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REPORT TO THE CONGRESS

Providing Rent-Free Space In Government-Owned Buildings To The Office Of The Comptroller Of The Currency

B-168904

Department of the Treasury

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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AUG 24, 1970



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

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To the President of the Senate and the
Speaker of the House of Representatives

The General Accounting Office has examined into the providing of rent-free space in Government-owned buildings to the Office of the Comptroller of the Currency. Our examination was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

The Comptroller of the Currency is responsible for carrying out the laws governing the operations of about 4,800 national and District of Columbia banks. The Comptroller's approval is required for the organization of new national banks, conversion of State-chartered banks into national banks, consolidation or merger of banks where the surviving bank ^{to be} is a national bank, and establishment of branches ~~by~~ of national banks. The Office of the Comptroller exercises general supervision over national banks' operations and examines into their financial condition, soundness of operations, and compliance with rules and regulations issued by the Comptroller.

As required by law, funds for financing the Office's operations are obtained by assessments against the national banks. The Government, however, for a great many years has provided the Office with rent-free space--including heat, light, and janitorial and maintenance services--in certain Government-owned buildings.

We believe that the Office of the Comptroller of the Currency should pay fair rentals for the space occupied in Government-owned buildings. It seems inconsistent to us for the Office to bear the cost of leased space occupied in privately owned buildings and not to bear the cost of space occupied in Government-owned buildings.

Legislation in 1863 created the Office of the Comptroller of the Currency and provided for the Secretary of the Treasury to assign space in the Treasury Building to the Comptroller for the conduct of his business. The 1863 legislation also required the Comptroller to procure and maintain plates and dies for the printing of national bank notes and to have printed such notes for circulation by the national banks organized under that legislation.

Legislation enacted in 1913 similarly required the Comptroller of the Currency to procure and maintain the plates and dies for the printing of Federal Reserve notes and to have printed such notes for circulation by the Federal Reserve banks organized under that legislation. The Bureau of Engraving and Printing designs, engraves, and prints the currency. The custodial function for dies, rolls, and plates was assigned by the Secretary of the Treasury in 1914 to the Director of the Bureau of Engraving and Printing. In recent times, the Comptroller of the Currency's principal function is the regulation and supervision of the national banks.

Although the legislation enacted in 1863 required the Secretary of the Treasury to assign space in the Treasury Building to the Comptroller of the Currency, the Department of the Treasury informed us that the legislation did not preclude charging the Office of the Comptroller for space occupied in Government-owned buildings.

The Department of the Treasury's records showed that the Office of the Comptroller occupied 151,917 square feet of space at June 30, 1969--72,911 square feet of space in Government-owned buildings on a rent-free basis and 79,006 square feet of leased space in privately owned buildings at an annual rental of about \$390,000, or an average of \$4.94 a square foot.

We estimate that, if the Office were required to pay rent for the space occupied in Government-owned buildings, the Government's revenue would be increased by about \$323,000 a year. Our estimate is based on (1) the space occupied in Government-owned buildings at June 30, 1969--45,105 square feet of space in the Washington, D.C., metropolitan area and 27,806 square feet of space in other cities-- and (2) the Government's average rental rate of \$4.21 a square foot for leased space occupied by the Department of the Treasury in the Washington, D.C., metropolitan area and on an average rental rate of \$4.91 a square foot for leased space in other cities based on the General Services Administration schedule of rental rates for use in estimating rental costs of new space requirements in other cities. Our estimate is based on the assumption that such rates would be indicative of the

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fair rental value of the Government-owned space occupied by the Office

We brought this matter to the attention of the Department of the Treasury in December 1969 and proposed that the Office of the Comptroller of the Currency be required to pay fair rental fees for the space occupied in Government-owned buildings.

The Assistant Secretary for Administration, in a letter dated January 23, 1970, stated that, since the Office of the Comptroller was a component of the Department of the Treasury and since other components of the Department had not been compelled to pay for space occupied in Government-owned buildings, it was not difficult to understand that the legislative requirement to provide space for the Office had been interpreted over the years to mean rent-free space. He stated that the Department and the Comptroller believed that the existing law (12 U.S.C. 13) provides sufficient authority for the payment of fair rental fees and that they intended to initiate discussions pertaining to the administrative aspects of this matter.

In a letter dated April 29, 1970, the Assistant Secretary advised the Comptroller of the Currency that, effective July 1, 1970, the Department planned to charge the Office rent for space it occupied in the Treasury Building and the Treasury Annex in Washington, D C.--about \$100,600 annually for 23,835 square feet--since the Department was in the position to charge rent only for space in these buildings

Officials of the Office of the Comptroller of the Currency advised us that they agreed with the principle of paying fair rental value for space occupied in Government-owned buildings. They stated, however, that some minor details regarding the Department's computation of rent would be further negotiated. Regarding space occupied in Government-owned buildings under the jurisdiction of other Federal agencies, the officials advised us that they would negotiate rental fees when contacted by the agencies.

Since the Office of the Comptroller occupied rent-free space--about 49,000 square feet at June 30, 1969--in Government-owned

buildings under the jurisdiction of the Post Office Department and the General Services Administration, we believe that these agencies should initiate rental negotiations with the Office

We believe that the Department of the Treasury should ascertain whether any other of its organizations should pay rent for space occupied in Government-owned buildings. One such organization may be the Exchange Stabilization Fund. This fund was established pursuant to 31 U.S.C. 822a for the purpose of stabilizing the exchange value of the dollar.

The principal sources of the fund's income have been handling charges on purchases and sales of gold, profits on foreign-exchange transactions, and interest on investments. The income of the fund has consistently exceeded its expenses. At June 30, 1969, the fund's capital and retained earnings totaled about \$572.6 million. Administrative expenses are paid from the fund--about \$5.6 million in fiscal year 1969, of which about \$4 million was for personnel compensation for about 300 employees. The fund, however, does not pay for space it occupies in the Treasury Building.

RECOMMENDATIONS

We recommend that the Secretary of the Treasury require that a review be made to ascertain whether any other organizations within the Department of the Treasury, such as the Exchange Stabilization Fund, should also pay rent for space occupied in Government-owned buildings

We recommend that the Postmaster General and the Administrator of General Services initiate negotiations with the Office of the Comptroller of the Currency for the payment of fair rental for space the Office occupies in buildings under their jurisdiction

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Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of the Treasury, the Comptroller of the Currency; the Postmaster General, and the Administrator of General Services

A handwritten signature in cursive script, appearing to read "A. H. Kellum".

Acting Comptroller General
of the United States