Order 13327, *Federal Real Property Asset Management*, February 4, 2004.
[2] Throughout this report, our use of "DOT" excludes FAA unless otherwise noted, as FAA was not part of the audit.
[3] *FAA's Management and Oversight Are Inadequate To Secure Timely and Cost-Efficient Agency-Leased Offices and Warehouses (*OIG Report Number ZA2018040), April 11, 2018. OIG reports are available on our website: https://www.oig.dot.gov/.

utilization of its office spaces, focusing on the degree to which its office spaces comply with the Agency's utilization standard.

We conducted our audit work from May to December 2018 in accordance with generally accepted Government auditing standards, except as noted in exhibit A. To assess DOT's utilization of office space, we reviewed real property policies, guidance, and planning documentation at both the Department and Operating Administration (OA) levels. We interviewed real property officials within the Office of the Secretary's (OST) Office of Facilities, Information, and Asset Management (M-90), as well as at each OA.[4] We also selected a statistical sample of 100 of 273 DOT office spaces to analyze the Agency's utilization and management of these spaces. This allowed us to estimate funds that could have been put to better use due to limitations in DOT's ability to achieve its utilization standard for its office spaces. Exhibit A details our scope and methodology. Exhibit B lists the entities we visited or contacted.

We appreciate the courtesies and cooperation of Department of Transportation representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-5225 or Darren Murphy, Program Director, at (206) 255-1929.

cc: The Secretary
DOT Audit Liaison, M-1

[4] Our review included OST (represented by M-90), the Office of Inspector General (OIG), and the eight DOT Operating Administrations (not including FAA): Federal Highway Administration (FHWA), Federal Motor Carrier Safety Administration (FMCSA), Federal Railroad Administration (FRA), Federal Transit Administration (FTA), Maritime Administration (MARAD), National Highway Traffic Safety Administration (NHTSA), Pipeline and Hazardous Materials Safety Administration (PHMSA), and Saint Lawrence Seaway Development Corporation (SLSDC). While the OIG is not a DOT OA, for the sake of this report, when we refer to the OAs we are including the OIG.

Results in Brief

DOT's ability to achieve efficient utilization of its office space is limited by several key factors.

Department Policy provides for limited application of the Agency's utilization standard. The Department's *Office Space Design Standard Policy* (Policy)—including the Agency's utilization standard requirements—is directed at office space renovations and new acquisitions. As such, DOT does not apply the Agency's standard to space it began occupying prior to the issuance of the Policy (referred to as *existing space* throughout this report), which is most of DOT's office space. While allowable, as it is in line with the Office of Management and Budget's (OMB) minimum requirements, the Department's approach limits the overall effect of DOT's efforts to fulfill several Governmentwide initiatives aimed at promoting more efficient use of Federal office space, both now and in the future. This approach also does not fully support DOT's Policy goals to ensure efficient use of all office space and regularly review space and acting on reduction opportunities when possible. As such, while the Department has made some progress in reducing its overall footprint, it appears that most DOT office spaces are not used as efficiently as possible. This is indicated by the fact that 62 of our 81[5] valid sampled office spaces exceeded the Agency's utilization standard—34 of which DOT initially occupied or whose current[6] occupancy agreements[7] were dated after the Policy was issued.[8] Moreover, DOT first began occupying most of its spaces before the Policy was issued and has remained in these spaces—at times for 20 years or more. In effect, DOT's limited application of its utilization standard allows offices to remain inefficiently occupied for decades.

Justifications for exceeding the standard are not being done. DOT lacks controls to enforce requirements that an OA deviating from the Agency standard must either document different office space standards in its policy

[5] We determined that 19 spaces in our initial sample of 100 DOT office spaces were not valid, as they were not actually FY 2017 office spaces. Therefore, our audit analysis of DOT office spaces was based on 81 valid samples (see pages 19–20 and table 4 for details). Our 81 sampled spaces include 62 occupancy agreements with GSA, 1 inter-agency agreement with DOT's John A. Volpe National Transportation Systems Center, and 18 DOT-owned buildings.
[6] Throughout this report, when we reference the "current" occupancy agreement, we mean as of June 2018, which is when DOT provided the occupancy agreements to the audit team.
[7] In this report, *agreement* (or *occupancy agreement*) represents the official document—such as a GSA occupancy agreement or inter-agency agreement—allowing DOT to occupy the office space.
[8] Each time a GSA occupancy agreement gets modified—whether it is an administrative revision or a change such as an extension to the occupancy terms—the new version updates the occupancy start date to coincide with the effective date of the change to the agreement.

or demonstrate that the application of the Agency's standard is neither cost-effective nor a best-value option. None of the OAs for the 34 sampled office spaces that exceeded the Agency's standard—and had initial occupancy or current agreements dated after Policy issuance—had established and documented different standards. Furthermore, the OAs for only 2 of those 34 spaces had completed a cost analysis to determine if applying the standard would be cost-effective.

Calculations of utilization rates are unreliable. The OAs were unable to provide utilization rates for 12 of our 81 valid sampled office spaces. In addition, they did not follow the Policy's prescribed methodology for calculating the rates for another 43 sampled spaces. These findings suggest that the Department neither verifies that all OAs understand how to determine utilization rates nor assesses the utilization for all DOT office spaces.

Office space tracking system is incomplete and inaccurate. DOT lacks a comprehensive and accurate system for tracking and managing its office spaces. Two databases contain some details about DOT office spaces but have significant accuracy and completeness issues. Furthermore, the one system that the Department reported to OMB as the system of record for tracking and monitoring all DOT property is not employed by many of the OAs—as there is no departmental requirement to use the system to record and manage office spaces.

Processes for identifying future opportunities to improve office space efficiency are limited. Despite a goal to efficiently utilize all office space and a Policy encouraging regular reviews of space to reduce square footage when possible, DOT did not demonstrate that such reviews are occurring across its office space portfolio. When we requested evidence of real property/office space strategic planning, the Department provided a standard OMB-required annual report, and officials cited their Real Property Council and monthly meetings as evidence of their strategic planning efforts. However, neither these meetings nor the OMB report include a review or discussion of efficiencies for DOT's entire office space portfolio. Furthermore, only one OA provided any planning documentation in response to our request.

For 30 of the 34 sampled spaces that exceeded the Agency's standard and whose current agreements were dated after the Policy was issued, DOT did not provide evidence that it had assessed efficiencies or opportunities to bring these spaces within its utilization standard.[9] As a result, DOT is paying approximately $814,018 for just the square footage above the Agency's standard in those 30 spaces.

[9] These 30 spaces exclude any sampled office spaces where the OA could provide a completed cost analysis or gave adequate reasoning as to why the space currently exceeded the Agency's standard.

Based on this finding, we estimate that DOT could put $2.1 million[10] to better use because it is paying for office space (square footage) in excess of the Agency's utilization standard.

We are making recommendations to improve DOT's achievement of efficient office space utilization.

Background

In recent years, OMB has undertaken several initiatives and issued guidance to improve Federal real property management, specifically targeting office space. As part of this effort, OMB issued its *Reduce the Footprint* (RTF) memorandum and its *National Strategy for Real Property, 2015–2020*[11] on March 25, 2015—both of which require agencies to not only freeze but also reduce their real property footprint. The National Strategy outlines three key steps for improving the efficiency and cost-effectiveness of Federal office space, including (1) freezing growth in inventory, (2) measuring performance to identify opportunities for efficiency improvements, and (3) reducing the inventory, in part by executing opportunities to improve space utilization. OMB issued its RTF memorandum to clarify existing policy requiring agencies to move aggressively to dispose of excess properties, make more efficient use of real property assets, and reduce their total domestic office square footage.[12] As such, OMB directed each agency to issue a policy that specifies a design standard for maximum usable square feet for workstations in owned and leased domestic office space, including spaces with GSA occupancy agreements.[13] OMB required the policies to be in place no later than 1 year after it issued the memorandum.

In response, the Department issued its Policy (*DOT Order 4330.3*) on May 17, 2016, to drive DOT's goal of ensuring that all office spaces are efficiently utilized and support OMB's RTF goals. DOT must at a minimum meet OMB

[10] Our $2.1 million estimate has 90-percent confidence limits ranging from $1.5 million to $2.8 million.

[11] OMB, *National Strategy for the Efficient Use of Real Property 2015–2020*, spring 2015. The National Strategy establishes a clear strategic framework to guide agencies' real property management, increase efficient real property use, control costs, and reduce real property holdings.

[12] OMB's *Reduce the Footprint* memorandum requirements were directed at all executive branch departments and agencies subject to the Chief Financial Officers Act.

[13] GSA executes an occupancy agreement when another agency occupies GSA-controlled space, whether it is Government-owned or leased by GSA on the tenant agency's behalf. The occupancy agreement records and finalizes all agreed-upon terms and conditions of tenant occupancy, including the financial specifics and the responsibilities of both GSA and the tenant agency. It also serves as the billing document on which the tenant agency's subsequent rent payments to GSA are based. A GSA occupancy agreement is technically referred to as an assignment of space, not a lease, but it does fit the Federal Accounting Standards Advisory Board definition of an operating lease, as it conveys the right to use property for a limited time in exchange for periodic rental payments.

requirements—such as those in the RTF policy—but can impose stronger ones if it decides it is in the Department's best interest. The Policy established the Department's utilization rate standard—a range of 150 to 190 usable square feet per person (usfp)—for its occupied owned and leased domestic office space. OST's Office of the Assistant Secretary for Administration directed the Department's OAs, OST offices, and OIG to each develop implementation guidelines to help ensure compliance with the Policy. At the time of this audit, *DOT Order 4330.3* represented the only departmentwide policy or guidance related to real property space, including office space. See exhibit D for a summary of the key DOT and OMB criteria used during this audit.

The stated mission of OST's Office of Facilities, Information, and Asset Management, M-90, includes providing national planning, coordination, and oversight for DOT's real and personal property assets. Its oversight duties focus on building operations, as well as lease, project, and space management. In addition, M-90 develops and evaluates DOT policies covering building operations for both real and personal property assets. Furthermore, the Director of M-90 has been delegated the duties of the Agency's Senior Real Property Officer; these duties include the responsibility to provide efficient and effective national oversight and policy for DOT's owned and leased real property assets.[14]

Several Factors Limit DOT's Ability To Achieve Efficient Utilization of Its Office Spaces

DOT's ability to achieve its utilization standard and its overall goal to use all office space efficiently is limited by a number of factors. As a result, most DOT office spaces exceed the Agency's utilization standard, indicating many of them may not be used efficiently.

Department Policy Provides for Limited Application of the Agency's Utilization Standard

In response to OMB's RTF, the DOT Policy applies, at a minimum, to all office space renovations and new acquisitions. It also states that while OAs are not

[14] DOT's Official Senior Real Property Officer is OST's Assistant Secretary for Administration, but those duties were delegated to the M-90 Director as of May 2015. In an August 2018 letter to OMB, the Department identified the Deputy Assistant Secretary for Administration as DOT's Senior Real Property Officer due to a vacancy in the Assistant Secretary for Administration position; however, the M-90 Director still performs most of the delegated duties.

required to immediately retrofit existing spaces to meet the Policy's established utilization standard, all organizational leaders are encouraged to regularly review space for opportunities to reduce square footage when possible. However, neither the Policy nor any supplemental guidance provides further explanation to clarify such terms as "office space renovations," "immediately retrofit," or "regularly review," which can be subject to interpretation.

The Policy incorporates OMB's minimum requirement that the Agency apply its utilization standard to all renovations and new acquisitions. However, the Policy's requirements for applying the utilization standard beyond OMB's minimum requirements are unclear. The Policy states only that there is no mandate to *immediately* retrofit existing space to meet the standard. As a result, OAs generally do not apply or even consider applying the Agency's standard to their existing offices spaces. This is the case even when a new version of the existing space's occupancy agreement (the current agreement) is created and dated after the Policy was issued.

In addition to requiring the Government to make more efficient use of its real property, OMB also called for Federal agencies to not only freeze but also reduce their office space footprint.[15] DOT has responded to that call with some success. For example, the Department's Federal Real Property Profile Management System (FRPP MS) data shows DOT's total office space square footage decreased from 3,106,673 to 3,071,330 from FY 2015 through FY 2017—a reduction of 35,343 square feet. Furthermore, its total office count fell from 271 to 268.[16]

DOT has made some progress in reducing its footprint. However, the fact that the Department only requires that the Agency's utilization standard be applied to new office space (or renovations) effectively places most of DOT's space beyond the Policy's utilization standard requirements. Therefore, the Department is limiting its ability to achieve the office space efficiencies and reduced costs OMB intended when it directed agencies to establish utilization standards. Furthermore, this approach does not help DOT achieve its stated goal to use *all* office spaces efficiently. As a result, most DOT office spaces appear to be inefficiently utilized. Specifically, 62 of our 81 valid sampled office spaces exceeded the Agency's utilization standard (see table 1, column B).

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[15] OMB, *Reduce the Footprint* memorandum, March 25, 2015; OMB, *National Strategy for the Efficient Use of Real Property 2015–2020*, spring 2015.

[16] During this same timeframe, FAA achieved a reduction in office space of approximately 489,955 square feet and 29 total net spaces.

Table 1. Utilization Rates for 81 Office Spaces in OIG's Sample

Operating Administration	(A) Number of Office Spaces in Sample	(B) Rate Exceeds Utilization Standard	(C) Rate Is Within or Under Utilization Standard	(D) Undetermined Utilization
OST (M-90)	3	3	0	0
FHWA	19	16	1	2
FMCSA	18	17	1	0
FRA	9	7	2	0
FTA	5	5	0	0
MARAD	15	5	0	10
NHTSA	4	4	0	0
OIG	5	4	1	0
PHMSA	0	0	0	0
SLSDC	3	1	2	0
DOT Total	**81**	**62**	**7**	**12**

Source: OIG analysis

Of these 62 sampled DOT office spaces in excess of the standard:

- 28 were first occupied and their current occupancy agreements were dated before the Policy was issued. (Four of the 28 are in DOT-owned buildings purchased prior to the Policy.)
- 29 were first occupied before the Policy was issued, but their current occupancy agreements were dated afterward.
- 5 were first occupied after the Policy was issued.

Table 2 provides the detailed breakout of the utilization rates for the 62 sampled office spaces.

Table 2. Status of Utilization Rates, Pre-and Post-Issuance of DOT Policy

Operating Administration	(A) Spaces Initially Occupied and Current Agreement in Place Before DOT Policy Issuance			(B) Spaces Initially Occupied Before Policy Issuance but Current Agreement Dated Afterward			(C) Spaces Initially Occupied After DOT Policy Issuance		
	Exceeds Utilization Standard	Range of Utilization Rates (usfp)	Undetermined Utilization	Exceeds Utilization Standard	Range of Utilization Rates (usfp)	Undetermined Utilization	Exceeds Utilization Standard	Range of Utilization Rates (usfp)	Undetermined Utilization
OST (M-90)	2	240–272	0	1	239	0	0	–	0
FHWA	0	-	2	14	226–355	0	2	233–367	0
FMCSA	13	202–675	0	3	248–440	0	1	316	0
FRA	4	199–17,400*	0	3	215–366	0	0	–	0
FTA	2	294–434	0	1	218	0	2	239–350	0
MARAD	3	239–368	10	2	194–361	0	0	–	0
NHTSA	2	309–441	0	2	329–450	0	0	–	0
OIG	1	351	0	3	310–490	0	0	–	0
PHMSA	0	–	0	0	–	0	0	–	0
SLSDC	1	349	0	0	–	0	0	–	0
DOT	**28**	**199–17,400**	**12**	**29**	**194–490**	**0**	**5**	**233–367**	**0**

* This 17,400 square feet represents a DOT-owned office building that has not been used since 2007. See pages 15–16 for further details.

Source: OIG analysis of sampled DOT office spaces

Department officials disagreed with our findings regarding the number of office spaces that exceed the Agency's utilization standard. They stated our samples should not have included any office space that DOT began occupying before it issued the Policy, even if the current occupancy agreement to remain in that space was dated after the Policy was issued. Yet this narrow interpretation of the Policy significantly limits DOT's opportunities for achieving or even considering efficient office space utilization. If we used the Department's interpretation to guide our audit methodology, the Agency's utilization standard would apply to only 7 of the 81 sampled office spaces—i.e., those first occupied after the Policy

was issued.[17] In any case, five of those seven spaces exceed the Agency standard by between 43 usfp and 177 usfp (see table 2, column C). [18]

Our audit methodology was guided by the Policy, which states that DOT's goal is to ensure that all office space is utilized efficiently, and all OAs and organizational leaders are encouraged to regularly review space to take advantage of reducing square footage when possible. As such, DOT's narrow application of its utilization standard—to new space and renovations—does not support the Department's overarching Policy goals. For example, GSA occupancy agreements represent the majority of DOT's office space agreements. Whenever, GSA modifies an agreement—whether it is an automated administrative revision (such as a fiscal year payment update) or extends DOT's occupancy of the space—a new version is created with an updated occupancy agreement start date that coincides with the effective date of the change to the agreement.[19] While this current occupancy agreement does not necessarily represent a "new acquisition," it is sent to the occupying OA for review and may require an OA official's signature.[20] This then provides an ideal time for DOT to consider the utilization of the space and assess if there are opportunities to improve space efficiencies, as the Policy suggests.

Moreover, DOT first began occupying most of its spaces prior to issuance of the Policy and has remained in these spaces—at times for 20 years or more. Yet, under Agency's interpretation of its own policy, DOT can keep extending current occupancy agreements indefinitely without requiring any reassessment of office space utilization rates or overall efficiency. For example, GSA confirmed with us that DOT first occupied an office space in Frankfort, KY, on February 1, 2002. It has since extended the agreement's term end date twice (in 2009 and 2014), allowing continued occupancy until January 31, 2024. Therefore, DOT will occupy the space for 22 years, and may extend the agreement term dates yet again before the January 2024 expiration date. This space has a utilization rate of 355 usfp—almost double the upper range of the Agency's standard. Overall, of the 29 sampled spaces exceeding the standard with current occupancy agreements dated after the Policy (see table 2, column B), DOT has remained in 4 of them for

[17] According to our analysis, the Agency's standard should apply to 38 of our 81 sample spaces, which include all spaces whose initial occupancy or current agreement is dated after Policy issuance. Four of these spaces had utilization rates within or below the standard; the other 34 exceeded the standard (see table 2, columns B and C).
[18] DOT explained that although the leases (and DOT's occupancy) for two of these five spaces began after the Policy was issued, the utilization standard does not apply because the space requirements were submitted and construction of the space began prior to the Policy's issuance.
[19] When GSA must enter into a new lease for the space DOT is occupying, a new occupancy agreement (with a new number) is awarded.
[20] Examples of occupancy agreement revisions that require a DOT signature include: expansions or reductions in square footage, added or deleted services, and extensions for continued occupancy. Exceptions for extensions for continued occupancy are allowed, depending on if the space is GSA-leased or owned, the usable square footage changes, or tenant improvements are added.

more than 20 years. The utilization rates of the four spaces range from 239 to 450 usfp.

DOT Does Not Ensure Justifications Exist for Office Spaces That Deviate From the Agency's Utilization Standard

OMB's RTF policy states that based upon mission requirements, agency components can implement office space design standards that differ from those developed by the larger agency, as long as they document and justify the applicable standard within their policies. In contrast, DOT's Policy requires the OAs to document and justify different standards only if requested to do so by the Senior Real Property Officer. In addition, similar to but slightly broader than the RTF policy, the DOT Policy states OAs are not required to apply the standard if they can demonstrate that its application is not cost-effective or the best value option. Despite these differences, in September 2017 and September 2018, the Department reported to OMB that an OA that does not apply DOT's office space standard design requirements must document that decision with a sound justification, adding in September 2018 that Department-level approval must also occur in these instances, "per Policy."

However, none of the 34 sampled offices that exceeded the Agency's utilization standard *and* whose initial or current occupancy agreement was dated after DOT's Policy was issued (see table 2, columns B and C) had documented justifications for exceeding the standard. When asked, the OAs provided explanations for 18 of the 34 offices. However, for 15 of the 18 offices, the OAs did not explain whether the deviation was related to mission or cost, or describe actions in progress to improve the space's utilization. For example:

- The OAs for 9 of the 18 offices explained—consistent with DOT's limited application of the Policy—that the standard did not apply since their office spaces were occupied before the Policy was issued. However, the initial or current occupancy agreements for all nine offices were dated after the Policy was issued.
- Another OA stated it had exceeded the standard because it did not make any significant alterations to the space when it renewed its occupancy agreement. However, this OA's implementation guideline for the Policy states it will meet, to the fullest extent possible, the Agency's standard for spaces whose agreements are about to expire.

Moreover, since the Policy was issued, the OAs had completed cost analyses for only 2 of the 34 spaces.[21] When asked, the OAs for two other spaces provided reasonable explanations for why cost analyses were not completed.

Given that the Department's application of the Policy does not include existing space, it's not surprising that the remaining 28 DOT office spaces in our sample that exceeded the Agency standard—first occupied and with current agreements dated before Policy issuance (see table 2, column A)—lacked cost analyses. However, we obtained a reasonable explanation for one of these spaces. Specifically, a real property official explained that in 2008 the OA reviewed options to address inefficient utilization of its DOT-owned office building in Massena, NY, which had a 349 usfp utilization rate at the time of this audit. The OA was assessing options to move its staff to another OA facility in Massena or a newly constructed building, which would be followed by a sale of the existing one. Yet, as the Massena region is in a long-term economic downturn, no one has been interested in purchasing the property or leasing space in the building in the last 10 years.

A cost analysis would allow the Department to compare the cost of staying in the space to executing some type of efficiency opportunity—e.g., relocation, consolidation, or right-sizing—to align with the Agency's standard. It is unclear how an OA that has not performed a cost analysis could show that, as required by the Policy, the application of the utilization standard is neither cost-effective nor the best-value option.

Moreover, according to the OAs, none of them have been required or asked to document a justification or obtain approval from M-90 when their office spaces exceed the Agency's utilization standard. Furthermore, the Policy does not require M-90 to review or approve an OA's acquisition of new office space or an agreement for continued occupancy of a space—although M-90 officials said they may do this on a case-by-case basis. Instead, as the M-90 Director told us, justifications for exceeding the standard are conducted informally, through discussions.

Due to the limited application of the Policy and lack of controls for overseeing how each OA decides to administer, or justify deviations from, the standard, the Department may have missed opportunities to save costs. Of the 34 sampled offices that exceeded the Agency's utilization standard *and* whose initial or current occupancy agreement was dated after DOT's Policy was issued (see table 2, columns B and C), only 4 had either a cost analysis or a reason for why one was

[21] Both spaces are among the 29 spaces in our sample that exceed the Agency's utilization standard and whose occupancy began before DOT issued the Policy but whose current agreement to occupy the space began afterward. (See table 2, column B.) They represent OIG office spaces in Seattle and Chicago. OIG terminated its Seattle office location in May 2018 and is planning to relocate its Chicago office around September 2019.

not completed. Based on the annual rent amounts for the remaining 30 spaces,[22] DOT will pay approximately $814,018 through the full term of the current agreements for just the square footage above 190 usfp. Thus, we estimate that DOT could potentially put $2.1 million[23] to better use because it is paying for office space (square footage) that exceeds the Agency's standard in instances where initial or current occupancy agreements were dated after the Policy was issued. (See exhibit E, tables E1 and E2.)

Furthermore, additional cost savings opportunities can be identified among the sampled spaces that exceed the Agency's standard and have initial occupancy *and* current agreements dated before the Policy was issued (see table 2, column A). Of the 28 sampled spaces, one had an adequate reason why a cost analysis was not completed. For another three, we were unable to obtain a monetary value for DOT occupying these spaces, which included an office building with 17,400 usable square feet that DOT owns but has not used since 2007. Based on the annual rent amounts for the 24 remaining spaces, DOT will pay approximately $438,555 through the full term of the current agreements for just the square footage above 190 usfp. When estimated across the universe, this equals approximately $1.7 million,[24] a conservative estimate as we set the cost of the excessive space at $0 for all three DOT-owned offices where we were unable to assess a monetary value. (See exhibit E, tables E3 and E4.)

These estimated amounts totaling several million dollars illustrate what DOT could potentially save if it regularly reviewed all of its office spaces for efficiency opportunities, as its Policy encourages. While a one-time expense—e.g., for renovation, relocation, or consolidation—could offset the rent savings recognized from aligning these spaces with the utilization standard, DOT has not performed a cost-benefit analysis to consider this offset as well as determine the potential for future cost savings.

DOT's Utilization Rate Calculations Are Unreliable

According to the DOT Policy, the utilization rate of an office space is determined by dividing the total usable square feet by the total personnel count. The Policy further defines total personnel count as the peak number of occupants (peak

[22] Based on the occupancy agreement term for each sample, we made a flat 1-percent adjustment—up or down—to the annual rent if the agreement identified in the rent schedule was incrementally adjusted each year rather than fixed for the entire term. This 1-percent adjustment was conservative as there were sampled spaces whose rent schedule increased by approximately 3 or 5 percent annually.

[23] Our $2.1 million estimate has 90-percent confidence limits ranging from $1.5 million to $2.8 million.

[24] Our $1.7 million estimate has 90-percent confidence limits ranging from $1.1 million to $2.2 million.

occupancy)[25] multiplied by 90 percent.[26] However, because each OA uses different methods for determining peak occupancy, this number is subject to varying interpretations. For example:

- One OA's real property official said they determine peak occupancy by reviewing a list of the full-time equivalents (FTE) in the space during the first week of September each year. The official explained the OA opted to use this time window as it captures all interns and summer hires, which maximizes employee counts and results in a more favorable utilization rate.
- At two other OAs, real property officials said they determine peak occupancy based on the FTE ceiling or how many people it takes to fully staff the office. This method also results in more favorable utilization rates than if they had used the number of actual staff in the spaces.
- Yet another OA calculates peak occupancy by determining the average number of employees in the office space on a given day—using the Policy's definition that this number includes but is not limited to Federal employees, interns, temporary hires, and onsite contract support. However, this approach can be problematic. For example, the OA initially reported that the peak occupancy of one space in our sample was 22 employees and that 20 of the 22 were in the office for no more than 4 days per 2-week pay period. After we asked how the peak occupancy could be 22 if 20 of those employees were infrequently onsite, the OA revised its peak occupancy to 12 employees. Changing the peak occupancy from 22 to 12 employees takes the utilization rate of the space from 108 usfp (below the Agency's standard) to 199 usfp (above the Agency's standard).

Complicating these issues surrounding DOT's approach to determining peak occupancy, M-90 officials stated that they use various methods to determine peak occupancy and utilization of specific DOT offices when needed for various Department initiatives. These various methods include (1) evaluating the number of existing workspaces (occupied and vacant) and (2) "round[ing] up" current funded staff positions, including anticipated details and interns at the time of peak occupancy. M-90 officials also told us they accept the peak occupancy counts provided by OAs without validating the numbers. The M-90 Director further clarified that OST accepts these numbers from executive-level OA officials, so there is a sound level of confidence in what is reported. However, she added

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[25] Per DOT Policy, peak occupancy is meant to include, but is not limited to, Federal employees, interns, temporary hires, and onsite contract support.
[26] The Department uses a 90-percent factor to capture such efficiencies as telework and other flexible work schedules that reduce peak occupancy.

that her staff could question a reported peak occupancy number that appears askew.

Furthermore, some OAs are unaware of or unclear about the Department's methodology for determining an office space utilization rate. We validated the utilization rates reported by the OAs for our 81 valid sampled office spaces by applying the Policy's prescribed methodology to the OA-reported usable square feet and peak occupancy numbers. Our validation results for the 81 sampled spaces were as follows (see table 3):

- We were unable to determine a utilization rate for 12 spaces in our sample because the OAs could not provide both the usable square feet and peak occupancy numbers for these spaces. Based on this finding, we estimate that DOT does not know the utilization rates for 4.4 percent of the 273 office spaces in our universe.[27]
- Excluding the 12 undetermined spaces, the utilization rate we calculated matched the OAs' reported utilization rates for only 26 of the 69 remaining sampled spaces.

Table 3. Summary of OIG's Validation of OA-Reported Utilization Rates for 81 Sampled Spaces

OIG-Calculated Utilization Rate Compared to OA-Reported Utilization Rate			
Total # Sampled Spaces	# With the Same Rate	# With a Different Rate	# Undetermined
81	26	43	12

Source: OIG analysis

Of the 43 spaces where our utilization rate calculation did not agree with the OAs' reported rate:

- For six of these spaces, the OAs reported the utilization rates were unknown but reported concrete numbers for both the usable square feet and peak occupancy. We then applied those numbers to the Policy's methodology and calculated the utilization rates for all six spaces; they ranged from 194 usfp to 675 usfp, each exceeding the Agency standard.

[27] Our 4.4-percent estimate has a 100-percent lower confidence limit of 4.4 percent and a 90-percent upper confidence limit of 8.7 percent.

- For another sampled space—an office building in Pueblo, CO—the OA reported a zero utilization rate because the building had not been used since 2007 and was gutted during an asbestos abatement project in 2016. Yet the OA still owns the building and reported its total usable square footage as 17,400.[28]

- For the remaining 36 spaces, the OAs reported actual utilization rates; however, the OAs' rates did not match the rates we calculated using their reported peak occupancy numbers and usable square feet. The differences between our rates and the OAs' ranged between 1 and 110 usfp (in absolute value)—and our calculated utilization rates were higher than the OAs reported rates in all but two sampled office spaces. For example:

    - An OA reported a 330-usfp utilization rate for its office space in Anchorage, AK. We calculated the utilization rate to be 440 usfp, a difference of 110 usfp.

    - Another OA reported a 296 usfp utilization rate for its office space in Chicago, IL. We calculated the utilization rate to be 366 usfp, a difference of 70 usfp.

- Furthermore, for five of these sampled spaces, the OA-reported utilization rate was within the Agency's standard, but our calculated rate exceeded the standard. Specifically:

    - One OA reported that the rate for three of its office spaces (located in Progreso, TX; Atlanta, GA; and Pharr, TX) was around 180 usfp, but we calculated the utilization of each office at just over 200 usfp. The differences in calculations ranged between 20 and 21 usfp, but more important, the utilization rate of each office space went from compliant to noncompliant with the Agency standard.

    - Another OA stated the utilization rates for its office spaces in Atlanta, GA, and Ontario, CA, were 174 and 160 usfp, respectively. However we calculated the rates to be 215 and 199 usfp. This represents a difference of 41 and 39 usfp and also moved the utilization rates from compliant to noncompliant with the Agency's standard.

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[28] An OA real property official explained they have not disposed of the building, although it has not been used for over 10 years, because (1) its use as a secure research and training facility makes it difficult for anyone other than the current contractor to use, and (2) uncertainty exists in future funding and usage of the building—including for possible future research, testing, and training needs.

After reviewing our analysis, three OAs—representing 30 of the 43 sampled spaces where our utilization rates varied from the OAs' reported rates (see table 3)—agreed with the utilization rates we calculated. Officials at two of these OAs acknowledged that they had incorrectly determined the utilization rates they reported to us.

Adding to the OAs' challenges in determining utilization rates is an inconsistent approach at the Department level. Officials at three OAs specifically told us that M-90 will determine utilization rates for their office spaces without clarifying how the rates were calculated or why they differ from the last time M-90 reported them. Furthermore, M-90 officials have calculated the utilization rate for some DOT office spaces using a methodology that factors in the number of workstations as part of the peak occupancy, which is not the Policy's prescribed methodology. Factoring workstations—which may be vacant—into the utilization calculation could artificially increase the peak occupancy and ultimately decrease the overall utilization rate. Nevertheless, the M-90 Director stated her office is consistent and follows the Policy when calculating utilization rates, adding that the OAs might not always agree with the Department's calculations, but do understand how the rates are calculated.

DOT's varied and at times unreliable methods for determining utilization rates (including peak occupancy) inhibit its ability to consistently and accurately assess the efficiency of its office spaces or identify potential cost-saving opportunities. These findings also indicate that the Department neither verifies that all OAs understand how to determine utilization rates nor assesses the utilization for all DOT office spaces.

DOT Lacks a Complete and Accurate Tracking System for Its Office Spaces

The Department does not maintain a comprehensive tracking system or database listing all of its office spaces. To develop a universe for this audit, we compiled data from three sources representing two databases. The two databases include FRPP MS[29]—both GSA's and DOT's data, which feed the overall FRPP MS—as well as DOT's Real Estate Management System (REMS). Each source has data accuracy and completeness issues.

[29] As directed by Executive Order 13327 (February 2004), GSA established the FRPP MS (formerly known as the Federal Real Property Profile). GSA maintains the overall database, and each agency is required to provide annual updates of its real property assets. FRPP MS acts as the single, comprehensive database describing the nature, use, and extent of all real property under the custody and control of executive branch agencies.

As a member of the Federal Real Property Council, DOT is required to report its fiscal year FRPP MS data[30] to GSA by December 31 of each year. GSA ultimately reports this information to OMB. DOT office spaces acquired via occupancy agreements with GSA are recorded in GSA's, not DOT's, FRPP MS. However, around November of each year, GSA provides its FRPP MS data for DOT office spaces to the Department to verify for accuracy and completeness. GSA also asks the Department to fill in additional data fields for each office space, such as if the space is suitable for co-location and the number of Federal and contractor personnel located there.

In September 2017, the Department reported to OMB that it maintains all its property in REMS and that, as the system of record, REMS is positioned to provide data for monitoring compliance. The Department also reported using REMS as the basis for its required annual FRPP MS reports to OMB and GSA.

However, we identified numerous inaccuracies and discrepancies in DOT's FY 2017 data in both databases—REMS and FRPP MS (both GSA's and DOT's). Specifically:

- Our analysis showed that the REMS data is outdated and inaccurate. For example:
    - OIG's 3rd Street location was listed as an active GSA lease. However, OIG terminated this lease in September 2013, over 4 years ago.
    - An OA Division Office in Alabama was listed under an outdated address, although it had moved to its current location in 2009. The current address is correctly listed in FRPP MS.
- The two databases had different or inconsistently populated data fields, making tracking and maintaining DOT offices even more difficult. For example:
    - Both REMS and FRPP MS only reported the annual rent—or any monetary value—for 4 of the over 300 DOT office spaces listed in the databases.
    - Neither FRPP MS nor REMS lists the start date of occupancy for any of the 30 DOT-owned office buildings. Furthermore, this data field was not completed for any of the 284 DOT occupied, but not owned, office spaces reported in REMS.

[30] FRPP MS data includes all owned, leased, and otherwise managed Federal real property assets, including office space, within and outside the United States.

- REMS only lists the final expiration date of the agreements involving 4 of the 284 non-DOT owned office spaces.

- We found discrepancies between the FRPP MS or REMS data and the information provided by the OAs for 61 of the 100 initial sample spaces, including details in the actual occupancy agreements. Based on this finding, we estimate that there are discrepancies between the databases and the occupancy agreements for 182 (66.6 percent)[31] of the 273 DOT office spaces in our universe.

  Specific examples of discrepancies in the databases' FY 2017 data include the following:

  - DOT's FRPP MS listed an OA's office space in Port Arthur, TX, as DOT-owned. However, the office space was actually leased by DOT, not owned, and the OA canceled the lease in 2008 after Hurricane Ike.
  - For another office space in Columbia, SC, the start and end dates and the usable square feet reported in GSA's FRPP MS do not match those in the current occupancy agreement for the space. Specifically, the FRPP MS lists the start date as March 1, 2007, and the end date as February 28, 2027. Yet the occupancy agreement shows the start and end dates as November 30, 2016, and November 30, 2026, respectively. Furthermore, the FRPP MS records the space as having 1,920 usable square feet while the occupancy agreement identifies 2,344 usable square feet.
  - An OA space in Pueblo, CO is listed as a DOT office space in DOT's FRPP MS. However, this office space was a trailer that was destroyed in an electrical fire in April 2017.

Due to the inaccuracies in these databases, we determined 19 of the 100 initial sample spaces were invalid as they had been inaccurately represented as FY 2017 DOT office spaces (see table 4). For example, these 19 spaces included parking spaces, a storage cage, warehouses, technical spaces, and office space DOT no longer occupied.[32] Based on this finding, we estimate that 29 (10.5 percent)[33] of the 273 office spaces in our universe were misrepresented in the database and were no longer occupied by DOT at the end of FY 2017.

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[31] Our 66.6-percent estimate has a precision of +/-7.6 percentage points at the 90-percent confidence level.
[32] DOT Policy defines technical space as unique functional areas such as laboratories or large computer/data rooms, and states it is not included in utilization rate calculations.
[33] Our 10.5-percent estimate has a 100-percent lower confidence limit of 7 percent and a 90-percent upper confidence limit of 14.4 percent.

Table 4. Summary of Valid Versus Invalid Sampled DOT Office Space

	M-90	FHWA	FMCSA	FRA	FTA	MARAD	NHTSA	OIG	PHMSA	SLSDC	DOT
Valid	3	19	18	9	5	15	4	5	0	3	**81**
Invalid	7	3	0	2	1	3	0	0	1	2	**19**

Source: OIG analysis

After we notified the OAs about our findings, several took steps to correct some of the data issues in REMS and DOT's FRPP MS. However, officials at one OA stated they could not correct REMS and had to contact customer support. Furthermore, the OAs do not have direct access to FRPP MS and can only send corrections to M-90 to help ensure departmental FRPP edits are made. In September 2018, the Department reported to OMB that it had made corrections to its real property data to account for assets that had previously been inaccurately identified as offices or warehouses.

Although the Department told OMB that REMS is the system of record for all DOT real property, the OAs—with the exception of FAA—use REMS either on a very limited basis or not at all. FAA is the only OA that currently inputs real property data into REMS in accordance with its Agency-specific acquisition management policy and real estate guidance. Instead, the OAs use spreadsheets or GSA's website (Rent on the Web) to track their office spaces, or have no real process in place to do so. Specifically:

- Five OAs said they do not have access to or use REMS.
- One OA was unsure if it has access to REMS but does not use the system.
- Officials at two OAs said they use REMS but only to track their owned office spaces.
- Officials at another OA told us they have access to and use REMS—"when it's working"—for all their office spaces.

Yet, in a May 2018 meeting, an M-90 official told us that all the OAs used REMS to track their office spaces. When we questioned this statement, M-90 officials explained that they wanted the OAs to once again use REMS to track real property, as they had done in the past. They also noted that all OAs do have access to REMS. The M-90 Associate Director added that they hope to create a standard operating procedure in the future that requires OAs use REMS. M-90 officials later acknowledged that REMS is not up-to-date. However, they reported

in November 2018 that they are working on improving internal controls and training for the OAs to increase accuracy in REMS.

One of OMB's National Strategy priority goals is to improve the quality of FRPP MS data and use the information to identify consolidation opportunities. However, the Department reports to OMB that it uses REMS as the basis for its FRPP MS reporting, even though it is not up-to-date, and the OAs are not required to use it. Furthermore, DOT also reported to OMB in September 2018 that it uses a number of REMS data validation processes to improve FRPP MS data quality—such as a triennial inventory process and "Invalid Data Module."[34] However, the majority of these data validation processes are only in place for FAA, not for the rest of DOT. Finally, REMS does not include a data field for tracking staff counts at DOT's various office spaces. Without staff counts, the Department cannot track or validate the utilization rates for all its office spaces to assess compliance with the Agency's utilization standard and identify possible efficiency opportunities. In November 2018, Department officials stated REMS does include a field for staffing counts, although none of the REMS data files we received during this audit, or our previous audit of FAA office and warehouse leases, included this field. Furthermore, they did not provide support to validate this statement.

While M-90 officials acknowledged they do not track the utilization rates for all DOT office spaces, the M-90 Director stated they ensure compliance with the Policy through active engagement—talking with and educating the OAs. However, given our audit findings, this method of ensuring compliance is not adequate. Furthermore, the Director told us that much of the Department's space leadership is through "robust discussions." Consistent with this, we noted a number of positive initiatives. In February 2016, the M-90 Director began chairing DOT's Real Property Council, which consists of executives in all DOT OAs. This Council meets about three times per year. In addition to the Real Property Council, the M-90 Associate Director chairs a monthly Real Property Workgroup that includes subject matter experts from each OA, and aims to improve processes that support efficient management of DOT's real property portfolio. Several OAs told us they have noticed more leadership and communication coming from M-90, particularly over the past year, as previously there was a noticeable leadership void.

[34] DOT reports the REMS "Invalid Data Module" checks real property asset information against a set of business rules. When data errors are identified, FAA assigns its regional personnel to validate and correct the errors.

DOT's Efforts To Identify Efficiency Opportunities Are Limited

Per OMB's National Strategy, one of an agency's priorities is to assess the efficiency of existing office space and execute opportunities to improve space utilization. According to OMB, both owned and leased office spaces present opportunities for Federal agencies to analyze the utilization of those spaces. The DOT Policy states that the Department's goal is to efficiently utilize all of its office space in support of OMB's goals, and "encourages" all OAs and organizational leaders to regularly review space and reduce square footage when possible. However, M-90 and most of the OAs were unable to demonstrate that they conduct regular reviews of their office space portfolios.

Moreover, when we requested evidence of real property/office space strategic planning, only one OA provided any documentation that accounted for its office space utilizations. M-90 also did not provide any overall Department-level strategic planning documentation beyond its OMB-required *Real Property Efficiency Plan*,[35] which does not consider DOT's entire office space portfolio or the associated utilization rates. The Department later cited its Real Property Council and monthly meetings as further evidence of its strategic planning efforts. However, these meetings do not include a review or discussion of efficiencies for DOT's entire office space portfolio.

In comparison, FAA has developed a 5-year real estate strategic plan to improve the efficiency of office and other administrative spaces, as well as identify potential cost savings. This planning effort was implemented, in part, to provide FAA's portion of DOT's *Real Property Efficiency Plan* for OMB. FAA begins this strategic planning process with a review of all of its leased and owned administrative space,[36] including an analysis of the variance from its utilization standard of 170 usfp. FAA also conducts a cost analysis of each space to assess potential cost-saving opportunities. DOT did not provide evidence to show it has an overall strategic approach to managing its real property portfolio that is similar to FAA's or reflects the apparent intent of OMB's National Strategy Policy. This may contribute to the fact that all office and warehouse square footage reductions the Department identified as targeted for FY 2019 through FY 2021 are FAA projects.

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[35] Per its RTF policy, OMB requires each agency to annually submit a Real Property Efficiency Plan that describes: the overall strategic and tactical approach to managing real property; provides a rationale for and justifies its optimum portfolio; and drives the identification and execution of real property disposal, efficiency improvements, general usage, and cost-saving measures. OMB provides the basic template for the report contents in the RTF.

[36] According to FAA policy, administrative space includes assigned work spaces for typical office operations and normal day-to-day business.

M-90 cited the Efficiency Plan for OMB and the National Capital Region Facility Strategic Plan as evidence of its strategic efforts. However, the National Capital Region plan is project specific and only involves DOT office spaces in the Washington, DC; Maryland; and Northern Virginia area.

Given some of the other factors we have already identified as limiting DOT's achievement of efficient office space utilization—i.e., unreliable or unknown utilization rate calculations, lack of a complete and accurate tracking system—DOT's ability to carry out a holistic strategic planning process like FAA's will be difficult. Furthermore, the Policy's use of words like "encourage" and "regular review" leave unclear what, if anything, is actually required. This lack of a clear requirement or internal control process to identify efficiency opportunities has resulted in practices that do not fully promote achievement of DOT's overall goal to efficiently utilize all office space in support of OMB's goals.

Conclusion

Although the Department of Transportation aims to use its office space efficiently and has taken steps in that direction, it still can do more to strengthen its policy and oversight tools to reach that goal. To achieve efficient utilization of all its office spaces and help reduce associated costs, the Department needs to clarify and expand on its *Office Space Design Standard Policy* and establish comprehensive and consistent methods for tracking and managing its office space. Until then, DOT risks paying for underutilized space and missing opportunities to fulfill the Department's mission by putting Federal funds to better use.

Recommendations

To improve DOT's utilization of its office spaces, we recommend that the Assistant Secretary for Administration:

1. Develop, document, and implement a supplemental guide to DOT's *Office Space Design Standard Policy* (Policy) to provide the Department and its Operating Administrations (OA) guidance for applying the Agency's utilization standard to existing office space—including those spaces that DOT continues to occupy under new agreements—and clarify those terms related to the application of the standard, as identified in this report—i.e., "new acquisitions," "office space renovations," "immediately retrofit," and "regularly review."

2. Develop, document, and implement an internal control process to apply when an OA is planning to acquire or continue to occupy an office space that exceeds the Agency's utilization standard. At a minimum, the process should require the OA to justify with documented evidence that it has implemented a different standard based on mission requirements or that applying the Department's standard will not be cost-effective or a best value option. Implementing this recommendation could potentially put $2.1 million in funds to better use by preventing DOT from paying for unneeded space that exceeds the Agency's utilization standard.

3. Develop, document, and implement a supplemental guide to DOT's Policy to provide OAs guidance on how to determine peak occupancy and accurately calculate the utilization rates for all DOT office spaces in compliance with the methodology prescribed in the Policy.

4. Develop and implement a process for tracking DOT office spaces and their utilization rates. At a minimum, this process should include the ability to track staff counts and a requirement for the OAs to regularly maintain and report up-to-date data.

5. Develop, document, and implement departmentwide guidance on how all OAs are to conduct regular reviews of their office spaces to identify and execute cost-efficiency opportunities.

Agency Comments and OIG Response

We provided a copy of our draft report to the Department on December 10, 2018, and received its response on February 28, 2019, which is included as an appendix to this report. The Department concurred with recommendations 1, 2, 4, and 5, as written, and proposed appropriate planned actions and target completion dates. However, recommendation 2 includes our $2.1 million in potential savings, which the Department does not accept. Therefore, we request that Department officials review their response and clarify whether they still concur with recommendation 2 as written, given that they disagree with the potential monetary savings. We consider recommendations 1, 4, and 5 resolved but open pending completion of the planned actions.

The Department partially concurred with recommendation 3, stating it does not agree to calculate the utilization rates for *all* DOT office spaces, and will calculate this rate only for new spaces or renovation projects. However, this planned alternative action will not meet the intent of our recommendation. It will also make implementation of recommendation 4 (i.e., tracking of DOT office spaces and their utilization rates) impossible to complete. In addition, FAA—which holds

over 99 percent of DOT's real property assets—agreed with our April 2018 recommendation to regularly track and assess the utilization rate for "all" of its office space leases and use up-to-date, accurate data to determine the rates. Therefore, the rest of the DOT OAs should be able to do the same for their office spaces. Moreover, Department officials stated in their response that they are currently evaluating DOT's real property portfolio to identify opportunities to reduce office space. It is unclear how this will be accomplished without utilization rates for most of the spaces. As such, we consider recommendation 3 open and unresolved and ask the Agency to reconsider its position.

Regarding the Department's statement that our report contains several inaccuracies, we offer the following points:

- We agree that the current occupancy agreements we reviewed for our sample of DOT office spaces were not all renewals. Some were solely administrative revisions, and we changed our report language accordingly. However, the nature of the current occupancy agreements is not relevant to our findings about DOT's achievement of efficient office space utilization. By only requiring that the Agency's utilization standard be applied to new office space acquisitions and renovations, the Department has unnecessarily restricted the intended effects of the standard and limited its ability to achieve its goal of efficient utilization of *all* DOT office space. As we highlight in our report, using the Department's narrow application, the standard would only apply to 7 of our sampled 81 DOT spaces. Furthermore, under its current approach, the Department can extend occupancy agreements for existing spaces for decades without ever applying the utilization rate requirements. Based on this explanation and our report findings, we maintain that potential cost savings in this area exist and stand by our $2.1 million in funds put to better use.

- In its response, Department officials stated they do not believe GSA's guidance identifies administrative revision(s) to an occupancy agreement as something that initiates an obligation to comply with the utilization standard. We agree this is not a compliance issue; our point is that a revision to an occupancy agreement—administrative or otherwise—provides a prime opportunity for DOT to assess the space for potential efficiencies and associated cost savings, since the new version of the agreement is provided to DOT to review and possibly sign.

- Finally, to be clear, this report neither states nor implies that DOT is not in compliance with OMB requirements. In fact, we note that DOT's Policy restrictions are allowable and meet the minimum OMB requirements. However, OMB does not limit or prevent agencies from taking a broad look at their office space portfolios, but actually directs them to do so to find space efficiencies and cost savings. DOT's application of its Policy is limiting its

ability to achieve the effective office space utilization sought by both the Department and OMB.

Actions Required

We consider recommendations 1, 4, and 5 resolved but open pending completion of planned actions.

We consider recommendations 2 and 3 open and unresolved. We request that the Department reconsider the $2.1 million in projected savings and clarify its concurrence with recommendation 2, and also reconsider its position on recommendation 3. Please provide us with revised responses for both recommendations within 30 days of the date of this report in accordance with DOT Order 8000.1C.

Exhibit A. Scope and Methodology

We conducted this performance audit between May and December 2018 in accordance with generally accepted Government auditing standards as prescribed by the Comptroller General of the United States. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Generally accepted Government auditing standards also require us to disclose impairments of independence or any appearance thereof. OIG office space makes up part of DOT's office space portfolio, and is subject to OMB and DOT policy requirements guiding this audit. As it pertains to OIG office spaces, we do not meet the independence requirements defined by GAGAS. However, because OIG represents a small number of DOT office spaces, any findings pertaining to OIG did not impair our ability to conduct this audit. Our review of DOT's utilization of its office spaces included OST (represented by M-90), OIG, and the eight OAs (excluding FAA): FHWA, FMCSA, FRA, FTA, MARAD, NHTSA, PHMSA, and SLSDC. We excluded FAA from this review because we recently completed an audit of its office and warehouse leases.

To assess DOT's utilization we obtained data on DOT office space as reported in the Department's FY 2017 REMS and FRPP MS. We also used data from GSA's FRPP MS FY 2017 data, as this included all DOT-occupied office space leased or owned by GSA. In creating our universe, we compared the DOT office space data in REMS with those in FRPP MS. Based on this comparison, we determined that the FRPP data were more accurate and complete—as REMS had duplicate and outdated entries. Therefore, we only relied on REMS data for 5 of the 273 DOT office spaces in our universe. These five were categorized as "Other Federally Owned"—meaning they were DOT-occupied spaces owned or leased by a Federal agency other than GSA—and were not included in the DOT or GSA FRPP MS data. Overall, our universe consisted of 273 FY 2017 DOT office spaces: 5 from REMS, 34 from DOT FRPP MS, and 234 from GSA FRPP MS. As annual rent was identified in the data for only 4 of the 273 office spaces in our universe, we were unable to associate a monetary value of our total universe.

Our IT Specialist independently validated the accuracy and completeness of our universe by comparing the addresses for each office space in the universe to DOT's Federal Personnel and Payroll System. We followed up with the individual OAs when any DOT office space addresses in our universe did not have matches in FPPS. The OAs provided valid reasons for all non-matches. Therefore, we deemed our audit universe file reliable for the purpose of this audit.

We divided our universe of 273 DOT office spaces into 3 strata from which we made the following selections: Stratum 1 was a census of all 30 DOT office spaces categorized as DOT-owned office buildings. Stratum 2 was a census of all 17 DOT office spaces categorized as GSA-leased or owned office buildings with occupancy agreements dated on or after May 18, 2016 (the day after the Policy was issued). Stratum 3 was a simple random sample of 53 of 226 (24 percent) DOT office spaces categorized as DOT-leased, GSA-leased or owned, or as other federally owned office buildings where the date of DOT's occupancy agreement was either prior to May 18, 2016 or was not included in the data. The simple random sample was designed to allow for estimates of noncompliance with 90 percent confidence and a precision no greater than +/-10 percent. In combining the selections from the 3 strata, our total sample was 100 DOT office spaces.

To assess DOT's office space utilization, we developed a survey for each of our 100 sampled office spaces to obtain relevant information about the use and management of the space and copies of the current occupancy agreements. The OA associated with each of our 100 samples appointed a staff member to complete the survey. We achieved a 100-percent response rate. Based on the information we collected, 19 of our 100 sampled spaces were invalid, as they were incorrectly categorized in the database and did not represent FY 2017 DOT office spaces.

To further evaluate DOT's office space utilization, we interviewed real property officials—including the Senior Real Property Officer—within OST as well as each of the nine OAs. With one exception, our interviews took place at DOT Headquarters in Washington DC. The SLSDC interview was conducted via teleconference because SLSDC's real property officials are located in Massena, NY. Additionally, we spoke with a GSA Federal Space Management Specialist to gain a better understanding of GSA occupancy agreements and our analysis of them. Finally, in addition to reviewing the Department's and individual OAs' real property policy and guidance, we also reviewed GAO reports on Federal Real Property, GSA real property policy and guidance, relevant OMB memorandums, and applicable sections of the Code of Federal Regulations.

Exhibit B. Organizations Visited or Contacted

Department of Transportation

Office of the Secretary of Transportation (OST)

Office of Facilities, Information, and Asset Management (M-90)

Federal Highway Administration (FHWA)

Federal Transit Administration (FTA)

Federal Motor Carrier Safety Administration (FMCSA)

Federal Railroad Administration (FRA)

Maritime Administration (MARAD)

National Highway Traffic Safety Administration (NHTSA)

Office of Inspector General (OIG)

Pipeline and Hazardous Materials Safety Administration (PHMSA)

Saint Lawrence Seaway Development Corporation (SLSDC)

Other Organizations

General Services Administration (GSA)

Exhibit C. List of Acronyms

M-90	Office of Facilities, Information, and Asset Management, OST
DOT	Department of Transportation
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FMCSA	Federal Motor Carrier Safety Administration
FRA	Federal Railroad Administration
FRPP MS	Federal Real Property Profile Management System
FTA	Federal Transit Administration
FTE	Full-Time Equivalents
GAO	Government Accountability Office
GSA	General Services Administration
MARAD	Maritime Administration
NHTSA	National Highway Traffic Safety Administration
OA	Operating Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
OST	Office of the Secretary
PHMSA	Pipeline and Hazardous Materials Safety Administration
REMS	Real Estate Management System
RTF	*Reduce the Footprint* Memorandum, OMB
SLSDC	Saint Lawrence Seaway Development Corporation
USF	Usable Square Footage
USFP	Usable Square Feet Per Person

Exhibit D. Key Audit Criteria in DOT and OMB Real Property Policies

DOT Office Space Design Standard Policy DOT Order 4330.3 May 17, 2016	Reduce the Footprint (RTF) OMB Memorandum 2015-01 March 25, 2015
Policy Is Directed To	
• Officials in OST, the OAs, and OIG.	• All executive branch departments and agencies subject to the Chief Financial Officers Act.
Overall Policy Goal	
• Ensure that all DOT office space is efficiently utilized in support of OMB's RTF policy goals. • Establish DOT's Policy that specifies the design standards for owned and leased domestic office space, including spaces with GSA occupancy agreements.	• Clarify existing policy for agencies to move aggressively to dispose of excess properties, promote more efficient use of real property assets, and reduce their total square footage of domestic office and warehouse inventory relative to an established baseline.
Application of the Policy	
• The Policy applies, at a minimum, to all office space renovations and new acquisitions for all agency components. • This Policy must be incorporated in individual facility project space design requirements when and where practical. • The standard utilization rate range, requirements, and guidelines set forth in this Order provide a goal and guidance to help OAs develop implementation procedures.	• Each agency's policy shall apply, at a minimum, to all space renovations and new acquisitions for all agency components.
Deviation From the Policy	
• Each OA may implement different standards, based on unique mission requirements, provided that it documents and justifies the applicable standard with the Agency Senior Real Property Officer when requested.	• Agency components may implement different standards based upon mission requirements, provided the Agency documents and justifies the applicable standard within its policy.
• DOT organizations are not required to apply this standard if they demonstrate that it is not cost-effective or the best value option.	• Agencies also are not required to apply the standard to replacement, succeeding, or superseding leases, executed by the agency or by GSA, if the agency can demonstrate that application of the standard is not cost-effective.
Retrofitting Existing Space	
• While existing space is not mandated to be immediately retrofitted to meet the standard of the Policy, all OAs and organizational leaders are encouraged to regularly review space to take advantage of reducing square footage when possible.	• Agencies are not required to retrofit existing space to meet the standard specified in their policies.

Source: OIG analysis

Exhibit E. OIG's Statistical Monetary Projections

Table E1: DOT Office Spaces Exceeding the Agency's Utilization Standard Included in Our $2.1 Million Projection

Operating Administration	Location	Current Agreement Start Date	Current Agreement End Date	Peak Occupancy	USF	Utilization Rate	Cost of USF Over 190 Utilization*
FHWA	Glastonbury, CT	9/16/17	9/1/18	18	5,200	321	$3,400.17
FHWA	Lakewood, CO	9/1/17	6/10/24	271	69,996	287	$25,712.08
FHWA	Little Rock, AR	10/1/17	9/30/25	17	4,650	313	$18,210.53
FHWA	New York, NY	3/9/18	2/28/19	3	657	243	$3,228.34
FHWA	Nashville, TN	3/16/18	3/4/19	24	6,000	278	$1,874.23
FHWA	Atlanta, GA	2/1/18	1/26/21	14	4,179	332	$12,544.80
FHWA	Frankfort, KY	2/1/18	1/31/24	20	6,393	355	$10,418.12
FHWA	Indianapolis, IN	11/1/17	10/31/18	24	5,072	235	$1,030.98
FHWA	Montgomery, AL	8/16/17	8/16/19	22	6,000	303	$6,534.98
FHWA	Sevierville, TN	4/16/18	6/30/18	35	7,121	226	$494.80
FHWA	Providence, RI	10/16/17	9/30/21	14	4,264	338	$27,702.92
FHWA	Albany, NY	6/1/18	5/31/20	43	9,976	258	$3,908.53
FHWA	Ewing, NJ	11/16/17	8/8/22	23	6,827	330	$21,691.14
FHWA	Tallahassee, FL	1/1/18	11/30/29	29	8,200	314	$50,044.74
FHWA	Charleston, WV	3/16/18	12/31/22	16	5,290	367	$18,756.58
FHWA	Los Angeles, CA	6/5/17	6/4/27	16	3,570	233	$26,892.19
FMCSA	Baltimore, MD	11/1/17	10/31/27	8	2,275	316	$39,818.53
FMCSA	Anchorage, AK	5/15/17	5/14/22	3	1,188	440	$63,627.37
FMCSA	Columbia, SC	11/30/16	11/29/26	9	2,344	289	$30,657.14
FMCSA	Matteson, IL	10/16/17	9/30/20	27	6,028	248	$4,280.28
FRA	Atlanta, GA	10/3/16	9/30/23	30	5,803	215	$3,309.64
FRA	Washington, DC	4/1/17	10/19/21	490	101,572	230	$6,882.27

Operating Administration	Location	Current Agreement Start Date	Current Agreement End Date	Peak Occupancy	USF	Utilization Rate	Cost of USF Over 190 Utilization*
FRA	Chicago, IL	7/1/17	6/30/27	20	6,579	366	$65,100.49
FTA	Washington, DC	4/1/17	10/19/21	506	99,186	218	$5,208.17
FTA	Los Angeles, CA	5/30/17	5/31/27	6	1,890	350	$100,519.72
FTA	Chicago, IL	7/1/17	6/30/27	31	6,675	239	$14,929.04
MARAD	Oakland, CA	4/1/17	12/1/20	25	4,370	194	$914.65
MARAD	Washington, DC	4/1/18	10/19/21	306	99,427	361	$18,710.20
NHTSA	Atlanta, GA	10/1/17	9/30/23	9	3,641	450	$46,908.97
OIG	Fort Lauderdale, FL	8/3/16	8/2/31	5	2,452	490	$180,706.61

Source: OIG analysis of sampled DOT office spaces whose current occupancy agreements began after DOT issued its Policy. USF = usable square footage.

Table E2. Sample DOT Office Spaces Exceeding the Agency's Utilization Standard Excluded From Our $2.1 Million Projection

OA	Office Space Location	Current Agreement Start Date	Current Agreement End Date	Peak Occupancy	USF	Utilization Rate	Reason Excluded From Projection
NHTSA	Cambridge, MA	10/1/17	9/30/18	7	2,074	329	Volpe project with GSA underway. Definitive plans to relocate staff to the new, more efficient building—projected move date is 2022.
OIG	Seattle, WA	2/1/17	1/31/22	8	2,478	344	Cost analysis completed and office space agreement terminated with all OIG staff moved out of the building in May 2018.
OIG	Chicago, IL	7/1/17	6/30/27	13	4,221	361	Cost analysis completed and relocation planned for September 2019.
OST	Cambridge, MA	1/1/17	12/31/21	1,125	241,487	239	Volpe project with GSA underway since 2013. Definitive plans to relocate staff to the new, more efficient building—projected move date is 2022.

Source: OIG analysis of sampled DOT office spaces whose current occupancy agreements began after DOT issued its Policy. USF = usable square footage.

Table E3. DOT Office Spaces Exceeding the Agency's Utilization Standard That Were Included in OIG's $1.7 Million Projection

Operating Administration	Office Space Location	Projection Start Date*	Current Agreement End Date	Peak Occupancy	USF	Utilization Rate	Cost of USF Over 190 Utilization
FMCSA	Dover, DE	5/18/16	11/15/22	7	2,714	431	$44,750.90
FMCSA	Progreso, TX	5/18/16	10/31/27	2	364	202	$4,412.68
FMCSA	Atlanta, GA	5/18/16	5/10/20	14	2,600	206	$1,964.79
FMCSA	Nogales, AZ	5/18/16	10/26/18	16	9,716	675	$12,233.02
FMCSA	Little Rock, AR	5/18/16	8/28/25	7	1,950	310	$20,514.50
FMCSA	Lincoln, NE	5/18/16	1/15/26	7	2,437	387	$39,599.08
FMCSA	Buffalo, NY	5/18/16	9/19/25	9	2,200	272	$24,496.92
FMCSA	Burlington, MA	5/18/16	12/31/18	6	1,666	309	$6,155.31
FMCSA	Topeka, KS	5/18/16	8/31/20	8	2,200	306	$13,160.97
FMCSA	Indianapolis, IN	5/18/16	9/30/20	10	2,383	265	$7,963.97
FMCSA	Pharr, TX	5/18/16	6/13/20	10	1,829	203	$608.76
FMCSA	Princeton, NJ	5/18/16	5/12/18	14	3,546	281	$5,512.55
FMCSA	Santa Teresa, NM	5/18/16	8/31/25	5	2,019	449	$63,090.88
FRA	Ontario, CA	5/18/16	5/9/22	12	2,145	199	$1,868.90
FTA	New York, NY	5/18/16	8/31/18	41	10,836	294	$7,838.57
FTA	Kansas City, MO	5/18/16	10/14/19	13	5,078	434	$22,025.42
MARAD	New York, NY	5/18/16	2/28/19	4	861	239	$11,522.58
MARAD	Chicago, IL	5/18/16	8/31/20	1	331	368	$47,640.77
MARAD	Beaumont, TX	5/18/16	1/8/26	8	2,091	290	$25,458.75
NHTSA	Fort Worth, TX	5/18/16	9/5/19	11	3,064	309	$10,014.90
NHTSA	Kansas City, MO	5/18/16	10/14/19	9	3,573	441	$22,768.65
OIG	Fort Worth, TX	5/18/16	3/31/23	14	4,910	351	$20,555.90
OST	Washington, DC	5/18/16	10/19/21	804	173,325	240	$11,906.38
OST	Des Plaines, IL	5/18/16	10/31/20	8	1,960	272	$12,489.46

* The projection start date does not reflect the agreement start date. The projection start date represents the date we used when calculating our projection—which reflects the day after the DOT Policy was issued establishing the Agency's utilization standard. USF = usable square footage.

Source: OIG analysis of sampled DOT office spaces whose current occupancy agreements predate DOT's Policy.

Table E4: Office Spaces Exceeding the Agency's Utilization Standard That Were Excluded From Our $1.7 Million Projection

Operating Administration	Office Space Location	Agreement Start Date	Agreement End Date	Peak Occupancy	USF	Utilization Rate	Reason Space Was Excluded From Projection
FRA	Pueblo, CO	1975	N/A – DOT owned	200	43,107	239	Monetary value of the DOT-owned building unknown.
FRA	Pueblo, CO	Unknown	N/A – DOT owned	0	17,400	17,400	Monetary value of the DOT-owned building unknown.
FRA	Pueblo, CO	1980	N/A – DOT owned	17	3,600	235	Monetary value of the DOT-owned building unknown.
SLSDC	Massena, NY	1958	N/A – DOT owned	27	8,480	349	The OA looked into selling the building and relocate the staff. But no one in the economically depressed area wants to purchase or lease space in the building.

Source: OIG analysis of sampled DOT office spaces whose current occupancy agreements predate DOT's Policy.
USF = usable square footage.

Exhibit F. Major Contributors to This Report

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Appendix. Agency Comments

U.S. Department of Transportation

Office of the Secretary of Transportation

1200 New Jersey Avenue, SE
Washington, DC 20590

FEB 28 2019

Subject: Department of Transportation's Management Response to OIG Draft Report on DOT's Office Space

From: Keith Washington
Deputy Assistant Secretary for Administration

To: Mary Kay Langan-Feirson
Assistant Inspector General for Acquisition and Procurement Audits

Efficient use of space utilization is a priority for the U.S. Department of Transportation (DOT). We are committed to ensuring that office space is properly utilized throughout DOT in accordance with Office of Management and Budget (OMB) guidance and General Services Administration (GSA) policies. DOT implemented a departmentwide policy and reduced over 500,000 square feet of office space with an estimated cost savings of $18,000,000[1] since OMB issued the *Freeze the Footprint* policy[2] and its *Reduce the Footprint* memorandum[3] in 2012 and 2015, respectively. The Department continues to seek opportunities to reduce office space, improve its management and utilization of space, develop more efficient communication tools, and provide training opportunities for its Real Property personnel and stakeholders.

The following actions to further reduce DOT office space are currently underway:

- collaborating with our Operating Administrations and GSA national and regional staff to plan and implement strategic space reduction projects at GSA-leased properties;
- creating a Real Property Workgroup to improve processes and streamline procedures for managing the real property portfolio;
- evaluating the DOT real property portfolio to identify opportunities to reduce office space and enhance tools for managing real property data at both the transaction and portfolio levels; and
- implementing the DOT Real Property Efficiency Plan for FY 2019 - FY 2023.

The Department has reviewed the Office of Inspector General (OIG) draft report and believes it inadequately reflects the actions the Department has taken to reduce office space and contains several inaccuracies. For example:

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[1] DOT Real Property Efficiency Plan Reduce the Footprint Reports, 2016-2018
[2] OMB Memorandum M-12-12 Promoting Efficient Spending to Support Agency Operations, May 11, 2012
[3] OMB Memorandum M-12-12 Section 3, Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint, March 25, 2015

- The Department does not agree with OIG's interpretation that the updated GSA Occupancy Agreements for the office space in their data samples are renewals and therefore subject to the new utilization standard. In accordance with GSA guidance, updates to Occupancy Agreements can be administrative revisions which include expansions and reductions in existing locations, joint use or other services added or removed, funding of tenant improvements and billing adjustments. Any administrative revisions must be supported by the underlying Occupancy Agreement terms. GSA will adjust the remaining months left on an Occupancy Agreement to coincide with the commencement date and year of the revision. When any of these events occur, GSA is required to send a revised Occupancy Agreement to the DOT agency explaining the revision(s). GSA will also initiate a cover letter by mail or electronically which states, "this is an administrative OA for notification purposes" and that tenant agency signature is not required. The Department does not believe that GSA's guidance identifies such administrative revisions as actions that initiate an obligation to comply with the new utilization standard.
  - OIG's projection that DOT could put $2.1 million to better use because it is paying for office space that exceeds DOT's utilization standard included a list of 30 Occupancy Agreements in its methodology. However, 22 of the 30 Occupancy Agreements OIG identified had administrative changes and are not subject to the new utilization standard. Because of OIG's methodology, we do not agree that DOT could put $2.1 million to better use.
- OIG states in its report that the Department has a narrow interpretation of the DOT Office Space Design Standard Policy and therefore is limited in opportunities to achieve efficient office space utilization. The Department disagrees with this position and have confirmed through consultation with OMB and GSA that DOT's Policy and application of its utilization standard is consistent with the intent of OMB's guidance. The Department is also implementing its 5-year Real Property Efficiency Plan to reach the goals outlined in the policy.
- All DOT spaces that are subject to the new utilization standard, based on DOT's interpretation of the requirements, *are* being used as efficiently as possible. The Department has met the requirements outlined in the OMB *Reduce the Footprint* memo and continues to identify cost-effective opportunities to reduce its office footprint as outlined in its FY19-FY23 Real Property Efficiency Plan. The Department meets quarterly with its stakeholders to implement strategic space reduction projects and currently is leading consolidation efforts across five Operating Administrations that will reduce DOT's footprint by another 100,000 square feet.

While we do not agree with OIG's methodology and the basis for its findings, we agree to strengthen our policies and oversight tools. We concur with recommendations 1, 2, 4 and 5 as written and plan to implement the recommendations by September 30, 2020. We partially concur with recommendation 3. We agree to develop, document and implement a supplemental guide to determine peak occupancy, but do not agree to calculate the utilization rates for all DOT spaces. Instead, we plan to calculate the utilization rates for all ***new*** DOT office spaces or renovation projects in accordance with OMB requirements. We plan to implement recommendation 3 by September 30, 2020.

We appreciate the opportunity to review the OIG draft report. Please contact James Usual, Deputy Director for Facilities, Information and Asset Management, at 202-366-0024 with any questions.

Our Mission

OIG conducts audits and investigations on behalf of the American public to improve the performance and integrity of DOT's programs to ensure a safe, efficient, and effective national transportation system.

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