

# Implementation Procedures to Report Data Related to Operations and Maintenance on Real Property

## 46 Questions and Answers

March 27, 2014

### *PURPOSE AND APPLICABILITY*

1. Why did the Office of Acquisition and Project Management, Office of Property Management (OAPM) create a new memorandum? [Ref: 1(a)]

A This memorandum replaced the Real Property Deferred, Actual, and Required Maintenance Reporting Requirement (DARM) memorandum issued annually as required by DOE Order 430.1B, Real Property Asset Management, Section 5(d)(12) which tasks the Office of Engineering and Construction Management (or its successor) with issuing guidance annually pertaining to deferred maintenance.

2. What was wrong with the old DARM memorandum? [Ref: 1(c)]

A It did not reference reporting requirements of the Federal Real Property Profile (FRPP), around since 2004. More importantly, although the guidance pertains to a full fiscal year effort, OAPM would publish the memorandum in July (or later) after 75% or more of the fiscal year had elapsed. Finally, the memorandum contained a mixture of direction and commentary that some found difficult to sort through. The fresh start allowed OAPM to compile a complete and logically organized guidance document.

In future years, the Senior Real Property Officer will issue the DROMa memorandum prior to the start of the fiscal year and then release an FRPP reporting guidance memorandum towards the end of the fiscal year after the General Services Administration Office of Government-wide Policy (OGP) publishes its FRPP reporting guidance.

3. Did OAPM add new reporting requirements in the DROMa memorandum? [Ref: 1(c)]

A Actually, OAPM has not added any reporting requirements not already required of every Federal agency. Section 1(c) provides a table listing the sources of all the reporting requirements discussed in the guidance.

The DARM memorandum addressed neither annual operations costs nor repair needs. The FRPP has consistently collected asset-level operating costs since its inception. Operating costs include annual actual maintenance and operations costs like utilities, janitorial and waste disposal, and grounds and snow removal. It made sense to address all of the component costs in one guidance document.

The DARM memorandum also did not address repair needs. For the seven years leading up to the fiscal year 2013 reporting guidance, the Office of Management and Budget (OMB) gave agencies the flexibility of using existing processes, instead of the provided definition, to estimate repair needs. For fiscal year 2013, OMB took that flexibility away.

Considering that just two months remained in the fiscal year when OMB published that guidance, the Department decided that for fiscal year 2013 it would continue reporting deferred maintenance in place of repair needs, just as it had in the past.

Anticipating a new status quo, the Department plans to collect repair needs in fiscal year 2014. The DROMa memorandum attachment defines repair needs in comparison to deferred maintenance. OMB and OGP informally reviewed our approach and agreed that we succinctly and correctly contrasted the two maintenance backlog estimates.

4. Is the tone too strong for guidance? [Ref: 1(b)]
  - A The guidance addresses OAPM's expectations in clear, concise, and direct language. Section 1(b) gives programs and support offices with real property holdings the flexibility of proposing alternative procedures for complying with the intent of the guidance.
5. Why must programs and support offices consult with the Senior Real Property Officer before implementing alternative procedures? [Ref: 1(b)]
  - A The Senior Real Property Officer must ensure that the data remains responsive to the reporting requirements imposed on the Department by external entities.
6. How do I use the sections marked "Commentary?"
  - A Commentary always appears in italics, preceded with a "Commentary:" heading. Commentary provides background or suggested procedures to help sites meet the intent of the guidance.
7. Why may I not record annual actual maintenance costs on land parcels? [Ref: 1(d)(ii)]
  - A Although in conversation we may say we "maintain" land parcels, land management including landscaping, forestry, and earthwork like grading or clearing practices meet the Department's definition of operation costs; specifically "grounds." Such surface activities do not help the underlying real property achieve its useful life.

#### *DATA GATHERING METHODS*

8. If just one program collects annual required maintenance, why address it in Department guidance? [Ref: 2(a)(i)]
  - A The medium for collecting this data, FIMS, remains available to all programs and sites. In the event that another program chooses to collect this information, it will have a basis for issuing its own guidance.
9. What maintenance must the annual required maintenance estimate include? [Ref: 2(a)(i)(5)]

- A Include maintenance and repairs that the site intends to perform in the current fiscal year based on the best information available as of the beginning of that fiscal year, regardless of the source or age of the funding or the identified maintenance or repair work.

In same way that deferred maintenance does not equal the difference between required maintenance and annual actual maintenance, this year's required maintenance does not equal the sum of last year's annual actual maintenance and deferred maintenance.

10. What does “fully burdened” mean in the context of actual and estimated annual costs? [Ref: 2(a) – 2(c)]

- A The term “fully burdened” implies that the stated cost includes overhead incurred by both employees and contracts and as such might include employee benefits like paid leave, and subsidies; and ancillary services necessitated by a contract like design, project management, security, or temporary utilities or facilities.

Estimates for deferred maintenance and repair needs should not include the ancillary services portion of the overhead. Estimating the cost of services supporting the work first requires a project scope that would include addressing one or more deficiencies.

11. How might a site that does not collect asset-level expenditure data comply? [Ref: 2(a) – 2(c)]

- A OMB has consistently since the inception of the Federal Real Property Profile expected federal agencies to record asset-level expenditures. 41 CFR §102-84 incorporates the current Federal Real Property Profile reporting guidance in Federal Regulations. A corrective action plan will help such sites fully leverage their maintenance and financial management systems to track this information at the asset-level.

12. Why must I know corrective, but not predictive and preventive, maintenance costs on an asset level? [Ref: 2(a)(ii)(3)]

- A Ideally, a site will know the cost to maintain and repair each of its assets each year. Well managed sites find this information invaluable when prioritizing recapitalization and replacement construction funds. Predictive and preventive maintenance tasks tend to have short durations and low resource requirements accounting for the tendency to include multiple assets in need of the same maintenance on a single work ticket. Industry practice typically creates separate work orders for each corrective maintenance action.

13. Why do you have separate collections for annual actual maintenance and quarterly maintenance costs? [Ref: 2(a)(iii)] [See question #30 below.]

- A Although both draw from a single source; namely, completed maintenance and repair, differing reporting requirements necessitate separate data collections. The FRPP asks for asset-level maintenance costs but does not differentiate between direct and indirect expenditures.

14. What do “refuse” and “recycling” costs include? [Ref: 2(b)(i)]

A Refuse costs encompass the collection and disposal of municipal solid waste. Recycling costs also cover collection and disposal of certain municipal solid waste that has an after-market value following reprocessing less any revenues. Example recyclables include metals, plastics, or fiber (e.g., paper, cardboard, and textiles). Some consider composting yard waste or food scraps a form of recycling. Do not include the net costs (or revenues) from recycling construction and demolition debris from new or completely demolished assets as such costs will appear in the asset's initial acquisition cost or net proceeds (i.e., net disposition cost).

15. Do utility costs include just those from an offsite utility provider? [Refs: 2(b)(i), 2(b)(iii)]

A No, instead include the costs of both utilities generated or provided on site and utilities generated offsite by a third party. Include unit costs for all rate structures, base charges, fees, penalties, tariffs, and taxes. View energy savings performance contract or other alternative financing vendors as another kind of third party utility provider.

16. Would I include the cost of operations or annual actual maintenance in the rent costs? [Refs: 2(b)(i)]

A If the monthly rent invoice separately identifies, or if the tenant separately pays for, operation or maintenance costs, do not include these costs in the rent cost entered into FIMS but rather enter them in the respective cost fields in FIMS including Annual Actual Maintenance.

17. Why does the list of operation costs not include communications and information technology? [Ref: 2(b)(ii)]

A Sites tend to provide communications and information technology as reimbursable services through an organization outside of facilities management making the data relatively challenging to obtain. Since the FRPP does not include such costs in its definition of operation costs, collecting such costs corporately has remained a low priority.

18. Why does the list of operations costs not include security? [Ref: 2(b)(ii)]

A In general, the Department secures entire sites or areas at sites but not individual assets. Collecting security costs has remained a low priority while the FRPP does not include such costs in its definition of operations costs. OMB has recently begun discussing the possibility of collecting this data.

19. How has FIMS allocated site-level operations costs? [Ref: 2(b)(iv)]

A FIMS tallies the manually-entered asset-level operations costs and then subtracts that amount from the total of all site-level operation costs. FIMS then allocates the remaining operation costs to buildings and trailers without operation cost entries proportionally to each asset's gross building area and, for utilities only, by operating hours. The system

does not allocate costs to land, structure, leased, GSA, or permit assets but will deduct them from site totals when supplied. Sites with separately-metered, energy-intensive buildings or structures will use this feature to avoid overstating the operation costs of their conventional facilities.

Hours of Operation defaults to 60 hours per week but may equal as much as 168 hours per week. Most assets have one or the other value. Site management should review each asset's hours of operation in comparison to its status and utilization at least annually to ensure consistency.

A recent Government Accountability Office report on structures found that one of the two Department sites reviewed misunderstood how FIMS allocates operations costs to individual assets. Becoming familiar with the allocation procedure will improve our understanding of how headquarters uses site data.

20. Why must I inspect assets in even a shutdown status? [Ref: 2(c)(ii), 2(c)(xii) ]

**A** Although the Department does not include deferred maintenance estimates for its assets in a shutdown status in its annual financial report, the FRPP has required the submission of these estimates indirectly when it required condition index and now, in requiring repair needs for all assets, the condition assessment remains relevant. Sites must base their repair needs and deferred maintenance cost estimates on condition assessments.

21. May I make assumptions about the condition of an asset based on rules of thumb or the inspection of other assets? [Ref: 2(c)(ii)]

**A** Although sites may tailor the level of detail of an inspection to the nature of the asset, sites should assiduously avoid making assumptions about an asset's condition based on its age, property type, initial cost, depreciated or replacement value, or its relative similarity or proximity to other assets.

22. Why might I conduct multiple inspections on one asset in the same year? [Ref: 2(c)(iii)]

**A** Some sites use several subject matter experts, either in their workforce or obtained through a contract, to assess the condition of their assets. Under such circumstances, it seems understandably unlikely that all assessments needed for a complete condition assessment survey would occur on the same day. Provided that all the system inspections occur within a single fiscal year, the guidance allows sites to record the date of the most recent inspection in the FIMS Inspection Date data element.

23. How does the Department concept of "optimum period" align with the Federal Accounting Standards Advisory Board concept of "acceptable condition?" [Ref: 2(c)(iv)(4)]

**A** Statement of Federal Financial Accounting Standards (SFFAS) 40 clarifies that site management determines what constitutes "acceptable condition." Similarly, in applying the definition of optimum period, site management determines the useful life for an asset.

24. To what does the commentary regarding “conservation opportunities” refer? [Ref: 2(c)(iv)]

**A** Some sites may use the occasion of a condition assessment survey to also complete energy or water evaluations required by the Energy Independence and Security Act of 2007, Section 432.

25. Why may I not use unexecuted corrective maintenance work orders or special studies on specific component systems when tabulating repair needs or deferred maintenance? [Ref: 2(c)(vii)]

**A** Both unexecuted corrective maintenance work orders and special studies on specific component systems may provide an erroneous basis for estimating repair needs or deferred maintenance. Unexecuted corrective maintenance work orders may predate the most recent condition assessment. Subsequently, the site may have addressed the deficiency but not closed the work ticket. The work order may request more or fewer actions than correction of the deficiency requires. Some systems allow for the entry of duplicative work orders.

Special studies on specific component systems tend to look at multiple assets. As a result, sites may not easily discern condition and cost information pertinent to specific assets. Such studies’ cost estimates may assume resolution through a single project and either overstate or understate the repair needs or deferred maintenance.

26. How do I use the escalation factors appearing in Section 2(c)(ix)?

**A** Determine the year of the most recent cost estimate, then multiply the cost estimate by that year’s inflator. If the year of the cost estimate does not appear in the list, conduct a complete condition assessment survey.

27. Who decides which deficiencies to include in repair needs? [Ref: 2(c)(x)]?

**A** Repair needs reflect the estimated cost to restore a real property asset’s component system failures noted during a condition assessment survey to a state substantially equivalent to the most recently configured capacity, efficiency, or capability. The “needs” originate from the real property asset, not necessarily management. Thus, the condition assessment team identifies the scope of the repair needs cost estimate.

28. How do “included” assets differ from “excluded” assets? [Ref: 2(c)(xii)]

**A** The terms “included” and “excluded” in this context refer to inclusion in or exclusion from the deferred maintenance and repairs estimate provided in the required supplemental information published in the Department’s Annual Financial Report. The data includes owned assets operating or soon-to-operate-again. Nevertheless, the Department must still retain the results of condition assessments on excluded assets not just for FRPP reporting but also as a courtesy to a subsequent owner or tenant.

## REPORTING REQUIREMENTS

29. Why does the guidance refer to a federal regulation that requires agencies to keep a complete inventory of their real property? [Ref: 3(a)]

- A** The memorandum focuses on individual real property assets' actual and estimated costs. Without maintaining a complete real property inventory, it seems unlikely that sites will enter into FIMS complete actual and estimated cost data as required for the FRPP and the Annual Financial Report.

Once an asset has reached beneficial occupancy, an observable status early in an asset's lifecycle, sites must ensure the asset has a corresponding record in FIMS.

30. How do "direct" and "indirect" funded maintenance differ? [Ref: 3(b)(i)]

- A** Sites should apply the definition selected by an asset's cognizant secretarial office since programs have adopted variations of the textbook definitions of these two terms. From the perspective of the Office of the Chief Financial Officer, direct funds come from the Department's appropriations, regardless of through which programs the funds have passed while indirect funds come from outside of the Department, even if Congress or another funding entity earmarked the funds for the Department.

31. Should I report the most recent deferred maintenance estimate I have for an asset that I have not inspected in over five years? [Ref: 3(b)(ii)(2)]

- A** The guidance states that in such a case, or any other where site management has no valid basis for estimating a cost, the site should report a zero dollar estimate with the expectation that the site will revise its cost estimate once it has sufficient current information.

32. May I enter a future date but one still within the current fiscal year in the Inspection Date data element? [Ref: 3(c)]

- A** Although you may anticipate completion of a condition assessment survey, until it has actually occurred, the prudent FIMS coordinator would not accept such a report since source documentation, by definition, must reflect the past not future plans.

33. Will LPSOs and CSOs need to complete a particular form to indicate which sites have their consent for allocating their operation costs? [Ref: 3(d)]

- A** No, OAPM will not create a form. Instead, LPSOs and CSOs will receive an email reminding them in early August and again in the middle of August of the SRPO's expectation. The email will have a list of sites. LPSOs and CSOs may indicate their consent by responding to the email.

34. Why must sites complete entry of some FIMS data by early October and the rest in the middle of November? [Ref: 3(d)]

A Ideally, the Department would have a single date by which sites must complete entry of all annual data. However, the Office of the Chief Financial Officer has an earlier deadline for its annual reporting than does OGP. The deadline dates reflect this difference.

35. Why can the SRPO not use the data as-submitted to meet the Department's reporting obligations? [Ref: 3(e)]

A Appendix B explains how the Department utilizes some data in multiple contexts. For example, the Department must report to the FRPP replacement value for each real property asset. However, for the purpose of budgeting adequately for maintenance (outside of the FRPP), the Department will consider just a subset of the complete inventory's replacement value. Appendix B identifies what assets in the inventory the analysis excludes. Appendix B also provides the formulae for the maintenance investment index (i.e., sustainment rate) and the asset condition index.

## DEFINITIONS

36. Where did you find all those definitions? [Ref: 4]

A For most definitions, OAPM reprinted the exact text appearing in DOE Order 430.1B. Some definitions come from the Department's Financial Management Handbook. OAPM wrote specifically for the DARM, and later the DROMa, memoranda the definitions of repair needs (based on FY 2013 FRPP reporting guidance), Senior Real Property Officer (based on Executive Order 13227), and sustainable products (based on Executive Order 13514 and the Guiding Principles for High Performance Sustainable Buildings).

## APPENDIX A

37. Why does the table provided in Appendix A not cite "Hours of Operation" as a FIMS Data Element influencing the accrual of operations costs?

A While some operation costs have a directly proportional relationship to operating hours, Sites do not currently validate Hours of Operation. OAPM would encourage sites that wish to more finely allocate operation costs to utilize validated FIMS data elements as the basis for their approach. Sites may also voluntarily validate data elements not included in the SRPO's annual validation guidance. Note that developing source documentation for Hours of Operation may come at a significant cost.

38. Why would the table provided in Appendix A not allocate central heating and cooling costs in much the same way as electricity, gas, and water/sewer costs?

A Although a site's buildings primarily benefit from central plants, it seems logical that the site's central plants accrue central heating and cooling costs. Alternatively, a site may

allocate central heating or cooling costs based on which buildings and structures indicate usage of steam (hot water) or chilled water among the FIMS meter fields.

39. Why address rent in the table provided in Appendix A since a rental agreement specifies the monthly or annual rent?

A A single lease may provide multiple disparate spaces for a single rent payment. The guidance suggests that without more specific information, sites should distribute the rent costs based on the amount of space rented in each location.

## APPENDIX B

40. How should the programs and sites use this appendix?

A This appendix does not direct programs or sites to take any action. Instead, it discusses how the SRPO uses FIMS snapshot data to (a) determine whether or not programs have budgeted or expended enough on maintenance and repair, (b) estimate the Department's deferred maintenance repair for inclusion in the Department's Annual Financial Report, and (c) report to the Federal Real Property Profile asset-level operating costs. The information empowers programs and sites to recreate the SRPO's calculations and analysis.

41. Where did the referenced maintenance spending targets first appear? [Ref: B(1)(a)]

A The maintenance expenditure sufficiency target range first appeared in the third chapter of the National Research Council's 1990 *Committing to the Cost of Ownership: Maintenance and Repair of Public Buildings*. Though the document addresses sites, the Department has applied its recommendation to programs and support offices, most with multiple sites. The requirement to budget between one and two percent extra when a program or support office's asset condition index falls below 0.95 originates in the National Association of College and University Business Officers publication *Managing the Facilities Portfolio—A Practical Approach to Institutional Facility Renewal and Deferred Maintenance*, published in 1991. Subsequently, the Department codified this approach in its Three Year Rolling Timeline tactical plan and report to OMB.

42. Why does the maintenance sufficiency analysis ignore programmatic real property structures like accelerators and reactors? [Ref: B(1)(b) and (c)]

A Programmatic real property structures, also known as "high value, low maintenance" structures, tend to require less maintenance than their replacement plant value suggests they need. The Conventional Facility Indicator (CFI) allows programs and sites to discount programmatic real property structures' replacement value to reflect just the conventional facility portion of the asset. To wit, sites that have separate records for associated conventional and programmatic real property would likely enter a zero value for the programmatic structure's CFI.

43. Why does the Department's Annual Financial Report include deferred maintenance for assets in a status of either "shutdown pending transfer" or "operating under an outgrant?" [Ref: B(2)(b)]

A Deferred maintenance imperils an asset's capacity to fulfill its role as a mission enabler. The Department remains concerned about assets not just currently operating with Department personnel as tenants but also assets that may presently return to an operating status or may host personnel employed by other entities. Thus, just as deferred maintenance on assets in an "operating standby" status remains important, so to deferred maintenance on "shutdown pending transfer" assets, since a transfer in this context refers to another program within the Department and "operating under an outgrant" assets since the Department owns these active assets.

44. Why does the SRPO provide the auditors deferred maintenance estimates that do not appear in the Annual Financial Report? [Ref: B(2)(c)]

A The auditors use this data as an assurance that the Department has processes in place to collect deferred maintenance for all of its owned real property. Having this capacity means that if the status of an asset with previously unreported deferred maintenance changes, the Department will not need to revise its data collection methods.

45. Do you think the FRPP will continue collecting operations and maintenance costs together? [Ref: B(3)]

A OMB and OGP have indicated interest in collecting operations and maintenance costs separately in the Federal Real Property Profile for the first time due in large part to a Government Accountability Office recommendation appearing in a report titled "Federal Real Property: Improved Transparency Could Help Efforts to Manage Agencies' Maintenance and Repair Backlogs" (GAO-14-188). In addition to splitting operations and maintenance costs, some discussion has suggested an interest in collecting operation costs individually, giving rise to the possibility of collecting different operation costs for buildings and structures. The FY 2014 Federal Real Property Profile memorandum will address the outcome of these deliberations for the current fiscal year.

## QUESTIONS

46. To whom do I send my additional questions or comments? [Ref: 5(a)]

A Although the fifth section of the memorandum attachment lists several contacts, Please email your comments on this document to Ivan Graff at [ivan.graff@hq.doe.gov](mailto:ivan.graff@hq.doe.gov). You may also call Ivan Graff with any questions you may have about the guidance at (202) 586-8120.