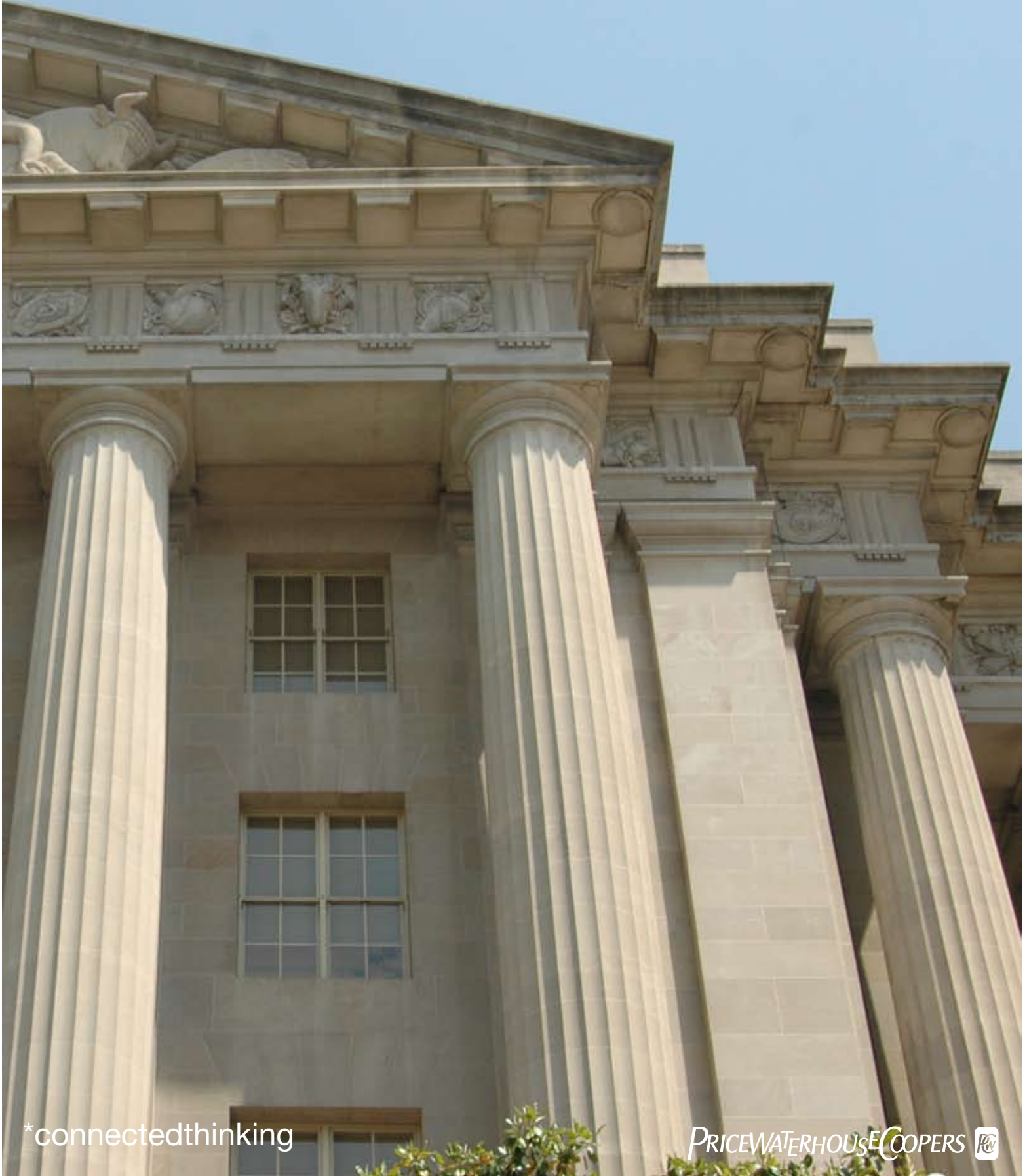



# Real property solutions for Federal agencies\*



\*connectedthinking

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For further information, please contact:

Department of Homeland Security  
W. McKay (Mac) Henderson  
w.mckay.henderson@us.pwc.com  
703.918.1282

Department of Transportation  
Peter Raymond  
peter.d.raymond@us.pwc.com  
703.918.1580

Department of the Interior  
Melanie Thomas Armstrong  
melanie.thomas.armstrong@us.pwc.com  
703.918.1170

Department of Defense  
Rollie Quinn  
rollie.quinn@us.pwc.com  
703.918.1150

Other Federal Agencies  
Brent Larson  
brent.larson@us.pwc.com  
703.918.3351

Michael Donoghue  
michael.donoghue@us.pwc.com  
703.918.1238

Contracts  
Andrew Klein  
andrew.klein@us.pwc.com  
703.918.1317

**pwc.com**

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## Real Property Asset Management Issues

According to the FY 2007 Federal Real Property Profile, Federal agencies reported over 1.1 million real property assets, from buildings to bridges, valued at over \$1.5 trillion.

In January 2003, the Government Accountability Office (GAO) stated that: “Long-standing problems with excess and underutilized real property, deteriorating facilities, unreliable real property data, and costly space challenges are shared by several agencies. These factors have multibillion-dollar cost implications and can seriously jeopardize mission accomplishment. Federal agencies face many challenges securing real property due to the threat of terrorism.” In April 2007, GAO reported: “Although clear progress has been made towards strategically managing Federal real property, real property remains a high-risk area, because problems persist and obstacles remain...”

### PwC's perspective

PricewaterhouseCoopers (PwC) understands the complexity of Federal real property asset management. Operating in a secure, efficient physical environment is essential to completing agency missions, housing a motivated workforce, and managing changing priorities. We believe effective asset management requires clear communication from the grass roots to the executive level. Developing and implementing agency strategic plans requires buy in, execution, and change management across departments and at all levels in the field and at headquarters. PwC helps Federal agencies to identify and overcome key challenges to efficient and economical management of their real property asset portfolios and to comply with Federal real property guidelines.

### Implications

Asset managers must be able to answer basic questions before they can successfully improve performance of their portfolio: What are my organizations' strategic goals? What do I own to support the goals? How much does it cost? What assets do I really need to cost effectively complete the mission - today and tomorrow?

Answering these questions begins with understanding agency goals, designing and utilizing effective real property data systems, and accurately collecting and reporting asset inventories. Next is assessing the cost and performance of reported assets through standard and agency-unique metrics—measured against industry costs and best practices. Utilizing the results of accurate reporting and performance measurements allows agencies to plan strategically, reduce costs, and prudently invest for efficient operations in a properly conditioned and efficiently utilized portfolio that supports the mission. Managing performance measurements allows agencies to drive positive results and sustain excellence.

PwC's real property team support enabled the Department of Transportation to achieve Green status under the President's Management Agenda for real property.



# PwC's Real Property Management Approach

PwC's four-phase approach to the real property life-cycle provides a comprehensive asset management solution.

## Define: Understand the organizational need

### Strategize

- Identify organizational mission and real property goals
- Evaluate current processes against industry best practices

### Plan

- Align real property tasks with mission
- Recognize internal and external challenges in real property management

## Assess: Measure performance

### Analyze

- Establish accurate inventory through data collection and modelling
- Measure against federal and agency-specific performance metrics

### Decide

- Conduct assessment studies based on mission, location, and cost to develop best and highest priorities
- Develop cost-benefit analysis to support decision making

## Improve: Drive performance through effective asset management

### Manage

- Embed management practices that support a safe, secure, and healthy work place
- Implement a reporting process that supports organizational accountability

### Right Size

- Promote full utilization of assets
- Select disposal candidates through performance metrics

## Sustain: Demonstrating impact of good stewardship

### Invest

- Employ life-cycle and net present value (NPV) cost-benefit analysis
- Promote appropriate levels of investment

### Monitor

- Monitor the condition of the asset inventory
- Prioritize operation and maintenance funds to optimize conditions
- Deploy real property dashboard to monitor performance

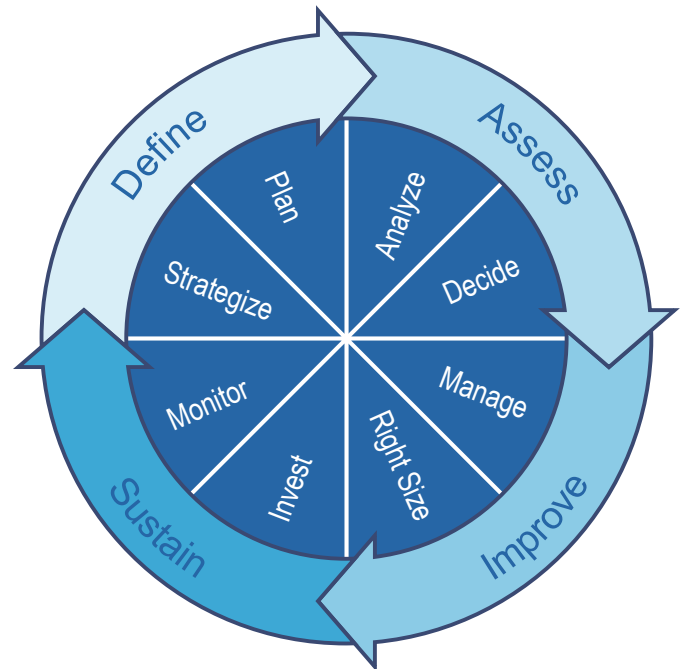


Figure 1. Real Property Management Approach.

## PwC's Experience

PwC has a thorough understanding of the laws and regulatory guidance affecting real property for Federal agencies. Our insight into best-in-class operations in industry and government allow us to help enhance the performance of assets to fulfill the agency's mission. PwC's focus on the Federal government allows us to quickly shape and channel vital information and advice to clients. It also allows us to share information about challenges facing the Federal sector. Sustainable resolution of real property challenges is critical to achieving the goals of improved governance over asset portfolios, and of compliance with Federal laws and regulations.

Selected examples of PwC's experience in real property solutions follow. The experience PwC has gained at these agencies allows us to understand in detail the qualities and characteristics necessary to successfully develop and implement real property management tools and processes.

# Real Property Performance Management

Department of Transportation (DoT)  
Federal Aviation Administration (FAA)



### Real Property Challenges

Developing and documenting strategic processes for real property asset management. Implementing best practices in place across the Department.

PwC's real property team support enabled DoT to achieve Green ● Status Q2 FY08 under the President's Management Agenda for real property reform.

### Situation:

FAA has the largest real property portfolio within DoT and is responsible for driving department-wide improvements in the management of real property

### PwC Role:

PwC supported the development of both strategic and operational documents that directed the transformation of the real property information management processes. The transformation consisted of developing data generation processes to cost effectively model selected assets, develop visual reporting dashboards to manage at the "right costs, condition, and size" and support disposal decision making.

### Key Accomplishments:

- Developed the Real Property Asset Management Plan, Three-Year Timeline, and System Framework documents
- Conducted analyses to identify common areas for measurable performance improvement and recommend assets for disposal
- Developed an automated real property performance dashboard
- Defined requirements and established a business case for the consolidation, integration, and replacement of DoT's real property systems

### Results:

- DoT was recognized by the Federal Real Property Council (FRPC) as one of the top five Federal agencies in disposal of real property assets.



# Real Property Asset Management

Department of the Interior (DOI)  
Fish and Wildlife Service (FWS)



## **Situation:**

FWS manages a vast real-property portfolio in support of its mission of resource protection, use, and public recreation.

## **PwC Role:**

The PwC team conducted on-site inspections, collected pertinent real property asset data and digital photographs, estimated repair and system replacement costs, field verified or developed floor and roof plans, and uploaded the data for selected properties into the NPS Facility Management Software System (FMSS).

## **Key Accomplishments:**

- Developed a comprehensive Five-Year Space Management Plan to help the Service efficiently and effectively manage asset life-cycles
- Developed the Real Property Financial Management Handbook to drive accurate financial management and reporting of real property assets
- Identified trends, underlying root causes and effects which were attributable to significant asset valuation variances

## **Results:**

- Completed the Five-Year Space Management Plan ahead of schedule and received formal recognition from the Department for the quality of the plan
- Recognized by stakeholders from multiple programs for progress made in managing financial information for real property assets
- Established internal controls to ensure assets are valued accurately

## **Real Property Challenges**

Planning strategy, managing financial processes, valuing assets and deferred maintenance, and reporting asset inventories.

# Real Property Asset Condition and Valuation Assessment

Department of the Interior (DoI)  
National Park Service (NPS)



## Situation:

The National Park Service (NPS) is the steward for many of America's priceless natural and cultural treasures. Assessing asset condition and value are critical success factors in managing its real property portfolio.

## PwC Role:

PwC analyzed the existing improvement assessments and assisted in developing management tools and guidance for use in determining changes to assessment valuations in the field. These real property management tools include:

- Recommendations for a technology solution to programmatically manage and align real property data throughout NPS
- Stakeholder "How To" checklists
- Tools relating to evaluating and managing Leasehold Surrender Interest (LSI)

PwC developed "What to Look For" Keys for assets where valuation and crediting may be inaccurate and provided recommendations for improvement

## Key Accomplishments:

- Performed comprehensive facility condition assessments on critical assets including calculation of replacement values
- Created cost estimates for reinvestment to improve assets to 'right condition'
- Recommended a technology solution to programmatically manage and align real property asset inventory data throughout NPS

## Results:

- NPS received a complete data set of facility condition assessments, cost projections for improving asset conditions and accurate replacement values.
- PwC assisted NPS in identifying areas of needed improvement in compliance with current regulations, potential alternatives, and understanding risks associated with proposed changes.

## Real Property Challenges

Assessing resources, projecting costs for preservation and improvement, determining accurate replacement values, complying with current regulations.

# Real Property Policy Support and CFO Compliance Integration

## Department of Defense (DoD)

### Situation:

The DoD Business Management Modernization Program was established to standardize and streamline DoD's business-related processes, correct long-standing financial management weaknesses, and ensure that appropriate levels of investment in information technology effectively supports the DoD mission.

### PwC Role:

PwC provided Real Property and Property, Plant & Equipment management expertise to formulate DoD Real Property Policy and Procedures and integrate Real Property accountability and valuation procedures with the DoD Financial Management Regulations.

### Key Accomplishments:

- Provided financial management and real property subject matter experience to develop and recommend changes to DoD Financial Management Regulations and Federal Acquisition Regulations
- Supported DoD's pilot programs compliance assessment with Real Property Inventory Requirements and other initiatives
- Supported real property requirements and initiatives of the President's Management Agenda, Federal Real Property Council, and Office of Management and Budget
- Assessed Real Property accountability and valuation for the U.S. Army Corps of Engineers Financial Statement Audit
- Assisted DoD to determine baseline values for real property historical costs and provide for accountability and compliance. Identified weaknesses in human capital, knowledge management, and compliance with real property management policies and procedures.

### Results:

- PwC successfully supported DoD's Defense Business Transformation process to standardize and streamline business processes, and correct financial management weaknesses.



### Real Property Challenges

Assessing long-standing financial management weaknesses, developing an extensive and complex asset portfolio, complying with Federal real property initiatives.

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