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Report to the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

January 2004

BUDGET ISSUES

Agency Implementation of Capital Planning Principles Is Mixed

GAO-04-138

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GAO Highlights

Highlights of GAO-04-138, a report to the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

Why GAO Did This Study

In fiscal year 2002, the federal government spent nearly $100 billion on capital investments intended to yield long-term benefits for its own operations. Interested in ensuring that good investment decisions are made, the Chairman and Ranking Minority Member, Subcommittee on Government Efficiency and Financial Management, House Committee on Government Reform, asked GAO to evaluate agency experiences with the capital planning principles embodied in the Office of Management and Budget's (OMB) *Capital Programming Guide* and GAO's *Executive Guide* on leading state, local, and private sector capital investment practices. This report examines selected agencies' implementation of this guidance and OMB's use of long-term capital planning data.

What GAO Recommends

GAO recommends that OMB (1) require that agencies comply with the principles and practices of its *Capital Programming Guide* and (2) require that long-term capital plans be submitted to OMB and provided to congressional decision makers. GAO also recommends various specific improvements that could help the Department of Veterans Affairs (VA), the National Park Service (Park Service), the Bureau of Prisons (BOP) and the National Oceanic and Atmospheric Administration (NOAA) in fully implementing the capital planning principles.

www.gao.gov/cgi-bin/getrpt?GAO-04-138.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Susan J. Irving at (202) 512-9142 or irvings@gao.gov.

What GAO Found

VA, the Park Service, BOP, and NOAA have had mixed success with implementing the planning phase principles found in OMB's *Capital Programming Guide* and GAO's *Executive Guide*. The agencies' capital planning processes generally link to their strategic goals and objectives, and they all consider a range of alternatives to bridge an identified performance gap—including nonownership options where appropriate. Most have established processes to review and select from competing project proposals—including the use of senior-level review boards and established criteria to rank project proposals—strongly emphasizing linkage to strategic goals. However, case study agencies have had limited success with using agencywide asset inventory systems and data on asset condition to identify performance gaps. Also, none of them prepares an agencywide long-term capital investment plan. Some have long-term capital planning documents that could serve as a base for development of a comprehensive agencywide plan. While two case study agencies indicated plans to develop agencywide asset inventories and condition data—one of these making substantial progress—only one plans to develop a comprehensive agencywide long-term capital plan.

OMB resource management office (RMO) staff varied in their expectations about agency use of OMB's *Capital Programming Guide*. The RMO staff for the four case study agencies consider numerous factors in reviewing agency requests for capital funding, including strategic plans, obligation rates, and the overall budget request. OMB does not require long-term capital plans from agencies, but RMOs receive various documents for individual capital projects.

Case Study Agencies Conformance with Capital Planning Guidance

Planning guidance	VA	BOP	NPS	NOAA
Strategic linkage	●	●	●	●
Needs assessment and gap identification	◒	◒	◒	◒
Alternatives evaluation	●	●	●	●
Review and approval framework with established criteria for selecting projects	●	◒	●	●
Long-term capital investment plan	○	◒	◒	○

● Practices conform
◒ Practices partially conform
○ Practices do not conform

Source: GAO analysis of agency data.

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Abbreviations

ACP	Agency Capital Plan
AHP	Analytical Hierarchy Process
ASC	Administrative Support Centers
BOP	Bureau of Prisons
CAMS	Capital Asset Management System

CARES	Capital Asset Realignment for Enhanced Services
CBA	Choosing By Advantage
CIP	Capital Investment Panel
CMMS	Computerized Maintenance Management System
CPM	Construction Program Management Office
DAB	Development Advisory Board
DOD	Department of Defense
DOI	Department of the Interior
DOJ	Department of Justice
EIS	environmental impact statement
FASA	Federal Acquisition Streamlining Act of 1994
FIRB	Finance and Investment Review Board
FMSS	Facilities Management Software System
GDP	gross domestic product
GSA	General Services Administration
GMP	general management plan
GPRA	Government Performance and Results Act of 1993
ICE	Bureau of Immigration and Customs Enforcement
INS	Immigration and Naturalization Service
IPT	integrated project teams
IT	information technology
LROBP	Long-Range Overseas Buildings Plan
M&R	modernization and repair
MSN	memorial service network
NAPA	National Academy for Public Administration
NASA	National Aeronautics and Space Administration
NCA	National Cemetery Administration
NEPA	National Environmental Policy Act
NESDIS	National Environmental Satellite, Data, and Information Service
NLC	National Leadership Council
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NOS	National Ocean Service
NPOESS	National Polar-Orbiting Operational Environmental Satellite System
NWS	National Weather Service
OAEM	Office of Asset Enterprise Management
OAR	Office of Oceanic and Atmospheric Research
OFA	Office of Finance and Administration
OIG	Office of Inspector General
OMAO	Office of Marine and Aviation Operations
OMB	Office of Management and Budget

PAC	procurement, acquisition, and construction
PMIS	Project Management Information System
POES	Polar-Orbiting Operational Environmental Satellite
RMO	resource management office
SMC	Strategic Management Council
TRSO	Technical Resource Support Office
TVA	Tennessee Valley Authority
UNOLS	University-National Oceanographic Laboratory System
USMS	United States Marshals Service
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

GAO
Accountability * Integrity * Reliability

United States General Accounting Office
Washington, D.C. 20548

January 16, 2004

The Honorable Todd R. Platts
Chairman
The Honorable Edolphus Towns
Ranking Minority Member
Subcommittee on Government Efficiency and Financial Management
Committee on Government Reform
House of Representatives

This report responds to your request that we evaluate agency experiences with implementing the capital planning principles embodied in the Office of Management and Budget's (OMB) *Capital Programming Guide* and GAO's *Executive Guide: Leading Practices in Capital Decision-Making*. As requested, we (1) determined the extent to which selected agencies have implemented the planning phase principles and concepts described in the capital guidance, (2) identified problems selected agencies have encountered in implementing the guidance principles and concepts, and (3) determined the extent to which OMB uses long-term capital planning information in reviewing agency budget requests and supporting budget justifications to the Congress. We are making recommendations to the Director of the Office of Management and Budget and selected federal agency heads directed at improving agency conformance to OMB and GAO capital planning guidance.

We are sending copies of this report to the Director of the Office of Management and Budget, the Secretary of Veterans Affairs, the Director of the National Park Service, the Under Secretary of Commerce for Oceans and Atmosphere, the Director of the Federal Bureau of Prisons, and selected federal agencies. We will also make copies available to others upon request. This report will also be available at no charge on the GAO Web site at http://www.gao.gov. Major contributors to this report are listed in appendix X. If you have any questions concerning this report, please call me on (202) 512-9142.

Susan J. Irving
Director, Federal Budget Analysis

Executive Summary

Purpose

In fiscal year 2002, the federal government spent nearly $100 billion on capital investments intended to yield long-term benefits for its own operations. During 2002, the National Oceanic and Atmospheric Administration spent $787 million on such investments—a 15-fold increase in real terms from the $51 million it spent in 1993. The Department of Veterans Affairs spent $2.1 billion in 2002—a substantial increase from the $1.4 billion in real terms it spent in 1993. Both because large sums of taxpayer funds are spent on capital assets and because their performance affects how well agencies are able to achieve their missions, goals, and objectives and provide service to the public, effective planning for capital investments is a very important task. The Congress, the Office of Management and Budget (OMB), and GAO all have identified the need for effective capital planning. In addition, budgetary pressures and demands to improve performance in all areas put pressure on agencies to make sound capital acquisition choices. Recently, GAO added federal real property management to its list of high-risk areas. Prior GAO studies found that many federal assets are not effectively aligned with agencies' changing missions and the problems are compounded by the lack of reliable governmentwide data for strategic asset management. In the overall capital programming process, planning is the first phase—and arguably the most important—since it drives the remaining phases of budgeting, procurement, and management.

The Chairman and Ranking Minority Member, Subcommittee on Government Efficiency and Financial Management, House Committee on Government Reform, asked GAO to evaluate agency experiences with OMB's and GAO's capital investment guidance. This report specifically addresses the extent to which selected agencies have implemented the planning phase principles of the OMB *Capital Programming Guide* and the practices described in the GAO *Executive Guide: Leading Practices in Capital Decision-Making*. The report identifies challenges agencies have faced with implementing the principles and practices and describes the extent to which OMB uses long-term capital planning information in reviewing agency budget requests and supporting justifications to the Congress. Using a case study approach, GAO evaluated the experiences of the Department of Veterans Affairs (VA), the National Park Service (Park Service), the Bureau of Prisons (BOP), and the National Oceanic and Atmospheric Administration (NOAA). GAO also surveyed officials in eight additional agencies with significant capital investment spending to obtain their views on the usefulness of OMB's *Capital Programming Guide*.

Background

Federal government spending on capital investments can be divided into two categories: that which provides long-term benefits to the nation as a whole—increasing the nation's overall capital stock for economic growth—and that which improves the efficiency of internal federal agency operations—capital investment for the government as an operating entity. This report, like OMB's *Capital Programming Guide*, focuses on the latter—those assets the government acquires for its own use. They are defined as land, structures, equipment, and intellectual property (including software) that have an estimated useful life of 2 years or more. Examples are office buildings, hospitals, prisons, ships, satellites, motor vehicles, information technology, and parklands.

During the 1990s, the Congress enacted legislation to help move agencies toward improving their capital planning processes. The Congress enacted the Federal Acquisition Streamlining Act of 1994 to improve the federal acquisition process and the Clinger-Cohen Act in 1996 to improve the implementation and management of information technology investments. OMB has issued various guidance and requirements for agencies to follow and use in developing disciplined capital programming processes, including the 1997 *Capital Programming Guide*, to provide agencies a basic reference for establishing an effective process for making investment decisions. The *Capital Programming Guide* integrates executive office and statutory asset management initiatives into a single, integrated process to ensure that capital investments contribute to the achievement of agency goals and objectives. While agencies are provided flexibility in how they implement the guidance principles and practices, they are expected to comply with existing statutes for planning and funding new capital asset acquisitions. In 1998, GAO issued its *Executive Guide* based on a study of leading state and local government and private sector capital investment practices. The GAO *Guide* summarizes 12 fundamental practices (shown in ch. 1, fig. 7) that have been successfully implemented by organizations that are recognized for their outstanding capital decision-making practices and provides examples of leading practices from which the federal government may draw lessons and ideas.

This report focuses on the principles and practices that underlie the planning phases of both OMB's *Capital Programming Guide* and GAO's *Executive Guide*. They start with linking the capital planning process to the organization's mission, goals, and objectives and culminate with the development of a long-term capital investment plan and are described in this report as strategic linkage, needs assessment and gap identification,

alternatives evaluation, establishment of a review and approval framework (using established criteria to rank and select proposed projects), and development of a long-term capital plan.

Results in Brief

Case study agencies have experienced mixed success with implementing the planning phase principles and practices described in OMB's *Capital Programming Guide* and GAO's *Executive Guide*. GAO found that agency capital planning processes generally link to the agencies' strategic goals and objectives and consider a range of alternatives to bridge any identified performance gaps. GAO also found that most case study agencies have formal processes for ranking and selecting proposed capital investments. However, not all agencies have been successful in developing and using agencywide asset inventories and asset condition data to assess capital needs and identify performance gaps. Also, none of the case study agencies has developed a comprehensive, agencywide, long-term capital investment plan. Some agencies have long-term planning documents, but none has a comprehensive plan that defines its long-term investment decisions. Figure 1 shows the case study agencies' varying degrees of implementation of the planning phase guidance. GAO makes recommendations in this report directed at improving agency conformance to OMB and GAO capital planning guidance.

Figure 1: Case Study Agencies' Conformance with Capital Planning Guidance

Planning guidance	VA	BOP	Park Service	NOAA
Strategic linkage Link capital investment planning to agency mission, strategic goals, and objectives *(See ch. 2)*	●	●	●	●
Needs assessment and gap identification Conduct comprehensive assessment of needs to achieve results—evaluating the capacity of existing assets and determining the performance gap between current and needed capabilities *(See ch. 3)*	◒	◒	◒	◒
Alternatives evaluation Identify and evaluate multiple alternatives to bridge the performance gap, including noncapital options *(See ch. 4)*	●	●	●	●
Review and approval framework with established criteria for selecting capital investments Establish a review and approval framework to oversee the process of ranking and selecting capital investments using established selection criteria *(See ch. 4)*	●	◒	●	●
Long-term capital plan Develop a comprehensive long-term capital investment plan that defines agencywide capital investment decisions *(See ch. 4)*	○	◒	◒	○

● Agency practices conform to guidance

◒ Agency practices partially conform to guidance

○ Agency practices do not conform to guidance

Source: GAO analysis of agency data.

Some of the capital guidance also has presented a challenge for the eight additional agencies GAO surveyed, and the degree to which the surveyed agencies and GAO's case study agencies follow the capital guidance varies. As mentioned, some of the GAO case study agencies have successfully implemented many of the principles and practices described in both OMB's and GAO's guidance but have not been successful in implementing others. The survey agencies have been challenged by some of the guidance principles and practices—specifically, those agencies whose activities

involve research and development or scientific pursuits. Despite the challenges experienced, agencies generally agree that the guidance is helpful for developing an effective capital decision-making process.

OMB's reliance on long-term capital planning information for budget review and its expectations for agency use of its capital guidance varied by OMB resource management office (RMO) staff. OMB RMO staff for GAO's four case study agencies consider a number of factors—but not long-term capital plans—when reviewing agency budget requests for capital projects. However, based on GAO's work at leading private and state and local entities, long-term capital plans, as well as all the other leading practices, result in better capital decisions. Since these practices embedded in the OMB *Guide* have demonstrated benefits to leading organizations, GAO makes recommendations in this report directed at requiring agency use of OMB's *Capital Programming Guide*.

Principal Findings

Case Study Agencies Have Successfully Implemented Some of the Capital Guidance Principles and Practices

Both OMB and GAO guidance stress the importance of linking capital asset investments to an organization's overall mission and long-term strategic goals. The guidance also strongly emphasizes evaluating a full range of alternatives to bridge any identified performance gap. Further, the guidance calls for a comprehensive decision-making framework to review, rank, and select from among competing project proposals. Such a framework should include appropriate levels of management review and selections should be based on the use of established criteria.

Case study agency capital planning processes do consider strategic goals as decisions are made about capital investments. Current presidential administration and departmental priorities are communicated throughout the planning processes. In some cases, the strategic linkage is demonstrated by specific projects that implement long-term agency goals. In other cases, the linkage is evident in agency guidance for developing capital project proposals and the criteria used to rank and select among competing project proposals.

When a performance gap—a gap between resources needed and the capacity of existing resources to achieve goals and objectives—is identified, case study agencies consider various alternatives for acquiring

new capital assets and often choose such alternatives, including nonownership options, where appropriate. This consideration of alternatives is one of the practices in OMB's *Capital Programming Guide*.

VA departmental guidance requires that four alternative approaches be considered to bridge any performance gap—leasing; status quo; new construction; and rehabilitation, repair, or expansion of existing facilities.

For BOP, one strategy to achieve its goals is to acquire needed prison capacity through cooperative arrangements with state and local governments, contracts with private providers of correctional services, and alternatives to traditional confinement where appropriate.

The Park Service conducts extensive alternatives analysis at various stages of a project proposal's development and review. Park Service alternatives considered and used include renovating and rehabilitating existing facilities and partnering with other governments for land acquisitions and with the private sector and nonprofit entities.

NOAA has converted excess U.S. Navy vessels to its own use as an alternative to new ship construction. Also, one of NOAA's strategic goals is to pursue partnerships with entities in the public and private sectors. To accomplish this, NOAA has partnered with universities for the use of excess university vessels and shares a radar system with the Department of Defense and the Federal Aviation Administration.

Most case study agencies have an established framework to review and select from among competing capital investment proposals. These processes are formal and include the use of senior-level review boards and committees and established criteria for selecting proposed projects. VA has a department-level process that considers projects for all VA administrations. It has various levels of review and uses established criteria and group-enabled software to rank proposed investments. The ranking and selection process is managed by a multidisciplinary assessment team and uses evaluation factors applied to each proposed investment. The Park Service also has a formal review and selection process that includes both internal and external senior-level review boards. Like VA, the Park Service ranking process is managed by a multidisciplinary assessment team and uses evaluation factors applied to each proposed investment. NOAA's review process uses multiple NOAA-level review boards that are aligned with NOAA's strategic goals. These boards each use a separate set of established criteria to rank capital investment proposals—criteria aligned

with specific strategic goals. While BOP's review and selection process includes the use of senior-level committees, it is not formal, is not well documented, and does not appear to use formal selection criteria.

Case Study Agencies Generally Assess Their Capital Needs and Identify Performance Gaps, but Not All Agencies Have Asset Inventories and Sufficient Information on Asset Condition

Both OMB and GAO guidance stress the importance of conducting a baseline assessment of the resources needed and current capacity of existing resources to achieve results-oriented goals and objectives. This assessment should include the use of an inventory of all existing assets and current information on asset condition in order to identify any performance gaps. Asset inventory and current condition data should be available to all program managers and decision makers involved in the capital decision-making process. One GAO case study agency, VA, has neither an agencywide inventory of existing capital assets nor agencywide information on the condition of those assets, although it is in the process of creating a data management system to inventory capital assets and measure their performance against VA portfolio goals. A second case study agency, the Park Service, has just recently developed an asset inventory, and while the agency has made some progress toward determining the condition of its assets, comprehensive condition assessments will not be completed for some time. A third case study agency, NOAA, has an agencywide inventory of its assets but lacks current information on the condition of those assets. The fourth GAO case study agency, BOP, maintains an asset inventory and information on asset condition but lacks a clear basis for its long-term performance gap.

VA's Veterans Health Administration (VHA) maintains information on the type, number, and use of facilities and other assets at the network level, but until March 2003, the data on facilities were not readily available to other networks or headquarters personnel. Therefore, decision makers cannot readily identify assets available for sharing across networks. Similarly, although VHA facility employees have routinely conducted condition assessments of the facilities under their control, the results were maintained at each facility or, in some cases, at the health care network level and were not available to other VHA networks or headquarters decision makers. VA's National Cemetery Administration (NCA) maintains an inventory system of its assets and facilities, including information on condition, as well as a separate database of major asset items at each cemetery. While these data are used as part of NCA's 5-year planning process and are used to identify program performance gaps and options for addressing the gaps, the information is not readily available to VA headquarters managers. Officials told GAO that VA is in the process of

developing an agencywide inventory system and that inventory data will be available to all VA managers at the department and bureau levels. VA officials also told GAO that VHA has conducted a nationwide building-by-building survey of each facility in each VHA health care network, and the survey data will be available to facility managers VA-wide.

Historically, the Park Service has maintained asset inventories at the park level with varying levels of detailed information. Some national park units have a limited inventory covering the assets under their control. For example, the Grand Canyon National Park has an inventory of real property assets and an inventory of what it calls "formal" property, including assets with an acquisition value of $15,000 or more. Each division within the park has an inventory of so-called "informal" property valued below $15,000. Until just recently this individual park information was not available servicewide. Since asset condition assessments were not required in the past, condition information historically had not been available servicewide to capital planners and decision makers. Asset condition is monitored on a park-by-park basis at the park level, and priority capital projects were determined based on the institutional knowledge of park management and visual inspections of park assets. However, these visual inspections were not based on any systematic criteria and there was little documentation available.

Also, until just recently, for two decades the Park Service lacked the benefit of a comprehensive asset inventory by age, type, size, and number of assets. As a result, the physical condition, functionality, suitability, and life expectancy of its facilities and the backlog of deferred maintenance requirements were not adequately documented. The Park Service is in the process of implementing an asset management process that is designed to include a comprehensive inventory of park assets and comprehensive data on the condition of those assets. This asset information will be captured in a centralized database for the entire park system. According to the Park Service, the agency recently completed the asset inventory phase of the process and has completed visual inspections on all but nine of the larger parks in the park system. The agency also is concurrently performing the more detailed comprehensive condition assessments, but these assessments will not be completed for some time.

NOAA has separate asset inventories for its real and personal property[1] but maintains no asset condition data. NOAA headquarters and the Department of Commerce's administrative support centers maintain a single inventory of real property assets, including data on leased properties. The personal property inventory is centralized and maintained by NOAA's finance and administration office. While information on asset type, size and age of facility, and current physical location is available to decision makers, NOAA currently maintains no comprehensive data on the condition of its real or personal property assets. In past years, NOAA regularly performed asset condition assessments for its real property assets; however, those assessments have been suspended. Officials at NOAA told GAO that a new process for conducting assessments of real property assets is scheduled to begin in fiscal year 2003. However, NOAA has no process for assessing the condition of its personal property assets. An official told GAO that NOAA line and program offices do not perform assessments of personal property assets because it is believed that if regular asset maintenance is performed, condition assessments and inspections are not necessary.

The BOP new construction program follows a centralized long-term capacity planning process with the goal of ensuring sufficient institution capacity while maintaining prison crowding at safe and secure targeted levels. Along with data from BOP's asset inventory and maintenance systems, the process uses the concept of rated capacity, which is a standard that considers a stated level, or percentage, of double bunking (overcrowding) in inmate living quarters to arrive at an institution's inmate capacity level. However, BOP is unable to demonstrate the basis for what it considers an acceptable level of systemwide overcrowding. Officials told GAO that over the past two decades, the overcrowding goal has increased from 10 to 15 percent and more recently to about 30 percent. They say the increases are the result of what is believed to be acceptable percentages of double bunking. BOP officials could not provide any studies or documentation supporting what the agency considers an acceptable level of double bunking or crowding above rated capacity levels. According to officials, the change in targeted levels or increased goal levels appears to have had no effect on managing the prison population.

[1]Real property assets consist of land; facilities; and anything constructed on, growing on, or attached to land. Personal property is all property other than real property. It includes items such as ships, aircraft, satellites, and computers.

None of the Case Study Agencies Have Developed Long-term Capital Investment Plans

Both OMB and GAO guidance emphasize the importance of developing a long-term capital investment plan. Similar to long-term strategic plans, long-term capital plans covering 5 to 6 years guide the implementation of organizational goals and objectives and help decision makers establish priorities over time. The long-term plan is considered the ultimate product of an organization's planning phase activities and should clearly describe an entity's performance gap and the resources needed to bridge it. It also should provide a clear justification for new acquisitions proposed for funding—linking proposed investments to an organization's long-term strategic goals. Although two of the four case study agencies have long-term planning documents, none have single agencywide long-term capital plans that define agency capital investment decisions.

VA has prepared 1-year plans in the past that served as the department's annual budget request for capital acquisitions. VA's NCA prepares a 5-year facilities plan that is driven by its strategic plan. Although NCA's planning documents are available to VA decision makers, VA does not produce a long-term plan that integrates all of the department's capital needs. Officials told GAO that the department has begun a process to develop a comprehensive long-term plan for all of VA. Like VA, NOAA lacks a long-term capital plan that integrates the capital needs for its major line and program offices although some offices have planning documents that reflect OMB and GAO guidance to varying degrees. For example, NOAA's Office of Marine and Aviation Operations officials told GAO that the office prepares an unpublished plan that is a 10-year chart of cost estimates and dates for major repairs and replacements to its ships. Officials at NOAA had no plans to develop an agencywide NOAA long-term capital plan.

BOP prepares three long-term documents that viewed together, provide a sense of how BOP plans to achieve its current overcrowding goal; however, there is no single document that culminates its capital planning process. The Park Service prepares a servicewide 5-year construction plan that results from its rigorous review and selection process; however, the plan itself is merely a list of planned projects with estimated costs and schedule data rather than a narrative justification supporting an identified performance gap and linkage to organizational goals. In addition, the Park Service construction plan does not include all of the agency's construction needs or its major equipment and land acquisitions.

Some Agencies Are Challenged by Aspects of OMB's Guide, and Agencies Vary in the Extent to Which They Use It

The OMB *Capital Programming Guide* was intended to assist agencies with developing a disciplined capital programming process. OMB strongly encourages agencies to use its guidance but does not require it, and the degree to which agencies use OMB's guidance varies. Some agencies have found it difficult to implement some of the guidance principles. Surveyed agencies, such as the Tennessee Valley Authority, find it challenging to quantify benefits of capital projects over several years. Also, the National Aeronautics and Space Administration (NASA) found the guidance inconsistent with the research and development nature of its programs. As mentioned, not all GAO case study agencies have successfully developed and used asset inventories or developed agencywide long-term capital plans. While some agencies have had difficulties, other survey and case study agency officials told GAO they generally find the guidance helpful in developing an effective process for capital decision making. Some have successfully incorporated many of the guidance principles into their processes. For example, the Indian Health Service told GAO that many of the OMB guidance principles are included in its Health Care Facilities Construction Priority System. While NASA found the guidance inconsistent with its research and development activities, officials told GAO that the agency has implemented the guidance principles for selected information technology projects. NOAA' s National Weather Service officials cite the establishment of its senior-level review board as stemming from the OMB guidance.

Use of Long-term Capital Planning Information by Budget Decision Makers Varies by Agency

When the OMB *Capital Programming Guide* was developed, a general presumption was that OMB would only consider recommending for funding in the President's Budget priority capital investments that comply with good capital programming principles. However, expectations for agencies to use OMB's *Guide* and reliance on long-term capital planning information varied by OMB RMO staff. OMB does not require long-term capital plans from agencies, but RMO staff solicit and receive various documents for individual capital projects. OMB staff told GAO that they place more emphasis on the required OMB Exhibit 300 (Capital Asset Plan and Business Case for Major Acquisitions) when reviewing agency funding requests. OMB requires Exhibit 300 for each requested asset as part of an agency's budget submission. It is an individual asset plan for each major new and ongoing project, system, or acquisition, but it is not a long-term capital plan that defines the agency's long-term investment decisions. An agency could have many Exhibits 300 but have no comprehensive capital plan to pull them all together over the long term.

VA's OMB RMO receives thorough business case packages for VA construction projects, and BOP's RMO receives regular long-term planning information from BOP and independently performs research to obtain more information. OMB views its role as that of integrator of specific capital project proposals into the larger budget process. All of the RMO staff told GAO that they consider other factors, such as agency obligation rates, the overall budget request, and agency strategic plans, when reviewing agency budget requests for capital acquisitions.

While OMB RMOs receive some capital planning information for use during budget review, staff told GAO that they are pushing agencies to consider more alternatives as part their capital planning processes. The BOP RMO staff person said she would like to see more consideration of state facilities as an alternative to new prison construction and has urged BOP to consider more contracting opportunities.

Since long-term capital plans have not been routinely provided to congressional decision makers, GAO cannot assess their actual use. However, congressional staff indicated that long-term capital planning information could help them identify what the agencies viewed as important. They also said that the planning process and analyses required for developing a long-term plan can help ensure that agencies make well-informed decisions.

The Department of State's 2003 Long-Range Overseas Buildings Plan, which provides a strategic road map for State's overseas buildings operations, states that fiscal year 2003 budget decisions were based on the 2001 long-range plan.

Recommendations for Executive Action

GAO makes several recommendations to case study agency management regarding increased emphasis and implementation of specific practices from OMB's *Capital Programming Guide*. GAO also recommends that the Director of OMB require that agencies comply with the principles and practices of its guide, including development of long-term agency capital plans.

Agency Comments

OMB's Assistant General Counsel provided us with oral comments on the draft report, saying that OMB agreed with our recommendations. A few technical comments were also provided and have been incorporated where

appropriate. We received written comments from our four case study agencies—VA, the Park Service, BOP, and NOAA. Our case study agencies either agreed with our conclusions and recommendations or did not directly address them. Most case study agencies indicated some actions planned or taken to address our recommendations. Written comments provided from VA, BOP, and NOAA are reprinted in appendixes VII, VIII, and IX, respectively. A number of technical comments were also provided by our case study agencies and have been incorporated in this report as appropriate.

Capital Planning Is the Core of the Capital Decision-Making Framework

Federal government spending on capital investments is spending that yields long-term benefits. Its purpose may be to increase the nation's overall capital stock for economic growth or to improve the efficiency of internal federal agency operations—capital investment for the government as an operating entity. This study focused on the capital assets the government acquires for its own use. They are defined as land, structures, equipment, and intellectual property (including software) with an estimated useful life of 2 years or more. Examples include office buildings, hospitals, prisons, ships, satellites, motor vehicles, information technology, and parklands. Both because large sums of taxpayer funds are spent on capital assets and because their performance affects how well agencies are able to achieve their missions and goals and provide service to the public, effective planning for the acquisition and management of federal capital assets is an important task. In the overall capital programming process, planning is the first step—and arguably the most important since it drives the remaining phases of budgeting, procurement, and management.

The objectives of this study were to (1) determine the extent to which selected agencies have implemented the Planning Phase principles of the Office of Management and Budget's (OMB) *Capital Programming Guide* (OMB *Guide*)[1] and the leading practices in capital decision making described in GAO's *Executive Guide* (GAO *Guide*);[2] (2) identify what, if any, problems or issues exist with implementing the principles and practices; and (3) determine the extent to which OMB uses long-term capital planning information in reviewing agency budget requests and supporting budget justifications to the Congress. Using a case study approach, we evaluated the experiences of the Department of Veterans Affairs (VA), the National Park Service (Park Service), the Bureau of Prisons (BOP), and the National Oceanic and Atmospheric Administration (NOAA).[3] We also surveyed officials in eight additional agencies with significant capital spending to obtain their perceptions of OMB's *Capital*

[1]Office of Management and Budget, *Capital Programming Guide*, Version 1.0, Supplement to Office of Management and Budget Circular A-11, Part 3: Planning, Budgeting, and Acquisition of Capital Assets, 1997. (Note: Since its issuance, the guide is now found as a supplement to Circular A-11, Part 7, *Planning, Budgeting, Acquisition, and Management of Capital Assets*).

[2]U.S. General Accounting Office, *Executive Guide: Leading Practices in Capital Decision-Making*, GAO/AIMD-99-32 (Washington, D.C.: December 1998).

[3]In this report, we use the terms "agency" and "agencies" and the phrase "case study agencies" to describe VA, Park Service, BOP, and NOAA.

Guide. Appendix I contains a detailed discussion of our objectives, scope, and methodology.

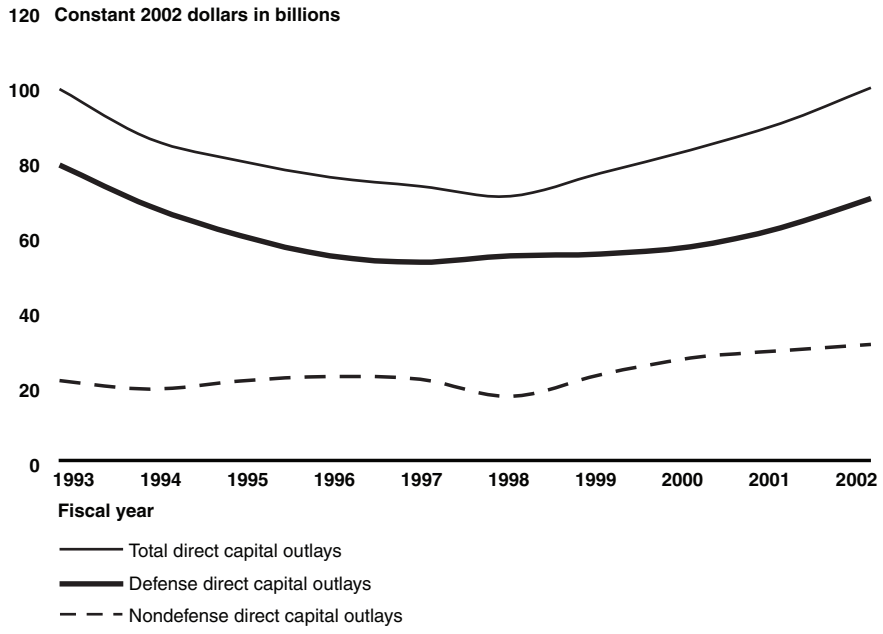
Separate chapters in this report address each principle as applied by the case study agencies. Appendixes II through V each describe the case study agency's processes in greater detail.

Importance of Governmentwide Capital Investment Spending

A review of recent historical trends can provide some perspective on the magnitude and overall pattern of spending for federally owned capital asset investments.[4] For the 10-year period 1993 through 2002, direct governmentwide capital investment outlays as reported in the President's Budget and adjusted for inflation by GAO were sizable, but as shown in figure 2, show only a slight increase from $97.5 billion to $97.9 billion, in real terms. Real defense capital outlays decreased from $77.3 billion to about $68.3 billion, while real nondefense outlays increased from $19.8 billion to $29.5 billion over the 10-year period.

[4]OMB requires agencies to code their net outlays each year according to various investment categories or character classes. Investment outlays are defined by OMB as spending that is intended primarily to yield benefits in the future—whether to the nation as a whole or to the federal government. Investments may be in the form of either direct federal spending or grants to state and local governments, and may be for either tangible or intangible assets. The investment categories that encompass capital assets used by the federal government are those for direct spending on physical assets. These categories are Construction and Rehabilitation (1312 and 1314), Major Equipment (1322 and 1324), and Purchases and Sales of Land and Structures (1340). Major Equipment includes capital purchases of information technology but excludes the support services related to information technology purchases.

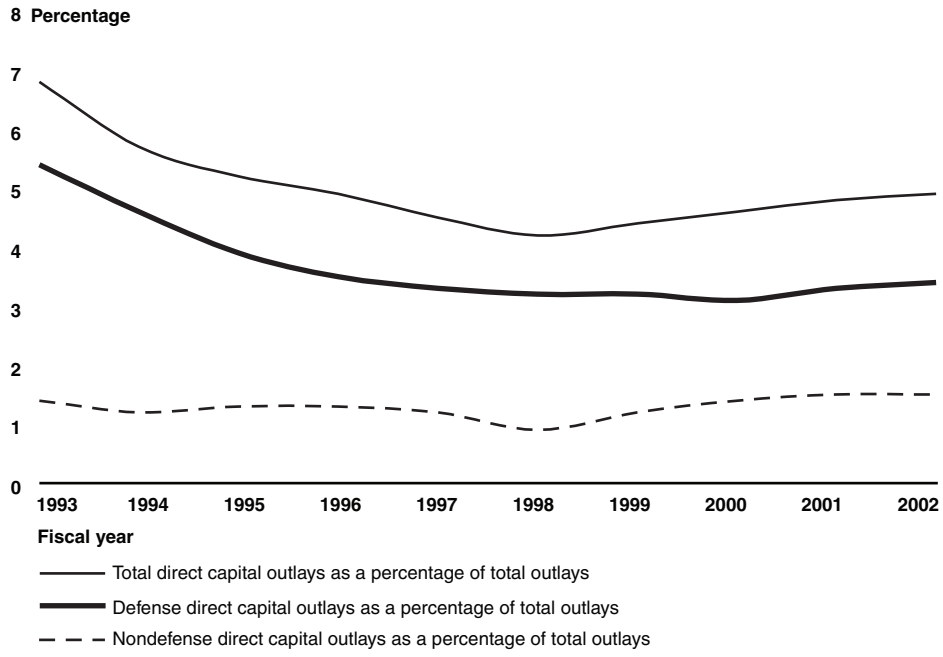
Figure 2: Governmentwide Major Public Physical Capital Investment Outlays



Source: Fiscal Year 2004, Historical Tables, *Budget of the United States Government.*

However, as figure 3 shows, as a percentage of total federal outlays, direct governmentwide capital investment outlays fell sharply from 6.8 percent to 4.9 percent. Most of this decline was in the defense portion of governmentwide capital outlays, which fell from 5.4 percent to 3.4 percent. Although the nondefense portion fluctuated some, it was basically unchanged at 1.4 percent in 1993 and 1.5 percent in 2002.

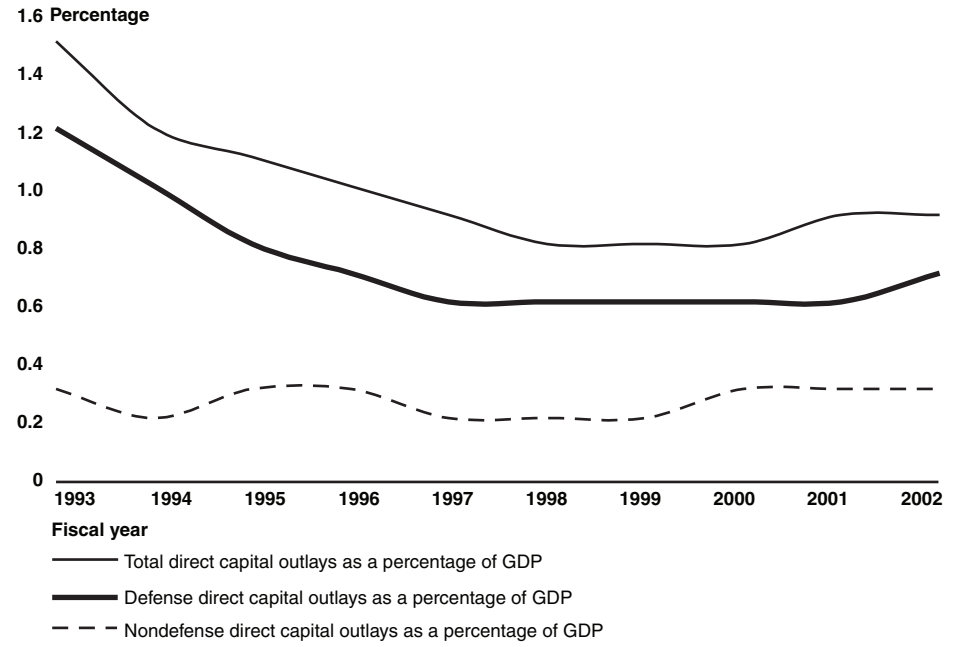
Figure 3: Governmentwide Major Public Physical Capital Investment Outlays as a Percentage of Total Outlays



Source: Fiscal Year 2004, Historical Tables, *Budget of the United States Government.*

Finally as figure 4 shows, as a share of gross domestic product (GDP), both governmentwide capital outlays and defense capital outlays fell by 0.6 percentage points during the 4-year period 1993 through 1997 and then remained basically unchanged through 2002. Nondefense capital outlays fluctuated during the 10-year period 1993 through 2002 but ended the period at the same 0.3 percent of GDP. The stability of nondefense capital outlays goes back further. As a percentage of total outlays and as a percentage of GDP, nondefense capital outlays have not changed considerably since we reported 30-year spending trends in 1996.[5]

Figure 4: Governmentwide Major Public Physical Capital Investment Outlays as a Percentage of GDP



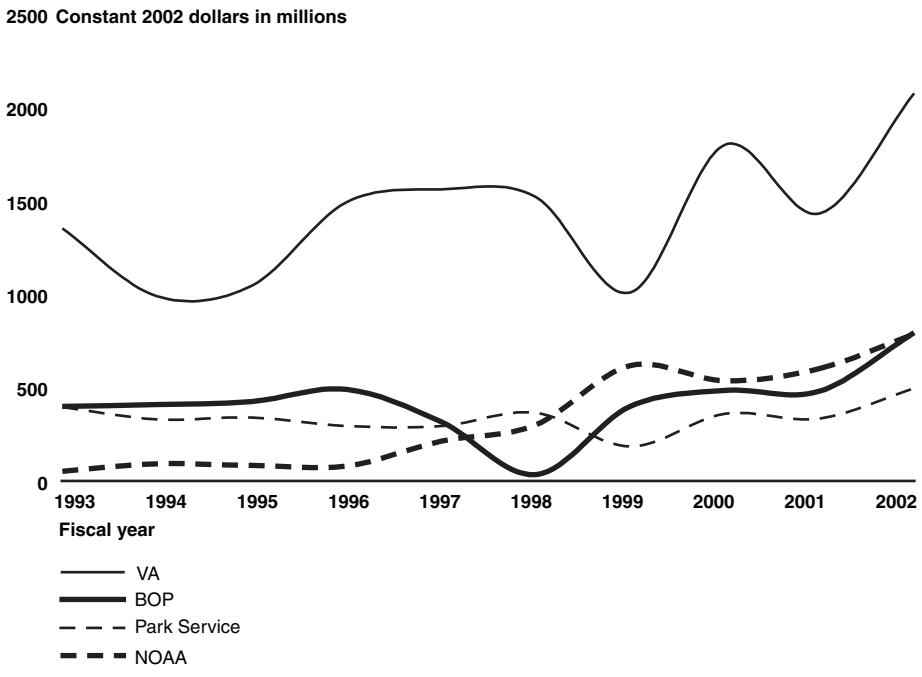
Source: Fiscal Year 2004, Historical Tables, *Budget of the United States Government.*

Historical data for our four case study agencies show that capital outlays fluctuated considerably in real terms over the 10-year period 1993 through

[5]U.S. General Accounting Office, *Budget Issues: Budgeting for Federal Capital*, GAO/AIMD-97-5 (Washington, D.C: Nov. 12, 1996).

2002.[6] VA's capital outlays varied considerably throughout the 10-year period but showed an increase from $1.4 billion in 1993 to $2.1 billion in 2002. The Park Service's capital outlays fluctuated during the 10-year period and showed an increase from $395 million in 1993 to $496 million in 2002. BOP's capital outlays fluctuated from $399 million to $481 million during the period 1993 through 2001, with a sharp drop to $34 million in fiscal year 1998, and then a sharp increase to $795 million. NOAA's capital outlays increased more than15-fold over the 10-year period, from $51 million to $787 million. This increase was primarily due to funding the modernization of NOAA weather facilities and systems, satellite systems, the first planned fisheries research vessel, and new laboratories and science centers. Figure 5 shows these case study agency outlay trends.

Figure 5: Case Study Agencies Major Public Physical Capital Investment Outlays



Source: GAO Budget Database.

[6]Historical data were derived from GAO's Budget Database. The database contains data taken from OMB's MAX System—the computerized system used to collect and process information needed to prepare the President's Budget.

Background

Federal spending on capital assets can be divided into two categories: that which provides benefits to the government's own operations and that which provides long-term benefits to the nation as a whole. This report, like OMB's *Capital Programming Guide*, focuses on the former—those capital assets owned and used by the federal government primarily to deliver federal services. These assets are those used by the government as an operating entity.

The Congress, OMB, and GAO all have identified the need for effective planning and management of capital asset investments. In addition, increasing budget pressures and demands to improve performance in all areas puts pressure on agencies to make the most effective capital acquisition choices. OMB has issued various guidance and requirements for agencies to follow and use in developing disciplined capital programming processes. We conducted a study of leading state and local government and private sector practices that can provide lessons for the federal experience. More recently, we added federal real property to our list of high-risk areas. In the high-risk report,[7] we describe how many federal assets are no longer effectively aligned with, or responsive to, agencies' changing missions; how many assets are in an alarming state of deterioration; and how the problems are compounded by the lack of reliable governmentwide data for strategic asset management.

The Congress enacted legislation during the 1990s to help move agencies toward improving their capital planning processes. The Congress enacted the Federal Acquisition Streamlining Act of 1994 (FASA) to improve the federal acquisition process. Title V of FASA was designed to foster the development of (1) measurable cost, schedule, and performance goals and (2) incentives for acquisition personnel to reach these goals. Civilian agencies and Department of Defense agencies are required to report annually on whether major and nonmajor programs are achieving 90 percent of program goals and to identify suitable action if goals are not being met. The Congress enacted the Clinger-Cohen Act in 1996 to improve the implementation and management of information technology projects by requiring that agencies engage in capital planning and performance- and results-based management. The Government Performance and Results Act of 1993 (GPRA) requires agencies to develop mission statements, long-

[7]U.S. General Accounting Office, *High-Risk Series: Federal Real Property*, GAO-03-122 (Washington, D.C.: January 2003).

range strategic goals and objectives, and annual performance plans. It also emphasizes identifying and measuring outcomes, including benefits.

Effective capital programming requires long-range planning and a disciplined decision-making process as the basis for managing a portfolio of assets to achieve performance goals and objectives with minimal risk, lowest life-cycle costs, and greatest benefits to the agency's business. OMB has provided certain requirements and guidance to agencies regarding capital programming in Circular A-11 and its supplement. This circular and an executive order on investments are described in appendix VI.

In July 1997, OMB issued the *Capital Programming Guide* to provide federal agencies a basic reference for establishing an effective process for making investment decisions. The guide stresses long-term capital planning and the importance of having a formal capital asset infrastructure. It suggests that like agency strategic plans, capital planning should span 5 years and the process should provide agency management with accurate information on acquisition and life-cycle costs, schedules, and performance of current and proposed capital assets. OMB's *Guide* also stresses that a formal asset management infrastructure helps establish clear lines of authority, responsibility, and accountability for the management of capital assets. This infrastructure should include an executive review committee that reviews the agency's entire capital portfolio periodically and the use of an integrated project team.

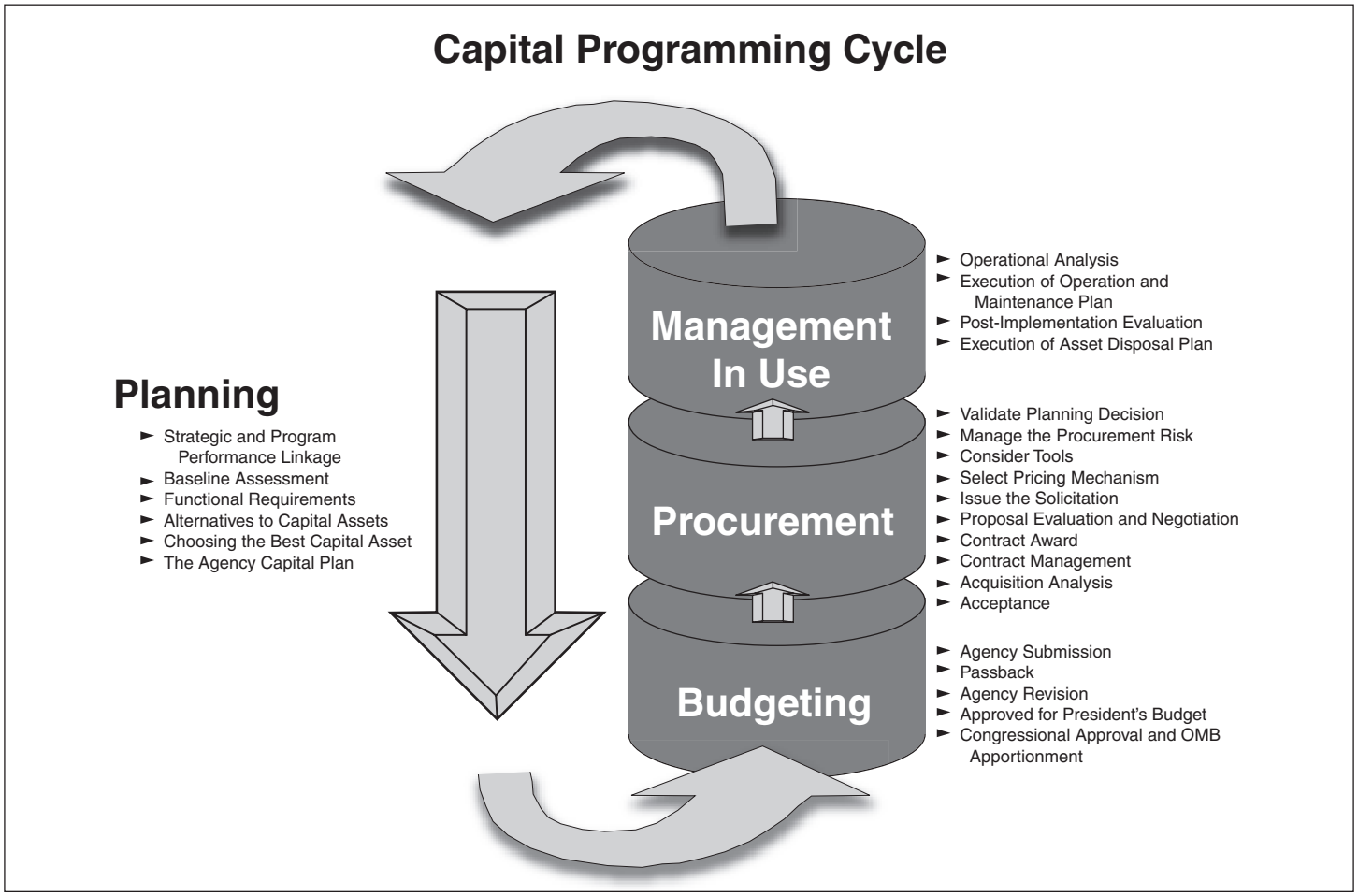
The OMB *Guide* provides detailed guidance to federal agencies on planning, budgeting, acquisition, and management of capital assets. The guide is organized in four phases of capital programming—Planning, Budgeting, Procurement, and Management-In-Use—and includes information from linking capital decisions to strategic goals and objectives, to analyzing and ranking potential investments, to making informed decisions based on the full cost and risk of a project. Each of the four phases of the capital programming process is composed of a number of steps. Planning Phase steps range from strategic linkage to the development of a long-term agency capital plan. The Budgeting Phase begins with the agency's budget submission to OMB and ends with congressional approval and OMB apportionment of funding. The Procurement Phase of the capital process begins with acquisition planning, includes contract award and contract management, and ends with testing and acceptance of the asset—ensuring that the asset meets the requirements of the contract. The Management-In-Use Phase begins with operational analysis and includes the execution of an operation and

maintenance plan, a postimplementation review—to evaluate the overall effectiveness of the agency's capital planning and acquisition process, and the execution of an asset disposal plan.

The *Capital Programming Guide* integrates executive office and statutory asset management initiatives, including GPRA, the Clinger-Cohen Act, and FASA, into a single, integrated process to ensure that capital investments contribute to the achievement of agency goals and objectives. The OMB *Guide* supplements the requirements of OMB Circular A-11, part 7, by providing procedural and analytic guidelines. While agencies are provided flexibility in how they implement the key principles and concepts of the OMB *Guide*, they are expected to comply with existing statutes for planning and funding new capital assets and achieving cost, schedule, and performance goals.[8] Figure 6 illustrates the four phases of capital programming as presented in the OMB *Guide*.

[8]We participated in the development of OMB's *Capital Programming Guide* and have provided OMB with examples of leading organization capital practices for inclusion in a subsequent version of the guide.

Figure 6: OMB Capital Programming Cycle

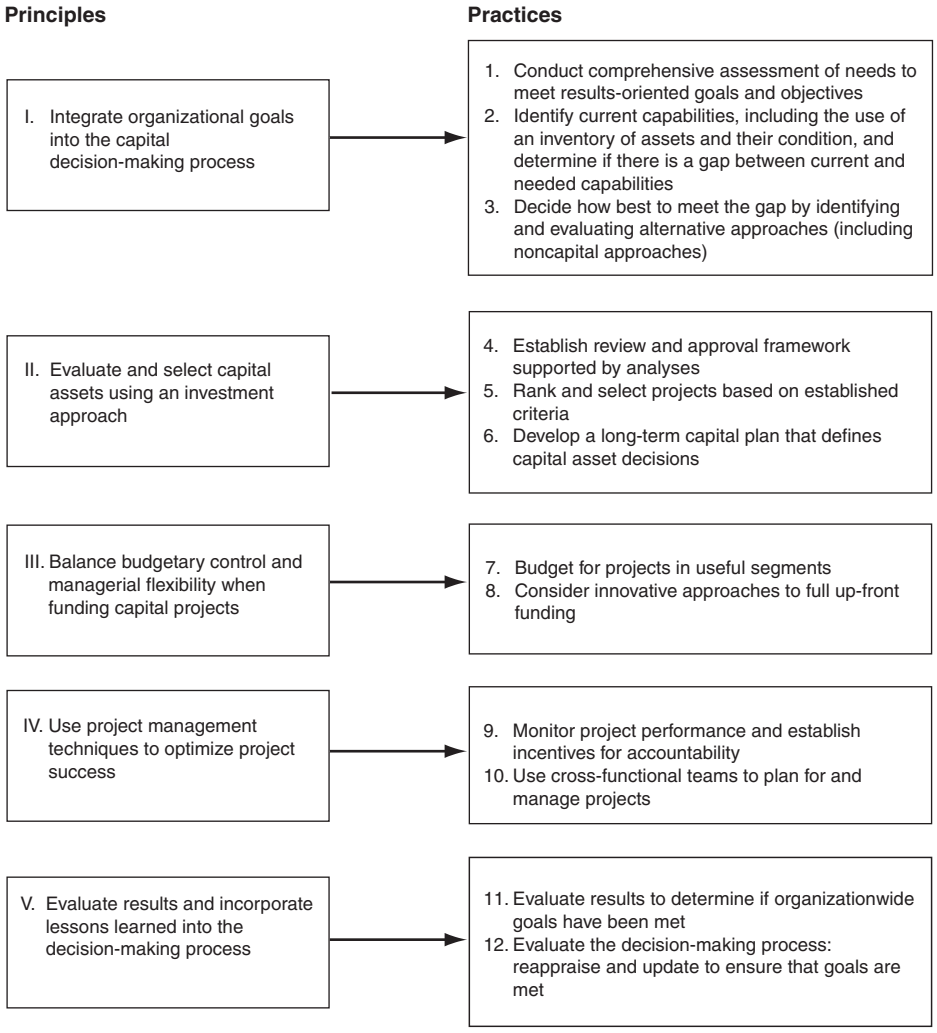


Source: Office of Management and Budget, *Capital Programming Guide*.

In December 1998, we issued an *Executive Guide* on capital decision making based on extensive research to identify leading practices used by state and local governments and private sector organizations. Our *Executive Guide* summarizes 12 fundamental practices that have been successfully implemented by organizations that were recognized for their outstanding capital decision-making practices and provides examples of leading practices from which the federal government may draw lessons and ideas. To help consider the applicability to the federal government experience, our *Executive Guide* includes information from one federal agency.

Our *Executive Guide* presents an overall framework for effective capital decision making and identifies organizational attributes that are important to the decision-making process as a whole. Leading organizations described vision and leadership, strategic planning, good information and data systems, and clear communication as critical to the success of their capital decision-making process. Our *Guide* is organized around five general principles that leading organizations used to make capital investment decisions: (1) integrate organizational goals into the capital decision-making process, (2) evaluate and select capital assets using an investment approach, (3) balance budgetary control and managerial flexibility when funding capital projects, (4) use project management techniques to optimize project success, and (5) evaluate results and incorporate lessons learned into the decision-making process. To help translate these principles into actions and to provide concrete examples of how agencies and the Congress can apply these principles, we identify practices used by the leading organizations that best demonstrate each principle. Figure 7 illustrates the capital decision-making framework principles and practices.

Figure 7: Capital Decision-Making Framework, Principles and Practices



Source: GAO/AIMD-99-32.

Although our *Guide* focuses on fundamental practices rather than detailed guidance, the practices represent actions and steps to be taken. In addition, the examples presented in the guide illustrate and complement many of the phases and specific steps contained in the OMB *Capital Programming Guide*. There is a great deal of overlap between the OMB and GAO guides since both suggest similar fundamental practices that are essential to making effective capital investment decisions. Because of the importance

of planning, this study focuses on agencies' implementation of the concepts that underlie the planning phase of OMB's *Guide* and support principle I and principle II of our *Executive Guide*. The planning phase, as the driver of the following phases, is key to making effective capital investment decisions. The concepts start with linking the capital planning process to the organization's overall mission, goals, and objectives and culminate in the development of a long-term organization capital plan. They are described in this report as

- strategic linkage,
- needs assessment and gap identification,
- alternatives evaluation,
- establishment of a review and approval framework,
- establishment and use of criteria to rank and select proposed projects, and
- development of a long-term capital plan.

The planning phase is the crux of the capital decision-making process. The products that result from this phase are used throughout the remaining phases of the process, and failure during this stage may have repercussions throughout.

Strategic Linkage

Strategic planning can be defined as a structured process through which an organization translates a vision and makes fundamental decisions that shape and guide both what the organization is and what it does. Both OMB and GAO guidance emphasize the importance of linking capital asset investments, funding, and management to an organization's overall mission and long-term strategic goals. OMB's *Guide* describes capital planning as an integral part of an agency's strategic planning process within the framework established by GPRA. It states that capital assets should be planned for, acquired, and managed based on their ability to contribute to accomplishing program outputs and outcomes as described in an agency's strategic plan. It further states that an effective strategic plan should identify major capital assets that are critical to the plan's implementation and should define the outcomes that the assets will help to realize. Our *Guide* describes how leading organizations also view strategic planning as

the vehicle that guides decision making for all spending. These organizations use their strategic planning processes to assess the needs of clients and constituents and the political and economic environment in which they are operating and to link the expected outcomes of projects, including capital projects, to the organization's overall strategic goals and objectives.

Needs Assessment and Performance Gap Identification

Conducting a comprehensive assessment of resources needed or an analysis of program requirements is an important first step in an organization's capital decision-making process. 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. The needs assessment is results oriented in that it determines what is needed to obtain specific outcomes rather than what is needed to maintain or expand existing capital stock. 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 properly determine any performance gap between current and needed capabilities.

OMB's *Capital Programming Guide* describes the needs assessment and gap identification process in terms of an assessment of the existing performance baseline that covers both those capital assets currently in use and those assets in the procurement process. It includes all assets regardless of how they are being acquired—purchase, lease, or service contract. OMB guidance suggests the criteria for the baseline assessment include each asset's current or anticipated functionality, full life-cycle costs,[9] the affordability of full life-cycle costs, associated risks, and the agency's capacity to manage the asset. OMB guidance further states that a performance gap should be defined in terms of the functional requirements to be achieved and that such functional requirements should consider the

[9]OMB's *Capital Programming Guide* defines life-cycle costs of an asset as all direct and indirect initial costs, including planning and other costs of procurement; all periodic or continuing costs of operation and maintenance; and costs of decommissioning and disposal.

capabilities of other assets with which the function or proposed asset must interact in order to achieve its goal, objective, or mission.[10] Our *Guide* describes how leading organizations conduct a comprehensive needs assessment (variously referred to as needs determination, needs study, or mission analysis). This is often the first step in an organization's capital planning and budgeting process and includes an assessment of an entity's internal and external environments and an examination of its primary role and organizational structure.

Our *Guide* also describes how leading organizations track the use and performance of existing assets and facilities to help assess current capabilities and establish a baseline. These organizations maintain asset inventory and tracking systems that not only identify the location and status of assets and facilities but also track and report asset and facility condition and deferred maintenance needs. Information about existing assets is also used in determining what capital resources are currently available and what resources are needed in order for the organization to be able to meet its goals and objectives. The data and the information provided by well planned information systems give organizations the ability to build comprehensive measures, collect relevant data, and perform analyses that can be used to support strategic as well as operational budgeting decisions. Using a variety of automated systems that are frequently updated, leading organizations provide managers and decision makers with timely, current, and useful information to assess the availability and condition of existing assets.

For example, one large state government we studied maintained three levels of inventory systems to identify and control its capital assets and facilities: a statewide inventory, individual agency inventories, and an inventory of deferred maintenance. The state also required routine asset and facility condition assessments. The statewide inventory was maintained through the state's fixed asset accounting and control system and was updated at least annually to reflect new assets acquired and old assets disposed of. Reports generated by this inventory system identified assets within a given agency that were available for use by other departments or divisions and surplus assets within the state that may be

[10]For example, a requirement to meet a program's goal of providing a warning about hurricanes within a certain number of hours may indicate a new satellite with the latest technology as a solution. However, if the program's ground stations use obsolete technology, merely improving the satellite's functional capacity will not enable the program performance to reach its full potential.

available for any agency's use. Some agency inventory systems also contained asset condition assessment data in addition to data on asset existence. Agencies included asset condition assessment data when submitting their capital project requests to the state's planning and budgeting department. When requesting funding for new assets or facilities, agency managers were required to fully describe the agency's current assets and facilities, including information on the adequacy of existing assets and facilities to meet current and future program demands.

Alternatives Evaluation

When a performance gap between needed and current capabilities has been identified, it is important that organizations carefully consider how best to bridge the gap by identifying and evaluating alternative approaches, including noncapital options. OMB's *Guide* suggests that once detailed requirements are defined, management should answer the "Three Pesky Questions" before planning to acquire capital assets. These questions are as follows:

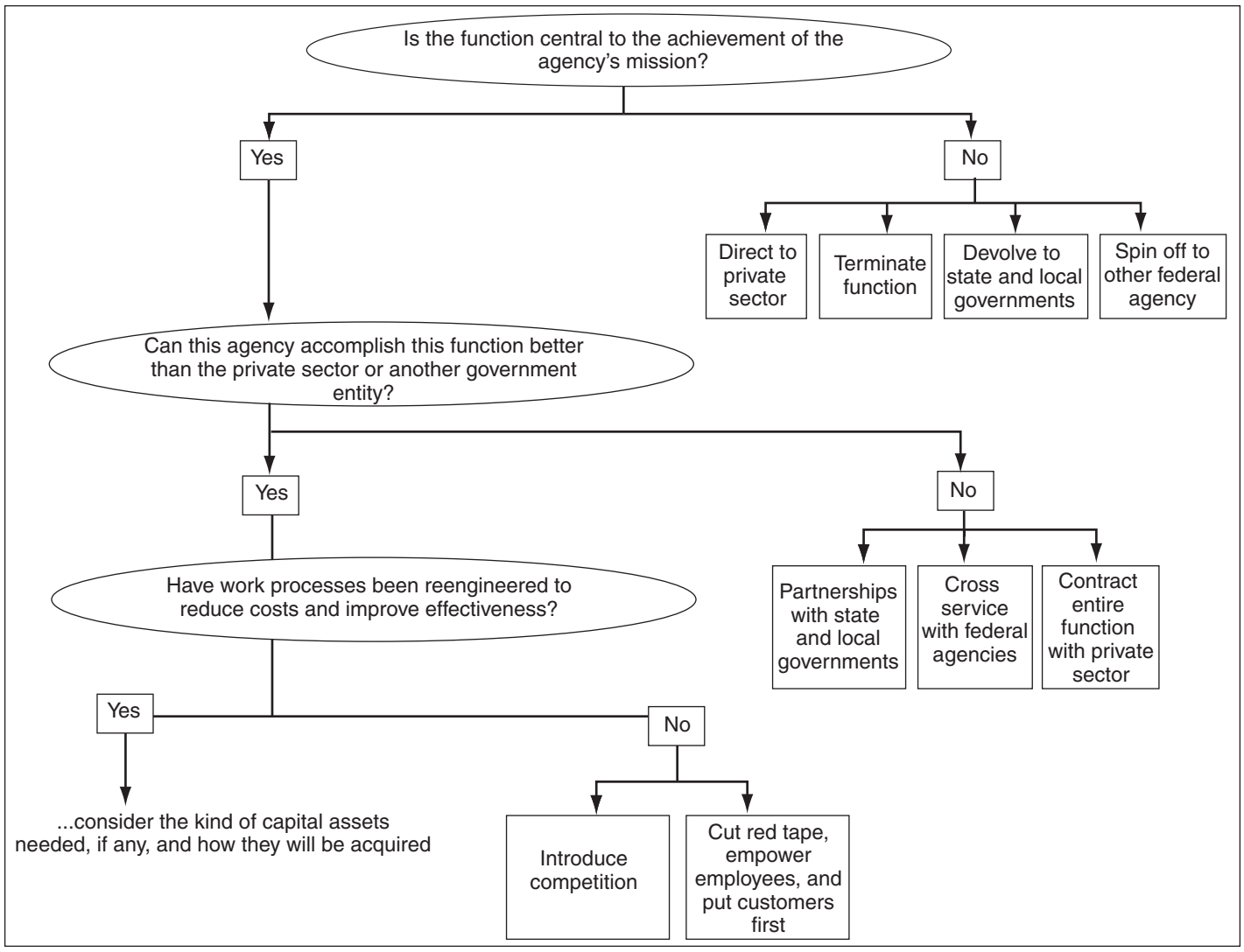
1. *Does the investment in a major capital asset support core/priority mission functions that need to be performed by the federal government?*

2. *Does the investment need to be undertaken by the requesting agency because no alternative private sector or governmental source can better support the function?*

3. *Does the investment support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial-off-the-shelf technology?*

If the answer to all three questions is yes, according to the OMB *Guide*, management should still consider options other than acquiring new assets to bridge the performance gap. The guide suggests that management also consider meeting the objectives through regulation or user fees or by using human capital instead of physical capital assets. OMB's *Guide* encourages the use of benefit-cost or cost-effectiveness analysis to determine if acquiring a new asset is the best way to reduce an identified performance gap. In addition, the guide encourages agencies to consider modifying existing assets or some other method. Figure 8 illustrates the use of OMB's "Three Pesky Questions."

Figure 8: OMB Decision Tree for Analyzing Agency Programs and Investments



Source: Office of Management and Budget, *Capital Programming Guide.*

Our *Guide* describes how leading organizations consider a wide range of alternatives to bridge a performance gap, including noncapital alternatives, before choosing to purchase or construct a capital asset or facility. Managers carefully consider options such as contracting out and privatizing the activity as well as nonownership options such as leasing. Leading organizations also consider engaging in joint venture projects with other organizations to minimize the amount invested and reduce the organization's risk. If it is determined that a capital asset is needed to bridge a performance gap, leading organizations first consider the use of existing assets before choosing to purchase or construct new assets. Information obtained from an organization's asset inventory system facilitates considering the use of existing assets. One local government we studied considered many alternatives, and renovating or expanding an existing facility was the option used most frequently.

Establishment of a Review and Approval Framework

Establishing a decision-making framework (which encourages the appropriate levels of management review and approval) is a critical factor in making sound capital investment decisions. A framework supported by the proper financial, technical, and risk analyses can mean capital investment decisions are made more efficiently and supported by better information. OMB's *Capital Programming Guide* suggests that each agency establish a formal process for senior management review and approval of proposed capital assets. The cost of a proposed asset and its importance to achieving the agency mission should be considered when defining criteria for executive review. Also, the number of times a project proposal is reviewed should be based on the level of risk involved in the acquisition.

GAO's *Executive Guide* describes how leading organizations use decision-making processes to help them assess where they should invest for the greatest benefit. Some organizations have processes that determine the level of review and analysis based on the size, complexity, and cost of a proposed investment or its organizationwide impact. One multinational company we studied had various levels of review based on the business and economic significance of the proposed capital project. This company used its corporate executive council for some project decisions while managers within the company's business groups reviewed and approved other projects. The company's chief executive officer was involved only when proposed investments were of strategic significance to the company as a whole or were very large and capital intensive. This company also categorized proposed projects as "mandatory," "necessary," or "would like

to do." Projects required by law or regulation were considered mandatory and were subject to less up-front analysis and management review. Projects defined as necessary were usually more strategic in nature and involved either benefits to the organization or cost savings. Depending on the scope and risk involved, "necessary" projects required a greater level of analysis or review. This was also true of "would like to do" projects, which were projects that were desired but not critical to the organization's goals.

As part of the capital investment review and approval process, leading organizations develop a decision or investment package to justify capital project requests. These packages—referred to as business cases or project requests—generally include detailed economic and financial analyses and other documents to support the proposed investment. The types of analysis ranged from a complete cost-benefit analysis—which included full life-cycle costing—to an analysis that compared alternatives and recommended the most cost-effective option. Decision packages also show how a proposed investment is linked to an organization's strategic goals.

Establishment and Use of Criteria to Rank and Select Projects

Capital investments should be compared to one another to create a portfolio of major assets ranked in priority order. Much like individuals selecting a diverse portfolio of investments, agencies invest in a diverse portfolio of capital assets. While investor returns are measured in dividends or capital gains, the costs and benefits of capital asset investments should be quantified both in monetary terms as well as in terms of outputs and outcomes. It is generally beneficial, if not necessary, to rank proposed projects because the number of requested projects often exceeds available funding. OMB's guidance suggests that agencies choose portfolios of capital investments that maximize return to the taxpayer and the government—at an acceptable level of risk. The guide provides one approach to devising a ranked list of projects drawn from multiple best practices organizations: the use of a scoring mechanism that assigns a range of values based on project strengths and weaknesses. Higher scores are given to projects that meet or exceed positive aspects of the decision criteria. Such a ranking process might produce three groups of projects—likely winners, likely dropouts, and projects that warrant a closer look. Also, such a process may be used iteratively—in multiple steps—to limit the number of projects to be considered by an executive decision-making body.

GAO's *Executive Guide* describes processes used by leading organizations for ranking and selecting proposed capital projects. These organizations

determined the appropriate mix of projects by viewing all proposed investments and existing capital assets as a portfolio. They selected projects based on preestablished criteria and a relative ranking of investment proposals. The organizations used their overall missions and strategic objectives as a basis for establishing decision-making criteria. These criteria, such as increased cost savings, market growth, and link to organizational strategies, were used to rank projects. Senior-level managers were involved both in developing the criteria and communicating the criteria throughout the organization. For example, a state government we studied used a scoring process that ranked all projects across all agencies. Using criteria based on the governor's strategic goals and objectives, projects received scores ranging from 0 to 700 (in specified increments). Critical projects, which addressed life safety emergencies and legal obligations, typically received the maximum score. Noncritical projects were assigned points based on factors such as the linkage to the agency's mission, the priority assigned by the requesting agency, and whether the project would result in operating savings or increased efficiencies.

Development of a Long-term Capital Plan

The long-term capital asset plan is the final product resulting from the various steps and stages of the planning phase of capital investment decision making. The capital plan should be the result of an executive review process that has determined the proper mix of existing assets and new investments needed to fulfill the organization's mission, goals, and objectives. Long-term capital plans, covering 5 to 6 years, guide the implementation of organizational goals and objectives and help decision makers establish priorities over time. While long-term plans must respond to changing requirements and priorities, they are based on the organization's long-range vision embodied in its strategic plan. Thus, any year-to-year changes should be driven by strategic decisions that are consistent with the organization's long-term goals.

OMB's *Capital Programming Guide* encourages each agency to develop a capital plan defining the agency's long-term capital needs consistent with its strategic plan. The guide states that the plan should include an analysis of the portfolio of assets—both those currently owned by the agency and those in the procurement stage—and of any performance gap and capability needed to bridge it. The plan should be the central document, or group of documents, used by the agency for capital asset planning. OMB's *Guide* further encourages agencies to use a summary of the capital plan in their budget justifications to OMB, in their requests for congressional authorizations of projects, and in their justifications of estimates for

appropriations to the Congress. While there is no required format for the capital plan, certain elements should be included, such as a statement of agency mission, goals, and objectives; a description of the planning phase; a baseline assessment and performance gap; and a project risk mitigation plan.

The GAO *Executive Guide* describes how leading organizations stress the importance of developing a long-term capital plan. These organizations prepare long-term plans to document specific planned investments, plan for resource use over the long term, and establish priorities for project implementation. These capital plans typically cover a 5-, 6-, or 10-year period and are updated either annually or biennially. Most state governments we studied required that all capital project requests be included in an agency's long-term capital plan. In leading private sector companies, planned capital expenditures are aligned with long-range business plans. The business plans are usually based on a product's life cycle, market conditions, or corporate goals and objectives.

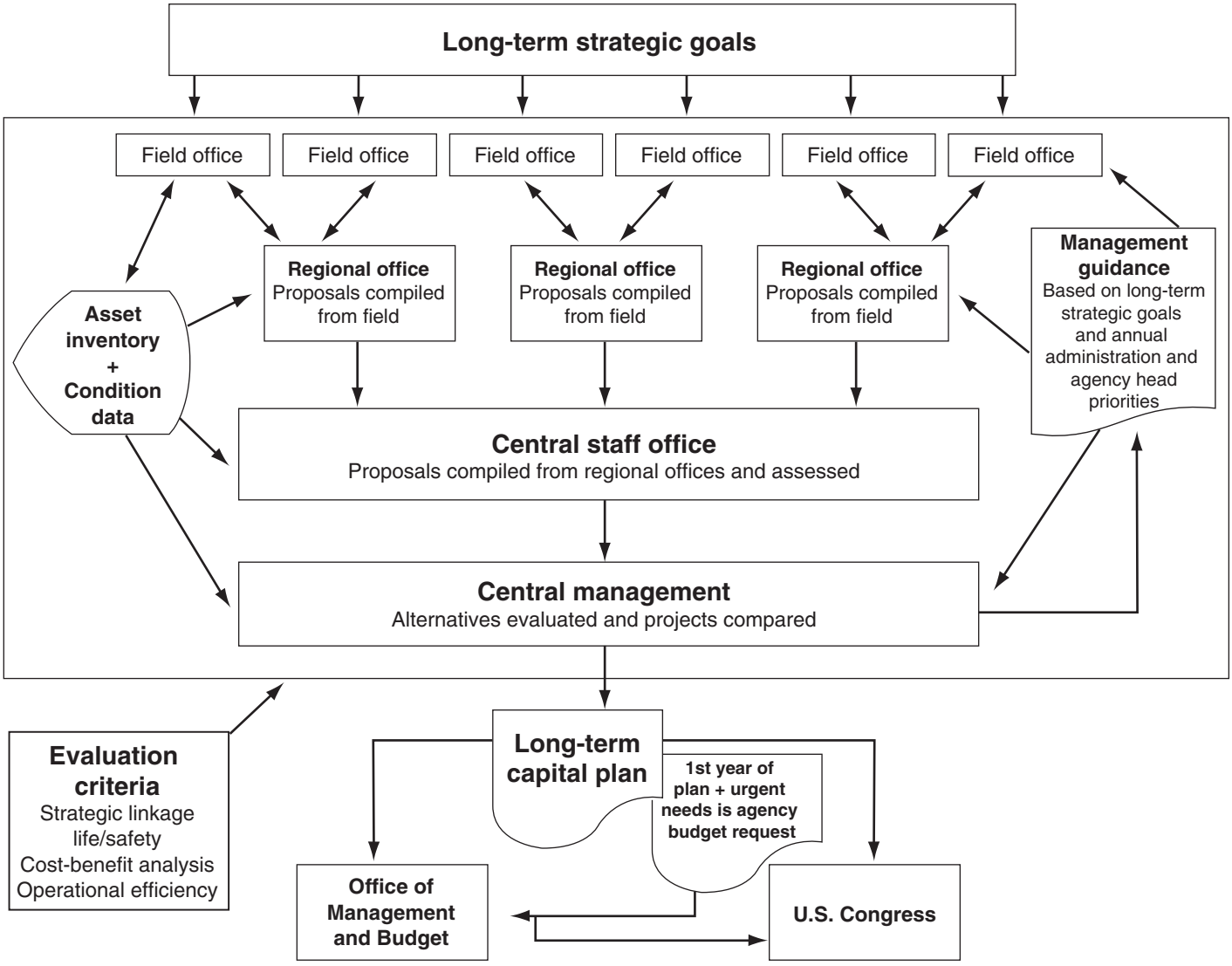
One state government we studied prepared a 5-year capital plan that assists the government in refining the scope and cost estimate of individual projects. Requested projects generally go into the plan in year 5, and agencies are required to resubmit project applications and obtain approval each year until the project reaches the first year of the capital plan, which is the budget request for the upcoming year. Resubmission of requests is the only way a project could move forward from year 5 to year 4, and from year 4 to year 3, and so forth. Only very small project requests generally appeared for the first time in the budget year. The annual review of capital project applications allowed the state budget office to determine if a project request continued to meet the goals and objectives outlined in the agencies' strategic plans. It also allowed a project's scope and cost to be refined each year over a 5-year period, which kept project costs within specified resource limits. State officials believed that the continual review was a key factor in why the state had limited cost overruns and few surprises once project funding was approved.

Long-term planning requires that decision makers rank capital investment needs and promotes the making of informed choices about managing the organization's resources. It also requires the organization to weigh and balance the need to maintain existing assets against the demand for new ones. Some congressional staff indicated it could be useful to have long-term capital planning information to see what an entity viewed as important. Further, they said that the process and analyses involved in

developing a plan are effective in ensuring that well-informed decisions are made at the agency level. They believe that the lack of good information sometimes leads to situations in which other considerations drive decisions. Other congressional staff noted that comparisons of plans over several years might provide a basis for questioning projects that appear in budget requests without having been in the previous years' long-term plans and that having more information, such as that contained in a long-term capital plan, also would be useful in oversight. In addition to providing their views on long-term capital plans, the staff commented that improved asset inventory systems and condition assessments should be a reasonable expectation of government agencies.

In summary, the planning phase of capital decision making should contain certain elements to help ensure well-informed decisions. Figure 9 illustrates a process that a geographically dispersed organization could follow using the elements of OMB's and GAO's capital guidance.

Figure 9: Example of Agency Process Illustrating Elements of Planning Phase Guidance



Source: GAO.

Case Study Agencies

Our four case study agencies have varied missions and program responsibilities that require the use of different types of capital assets to fulfill their goals and objectives. These agencies acquire land, buildings and other structures, ships, satellites, and major equipment, including information technology (IT) assets. The following provides a brief discussion of each agency's mission, organizational structure, unique characteristics, recent capital spending in 2002 dollars, and any noteworthy changes to its capital decision-making process.

Department of Veterans Affairs

With a budget of over $50 billion, VA is one of the world's largest health care, medical research, and insurance benefits organizations. VA is a cabinet-level department whose primary mission is to serve America's veterans and their families, ensuring that they receive medical care, benefits, social support, and lasting memorials. VA consists of three separate administrations—the Veterans Health Administration, the Veterans Benefits Administration, and the National Cemetery Administration—and the staff offices of VA's central office.

VA capital assets vary by administration and consist of VA-owned buildings and real estate, VA-leased buildings, enhanced-use and sharing agreements pertaining to capital assets, major equipment, and IT infrastructure and software. These include hospitals, clinics, cemeteries, office buildings, fire departments, and medical equipment.

In recent years, a rapidly increasing patient base has challenged VA, along with the aging of the veteran population and their changing health care needs. Also, veterans are finding it increasingly difficult to obtain VA care in selected geographic regions, challenging VA to maintain services and facilities where they are most needed. VA's total capital spending for fiscal years 2001 and 2002 was $1.4 billion and $2.1 billion, respectively.

VA's capital planning process has evolved over the years, with management making a concerted effort to ensure that VA's practices were in keeping with industry best practices and OMB guidance. VA began a rigorous effort to develop a model capital investment process shortly after the issuance of OMB's *Capital Programming Guide* by contracting for a study of its then-current process and implementing a number of the contractor's recommendations. One of the key improvements to its process was the creation of a centralized (department level) office to strengthen its process and ensure coordination of planning and investment decisions. The Office

of Asset Enterprise Management (OAEM) was created in July 2001 and is responsible for developing capital asset policy, providing guidance and oversight, and ensuring a consistent and cohesive agency approach to capital asset acquisition, management, and disposal. Another key improvement to the agency's process is the use of a decision-support software program that evaluates and ranks projects based on agency goals and financial measures—an improvement for which VA received a best practices award from OMB.

More recently, OAEM has devised an approach to streamline the process for developing capital investment proposals. This new process involves the submission and review of investment proposal data in increasing levels of detail. It is believed that this streamlined approach will reduce the laborious data collection associated with developing proposals that are not funded and allow proposal developers more time to provide senior management with the most accurate cost and schedule data. VA's leadership states that its process has evolved from a vertical stovepipe process with minimal crosscutting proposals to one that is horizontally integrated between the administrations and staff offices and encourages projects that cut across departmental lines. See appendix II for additional detail on VA's process.

National Park Service

The Park Service, a bureau within the Department of the Interior, exists to preserve the natural and cultural resources of the nation's park system for the enjoyment, education, and inspiration of this and future generations. The park system is organized into seven geographic regions, contains 388 park units of widely varying size and nature, and covers 80 million acres of land. Park Service assets include roads; trails; campgrounds; park visitor centers; other buildings and employee housing; utility systems; marine and dock structures; signs and information structures; and special features assets, such as monuments, statutes, memorials, and viewing structures. Park units vary considerably and range from large landscapes such as the Grand Canyon and Yosemite national parks, to historic structures such as Philadelphia's Independence Hall, to the granite faces of Mount Rushmore. Visitation rates at national parks have grown considerably over the past two decades—from about 220 million visitors in 1980 to close to 290 million today. This growth has required expansion of Park Service facilities and presented a challenge to many of the park's transportation infrastructures. The park system also has been challenged by the need to preserve increasing numbers of historic park properties and the expense to maintain

them. Park Service total capital spending for fiscal years 2001 and 2002 was $334 million and $496 million, respectively.

The Park Service's capital programming and asset management process is evolving, and some current practices are largely the result of implementing a number of recommendations from a 1998 National Academy for Public Administration (NAPA) study. At the request of the Department of the Interior, NAPA conducted a study of the Park Service's line-item construction program. The NAPA report made several recommendations focused on the Denver Service Center, which has a primary role in implementing the Park Service's construction program. One key recommendation was the establishment of an external review group to assess line-item construction projects for suitability and cost-effectiveness. This advisory group meets concurrently with the Park Service's senior-level review board and reviews every facility project with an estimated cost greater than $500,000. The advisory group provides its findings directly to the Park Service Director. Also in 1998, spurred by congressional concerns and new federal accounting standards for plant, property, and equipment, the Park Service initiated the design of a new asset management process. The new process is intended to provide better overall management of the agency's asset inventory. See appendix III for additional information on the Park Service's process.

National Oceanic and Atmospheric Administration

NOAA describes and predicts changes in the Earth's environment and conserves and manages the nation's coastal and marine resources. NOAA is a bureau within the Department of Commerce and accomplishes its overall mission through five major line offices with diverse missions and numerous program offices. These line offices are the National Weather Service (NWS); the National Environmental Satellite, Data, and Information Service (NESDIS); the National Marine Fisheries Service; the National Ocean Service; and the Office of Oceanic and Atmospheric Research. Key among the NOAA program offices is the Office of Marine and Aviation Operations. Some line offices are users of other NOAA line-office products (e.g., NESDIS produces satellites for NWS's weather prediction). NOAA uses various types of assets, including satellites, ground systems, aircraft, water vessels, buildings, and vehicles. Many of NOAA's assets are specialized and unique to NOAA's mission, making the consideration of alternatives to acquiring some needed assets—such as ships and satellites—difficult to do. NOAA's capital spending for fiscal years 2001 and 2002 was $602 million and $787 million, respectively.

Most of NOAA's capital planning occurs at the line-office level. The various service lines and program offices have separate planning processes that are consistent with both the goals of NOAA and of the Department of Commerce. A recent improvement to the NWS process was the establishment of an executive board—the Finance and Investment Review Board (FIRB) in fiscal year 2000, which created a formal process for management review and prioritization of capital investment proposals in support of NWS strategic goals. FIRB reviews capital projects costing $1 million or more and consists of five voting members and three nonvoting advisor members. The board reviews and evaluates capital investment proposal justifications, scores capital investments according to established criteria, and ranks the approved investments. The FIRB charter cites OMB's *Capital Programming Guide* as one of the reasons for its creation. NOAA's capital investments are funded through a single budget account—the procurement, acquisition, and construction (PAC) account. The PAC account was established 5 years ago. See appendix IV for additional information on NOAA and its capital planning process.

Bureau of Prisons

BOP is an agency of the Department of Justice (DOJ) responsible for providing for the safe, secure, and humane confinement of persons in federal custody. The agency consists of six geographical regions with 102 facilities, and its activities encompass two areas of responsibility—detention and incarceration. While detention responsibilities are shared with the U.S. Marshals Service and the Bureau of Immigration and Customs Enforcement (formerly the Immigration and Naturalization Service), incarceration is the sole responsibility of BOP. In addition to housing the federal inmate population, BOP provides inmates with basic services, such as food, clothing, and health care and an array of educational, vocational, and other programs. The federal inmate population has increased sixfold in the last two decades, from approximately 25,000 inmates and 41 institutions in 1980 to more than 160,000 inmates and 102 institutions in 2002. Most of these inmates were confined in BOP-operated facilities while more than 27,000 were assigned to privately managed institutions, state and local facilities through intergovernmental agreements, community corrections centers, or home confinement. BOP's acquires capital assets such as facilities and other buildings, major equipment, and vehicles.

BOP has limited control over the size of its inmate population as this is influenced by other parts of the criminal justice system, including the aggressiveness of law enforcement policies and the length of sentences imposed. In 1997, BOP was required to absorb the District of Columbia

inmate population,[11] which necessitated the construction of some additional facilities. It is unclear what impact the September 11, 2001, terrorist attacks may have on BOP facility needs.

BOP's capital spending for fiscal years 2001 and 2002 was $481 million and $795 million, respectively. Funding for BOP capital projects competes with other DOJ programs. DOJ has a Strategic Management Council (SMC) that is chaired by the Attorney General. Its members are the directors of all of the DOJ agencies. BOP's Director is the only career-service member—the others are political appointees. SMC meets to discuss the entire DOJ budget request, and each director defends his or her agency's request. SMC then makes recommendations to the Attorney General for the entire DOJ budget submission to OMB. See appendix V for additional information on BOP and its process.

[11]Title XI of the Balanced Budget Act of 1997, Pub. L. No. 105-33, August 5, 1997.

Agency Capital Planning Processes Link to Strategic Goals and Objectives

Both the Office of Management and Budget (OMB) and GAO guidance emphasize the importance of linking capital asset investments to an organization's overall mission and long-term strategic goals. Therefore, the capital decision-making process must reflect both the results of an organization's long-term strategic planning process and short-term goals and objectives. OMB's *Capital Programming Guide* suggests that an agency's capital planning process be an integral part of the strategic planning process—stressing that capital assets should be planned for and acquired in light of their ability to contribute to the accomplishment of outcomes as described in an agency's strategic plan. Our study found that leading organizations also view strategic planning as the instrument that guides decision making for all spending. Case study agencies' capital planning processes considered strategic goals as decisions were made about capital investments, and administration and departmental priorities were communicated throughout the processes.

Capital Investments Link to Strategic Plans

Case study agencies engage in strategic planning, but strategic plans vary. Some agencies prepare administration- or bureau-level strategic plans while others prepare strategic plans at various levels within the administrations or bureaus. Although the Government Performance and Results Act of 1993 (GPRA) only requires that agency heads prepare strategic plans, bureau-level planning at all of the case study agencies is usually accomplished in support of departmental strategic plans. For example, the Department of Veterans Affairs' (VA) National Cemetery Administration (NCA) develops its own corporate-level strategic plan. NCA also engages in strategic and business planning at the memorial service network (MSN) and cemetery levels, respectively. There are five MSNs and each prepares a strategic plan that draws from and supports the NCA strategic plan. Individual cemeteries then prepare business plans that support the strategic plan for their MSNs and help to identify specific capital asset requirements throughout NCA. These cemetery- and MSN-level plans support the NCA strategic plan that is ultimately linked to VA's strategic plan.

One of the primary goals for NCA under the VA Strategic Framework is to meet the burial needs of veterans and their eligible family members. Strategies to achieve this include establishing additional national cemeteries or expanding existing cemeteries in underserved areas—with the long-term objective of providing a burial option within 75 miles of a veteran's home to 90 percent of the veteran population. NCA prepares a 5-year construction plan identifying its planned major and minor

construction projects, which are driven by the goals and objectives of the NCA strategic plan.

Strategic planning for VA's Veterans Health Administration (VHA) is also done at the network level. There are 21 Veterans Integrated Service Networks and each prepares a VHA network-level strategic plan. Like NCA, these network plans are driven by and support the VA departmental strategic plan. Among other things, the VHA network-level plans address the capital proposals and infrastructure needed to support the network goals and objectives. VHA future capital needs are likely to be largely driven by the results of the ongoing Capital Asset Realignment for Enhanced Services studies being conducted in each network (discussed later in this report).

While VA does not prepare an overarching department-level long-term capital plan (discussed in ch. 4), it does evaluate both individual cemetery projects from the 5-year NCA construction plan and VHA medical facility projects for funding along with other VA project proposals. Those of highest priority are ultimately included in the annual budget submission to OMB and the Congress.

The National Park Service (Park Service) prepares a servicewide strategic plan, and individual national parks prepare park-level strategic plans that cover a 5-year time frame and discuss the capital facilities needed to support individual park strategic goals. The strategic goals of the Park Service are consistent with and contribute primarily to the Department of the Interior's (DOI) goals to protect the environment and preserve our nation's natural and cultural resources and to provide recreation for America. The Park Service prepares a servicewide 5-year line-item construction plan, which is a list of planned capital projects in priority order and reflects the criteria used to rank and select the projects—criteria based on the agency's strategic goals. According to officials, each national park has specific goals pursuant to GPRA that support the servicewide Park Service goals and each has park-specific goals to better align with its own mission. Individual park strategic plans, such as the Cape Cod National Seashore's plan for fiscal years 2000 through 2005, list the capital facilities and infrastructure—such as visitor centers, bathhouses, paved roads, and employee housing—needed to accomplish the park's strategic goals of providing for the public use and visitor enjoyment of parks and reducing the number of poor employee housing units for that period. Officials also stated that each park prepares a general management plan

that covers a 10- to 20-year period and contains elements of both a strategic plan and a long-term capital plan.

At the National Oceanic and Atmospheric Administration (NOAA), both a NOAA-level strategic plan and individual line and program office-level strategic plans are prepared. All of them support the vision and long-term goals of the Department of Commerce, as shown by clearly articulated interrelationships between NOAA and Commerce goals. The strategy for fulfilling NOAA's mission consists of seven interrelated goals. According to NOAA's strategic plan for 1995 through 2005, each goal is a coherent unit, but there also are crosscutting relationships that according to the plan, enable the implementation of Commerce and NOAA objectives. The plan describes its seven goals and the strategies to achieve them in general terms. NOAA's line offices implement the strategies and conduct the work to achieve these goals. The line and program office strategic plans discuss the capital needed to support each office's goals and programs.

As an example, the National Weather Service (NWS) line office strategic plan for weather, water, and climate services for fiscal years 2000 through 2005 supports one of two primary missions of NOAA—Environmental Assessment and Prediction—and contains three of the seven NOAA goals and a number of objectives to fulfill this mission. One of the NWS objectives includes the planned deployment of the Advanced Hydrologic Prediction System to 50 percent of river forecast sites by the year 2005. Another includes expanding the number of International Emergency Weather Network receiving stations by 50 percent by the year 2005.

In addition to its strategic plan, the National Environmental Satellite, Data, and Information Service (NESDIS) line office prepares a 5-year capital plan to guide the acquisition of its satellite ground systems—a primary responsibility of NESDIS. This capital plan outlines NESDIS current operations and planned capital acquisitions—including 7-year cost estimates—to bridge its performance gap in support of the strategic goals established in its strategic plan. The Office of Marine and Aviation Operations (OMAO) program office, which is responsible for improving the quality and efficiency of NOAA's ship and aircraft operations, prepares a strategic plan that also addresses its capital issues. For instance, its strategic plan for fiscal years 2000 through 2005 describes the need to acquire three additional fisheries ships to meet program expectations over the next decade. The plan also describes the impending critical need for replacement aircraft capability.

The Bureau of Prison's (BOP) strategic planning documents describe the capital projects planned and in progress to support its current goals and objectives. The activities of the federal prison system support the Department of Justice's (DOJ) strategic goal VI—protect American society by providing for the safe, secure, and humane confinement of persons in federal custody. This strategic goal is supported by four DOJ objectives that drive the BOP strategic goals and objectives. The DOJ strategic plan for fiscal years 2001 through 2006 contains strategies to achieve the objectives of ensuring sufficient prison capacity and maintaining prison operations. The strategies describe the activation of two recently completed facilities, the ongoing construction of four additional facilities with expected activation in fiscal years 2002 and 2003, and the planned design and construction of seven new facilities expected to be activated in fiscal year 2004. The DOJ plan also describes the use of privately managed facilities and cooperative arrangements to maximize prison capacity, which illustrates the consideration of alternatives to new construction. In addition, the DOJ plan describes the strategies for maintaining prison operations, which include an extensive modernization and repair program. BOP's strategic planning documents provide additional detail on the ongoing and planned new facilities—providing facility location and the expected increase in rated prison capacity.

Agency Guidance Requires That Capital Investment Proposals Link to Strategic Goals and Objectives

Agency spring budget calls (call memorandums) for proposed capital investments contain clear guidance for proposal development that includes top-level guidance on adhering to agency goals, objectives, and administration priorities. For example, VA's departmental requests for capital investment proposals require that all VA administration and staff office proposals be linked to the department's current strategic goals and objectives. The guidance also illustrates current presidential and departmental priorities. The capital investment request for proposals for fiscal year 2004 required that any proposed capital projects support one or more of the priorities of the VA Secretary or the President—priorities that are aligned with VA's strategic goals and objectives. Attached memorandum guidance described the President's management agenda and the VA Secretary's priority areas and the performance measures associated with both. The guidance also detailed the priority areas for all three VA administrations and included the associated performance measures. For proposed capital projects that were not related to priorities of the Secretary or the President, staff were required to explain which of VA's strategic goals the project would support and how. The guidance referred staff to VA's current strategic plan for additional information.

At BOP, capital project requests also must include descriptions of how strategic goals will be supported, and the guidance reinforces the Attorney General's current priority objectives. The BOP Director's budget call memorandum for fiscal year 2003 directed assistant and regional directors to be mindful of the Attorney General's priority objectives when developing proposed budget initiatives. The guidance also required that proposals reference the BOP strategic planning goal that would be supported and the current BOP objective. It further required the proposals to estimate costs and identify performance indicators to measure if the goals are achieved. The BOP Facilities Management Branch's memorandum for fiscal year 2004 capital requests required that line item and major project requests (projects with costs of $300,000 or more) be documented in the requesting institution's strategic plan.

NOAA's capital investment proposals are developed within the strategic themes that have been established to achieve NOAA's mission. Strategic themes are a grouping of crosscutting multi-line-office programs that are aligned with NOAA goals and priorities. The themes, representing major areas of concentration, are organized around line offices. A working group established for each theme and led by one of the line offices it supports implements their objectives. These working groups function as internal review boards, reviewing line-office proposals and preparing initiatives for consideration by NOAA's budget office. All programs, including capital investment proposals submitted to the themes' work group must be justified in terms of how they support the theme.

At the Park Service, administration and departmental priorities influence projects initiated at individual parks. The annual budget call memorandum issued by the Park Service's Washington Office informs the park regions and ultimately the individual parks of current priorities. For the past several years, the administration's priority has been to reduce the backlog of deferred maintenance projects. More recently, increased visitor health and safety has become another priority after the September 2001 terrorist attacks.

Agency Criteria Used to Rank and Select Capital Investments Include Strategic Linkage

Case study agency processes for ranking and selecting proposed capital investments give great weight to strategic goals and objectives as well as current administration and organizational priorities. As discussed further in chapter 4, VA's process includes the use of a computerized decision software package and established criteria to rank proposed capital investments. This comprehensive process scores capital proposals based on the assigned weights of a set of 9 core criteria and 19 subcriteria, 1 of which is the proposal's alignment to the strategic plan's goals. The established criteria used by the process are reviewed each year, updated, and aligned with VA's mission and current administration and Secretary priorities.

At the Park Service, proposed capital investments and projects intended to enhance or maintain existing infrastructure are rated against their support of Park Service and DOI strategic goals. Project data entered by individual parks into the Park Service Project Management Information System (discussed in ch. 3) include the proposed project's link to specific long-term goals and the associated performance measures and benefits based on outcomes. The regional and national-level project review and ranking process uses a scoring system that considers evaluation factors linked to the Park Service's mission and strategic goals. The scores in the various evaluation categories allow the Park Service's construction office to respond to the Park Service, DOI, and administration priorities and strategic direction. A detailed discussion of this review and selection process and the factors used is presented in chapter 4.

Strategic linkage is also an important factor used by NOAA to rank and select from its competing capital investment proposals. Chapter 4 presents a detailed discussion of this process and its use of review boards that implement the objectives of strategic themes, aligned with and established to help ensure that NOAA's mission, long-term goals, and current priorities are fulfilled. Project proposals submitted to each theme's review board must be justified in terms of the specific goals the project will support. For example, the Infrastructure, Maintenance, Safety and Human Capital theme review board used a set of criteria to rank project proposals. The criteria included, among others, contribution to agency mission, productivity improvement, operational efficiency, and the likelihood of the project's success. Similar criteria permeated the other NOAA themes' processes, and although each theme's review board has a distinct process for ranking proposals, the criteria include how well the proposal is aligned with NOAA's mission.

Conclusion

Although we did not evaluate agencies' actual practices or the resulting decisions about capital acquisitions, the case study agencies' capital planning processes appear to consider overall organizational goals and current administration and departmental priorities when planning for capital asset acquisitions and evaluating projects intended to improve, enhance, or maintain existing asset infrastructure. In some cases, the strategic linkage is demonstrated by specific projects that implement long-term goals. In other cases, the linkage is apparent in agency guidance for developing capital project proposals and the criteria used to rank and select among competing proposed projects.

Agency Processes for Assessing Capital Needs Reflect OMB and GAO Guidance to Varying Degrees

Both the Office of Management and Budget (OMB) and GAO guidance emphasize the importance of conducting a baseline assessment of the resources needed and current capacity of existing resources to achieve results-oriented goals and objectives. This assessment should involve the use of an inventory of existing assets and current information on asset condition in order to identify any performance gap. A comprehensive inventory of assets that includes current and accurate data on asset condition can provide proposal developers with information to use in determining if an actual performance gap exists. It also can help decision makers when they consider options for addressing an identified performance gap. For example, data on unused or underused facilities can prompt decision makers to consider renovating or converting an existing facility to address the new need. When a performance gap is identified, guidance also suggests that detailed functional requirements be identified in order to adequately evaluate options for reducing the gap. OMB guidance recommends the use of integrated project teams to manage this and other aspects of the capital programming process.

Agencies' processes for assessing needed resources and identifying a performance gap reflect OMB and GAO guidance in some areas but not in others. The Department of Veterans Affairs (VA) lacks agencywide asset condition data and an inventory of assets, although it is in the process of creating a data management system to inventory capital assets and measure their performance against VA portfolio goals. The National Park Service (Park Service) has just recently developed an inventory of its assets, but lacks agencywide comprehensive information on the condition of those assets. The National Oceanic and Atmospheric Administration (NOAA) maintains an agencywide asset inventory but lacks complete information on asset condition. Although the Bureau of Prisons (BOP) maintains both an inventory of assets and information on facility condition, the basis for determining its long-term performance gap is unclear.

VA Has a Formal Process for Assessing Its Needs, but Lacks Agencywide Asset Condition Data and an Inventory of Capital Assets

VA's capital needs are generally identified at the Veterans Integrated Service Network (VISN)[1] level by network personnel. Major capital project requests are developed in response to the departmental spring budget call for project proposals. Minor project proposals (projects with estimated costs under $4 million) are developed in response to a separate call for proposals. Facility employees of the Veterans Health Administration (VHA) have routinely conducted condition assessments of facilities under their control, but until March 2003, the results were maintained at the facilities, or in some cases at the VISN level, and were not available to other VHA networks or headquarters decision makers. Similarly, data on the type and number of other assets are maintained at the VISN level, and the data are not readily available to other VISNs or headquarters personnel. Therefore, decision makers cannot readily identify assets to share across networks.

In response to a fundamental change in VA's mission from hospital-based to outpatient-based services, a GAO testimony[2] on VHA's operations and maintenance of its capital infrastructure and a congressional hearing,[3] VHA established the Capital Asset Realignment for Enhanced Services (CARES) process in October 2000. The CARES process is designed to assess veterans' health care needs and identify planning initiatives to meet those needs in the future. Under CARES, VA's Undersecretary for Health has directed VISNs to develop asset-restructuring plans to guide any future capital investment decisions that would involve constructing new facilities or renovating or closing existing ones in order to deliver health care more efficiently in existing locations or closer to where veterans live. The CARES process—involving a study of each VHA VISN—consists of nine steps, including defining market areas, analyzing needs, developing market plans, implementing the plans, and integrating the plans into the strategic planning cycle. Phase I of the program, completed in August 2002, was a pilot test (study) of the Great Lakes network. A recent GAO study of VA's management of vacant buildings in the Great Lakes CARES pilot found that VA has developed or implemented alternative use or disposal plans for 21

[1]VHA is geographically divided into 21 VISNs, and National Cemetery Administration is divided into five memorial service networks.

[2]U.S. General Accounting Office, *VA Health Care: Capital Asset Planning and Budgeting Need Improvement*, GAO/T-HEHS-99-83 (Washington, D.C.: Mar. 10, 1999).

[3]The hearing was held on July 22, 1999, by the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives.

of its 30 unneeded, vacant buildings in the Great Lakes VISN.[4] Despite the efforts of VISN officials, the lack of interest in the remaining 9 vacant buildings has been an obstacle to finding alternate uses for these properties. VISN officials believe that maintaining ownership of the vacant buildings is the least expensive course of action, given the relatively high demolition costs compared to annual maintenance costs and considerable uncertainties about VA's potential costs to transfer the properties to the General Services Administration (GSA). In August 2003, we reported on how VA and two other federal agencies identify vacant and underutilized properties and the numbers, types, and locations of these properties.[5] The report describes VA's efforts to address these properties and presents an analysis of information on vacant and underutilized properties at VHA. Among other actions being taken by VA, VHA future capital needs and program resources are expected to be largely driven by the results of the CARES studies. The remaining 20 VISN studies are ongoing and the entire process is scheduled for completion in fiscal year 2003.

As part of CARES, VHA has conducted a functional space and use survey through a nationwide building-by-building survey of each facility in each VHA network. According to officials, the surveys are intended to document each facility's usable space (square footage and acreage), the programs it supports, and the functional ability of the facilities to support those programs. The results of these surveys were collected in a database at the VHA level and were planned to include data on vacant properties, including swing-space.[6] Officials said the surveys were planned to consist of three types of facility assessments: a technical assessment—assessing, for example, whether a building has a sufficient number of windows and the condition of its mechanical systems; a functional assessment—assessing, for example, whether services provided at a building's location are capable of handling a patient workload similar to a private sector facility; and a space assessment covering things such as whether there is sufficient space in the patient waiting rooms or whether the number and location of patient exam rooms provide for adequate privacy. Standards for these assessments are generally based on the standards for comparable private sector

[4]U.S. General Accounting Office, *VA Health Care: Improved Planning Needed for Management of Excess Real Property*, GAO-03-326 (Washington, D.C.: Jan. 29, 2003).

[5]U.S. General Accounting Office, *Federal Real Property: Vacant and Underutilized Properties at GSA, VA, and USPS*, GAO-03-747 (Washington, D.C.: Aug. 19, 2003).

[6]Swing-space is vacant space that is available temporarily.

facilities. According to one official, the VHA functional space and use surveys will provide a comprehensive inventory of all VHA assets, and data on these assets will be available VHA-wide. The official also stated that while data on the National Cemetery Administration (NCA) and Veterans Benefits Administration facilities and properties have been included in the survey, a facility (building-by-building) walk-through has not been performed and the programmatic use of the facilities has not been documented. According to the official, the data from the survey database helped VHA develop planning initiatives associated with the CARES program. While the focus of the survey database was to complement the CARES program today, capital planners in both the field and headquarters offices can use it in the future.

This will be helpful since today facility managers within the various VHA networks are knowledgeable about the assets and facilities under their control, but have no process or system for knowing the availability and condition of assets in other networks. A facility or network manager has to call other network managers to inquire about available assets and facilities. Likewise, the condition and functional use of any available asset would have to be researched, as this information currently is not readily available in any systematic way. A VHA official in VISN 7, a regional area that has recently experienced substantial growth in veteran population, said his network generally follows the headquarters capital planning process but recently began its own 3-year planning process to assess its own infrastructure needs. As part of that process, facility managers were required to think about their capital asset needs and the current condition of existing facilities and start developing proposals for 3 to 4 years into the future. As discussed below, other VA networks are also in the process of identifying their assets and facilities and collecting information on their condition, and a VA-wide system is being developed that will allow facility managers to obtain information on the availability and condition of assets VA-wide.

The lack of a comprehensive agencywide asset management system has been an area of concern for VA headquarters managers. In a briefing on the agency's process, they noted that VA lacks an adequate portfolio management function, does not have good information on existing assets, and lacks a system to manage its leases—one that allows for automatic updates of new leases and rate changes. As a result, independent from the CARES effort, in early 2002 VA's asset management office began the process of developing a system that will allow VA to inventory, monitor, and maximize the use of its capital assets. The office solicited a contract

for a study that would provide VA with information on industry best practices, strategies for developing and maintaining an optimal capital asset portfolio, and strategies for developing an optimal long-range capital asset plan. The office has since decided to develop the asset portfolio using VA staff. The capital asset portfolio, the Capital Asset Management System (CAMS), is being designed as a database umbrella that will sit atop and interact with existing databases—allowing programmed data to be drawn from them and new data to be entered directly into CAMS. The database is to include all VA-owned buildings and land, leased real estate, information technology, capital equipment, and sharing agreements. The system was to be developed in two phases, with the first phase scheduled for activation at the end of January 2003 and the second phase scheduled for activation at the end of February 2003. However, as of September 2003, VA officials had not replied to our request for information on whether and when CAMS had been activated. The survey database being developed under the CARES effort will complement CAMS.

While VA currently lacks agencywide asset inventory and condition data, NCA maintains an asset inventory and information on the condition of its assets and facilities. Moreover, these data are used as part of its 5-year planning process. The NCA inventory of national cemeteries includes information on current and future cemetery capacity. NCA also maintains a computerized database of major asset items at each cemetery. This information is available to NCA managers at the administration level and is used to identify program performance gaps and options for addressing the gaps. NCA facility managers and contractors routinely conduct asset and facility condition assessments. Field staff in each cemetery in the five memorial service networks perform the initial assessment of cemetery buildings and grounds to determine the need for maintenance; renovation; and if appropriate, replacement of cemetery structures. The assessment results are forwarded to NCA headquarters for review. To supplement the assessments routinely performed, NCA contracted early in 2001 for an extensive condition assessment and needs determination at each cemetery. The process involved both visual inspections and use of a standard methodology to determine the costs for cemetery upgrades.

NCA's guidance for preparing its 5-year facilities plan explicitly states that construction planning should consider existing assets and their condition. The guidance further stresses that routine assessments of current assets, including equipment and buildings, should include a determination of changes in mission needs, whether existing cemetery features continue to

fulfill current and expected mission needs, and whether the assets should continue to be used in the same manner.

The National Park Service Has a Formal Process for Assessing Its Needs, but Lacks Agencywide Comprehensive Information on Asset Condition

The Park Service's capital needs are identified at the park level—through a process that produces a general management plan (GMP) for each park and an ongoing process in which individual projects are input to a project management database and extracted from the database in response to the annual budget call for project proposals. Some capital projects are initiated as a result of funding becoming available from specific project funding sources; other projects are initiated in response to departmental or administration priorities. While individual parks historically have maintained asset inventories with varying levels of detail, the Park Service has just recently completed the servicewide asset inventory phase of its new asset management process. Also, the agency lacks servicewide comprehensive data on the condition of its assets. While the new asset management process is designed to include comprehensive asset inventory and condition data as key components, only limited asset inspections have been performed so far and the more detailed comprehensive assessments will not be completed for some time.

GMPs are linked to Park Service strategic goals and define long-term park direction. The plans provide a broad overview of park needs and identify areas for major improvements and performance gaps in service. The planning process also identifies maintenance deficiencies at the park level. GMPs cover a 10- to 20-year period and usually are general in nature so they do not become outdated before associated projects actually receive funding. A plan typically begins with an overview discussion of the park's mission—why the park exists—and then identifies park performance gaps and the resources required to fill those gaps. Some older plans, such as the August 1995 Grand Canyon GMP, are more detailed than plans developed in recent years. For example, the Grand Canyon GMP not only describes long-term objectives for the entire park area, but also identifies and describes specific capital projects to achieve the objectives. Producing a GMP can take 2 to 6 years and involves intense consultation and review by the public and other agencies, regional office and headquarters program staff, and Park Service and Department of the Interior managers and senior executives. Only after all major issues are discussed and resolved, does a park's regional director approve the GMP.

The capital needs identified at the park level are entered into the servicewide Project Management Information System (PMIS)—an

automated tracking system containing thousands of proposed capital projects. Projects are entered into the servicewide system throughout the year and are extracted in response to budget calls for project proposals. Projects also may be entered into PMIS for the first time in response to budget calls for project proposals. According to Park Service officials, PMIS is a list of identified needs containing a mix of projects that have been initiated and those that have not. Using PMIS, decision makers are able to access the specific project information, including justifications; link to agency goals, and estimated costs; and begin the ranking and selection phase of the capital decision-making process. PMIS is discussed further in chapter 4.

Capital project proposals are generally developed independent of funding sources and entered into the PMIS database as described above. However, some annual budget call memorandums solicit capital projects tied to specific funding sources such as funding provided through the recreational fee demonstration (fee-demo) program,[7] line-item construction and maintenance program, and park concessions franchise fees. Each funding source can fund specific types of projects. Annual budget calls may also solicit project proposals for a specific type of project, such as road repair and maintenance, even though parks may have needs that differ from these sources and categories. According to Park Service officials, when OMB sets the target amounts available from the various sources, that determines the types of project proposals submitted by the Park Service for that year. The parks, in conjunction with the regional offices, determine which proposals to put forth based on the needs linked to strategic goals that best fit within the criteria and funding limits established in the call letter. Parks may have needs that differ from those permitted to be funded by the specified funding source. For example, officials say there is a severe need for employee housing at the Grand Canyon National Park, but fee-demo funding cannot be used for that purpose. Also, departmental and administration priorities can influence projects initiated at individual parks. For example, for the past several years the administration's priority has been to reduce the backlog of deferred maintenance. This continues to be a priority, while more recently the current administration has made visitor security a priority after the terrorist attacks of September 11, 2001.

[7]The fee-demo program asks visitors to pay recreation user fees while in some parks, in order to engage in certain activities requiring additional services or facilities or to mitigate impacts. The types of fees range from campground to boat launching fees.

Until just recently, the Park Service did not have a servicewide inventory of its capital assets and facilities. Prior to this, it has not had the benefit of a comprehensive asset inventory of all its assets. As a result, the physical condition, functionality, suitability, and life expectancy of facilities and the backlog of deferred maintenance requirements were not adequately documented. Some national park units maintained limited inventories covering the assets under their control. For example, the Grand Canyon National Park has an inventory of what it calls "formal" property, including capitalized assets with an acquisition value of $15,000 or more, and each division within the park has an inventory of so-called "informal" property valued below $15,000 with an estimated useful life of 2 years or more. This individual park information had not been available servicewide. As part of its new asset management process (discussed below), the Park Service says it recently completed its asset inventory and trained its staff on the use of the required computer software.

The Park Service also historically has not had servicewide asset condition data or systematic criteria for individual park managers to use in making assessments for their parks. According to Park Service officials, condition assessments were not required in the past; as a result, asset condition information historically has not been available to servicewide capital planners and decision makers. Condition is monitored at the park level. For example, the Grand Canyon National Park management team, which includes the park superintendent and other managers, determines project priorities for the park based on its knowledge of park facilities. According to one park official, there is an extensive amount of institutional memory within the management team and that institutional knowledge of the park and its functions, along with visual inspections of the condition of the park's assets, is used to make needs assessment decisions. However, these visual inspections were not based on systematic criteria and there was little documentation available. Making progress toward implementing another component of the new asset management process, the Park Service says it has completed visual inspections on all but nine of the larger parks in the park system. However, the more detailed, comprehensive condition assessments will not be completed until the end of fiscal year 2006.

As planned, the Park Service's new asset management process will, for the first time, provide the agency with a reliable inventory of its assets; a process for reporting on the condition of those assets; and a consistent, systemwide methodology for estimating deferred maintenance costs. The cornerstone of the new asset management process is the Facility Management Software System (FMSS)—a commercial-off-the-shelf

integrated software system currently used by other federal agencies. FMSS will allow Park Service managers to track cost and maintenance data for each asset in the agency's inventory. The system requires each park to enter all of its assets and information on their condition into a centralized database for the entire park system. Parks also will be required to conduct annual condition assessments of their assets and more comprehensive condition assessments regularly. The annual condition assessments—which are essentially "eyeball" inspections—are designed to identify obvious and apparent asset deficiencies, while the comprehensive condition assessments are more in-depth inspections and designed to identify hard-to-find problems, such as hidden structural defects in building foundations, roofs, or walls.

In April 2002 we reported[8] that when fully developed and implemented as planned, the new asset management process would enable the Park Service to provide agency managers and the Congress with much more accurate and reliable information on the amount of deferred maintenance throughout the park system. In July 2003, we reported[9] on the Park Service's progress with implementing its new process. We found that the agency had completed, or nearly completed, a number of substantial and important steps toward implementing the new process. As mentioned, the Park Service says it has completed an inventory of its assets and the annual condition assessments (eyeball inspections) have been performed on all but nine of the larger parks in the park system. The remaining annual assessments are under way and planned for completion by the fall of 2003. While the Park Service says it is concurrently performing the more comprehensive (detailed, in-depth) assessments, these comprehensive assessments will not be completed until the end of fiscal year 2006. At that time, according to the schedule, the entire process is to be fully implemented. However, the capital asset plan and justification (OMB Exhibit 300)[10] for this system shows an estimated completion date of September 2007.

[8]U.S. General Accounting Office, *National Park Service: Status of Efforts to Develop Better Deferred Maintenance Data*, GAO-02-568R (Washington, D.C.: Apr. 12, 2002).

[9]U.S. General Accounting Office, *National Park Service: Status of Agency Efforts to Address Its Maintenance Backlog*, GAO-03-992T (Washington, D.C.: July 8, 2003).

[10]Exhibit 300 is required by OMB. Agencies must submit a capital asset plan for each new and ongoing major project, system, acquisition, and operational (steady-state) asset included in their capital asset portfolios.

Whether fully implemented in fiscal year 2006 or 2007, the new asset management process using FMSS is expected to allow for improved prioritization of capital projects by providing more centralized, quantifiable data. According to Park Service officials, the backlog of maintenance identified through this system will be imported into PMIS and ranked for funding and accomplishment. The reports generated by the system, including work order reports, requisition forms, and condition assessment and asset management reports, would be available to capital planners and decision makers servicewide.

This new process for managing the nation's historic treasures and other assets sounds promising but will require years of sustained commitment by the Park Service and other stakeholders. Comprehensive data on the condition of assets in the Park Service portfolio is critical not only to identifying deferred maintenance needs but also to determining an asset's true functionality and ability to achieve long-term goals and objectives.

NOAA Has a Process for Assessing Its Needs and Maintains an Agencywide Asset Inventory, but Lacks Current Information on Asset Condition

NOAA's capital needs are identified at the line office and major program office levels and flow from the individual line and program offices' strategic planning processes. As discussed in chapter 2, NOAA line and major program offices prepare separate strategic plans in support of NOAA's strategic goals and the long-term goals of the Department of Commerce. Capital resources needed to support these goals are identified in the individual offices' current strategic plans and operating plans. For example, the current strategic plan for the Office of Marine and Aviation Operations (OMAO) identifies its mission and long-term goals and describes how investments in capital assets play a key role in addressing these goals. The plan describes the operational requirements that must be met, which could require major refurbishment of old platforms, converting existing ones obtained from other government agencies, or building new platforms to replace older ones. The plan further states that new cost-efficient and more technically capable assets must be considered as part of future capital plans, and the plan identifies important functional requirements, such as the need for technically advanced platforms to meet the growing public demand for services. Further, the strategic plan describes OMAO's goal of expanding public and private partnerships to best meet NOAA business objectives. This discussion of such alternatives is continued in chapter 4.

In another example, the strategic plan for the National Environmental Satellite, Data, and Information Service describes the replacement of polar-orbiting satellites needed to continue NOAA's tracking of global variables

that affect weather and climate. The planned new polar-orbiting satellites are being acquired through partnership with other federal agencies that have the same needs—the Department of Defense (DOD) and the National Aeronautics and Space Administration (NASA). Taking an integrated approach to identifying and meeting the operational satellite needs for both the civil and national security communities, the new system—the National Polar-Orbiting Operational Environmental Satellite System (NPOESS) will replace polar systems currently operated by NOAA and DOD and is expected to save the government an estimated $1.8 billion over the life of the program. NOAA, DOD, and NASA established a joint Integrated Program Office to develop, manage, acquire, and operate NPOESS. Each participating agency is responsible for one of three primary functional areas. NOAA has overall responsibility for the converged system and is also responsible for satellite operation.

The other NOAA line offices have separate processes for identifying their capital needs—each in accordance with its current strategic plan, which in turn is linked to the NOAA strategic plan and long-term Commerce goals. Also, individual line and program offices have ranking processes that occur at the line and program office levels before proposed investments are submitted to NOAA review boards and, ultimately, to NOAA headquarters management for approval. These processes are discussed in chapter 4.

NOAA maintains separate inventories of real and personal property assets but maintains no asset condition data on real or personal property.[11] A single inventory of real property assets is maintained by NOAA headquarters and the four Commerce Administrative Support Centers (ASC). Each regularly updates the inventory for the assets under its purview. NOAA Headquarters and the ASCs receive input from internal realty specialists on acquired and disposed properties and update the real property inventory monthly. The inventory also contains information on properties leased by NOAA and GSA. NOAA officials can generate reports from the real property inventory, which show basic information such as acquisition cost and the size and age of facilities. According to a NOAA official, the real property inventory is difficult to use and decision makers do not regularly consult it. NOAA's personal property inventory also contains basic asset information. The inventory identifies each personal

[11]Real property assets consist of land; facilities; and anything constructed on, growing on, or attached to land. Personal property is all property other than real property. It includes items such as ships, aircraft, satellites, and computers.

property asset by a unique identifier and briefly describes the asset; provides its date of acquisition, acquisition cost, useful life, and current physical location; and notes whether the asset is owned or leased. This inventory is centralized and maintained by NOAA's Office of Finance and Administration (OFA). NOAA's line and program offices provide OFA with data on their respective assets and OFA enters the data into its database. The personal property inventory includes both capitalized personal property (assets costing $200,000 or more) and noncapitalized property (assets costing less than $200,000). Noncapitalized property is mostly computer equipment.

In the past, NOAA regularly performed asset condition assessments for its real property assets; however, these assessments have been suspended for several years while identified asset deficiencies are addressed. An official said that previous condition assessments for real property assets were very exhaustive and costly and the condition data aged very quickly. A new process for assessing asset condition is scheduled to begin in fiscal year 2003 and will involve a facility rating and prioritization process performed by a contracted firm.

According to an OFA official, NOAA has no standard process for performing condition assessments for personal property assets. OFA conducts what it refers to as an annual assessment of property condition for capitalized personal property only. However, this assessment merely consists of OFA asking the line and program offices if there is any deferred maintenance on their equipment and other assets. According to the official, the answer is generally "no." The official further stated that the line and program offices themselves do not perform condition assessments because it is believed that if regular asset maintenance is performed, routine condition assessments or inspections are not necessary.

In addition to the new process for assessing the condition of real property assets, NOAA is implementing a new real property inventory system. Commerce has purchased a system that is presently running parallel to NOAA's present inventory. It contains the same information as the present inventory, although according to an official, it is Web based and will be easier to update than the present inventory. The new inventory will not collect asset condition information but could be expanded to include it in the future. At the time of our study, it was not fully deployed but was scheduled to be fully operational by fiscal year 2003. The current personal property inventory was implemented in the fall of 2002.

BOP Maintains an Inventory of Capital Assets and Information on Asset Condition; However, the Basis for Its Long-term Performance Gap Is Unclear

BOP capital needs are determined through the use of a number of separate parallel processes. Capital projects are identified in response to the BOP Director's spring budget memorandum, through routine inspections of facilities, and through a long-term capacity planning process. Modernization and repair (M&R) projects are identified as a result of routine physical inspections of correctional institutions or in response to legal requirements, such as the need to provide access for the physically challenged. M&R projects also are identified as a result of contractor surveys of facilities that are more than 50 years old. These surveys of older institutions determine the extent of renovation needed and if replacement of the facility is more cost effective than renovation. Projects that require construction of new institutions—which represent the bulk of BOP's capital spending—are identified through a centralized process that is driven by future inmate population projections with the goal of keeping prison crowding at targeted manageable levels.

BOP maintains an automated inventory system to track, control, and depreciate both real and personal property capital assets—its Real Property Management System, which tracks all BOP-owned land, buildings, other structures, and related improvements, and a Personal Property Management System which tracks and depreciates all BOP-owned personal property. BOP's capital asset inventory is a nationwide system run on a mainframe computer, and its data are available nationally to all capital planners and decision makers. Numerous reports are generated from this system, including a list of operational correctional facilities at any given point in time and individual asset records showing detailed asset information such acquisition date, accumulated depreciation, and current book value. According to capacity planning officials, the real property inventory data are considered in the overall needs assessment process. For example, when population increases occur, the existing inventory of correctional facilities and their current populations are first considered in determining how to maintain or achieve a targeted population level.

Likewise, capital asset condition data are available to regional and headquarters capital planners and decision makers. BOP's policy is to inspect its institutions either quarterly, semiannually, or annually depending on the institution's age. Correctional institution staff throughout each of the six regions perform the inspections, and the results are compiled to form an institution-specific list of infrastructure maintenance needs. These institution lists are forwarded to each regional office where they are consolidated for evaluation by regional staff. At least annually

regional offices rank the needed projects and forward the ranked lists to headquarters staff. BOP's Facilities Management Branch consolidates the six regional project lists with additional requests received in response to the Director's spring budget call. More extensive condition assessment surveys are performed for facilities over 50 years old with the oldest institutions and facilities that have not had major renovations in years being surveyed first.

BOP also relies on its Computerized Maintenance Management System (CMMS) to track preventive maintenance, equipment history, recommended replacement schedules, and costs related to institution maintenance. In addition to the project repair lists, facility condition survey reports, and reports generated by CMMS, BOP units are required to provide current asset condition data when responding to the Director's spring budget call. For the fiscal year 2004 budget cycle, the Chief of Facilities Management issued a memo, in addition to the BOP Director's memo, with instructions for developing the buildings and facilities budget request. The memo required that current asset condition be fully explained in all requests—including the likely consequences of not receiving funding for the requested project. While this requirement indicates that asset condition could be seriously considered in the budget process, BOP officials could not provide us with any completed requests containing this information.

BOP also considers a program's functional requirements when determining its performance gap. As suggested in OMB guidance, a performance gap should be defined in terms of the functional requirements to be achieved. An important requirement in BOP's program is a policy decision to house prison inmates within 500 miles of their homes. Therefore, BOP planners and decision makers consider how best to meet this requirement when evaluating various alternatives to bridging an identified performance gap.

Although asset inventory and condition data are available for considering the use of existing assets when identifying a performance gap and determining how best to fill the gap, BOP is not able to support the basis of its estimated overall long-term performance gap. While BOP considers a number of factors, as described below, it lacks studies to support its judgment about the acceptable level of overcrowding.

BOP's new construction program follows a centralized long-term capacity planning process with the goal of ensuring sufficient institution capacity while maintaining prison crowding at safe and secure targeted levels. The agency's Office of Research and Evaluation generates projections of future

inmate population levels using a microsimulation computer program and data from the Administrative Office of the U.S. Courts and the U.S. Sentencing Commission. These projections are influenced by factors such as increased resources for law enforcement and prosecutorial agencies and estimated increases in the number of Immigration and Naturalization Service (INS) detainees. The Office of Research and Evaluation continually monitors population growth and the projections are updated regularly. The population projections are subdivided by inmate security level—minimum, medium, and maximum security—and geographic region. BOP's capacity planning staff also monitors inmate population growth and current and estimated prison capacity levels. Long-term rates of prison overcrowding are regularly generated using a formula that considers an institution's "rated capacity" and the expected prison population. This results in an overcrowding percentage, which is the inmate population amount above the institution's rated capacity.

The concept of rated capacity is a standard that uses a stated level or percentage of double bunking (crowding) in inmate living quarters to arrive at an institution's inmate capacity level. In recent years, BOP has sought to operate at 25 percent double bunking for high-security-level inmates, 50 percent for medium-security-level inmates, and 100 percent for low-security-level inmates.[12] These percentages of double bunking are multiplied by the number of inmates the institutions were designed to accommodate to arrive at the institution's rated capacity. For example, a high-security institution designed to accommodate 768 inmates (768 beds) with 25 percent double bunking would have a rated capacity of 960 (768 x 1.25). A low-security institution designed to accommodate 768 inmates with 100 percent double bunking would have a rated capacity of 1,536 (768 x 2.00). The rated capacity numbers are then compared to an institution's projected population to arrive at the institution's percentage of overcrowding. Therefore, a high-security institution with a population of 1,100 and a rated capacity of 960 would have an overcrowding rate of about 15 percent (1,100-960/960=14.6).

[12]Twenty-five percent double bunking means 25 percent of inmate cells have twice the number of inmates they were designed to accommodate. The percentages of double bunking at the various security levels are based on BOP's own judgment as to the appropriate mix of single- versus double-bunked cells. In the past, BOP, in determining rated capacity, had generally followed a single-bunking standard advanced by the American Correctional Association (ACA) but has transitioned to a double-bunking standard to accommodate overcrowding. ACA considers single bunking a nonmandatory standard and will accredit institutions that use double bunking as long as its other mandatory standards are followed.

The institution numbers are aggregated to determine an overall systemwide percentage of overcrowding in BOP-operated facilities. A long-term capacity plan is regularly generated, which shows these overcrowding percentages by security level and inmate gender over a 9-year period. For example, the capacity plan dated April 30, 2002, shows that medium-security institutions housing male prisoners are estimated to be overcrowded by 52 percent in fiscal year 2003. The same capacity plan shows that systemwide BOP overcrowding is expected to be around 30 percent through fiscal year 2009.

While BOP planning and budget documents suggest that record inmate population increases over the past few years will likely continue, BOP is unable to demonstrate the basis for what it considers an acceptable level of systemwide overcrowding. Officials say that over the past two decades the overcrowding goal has increased from 10 to 15 percent to an actual goal of around 30 percent. They say this goal is a result of gradual increases in what the previous administration believed were acceptable percentages of double bunking. According to budget and capacity planning staff, during the early 1980s a goal of 10 percent overcrowding was established, but population growth never allowed them to maintain that level. In the 1993-94 time frame, the goal was set at 15 percent, but the funding needed to attain 15 percent was never provided. Also, the absorption of felons sentenced in the District of Columbia and INS long-term detainees made attaining this goal unlikely.

More recently, according to BOP officials, the Department of Justice (DOJ) decided that BOP would, at least temporarily, try to manage the prison population at 85 percent double bunking in penitentiary cells (maximum security) and 95 percent in medium-security facilities. These levels of double bunking the forecasted prison population translate to a systemwide overcrowding rate of around 30 percent through fiscal year 2009. DOJ's fiscal year 2001 *Performance Report*,[13] which includes the fiscal year 2003 performance targets, states that the BOP systemwide overcrowding goal is 37 percent for fiscal year 2003 and 31 percent for fiscal year 2006.

BOP officials could not provide any studies or documentation supporting what the agency considers an acceptable level of double bunking or crowding above rated capacity levels. As mentioned, the goal has changed

[13]*U.S. Department of Justice, FY 2001 Performance Report and FY 2002 Revised Final, FY 2003 Performance Plan.*

over the past two decades and, according to BOP officials, it appears that the prison population has been adequately managed at the varying levels of overcrowding. To justify the need to construct new facilities, expand existing facilities, or even enter into additional contracts with privately run facilities, it is reasonable to expect the long-term need to be based on standard criteria, supported by studies or analyses that discuss some correlation between levels of overcrowding and problems in controlling and managing the prison population.

Agency Use of Integrated Project Teams

With the exception of NOAA and VA, the use of integrated project teams (IPT), suggested by OMB guidance, was not generally evident in the planning phase of case study agencies' processes. It is hard to judge the impact of this since our study of the practices of leading organizations found that often such teams were not used until later, while organizations were managing the implementation of capital projects. NOAA's OMAO formed an IPT to facilitate its ship replacement process—a team consisting of mission, acquisition, and program managers. Stakeholders of the fisheries vessels were also consulted in the process. The team operated under NOAA's Administrative Order that prescribes general procedures for developing requirements for major systems. The working group began with unconstrained requirements discussions, but through the process of feasibility design studies, the final ship design met the most critical requirements. This IPT developed a set of requirements for the new vessels, and an acquisition team began a pilot ship design.

VA's capital guidance strongly emphasizes the use of IPTs. Its fiscal year 2002 guide amended prior guidance to define the acronym, IPT, as the "Investment Proposal Team," a multidisciplinary team that includes subject matter experts on the investment being requested. Generally, the VA IPT is composed of disciplines such as the local facility planner; facility engineer; finance, budget, and information technology staff; and representatives from clinical disciplines defined in the project scope.

Conclusion

While case study agencies have successfully begun their capital planning processes by recognizing their primary missions and long-term goals and identifying resources needed to fulfill their goals, only BOP has been successful at maintaining a current inventory of its assets and information on asset condition. VA and the Park Service have struggled to develop and maintain agencywide comprehensive inventories of capital assets and

current data on asset condition; however, the Park Service says it has recently completed an inventory of its assets and is making progress toward assessing the condition of those assets. NOAA has not maintained current information on the condition of assets under its control. This lack of current information on asset availability and condition may have hindered these agencies' ability to properly identify current capabilities and the actual gaps between their current and needed capabilities. The lack of accurate inventory and condition data also may have prevented a thorough evaluation of available alternatives to bridging performance gaps. Case study agencies recognize the value of maintaining up-to-date and comprehensive asset information and appear to have begun processes to improve this deficiency. It is important that agency management diligently proceed with the development and implementation of these needed asset management systems.

Recommendations for Executive Action

We recommend that the Secretary of Veterans Affairs continue to emphasize and support the timely development and implementation of CAMS currently under way agencywide. Decision makers should use the asset inventory and condition information as an integral part of VA's capital planning process when both determining a need for a new capital asset and considering options for filling a performance gap.

We recommend that the Director of the National Park Service ensure that asset inventory and current asset condition data from FMSS are available to assist capital planners and decision makers when determining future capital needs and alternatives to bridging identified performance gaps.

We further recommend that the Director of the Bureau of Prisons require that studies be undertaken to determine the relationship between different levels of overcrowding and problems with managing prison populations, and that such studies be used in determining needs.

Finally, we recommend that the Under Secretary for Oceans and Atmosphere, Department of Commerce, (NOAA Administrator) resume regularly scheduled asset condition assessments for real property assets and develop a standard process for assessing the condition of personal property assets.

Agency Comments

We provided a draft of this report to VA, the Park Service, BOP, and NOAA. In its written comments, reprinted in appendix VII, VA said it agreed with our conclusions and concurred with our recommendation to continue the development of CAMS and incorporate facility condition assessment information when making capital investment decisions. VA also described the progress it has made thus far with implementing a life cycle portfolio management approach and the development of CAMS to facilitate this effort. In addition, VA provided a number of technical comments, which have been incorporated in this report as appropriate.

The Department of the Interior did not directly address our conclusion and recommendation regarding the Park Service. It provided a number of technical comments, which have been incorporated in this report as appropriate.

In its written comments, reprinted in appendix VIII, BOP did not directly address our conclusion or recommendation. It said that over the years, a number of corrections authorities have undertaken studies on the issue of overcrowding in prisons, and the analysis and findings from those studies and its own operational experience are factored into its population and capacity planning process.

In its written comments, reprinted in appendix IX, NOAA agreed with our recommendation to resume regularly scheduled asset condition assessments for real property assets and develop a standard process for assessing the condition of personal property assets. NOAA stated that it implemented real property asset condition assessment surveys in fiscal year 2003 and has implemented a program requiring annual condition and maintenance assessments for all capitalized personal property assets.

Agencies Consider Alternatives but Processes to Rank and Select Investments and Produce Long-term Capital Plans Need Attention

Both Office of Management and Budget (OMB) and GAO guidance stress that when a performance gap between needed and current capabilities has been identified, it is important that organizations carefully consider how best to bridge the gap by identifying and evaluating a full range of alternatives to constructing or purchasing a new capital asset. The guidance also emphasizes the need to have a comprehensive decision-making framework to review, rank, and select from among competing project proposals. Such a framework should include appropriate levels of management review and approval, and selections should be based on the use of established criteria. Capital planning guidance also emphasizes the importance of documenting the selected projects in a long-term capital asset plan. The capital plan should define the organization's long-term capital acquisitions needed to support its long-term goals and objectives.

Case study agencies have processes through which to consider various alternatives to acquiring new capital assets and often choose such alternatives, including nonownership options. Case study agencies have various processes for the review and selection of proposed capital investments, but most have established frameworks. The process used at the Bureau of Prisons is less formal than other agencies' processes and is not well documented. None of the case study agencies have developed long-term capital plans that describe the goals and objectives to be achieved, baseline assessment of the current conditions and performance gaps to be filled, and justification for new acquisitions proposed for funding.

Agencies Have Processes to Consider Various Options for Addressing Their Performance Gaps—Generally a Range of Alternatives, Including Noncapital Options

While it is almost always possible to hypothesize more alternatives for any given need than may have been seriously considered by agencies, all of the case study agencies considered a reasonable number of alternatives to address any identified performance gaps.

Department of Veterans Affairs

The Department of Veterans Affairs' (VA) departmental guidance requires its facility staff to answer OMB's "Three Pesky Questions"[1] when developing capital investment project proposals. These questions seek to ensure that the function to be supported by the investment is mission critical, no other governmental or private entity can perform the function better, and agency business processes have been reengineered to optimize performance at the least cost. The Veterans Health Administration (VHA) and the National Cemetery Administration (NCA) follow department-level guidance and consider a range of alternatives to address identified performance gaps. There are four alternatives that must be considered—leasing; status quo; new construction; and rehabilitation, repair, or expansion of existing facilities. Enhanced-use leasing and contracting with a university hospital to share assets are nonownership options considered by VHA. NCA has the authority to partner with state governments through the use of federal grants to establish, expand, or improve state-owned and operated veterans' cemeteries. When researching alternatives, NCA also considers the expansion of existing memorial sites through the purchase of adjacent cemetery land.

VA was given the authority to enter into enhanced-use leasing[2] arrangements to address some of its facility needs. Under these arrangements, originally authorized in 1991, VA leases its land to a private or public developer. The developer constructs a facility on this VA-owned land and assumes ownership of the facility. The developer may lease the whole or part of the facility back to VA at below-market rent and the facility owner can solicit other tenants for space not used by VA. This arrangement can be structured to require only a 2-year financial commitment on behalf of the government. VA has used enhanced-use leasing for clinics, regional offices, research facilities, and office buildings, and VA is looking to expand enhanced-use leasing into other areas, such as equipment investments. Figure 10 describes VA's enhanced-use authority.

[1]See ch. 1.

[2]38 U.S.C. § 8161-8169.

Figure 10: VA Enhanced-Use Authority

Enhanced-use authority is derived from 38 U.S.C. §8161-8169. Among the other flexibilities, the enhanced-use authority allows VA to outlease its property to private or other public entities for up to 75 years. The leased property may be developed for VA and non-VA uses. Each enhanced-use lease shall be for fair consideration, as determined by the Secretary, and consideration may be provided in whole or in part through consideration in-kind, including provision of goods or services of benefit to the department, such as construction, repair, remodeling, or other physical improvements of department facilities; maintenance of department facilities; or provision of office, storage, or other usable space. VA also has the option to use "minor" construction funds of up to $4 million as a capital contribution in connection with an enhanced-use lease. In return for the lease of its land, VA may purchase services, space, or facilities in connection with the enhanced-use lease. If VA chooses to lease space, the enhanced-use facilities can house tenants in addition to VA. The funds received from the developer's lease payments, in excess of VA's space lease expenses, are deposited into the Health Services Improvement Fund for the benefit of the local medical center that coordinates the enhanced-use lease. The authority also allows VA to deduct expenses associated with establishing an enhanced-use lease from the proceeds of the developer's lease payments. In this case, the local medical center and Veterans Integrated Service Network deposit any remaining funds into the Health Services Improvement Fund for use.

Unlike traditional federal leases in which lease payments are deposited into the Department of the Treasury's general fund account, VA retains enhanced-use payments. VA says the ability to receive in-kind benefits or to keep excess funds from lease payments creates an economic incentive for VA and its property managers to fully use existing capital assets and to begin to view these assets as potential resources to fund needed programs or facility requirements.

VA views enhanced-use leasing as useful for certain properties and has used its enhanced-use authority for a variety of projects. For example, in Indiana VA leased underutilized medical facility land to the state government for its use to build a health care facility. In Houston, Texas, VA leased underutilized land for a regional office, which reduces the department's expenses for rental of office space it occupies, and provides a revenue stream from the rental of space to non-VA users. In Washington, D.C., VA leased land to a child care provider for the construction and operation of a child development center, which provides services to VA employees at a discount.

Source: VA.

While VHA considers alternatives within its general scope of delivering services, it defines its range of alternatives within the rubric of maintaining service to all future expected enrollees. It has given some attention to alternatives, such as provision of services to veterans by non-VA health care facilities. For example, some VA medical centers have agreements with military treatment facilities to exchange patient care and support services. Also, VA and the Department of Defense (DOD) have pooled resources to construct a joint medical facility or to make use of an existing facility.

Bureau of Prisons

The Bureau of Prisons (BOP) considers a range of alternatives to address the performance gap identified through its capacity planning process. One of the Department of Justice's (DOJ) strategic objectives is to ensure the existence of sufficient and cost-effective prison capacity. BOP's strategy to attain this objective includes acquiring needed capacity through cooperative arrangements with state and local governments, contracts with private providers of correctional services, and alternatives to traditional confinement where appropriate. BOP also considers the expansion of existing BOP facilities and the acquisition and conversion of nonprison facilities to prison use.

Where the inmate security level is appropriate and for certain prison populations, BOP contracts with private companies and state and local governments to provide prison capacity as an alternative to new construction. In 1996, BOP began using privately managed facilities in a 5-year demonstration project to evaluate the potential effectiveness of privatizing future BOP facilities. Under authority provided in DOJ's fiscal year 1997 appropriations act, BOP contracted with a private firm to operate a correctional institution for low- and medium-security inmates in Taft, California, to help reduce crowding in the facilities of BOP's western region. In 1997, the Congress also required the use of private contract facilities to house felons sentenced in the District of Columbia who were transferred to BOP custody.[3] As of April 30, 2002, 27,000 of the approximately 162,000 inmates in federal custody were assigned to either privately managed institutions, state or local facilities through intergovernmental agreements, community corrections centers, or home confinement. DOJ's fiscal year 2001 performance report[4] includes reducing overcrowding as one of BOP's fiscal year 2003 performance targets. The stated strategy for attaining this goal includes the aggressive analysis of existing private and other correctional facilities for sale, which may offer a more timely and affordable alternative to new prison construction.

Alternatives to construction of new facilities also include the expansion of existing correctional institutions. For example, BOP received congressional approval in fiscal year 2001 to reprogram funds for the initial design and then included in its fiscal year 2003 budget request construction funding for three expansion projects. These projects are expected to

[3]Title XI of the Balanced Budget Act of 1997, Pub. L. No. 105-33, August 5, 1997.

[4]U.S. Department of Justice.

expand the existing bed space at institutions BOP currently operates. Budget documents state that the agency also tries to accommodate its prison population through acquiring military and other properties and converting them to prison use. Officials stated that the agency has also considered the use of former university campuses as alternatives to construction of new prison facilities.

Although BOP has considered and used numerous alternatives to construction of new prison facilities, new construction is still a key part of DOJ's strategy for meeting its bed space needs for persons in federal custody. The fiscal year 2003 budget request included a request to fund construction of a 512-bed secure unit for female inmates on land already owned by BOP. The requested new facility is expected to provide housing specifically designed for the special needs of women inmates, such as special rooms for visiting children—something BOP sees as an important functional program requirement. The budget justification says that planned construction of this facility at an existing site is cost effective since it will allow for shared services, such as administrative, utility, and medical services. Additional new construction plans include awarding contracts for the design and construction of 7 facilities for activation in fiscal year 2004 (adding 8,192 beds) and beginning or continuing environmental review, design, or design-build activities for 13 new facilities to add prison capacity of 14,720 beds in fiscal years 2004 through 2007.

National Park Service

The National Park Service (Park Service) considers a range of alternatives to address an identified performance gap—including noncapital options as appropriate. It also conducts extensive alternatives analysis at various stages of a project proposal's development and review. The nature of the Park Service's activities, the type of capital project being considered, and the strategic goal that is being accomplished drive the consideration of alternatives and the level and type of alternatives analysis performed. For some routine capital projects, such as life and safety deferred maintenance, which has been an administration priority for some time, limited alternatives are available. Although the Park Service considers alternatives such as renovating and rehabilitating existing facilities where possible, specific circumstances may limit the range of alternatives. For example, renovating or rehabilitating a surplus or underused facility at a remote location would not be considered an alternative for a new visitor center that would use existing adjacent trails, the current transportation system, and other adjacent structures. Park facilities may also have specific functional requirements that limit the types of buildings or locations

considered during the alternatives evaluation process. For example, the new Grand Canyon National Park visitors center must serve visitors 24 hours a day in all weather conditions.

The Park Service considers partnering with other governments for land acquisitions and has partnership programs with the private sector and nonprofit entities to share the burden of funding costly projects. For example, according to an official, the Park Service recently sought a partner for the Mesa Verde National Park curatorial facility and visitors center. Although the project is estimated to cost $40 to $60 million, the Park Service wanted to limit its share of the funding to $5 to $15 million. A local foundation expressed interest in providing the remaining funding for the project. The Park Service also tries to partner with other federal agencies. In its August 1995 general management plan (GMP), the Grand Canyon National Park said it was working closely with the Forest Service concerning specifics of a land exchange environmental impact statement (EIS). The GMP stated that the Park Service worked with the Forest Service to (1) help ensure that the land exchange would not adversely affect the national park and (2) determine if needed park housing, community services, and possible gateway information, staging/parking, and public transit facilities could be a part of the development.

The Park Service may share equipment with other federal agencies and does consider leasing some assets where appropriate. For example, the Grand Canyon National Park shares some equipment with the Forest Service and leases most of its vehicles through the General Services Administration. Operating funds typically fund vehicle acquisitions.

The Park Service conducts alternatives analysis at three points in time: (1) during the program formulation phase in which the Park Service uses Department of the Interior (DOI) criteria in conjunction with the Choosing By Advantages process (discussed later in this chapter) to rank projects for inclusion in the servicewide 5-year construction program; (2) as part of a value analysis[5] process during project predesign and design; and (3) during

[5]Value analysis, also known as value engineering and value planning, is a value management methodology that refers to a systematic and orderly problem-solving approach that emphasizes improved value, quality, and performance. It identifies essential functions necessary to accomplish an activity, analyzes those functions, and generates alternatives to secure them at their greatest worth, on a life-cycle benefit-to-cost basis. (See OMB's *Capital Programming Guide.*)

development of compliance documentation such as the EIS, environmental assessment, and categorical exclusion.

Value-based decision making or value analysis is an important component of the Park Service's project planning process. It compares alternatives to select the best value. Value analysis is being increasingly used during general management planning, implementation planning, and project formulation. A project's predesign team develops alternatives and uses value analysis to select the best alternative during its predesign activities. The Park Service's value analysis process allows proposal alternatives to be compared to each other in terms of variations on space, site location, and impact on resources and visitor experience. Value analysis in the predesign stages does not always consider status quo as an alternative because it is presumed that if the project advances to the value analysis phase, there is a compelling reason to require action other than the status quo. An example of a value analysis review of alternatives would be choosing to construct an outdoor visitors center where the exhibits are maintained outdoors and maintenance is cheaper compared to constructing an indoor visitors center that requires heating, air conditioning, and other maintenance.

The Park Service servicewide senior-level review board, the Development Advisory Board (DAB), which evaluates project proposals prior to their submission to OMB (discussed later in this chapter), will not review proposals that lack value analysis studies. Completion of these studies is mandatory for proposals above certain dollar thresholds, and the number of value analysis studies has increased from 17 in fiscal year 1997 to 113 in fiscal year 2001. DAB discusses the value analysis results for all alternatives—both those recommended for selection and the other alternatives that are analyzed. The proposal presentations include a discussion of why the alternatives not recommended were not chosen and the benefits of the recommended alternatives. Figure 11 further describes value analysis use in the Park Service.

Figure 11: Value Analysis Use at the Park Service

OMB Circular No. A-131 states that value analysis is a technique directed toward analyzing the functions of an item or process to determine "best value," or the best relationship between worth and cost. "Best value" is represented by an item or process that consistently performs the required basic function and has the lowest total cost.

Value analysis use at the Park Service comes under the direction of the Park Service Director's Order 90. That order states that all Park Service programs, projects, and activities over $500,000 will use value analysis as a management and decision-making tool in performing or contracting for planning, design, construction, and repair and rehabilitation/renovation of facilities. Recreational fee demonstration projects that exceed $430,000 and administrative and management program projects exceeding $1 million are required to have value analysis studies as well.

The Park Service value analysis process has several elements. They include consideration of a project's purpose, functional analysis, alternatives analysis, structured evaluation factors that may include Choosing By Advantage, initial cost and life-cycle cost analysis, benefit/cost analysis, independent perspective, and documentation of the decision. The predesign value analysis study is typically conducted using a qualified value study leader and a team that typically consists of park staff, the design team, and independent experts. The results of the value analysis study are summarized with project-specific information in the DAB project review report and are reviewed by DAB during national proposal review.

Source: GAO analysis of Park Service information.

The National Environmental Policy Act (NEPA)[6] requires that each Park Service project have appropriate compliance activities completed that must include an alternatives analysis to determine the various impacts of a considered option. Status quo is considered as an alternative as part of the NEPA compliance process because the other alternatives will affect the environment in different ways. The Park Service must also consult with the U.S. Fish and Wildlife Service and other agencies during the review of alternatives.

National Oceanic and Atmospheric Administration

The National Oceanic and Atmospheric Administration (NOAA) considers many alternatives at its line and program office levels and at the NOAA bureau level to address identified performance gaps. Each line and program office has its own requirements for considering alternatives to new acquisitions of proposed capital investments. One of NOAA's program offices, the Office of Marine and Aviation Operations (OMAO), considers

[6]National Environmental Policy Act of 1969 § 102 (codified at 42 U.S.C. 4332).

alternatives to purchasing new capital assets as one means of fulfilling one of the goals in its strategic plan—the goal of pursuing partnerships with the public and private sector. OMAO officials said that they partner with universities in the University-National Oceanographic Laboratory System (UNOLS) for excess university vessels when this is the best approach. OMAO may also contract for services with the private sector. In fiscal year 2002, NOAA was expected to acquire approximately 3,800 operating days of ship support through outsourcing with the private sector and UNOLS, while NOAA ships also would provide approximately 3,800 operating days of ship support. OMAO also has purchased excess Navy vessels and converted them for its use. At the time of our study, OMAO had converted two Navy T-AGOS vessels for its use and was in the process of converting two others. OMAO's strategic plan and interviews with officials demonstrate its continued efforts to repair and maintain aging vessels.

The National Weather Service (NWS) shares some assets with other NOAA entities. For example, many Weather Field Offices colocate with other NOAA line offices as an alternative to acquiring or constructing new facilities. Also, the NEXRAD (Next Generation Radar) system is shared with both DOD and the Federal Aviation Administration. When projects are proposed to the NWS Finance and Investment Review Board (FIRB), their justifications must clearly articulate the alternatives considered to address the identified performance gap, including the costs and benefits of the proposed alternative. The "alternatives examined" is one criterion in the highest weighted criteria group used by the review board. For each alternative compared to the original investment considered, the proposal must document how it is different from other alternatives. Each alternative must consider different program scales, methods of provision, and degrees of government involvement. Project proposals must also describe selection of the best alternatives based on benefit-cost analysis. The analysis must be summarized in quantitative terms presenting the total benefit-cost advantages and disadvantages associated with each alternative. In cases where benefits cannot be fully monetized, staff are instructed to quantify the benefits in terms of physical measurements, for example, flash flood warning lead-time improvement in minutes or percentage of the U.S. population covered by national weather radio.

NOAA's line and program offices are required to document alternatives at the administration level as well. Budget formulation guidance for project proposals requires line offices to consider alternatives. The guidance requires proposals to consider outsourcing (contracting) and partnerships

with other agencies or with other line offices before proposals are reviewed by NOAA-level review boards.

Case Study Agency Processes for Ranking and Selecting Proposed Capital Investments Vary, but Most Have a Formal Review and Approval Framework

Department of Veterans Affairs

VA has an established framework to review and approve proposed capital investments. VA's process is well documented and the roles of managers are clearly defined. The review and approval framework is a department-level process that considers projects for all VA administrations. It consists of various levels of review and uses established criteria, multiattribute decision analyses, and group-enabled software to rank proposed investments.

VHA, which had the largest number of proposed capital investments in VA's fiscal year 2003 budget request, has its own separate process for reviewing project proposals before they are submitted to the department-level process. For the fiscal year 2003 budget request, VHA's Office of Facilities Management, Technical Resource Support Office (TRSO) issued a call letter to field offices (VA networks) for capital asset proposals prior to issuance of VA departmental guidance. This was intended to allow network staff advance time to develop project proposals. Also, according to one VHA official, the early call and proposal guidance was issued because the development of project proposals—a 3-inch business case package—requires considerable time and resources. Business cases submitted by the field staff were subjected to an initial cursory review by VHA officials. Feedback from this allowed network personnel to incorporate additional data and resubmit the updated business cases.

After a more detailed review by the Capital Asset Management and Planning Service (which assumed the major program from TRSO), VHA formed an administration-level panel to review the capital project

proposals. The panel used four criteria to rank proposals: (1) the extent to which the project is consistent with and supports the intentions of the Capital Asset Realignment for Enhanced Services (CARES) program (discussed in ch. 3), (2) the extent to which the project involved a seismic improvement (repair or prevention of earthquake damage), (3) the extent to which the project fulfilled the criteria set forth in H.R. 811,[7] and (4) the general quality of the proposal. For this cycle, the panel cleared 25 proposals and forwarded them for department-level review. The Veterans Benefits Administration (VBA) and NCA also have structured processes to generate capital project proposals for inclusion in VA's department-level review.

VA's Office of Asset Enterprise Management (OAEM) and the Capital Investment Panel (CIP)[8] conduct the initial VA department-level review of business cases submitted from the three VA administrations and VA's staff offices. OAEM first ensures that proposal packages pass a validity assessment—a quality index check that ensures the proposal is complete with the required documents, that OMB's "Three Pesky Questions" are answered, and that there is rationale for including it in the project scoring process. OAEM may allow network staff an opportunity to improve their business case packages if needed before further review. Proposals that pass the validity assessment are then scored by CIP on each of the subcriterion and main criterion in VA's Analytical Hierarchy Process (AHP) before they are forwarded to VA's Strategic Management Council (SMC)[9] for validation. According to a VA official, this scoring is done to ensure that all VA internal stakeholders have similar views on the merits of a project proposal. After CIP project scores are complete, CIP prepares a "Board

[7]H.R. 811 was introduced in the 107th Congress as the Veterans Hospital Emergency Repair Act. If enacted, it would have authorized VA to update its facilities through various construction projects. The bill included specific criteria for such projects, and VA added the H.R. 811 criteria to its factors for ranking and selecting proposed projects.

[8]CIP consists of six members, each from a major departmental unit, who are either senior managers or executives.

[9]SMC is a deputy undersecretary-and assistant secretary-level committee chaired by VA's Deputy Secretary.

Book"[10] for use by SMC during its review and deliberation. CIP assigns the weights of the subcriteria and SMC assigns the weights of the main criteria using AHP. Figure 12 describes AHP.

Figure 12: VA Use of the Analytical Hierarchy Process

AHP is a type of decision analysis that considers nonmonetary quantitative and qualitative attributes in addition to common economic evaluation measures (e.g., life-cycle costing and net benefits) that VA uses for capital investment prioritization. VA uses the structured analysis of AHP to force proposal developers to assess their capital investment proposal's strategic linkage to agency goals and to departmental priorities. AHP has three significant strengths: it weights pair wise comparisons; it contains hierarchical descriptions of attributes that restrain the number of pair wise comparisons, thus keeping them manageable; and it allows computerized software to facilitate its use.

AHP uses a hierarchical model consisting of a goal, criteria, subcriteria, and alternative outcomes or conditions for each problem or decision. After establishing a hierarchy of decision criteria based on strategic and performance goals, alternatives, cost-effectiveness, risk, and other specific criteria, VA decision makers then evaluate the proposed capital investments and determine how these investments will enable the department to meet the stated goals. AHP establishes priorities by requiring the users (e.g., CIP) to make pair wise comparisons among different decision criteria at each level in the hierarchy and rate the relative importance of each decision criterion. By performing comparisons of the decision criteria, it is possible for VA to derive quantitative weights for criteria and alternatives and leave an audit trail of the decision process. The standardized application of AHP creates a decision model that drives decision making toward investments that optimize the opportunities to achieve strategic goals. VA uses Expert Choice as the analytical tool to accomplish AHP. Expert Choice is group-enabled computer software that allows multiple decision makers a structured analysis of priorities, making use of both quantitative and qualitative criteria.

Source: VA.

After subcriteria and main criteria weights are assigned, project proposal scores are entered into a decision software package titled Expert Choice that ranks the project proposals based on the assigned weights of the sub- and main criteria. The proposals with the highest scores are listed highest on VA priorities. The criteria used by AHP and Expert Choice are reviewed each year, updated, and aligned with the VA's mission and current administration and secretary's priorities. The criteria have evolved over time and most recently have emphasized seismic (earthquake-related)

[10]A "Board Book" is a synopsis of project proposals reviewed and scored by CIP. It contains an executive summary of each proposed project with information such as project scope, cost estimates (acquisition and life-cycle costs), schedule, how the project scored on each criteria, and panel recommendations, as well as technical and policy issues needing SMC attention.

projects and other administration priorities; however, "One-VA customer service"[11] remains the most heavily weighted criterion. For fiscal year 2003, the total assessment process scored proposals against 9 main criteria and 19 subcriteria. Figure 13 shows a comparison of weights of different criteria used from fiscal year 2000 to fiscal year 2003.

Figure 13: AHP Criteria Weights

Criteria (subcriteria not included)	Weight			
	2000	2001	2002	2003
One-VA customer service	.555	.173	.243	.239
Return on taxpayer investment	.194	.088	.063	.050
High-performing workforce	.140	.065	.089	.078
Risk analysis	.061	.087	.050	.034
Alternatives analysis	.050	.074	In ROI[a]	In ROI[a]
Seismic/life safety		.301	.274	.209
Special emphasis		.212	.149	.153
Strategic alignment			.133	.103
Other priorities				.134

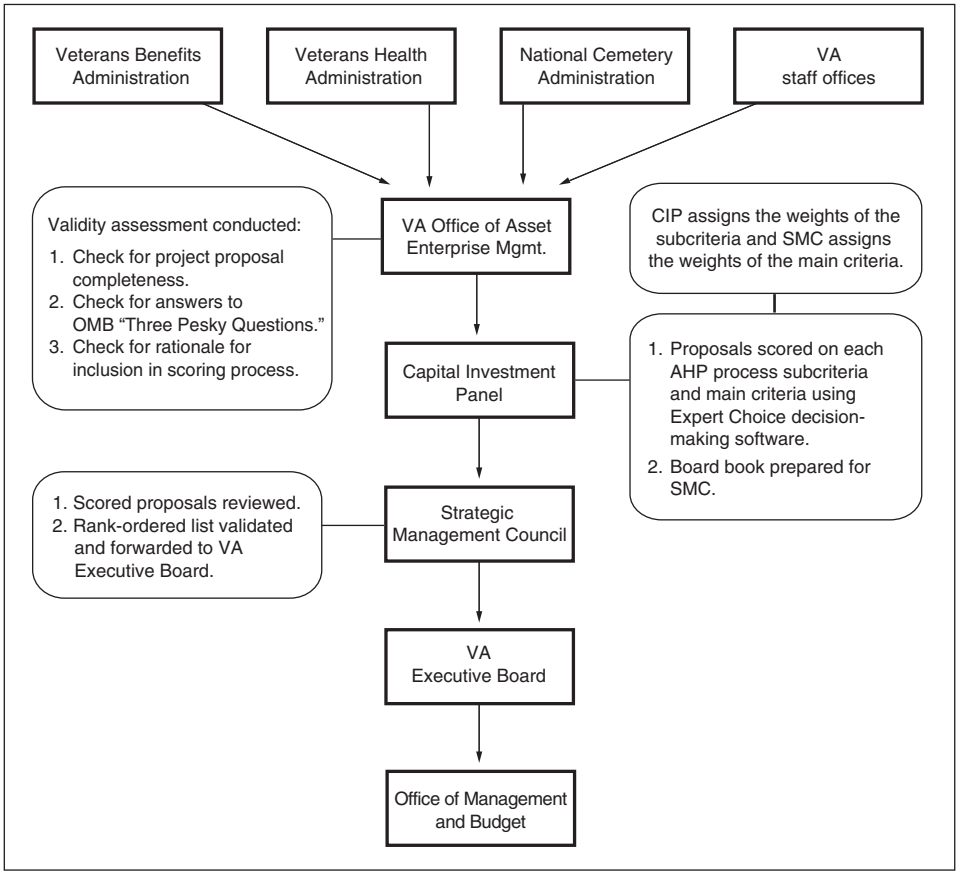
Source: GAO analysis of VA data.

[a] The weight for alternatives analysis is part of return on taxpayer investment for this year.

The rank ordered list of project proposals resulting from AHP and Expert Choice is then validated by SMC and forwarded to the VA Executive Board for the next level of review. The Executive Board consists of the VA Secretary (chair); Deputy Secretary; Chief of Staff; General Counsel; and Under Secretaries for Health, Benefits, and Memorial Affairs. The board's final selections are included in VA's budget request forwarded to OMB. Figure 14 provides an overview of VA's review and selection process for proposed capital investments.

[11] "One-VA customer service" refers to VA's goal of being more customer focused and functioning as a seamless organization to deliver seamless "one stop" service to its customers.

Figure 14: VA's Review and Selection Process



Source: GAO analysis of VA data.

Officials reported to us VHA staff and managers' immense frustration over the amount of resources spent to develop comprehensive project proposals and the subsequent low levels of construction funding received. OAEM developed a more streamlined process for fiscal year 2004 proposals. To allow for better use of staff resources, a three-step process was developed. First, an initial concept paper is prepared providing a high-level, conceptual description of a proposed project and broadly identifying project goals, benefits, risks, estimated costs, and project schedule. According to VA officials, the concept paper allows for early project agreement with stakeholders and agency officials. It also serves as the initial review step.

Proposal concepts that survive this initial review are then expanded, and staff will develop a more detailed proposal with refined cost and schedule estimates, identified performance measures, limited risk and alternatives analyses, and technical requirements. This "300 Planning" proposal would be in a form similar to OMB's Exhibit 300, Capital Asset Plan and Justification (discussed in ch. 3), that OMB requires for capital investment proposals, but with less detail. If approved for use by OMB, the 300 Planning proposal would be used for requesting design funding for major construction proposals rather than the full Exhibit 300. According to VA officials, the 300 Planning document allows decision makers to weed out proposals that do not fit VA strategic objectives or are not viable to proceed at this time.

For those that survive this level, the final step in the new process would be the preparation of a comprehensive Exhibit 300, or a "300 Acquisition." The 300 Acquisition is more detailed and provides insight based on experiences with planning and piloting. The 300 Acquisition is a comprehensive project proposal with a detailed project plan; in-depth risk, alternatives, cost-effectiveness, and earned-value analysis; and primary source documentation. It would be required after the design/concept funding is provided in the President's Budget. A complete proposal or business case would be required only for construction projects that are likely to receive full funding. VA guidance allows for staff to bypass the 300 Planning and submit a 300 Acquisition after a concept paper has been approved—resulting in an accelerated two-step process. This would serve as the complete Exhibit 300 required by OMB Circular A-11, Part 7. The 300 Planning and Acquisition applications, as well as electronic templates for risk, alternatives, cost-effectiveness, and earned-value analysis, are VA Web-based documents and easily accessible by all VA staff.

This new three-step process allows for better-developed proposals as well as a reduced number of proposals subjected to the AHP scoring process because proposals that are not viable can be removed earlier in the process. The three-step process also advances efficient use of staff resources by eliminating the development of full proposals for projects that are likely to be rejected. The motivation behind this new process is to devote resources to development of a capital plan with realistic proposals, rather than simply a wish list.

Bureau of Prisons

Although BOP has a process for the review, ranking, and selection of proposed capital investments, the process is not formal, is not well

documented, and does not appear to use formal selection criteria. It is unclear what documents selection officials use to decide which capital investment proposals are to be forwarded to OMB.

Leading organizations select projects based on pre-established criteria and a relative ranking of investment proposals. OMB's *Capital Programming Guide* provides one approach for devising a ranked listing of projects using a scoring mechanism that assigns a range of values based on project strengths and weaknesses. Project proposals that meet or exceed positive aspects of the decision criteria are given higher scores. An outcome of such a ranking process might produce multiple groups of projects, and such a process may be used more than once—in multiple steps—to limit the number of projects being considered by an executive review board.

BOP's Capacity Planning Committee is responsible for proposing new construction projects and consists of senior-executive-level staff from the Administration; Correctional Programs; and Information, Policy, and Public Affairs Divisions. Subject matter experts—chiefs of Capacity Planning, Design and Construction, and Budget Development of the Administration Division—also attend committee meetings. The agency also has a Long-range Planning Committee that ranks new construction proposals and makes specific project recommendations to the BOP Director for funding. With a few exceptions, the same individuals are members of both committees.

BOP officials told us that proposed capital projects for its new construction and modernization and repair (M&R) programs are separately ranked and selected. For new construction projects, the Long-range Planning Committee meets regularly and uses inmate capacity plans (resulting from the capacity planning process discussed in ch. 3), site recommendations, and construction progress on ongoing projects to determine which capital projects to recommend for funding. According to officials, the committee ranks new construction proposals based on need, funding, and the speed at which facilities can be constructed. This information is used to develop options to be considered by the BOP Director for the DOJ spring budget call. For M&R projects, the Facilities Management Branch (Administration Division) receives separate lists of proposed projects in response to the Director's spring budget memorandum to all BOP units, an annual call to regional offices from Facilities Management, and project initiatives submitted by contractors as a result of surveys of older institutions (discussed in ch. 3). These lists are reviewed and consolidated by the facilities management staff and ranked according to need. According to

officials, this ranked list generally includes thousands of projects, and the highest priority projects are those that are included in the multiyear M&R plan. The criteria used to rank these projects assign life safety projects the highest priority followed by accessibility projects; building and institution infrastructure projects—roofs, utilities, and structural repairs; projects for facilities over 50 years old; and general M&R. Once the projects are ranked, the facilities management branch staff determine a cutoff for the project list based on anticipated resources.

While officials state that formal weighted criteria are used to rank M&R projects, the criteria used to rank new construction projects appear to be very informal. In addition, neither the criteria for new construction nor the criteria for M&R projects are applied systematically, nor are BOP officials either willing or able to provide the results of any scoring process using the criteria. Furthermore, neither of these processes is well documented. BOP officials were unable or unwilling to provide a summary report or documents otherwise showing the results of the ranking and selection processes. Moreover, they could not provide any instructions to guide deliberations or any standard agenda for the Long-range Planning Committee's meetings. This is a concern because, at the time of our study, BOP had 800 ongoing M&R projects, which officials said is rather typical, and 28 major construction projects, which officials said is rather high.

This lack of a documented process makes it difficult to determine exactly what documents are used by BOP decision makers to choose among numerous potential capital investments. For example, the BOP Director's fiscal year 2003 spring budget call memorandum required BOP assistant directors and regional directors to prepare a separate program request form for each "initiative," including construction projects. The memo further required that each form identify and explain the goals to be achieved, provide estimated costs, justify the need, and identify performance indicators to measure if the goals are achieved. The memo included a two-page attachment with separate sections to provide this information and requested that the forms be returned to the Budget Development Branch of the Administration Division. After numerous requests, BOP officials were unable or unwilling to provide an example of a completed budget request form for a fiscal year 2003 new construction project request. However, officials did provide a copy of an M&R project request; it was a one-page memo listing three projects with estimated costs totaling $11.3 million and no other support or justification. Further, there appears to be no standardized form that succinctly provides information needed by decision makers. Thus, BOP could not show that capital project

request packages were actually prepared for most capital projects or that detailed information was provided to the Long-range Planning Committee for its selection decisions.

National Park Service

The Park Service has an established framework for the review and selection of proposed capital investments. This framework includes two senior-level review boards and a formal system to rank projects using established criteria and to consider alternatives. It allows for (1) initial review and winnowing out of projects at the park and regional levels and (2) the use of an external advisory group that reviews individual projects that have completed the predesign sequence and reports directly to the Park Service Director.

As discussed in chapter 3, individual parks enter proposed capital projects into the servicewide Project Management Information System (PMIS). There were approximately 40,000 projects in PMIS in fiscal year 2002. PMIS data fields allow a park to provide project description, justification of the expected improvements by the proposed projects tied to specific Park Service mission and long-term goals, proposed performance measures, a cost estimate, benefits based on outcomes, asset condition information for existing assets, and other project data. PMIS is designed to include all of the key project proposal information needed to make the evaluation and ranking decisions. Capital project proposals developed by the individual parks are submitted to the regional offices for initial evaluation and ranking within their units. These proposals are subjected to preliminary scoring on the regional level based on the same criteria that are used for official scoring at the national level later in the process. The regional offices develop a ranked list of project proposals and forward their priority list to the Park Service Construction Program Management Office (CPM) for evaluation and ranking in the servicewide program. CPM reviews the submitted proposals for completeness and compliance with the line-item construction program eligibility criteria before the proposals are submitted for further evaluation at the national level. Regional managers and CPM managers can access PMIS for any needed information on an individual proposed capital project.

Capital project proposals evaluated and ranked at the regional level and conforming to the initial CPM review are then formally reviewed and evaluated on a national level, systemwide, using the Choosing By

Advantage (CBA)[12] process. CBA uses specific evaluation factors to compare proposed projects to one another. The five factors recently used in CBA were (1) provide safe visits and working conditions; (2) protect cultural and natural resources; (3) improve visitor enjoyment through better services and educational and recreational opportunities; (4) improve operational efficiency, reliability, and sustainability; and (5) provide cost-effective, environmentally responsible, and otherwise beneficial development for the national park system. CBA involves a relative comparison of every project proposal by each factor.

A multidisciplinary assessment team led by CPM is assembled to manage the CBA process and apply the evaluation factors to each project, producing an individual project ranking. The project with the best score on any particular factor sets the scale for that factor, and the other projects are scored relative to that best score. Each project's score is divided by its cost to arrive at an advantage-to-cost ratio. That ratio (results of cost-benefit analysis) is a major determinant of the project's priority ranking in the 5-year construction program or plan and DOI and OMB policy direction. At times, the call letter for a project proposal will specify a certain project type (e.g., life and safety) for which funding is specifically available. This restriction on the type of project likely to be funded may narrow the list of projects for comparison.

Recently, as a result of negotiations between DOI and Park Service senior executives, an additional step was added to the rating and ranking process to place greater emphasis on DOI priority areas—a project rating method based on a set of weighted-factor data that focuses on deferred maintenance and public health and safety. The rating method requires that proposed capital projects be grouped into bands as follows: (1) projects with a DOI score from 1,000 to 800 points (to be funded first), (2) projects with a DOI score from 799 to 500 points (to be funded second), and (3) projects with scores from 499 to 100 points (to be funded last). Within the project bands created by the DOI scores, projects are then ranked using the CBA process and the advantage-to-cost ratio. According to the Park Service, this approach is intended to result in early funding of projects that are of high priority with the DOI Secretary and the President while preserving an ability to address the full range of cost-effective projects that address the Park Service mission and goals.

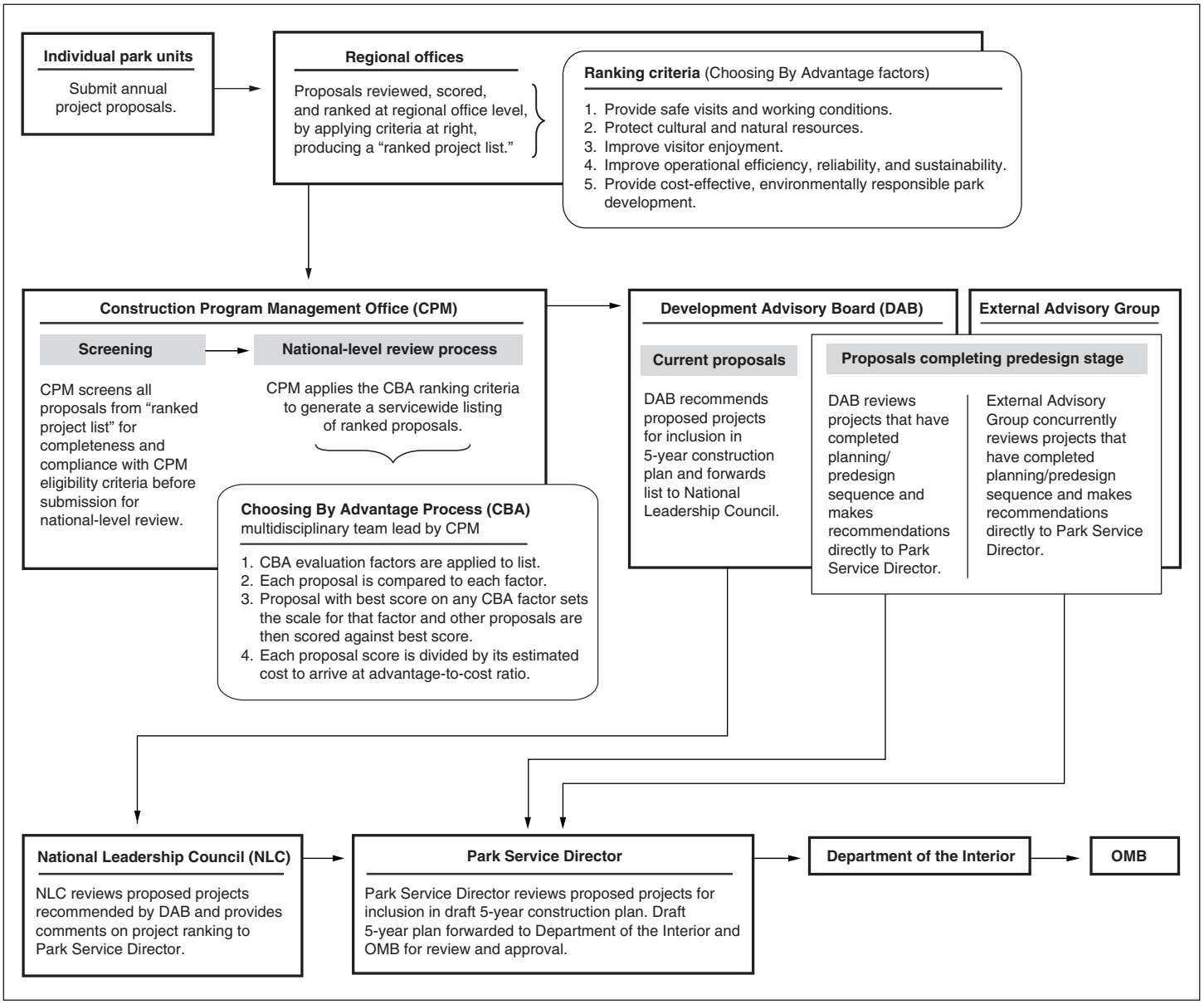
[12]The CBA factors were developed by CPM and adopted by DAB, the National Leadership Council, and the Park Service Director.

The Park Service's DAB reviews proposed capital projects vetted and ranked by the agency's CBA process. DAB is composed of four Park Service associate directors, three regional directors, and two senior executive service park superintendents. DAB has two responsibilities: (1) policy, which involves reviewing the proposed 5-year construction program and thus recommending projects for inclusion in the construction program, and (2) reviewing individual projects at the end of predesign development. With some exceptions, DAB reviews every project with estimated costs greater than $500,000 regardless of the funding source. Without DAB's approval, project managers cannot proceed with design efforts or initiate construction activities. DAB reviews approximately 120 projects per year primarily focusing on the review of projects that have completed the planning and predesign activities that are precursors to formal requests to OMB for review and to the Congress for funding. However, DAB has multiple opportunities to see project proposals at various levels of development.

Once projects proposed for inclusion in the 5-year plan clear DAB, they are forwarded to the National Leadership Council (NLC). NLC is composed of the Park Service Director, deputy directors, associate directors, and regional directors, and it meets bimonthly to consult on major policy and program issues confronting the Park Service. Projects proposed for inclusion in the 5-year plan are reviewed by NLC, and its members provide any comments or concerns about the ranking and rating of projects directly to the Park Service Director for consideration before final approval of the 5-year plan. Projects reviewed by DAB that have completed planning and predesign activities are not forwarded to NLC; they are instead advanced directly to the Park Service Director for approval.

The Park Service external advisory group was established to assess line-item construction projects for suitability and cost-effectiveness. The five-member group is composed of private citizens appointed by the Park Service Director. The group's members have experience in areas such as engineering, architecture, historic preservation, and budgeting. They provide an independent review of Park Service construction projects. The advisory group meets concurrently with DAB to review projects that have completed predesign and reviews every line-item construction project with an estimated cost greater than $500,000. This review is required before a project can proceed with design efforts. The advisory group provides its findings directly to the Park Service Director. Figure 15 shows the Park Service review and selection process for proposed capital investments.

Figure 15: Park Service Capital Investment Review and Selection Process



Source: GAO analysis of Park Service data.

National Oceanic and Atmospheric Administration

NOAA also has an established framework to rank and select proposed capital investments. NOAA's line and program offices individually initiate the ranking processes before the administration-level review boards review investment proposals. For example, one of NOAA's line offices, NWS, formed a review board, FIRB, in fiscal year 2000 to establish a formal process for management review and ranking of capital investment proposals in support of strategic goals. FIRB reviews projects costing $1 million or more. The FIRB charter cites OMB's *Capital Programming Guide* as one of the reasons for its creation. FIRB consists of five voting members and three nonvoting advisor members who review and evaluate capital investment proposal justifications, score capital investments according to established criteria, and rank the approved investments. NWS's budget formulation and program analysis division, among its other roles, assists the various units of NWS in developing project justification materials and provides professional assessments on proposals to FIRB.

FIRB will, through quarterly or more frequent meetings, approve a portfolio of investments ready for final approval in the budget process. The criteria that FIRB uses to evaluate the proposals are publicized and include alternatives considered, contribution to improved agency performance, and contribution to NWS mission. Projects submitted to FIRB must document alternatives and the cost and benefits of the best alternative. If all the costs and benefits cannot be monetized, then projects must be quantified in terms of other "physical measurements." Approved projects are forwarded to the administration level for review.

NOAA's administration-level review boards—working groups established to foster implementation of NOAA's strategic themes—are aligned with NOAA's strategic goals and priorities as outlined in the fiscal year 2001 *Department of Commerce Performance Report* and fiscal year 2003 *Annual Performance Plan*. These review boards receive proposals ranked by line and program offices, such as NWS proposals ranked by its FIRB. The strategic themes represent major areas of concentration and consist of multi-line-office programs. NOAA line and program offices draft the guiding principles for each strategic theme; however, NOAA management has the final say on theme development. For the fiscal year 2004 budget, NOAA's budget office met with NOAA management to finalize the themes. The themes included in the fiscal year 2004 budget process were (1) Climate Change, Research, Observations and Services; (2) Ecosystem Forecasting and Management; (3) Environmental Monitoring and Prediction; (4) Energy and Commerce; (5) Homeland Security; and (6) Infrastructure, Maintenance, Safety and Human Capital. For fiscal year

2005, a new NOAA strategic plan will become the underpinning of budget formulation and budget requests.

The review boards representing the strategic themes rank proposed investments for management review. A different NOAA line office is designated as a lead for each theme's review board. The lead line office, in conjunction with the other line offices represented, is required to prepare program initiatives for review by NOAA's budget office and NOAA management. Project proposals submitted to the themes' review boards must be justified in terms of how they support the theme. The boards are to review funding requests for both new and ongoing projects.

The strategic themes' review boards use established criteria to rank and select proposed projects. According to a NOAA official, the Infrastructure, Maintenance, Safety and Human Capital theme's board used the following criteria to rank submitted project proposals: (1) contribution to agency mission, (2) cost development of the proposal, (3) productivity improvement, (4) operational efficiency, (5) improving efficiency, and (6) the likelihood of success. Similar criteria permeated the other themes' processes, although each theme's review board had a distinct process for ranking proposals. According to a NOAA official, the similar criteria included (1) the cost proposal is well developed, (2) the proposal is aligned with NOAA's mission, and (3) the proposal increases worker productivity. Once this internal review is complete, the review boards recommend project proposals to NOAA's Budget Office and NOAA senior management for inclusion in the budget.

Case Study Agencies Did Not Prepare Long-term Capital Plans, but Two Had Various Long-term Planning Documents

Under OMB's *Capital Programming Guide*, the Agency Capital Plan (ACP) is the ultimate product of the planning phase. The ACP should include an analysis of the portfolio of assets already owned by the agency and those in procurement, the agency's performance gap, and justification for new acquisitions proposed for funding. Leading organizations develop long-term capital plans to guide implementation of organizational goals and objectives and help decision makers establish priorities over the long term. Although the long-term capital plan is the culmination of the planning phase guidance and is an industry best practice, none of the case study agencies had a single long-term plan. However, two agencies—BOP and the Park Service—developed long-term planning documents that contain aspects of a long-term capital plan.

Seven of the eight additional agencies we surveyed reported that they had some type of long-term planning information.[13] However, with the exception of a copy from the Department of State's Bureau of Overseas Buildings Operations, we did not obtain copies of any capital planning documents and therefore cannot comment on their content or extent to which they constitute best practice documents. The National Aeronautics and Space Administration said that its long-term capital plan takes the form of an annual 5-year budget submitted to OMB. The U.S. Coast Guard reported that it prepares an ACP that includes appendixes, one of which is a Capital Investment Plan. According to the Coast Guard, the Capital Investment Plan has been provided to OMB and the Congress as required by the Transportation and Related Agencies Appropriations Acts. Another appendix is its Long-range Resource Allocation Plan to project needs beyond the 5-year horizon. The Tennessee Valley Authority (TVA) reported that its project justification process requires the development of a detailed 3-year capital plan and inclusion of a 5-year plan within the annual performance plans. Project details within these plans are submitted quarterly for review and approval by the Project Review Committee. TVA said it also projects 10 years of capital spending for planning purposes using validated benchmarks and escalation factors.

We obtained a copy of the State's Bureau of Overseas Building Operations' Long-Range Overseas Buildings Plan (LROBP) for fiscal years 2003 through 2008. The plan is a comprehensive outline of the State's facilities requirements—new construction, major renovations, and other programs—with a focus on resources needed to support the department's priority diplomatic readiness goal in the long term. In addition to providing a narrative description of and rationale for each proposed capital project, estimated total project costs, and expected fiscal year for requesting project funding, the plan includes a description of the bureau's capital planning process and its specific goals, strategies, and performance measures. The LROBP document is updated annually and rolled forward each year to include a new planning year.

[13]The agencies are the U.S. Coast Guard, the Department of State, the General Services Administration, the Indian Health Service, the National Aeronautics and Space Administration, the Tennessee Valley Authority, and the Bureau of Reclamation.

Department of Veterans Affairs

VA does not have a long-term capital plan, but officials have recognized that one is needed. The 1-year plans VA completed in the past did not contain information on longer-term needs to fill its performance gaps. In 2002, VA solicited a contract for a study of industry best practices in the development of a long-term capital plan. However, the effort was suspended as the agency focused on the VHA CARES implementation. As described in chapter 3, the capital asset needs of VA's VHA (where the bulk of VA's capital assets are acquired and used) are likely to be largely driven by the results of the ongoing CARES process. A VA long-term capital plan would have to consider the individual network asset restructuring plans.

Although VA currently does not have an agencywide long-term capital plan, one administration—NCA—prepares a 5-year facilities plan that is driven by its strategic plan. NCA's facilities plan contains long-term project cost estimates for both major and minor projects that extend to fiscal year 2006. The major construction plan lists projects needing advance planning funds, design funds, and construction funds. Both the major and minor construction plans identify each project by location and its proposed cost. Although NCA provides long-term planning documents to VA decision makers, VA does not produce a long-term capital plan for the entire department that integrates NCA, VHA, and VBA capital needs.

Bureau of Prisons

BOP has three documents that it considers long-term capital planning documents for major capital investments—the Capacity Plan, the Buildings and Facilities Status of Construction report, and a report of the rated capacity of facilities partially or fully funded by anticipated fiscal year of activation.

The Capacity Plan provides inmate population projections and rates of prison overcrowding typically for a 9-year period. It is generated by a system that also contains data for additional future years, but officials caution that data reliability is low because the projections change frequently. The Capacity Plan provides population and overcrowding projections categorized by the institution security level, whether the facilities are BOP-operated or contractor facilities, and whether the inmates are male or female. The data contained in the Capacity Plan are updated weekly, and reports can be generated at any time. OMB receives the weekly update of this report, and a version is included in the budget submission to the Congress.

The Buildings and Facilities Status of Construction report provides the status of construction for major projects that have received some level of funding, including both new construction and expansion of existing facilities projects. The report also shows projects initiated to house District of Columbia inmates and Immigration and Naturalization Service long-term detainees. The May 2002 report showed 28 ongoing new construction projects—which an official said is an atypically high number—and 7 existing facility expansion projects. The report provides amounts funded by fiscal year, total project cost estimates, funding obligated to date, estimated facility activation date, and a brief status of each project. It is updated monthly and is provided to OMB and to the Congress as part of the budget submission.

BOP's third long-term capital planning document—the report of rated capacity of planned facilities that have received some level of funding—shows facility capacity levels for planned projects for a 7-year period, including the budget year and 4 years beyond. The report shows the level of capacity added for each fiscal year that a group of facilities are activated and is also a part of the annual budget submission to the Congress.

These documents, viewed together, provide a sense of how BOP plans to achieve its current overcrowding goal. However, there is no single document that culminates its capital planning process, pulls these three documents together, and so defines its long-term capital investment decisions.

National Park Service

The Park Service has a servicewide 5-year construction plan (also referred to as the line-item construction program), a GMP at each national park, and park action plans. While it is not publicly available, the Park Service 5-year construction plan is reviewed and approved by OMB. It is the only servicewide capital asset planning document and provides a cost schedule and rating for each line-item construction project. It is the result of the CBA process discussed earlier in this chapter. Projects included in the 5-year construction plan are at various phases of completion—planning, predesign, design, and construction. The data needed to prepare a long-term capital plan with detailed narrative are likely available since they are used in the ranking and selection process; however, the current 5-year construction plan is solely a list of projects, estimated costs, and schedule data. After the plan is completed at the Park Service, DOI and OMB review it, sometimes reordering priorities and inserting programs. Approximately 3 months of negotiations between the Park Service, DOI, and OMB center

on reordering project priorities for the final 5-year plan. The plan is dynamic because unexpected events, such as the terrorist attacks of September 11, 2001, can affect the priority of projects. For example, in fiscal year 2003 as a result of the terrorist attacks, several security-related projects were moved up in priority, pushing some non-security-related projects into fiscal year 2004 for initiation.

GMPs define the long-term direction at each individual park. The plans provide a broad overview of individual park needs and identify areas for major improvements and performance gaps in service. The planning process also identifies maintenance deficiencies at the park level. GMPs cover 10- to 20-year periods and are general in nature. Some older GMPs (such as the Grand Canyon National Park GMP) are relatively detailed as compared to newer ones. A plan begins with an overview discussion of the park's mission—why the park exists—and then identifies park performance gaps and the resources required to fill those gaps. The GMP process results in new concepts for capital projects rather than specific projects themselves. The August 1995 Grand Canyon National Park GMP, for example, describes the concept of developing two visitor orientation centers to help visitors understand and appreciate the park's major interpretive themes and to plan their visits. This effort addresses issues identified in the plan regarding visitor difficulty in locating the existing center and that center's inadequate orientation process.

While these plans together provide a general outlook of future Park Service capital needs, there is no central document or group of documents that describes the agency's existing baseline assessment, analyses involved in developing the plan, and the performance gap being filled by the planned capital projects. Specifically, while the 5-year construction plan is the culmination of a rigorous review and selection process, it does not include all of the Park Service's needs identified in PMIS. Also absent from the 5-year plan are equipment investments and land acquisitions. Equipment and about 28 other categories of projects, such as rehabilitation, repairs, and cyclical maintenance, are funded through allocations from the Special Emphasis Projects Allocation System. Land acquisitions are made through a separate process that follows each park's land protection plan.

National Oceanic and Atmospheric Administration

NOAA does not prepare a comprehensive long-term capital plan defining its capital investment decisions. The budget office does not require long-term plans from line and program offices, but it does have information on

ongoing and proposed capital projects that were not funded within the past 2 years.

NOAA's line and program offices have planning documents that reflect planning guidance to varying degrees. Although one of NOAA's line offices has a long-term capital plan, none of the other line offices or NOAA overall has a long-term capital plan that defines its capital investment decisions. OMAO's program office completes an unpublished plan that is a 10-year chart of tentative dates and cost estimates for major repairs and replacements to NOAA's ships. OMAO officials said this information has been useful for planning purposes, but would not provide a copy. OMAO officials also said this unpublished plan is discussed with NOAA management. At the request of NOAA's management, OMAO is currently drafting a 10-year plan for ships and aircraft.

The NWS line office's FIRB charter says that capital investment proposals that are approved, vetted, and ranked in order of priority, in conjunction with the NWS strategic plan and information technology target architecture plan, will form NWS's capital asset plan. In practice, NWS said that its capital plan is reflected in its fiscal year 2003 and fiscal year 2004 NWS budget request, which is included in NOAA's Procurement, Acquisition and Construction account. NWS said that it maintains budget information on the capital investments but does not see the value of rewriting the information in a separate Capital Asset Plan.

The National Environmental Satellite, Data, and Information Service (NESDIS) line office prepares a satellite ground systems 5-year plan. This plan identifies the resources NESDIS requires to operate and maintain satellite ground systems to monitor and control on-orbit operational satellites and to acquire, process, and distribute environmental data to users. The plan outlines the useful life of components typically used in ground system operations and maintenance activities. The plan also outlines NESDIS current ground system capability by satellite and includes the launch dates for planned satellites and what those satellites will accomplish. In addition, this plan outlines the ground resources needed by NESDIS to fulfill its performance gap. The NESDIS line office considers its plan a long-term plan that reflects OMB guidance.

Conclusion

Case study agencies present a mixed picture. Their capital processes include consideration of numerous alternatives for addressing performance gaps. Noncapital options are also considered and used, where

appropriate. Most agencies have review and approval frameworks that include the establishment and use of formal review boards and committees and established criteria for selecting proposed projects. However, none of our case study agencies has developed a single document that can be considered a long-term capital asset plan that defines its long-term capital investment decisions, although some agencies have long-term planning documents and long-term construction plans for approved projects. Only VA informed us of plans to develop an agencywide long-term capital plan.

Recommendations for Executive Action

We recommend that the Secretary of Veterans Affairs continue to emphasize the importance of efforts currently under way to develop a departmentwide long-term agency capital plan that will reflect all VA long-term capital investment decisions and results of the asset-restructuring plans developed by VHA networks under the CARES process. The Secretary should make the long-term plan available to OMB and congressional decision makers.

We recommend that the Director of the Bureau of Prisons require the development of a long-term agency capital plan in the form of a single, central document that defines long-term investment decisions of the bureau and includes a clear discussion of the basis for any long-term performance gap leading to proposals for the construction of new prison facilities. The Director should make the long-term plan available to OMB and congressional decision makers.

We recommend that the Director of the National Park Service require that the 5-year construction plan be expanded to include a narrative description of the performance gap that a planned project would fulfill and the analysis leading to its inclusion in the 5-year plan. The Director should make the long-term plan available to congressional decision makers.

Finally, we recommend that the Under Secretary for Oceans and Atmosphere, Department of Commerce (NOAA Administrator), require the development of a long-term agency capital plan that defines the capital investment decisions for all of NOAA's line offices and program offices and make it available to OMB and congressional decision makers.

Agency Comments

In its written comments, reprinted in appendix VII, VA agreed with our conclusions and concurred with our recommendation on the need to

develop a long-term capital plan. VA further described its efforts under way to develop a plan with a 5-year strategy that will be submitted to the Congress in the spring of 2004.

DOI did not directly address our conclusions and recommendations regarding the Park Service. It provided a number of technical comments, which have been incorporated in this report as appropriate. It also noted that the 5-year construction plan includes project data sheets (usually a one page narrative description of the project and its benefits) that accompany the spreadsheet format when the plan is submitted to DOI, OMB, and the Congress, although these documents were never provided to us.

In its written comments, reprinted in appendix VIII, BOP agreed with our recommendation to develop a long-term agency capital plan in the form of a single, central document that defines its long-term investment decisions. BOP further stated that it recognizes the value of a single document and will develop a consolidated document containing all of its current capital planning documents.

In its written comments, reprinted in appendix IX, NOAA agreed with our recommendation to develop a long-term agency capital plan that defines the capital investment decisions for all of NOAA. It further stated that since our study was conducted, NOAA has completed 10-year ship and aircraft platform requirements plans and has developed a Facilities Master Plan.

Agencies and Budget Decision Makers Agree That Capital Planning Is Useful, but Implementation Challenges Exist

Agencies have mixed perceptions of the usefulness of the Office of Management and Budget (OMB) capital programming guidance, and the degree to which it is used varies by agency. Some of our case study agencies have successfully implemented many of the principles and practices described in both OMB's *Capital Programming Guide* and our *Executive Guide*. While some of the OMB guidance has presented a challenge for case study agencies and the other agencies we surveyed, agencies generally agree that it is helpful for developing an effective capital decision-making process. OMB's expectations for agency use of its capital guidance and its reliance on long-term capital planning information varied by the OMB resource management office (RMO) staff person. The OMB RMO staff for our case study agencies consider a number of factors—but not long-term capital plans—when reviewing agency budget requests for capital projects. Congressional staff indicated that long-term capital planning information could be useful for reviewing budget requests and for oversight.

Agencies Have Mixed Opinions about Usefulness of OMB Capital Guidance

Agencies are aware of and use various aspects of OMB's *Capital Programming Guide*. Although OMB strongly encourages but does not require agencies to use the guide, its principles have been implemented in agency capital planning programs. Many of the principles and practices described in GAO's *Executive Guide* also have been successfully used by case study agencies.

Since the use of OMB's *Capital Programming Guide* is not required, the degree to which agencies use it varies, but officials say they generally find the guide helpful in developing a process for effective capital decision making. For example, the National Oceanic and Atmospheric Administration's (NOAA) National Weather Service (NWS) officials cite the establishment of a senior-level review board as stemming from guidance in the *Capital Programming Guide*. Also, NWS capital investment proposals must answer OMB's "Three Pesky Questions" and must contain alternatives to address the performance gap. NWS's written guidance says that projects that its review board approves will culminate in or become part of its agency capital plan,[1] which mirrors the guide's planning phase steps.

[1]As discussed in ch. 4, NWS does not have a formal long-term capital plan.

The Department of Veterans Affairs (VA) formulated its current process based on the principles and practices contained in the OMB guidance. Its process includes multiple levels of review, including the use of an executive review board, and generally mirrors the *Capital Programming Guide*; however, VA has had limited success with developing an agencywide long-term capital plan.

Bureau of Prisons (BOP) officials say they do not use the *Capital Programming Guide* to assist their decision-making process. BOP officials say the BOP process preceded the guide, but they believe the process is consistent with OMB's guidance.

Aspects of the National Park Service's (Park Service) capital planning process are based on recommendations from a 1998 National Academy of Public Administration study rather than on the OMB *Guide*, but the process is consistent with OMB's guidance. A key feature of the Park Service process is the establishment of an external review group required to review each line-item construction project proposal with an estimated cost greater than $500,000.

Eight other agencies[2] with high levels of capital spending provided information on their experiences with OMB's *Capital Programming Guide*. These agencies indicated that they were aware of the guide and had implemented some of its principles. Different portions of the guide were cited as useful by different agencies. For example, the Indian Health Service said that many of the planning phase principles in the guide are included in its Health Care Facilities Construction Priority System. The U.S. Coast Guard said that it found the planning phase guidance on formulating a strong strategic system of evaluating and replacing capital assets most useful. The State Department said that the guide's language regarding alignment with the mission function of the federal government was helpful. The National Aeronautics and Space Administration (NASA) said it has implemented the guide's principles for selected information technology projects.

[2]The agencies are the U.S. Coast Guard, the Department of State, the General Services Administration, the Indian Health Service, the National Aeronautics and Space Administration, the Tennessee Valley Authority, the Army Corps of Engineers, and the Bureau of Reclamation.

Agencies Identified Challenges in Implementing the Principles of OMB's Capital Programming Guide

Case study agencies have different views on how OMB's *Capital Programming Guide* could be made more useful. While VA has modeled its process on OMB guidance and industry best practices, including GAO's *Executive Guide*, a VA National Cemetery Administration official commented that OMB's *Guide* could be streamlined somewhat. He stated that the process of developing extensive business cases VA uses during its ranking and selection process is relatively burdensome. The difficulty and amount of time spent preparing OMB's required Exhibit 300,[3] Capital Asset Plan and Business Case for major acquisitions, was also cited by some. The Park Service officials would like the OMB Exhibit simplified. NOAA's NWS officials said that although it spends considerable resources preparing Exhibits 300, the process essentially mirrors the budget justification process. NWS also said that the planning guidance is a challenge to implement because NOAA is a scientific agency and it is sometimes difficult to quantify benefits of certain projects.

The eight other agencies we surveyed also identified challenges to implementing OMB's *Capital Programming Guide* principles. Like NOAA, NASA said the guide did not seem to fit the research and development nature of its programs because it seems more applicable to longer-term operational acquisitions. Also like NOAA, the Tennessee Valley Authority (TVA) said it has difficulty with quantifying benefits of capital projects. Current processes require the project manager to estimate, based on failure history or other means, the cost savings/benefits (prorated based on probability) associated with a particular project. These savings/benefits form the basis of cost/benefit analysis and prioritization of projects. In addition, performance measures are established for all projects to determine their level of success upon completion. TVA said that identifying specific benefits to multiple projects over several years is difficult, and it prefers to look at the overall performance improvement due to all of the projects. Similarly, the Coast Guard said it has found formulating meaningful strategic and performance goals that can stand the test of time against changes in executive and legislative branch priorities to be a challenge.

[3]Exhibit 300 is required by OMB. Agencies must submit a capital asset plan for each major new and ongoing project, system, or acquisition and operational (steady-state) asset included in an agency's capital asset portfolio.

The challenges identified by the agencies stem from the variety of missions and activities undertaken. A strong, analytical review process that uses established criteria has allowed case study agencies to adjust selected project proposals by changing the relative weights of criteria to adjust for changing priorities. Such processes and weighted criteria may help other agencies address the challenges in implementing the principles of the guide that they identified. Linking capital planning to strategic planning allows for a transparent and systematic process in which all acquisitions support the vision and strategic direction of the agency. A long-term capital plan is an important final step in the capital programming process; however, as discussed in chapter 4, agencies have had mixed success with developing plans. Although we were not able to validate the contents of the long-term plans to which the survey respondents referred, this long-term focus is encouraging.

OMB and Congressional Perspectives on Long-term Capital Planning Information and Views on Agency Processes

OMB's *Capital Programming Guide* stresses the importance of linking planning for capital asset investments with an agency's strategic plan. The guide also says that planning for capital assets should take a long-term view, possibly the same 5-year horizon as the agency strategic plan. Further, the guide states that agencies are encouraged to prepare long-term agency capital plans that define long-term agency capital investment decisions. As reported in our *Executive Guide*, leading organizations develop long-term capital plans and use them to guide implementation of their investment decisions.

OMB staff were universally familiar with the *Capital Programming Guide*, yet their expectations for agency use of the guide and their reliance on long-term capital planning information varied across OMB RMOs. OMB does not require long-term capital plans from agencies, but RMO staff solicit and receive various documents for individual capital projects. OMB staff said they place more emphasis on the Capital Asset Plan and Business Case (i.e., Exhibit 300) when agencies request funding for capital projects than on long-term agency capital plans. For example, NOAA completes Exhibits 300 for all of its major systems acquisitions. Similarly, the Park Service completes Exhibits 300 for major projects over $10 million, for multiyear projects, or when the OMB RMO staff requests them. BOP completes Exhibits 300 only for information technology (IT) projects. VA completes Exhibits 300 for both IT and non-IT projects and provides comprehensive business case packages for construction projects. While Exhibits 300 and VA's business cases contain multiyear cost estimates and project schedule information for single major acquisitions, they are not

long-term planning documents and they do not place those acquisitions in the context of an agency's long-term capital needs and investment decisions.

Each OMB RMO works slightly differently with its agency. For example, VA's RMO works closely with VA on capital investment issues because of recent changes to VA's capital planning process and the Capital Asset Realignment Enhanced Services (CARES) process discussed earlier. The results of the CARES studies are expected to drive future VHA non-IT capital investments. When completed, OMB envisions that VA will submit Exhibits 300 for non-IT capital assets that will be used as a management tool and for long-term planning.

The Park Service RMO staff has also worked closely with the Park Service and has been instrumental in revamping its capital planning process. Until recently, the Park Service did not have a system to rank projects or a uniform system to assess asset condition at national parks.

BOP's RMO receives regular long-term planning information from BOP and independently performs additional research to obtain more information. BOP provides the RMO with weekly projections of inmate population changes and current and future inmate capacity. BOP also provides the RMO with the monthly status of construction reports and regular reports on unobligated balances.

OMB RMO staff said they are pushing agencies to consider more alternatives as part their capital planning processes. The BOP RMO staff person would like to see more consideration of state facilities as an alternative to new prison construction. She has urged BOP specifically to pursue more contracting opportunities and the use of any available excess capacity in state facilities. The Department of Justice's fiscal year 2003 performance plan states that one of BOP's strategies to reduce prison crowding is to aggressively analyze existing private and other correctional facilities for sale, which may offer a more timely and affordable alternative to new prison construction. This is important because our analysis of BOP's capacity planning data showed that in fiscal year 2002 about 17 percent of inmates were assigned to non-BOP facilities, and that percentage is expected to drop to about 14.5 percent by 2009. NOAA's RMO staff person said he wants NOAA to consider more alternatives rather than simply replacing assets, such as vessels. VA's RMO staff person said that recent funding has been minimal for new construction because VA is waiting until the results of the CARES studies are implemented, which will

allow VA to consider, among other things, sharing resources with the Department of Defense health system.

OMB's role in agencies' internal processes is limited, but OMB does have strong views on the products of agencies' processes. OMB does not get involved in initial processes, in which agencies develop ranking and selection criteria. VA's RMO staff person said that some facilities' managers add facility upgrades to high-priority seismic projects, but rather than reject these projects outright, OMB tries to find a compromise solution. The Park Service, for example, makes its trade-offs between visitor services and preservation of resources independent of input from the OMB RMO, although OMB may inquire as to the weight given to specific criteria in the selection process to ensure they align with those of the administration. OMB staff are aware that many of the *Capital Programming Guide's* planning principles have been implemented by the agencies. However, one RMO staff person cautioned that many of the documents agencies submit out of their processes are of variable quality and that a distinction should be made between the process and the quality of those documents.

OMB views its role as the integrator of specific capital project proposals into the larger budget process. RMO staff said they consider a number of other factors when recommending funding for agency capital projects, including agency obligation rates, the overall agency budget request, and agency strategic plans. They may also consider future events that will affect capital needs, such as the completion of the CARES process in the case of VA. OMB staff said they have an idea of the long-term needs of agencies, but are reluctant to publish these needs because it could imply a future financial commitment on the part of the administration.

Some congressional staff indicated that it could be useful to have long-term capital planning information to see what an entity viewed as important. Further, they said that the process and analyses involved in developing a plan are an effective way to ensure that well-informed decisions are made at the agency level. They believe that sometimes the lack of good information leads to situations in which other considerations drive decisions. They agreed that comparisons of plans over several years might provide a basis for questioning projects that appear in budget requests without having been in the previous years' long-term plans, and that having more information, such as that contained in a long-term capital plan, also would be useful in oversight.

State's 2003 Long-Range Overseas Buildings Plan (LROBP) states that fiscal year 2003 budget decisions were based on the 2001 LROBP. The letter from the Director of the Bureau of Overseas Buildings Operations that accompanied the 2003 LROBP includes a statement that while the LROBP is not a budget document, it is an important tool to inform the budget decision-making process. The plan gives all stakeholders a road map of where the department is headed.

Conclusion

OMB's *Capital Programming Guide* is guidance and not a requirement for federal agencies. However, agencies are aware of its principles and practices, and some of the principles have been implemented in agency capital decision-making processes. While the degree to which agencies have used the guide varies and some agencies have had difficulty implementing some principles, they generally find the guide useful. Some agency difficulties stem from their varied missions and program responsibilities.

OMB RMOs do not require agencies to submit long-term agency capital plans, but instead rely on OMB Exhibit 300 submissions for individual capital projects and other types of long-term planning documents. Some RMOs have worked closely with their respective agencies on capital investment issues and have been involved with recent changes to agency processes. OMB RMO staff would like agencies to consider more alternatives to the acquisition of new capital assets and would like to see improvements in some of the documents submitted as a result of agency processes. Although OMB RMOs receive some capital planning documents during budget review, our work at leading private and state and local entities showed that long-term capital plans, as well as all the other leading practices, result in better capital decisions. Since these practices embedded in the OMB *Capital Programming Guide* have demonstrated benefits to leading organizations, they would prove beneficial to federal agencies as well.

Congressional decision makers could make use of long-term capital plans when reviewing agency budget requests. The plans also can provide the basis for questioning agencies about their real property management, an area we recently identified as high risk.[4]

[4]U.S. General Accounting Office, *High-Risk Series: Federal Real Property*, GAO-03-122 (Washington, D.C.: January 2003).

Recommendations for Executive Action

We recommend that the Director of the Office of Management and Budget require that agencies comply with the principles and practices of its *Capital Programming Guide*. The Director should further require that long-term agency capital plans developed pursuant to the guide be submitted to OMB and provided to congressional decision makers.

We further recommend that the Director of the Office of Management and Budget work with agencies to update the *Capital Programming Guide* to address agency implementation challenges and increase its usefulness by streamlining some of the requirements so they are not so burdensome to agencies.

Agency Comments

We requested comments on a draft of this report from the Director of OMB or his designated representative. The Assistant General Counsel said that OMB agreed with our recommendations. A few technical comments were also provided and have been incorporated where appropriate.

In addition to the case study agencies, we requested comments on a draft of this report from the U.S. Coast Guard, the Department of State, the General Services Administration, the Indian Health Service, the National Aeronautics and Space Administration, the Tennessee Valley Authority, the Army Corps of Engineers, and the Bureau of Reclamation.

The Coast Guard disagreed with our recommendation that OMB should require that long-term agency capital plans be submitted to OMB and congressional decision makers. The Coast Guard believes it has met the spirit of our recommendation by providing OMB and the Congress a 5-year Capital Investment Plan. The Coast Guard also provided technical comments, which have been incorporated where appropriate. TVA commented that it should not be required to comply with OMB's *Capital Programming Guide* because all of its capital requirements are funded from its operating income. TVA also provided technical comments, which have been incorporated as appropriate.

The Department of State, the General Services Administration, the Army Corps of Engineers, and the Department of Interior on behalf of the Bureau of Reclamation, had no comments on the draft report. None of the other agencies disagreed with our conclusions and recommendations related to long-term agency capital plans. The Indian Health Service said the OMB *Guide* is very helpful, but because federal capital assets have so many

different purposes, making the guide a requirement as written would change the way agencies developed strategic objectives—which may be less driven by mission and more by OMB requirements. The Indian Health Service also said if the guide is made a requirement, it would be helpful to have an extended implementation schedule in order to make changes to the long-term planning process.

Objectives, Scope, and Methodology

The objectives of this study were to determine (1) the extent to which selected agencies have implemented the capital programming principles and concepts described in the planning phase of the Office of Management and Budget's (OMB) *Capital Programming Guide* and have followed the planning practices of leading organizations as described in our *Executive Guide* when acquiring capital assets; (2) what, if any, problems or issues selected agencies have encountered in implementing the principles and concepts of these guides; and (3) the extent to which OMB uses long-term capital planning information in reviewing agency budget requests and supporting budget justifications to the Congress.

This study focused on major capital assets acquired by the federal government primarily to benefit the government's own operations. They are defined as land, structures, equipment, and intellectual property (including software) that are used by the federal government and have an estimated useful life of 2 years or more. Capital assets exclude items acquired for resale in the ordinary course of operations or held for the purpose of physical consumption, such as operating materials and supplies. Specific capital assets acquired by the case study agencies in this study include land, buildings and other structures, medical facilities and equipment, satellites, ships, aircraft, prison facilities, and parklands. We limited the general scope of our work to the planning processes used to acquire and manage investments other than those in information technology, so we did not identify the principles and practices specific to information technology acquisitions. We looked only at the planning processes used to acquire major capital assets as defined by the case study agencies, including major modifications or enhancements to existing structures.

To select our case study agencies, we used character class data from OMB's MAX[1] system to identify agencies with substantial capital expenditures over a 10-year period.

As described in chapter 1, agencies code their net outlays each year according to various investment categories or character classes. The OMB

[1]MAX is the computer system used to collect and process information needed to prepare the President's Budget.

categories used to select our case study agencies are those for direct spending on physical assets.[2]

We first sorted the agencies from highest to lowest level of capital outlays for fiscal year 2000. We then excluded the Department of Defense military outlays and extracted the top 23 agencies whose capital expenditures represented 87 percent of total nondefense capital outlays for fiscal year 2000. From this list of 23, we excluded certain agencies—such as the Federal Bureau of Investigation and the Federal Aviation Administration—that could pose access difficulties due to recent national security concerns. We also excluded agencies such as the Department of Energy and the Environmental Protection Agency because of their heavy dependence on contractors to manage their capital. This resulted in a list of 12 agencies whose capital outlays represented 54 percent of nondefense capital outlays for fiscal year 2000: the Department of Veterans Affairs (VA), the National Aeronautics and Space Administration, the Indian Health Service, the Bureau of Prisons (BOP), the Bureau of Reclamation, the U.S. Coast Guard, the Tennessee Valley Authority, the National Oceanic and Atmospheric Administration (NOAA), the Army Corps of Engineers, the National Park Service (Park Service), the General Services Administration, and the Department of State.

We examined the characteristics of the 12 agencies, including their missions, the types of assets acquired, and recent related studies, and again considered the timing of our study with respect to the ability to gain access to agency information. We reviewed our past work and other literature, organizational data available on the Internet, departmental strategic and annual performance plans, and agency accountability reports. We then selected four agencies for case studies: VA, BOP, the Park Service, and NOAA. This final selection was based on the goal of having diversity in agency missions, the types of assets acquired, and the volume of capital spending.

To accomplish our objectives, we conducted extensive interviews with officials at various levels of management, including planning, budget, and facilities staff; construction, asset, and property management staff; and

[2]These categories are Construction and Rehabilitation (1312 and 1314), Major Equipment (1322 and 1324), and Purchases and Sales of Land and Structures (1340). Major Equipment includes capital purchases of information technology but excludes the support services related to information technology purchases.

operations and maintenance personnel. We also obtained and reviewed various forms of agency documentation, including asset planning, budget, and program documents; strategic plans; annual performance plans; budget requests; and capital project proposals. We made site visits to the Park Service's Denver Service Center Construction Program Management Office, Intermountain Region (also located in Denver, Colorado), and the Grand Canyon National Park. Although the information we gathered and our work at Grand Canyon National Park may not be representative of that of all Park Service units, it provides insights into the capital planning processes of the agency's large national parks.

Our work at VA focused primarily on the activities of the Veterans Health Administration where the bulk of VA's capital assets are acquired and used. However, we also reviewed documents and interviewed staff of the National Cemetery Administration and Veterans Benefits Administration. In addition, we interviewed and obtained documentation from VA departmental office staff responsible for coordinating capital asset planning for the entire department. Our work at NOAA focused on the service lines and program offices that acquire and use the bulk of NOAA's major capital assets—the National Weather Service, the National Environmental Satellite, Data and Information Service, the Office of Marine and Aviation Operations, and NOAA's facilities office.

The findings of our study and agency acquisition practices described in this report are based on testimonial evidence and our review of documentation provided by agency officials. We did not observe or evaluate the processes in operation, nor did we evaluate the effectiveness of the specific elements of agency processes or assess the outcomes or decisions made as the result of agency planning efforts. Our work documented the agency practices and whether they conformed to OMB guidance and the practices of leading organizations. Governmentwide capital spending data presented in chapter 1 were obtained from the historical tables of the President's Budget for Fiscal Year 2004 and adjusted for inflation using fiscal year 2002 as the base year and the composite outlay deflators for direct capital. Capital spending data in appendixes II through V were derived from OMB's MAX system and adjusted for inflation using fiscal year 2002 as the base year and the composite deflators for direct capital as presented in the President's Budget for Fiscal Year 2004.

To add context to the information obtained from case study agencies, we surveyed the remaining 8 agencies from our list of 12 to obtain their views on the usefulness of OMB's capital guidance and to learn if they had

developed long-term agency capital plans. We sent a survey with five structured questions to each of the remaining 8 agencies and received responses from all of them. We did not verify agency responses to the survey nor did we request from them or receive documentation supporting their responses. The 8 survey agencies were the U.S. Coast Guard, the Department of State, the General Services Administration, the Indian Health Service, the National Aeronautics and Space Administration, the Tennessee Valley Authority, the Army Corps of Engineers, and the Bureau of Reclamation.

We met with each of the OMB resource management officers responsible for our case study agencies to determine what long-term capital planning data OMB receives and how they are used in reviewing budget justifications. In addition, we interviewed staff of the House and Senate Budget Committees about their interest in having long-term capital planning data from agencies.

We held an exit briefing with each of the case study agencies to convey our findings and request comments on a draft of this report. Our work was conducted from August 2001 through September 2002 in accordance with generally accepted government auditing standards.

Department of Veterans Affairs

Background/ Organizational Structure

The mission of the Department of Veterans Affairs (VA) is to serve America's veterans and their families with dignity and compassion and be their principal advocate in ensuring that they receive medical care, benefits, social support, and lasting memorials. VA is a cabinet-level agency with a budget of over $50 billion and is one of the world's largest health care, medical research, and insurance benefits organizations. VA is geographically dispersed and consists of four components: the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), the National Cemetery Administration (NCA), and the staff offices of VA's central office. VHA, VBA, and NCA are separate administrations within VA and each operates as a distinct entity. VHA—the largest VA administration—is divided into 21 Veterans Integrated Service Networks (VISN), and NCA is divided into five memorial service networks. There are more than 100 service markets including markets with multiple VA facilities and markets with only one VA facility. The overall veteran population is estimated to be about 25 million, and over 4 million of them received VHA health care services in fiscal year 2002. VA's capital programs include major construction (cost over $4 million), minor construction, nonrecurring maintenance, medical equipment, enhanced-use leasing, enhanced-sharing (space and facilities), energy investments, and information technology initiatives. VA activities and its capital spending are influenced by numerous veterans advocacy groups and other stakeholder groups, such as medical schools and unions.

Types of Assets

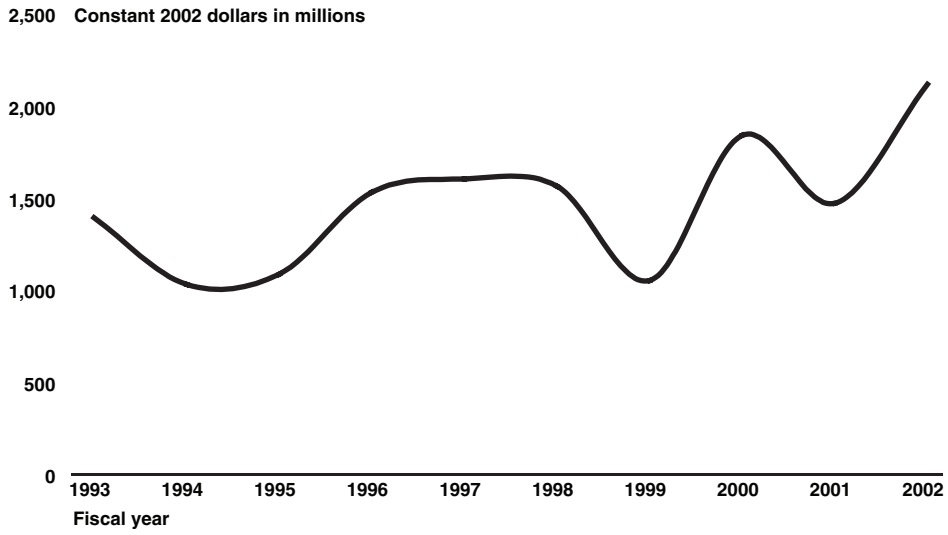
VA acquires many different types of capital assets. Its current portfolio consists of VA-owned buildings and real estate, VA-leased buildings, enhanced-use leases and sharing agreements, major equipment, and information technology infrastructure and software. The assets specifically include hospitals, clinics, cemeteries, office buildings, fire departments, computers, and medical equipment. VA owns 162 hospitals, more than 130 nursing homes, over 650 outpatient clinics, about 4,900 buildings, and about 15,600 acres of land. VA also leases 500 additional buildings.

VA construction is divided into major construction—for projects costing $4 million or more—and minor construction. VA's recent appropriations for major capital investments were for seismic projects, which are required to comply with industry building standards. Projects in VA's minor construction program are ranked and selected based on the availability of funds within the total appropriation for minor construction.

Capital Spending

VHA acquires the bulk of VA's capital assets. As illustrated in figure 16, VA's capital outlays varied considerably throughout the 10-year period but showed an increase in real terms from $1.4 billion in 1993 to $2.1 billion in 2002 (in 2002 dollars). The lowest levels of outlays during this 10-year period occurred in fiscal years 1994 and 1999 when capital outlays decreased in real terms to about $1 billion but then rose dramatically in fiscal year 2000 to $1.8 billion.

Figure 16: VA Capital Outlays for Fiscal Years 1993 through 2002



Source: GAO Budget Database.

Capital Planning Process

VA's capital planning process is formal and contains considerable guidance and documentation. VA has made commendable efforts to revise and improve its capital planning process in recent years although VA does not have a long-term capital plan. Efforts to improve its process include establishing a new department-level office to centralize the review of capital project proposals and coordinate capital investments for the department. Also, in recent years, VA has contracted for two studies of its process and industry best practices; the current process is based on the results of those studies and the guidance contained in our *Executive Guide*. In addition, VA implemented most of the principles contained in the Office of Management and Budget's (OMB) capital planning guidance when

it revamped its planning process. VA continues to refine its capital planning efforts. Its process begins with and is directed by departmental guidance and oversight—from the development of capital project proposals to the ranking and selection of final projects. The process begins with a call memorandum from VA headquarters to its administrations and culminates with proposals scored based on their compliance with weighted criteria developed by central VA decision makers.

VA requires that proposed capital projects clearly document the needed investment, although the three administrations accomplish this in different ways. NCA maintains an asset inventory and information on the condition of its assets that assists its proposal developers in justifying the performance gap. NCA also completes a 5-year facilities plan with project cost estimates for both major and minor projects. Conversely, VHA facility and VISN employees do not have complete asset inventories or readily available asset condition data that are available VHA-wide. VHA conducts condition assessments of facilities and maintains that information at the facility and VISN level. As discussed in chapter 3, VHA initiated the Capital Asset Realignment for Enhanced Services (CARES) program in October 2000 to assess veterans' health care needs and identify planning initiatives to meet those needs in the future. VHA future capital needs and program resources are expected to be largely driven by the results of the CARES studies being conducted for each VISN.

Capital project proposals must identify alternatives considered throughout the planning process. The budget call memorandum issued by VA headquarters requires proposal developers to first vet their proposals through internal bureau processes—being mindful of administration-level and department-level strategic goals. Following departmental guidance, VHA, NCA, VBA, and staff offices are required to consider a range of alternatives to address an identified performance gap. At least four alternatives—leasing (and enhanced-use leasing); status quo; new construction; and rehabilitation, repair, or expansion of existing facilities must be considered. Once proposals pass administration-level processes,

VA departmental guidance requires its facility staff to answer OMB's "Three Pesky Questions"[1] when developing capital investment project proposals.

VA's Analytical Hierarchy Process (AHP), discussed in chapter 4, forms the foundation of its department-level review. VA's Office of Asset Enterprise Management and Capital Investment Panel (CIP) conduct the initial VA department-level review of capital project proposals (business cases) submitted from the three primary administrations and the staff offices to ensure that proposal packages pass a validity assessment—ensuring that proposals are complete with the required documents, that OMB's "Three Pesky Questions" are answered, and that there is rationale for including it in the project scoring process. Project proposals that pass the validity assessment are scored by CIP on each of the subcriterion and main criterion in AHP before they are forwarded to VA's Strategic Management Council (SMC) for validation. CIP prepares a "Board Book" (a synopsis of proposals reviewed and scored) for SMC's use during its review and deliberation.

Project proposal scores are then fed into a decision software package called Expert Choice, which is based on AHP, that ranks the proposals based on assigned weights of major criteria (established by SMC) and subcriteria (established by CIP). The established criteria used by AHP and Expert Choice are reviewed each year, updated, and realigned with VA's mission and current administration's and Secretary's priorities. The established criteria have evolved over time. According to a VA official, the Return on Investment criterion was added at OMB's request and the Special Emphasis criterion[2] was congressionally mandated. The ranked list of proposals generated by Expert Choice is validated by SMC and forwarded to VA's Executive Board. The Executive Board reviews the ranked results of AHP and determines which projects are forwarded to OMB for funding in the President's Budget.

[1]The three questions are (1) Does the investment in a major capital asset support core/priority mission functions that need to be performed by the federal government? (2) Does the investment need to be undertaken by the requesting agency because no alternative private sector or governmental source can better support the function? and (3) Does the investment support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial-off-the-shelf technology?

[2]The Special Emphasis criterion is used to evaluate project proposals that support special emphasis programs, such as spinal cord injury, chronic mental illness, and posttraumatic stress disorder.

Challenges

VA is confronted with diverse challenges in planning for and maintaining the infrastructure needed to support its programs and activities. VA owns a large number of very old buildings, pieces of equipment, and facilities. VA officials expressed frustration that in recent years, after it expended considerable resources to develop the business cases and other paperwork, many of its project proposals were not funded. VA officials also stated that VA lacks sufficient staff to prepare business cases within the given time frames and that some staff lack the technical expertise to develop project proposals properly. In those cases, VA has had to rely on contractors to develop major capital investment proposals.

VA also faces challenges that are not within its control. The United States has a growing, aging veteran population. Veterans' health care needs have changed over the last several decades, and VA must now adjust its services and supporting facilities where the age of the infrastructure is more than 50 years to meet those changing needs. Female veterans are increasing in number but most inpatient or outpatient facilities were not designed to accommodate their needs. Additionally, VA is challenged by the geographical movement of the nation's veteran population, resulting in some service markets lacking sufficient facilities and others having facilities that are underused.

Prior GAO Work at VA

We have previously reported[3] that VA needs to modify its infrastructure to support its increased reliance on outpatient health care services. In August 1999, we recommended that VA develop asset-restructuring plans for its health care markets to guide its planning and management of health care assets. In response, VA established the CARES program. We also have reported[4] that VA and the Department of Defense (DOD) should increase their joint activities to maximize federal health care resources. In an effort to save federal health care dollars, VA and DOD have sought ways to work jointly to gain efficiencies. For example, local VA medical centers and military treatment facilities have entered into agreements to exchange inpatient, outpatient, and specialty care services, as well as support

[3]U.S. General Accounting Office, *VA Health Care: Capital Asset Planning and Budgeting Need Improvement*, GAO/T-HEHS-99-83 (Washington, D.C.: Mar. 10, 1999).

[4]U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Veterans Affairs*, GAO-03-110 (Washington, D.C.: January 2003).

services. Some local VA and DOD facilities have entered into joint ventures—pooling resources to build a joint medical facility or benefit from an existing facility. Additional related GAO reports are listed at the end of this appendix and at the end of this report.

The Future of VA

VA has made considerable progress toward improving its capital planning process and developing a process that conforms to OMB guidance and implements GAO capital planning recommendations. VA officials said they are dedicated to further improving their process and ensuring conformance to industry best practices. OMB staff said they are actively assisting VA in achieving this desired outcome. Future capital acquisitions and overall plans would depend on the results of the CARES studies.

Some Related GAO Reports

Federal Real Property: Vacant and Underutilized Properties at GSA, VA, and USPS. GAO-03-747. Washington, D.C.: August 19, 2003.

Department of Veterans Affairs: Key Management Challenges in Health and Disability Programs. GAO-03-756T. Washington, D.C.: May 8, 2003.

VA Health Care: Improved Planning Needed for Management of Excess Real Property. GAO-03-326. Washington, D.C.: January 29, 2003.

Major Management Challenges and Program Risks: Department of Veterans Affairs. GAO-03-110. Washington, D.C.: January 2003.

Managing for Results: Efforts to Strengthen the Link Between Resources and Results at the Veterans Health Administration. GAO-03-10. Washington, D.C.: December 10, 2002.

VA Health Care: Challenges Facing VA in Developing an Asset Realignment Process. GAO/T-HEHS-99-173. Washington, D.C.: July 22, 1999.

Veterans' Affairs: Observations on Selected Features of the Proposed Veterans' Millennium Health Care Act. GAO/T-HEHS-99-125. Washington, D.C.: May 19, 1999.

VA Health Care: Capital Asset Planning and Budgeting Need Improvement. GAO/T-HEHS-99-83. Washington, D.C.: March 10, 1999.

Major Management Challenges and Program Risks: Departments of Defense, State, and Veterans Affairs. GAO/T-NSIAD/HEHS/AIMD-99-104. Washington, D.C.: February 1999.

VA Health Care for Women: Progress Made in Providing Services to Women Veterans. GAO/HEHS-99-38. Washington, D.C.: January 29, 1999.

Veterans' Health Care: Challenges Facing VA's Evolving Role in Serving Veterans. GAO/T-HEHS-98-194. Washington, D.C.: June 17, 1998.

VA Hospitals: Issues and Challenges for the Future. GAO/HEHS-98-32. Washington, D.C.: April 30, 1998.

VA Health Care: Closing a Chicago Hospital Would Save Millions and Enhance Access to Services. GAO/HEHS-98-64. Washington, D.C.: April 16, 1998.

National Park Service

Background/ Organizational Structure

The mission of the National Park Service (Park Service) is to preserve, unimpaired, the natural and cultural resources and values of the national park system for the enjoyment, education, and inspiration of this and future generations. A bureau of the Department of the Interior (DOI), the Park Service is organized into seven geographic regions and 388 national park units and covers 84 million acres of land. In 1995, the Park Service regions were reorganized—making the Intermountain Region the largest region covering eight states and 89 parks units.

Types of Assets

Park Service assets include roads; trails; campgrounds; park visitor centers; other buildings and houses; utility systems; marine and dock structures; signs and information structures; and special features assets, such as statues, memorials, and viewing structures. In every category of these assets, there are both general and stewardship facilities.[1] These assets consist of over 18,000 permanent structures, 8,000 miles of roads, 1,800 bridges and tunnels, 4,400 housing units, about 700 water and wastewater systems, 200 radio systems, more than 400 dams, and 200 solid waste operations and include numerous cultural and historic buildings and structures. There is considerable diversity within the park system, with assets ranging from large landscapes such as the Grand Canyon and Yosemite national parks, to historic structures such as Philadelphia's Independence Hall, to the granite faces of Mount Rushmore.

Grand Canyon National Park assets include visitor centers, maintenance facilities, employee housing, roads and parking facilities, other structures, and utility systems. The Grand Canyon Park is very much like a small city, and is responsible for maintaining its own infrastructure, utilities, employee housing, and services for residents and visitors.

Capital Spending

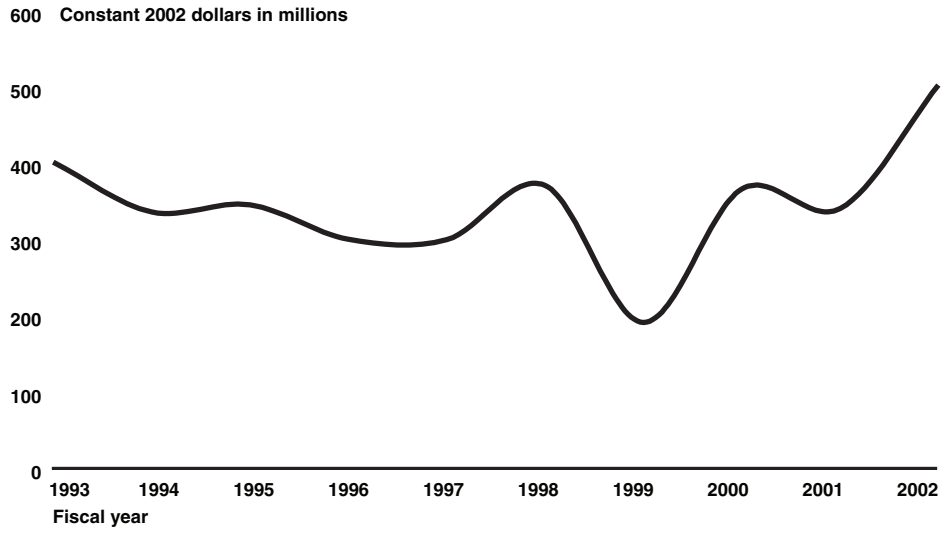
The bulk of Park Service capital spending is for major projects, including new construction, rehabilitation, and maintenance projects, costing $500,000 or more. Some capital spending is accomplished through funding provided by the Park Service fee demonstration program, the franchise fee

[1]General facilities are general property, plant, and equipment (PP&E) used in providing goods or services. Stewardship facilities include heritage assets of historical, natural, cultural, educational, or artistic significance and land other than that acquired for, or in connection with, general PP&E.

program, and the road improvement program—in addition to the line-item construction budget. Some national parks—generally the larger parks—are given authority to collect fees from the public to finance various capital projects. Such parks are referred to as 80 percent parks because they are allowed to retain 80 percent of the fees collected. The remaining parks—referred to as 20 percent parks—do not collect fees from the public but can request part of the remaining 20 percent of fees collected by the other parks for their capital projects. The Park Service fee demonstration program began in 1997 and has grown to where it now provides the Park Service approximately $100 million annually for new projects.

As illustrated in figure 17, the Park Service's capital outlays fluctuated during the 10-year period 1993 through 2002 but grew in real terms from $395 million in 1993 to $496 million in 2002. The lowest level of capital outlays—$184 million—occurred in fiscal year 1999.

Figure 17: Park Service Capital Outlays for Fiscal Years 1993 through 2002



Source: GAO Budget Database.

Capital Planning Process

The Park Service's capital planning and asset management process is evolving. Some of its current practices—such as the establishment of an external advisory group—stem from recommendations of a 1998 National

Academy for Public Administration (NAPA) study of the agency's line-item construction program. The NAPA report's recommendations focused on the Park Service's Denver Service Center, which has a primary role in implementing the service's construction program. The advisory group meets concurrently with the Park Service's senior-level internal review board, reports directly to the Park Service Director, and reviews every facility project with an estimated cost greater than $500,000. Also in 1998, spurred by congressional concerns and new federal accounting standards for plant, property, and equipment, the Park Service initiated the design of a new asset management process. The cornerstone of the process is a facility management software system that is intended to help the Park Service achieve better overall management of its portfolio of capital assets.

Park Service capital planning begins at the park level with individual park general management plans that cover a 10- to 20-year period and contain elements of both a strategic plan and long-term capital plan. Individual park-level strategic plans also are prepared that cover a 5-year period and discuss the capital facilities needed to support park strategic goals. These individual park-level strategic plans drive the servicewide Park Service strategic plan. Current administration and departmental priorities also influence capital projects initiated at individual national parks. Current priorities are communicated to park regions and individual parks via the annual budget call memorandum issued by the Park Service's Washington Office. Examples of administration priorities are life and safety and facility deferred maintenance (discussed later)—which have been priorities for several years—and, more recently, increased visitor safety after the terrorist attacks of September 11, 2001.

Capital needs identified at individual parks are entered into and tracked within the Park Service's servicewide Project Management Information System (PMIS). PMIS is an automated system containing thousands of identified capital projects. According to Park Service officials, in fiscal year 2002, there were approximately 40,000 projects in the PMIS database. Identified needs are entered into the system throughout the year and extracted in response to annual budget calls for capital project proposals. Projects also may be entered into PMIS for the first time in response to a budget call. According to Park Service officials, PMIS is a list of identified needs containing a mix of capital projects—some that have been initiated and others that have not. These projects are all labeled as nonrecurring needs and are identified in the system by a unique identification code. When parks such as the Grand Canyon National Park respond to budget calls, the PMIS code is used to inform decision makers of which projects

the park is proposing to initiate. Using the PMIS code, decision makers are then able to access the specific project information, including project justifications, link to agency goals, and estimated costs, and begin the ranking and selection phase of the capital decision-making process. To assist with identifying and documenting capital needs, some national parks have asset inventories with varying levels of detail, but the Park Service has only recently developed a servicewide asset inventory. Also, the Park Service has just recently completed visual inspections of assets in a large number of its parks; however, it does not have servicewide comprehensive information on the condition of its assets.

When capital needs are identified, the Park Service considers a range of alternatives to address them. Extensive alternatives analyses are conducted during the development of a capital project proposal. The type of capital project being considered and strategic goal being accomplished drives the level and type of alternatives analyses conducted. For capital projects involving life and safety or facility deferred maintenance, there are limited alternatives available. When appropriate, the Park Service considers renovating and/or upgrading an existing facility or structure. At times, a park facility's specific functional requirements may limit the type of facility or location considered during the alternatives evaluation process. For example, the Grand Canyon National Park's new visitor center must be open 24 hours a day, 7 days per week, in all weather conditions. Therefore, it required a design that would permit indoor and outdoor access to visitor information, regardless of whether park personnel staff the facility. Upgrading an existing facility would not fulfill this requirement. The Park Service also considers partnering with other governments for land acquisitions and has partnered with the private sector and nonprofit entities to share the funding of costly projects. In addition, the Park Service considers partnering with other federal agencies, sharing equipment with the Forest Service, and leasing some assets where appropriate.

Value analysis is an important component of the Park Service capital planning and alternative evaluation processes. It is used to select the best alternative during a project's initial planning and predesign stages. Value analysis is completed for project proposals above the $500,000 threshold, and the Park Service senior-level review board will not review projects that lack such studies. From fiscal years 1997 through 2001, the number of value analysis studies increased from 17 to 113.

The Park Service's capital planning process includes an established framework for ranking and selecting proposed capital investments—a

framework that consists of two senior-level review boards, an external advisory group, and a formal system to rank projects using established criteria. Capital project needs extracted from the PMIS database are forwarded to the regional offices for initial evaluation and ranking within their regions. These project proposals are subjected to preliminary scoring on the regional level based on the same criteria used for scoring at the national level later in the process. The regional offices develop a ranked listing of proposals and forward their priority lists to the Park Service's Construction Program Management Office (CPM) for evaluation and ranking in the servicewide program. CPM reviews the submitted proposals for completeness and compliance with the line-item construction program eligibility criteria before the proposals are submitted for further evaluation at the national level.

Capital project proposals evaluated and ranked at the regional level and those conforming to the initial CPM review are then formally evaluated on a national level, park system-wide, using DOI criteria and the Park Service Choosing By Advantage (CBA) process. CBA uses a series of evaluation factors to compare proposed projects to one another. The five factors recently used in CBA were (1) provide safe visits and working conditions; (2) protect cultural and natural resources; (3) improve visitor enjoyment through better services and educational and recreational opportunities; (4) improve operational efficiency, reliability, and sustainability; and (5) provide cost-effective, environmentally responsible, and otherwise beneficial development for the national park system. CBA involves a relative comparison of every project proposal by each factor and produces an individual project ranking. The project with the best score on any particular factor sets the scale for that factor, and the other projects are scored relative to that best score. Each project's score is divided by its cost to arrive at an advantage-to-cost ratio. A multidisciplinary assessment team led by CPM is assembled to manage the CBA process and apply the evaluation factors to each project.

Recently, an additional step was added to the Park Service process that required proposed projects be grouped into three bands using DOI criteria that emphasize the Secretary of the Interior's and the President's priority areas. Within the project bands created by the DOI criteria, projects were then ranked using the CBA process.

Capital projects receive a number of high-level reviews as part of the decision-making process. The senior-level Park Service Development Advisory Board (DAB) reviews proposed capital projects vetted and

ranked by the CBA process. DAB is composed of four Park Service associate directors, three regional directors, and two senior executive service park superintendents. It has two responsibilities: (1) policy, which involves reviewing the proposed 5-year construction program plan and thus recommending projects for inclusion in the construction program, and (2) reviewing individual projects at the end of predesign development. With some exceptions, DAB reviews every project with estimated costs greater than $500,000. Without the approval of DAB, project managers cannot proceed with design efforts or initiate construction activities. DAB reviews approximately 120 projects per year. Once projects proposed for inclusion in the 5-year plan clear DAB, they are forwarded to the National Leadership Council (NLC). NLC is composed of the Park Service Director, deputy directors, associate directors, and regional directors and meets bimonthly to consult on major policy and program issues confronting the Park Service. Projects proposed for inclusion in the 5-year plan are reviewed by NLC, and its members provide any comments or concerns about the ranking and rating of projects directly to the Park Service Director for consideration before final approval of the 5-year plan. Projects reviewed by DAB that have completed predesign activities are advanced directly to the Park Service Director for approval.

In addition, the Park Service's external advisory group was established to provide an independent review of Park Service construction projects—assessing line-item construction projects for suitability and cost-effectiveness. The five-member group is composed of private citizens appointed by the Park Service Director. Members of the group have experience in areas such as engineering, architecture, historic preservation, and budgeting. The group meets concurrently with DAB to review projects that have completed predesign activities and provides its findings directly to the Park Service Director.

Capital project proposals rated through CBA and approved at the national level form the Park Service 5-year construction plan. The 5-year construction plan is the only Park Service-wide capital asset planning document. It provides a cost schedule and rating for each line-item construction project.

Challenges

The Park Service is confronted with a number of challenges in planning for and maintaining its assets and infrastructure. The Park Service owns and is responsible for maintaining numerous prehistoric and historic facilities and structures. Historic preservation is expensive, and the number of

properties designated as historic is increasing. Officials commented that the cost to repair and renovate historic properties is usually greater than the cost to tear down and rebuild them. As discussed below, the Park Service deferred maintenance backlog has long been a challenge due to inadequate data and a low priority for funding maintenance needs. The maintenance backlog is expected to continue to challenge the agency.

The Park Service also faces challenges that are outside of its control. Visitation rates at national parks have grown substantially over the past 20 years—from about 220 million visitors per year in 1980 to almost 290 million visitors in recent years. This growth has required the expansion of Park Service facilities and presented a significant challenge to many of the parks' transportations systems. Since September 2001, the Park Service has given increased attention to park visitor safety and security, which presents an additional challenge.

Prior GAO Work at Park Service

We have reported[2] that the Park Service frequently did not have baseline information about the condition of its natural and cultural resources, including historic structures, making it difficult for park managers to clearly ascertain the condition of resources and whether resources are deteriorating, improving, or staying the same. At the same time, many park resources face significant threats, including air pollution, vandalism, and nearby land development. According to the Park Service, steps have been taken to improve the situation. Specifically, the Congress is funding the Park Service's Natural Resources Inventory and Monitoring Program to a level sufficient to develop needed information on basic natural resource inventories. Also, the Park Service has begun efforts to preserve many prehistoric and historic sites.

We have also reported that the Park Service, along with other bureaus within DOI, is challenged with maintaining its facilities and infrastructure and is not meeting its safety responsibilities in many of its structures. These assets include some deteriorating facilities for which repair and maintenance have been a low priority for funding. These unfunded repair and maintenance needs are referred to as the deferred maintenance backlog. In February 2002, DOI estimated that the Park Service deferred maintenance backlog was from $4.08 billion to $6.8 billion. However, we

[2]U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of the Interior*, GAO-03-104 (Washington, D.C.: January 2003).

also reported that the Park Service has yet to assess or define the scope of it maintenance needs accurately. Factors contributing to this situation included the agency's lack of an accurate inventory of the assets that need to be maintained and inaccurate data on the condition of these assets. In May 2000, we reported that the structural fire safety efforts in several national parks were not effective.[3] The gaps in the Park Service's efforts include inadequate employee training and fire inspections and—for many buildings—inadequate or nonexistent fire detection or suppression systems. Additional related GAO reports are listed at the end of this appendix and at the end of this report.

The Future of the Park Service

As discussed earlier, the Park Service is in the process of implementing an asset management process that is intended to enable the agency to have a reliable inventory of its assets and a process for documenting and reporting on the condition of each asset. The cornerstone of the new process is the Facility Management Software System that also will provide a systemwide methodology for estimating deferred maintenance costs. Like most other federal agencies, the Park Service will be affected by increased attention to homeland security. This may require Park Service management to balance competing priorities while accomplishing its strategic goals and, at the same time, providing increased park visitor safety and security.

Some Related GAO Reports

National Park Service: Status of Agency Efforts to Address Maintenance Backlog. GAO-03-992T. Washington, D.C.: July 8, 2003.

National Park Service: Status of Efforts to Develop Better Deferred Maintenance Data. GAO-02-568R. Washington, D.C.: April 12, 2002.

Recreation Fees: Management Improvements Can Help the Demonstration Program Enhance Visitor Services. GAO-02-10. Washington, D.C.: November 26, 2001.

Park Service: Visitor Center Project Costs, Size, and Functions Vary Widely. GAO-01-781. Washington, D.C.: July 24, 2001.

[3]U.S. General Accounting Office, *Park Service: Agency Is Not Meeting Its Structural Fire Safety Responsibilities*, GAO/RCED-00-154 (Washington, D.C.: May 22, 2000).

Park Service: Need to Address Management Problems That Plague the Concessions Program. GAO/RCED-00-70. Washington, D.C.: March 31, 2000.

National Park Service: Efforts to Link Resources to Results Suggest Insights for Other Agencies. GAO/AIMD-98-113. Washington, D.C.: April 10, 1998.

Park Service: Managing for Results Could Strengthen Accountability. GAO/RCED-97-125. Washington, D.C.: April 10, 1997.

National Parks: Park Service Needs Better Information to Preserve and Protect Resources. GAO/T-RCED-97-76. Washington, D.C.: February 27, 1997.

National Oceanic and Atmospheric Administration

Background/ Organizational Structure

The mission of the National Oceanic and Atmospheric Administration (NOAA) is to describe and predict changes in the Earth's environment and to conserve and wisely manage the nation's coastal and marine resources. NOAA is a bureau within the Department of Commerce; it accomplishes its mission through five major line offices and numerous program units. The five line offices are the National Weather Service (NWS); the National Environmental Satellite, Data and Information Service (NESDIS); the National Marine Fisheries Service (NMFS); the National Ocean Service (NOS); and the Office of Oceanic and Atmospheric Research (OAR). Key among the program units is the Office of Marine and Aviation Operations (OMAO). Some line offices and program units function as users of other NOAA line-office products (e.g., NESDIS produces satellites for NWS use in weather prediction).

NOAA's line and program offices have diverse missions and are geographically diffuse. NWS provides weather, hydrologic, and climate forecasts and warnings for the United States, its territories, adjacent waters, and ocean areas and has 122 weather forecasting offices in six regions, including Alaska and the Pacific Islands of Hawaii and Guam. NESDIS acquires and manages the nation's operational environmental satellites, operates the four national data centers, provides data and information services, and conducts related research. NMFS scientists study the life history, stock, size, and ecology of economically important fisheries. NOS develops the national foundation for coastal and ocean science, management, response, restoration, and navigation. NOAA's research, conducted through OAR, is the driving force behind NOAA's environmental products and services intended to protect life and property and to promote sustainable economic growth. OMAO operates a wide variety of specialized aircraft and ships used in NOAA's environmental and scientific missions.

Types of Assets

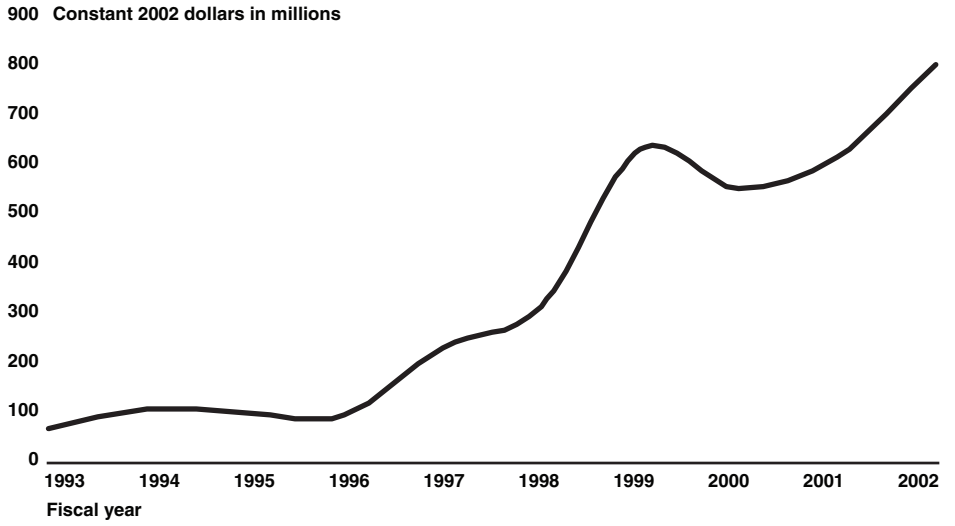
NOAA acquires and uses various types of assets to accomplish its mission, including satellites, radars, ground systems, aircraft, ships and other water vessels, computers, and facilities. Many of NOAA's assets are specialized and unique to NOAA's mission.

Capital Spending

NOAA's capital investments are funded through a single budget account, the procurement, acquisition, and construction (PAC) account. The PAC account was created 5 years ago with the goal of smoothing the capital

investment funding among the various line and program offices to avoid large year-to-year fluctuations in funding requests. As illustrated in figure 18, NOAA's capital outlays grew dramatically in real terms over the 10-year period 1993 through 2002, from $51 million in 1993 to $787 million in 2002—a more than 15-fold increase. While outlays fluctuated some over the 1993 through 1996 period, capital spending grew substantially in the following years and almost tripled from $213 million in 1997 to $617 million in 1999. This increase was primarily due to funding the modernization of NOAA weather facilities and systems, satellite systems, the first planned fisheries research vessel, and new laboratories and science centers. While outlays dropped some in fiscal year 2000 to $536 million, they significantly increased in the last 2 years.

Figure 18: NOAA Capital Outlays for Fiscal Years 1993 through 2002



Source: GAO Budget Database.

Capital Planning Process

The capital planning processes within each of NOAA's line and program offices are driven by their unique activities and specific needs as outlined in their current individual strategic plans. For example, NWS's current focus is the continued routine maintenance of recently modernized assets. In the 1980s, NWS began a nationwide modernization program to upgrade weather-observing systems, such as satellites and radars; to design and develop advanced computer workstations for forecasters; and to

reorganize its field office structure. Its current focus is to maintain these upgrades. Other examples are OMAO's replacement of its aging fleet of ships and NESDIS's planned procurement of satellites near the end of this decade.

At NOAA, both a NOAA-level and individual line and program office strategic plans are prepared. All of them support the vision and long-term goals of Commerce as shown by clearly articulated interrelationships between NOAA and Commerce goals. NOAA's mission is supported by seven interrelated goals—each goal is separate but the goals have crosscutting relationships that enable NOAA and Commerce to accomplish their goals and objectives. NOAA's line offices implement the strategies and conduct the work to achieve these goals and objectives. The line and program office strategic plans discuss the capital needed to support each office's program, goals, and objectives. For example, NWS's strategic plan supports one of two primary missions of NOAA and contains three of the seven NOAA goals. Capital investments needed to achieve these goals include weather prediction and receiving systems. NESDIS prepares a 5-year capital plan to guide the acquisition of its satellite ground systems—to bridge its performance gap in support of the strategic goals established in its strategic plan. OMAO's strategic plan describes its current vessels and aircraft capabilities, and identifies the minimum number of these assets needed for OMAO to operate safely.

The process for assessing NOAA's capital asset needs can also vary by line and program office. For example, OMAO current capital needs are based on its current strategic plan. The plan describes the need to acquire three additional fisheries ships to meet program expectations over the next decade and the impending critical need for replacement aircraft capability. OMAO formed an integrated project team (IPT) consisting of mission and program managers and directed the team to develop a ship proposal that would satisfy most fisheries needs with one common design. NESDIS also formed an IPT to develop its newest satellite system—coordinating activities within NOAA and the other agencies participating in its development.

To assist with identifying and assessing capital needs, NOAA maintains separate inventories of its real and personal property. NOAA headquarters and Commerce's administrative support centers maintain a single inventory of real property assets, which includes improvements to land, buildings, and building systems. NOAA officials can generate reports from the real property inventory that show basic information such as acquisition cost

and the size and age of facilities. The inventory also contains information on NOAA leased and General Services Administration (GSA) assigned property. NOAA does not maintain asset condition data in the real property inventory or in any other location. Asset condition assessments were conducted in the past, but have been suspended until the existing identified asset deficiencies are addressed. NOAA's personal property inventory contains all other capital assets, such as satellites, antennas, and computers. NOAA has a formal process for keeping its personal property inventory up to date.

Commerce and NOAA are in the process of deploying a Web-based facilities management system that will track information similar to the present real property inventory but is expected to be easier to use. According to a NOAA official, the real property inventory is difficult to use and decision makers do not regularly consult it.

NOAA considers many alternatives to address an identified performance gap—both at the line and program office level and at the administration level. For example, OMAO has purchased excess Navy ships and converted them for its needs. OMAO also considers alternatives to purchasing new capital assets as one means of fulfilling one of the goals in its strategic plan—the goal of pursuing partnerships with the public and private sectors. According to officials, in fiscal year 2002, NOAA expected to acquire approximately 3,800 operating days of ship support through outsourcing with the private sector and the University-National Oceanographic Laboratory System. NWS officials said that some of its operations colocate or share resources with other federal agencies as an alternative to acquiring or constructing new facilities. NWS requires that project proposals forwarded to the Finance and Investment Review Board (FIRB), its internal review board, document alternatives considered, the cost and benefits of the best alternative, and how the various alternatives differ. In order to receive the highest score in the FIRB review, the proposal must include an explanation of alternatives considered.

NOAA budget formulation guidance for project proposals requires line offices to consider alternatives. The guidance requires proposals to consider outsourcing (contracting) and partnerships with other agencies or with other line offices before review by administration-level review boards. The NOAA Facilities Office may also require construction proposals to identify alternatives, although the Facilities Office's involvement is not routine. If the Facilities Office does become involved, it is most often during the initial phase of a proposal development. During this review, the

Facilities Office has a standard set of alternatives each proposal must consider—purchasing existing assets, new construction, leasing, and the use of university facilities.

NOAA's line and program offices have individual ranking processes that precede the review by the administration-level review boards. For example, NWS formed FIRB in fiscal year 2000 to establish a formal process for management review and ranking of capital investment proposals in support of strategic goals. The FIRB members review and evaluate capital investment proposal justifications, score capital investments according to established criteria, and rank the approved investments. The criteria used include alternatives considered, contribution to improved agency performance, and contribution to NWS mission. FIRB evaluates the approved portfolio of capital investments for inclusion in the NWS budget submission. NESDIS managers solicit project proposals based on NOAA's annual goals. Brief conceptual proposals are initially reviewed and ranked. Proposal developers then prepare more detailed proposals, and the selected proposals are forwarded to the NOAA boards for review.

NOAA's six administration-level review boards—working groups representing NOAA's strategic themes—consider administration priorities and goals when reviewing proposals ranked by line and program offices. Each project proposal submitted to the themes' review board must be justified in terms of how it supports the theme. The review boards are confronted with funding requests for both new and ongoing projects and conduct their own internal reviews for ranking and selection prior to NOAA management review. According to a NOAA official, the Infrastructure, Maintenance, Safety and Human Capital theme used the following set of criteria to rank submitted project proposals: (1) contribution to agency mission, (2) cost development of the proposal, (3) productivity improvement, (4) operational efficiency, (5) improving efficiency, and (6) the likelihood of success. Similar criteria permeated the other themes' processes. Once this internal review is complete, review boards recommend the highest ranked project proposals to NOAA's senior management and the NOAA budget office for inclusion in the Commerce budget submission to the Office of Management and Budget (OMB).

NOAA does not prepare a long-term capital asset plan, but long-term planning information exists at the line-office level. The budget office does not require long-term plans from the line offices but says it has information about ongoing projects and proposed projects that were not funded within the past 2 years. Two line offices have longer-range documents—OMAO

completes an "unofficial" (unpublished) long-range plan and NESDIS prepares a 5-year satellite ground systems plan. The OMAO plan is a 10-year chart of tentative dates and cost estimates of major repairs and replacements of NOAA ships. The NESDIS plan identifies the resources it requires to operate and maintain satellite ground systems to monitor and control on-orbit operational satellites, and to acquire, process, and distribute environmental data to users. It outlines the ground resources NESDIS needs to fulfill its gap and follows the principles of OMB's guidance. NWS officials said that the NWS plan for capital investments was reflected in its fiscal year 2003 and 2004 budget requests.

Challenges

NOAA is tasked with serving the nation's continuing need for weather and water information. On average, hurricanes, tornadoes, and other severe weather events cause $11 billion in damages per year, and early warning systems can reduce such damage. Weather is directly linked to public safety, and about one-third of the U.S. economy (about $3 trillion) is weather sensitive. With so much at stake, NOAA's role in observing, forecasting, and warning of environmental events is expanding, and the agency is challenged by the need to increase its number of new multiuse observation systems.

Also, safe and efficient transportation systems are crucial economic lifelines for the nation. The Department of Transportation's U.S. Marine Transportation System ships over 95 percent of the tonnage and more than 20 percent by value of the nation's foreign trade through America's ports. Waterborne cargo contributes more than $740 billion to the U.S. gross domestic product and creates employment for over 13 million citizens. As U.S. dependence on surface and air transportation grows over the next 20 years and with the projected doubling of maritime trade, better navigation and weather information will be critical to saving lives, cargo, and the environment. NOAA's information products and services are essential to the safe and efficient transport of goods and people at sea, in the air, and on land.

Prior GAO Work at NOAA

We have reported in the past on the difficulties NOAA's NWS encountered with its modernization program to upgrade its weather observing systems, satellites, and radars. We made numerous recommendations, and NWS has acted to implement them. For example, in response to our recommendations, NWS established an overall systems architecture,

improved the availability of its Next Generation Weather Radar, and enhanced its Advanced Weather Interactive Processing System software development process. Since 2001, NWS has made plans to further improve weather forecasts and warnings through upgrades to its supercomputer and future enhancements to weather satellites.[1]

Also, GAO has urged NOAA to aggressively pursue cost-effective alternatives to its in-house fleet of ships. According to NOAA, it has taken steps to improve the cost efficiency of its fleet, such as removing some ships from service, bringing new and converted Navy ships into service, and negotiating contracts outside NOAA to meet some of its needs.[2] Additional related GAO reports are listed at the end of this appendix and at the end of this report.

The Future of NOAA

As discussed earlier, NOAA is making improvements to its ability to track and control its capital assets. Commerce is deploying a Web-based inventory system that is currently operating parallel to NOAA's present property inventory. The new system is expected to be easier to update and use than the present inventory. It was scheduled to be fully operational in fiscal year 2003. A new asset condition assessment process was also scheduled to begin in fiscal year 2003. A NOAA working group is currently reviewing the strategy to initiate a new round of condition assessments. NOAA wants to improve its condition assessment process because previous asset condition data aged very quickly and were of limited use.

NOAA's draft strategic plan for fiscal years 2003 through 2008 states that its core missions of environmental prediction and management are manifested in more than 80 capabilities that support America's efforts to prepare for and, if necessary, respond to terrorist attacks. Among the best known are NOAA's hazardous materials spill response, rapid on-site weather forecasts to support emergency operations, and civil emergency alert relay through NOAA Weather Radio. NOAA is also prepared to provide its other resources—ships, aircraft, global observation systems, and professional law enforcement officers—to serve the nation when the need arises.

[1]U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Commerce*, GAO-03-97 (Washington, D.C.: January 2003).

[2]U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Commerce*, GAO-01-243 (Washington, D.C.: January 2001).

Through these core capabilities and strategic investments, NOAA plans to expand its support for homeland security by coordinating delivery of its products and services to federal, state, and local emergency managers and responders, and strengthening its own infrastructure to protect agency personnel, facilities, and information services.

Some Related GAO Reports

Polar-Orbiting Environmental Satellites: Status, Plans, and Future Data Management Challenges. GAO-02-684T. Washington, D.C.: July 24, 2002.

Department of Commerce: Status of Achieving Key Outcomes and Addressing Major Management Challenges. GAO-01-793. Washington, D.C.: June 15, 2001.

National Oceanic and Atmospheric Administration: National Weather Service Modernization and Weather Satellite Program. GAO/T-AIMD-00-86. Washington, D.C.: March 29, 2000.

Bureau of Prisons

Background/ Organizational Structure

The mission of the Bureau of Prisons (BOP), an agency of the Department of Justice (DOJ), is to protect society by confining persons convicted of federal crimes and sentenced to incarceration in the controlled environments of prisons and community-based facilities that are safe, humane, and appropriately secure. The agency consists of six geographical regions with 102 facilities. In addition to housing the federal inmate population, BOP provides inmates with basic services, such as food, clothing, and health care and an array of educational, vocational, and other programs. The agency fulfills its incarceration function using a range of BOP-operated institutions with varying security levels as well as privately managed institutions, state and local facilities, community corrections centers, and home confinement. While BOP shares federal detention responsibilities with the United States Marshals Service (USMS) and the Bureau of Immigration and Customs Enforcement (ICE) (formerly the Immigration and Naturalization Service (INS)), incarceration is the sole responsibility of BOP. In 2002, BOP was responsible for more than 160,000 federal inmates—of which 27,000, or about 17 percent, were housed in non-BOP-operated facilities.

Types of Assets

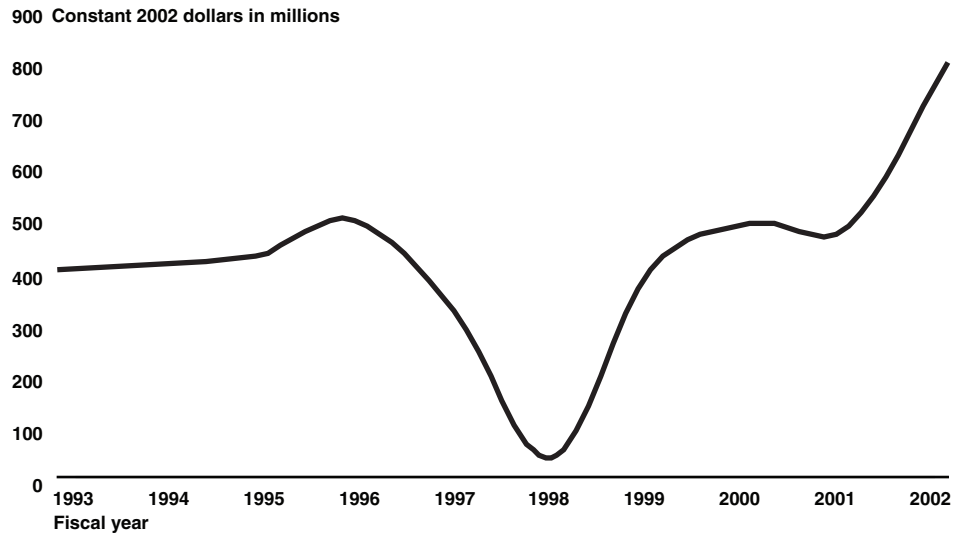
BOP's capital assets consist of land, prison facilities, other buildings and structures, major equipment, and motor vehicles.

Capital Spending

While new construction represents the bulk of BOP's capital outlays, modernization and repair of existing facilities are a significant part of BOP's annual Building and Facilities appropriation. New construction outlays include costs associated with the acquisition, construction, and leasing of prison facilities. Modernization and repair outlays include costs associated with rehabilitation and renovation of buildings, necessary facility modifications to accommodate new correctional programs, rehabilitation and replacement of utility systems, and repair projects at existing facilities.

As illustrated in figure 19, BOP's capital outlays fluctuated from $400 million to $500 million in real terms from 1993 to 2001, with a sharp drop to $34 million in fiscal year 1998 and then a sharp increase to $795 million in 2002. The sharp decrease in 1998 is somewhat misleading since it reflects reimbursements from nonfederal sources that offset BOP's gross capital outlays for that year.

Figure 19: BOP Capital Outlays for Fiscal Years 1993 through 2002



Source: GAO Budget Database.

Capital Planning Process

BOP's capital acquisitions support a DOJ strategic goal—to protect society by providing for the safe, secure, and humane confinement of persons in federal custody. This goal is supported by a number of objectives, including ensuring sufficient prison capacity and maintaining prison operations. BOP strategic planning documents provide details about the ongoing projects and new facilities planned to achieve and maintain sufficient prison capacity. BOP budget call guidance requires that capital project proposals describe how each project will support the agency's goals and objectives. The guidance also reinforces the Attorney General's current priority objectives. For the fiscal year 2004 budget submission, guidance from BOP's facilities management unit required that major project requests—projects with estimated costs of $300,000 or more—be documented in the requesting institution's strategic plan.

The BOP Director issues an annual spring budget request memorandum to all BOP regional and assistant directors. The fiscal year 2003 memorandum asked that units develop separate program funding requests for initiatives to be included in the annual budget submission to DOJ. Individual units were required to prepare a separate "program request form" for each initiative, which identified and explained the goals to be achieved,

estimated costs, justified the need, and identified performance indicators to measure whether the goals are achieved. The program request forms were to be forwarded to the Budget Development Branch at BOP headquarters and were to include funding requests for both capital projects and operational expenses. Capital project responses are included in the Buildings and Facilities budget request.

In addition to the annual budget call, capital project needs are identified and requested through a long-term capacity planning process and routine inspections of existing facilities. BOP's new construction program follows a centralized long-term capacity planning process that uses information from its Office of Research and its Capacity Planning staff. Prison inmate population levels and institution capacity are tracked daily, and reports are regularly generated by facility, geographic region, and inmate security level. The research office also generates projections and reports of future inmate population levels in the same categories using a microsimulation computer program and data from the Administrative Office of the U.S. Courts. These projections are continually monitored and regularly updated, and weekly reports of institution overcrowding are generated using a measure of rated capacity. New construction project requests are forwarded to BOP's Design and Construction Branch for review.

Through regular inspections of existing facilities, BOP institutions identify essential rehabilitation, renovation, and repair needs and request modernization and repair (M&R) funding. Legal mandates, such as the Architectural Barriers Act, which requires access for the physically challenged, also can result in requests for M&R funding. Institution staff develop lists of identified M&R capital projects and forward the lists to their respective regional offices. More extensive M&R projects are identified through contractor surveys of older BOP facilities. Institutions over 50 years old are comprehensively surveyed for needed renovations and to determine whether the cost to renovate exceeds the replacement cost of such facilities. The six regional offices evaluate and consolidate the project lists, including those identified by contractor surveys, and forward them to BOP's Facility Management Branch for consideration.

BOP capital planners and decision makers consider numerous alternatives to address an identified performance gap. They use information from BOP's nationwide inventory system to assist them in considering some options. One DOJ objective is to ensure sufficient and cost-effective prison capacity, and BOP's strategy to accomplish this includes contracts with private sector providers of correctional services, state and local cooperative

agreements, and alternatives to traditional inmate confinement where appropriate. BOP also considers the expansion of existing facilities and the acquisition and conversion of nonprison facilities to prison use.

Having an accurate and up-to-date inventory of institutions and other assets helps with evaluating the expanded use of existing correctional facilities. BOP maintains both a Real Property Management System to track all BOP-owned land, buildings, other structures, and related improvements, and a Personal Property Management System to track all BOP-owned personal property (e.g., vehicles, computers, and other equipment). The real property inventory tracks all buildings, structures, and related improvements with an acquisition value of $100,000 or more and tracks all BOP-owned land regardless of its value. Depreciation is calculated monthly over a 30-year period for buildings and a 20-year period for structures. BOP-owned personal property depreciation is calculated monthly over a 10-year period for assets with an acquisition value of $5,000 or more, with the exception of vehicles, which are depreciated over a 6- to10-year period, depending on the vehicle type.

BOP has two planning committees that are involved in the capital decision-making process. The Capacity Planning Committee consists of senior-executive-level staff from the Administration; Correctional Programs; and Information, Policy, and Public Affairs Divisions and subject matter experts, such as chiefs of capacity planning, design and construction, and budget development from the Administration Division. The Capacity Planning Committee proposes new construction projects. The Long-range Planning Committee consists of members from the Administration Division who are senior executive staff, senior managers, and branch chiefs. The Long-range Planning Committee ranks the new construction project proposals made by the Capacity Planning Committee and makes specific funding recommendations to the BOP Director. New construction proposals are ranked based on need, funding, and the speed at which facilities can be constructed. The criteria for ranking M&R project proposals assign life and safety the highest priority followed by accessibility projects, building and institution infrastructure projects, projects for facilities over 50 years old, and general repair. The resulting new construction and M&R proposals are combined to form the BOP annual Buildings and Facilities budget request.

BOP has three long-term capital planning documents for major capital investments: (1) the Capacity Plan, (2) the Building and Facilities Status of Construction report, and (3) a report of the rated capacity of facilities that

have received some funding by anticipated year of activation. The Capacity Plan provides inmate population projections and rates of prison overcrowding, categorized by institution security level, whether the facilities are BOP-operated or contractor facilities, and whether the inmates are male or female, typically for a 9-year period. The data contained in the Capacity Plan are updated weekly and reports can be generated from the system that produces them at any time. The Office of Management and Budget (OMB) receives the weekly update of this report, and a version is included in the annual budget submission to the Congress. The Buildings and Facilities Status of Construction report provides the status of construction for major projects that have received some level of funding, including both new construction and institution expansion projects. The report provides amounts funded by fiscal year, total project cost estimates, funding obligated to date, estimated facility activation date, and a brief status of the project. This report is updated monthly and is provided to OMB and to the Congress as part of the annual budget submission. The report of rated capacity of planned facilities that have received some level of funding shows facility capacity levels for planned projects for a 7-year period. The report shows the level of capacity added for each fiscal year a group of facilities are activated and is also a part of the annual budget submission to the Congress.

Challenges

BOP is confronted with a number of challenges in ensuring sufficient and cost-effective prison capacity and maintaining prison operations. The major determinants of the need for prison capacity are outside of BOP's control. The agency is required to continually monitor not only its current and long-term projected inmate population, but the composition of its population as well—the security level required and inmate gender. The federal inmate population has increased sixfold over the past 20 years, from approximately 25,000 inmates in 1980 to more than 160,000 inmates in 2002. Since BOP is required to provide the level of secure inmate confinement consistent with the needs of the inmate population, the number of correctional institutions has increased from 41 to 102.

BOP's inmate population is directly influenced by new laws, mandatory sentencing guidelines, and increases in law enforcement efforts. The agency must respond to quickly changing requirements and the need to balance the protection of American society with providing for the safe and humane confinement of persons in federal custody. For example, as of December 2001, more than 8,000 felons sentenced in the District of

Columbia were transferred to BOP custody. This required the rapid construction of additional facilities to attain sufficient capacity.

While managing the unique problems that accompany the long-term custody and care of federal inmates, BOP is also a major provider of detention bed space and operates several metropolitan detention centers. Inmates awaiting sentencing and persons charged with federal crimes awaiting trial are primarily the responsibility of USMS; however, USMS does not operate detention centers and obtains some of its needed bed space from BOP. Also, while ICE (formerly INS) has its own detention centers, some of its detainees are housed at BOP facilities.

Prior GAO Work at BOP

In 1995, we reported on challenges to the federal prison system.[1] GAO reported that new criminal justice policies and demographic changes in the prison population have created challenges for BOP as well as state and local correctional systems. These challenges were caused by increasing numbers of prison inmates, inmates serving longer sentences, demands on the health care systems from a more diverse population, and increased financial burdens on government systems to pay for correctional costs. We concluded that the principal barrier to BOP accomplishing its objective of confining offenders in appropriate facilities and environments would be the ability to afford to provide the level of service it intended.

In 1996, we reported on studies comparing the operational costs and/or quality of service between public and private prisons.[2] The report noted that the comparisons of operational costs indicated little difference and/or mixed results and the comparisons of quality were unclear. In December 1999, we reported on issues important or unique to managing the female inmate populations.[3] The report noted that since 1980, the female prison population had increased over 500 percent and that while some progress had been made, the U.S. correctional systems continued to face challenges

[1]U.S. General Accounting Office, *Bureau of Prisons: Recent Concerns and Challenges for the Future*, GAO/T-GGD-95-177 (Washington, D.C.: June 8, 1995).

[2]U.S. General Accounting Office, *Private and Public Prisons: Studies Comparing Operational Costs and/or Quality of Service*, GAO/GGD-96-158 (Washington, D.C.: Aug. 16, 1996).

[3]U.S. General Accounting Office, *Women in Prison: Issues and Challenges Confronting U.S. Correctional Systems*, GAO/GGD-00-22 (Washington, D.C.: Dec. 28, 1999).

in addressing the unique needs of female inmates. Specific needs included child-related responsibilities and gender-specific health care. Additional related reports are listed at the end of this appendix and at the end of this report.

The Future of BOP

While the terrorist attacks of September 11, 2001, have redefined the mission of DOJ, it is unclear what direct impact the nation's war on terrorism will have on the responsibilities and activities of BOP. The DOJ Office of Inspector General (OIG) included Detention Space and Infrastructure in its December 2001 list of top 10 management challenges facing DOJ. This has been cited as a material weakness since 1989 because both USMS and ICE are experiencing a rapidly growing need for detention space. The OIG also addressed the possibility that the DOJ role in the war on terrorism will create an even greater need for detention space.

Some Related GAO Reports

Bureau of Prisons: Recent Concerns and Challenges for the Future. GAO/T-GGD-95-177. Washington, D.C.: June 8, 1995.

Private and Public Prisons: Studies Comparing Operational Costs and/or Quality of Service. GAO/GGD-96-158. Washington, D.C.: August 16, 1996.

Women in Prison: Issues and Challenges Confronting U.S. Correctional Systems. GAO/GGD-00-22. Washington, D.C.: December 28, 1999.

Federal Prison Expansion: Overcrowding Reduced but Inmate Population Growth May Raise Issue Again. GAO/GGD-94-48. Washington, D.C.: December 14, 1993.

Prison Costs: Opportunities Exist to Lower the Cost of Building Federal Prisons. GAO/GGD-92-3. Washington, D.C.: October 25, 1991.

Private Prisons: Cost Savings and BOP's Statutory Authority Need to Be Resolved. GAO/GGD-91-21. Washington, D.C.: February 7, 1991.

OMB Guidance

Office of Management and Budget (OMB) Circular A-11, Parts 7 and 8, outlines agency budget formulation and execution requirements for capital asset investments. Part 7, titled *Planning, Budgeting, Acquisition, and Management of Capital Assets*, requires agencies to establish and maintain capital programming processes that link mission needs and capital assets effectively and efficiently. To facilitate this process, Part 7 requires that agencies submit capital asset plans and business cases, also known as an OMB Exhibit 300, that are products of agency capital programming and investment processes. Agencies must submit a capital asset plan for each new and ongoing major project, system, or acquisition and operational (steady-state) asset included in their capital asset portfolios. For major information technology projects, agencies must also complete OMB Exhibit 53, pursuant to Circular A-11, section 53.

OMB Circular A-11, Part 8, *Managing Federal Assets*, is the first step in the current administration's recent initiative to improve agency asset management. Beginning with their fiscal year 2004 budget submissions, agencies were to conduct self-assessments of their ability to manage their physical and financial assets**.** To improve asset management, Part 8 states that agencies should have physical asset management processes that (1) adequately track real property assets through their respective life cycles, (2) determine whether assets are being utilized properly and identify assets suitable for disposal, and (3) provide accurate asset valuation information for financial statement purposes.

Executive Order 12893, *Principles for Federal Infrastructure Investments*,[1] requires agencies to conduct systematic analyses of the expected benefits and costs of infrastructure investments—including both quantitative and qualitative measures, encourages agencies to conduct periodic reviews of the operation and maintenance of existing facilities, and requires agencies to seek private sector participation in infrastructure investment and management.

[1]Exec. Order 12893, 59 Fed. Reg. 4233 (Jan. 26, 1994).

Comments from the Department of Veterans Affairs

THE SECRETARY OF VETERANS AFFAIRS

WASHINGTON
November 3, 2003

Ms. Susan J. Irving
Director, Federal Budget Analysis
U. S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Irving:

The Department of Veterans Affairs (VA) has reviewed your draft report, ***BUDGET ISSUES: Agency Implementation of Capital Planning Principles Is Mixed*** (GAO-04-138) and agrees with your conclusions. VA concurs with the recommendation to continue the development of the Capital Asset Management System (CAMS) and incorporate facility condition assessment information when making capital investment decisions. VA also concurs on the need to develop a long-term capital plan.

The timing of your report is significant since the Department is undergoing the most comprehensive review of its capital inventory, and long-term needs in VA's history–CARES (Capital Asset Realignment for Enhanced Services). VA will use the results of the CARES process as the primary driver of the Department's long-term capital strategy.

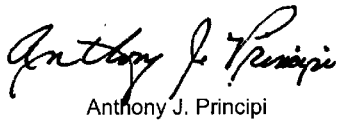
Streamlining business practices, optimizing performance, and encouraging implementation of innovative asset management initiatives are hallmarks of VA's approach to capital asset management. VA is committed to a comprehensive, corporate-level approach to capital asset management. This approach helps VA link asset decisions closely with its strategic goals, elevates awareness of Departmental assets, and employs performance management techniques to monitor asset performance on a regular basis. At the core of VA's capital asset business strategy is value management–striving to return value to VA's business and managing existing value for greater return. The building of a comprehensive portfolio system requires a phased, methodical approach for implementation with a clearly defined structure, goals, measures, and benchmarks.

Finally, VA again proposed legislation for FY 2004 that would allow the Department to dispose, sell, transfer and/or exchange excess properties and retain the proceeds by establishing a Capital Asset Fund. By allowing the Department to retain proceeds, the fund provides the incentive needed for VA to better manage its underutilized or excess real property by improving the capability to dispose of unneeded property.

Ms. Susan J. Irving

The enclosure specifically addresses GAO's recommendations and VA's plans to implement them. In addition, the Department has provided under separate cover a set of needed technical corrections. Thank you for the opportunity to comment on your draft report. If you wish to discuss this further, please contact Mr. James Sullivan at (202) 273-5254.

Sincerely yours,



Anthony J. Principi

Enclosure

Department of Veterans Affairs' Comments to GAO Draft Report
BUDGET ISSUES: Agency Implementation of Capital Planning Principles Is Mixed
(GAO-04-138)

GAO recommends that the Secretary of Veterans Affairs continue to emphasize and support the timely development and implementation of the agencywide Capital Asset Management System currently under way. Decision Makers should use the asset inventory and condition information as an integral part of VA's capital planning process when both determining a need for a new capital asset and considering options for filling a performance gap.

Concur - VA is implementing a life cycle portfolio management approach and is developing a Departmentwide Capital Asset Management System (CAMS) in order to facilitate this effort. When fully functional in summer 2004, the data system will provide for life-cycle portfolio management across the enterprise and integrated business programs. Each significant investment will be tracked through its entire lifecycle from formulation, to execution, through steady state, and finally to disposal. CAMS will capture, track, and evaluate capital assets and provide for measurement and accountability of VA's investments. CAMS will provide us with a capital asset inventory, which addresses the issue GAO raised. A significant first step in this effort was VA's Office of Asset Enterprise Management's (OAEM) development of an online Exhibit 300 application for use by all VA organizations. Using this application, VA is able to better track investments and produce scorecards that show, for example, how specific investments tie to the Department's strategic and performance goals. In addition, all assets tracked in CAMS will be monitored and evaluated against a set of performance measures (including capital assets that are underutilized and/or vacant) and capital goals to maximize highest return on the dollar to the taxpayer. The following portfolio goals have been established:

- Decrease operational costs
- Reduce energy utilization
- Decrease underutilized capacity
- Increase intra/inter-agency and community-based sharing
- Increase revenue opportunities
- Maximize highest and best use
- Safeguard assets

Department of Veterans Affairs' Comments to GAO Draft Report
BUDGET ISSUES: Agency Implementation of Capital Planning Principles Is Mixed
(GAO-04-138)
(Continued)

GAO also recommends that the Secretary of Veterans Affairs continue to emphasize the importance of efforts currently under way to develop a departmentwide long-term agency capital plan that will reflect all VA long-term capital investment decisions and results of the asset-restructuring plans developed by VHA networks under the CARES process. The Secretary should make the long-term plan available to OMB and congressional decision makers.

Concur – The Department is developing a capital asset inventory and a long-term capital plan that is aligned with VA's current strategic plan. The long-term capital plan will be based on the decision the Secretary will make on the independent recommendations of the Capital Asset Realignment for Enhanced Services (CARES) Commission, which is expected to present its report to the Secretary by November 30, 2003. As the GAO report correctly states, VA has produced annual capital plans in previous years but did not do so for FY 2003. VA did not produce a long-term capital plan since CARES results were only available for VISN 12, and CARES will be the primary driver of VA's long-term capital strategy. VA is developing its long-term capital plan with a 5-year strategy that will provide a description of how Departmentwide capital decisions are made, provide an inventory of planned and current capital investments (by administration and asset type), and illustrate how these assets align to the Department's overall strategic goals. The 5-year plan will also include condition assessments of VA facilities. In addition, it will address congressional report language requirements as follows: "[e]stablish a 5-year strategic plan for capital asset management, construction and improvement of all VA's infrastructure needs including, but not limited to, major and minor construction, research facilities, safety and seismic improvements and improved access to veterans." The long-term capital plan will be submitted to congress in spring 2004, after the Secretary makes a final CARES decision at the end of calendar year 2003.

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Comments from the Bureau of Prisons

U.S. Department of Justice

Federal Bureau of Prisons

Office of the Director *Washington, DC 20534*

November 4, 2003

Christine E. Bonham, Assistant Director
Strategic Issues
General Accounting Office
Washington, DC 20548

Dear Ms. Bonham:

The Bureau of Prisons (BOP) appreciates the opportunity to formally respond to the General Accounting Office's draft report entitled Budget Issues: Agency Implementation of Capital Planning Principles Is Mixed. We have completed our review of the information reflected in the report and offer the following comments.

Recommendation 1: The Director of the Federal Bureau of Prisons should require that studies be undertaken to determine the relationship between different levels of overcrowding and problems with managing prison populations, and that such studies be used in determining needs.

Response: Over the years, a number of corrections authorities have conducted studies on the issue of overcrowding in prisons to assess the relationship between crowding and a number of inmate issues, such as safety and security, quality of health care, use and wear of physical facilities, etc.

The analysis and findings available from existing studies and our own ongoing operational experience are routinely factored into the Bureau's population and capacity planning process. Through this process, the Bureau works, within overall budgetary and other constraints, to provide adequate bedspace capacity with the goal of bringing systemwide crowding to manageable levels. Consequently, there appears to be little utility in undertaking additional studies.

We will continue to monitor and evaluate the trends and should the data indicate a need to make adjustments to our plan, we will act accordingly.

Recommendation 2: We recommend that the Director of the Bureau of Prisons require the development of a long-term agency capital plan in the form of a single, central document that defines long-term investment decisions of the Bureau and includes a clear discussion of the basis for any long-term performance gap leading to proposals for the construction of new prison facilities. The Director should make the long-term plan available to OMB and congressional decision makers.

Response: The BOP agrees with the recommendation and recognizes the value of one central document. As indicated in the GAO report, the BOP has three well-developed documents and two regular standing planning committees which address long-term capacity, including proposals for the construction of new prison facilities. The reports are the Capacity Plan, the Buildings and Facilities Status of Construction exhibit, and the Rated Capacity Report.

The Capacity Plan categorizes, by institution security level, the inmate population projections and rates of prison crowding. The Buildings and Facilities Status of Construction exhibit provides the level of funding and project construction status for both new construction and existing institution expansion projects. The Rated Capacity Report reflects planned institution capacity changes at all security levels and the resulting impact on crowding.

The two planning committees involved in the capital decision making process are the Capacity Planning Committee (CPC) and the Long-Range Planning Committee. Both committees consist of senior managers and branch chiefs from the Administration Division; plus, the CPC is composed of senior staff from the Administration, Correctional Programs and the Information, Policy and Public Affairs Divisions. All capacity-related changes are vetted through the CPC including proposals for new construction projects. The Long-Range Planning Committee ranks the new construction projects proposed by the CPC and makes specific funding recommendations to the Director of the BOP. In addition, the BOP's Population Management Subcommittee provides input to the overall capital planning effort by monitoring population balance at institutions throughout the system and reviewing proposals for increasing capacity.

Further, the Director issues an annual spring budget request memorandum to all regional and assistant directors. Their responses, which include capital projects and operational expense funding requests, are forwarded to the BOP's Central Office Budget Development Branch and are taken into consideration in

putting together the agency's annual budget request and OMB exhibit 300B submissions. Capital project requests are included in the Buildings and Facilities portion of the budget request.

Due to the responsibilities and initiatives carried out by other criminal justice components, the BOP cannot control the size of the total federal inmate population. We do have an effective centralized long-term capacity planning process with a goal of ensuring sufficient institution capacity while maintaining prison crowding at safe and secure targeted levels. The same capacity plan shows that we expect systemwide crowding to be approximately 30 percent through fiscal year 2010. Based upon the experience of the BOP's senior executive staff, evolving science of correctional management, improvements in correctional management techniques, and the overall design of our facilities, the BOP believes this systemwide crowding percentage is manageable.

To adhere to the GAO request of a single capital plan document, the BOP will develop a consolidated document containing all current capital planning documents: the Capacity Plan, the Buildings and Facilities Status of Construction exhibit, the Rated Capacity Report, and the BOP annual budget request. These documents, when viewed together, contain the criteria and necessary documentation to support the capital investment proposals the Department of Justice leadership chooses to forward to OMB.

If you have any questions regarding this response, please contact Michael W. Garrett, Senior Deputy Assistant Director, Program Review Division, at (202) 616-2099.

Sincerely,

for Harley G. Lappin
Director

cc: Vickie L. Sloan, Director
Audit Liaison Office, JMD

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Comments from the National Oceanic and Atmospheric Administration

UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for
Oceans and Atmosphere
Washington, D.C. 20230

NOV - 3 2003

Ms. Susan J. Irving
Director, Federal Budget Analysis
United States General Accounting Office
Washington, D.C. 20548

Dear Ms. Irving:

Thank you for the opportunity to review and comment on the General Accounting Office draft report entitled, Budget Issues: "Agency Implementation of Capital Planning Principles Is Mixed," GAO-04-138. I am pleased to enclose the National Oceanic and Atmospheric Administration's comments on the draft report.

These comments were prepared in accordance with the Office of Management and Budget Circular A-50.

Sincerely,

Conrad C. Lautenbacher, Jr.
Vice Admiral, U.S. Navy (Ret.)
Under Secretary of Commerce for
Oceans and Atmosphere

Enclosure

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THE ADMINISTRATOR

National Oceanic and Atmospheric Administration's (NOAA) Comments on the Draft GAO Report entitled, "*Budget Issues: "Agency Implementation of Capital Planning Principles Is Mixed*"
(GAO-04-138/September 2003)

NOAA Response to GAO Recommendations

Recommendation 1: "Finally, we recommend that the Under Secretary for Oceans and Atmosphere, Department of Commerce (NOAA Administrator) resume regularly scheduled asset condition assessments for real property assets and develop a standard process for assessing the condition of personal property assets."

NOAA Response: NOAA agrees with this recommendation. NOAA recognizes the value and importance of having a standardized process for regular condition assessments of real and personal property assets. In fiscal year 2003, NOAA implemented condition assessment surveys on its real property assets. In accordance with the NOAA Facilities Master Plan, facility assessments will be conducted on an annual basis. In addition, NOAA has implemented a program that requires minimum annual condition and maintenance assessments of all capitalized personal property. NOAA will continue to pursue actions to improve and standardize the condition assessment processes for our capital investments.

Recommendation 2: "Finally, we recommend that the Under Secretary for Oceans and Atmosphere, Department of Commerce (NOAA Administrator) require the development of a long-term agency capital plan that defines the capital investment decisions for all of NOAA's line offices and program offices and make it available to the Office of Management and Budget (OMB) and congressional decision makers."

NOAA Response: NOAA agrees with this recommendation. NOAA acknowledges that the majority of capital planning occurs at the line office level and that they are responsible for ensuring that capital planning decisions align and support the goals of the NOAA Strategic Plan. NOAA has taken several steps over the last year to improve the Agency's overall planning and decision-making process, including the establishment of a more consistent planning, programming, and budgeting system and establishment of executive level decision-making boards with senior representatives from across the NOAA line and staff offices. In addition, since GAO completed the study, NOAA has completed ten-year ship and aircraft platform requirement plans which include ship and aircraft related capital plans for the next ten years, as well as the development of a Facilities Master Plan. These plans have been submitted to the Department of Commerce and OMB for review; and in the case of the Facilities Master Plan, submitted to House and Senate Appropriations Committees. We are committed to continuing to make improvements in our agency-wide long-term capital planning process, including the development of standardized selection criteria for capital investments to ensure alignment with NOAA strategic mission objectives.

GAO Contact and Staff Acknowledgments

GAO Contact

Christine Bonham, (202) 512-9576

Acknowledgments

In addition to the contact person named above, Trina Lewis made significant contributions to this report. Brendan Culley and Brodi Fontenot also made key contributions to this report.

Related GAO Products

High-Risk Series: An Update. GAO-03-119. Washington, D.C.: January 2003.

High-Risk Series: Federal Real Property. GAO-03-122. Washington, D.C.: January 2003.

Budget Issues: Incremental Funding of Capital Asset Acquisitions. GAO-01-432R. Washington, D.C.: February 26, 2001.

Executive Guide: Leading Practices in Capital Decision-Making. GAO/AIMD-99-32. Washington, D.C.: December 1998.

Budget Issues: Budgeting for Capital. GAO/T-AIMD-98-99. Washington, D.C.: March 6, 1998.

Deferred Maintenance Reporting: Challenges to Implementation. GAO/AIMD-98-42. Washington, D.C.: January 30, 1998.

Budget Issues: Budgeting for Federal Capital. GAO/AIMD-97-5. Washington, D.C.: November 12, 1996.

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