▶ Whitestone Report

Imputed Facility Costs: Accounting for the Shared Use of Federal Facilities

A recent project for the Office of the Secretary of Defense assisted in developing new accounting policies for allocating facility costs among multiple users. Existing cost models—developed with Whitestone support—will be adapted to impute operation, sustainment, and recapitalization costs, and hasten compliance with federal accounting standards, particularly SFFAS 4. This approach could be readily adapted by other federal agencies.

Commercial property owners often have multiple tenants for the same facility. Recognizing the costs incurred by individual tenants is a primary responsibility of management and leads to efficient use. Bearing the full costs of occupancy, tenants use only that portion of facilities that they can profitably employ.

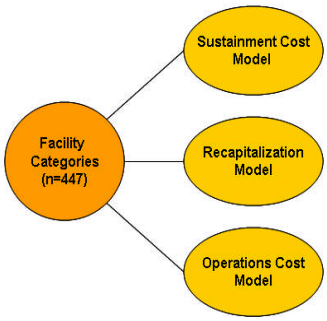
Large public organizations have extensive real property holdings, but do not have the same incentives and tools to recognize the costs incurred by individual users. Without knowledge of these costs, it is difficult to allocate limited capacity among competing users and identify excess capacity.

In the case of U.S. federal agencies, an accounting standard (SFFAS 4) addresses the problem of joint user (inter-entity) costs and specifies that agencies report on financial statements the full cost of producing goods and services.* The cost of real property services includes facilities operation, sustainment and recapitalization (O/S/R). A federal entity that utilizes real property assets where the O/S/R costs are paid by another federal entity, without reimbursement, should report on its financial statement the costs for the portion of the facility utilized, i.e. the imputed costs. Reporting full costs enables analysis of an agency's output (goods and services) relative to the costs to produce it.

For example, the Army might occupy space in a building where the Navy as the "preponderant user" pays all or some O/S/R costs attributable to the Army's space, without reimbursement from the Army. In this case, the Army should report the imputed cost of the benefit it receives from the Navy.

Defense currently does not have the financial reporting system needed to report actual inter-entity costs. However, costs can be estimated by user with existing facility cost models. Developed with Whitestone's assistance, the operations, sustainment, and recapitalization models used at Defense to estimate overall funding requirements can also be used to

Three parametric models are used for estimating long term sustainment, restoration & modernization, and operations requirements for specific facility types.



Source: Jay Janke, Peter Lufkin, Facility Cost Models, in *The Military Engineer* (September-October 2005)

*Office of Management and Budget, Statement of Federal Financial Accounting Standards Number 4. July 31,1995

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impute costs for multiple users. This enables provisional compliance with SFFAS 4 while developing more capable financial reporting systems. Whitestone analysts supported Defense in developing the new policy and associated accounting regulations as well as advising on application of the cost models.

Lessons learned from this project should be directly applicable to other agencies working to comply with SFFAS 4. For more information, please contact Mr. Jay Janke, Director of Federal Services, at 202-776-7760 or jjanke@whitestoneresearch.com.

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