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GAO

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

Accounting and Information
Management Division

B-277045

May 23, 1997

The Honorable Ted Stevens
Chairman
Committee on Appropriations
United States Senate

Subject: Deferred Maintenance: Reporting Requirements and Identified Issues

Dear Mr. Chairman:

Deferred maintenance on government-owned assets has long been a concern. For example, a report by the U. S. Advisory Commission on Intergovernmental Relations[1] noted that maintenance of existing infrastructure often does not receive adequate attention, especially in times of tight budgets, and that deferred maintenance can result in poor quality public facilities, reduced public safety, higher subsequent repair costs, and poor service to the public. Concurrently, questions have been raised about the validity of federal agencies' estimates of deferred maintenance amounts which are occasionally made in various reports. Thus, accurate reporting of deferred maintenance is important to allow informed decision-making as well as adequate consideration of managerial and financing initiatives.

Because your office indicated interest in deferred maintenance on federally owned assets, we agreed to look at federal reporting requirements and General Accounting Office (GAO) and Inspector General (IG) reports discussing deferred maintenance. This letter provides summary data on (1) new reporting requirements on this issue, (2) agencies that own large amounts of property,

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[1]High Performance Public Works: A New Federal Infrastructure Investment Strategy for America, U. S. Advisory Commission on Intergovernmental Relations, SR-16, November 1993.

plant, and equipment (PP&E)[2] as an indicator of where deferred maintenance could exist, (3) maintenance issues identified in prior GAO and agency IG reports, and (4) observations on the need for improved reporting. Enclosures to this letter offer additional detail on PP&E and prior reports.

ACCOUNTING STANDARDS FOR DEFERRED MAINTENANCE

Historically, federal agencies routinely have not been required to report on deferred maintenance. However, new federal accounting standards developed by the Federal Accounting Standards Advisory Board (FASAB)[3] and issued November 30, 1995, require the reporting of deferred maintenance in agency financial statements beginning with those for fiscal year 1998.[4] Although earlier implementation is encouraged in the standard, to date no agency has done so.

The required reporting of deferred maintenance is one outgrowth of the Chief Financial Officers (CFO) Act of 1990 and its subsequent expansion through the Government Management Reform Act of 1994. These acts established a solid framework for improving financial management and accountability for federal resources and will result in audited financial statements for the government's 24 major departments and agencies, which comprise over 99 percent of the government's net outlays. When agencies begin to include deferred maintenance in their financial statements in compliance with the new accounting standard, the annual audits of agency financial statements required by these acts will ensure that whatever is reported is subjected to independent scrutiny. This audit scrutiny will help address longstanding concerns about the validity of agency-reported deferred maintenance amounts.

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[2]PP&E are tangible assets that (1) have an estimated useful life of 2 years or more, (2) are not intended for sale in the ordinary course of business, and (3) are intended to be used or available for use by the entity.

[3]FASAB was established in 1990 by the Comptroller General, the Secretary of the Treasury, and the Director of the Office of Management and Budget (OMB) to develop and recommend accounting principles for the federal government. The nine-member board is comprised of representatives from GAO, Treasury, OMB, the Congressional Budget Office, the Department of Defense (DOD), the Department of Energy, and three representatives from the private sector.

[4]The standard for deferred maintenance is contained in Statement of Federal Financial Accounting Standards No. 6, Accounting for Property, Plant, and Equipment.

The standard defines deferred maintenance as maintenance that was not performed when it should have been or was scheduled and which, therefore, is put off or delayed for a future period. Maintenance, described as the act of keeping fixed assets in acceptable condition, includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life. The standard provides that acceptable services and condition may vary both among entities and among sites within the same entity. It is management's responsibility to determine what level of service and condition is acceptable.

The standard requires that a line item for "deferred maintenance amounts" shall be presented on the statement of net cost[5] with a footnote. Although no dollar amounts for deferred maintenance will be reported on the statement of net cost itself, the footnote must include estimates of the dollar amount of deferred maintenance based on methods described below.

Generally, disclosure in a footnote requires the same level of audit coverage of the deferred maintenance information as it would receive were it in the statement of net cost itself. Audit coverage is important because it is the mechanism through which an independent party assesses the accuracy of the reported deferred maintenance information. As will be discussed below, the accuracy of agency deferred maintenance reporting has been questioned by GAO and IG reports in the past.

The standard provides that amounts disclosed for deferred maintenance may be measured using either condition assessment surveys or life-cycle cost forecasts. At a minimum, agencies are required to present the following information for all PP&E:

(1) identification of each major class of asset (such as buildings and structures, furniture and fixtures, equipment, vehicles, and land) for which maintenance has been deferred, and

(2) the method of measuring the dollar amount of deferred maintenance for each major class of PP&E.

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[5]The statement of net costs is one of several financial statements. It is designed to report the gross and net costs of providing government goods, services, and benefits and will help in assessing the cost of service efforts and accomplishments.

If the condition assessment survey method of measuring deferred maintenance is used, the agency must present, for each major class of PP&E, a description of the requirements for acceptable operating condition, any change in the condition requirements, and a condition assessment with a range estimate of the dollar amount of maintenance needed to return it to its acceptable operating condition.

If the total life-cycle cost method is used, the agency must report (1) the original date of the maintenance forecast and an explanation of any changes to the forecast; (2) the prior year balance of the cumulative deferred maintenance amount; (3) the dollar amount of maintenance that was defined by the professionals who designed, built, or manage the PP&E as required maintenance for the reporting period; (4) the dollar amount of maintenance actually performed in the period; (5) the difference between the forecast and actual maintenance; (6) any adjustments to the scheduled amounts deemed necessary by the managers of the PP&E; and (7) the ending cumulative balance of deferred maintenance for the reporting period for each major class of asset experiencing deferred maintenance.

Agencies may also elect to categorize deferred maintenance into critical and noncritical amounts of maintenance needed to return each major class of asset to its acceptable operating condition. If this is done, the agency is to include its definition of these categories.

Implementation of the accounting standard for deferred maintenance will be most important for agencies with the greatest amount of existing PP&E and those spending the most for the acquisition of physical assets controlled and owned by the federal government. Based on amounts of PP&E reported either in agency financial statements or to the Department of the Treasury for fiscal year 1996, 11 federal agencies are responsible for about 99 percent of federal PP&E. DOD controls by far the greatest amount–almost 80 percent of total PP&E reported by federal agencies. Other agencies with large amounts of reported PP&E include the National Aeronautics and Space Administration (NASA), the Tennessee Valley Authority (TVA), and the Department of Transportation.

DOD not only holds the most PP&E, it is also spending the most annually. Looking at a 5-year time frame average–reported actual fiscal year 1994, 1995, and 1996 spending and the estimated outlays for fiscal years 1997 and 1998–DOD will spend slightly over two thirds of all federal outlays for the acquisition of physical assets. A distant second are the Departments of Agriculture and Transportation, which together will spend about 10 percent of total federal outlays for physical assets for that 5-year period. Enclosure I presents details of agency PP&E and outlays for physical assets.

BUDGET REPORTING ISSUES

With regard to budget reporting, for many years OMB reported outlays for "repair, maintenance, and operation of physical assets" in a special analysis part of the budget. Because this type of reporting was discontinued after the 1989 budget, there is no governmentwide estimate of how much is spent each year on the maintenance of physical assets.

Beginning with the 1951 budget, an Analysis of Investment, Operating, and Other Budget Expenditures[6] was included in the President's budget document. Its primary objective was to show spending on physical assets yielding benefits over a longer period than the fiscal year in which the expenditure occurred. No attempt was made to indicate the amount of depreciation or obsolescence on existing physical assets of the federal government.

The 1951 analysis distinguished between federal expenditures for (1) additions to federal assets, (2) developmental spending for grants for nonfederal physical assets, research and development, and education and training, and (3) current operating expenses. One category of current operating expenses was entitled "Repair, maintenance, and operation of physical assets (excluding special services)." This category was divided into civil and national defense categories, with civil providing information on public lands and other physical assets. While this categorization did not address deferred maintenance, it did at least report the amount of operating and maintenance expenditures each year.

Separate reporting of the amount spent on repair, maintenance, and operation of assets was continued when OMB established the character classification[7] reporting for expenditures in 1967. Included were the maintenance and operation of the following general-purpose public facilities: Atomic Energy

[6]This analysis later became known as Special Analysis D.

[7]Character classification is used to report investment activities separately from non-investment in the President's budget submission. Data are classified as investment by agencies when they finance activities yielding benefits largely in the future such as physical assets, research and development, and education and training. Character classification also distinguishes between grants to state and local governments and direct federal programs.

Commission facilities; military structures, equipment, and facilities; flood control reservoirs; power facilities; public lands; national forests, etc.

The separate reporting of operating and maintenance expenditures was discontinued beginning with the 1990 budget. Because this type of reporting was discontinued, there is no governmentwide estimate of how much is spent each year on the maintenance of capital assets.

PRIOR AUDIT REPORTS ON DEFERRED MAINTENANCE

Deferred maintenance reports issued by GAO and the IGs over the past 4 years generally address two topics–general backlogs of maintenance with resulting asset deterioration and the questionable validity of agency-reported measures of maintenance backlogs and/or deferred maintenance. For example, GAO reports on the National Park Service confirm that conditions are deteriorating but also that the Park Service does not have adequate financial and program data and controls to know the nature or extent of resource problems or the effectiveness of measures taken to deal with the problems.

A number of reports have questioned the validity of agency estimates of deferred maintenance and maintenance backlogs. GAO has reported that DOD's changes in its definition of backlogs have led to large decreases in its "unfunded requirements;"[8] moreover, funds provided for maintenance were sometimes used for other purposes. More recently, GAO has noted that the services have expressed concern about the adequacy of funding to maintain and repair all of their facilities and have reported growing maintenance and repair backlogs. However, the services also have many buildings that are excess to their needs which could be demolished to avoid millions of dollars in recurring maintenance costs. The validity of deferred maintenance estimates is not solely a DOD problem–other agencies also cannot adequately support their claimed maintenance backlogs. At the request of the Chairman and Ranking Member of the Readiness Subcommittee, Senate Armed Services Committee, GAO has started a new study evaluating the methodologies and criteria used by the services to determine the need for repair and maintenance of their facilities.

Enclosure II summarizes recent GAO and IG reports on the 11 agencies reporting the largest amounts of PP&E.

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[8] Army Maintenance: Concerns Over the Validity of Depot Requirements and Backlogs (GAO/NSIAD-90-194BR, July 24, 1990).

GAO OBSERVATIONS

Improving the validity of information available to congressional and executive branch decisionmakers on maintenance, including deferred maintenance, can help improve the allocation of federal resources and, ultimately, the condition of federal assets. It is also important, however, that agency estimates be validated through independent audits before they are relied upon in making budget decisions. Thus, the requirement to report deferred maintenance in financial statements required by the CFO Act and the subsequent audit of the reported amounts will go a long way toward improving the information available to decisionmakers. In developing, reporting, and using this new information, other factors also need to be considered, including whether each physical asset is still needed in fulfilling agency missions. This is particularly important when an agency is downsizing.

OBJECTIVES, SCOPE, AND METHODOLOGY

To prepare this document, we reviewed OMB Circular A-11 (Preparation and Submission of Budget Estimates) and federal accounting standards for PP&E. We reviewed the amounts of PP&E as reported in fiscal year 1996 agency financial statements or to the Department of the Treasury by agencies for financial reporting purposes. We obtained actual agency outlays for physical assets for fiscal years 1994 through 1996 and estimates for fiscal years 1997 and 1998 from OMB's database used for preparing the President's annual budget submission. OMB's data are prepared as part of the annual executive budget formulation process; none of the data are audited. We also reviewed prior GAO and agency IG reports issued during the past 4 years that dealt with deferred maintenance and had discussions with GAO and IG staff familiar with those reports.

As agreed with your office, unless you publicly announce the contents of this letter earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies to the Ranking Member of the Senate Appropriations Committee. Copies will also be made available to others upon request.

Please contact me at (202) 512-9573 if you or your staff have any questions concerning this letter. Christine Bonham, Assistant Director, and Robert Sexton, Carolyn Yocom, and Claudia Dickey, Senior Evaluators, were major contributors to this letter.

Sincerely yours,

Paul L. Posner

Paul L. Posner
Director, Budget Issues

AGENCY PP&E AND OUTLAYS FOR PHYSICAL ASSETS

One way to determine which agencies might have deferred maintenance is to look at the amount of property, plant, and equipment (PP&E) controlled by agencies and/or those agencies that have large annual outlays for physical asset acquisition. We looked at the PP&E amounts reported either in fiscal year 1996 agency financial statements or to the Department of the Treasury for financial reporting purposes to gain an assessment of the relative size of current levels of physical assets. Since DOD's fiscal year 1996 financial statement is not yet issued, a large percentage of the total reported amount for PP&E is unaudited. Additionally, IG audit reports for several agencies indicated that the reported PP&E balances were not reliable. However, the reported amounts, even though largely unaudited and/or not completely reliable, are an indication of the general amount of PP&E held by agencies. We also analyzed agency budget outlays for physical assets for fiscal years 1994 through 1996 as well as estimated outlays for fiscal years 1997 and 1998 to assess current levels of spending for the acquisition of new assets or modifications of existing ones. Ten of the 11 agencies with the greatest amount of reported PP&E were also among the 11 agencies with average annual outlays of greater than $1 billion for physical assets.

Federal agencies report in their financial statements and to the Department of the Treasury the amount of PP&E they control. These amounts include only PP&E owned by the federal government, not assets owned by other entities, such as state or local governments, that may have been financed by federal grants. Table I.1 presents the amount of PP&E reported for fiscal year 1996. Eleven agencies, each with more than $7 billion in reported PP&E, account for almost 99 percent of all reported PP&E. As can be readily seen in the table, DOD is by far the largest individual holder of PP&E in the federal government with about 80 percent of the reported government total. The agencies with the next largest stock of PP&E--the Tennessee Valley Authority (TVA), the National Aeronautics and Space Administration (NASA), and the Department of Transportation--each hold about 3 percent of the total stock. The Department of the Interior does not report most of its land as PP&E but instead reports it in a separate report.

Table I.1: Reported Property, Plant, and Equipment by Federal Agency, Fiscal Year 1996 Agency Financial Statements

(Dollars in billions)[a]

Agency	Total PP&E	Percent of total PP&E
Department of Defense[b]	$762	79.9
Tennessee Valley Authority	30	3.2
National Aeronautics and Space Administration	26	2.8
Department of Transportation	24	2.6
Department of Energy	22	2.3
U.S. Postal Service	18	1.9
Department of the Interior	18	1.8
General Services Administration	12	1.3
Department of Veteran's Affairs	11	1.2
Department of Agriculture[c]	9	.9
Department of State[c]	7	.8
All other agencies[c]	14	1 4
Total[d]	**$954**	**100.0**

[a]This information was not independently verified by GAO.

[b]The DOD total is the total of individual component financial statements.

[c]The source for the data for these agencies was data reported to the Department of the Treasury, not agency financial statements.

[d] Total does not add due to rounding.

Another way to identify those agencies with a potential for having deferred maintenance is to determine which agencies spend the most annually on physical asset acquisition.

Table I.2 lists the federal agencies that will spend an average of over $1 billion annually from 1994 through 1998. Eleven of these agencies account for 96 percent of total federal outlays for physical assets over this time period. As is true in measures of the stock of PP&E, DOD dominates. It is the largest spender with about 71 percent of all federal outlays for physical assets. Other agencies with large outlays for physical assets are the departments of Agriculture, Transportation, and Energy, as well as the Postal Service and GSA.

Table I.2: Federal Outlays for Physical Assets, Fiscal Years 1994 Through 1998

(Dollars in billions)

Agency	1994	1995	1996	1997 est.	1998 est.	5-year average	Percent
Department of Defense	$66.9	$61.0	$55.2	$51.3	$48.5	$56.6	70.7
Department of Agriculture	6.3	5.1	4.5	4.3	4.2	4.9	6.1
Department of Transportation	3.1	3.4	3.4	2.7	2.9	3.1	3.9
Department of Energy	2.9	1.9	2.5	2.0	1.8	2.2	2.8
United States Postal Service	1.0	1.4	2.1	3.5	2.6	2.1	2.7
General Services Administration	1.7	1.8	2.3	2.6	2.2	2.1	2.7
Environmental Protection Agency	1.3	1.3	1.3	1.4	1.6	1.4	1.7
National Aeronautics and Space Administration	1.6	1.4	1.0	1.0	.9	1.2	1.5
Department of the Interior	1.2	1.3	1.2	1.2	.9	1.2	1.4
Tennessee Valley Authority	.7	2.0	1.3	.8	.7	1.1	1.4
Department of Veterans Affairs	1.0	.7	1.3	1.2	.9	1.0	1.3
All Other Agencies	2.3	2.5	3.6	3.8	3.7	3.2	4.0
Total outlays for physical assets	**$89.9**	**$83.9**	**$79.7**	**$75.8**	**$71.0**	**$80.1**	**100**

Source: OMB budget data.

GAO AND IG REPORTS COVERING DEFERRED MAINTENANCE

Reports are summarized below by agency for the 11 agencies reporting to have the largest amount of PP&E.

DEPARTMENT OF DEFENSE

GAO Reports

- Defense Infrastructure: Demolition Of Unneeded Buildings Can Help Avoid Operating Costs (GAO/NSIAD-97-125, May 13, 1997) addresses DOD's excess aging facilities and notes that DOD does not have enough funding to maintain and repair all facilities. GAO discusses demolition as an option for eliminating old, excess buildings that are costly to maintain and notes that it is one way to achieve further infrastructure reductions and millions of dollars in savings by avoiding recurring maintenance and repair costs. GAO recommended that the Secretary of Defense direct the services to use consistent and common criteria for developing accurate and reliable trend data on infrastructure to include replacement value, costs associated with their current infrastructure, and possible reduction options, including information on deferring facility maintenance and demolishing excess facilities. Furthermore, DOD should use the trend data as a starting point in formulating an overall strategic plan for facilities infrastructure and require the services to demolish excess infrastructure to the maximum extent feasible when facilities are being replaced by new construction.

- Federal Power: Outages Reduce the Reliability of Hydroelectric Power Plants in the Southeast (GAO/T-RCED-96-180, July 25, 1996) states that federal hydroelectric power plants in the Southeast have experienced significant outages that degrade the reliability of the U. S. Army Corps of Engineers' (Corps) hydroelectric system. The ability of these plants to generate electricity declined from about 95 percent in 1987 to 87 percent in 1995–a trend that is paralleled in the Corps' hydroelectric power plants nationwide. According to Corps officials, power outages occur because the plants are aging and when outages occur, repairs are generally reactive and short-term. The Corps' budgeting process requires extensive justifications that can take a year or longer to complete, making it difficult to make extensive repairs and rehabilitations when they become essential. Also, the Corps' budget has declined in real terms by about 18 percent over the last 10 years–from about \$3.8 billion to \$3.1 billion, while capital investment needs to maintain and repair the power plants are expected to increase by about \$1 billion.

- Depot Maintenance: Some Funds Intended for Maintenance Are Used for Other Purposes (GAO/NSIAD-95-124, July 6, 1995) reports that although the services received more funds than requested for depot maintenance, the services did not always use these funds for that purpose. Also, GAO reported that depot maintenance backlogs at the time the services submit their budget requests to the Congress tend to decrease during the year of budget execution. The decreases resulted from the services' reducing the requirements for items requiring depot maintenance, not because more depot maintenance was performed. According to service officials, the depot maintenance backlogs are manageable, represent an acceptable minimal level of risk, and have not yet adversely affected equipment operational readiness rates.

IG Reports

DOD IG reports on the results of the financial audits done as a result of the CFO Act found that the processes used to collect, classify, and value fixed asset data did not produce reliable and auditable financial data. Further, significant internal control weaknesses exist relating to reporting PP&E financial information. These weaknesses affected all aspects of the PP&E transaction cycle. Until DOD, in concert with the Defense Finance and Accounting Service, overhauls its financial management systems and controls, IG officials believe the accuracy and reliability of stated PP&E will remain unauditable.

DEPARTMENT OF ENERGY

GAO Reports

GAO has not reported on deferred maintenance issues at the Department of Energy (DOE) in the past 4 years.

IG Reports

Discussions with IG officials at DOE indicated that no work has been done on deferred or insufficient maintenance of DOE facilities.

DEPARTMENT OF THE INTERIOR

GAO Reports

- National Parks: Difficult Choices Need To Be Made About the Future of the Parks (GAO/RCED-95-238, August 30, 1995) reports that there is concern about the health of national parks for both visitor services and resource management. GAO states that at parks it visited visitor services are deteriorating, services have been cut back, and the condition of many trails, campgrounds, and other facilities was declining. GAO reports a Park Service estimate that since 1988 the backlog of deferred maintenance has more than doubled to more than $4 billion. For testimony related to this report, see

National Park Service: Difficult Choices Need to Be Made on the Future of the Parks (GAO/T-RCED-95-124, March 7, 1995).

- National Park Service: Better Management and Broader Restructuring Efforts Are Needed (GAO/T-RCED-95-101, February 9, 1995) states that the Park Service does not have adequate financial and program data and controls to (1) know the nature or extent of resource problems, (2) ascertain the effectiveness of measures taken to deal with the problems, or (3) determine which activities and programs would benefit the most from the limited funds available.

- National Parks: Information on the Condition of Civil War Monuments at Selected Sites (GAO/RCED-95-80FS, February 1, 1995) reviews the overall condition and cost estimates for repairing 11 of 20 sites with Civil War battlefield park sites. Park Service cost estimates for repairing individual monuments ranged from $500 to over $1 million.

- Department of the Interior: Transfer of the Presidio From the Army to the National Park Service (GAO-RCED-94-61, October 26, 1993) discusses the Park Service's deferred maintenance and reconstruction backlog in light of the proposed uses of the Presidio Army Post for inclusion as part of the Golden Gate National Recreation Area. Since the costs of the Presidio's rehabilitation could increase the Park Service's deferred maintenance and reconstruction backlog, GAO recommends close oversight by the Department of the Interior and the Congress. For testimony related to this product, see Department of the Interior: Transfer of the Presidio From the Army to the National Park Service (GAO/T-RCED-94-64, October 26, 1993).

- Federal Land: Little Progress Made in Improving Oversight of Concessioners (GAO/T-RCED-93-42, May 27, 1993) reports that Park Service and Forest Service estimates for the cost of deferred maintenance in the national parks and forest is nearly $3 billion. GAO reported that improved management of consessioners on federal land would help ensure that the government is fairly compensated for the use of its land, the visiting public is provided with healthy and safe services, and the nations's recreation resources are adequately protected for future generations.

IG Reports

- The Overview of the Bureau of Land Management Combined Comparative Financial Statements for Fiscal Years 1995 and 1996 (Report No. 97-I-319, January 16, 1997) contains a Bureau of Land Management (BLM) estimate of $275 million for its maintenance backlog as of September 30, 1996–a decrease of more than $19 million from the previous year. BLM management also stated its belief that increased maintenance would benefit public land improvements. However, on the whole, BLM management believes its assets are maintained in a state that permits the use and management of the public lands.

- Maintenance of Detention Facilities (Report No. 94-I-1131, August 22, 1994) stated that neither the Bureau of Indian Affairs nor Indian tribes maintained detention facilities in a safe and sanitary condition. Deficiencies existed because of the lack of regular or preventive maintenance programs and because no personnel were assigned responsibility for ensuring that maintenance problems were corrected.

- Maintenance of Wildlife Refuges (Report No. 93-I-1477, August 27, 1993) stated that the U.S. Fish and Wildlife Service did not maintain the 27 wildlife refuges in a manner that would enhance and protect the wildlife habitat and provide for public safety. The report cited an increasing maintenance backlog.

- Maintenance Activities, Bureau of Land Management (Report No. 94-I-1067, August 19, 1994) concludes that BLM had progressed in its efforts to improve its facilities maintenance program but also that the program was negatively effected because funds appropriated for needed maintenance work were used to pay costs associated with other BLM programs and subactivities. It also noted that BLM lacked adequate procedures to ensure that needed maintenance work was identified and prioritized, resulting in deferred maintenance.

DEPARTMENT OF STATE

GAO Reports

- State Department: Additional Actions Needed to Improve Overseas Real Property Management (GAO/NSIAD-95-128, May 15, 1995) reports that progress has been made in addressing the long-standing problem of inadequate maintenance and rehabilitation of overseas facilities. Nevertheless, GAO also noted that some significant problems still exist that, if allowed to continue, could impede long-term efforts to improve real property management. For example, GAO found questionable and/or inappropriate use of routine maintenance funds at every overseas post included in the review, such as the use of routine maintenance funds for nonmaintenance purposes.

- In GAO's High Risk Series, An Overview (GAO/HR-95-1, February 1995) cites the State Department's actions to correct problems with its management of overseas property. Actions taken by the State Department included establishing priorities for construction projects based on specific criteria, better evaluating contractors' performance, hiring additional qualified staff, surveying the maintenance conditions of posts, streamlining and updating housing standards, and improving information systems.

IG Reports

The IG's Semiannual Report to the Congress, October 1, 1992 - March 31, 1993 and Semiannual Report to the Congress, April 1, 1993 - September 30, 1993 cited past IG reports which noted that repair and maintenance of overseas real property was a major management problem of the State Department. Noting that the maintenance and repair of over 2,200 owned or leased facilities had been identified as a material weakness since 1988, the IG conducted an audit to assess State's progress in addressing its backlog of repairs and management of maintenance and repair operations. Major IG recommendations that State (1) develop a system to identify, monitor, and request budget funds on the basis of its worldwide backlog of maintenance and repair and (2) develop a process to allocate routine maintenance funds based on need. State Department management agreed to take corrective action, but those actions are not yet complete.

DEPARTMENT OF TRANSPORTATION

GAO Reports

GAO reports on deferred maintenance of transportation resources primarily address highway and railroad modes of transportation. While the federal government generally does not own those assets, it does provide some funds to maintain them. However, their maintenance is generally not a federal responsibility. GAO reports that the type, timeliness, and quality of highway maintenance greatly affects the performance of pavement and the Department of Transportation (DOT) states that an additional $16 billion in spending is needed annually just to maintain–not improve–the condition of the nation's highways. Other GAO reports cite deficiencies in bridges and also note that Amtrak and the Federal Railroad Administration estimate that about $2 billion would be needed for maintenance and repair over the next 3 to 5 years to preserve the ability to operate the Northeast Corridor at existing service levels.

Related GAO Products

- Transportation Financing: Challenges in Meeting Long-Term Funding Needs for FAA, Amtrak, and the Nation's Highways (GAO/T-RCED-97-151, May 7, 1997) reports DOT's estimate that $16 billion in additional spending is needed annually just to maintain–not improve–the condition of the nation's highways. DOT also states that postponing such spending can increase costs. For example, DOT estimated that deferring $1 in highway resurfacing for just 2 years can require spending $4 in highway reconstruction costs to repair the damage. Amtrak's capital investment needs are also great and include both the replacement and modernization of current physical assets. With regard to the maintenance of existing capabilities, GAO reports that the Federal Railroad Administration and Amtrak estimated that $2 billion would be needed over the next 3 to 5 years to recapitalize the south end of the Northeast Corridor to preserve its ability to operate in the near-term at existing service levels.

- Highway Infrastructure: Quality Improvements Would Safeguard Billions of Dollars Already Invested (GAO/RCED-94-198, September 19, 1994) reports that federal, state, and local governments will need to invest about $50 billion annually in constant dollars through the year 2011 to maintain the condition and level of performance of the nation's highway infrastructure--a figure which substantially exceeds the $26 billion spent in 1991 for construction and capital repairs for highways built with federal assistance. GAO found that approximately 60 percent or less of the nation's principal highways are considered to be in good condition and the states GAO visited during this review had backlogs of maintenance projects, mainly because of resource shortages. Four of the six states contacted by GAO said they would not use funds under the Intermodal Surface Transportation Efficiency Act of 1991 for maintenance, in part because doing so would reduce the funds available for capital projects. The Federal Highway Administration (FHWA) estimates that the 1991 cost to eliminate the backlog of deficiencies in highway pavement was $212 billion. Approximately 42 percent of the backlog is the cost of maintaining the pavement; the remaining 58 percent is the cost of adding capacity to provide the level of service that would meet minimum condition standards. Furthermore, FHWA estimates that the cost of eliminating the backlog of existing bridge deficiencies is $78 billion.

IG Reports

During discussions, IG officials at DOT indicated that their office has done minimal work on deferred or insufficient maintenance at DOT. The IG's Semiannual Report to the Congress: October 1, 1995 - March 31, 1996 cites two reports that addressed the Federal Transit Administration's funding criteria for 12-year mid-life rehabilitation and 25-year replacement for rail cars.[1] The IG reported that billions of federal dollars are used to support inefficient operating, maintenance, rehabilitation, and replacement rail car policies. The IG stated that periodic replacement of components instead of mid-life car rehabilitation, over a 35-year extended car life, could achieve efficiencies of between $1.4 billion to $3.3 billion in the industry. In addition, maintenance policies did not maximize cars available during peak service. The IG estimates that if car use were maximized during peak service, spare car requirements could be reduced by about 1,017 cars, saving up to $1.5 billion over the next 5 years.

[1] See DOT IG report numbers R4-FT-6-027 and R4-FT-6-011.

GENERAL SERVICES ADMINISTRATION

GAO Reports

- Federal Real Property: Key Acquisition and Management Obstacles (GAO/T-GGD-93-42, July 27, 1993) cites five key obstacles that inhibit the government's ability to acquire and manage real property in a more cost-effective, business-like manner. Four of the obstacles generally address issues broader than deferred maintenance: GSA's monopoly in providing office space, a lack of strategic focus and information for capital spending decisions, funding shortfalls, and budget scorekeeping issues. The other obstacle is GSA's poor asset management practices. In particular, GAO states that there is no governmentwide strategic leadership to oversee real estate holdings or promote a life-cycle approach to asset management, nor is there any ability to identify and dispose of real property assets that are no longer needed or cost-effective to retain. GAO also notes that more than half of GSA's office buildings are over 40 years old, some require extensive repairs and/or renovations, and several are on the national register of historic places.

IG Reports

IG reports from 1993 to 1996 show some reporting of maintenance issues at GSA. For example, the IG's Semiannual Report to the Congress, April 1, 1996 - September 30, 1996 cited past work on maintenance control center operations that identified opportunities for improvement in the management of maintenance and repair data. It also cited a review that found that repair and alteration projects in one region could be more comprehensively planned and databases of work items more accurately maintained.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

GAO Reports

GAO has not reported on deferred maintenance issues at NASA in the past 4 years.

IG Reports

- Facilities Operations and Maintenance--Kennedy Space Center (KE-96-003, November 30, 1995) stated that no major problems were found with the facilities maintenance program at the Kennedy Space Center (KSC). The report further noted that KSC budgets for maintenance based on an industry-recommended range for annual maintenance cost which may not be relevant to KSC. It recommends the KSC budget based on an assessment of its own needs rather than the industry range.

TENNESSEE VALLEY AUTHORITY

GAO Reports

- Tennessee Valley Authority: Financial Problems Raise Questions About Long-Term Viability (GAO/AIMD/RCED-95-134, August 17, 1995) cited that TVA officials acknowledged that the performance of TVA's coal-fired and hydroelectric power plants had severely deteriorated because of age and reduced capital expenditures for improvements and maintenance. Subsequently, a modernization program was initiated and performance has improved. Despite the improvements, TVA projected that from 1995 to 2020, it will need to spend more than $6 billion (constant 1994 dollars) to improve its coal-fired and hydropower units.

IG Reports

A review of IG semiannual reports from 1993 to 1996, as well as discussions with the TVA IG office, indicate that no work has been done on deferred maintenance issues at TVA.

UNITED STATES DEPARTMENT OF AGRICULTURE

GAO Reports

GAO has not reported on deferred maintenance at USDA in the past 4 years.

IG Reports

A review of USDA IG reports indicates that one report discusses maintenance (Forest Service Maintenance of Developed Recreation Sites (80-099-0136-SF, October 14, 1994)). This report states that the Forest Service needs to more effectively account for resources used to maintain and reconstruct developed recreation sites. The report also states that staff did not consistently use the proper accounting codes to charge recreation maintenance expenditures.

UNITED STATES POSTAL SERVICE

GAO Reports

GAO has not reported on deferred maintenance at the U. S. Postal Service (USPS) in the past 4 years.

IG Reports

A review of IG semiannual reports from 1993 to 1996 indicates that no work has been done on deferred maintenance issues at USPS.

DEPARTMENT OF VETERANS AFFAIRS

GAO Reports

GAO has not reported on deferred maintenance at the Department of Veterans Affairs (VA) in the past 4 years.

IG Reports

Discussions with IG officials at VA indicated that no work has been done on deferred or insufficient maintenance of VA facilities.

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