

# OPPORTUNITIES TO IMPROVE ENTERPRISE FEDERAL REAL PROPERTY ASSET MANAGEMENT

*A way to develop a comprehensive approach to asset management*

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## Problem Statement

GAO-19-57 Federal Real Property Asset Management – Agencies Could Benefit from Additional Information on Leading Practices concludes;

*“...because existing federal asset management guidance does not fully reflect standards and the key characteristics, such as, directing agencies to develop a comprehensive approach to asset management that incorporates strategic planning, capital planning, and operations, federal agencies may not have the knowledge needed to maximize the value of their limited resources.”*

This report’s single recommendation is;

*“The Director of OMB should take steps to improve existing information on federal asset management to reflect leading practices such as those described in ISO 55000...”*

Issues covered in this report echo those in GAO-03-122 – High Risk Series – Federal Real Property that placed real property on the high risk list in January 2003, where it has remained to this day. Congress and OMB have been active addressing these issues ever since, yet federal real property management continues to lag needs and expectations. All stakeholders agree more can be done.

## Recommendation

OMB should implement a **“Real Property Asset Management Improvement”** cross government, stewardship-focused agency priority goal. This goal should require agencies use ISO 55000 asset management system principles and guidance to develop a **Strategic Real Property Asset Management Plan** within each agency to implement OMB Circulars A-11 – *Preparation, Submission, and Execution of the Budget* and OMB Circular A-123 – *Management’s Responsibility for Enterprise Risk Management and Internal Control* requirements and guidance. The purpose of this single agency plan is to systematically integrate and reconcile all real property management objectives with other agency plans and its budget.

Establishing this goal will guide agencies to make use of universally recognized and time proven asset management best practices for risk-based resource decision making managing their real property portfolios. ISO 55000 aligns with OMB Circular A-11 and A-123 and goes further. It details a management system to advance best practices for managing real property assets across their life cycle and as a portfolio in direct support of agency missions, goals and objectives. Further, application of ISO 55000 conforms with OMB Circular A-119 – *Federal Participation in the Development and Use of Voluntary Consensus Standards and in Conformity Assessment Activities* requirements supporting efforts to make use of private sector expertise and leverage proven standards already in existence.

## What is ISO 55000 and Disciplined Real Property Asset Management?

ISO 55000 refers collectively to the following three standards:

- ISO 55000:2014 – Asset Management – Overview, Principles and Terminology
- ISO 55001:2014 – Asset Management – Management System – Requirements
- ISO 55002:2018 – Asset Management – Guidelines for the Application of ISO 55001

These voluntary consensus standards were co-developed by the United States through a Technical Advisory Group (US TAG) chartered by the American National Standards Institute (ANSI) and sponsored by the American Society for Testing and Materials (ASTM). Their purpose is to synthesize decades of study, best practice and experience from asset management experts around the world and define a comprehensive management system that would generate more value from assets at lower cost and risk.

Disciplined real property asset management applies ISO 55000 as a guide for agencies to develop better policies, processes and approaches to risk-based resourcing decision making. It covers management of real property life cycles and portfolios. In fact, ISO 55000 was born from the need of asset intensive public and private organizations to improve asset stewardship, and it fully aligns with OMB Circulars A-11 and A-123 requirements, guidance and aspirations. Further, ISO 55000 standards are objective and timeless able to support incrementally improvements in asset management capabilities over time.

## Review of OMB Policy

OMB Circular A-11 establishes requirements for how an agency shall develop plans and budgets to achieve its authorized purpose. There are two target areas in OMB Circular A-11 relevant to advancing the recommendation in this paper. They are Part 6: *The Federal Performance Framework for Improving Program and Service Delivery* and the Capital Programming Guide. The other relevant OMB policy to this recommendation is OMB Circular A-123 in its support applying OMB Circular A-11 requirements.

### OMB Circular A-11 – Part 6

Part 6 starts by emphasizing; *“Federal managers have an important obligation to ensure that every dollar spent delivers results for the American people”*. It goes on to develop criteria for a performance management framework to evaluate budget execution in alignment with an agency’s authorized purpose and strategic plan. There have been several significant developments to Part 6 in recent years noted in the callout box. This highlights it is an important and dynamic policy area. The recommendation made in this paper would add disciplined asset management to the list of recent advancements.

#### Recent Circular A-11: Part 6 Advancements:

- Enterprise Risk Management in 2016
- Program and Project Management in 2018
- Customer Experience in 2018,
- Evaluation and Evidence-Building in 2019
- Sharing Quality Services in 2019, and
- Category Management in 2019

The change mechanism to implement this recommendation is the Performance Management Cycle and creating a cross-agency, stewardship-focused priority goal for **“Real Property Asset Management Improvement”**. This would fulfill objectives first laid out in EO 13327 – Federal Real Property Asset Management and mitigate root causes placing real property on GAO’s High Risk List. The means to implement this recommendation is to direct agencies to make use of ISO 55000 to develop a single, **Strategic Real Property Asset Management Plan** to integrate and reconcile agency strategic plans and budgets with work acquiring, operating, maintaining, renewing, and ultimately removing assets in and

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from an agency's real property portfolio. Use of ISO 55000 places emphasis on real property life cycle and collectively real property portfolio management. This counterbalances OMB Circular A-11's currently narrow focus on resource management and the acquisition process. It would also require agencies develop planned versus actual financial and performance analysis and reporting to assist decision making, accountability and continual improvement activities.

**The requirement to make use of a single Strategic Real Property Asset Management Plan and report progress achieving performance objectives established by it does not exist in current guidance.** Yet this requirement aligns with common sense management practices to coordinate all funding streams associated with real property at the agency level and more broadly Government Performance and Results Act (GPRA)-based guidance contained in OMB Circular A-11 as represented in Part 6's Performance Management Cycle shown below:

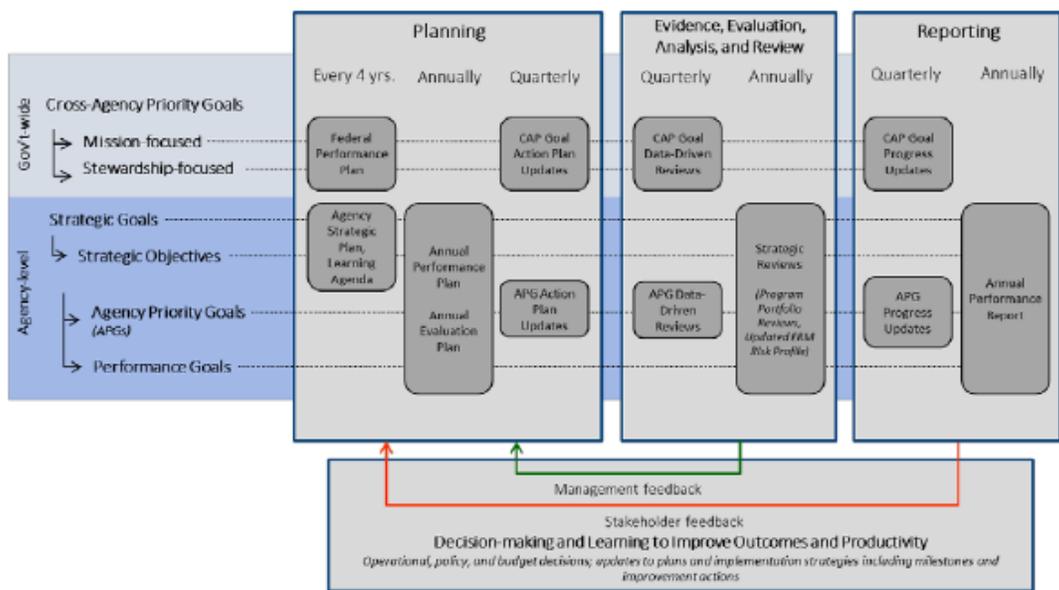


Figure 1 - Performance Management Cycle, Source OMB Circular A-11 (2019)

Implementing this requirement does not change any law, regulation or requirement. It just provides enhanced guidance on how to implement what is already there.

## OMB Circular A-11 – Capital Programming Guide

The Capital Programming Guide provides guidance for managing capital assets for federal agencies. This guidance applies to real property covering three phases; planning and budgeting, acquisition, and management in-use. Criticism of the guide is based on its narrow emphasis on near-term spending and the acquisition process. Despite attention given to real property and guidance contained in the management in-use phase section, the Capital Programming Guide provides little instruction helping agencies manage value generated by real property once it is acquired or when managed as a portfolio.

This gap is a root cause for the conclusion made in GAO-19-57. This gap should also be recognized as the place to begin work responding to GAO's recommendation for OMB to; "take steps to improve existing information on federal asset management guidance". Application of ISO 55000 addresses this issue in whole. ISO 55000 defines management system requirements to manage assets across their life

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cycle and as a portfolio. Further, ISO 55000 asset management system requirements are designed to ensure every resourcing decision is evaluated in terms of how it supports real property’s ability to contribute to the agency’s mission, goals and objectives, which is OMB Circular A-11’s overall intention.

## OMB Circular A-123

Requirements in OMB Circular A-123 explicitly state its purpose is to apply OMB Circular A-11 requirements and guidance. OMB Circular A-123 establishes enterprise risk management and internal control requirements based on ISO 31000 – Risk Management principles, framework and processes.



Figure 2 - ISO 31000 Risk Management - Principles, Framework & Process

ISO 55001 – Asset Management System Requirements are likewise integrated with ISO 31000 principles, framework, and processes. This common basis for enterprise risk management would accelerate the benefits to be gained by making use of ISO 55000 asset management system principles and practices.

## How ISO 55000 – Asset Management Systems work?

ISO 55000 standards are used to develop real property asset management system frameworks to manage an agency’s real property portfolio. This system integrates actions and resource management activities from enterprise level decision making to tactical real property life cycle management actions. Application of ISO 55000 is a best practice that will resonate with existing management approaches. It supports linking strategic plans and objectives to resource execution, performance reporting, and continual improvement. A generic depiction of an ISO 55000 asset management system framework is shown in Figure 3.

All the management system capabilities, criteria and interrelationships that make this possible are detailed in ISO 55001’s asset



Figure 3 - Generic ISO 55000 Asset Management System

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management system capability areas as outlined in the callout on the next page.

This organization forms an objective guide to standardize and improve real property management capabilities across federal agencies.

## ISO 55001 – Asset Management System Capability Areas:

4. **Context:** how real property supports the organization and generates value
5. **Leadership:** org structure, commitment, policy, roles, responsibilities and authorities
6. **Planning:** how are objectives established, actions planned, and risks managed
7. **Support:** resources, competence, awareness, comms, and information management
8. **Operations:** managing activities, change, and outsourcing
9. **Performance Evaluation:** measurement, analysis, evaluation, audits and reviews
10. **Improvement:** corrective and preventative action, continual improvement

Application of ISO 55000 is, by design, a continual improvement process. This means through its use agencies will be guided to perform planned versus actual comparisons and use insights gained to incrementally improve policies and processes managing assets year after year. This will result in improvements being made to their real property portfolios and their asset management capabilities in ways that can be objectively measured, compared, and monitored over time.

This promotes systematic improvement to management strategies and sharing of best practices. Figure 4 depicts a notional agency that just completed its third periodic evaluation of its asset management system capabilities. This representation shows continued improvement of the agency's asset management capabilities represented by the increasing area covered in the spiderweb diagram after each evaluation cycle linked to ISO 55001's capability areas.

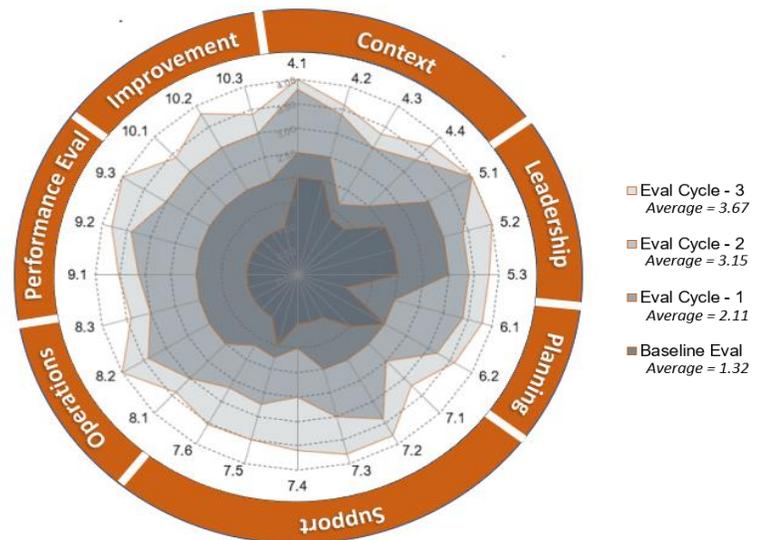


Figure 4 - Example Asset Management System Improvement Analysis

## Conclusion

Use of ISO 55000 as the basis for a new “**Real Property Asset Management Improvement**” cross government, stewardship-focused agency priority goal provides a simple, direct means to systematically improve real property management across federal agencies. ISO 55000 asset management systems align with and support implementation of OMB Circulars A-11 and A-123. Further, its use conforms with OMB Circular A-119 requirements and objectives.

Resulting agency **Strategic Real Property Asset Management Plans** will improve real property performance and management through better risk management and more productive use of limited resources. This recommendation does not require new laws, regulations or authorities, it only enhances existing requirements and guidance. Lastly, the outcome of this recommendation will provide an orderly and objective means to identify best practices and improve real property management year after year.