

## ENHANCED-USE LEASING POST TRANSACTION

- 1. REASON FOR ISSUE:** This handbook establishes Departmental procedures for post transaction monitoring and management of enhanced-use (EU) lease projects in the steady state phase.
- 2. SUMMARY OF CONTENTS:** This handbook describes post transaction procedures and includes primary roles and responsibilities, major compliance processes, and the tools used to support oversight and management of EU leases.
- 3. RESPONSIBLE OFFICE:** The Office of the Assistant Secretary for Management (004) is responsible for the contents of this handbook.
- 4. RELATED DIRECTIVES AND HANDBOOK:** VA Directive 7454, Enhanced-Use Leasing Post Transaction; VA Directive 7415, Enhanced-Use Leasing Program; and VA Handbook 7415, Enhanced-Use Leasing Program.
- 5. RESCISSIONS:** None

**CERTIFIED BY:**

**BY DIRECTION OF THE SECRETARY  
OF VETERANS AFFAIRS:**

/s/  
Roger W. Baker  
Assistant Secretary for  
Information and Technology

/s/  
W. Todd Grams  
Executive in Charge, Office of Management  
and Chief Financial Officer

Distribution: Electronic only



**ENHANCED-USE LEASING POST TRANSACTION**

**CHAPTER 1 - INTRODUCTION..... 5**

1. PURPOSE ..... 5

2. BACKGROUND..... 5

**CHAPTER 2 – ENHANCED-USE LEASING POST TRANSACTION PROCESS ..... 7**

1. RESPONSIBLE PARTIES ..... 7

2. POST TRANSACTION PROCESS..... 10

**CHAPTER 3 – POST TRANSACTION MONITORING STRATEGY AND TOOLS..... 17**

1. MONITORING STRATEGY..... 17

2. OVERSIGHT MANAGEMENT TOOLS..... 17

3. PROCESS FLOW FOR DEVELOPMENT OF EU LEASE OVERSIGHT MANAGEMENT TOOLS. .... 21

4. REPORTING SYSTEMS. .... 21

**CHAPTER 4 – EXECUTION PHASE ..... 23**

1. BACKGROUND..... 23

2. PRE-CONSTRUCTION RESPONSIBILITIES. .... 24

3. CONSTRUCTION RESPONSIBILITIES. .... 26

4. POST CONSTRUCTION RESPONSIBILITIES.....28

5. ONGOING RESPONSIBILITIES ..... 30

6. ANNUAL PROCESSES..... 33

**CHAPTER 5 – STEADY STATE PHASE..... 35**

1. BACKGROUND..... 35

2. MONTHLY PROCESSES..... 36

3. QUARTERLY PROCESSES. .... 37

4. ANNUAL PROCESSES..... 38

5. BI-ANNUAL PROCESSES. .... 40

6. ONGOING RESPONSIBILITIES ..... 40

7. DEVELOPMENT MATTERS. .... 42

8. CHANGE OF PERSONNEL. .... 42

9. STAFFING REQUESTS. .... 42

**CHAPTER 6 - ENHANCED-USE LEASE PAYMENT PROCESS ..... 43**

1. PROGRAM OUTCOMES. .... 43

2. TYPES OF CONSIDERATION..... 43

3. VA CLASSIFICATIONS..... 43

4. TYPES OF PAYMENTS..... 43

5. REMITTANCE OPTIONS..... 44

6. RECORDING OF RECEIPT. .... 45

7. VA EXPENDITURES..... 45

8. REPORTING REQUIREMENTS. .... 46

**CHAPTER 7 – DEFAULT MONITORING ..... 47**  
1. DEFAULT PROCESS..... 47  
2. NOTICE OF DEFAULT OR NOTICE OF TERMINATION. .... 47  
3. CURE PERIOD..... 48  
4. EARLY TERMINATION/ REPLACEMENT. .... 49

**CHAPTER 8 – DISPOSAL ..... 50**  
1. DISPOSAL AUTHORITY..... 50  
2. REQUIREMENTS..... 50

**REFERENCES ..... 51**

**APPENDICES ..... 52**

## CHAPTER 1 - INTRODUCTION

### 1. PURPOSE

The Office of Asset Enterprise Management (OAEM) provides oversight and advice to the Secretary of Veterans Affairs (Secretary), the Assistant Secretary for Management (AS/M), leadership of the three Administrations, or other duly-authorized VA official(s), regarding acquisition, management, and disposal of the Department of Veterans Affairs' (VA) capital assets. The Enhanced-Use (EU) leasing program is a component of VA's capital asset management program and is one of the possible actions resulting from market demand driven integrated strategic and capital plan. VA uses a life cycle approach to managing and maintaining its capital assets, and categorizes such assets into four phases: formulation, execution, steady state, and disposal (when applicable). Post transaction monitoring begins at the close of the formulation phase (i.e., once the EU lease has been executed by the Secretary, the AS/M, or other duly-authorized VA official) and continues until the end of the EU lease term, spanning the execution phase, the steady state phase, and the disposal phase (when applicable). The execution phase begins at EU lease signing and continues through the completion, acceptance and commencement or activation of any development or improvements required by the EU lease. At the conclusion of the construction/ renovation period the EU lease project moves to the steady state phase. The steady state phase is the operational stage of the asset, and continues throughout the length of the EU lease term, unless a determination is made that VA no longer needs the property, and VA disposes of it. The procedures set forth in this handbook will be adhered to for oversight and management of the EU Leasing program during the post transaction period. Additional guidance regarding Department policy related to the EU Leasing program can be found in VA Directive 7415 and VA Handbook 7415, Enhanced-Use Leasing Program Policies and Procedures.

### 2. BACKGROUND

a. The EU leasing statute (38 U.S.C. Sections 8161 through 8169) authorized the Secretary to lease real property (land and/or buildings) under VA's jurisdiction or control to public or private sector entities for terms up to 75 years. All projects must align with VA's mission and be supportive of VA's goals and objectives. In return for an EU lease, VA must receive fair consideration as determined by the Secretary. Fair consideration may include cash and/or in-kind consideration as defined in 38 U.S.C. § 8162.

b. The EU leasing program is managed by OAEM in the Office of the AS/M. The AS/M currently serves as the Department's Chief Budget Officer, Chief Financial Officer, and Senior Real Property Officer. Through a delegation from the Secretary, the AS/M has designated a Designated VA Representative (DVR) within OAEM to serve as the EU lease administrative officer, and exercise appropriate delegated signatory authority for documents that from time-to-time require VA execution in relation to an existing, previously-executed EU lease.

c. OAEM has primary responsibility for developing the post transaction management process and the performance measurement system for VA's EU leasing program. The Capital Asset Management Service (CAMS) within OAEM is responsible for collecting, analyzing, monitoring, and reporting EU lease project information (e.g., consideration data, milestone

documents) following EU lease execution until the end of the EU lease term. Additionally, CAMS is responsible for developing and implementing the post transaction compliance monitoring process, i.e., ensuring lessee and VA compliance with the terms of the EU lease, overseeing and facilitating the issue resolution process, and recommending enhancements to EU lease agreements to better meet VA's goals and objectives during the steady state. The Investment and Enterprise Development Service (IEDS) within OAEM is responsible for managing the EU leasing program during the formulation and execution phases, including developing and implementing construction oversight policies and procedures. Additionally, during the steady state, issues relating to EU lease project development or EU lease negotiations ("development matters," i.e., issues that fall outside of compliance) will occur from time to time, and responsibility for resolution of the development matter and/or compliance monitoring may transfer, at the direction of the DVR, from CAMS to IEDS.

d. The DVR provides oversight for the non-delegated EU lease projects before and after lease execution by the Secretary, the AS/M, or other duly-authorized VA official. The DVR maintains post transaction responsibility for all non-delegated EU lease projects, and provides support and guidance on re-delegated EU lease projects when requested.

e. For the purposes of this handbook, the remaining chapters will refer exclusively to the non-delegated EU lease projects. However, in certain instances consistent with his delegated authority from the Secretary, the AS/M (or other duly-authorized VA official) can re-delegate authority on a project-by-project basis to the Under Secretaries of the three VA Administrations; i.e., Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), or National Cemetery Administration (NCA); in which cases certain responsibilities of the DVR shall be re-delegated (from the AS/M or other duly-authorized VA official) to the Designated Local VA Representative (DLVR). Refer to Appendix A, Enhanced-Use Lease Delegation Plan, for further detail regarding re-delegated leases. Refer to Appendix B, Roles of Responsible Officials, for detail regarding the role of the DLVR.

## CHAPTER 2 – ENHANCED-USE LEASING POST TRANSACTION PROCESS

**1. RESPONSIBLE PARTIES.** The specific authorities granted to each of the following parties are to be exercised only by the named officials. A summary of the steady state responsibilities of the DVR, Oversight Monitor (OM), Capital Asset Manager (VISN CAM), VBA/NCA representative, Portfolio Manager (PM), and Local Site Monitor (LSM) is provided in Appendix B. The organizational charts at the end of this chapter (Figures 1, 2, and 3) demonstrate the hierarchy of responsible officials for executed projects.

**a. Assistant Secretary for Management.** Pursuant to authority granted under section 512 (a) of title 38 United States Code, the Secretary has delegated authority to execute and implement the EU lease program to the AS/M (or the VA official formally designated within the Department to fulfill the obligations of the AS/M), with re-delegation authority as provided pursuant to criteria set forth in the Enhanced-Use Lease Delegation Plan (attached as Appendix A). Only the Secretary may authorize additions, deletions, or modifications of an existing EU lease that result in a change to the project or fall outside of the scope of the previously-approved concept plan.

**b. Designated VA Representative.** The AS/M (or other duly-authorized VA official) designates a DVR to serve as the EU lease administrative officer within OAEM, and exercise appropriate delegated signatory authority for documents that from time-to-time require VA execution in relation to an existing, previously-executed EU lease. The DVR is responsible for ongoing administration and monitoring of awarded EU lease projects, with the exception of terminations, disputes, amendments, and other lease administration actions that result in any change in the project, or which would fall outside of the scope of the previously-approved concept plan. The DVR may authorize additions, deletions, or modifications to supplementary EU lease-related agreements only (e.g., Tenant Selection Plans, Facility Service Agreements, Operations and Maintenance Plans), so long as the revisions do not result in a material change to the project, conflict with any text of the EU lease, and/or fall outside of the scope of the previously-approved concept plan.

**c. Oversight Monitor.** The DVR, in consultation with OAEM's CAMS, shall assign an OM (or OMs) within the Office of Management to coordinate all post transaction compliance activities related to the EU Leasing program portfolio. The OM is responsible for creating and implementing oversight management tools that align with OAEM's monitoring strategy in order to track EU lease project performance following lease execution. The OM is also responsible for facilitating all communication related to post transaction compliance between the DVR and the LSMs, the VISN CAMs, the VBA/NCA representatives, and the lessees, including communicating all requests and approvals of the DVR (e.g., requests for VA expenditures, compliance issues). The OM is responsible for overseeing the compliance monitoring performed by the PMs, the LSMs, the VISN CAMs, and the VBA/NCA representatives and for overseeing and facilitating the compliance issue resolution process. Additionally, the OM shall produce portfolio management reports as needed. The OM shall not have the authority to execute any amendments/ modifications to the EU lease, to execute any amendments/ modifications to any EU lease exhibits, to extend or terminate the EU lease, or to approve any VA expenditures on the projects. All such inquires shall be directed to the DVR.

**d. VISN Capital Asset Manager.** VHA established VISN CAMs in each of the Veterans Integrated Service Networks (VISNs) to coordinate all policies and programs associated with capital assets for their respective VISN. The VISN CAM serves as a level of oversight over the VHA EU lease projects, and is responsible for liaising with OAEM and the local facility when issues arise with EU lease projects or during policy planning. The VISN CAM is also responsible for assisting with significant asset initiatives or particularly complex EU lease projects. During the steady state phase, the VISN CAM is responsible for monitoring the activities of the LSM on at least a quarterly basis, or more frequently as appropriate or when issues arise. The VISN CAM shall not have the authority to execute any amendments/modifications to the EU lease, to execute any amendments/modifications to any EU lease exhibits, to extend or terminate the EU lease, or to approve any VA expenditures on the projects. All such inquires shall be directed to the DVR.

**e. VBA/NCA Representatives.** Coordination of policies and programs associated with VBA and NCA capital assets is handled by each Administration's corporate personnel at VA's Central Office (VACO). VBA's Office of Administration, Emergency Preparedness, and Facilities shall assign a VBA Representative to serve as a level of oversight over each VBA EU lease project. The NCA Deputy Under Secretary for Management, Design & Construction Service (43B) shall assign an NCA representative to serve as a level of oversight over each NCA EU lease project. The VBA/NCA representative is responsible for liaising with OAEM and the local facility when issues arise with EU lease projects or during policy planning. The VBA/NCA representative is also responsible for assisting with significant asset initiatives or particularly complex EU lease projects. During the steady state phase, the VBA/NCA representative is responsible for monitoring the activities of the LSM on at least a quarterly basis, or more frequently as appropriate or when issues arise. The VBA/NCA representative shall not have the authority to execute any amendments/modifications to the EU lease, to execute any amendments/modifications to any EU lease exhibits, to extend or terminate the EU lease, or to approve any VA expenditures on the projects. All such inquires shall be directed to the DVR.

**f. Portfolio Manager.** The DVR, in consultation with OAEM's IEDS, shall assign a PM to provide day-to-day support during the formulation phase and throughout the execution phase (refer to VA Handbook 7415 for additional details regarding the formulation and execution phases). During the execution phase, the PM coordinates directly with the lessee (and when applicable, the LSM and the OM) and the Director of IEDS to perform required construction/development responsibilities. Additionally, the PM coordinates directly with the lessee, the LSM (when applicable), other local support staff, and the OM to provide all required compliance monitoring data, reports, and project documents in accordance with established timeframes. The PM shall monitor and manage the EU lease project until final acceptance and approval of the formal End of Construction Report (ECR), unless sooner revoked in writing by the DVR. Following the EU lease project's transition to the steady state, if a development matter arises, the DVR may transfer compliance monitoring and responsibility for the resolution of the development matter to the PM. PMs report to the Director of IEDS and will be held accountable for performing assigned responsibilities by the Director of IEDS. The PM shall not have the authority to execute any amendments/modifications to the EU lease, to execute any amendments/modifications to any EU lease exhibits, to extend or terminate the EU lease, or

to approve any VA expenditures on the projects. All such inquires shall be directed to the DVR.

**g. Local Site Monitor.** For VHA projects, the VISN CAM in consultation with the local facility director shall recommend a LSM (subject to approval by the DVR) to monitor and manage (with local facility support staff; e.g., legal, financial, engineering) the EU lease project for the duration of the steady state phase, unless sooner revoked in writing by the DVR. For VBA and NCA projects, the LSM shall be recommended by the VBA/NCA representative in consultation with the local facility director (subject to approval by the DVR). The LSM is responsible for providing all required monitoring data, reports, and project documents in accordance with established timeframes. Additionally, the LSM is responsible for notifying the VISN CAM or the VBA/NCA representative (as applicable) and the OM of any issues that arise with his/her assigned EU lease project in accordance with the established communication protocols. At the direction of the DVR, the LSM may retain responsibility for the day-to-day post transaction compliance monitoring even if the project reverts from the steady state phase to the formulation or execution phases (e.g., amendments, additional construction phases). Additionally at the DVR's discretion, an LSM may be identified and required to perform all or a portion of the monitoring and management activities during the execution phase of the EU lease. The LSM shall not have the authority to execute any amendments/ modifications to the EU lease, to execute any amendments/ modifications to any EU lease exhibits, to extend or terminate the EU lease, or to approve any VA expenditures on the projects. All such inquires shall be directed to the DVR.

**h. The Office of Financial Process Improvement and Audit Readiness.** The Office of Financial Process Improvement and Audit Readiness (OFPIAR) oversees all accounting and financial operations associated with trust accounting for VA's capital asset portfolio. Some previously executed EU leases established independent owner trusts to finance the projects. For these EU lease projects, the OFPIAR is responsible for the financial oversight of EU lease funds held in the owner trusts. OFPIAR reviews and oversees trust accounts for compliance with accounting/ auditing standards and VA financial regulations, and performs periodic financial reporting duties.

**i. The Office of Finance.** The Office of Finance establishes financial policy, systems, and operating procedures for all VA financial entities. The office provides guidance on all aspects of financial management and directs and manages the Department's financial operations and systems support. The Office of Finance maintains and updates VA's corporate core accounting system, the Financial Management System (FMS).

**j. Local Fiscal Officer.** The Local Fiscal Officer (LFO) is responsible for ensuring the complete and accurate processing of all financial transactions related to EU lease projects in FMS. The LFO compiles financial results at the facility level and provides information to designated representatives for financial reporting purposes.

**k. VA Green Management Program.** The VA Green Management Program (GMPS) provides green management, environmental and energy expertise to support IEDS and CAMS throughout the lifecycle of the EU lease projects. The OM shall notify GMPS immediately of any related issues.

**I. VA Real Property Service.** VA's Real Property Service (RPS), an office within the Office of Construction and Facilities Management (CFM), supports VA's mission in part by acquiring land and leasing space for the construction and/or operation of medical, medical-related, and cemetery facilities that service our nation's Veterans. RPS is also involved with intergovernmental and third-party related real property transactions, parking analyses, and VA's granting and receipt of easements, licenses, and permits. RPS also provides guidance to regional and local VA offices regarding real property issues, including certain real property actions that can be handled by local VA offices versus directly by RPS. RPS should be notified immediately whenever real property issues beyond the underlying EU lease project itself arise (e.g., issues with easements, rights of way).

**m. Local Facility Support Staff.** The local facility shall be responsible for providing necessary technical experts to support the PM and the LSM. The local facility director shall be responsible for assigning support staff as requested by the PM or the LSM. Requested expertise will primarily include engineering staff and/or financial staff.

**2. POST TRANSACTION PROCESS.** Post transaction management of the EU lease projects begins with execution of the lease. Figure 4 at the end of this chapter shows the EU lease life cycle. The flowchart at the end of this chapter (Figure 5) shows the high level process for post transaction monitoring of the EU leasing program, beginning with lease execution through termination/disposal of the asset, if applicable. The remaining chapters describe each of the post transaction management processes in more detail as outlined below.

**a. Chapter 3: Post Transaction Monitoring Strategy and Tools.** Chapter 3 describes the strategy developed to monitor EU lease project performance following lease execution, including the various tools and systems utilized by responsible parties. OAEM's CAMS has primary responsibility for developing the post transaction compliance metrics for EU lease projects.

**b. Chapter 4: Execution Phase.** Chapter 4 describes activities associated with the execution phase. A primary point of contact (the PM) is assigned to each EU lease project. The PM is responsible for lease administration during the execution phase. Monitoring of all development/ improvement activities occurs to ensure compliance with EU lease terms. Milestones associated with design efforts are monitored to ensure complete and timely recording in appropriate systems. Consideration, other account balances, and expenses are monitored for receipt and accurate recording in VA's appropriate systems and tools. The PM is also responsible for coordinating all construction activities to ensure the timely delivery of construction documents to OAEM. Following approval by DVR, there will be a transition period for the LSM that begins 90 days prior to the completion of construction/ renovation improvements. After all improvements have been completed, the PM shall complete a formal ECR, which will be reviewed by the LSM to ensure that all appropriate documentation has been included. The VISN CAM or VBA/NCA representative (as applicable) and the OM will provide additional review and approval. The PM maintains responsibility for lease administration until the LSM has accepted the approved formal ECR. At the conclusion of the construction/ renovation period the EU lease project moves to the steady state phase.

**c. Chapter 5: Steady State Phase.** Chapter 5 describes detailed activities associated with the steady state phase. In the steady state phase, operational lease administration is transitioned to the LSM. For each EU lease project, the LSM during the steady state serves as the primary point of contact and is responsible for ensuring compliance by the lessee and VA with all EU lease terms and conditions. The LSM is responsible for collecting and maintaining project documents, validating the completeness and accuracy of operational and financial and/or in-kind consideration data (including expenses and other account balances) reported in VA systems and tools, invoicing and processing of financial and/or in-kind consideration, and monitoring of all operational requirements. Information is prepared and provided to CAMS on a periodic basis for specific reporting requirements. The VISN CAM or VBA/NCA representative (as applicable) shall at a minimum provide quarterly oversight over the LSM's monitoring activities, or more frequently as issues arise. The OM and the DVR will provide guidance and maintain central oversight over the portfolio. An EU lease project that experiences a development matter as established by the DVR (e.g., renegotiation/amendment of a lease, extensive out-year improvements) may revert back to the formulation or execution phase. If a development matter arises, the DVR may transfer compliance monitoring and responsibility for the resolution of the development matter to the PM. At the direction of the DVR, the LSM may retain responsibility for the day-to-day post transaction compliance monitoring even if the project reverts from the steady state phase to the formulation or execution phases.

**d. Chapter 6: Enhanced-Use Lease Payment Process.** Chapter 6 describes detailed activities regarding the EU payment process.

**e. Chapter 7: Default Monitoring.** Chapter 7 describes detailed activities associated with default monitoring. An asset in the execution or steady state phase may experience conflicts, disputes, or other issues that result in an event of default.

**f. Chapter 8: Termination/Disposal Phase.** Chapter 8 describes activities associated with the disposal phase. After careful analysis by senior VA representatives, an asset may no longer align with VA's mission and strategic vision; based on that determination, the Secretary has the authority to terminate/ dispose of the EU lease property.

FIGURE 1: ORGANIZATIONAL STRUCTURE - VHA PROJECTS

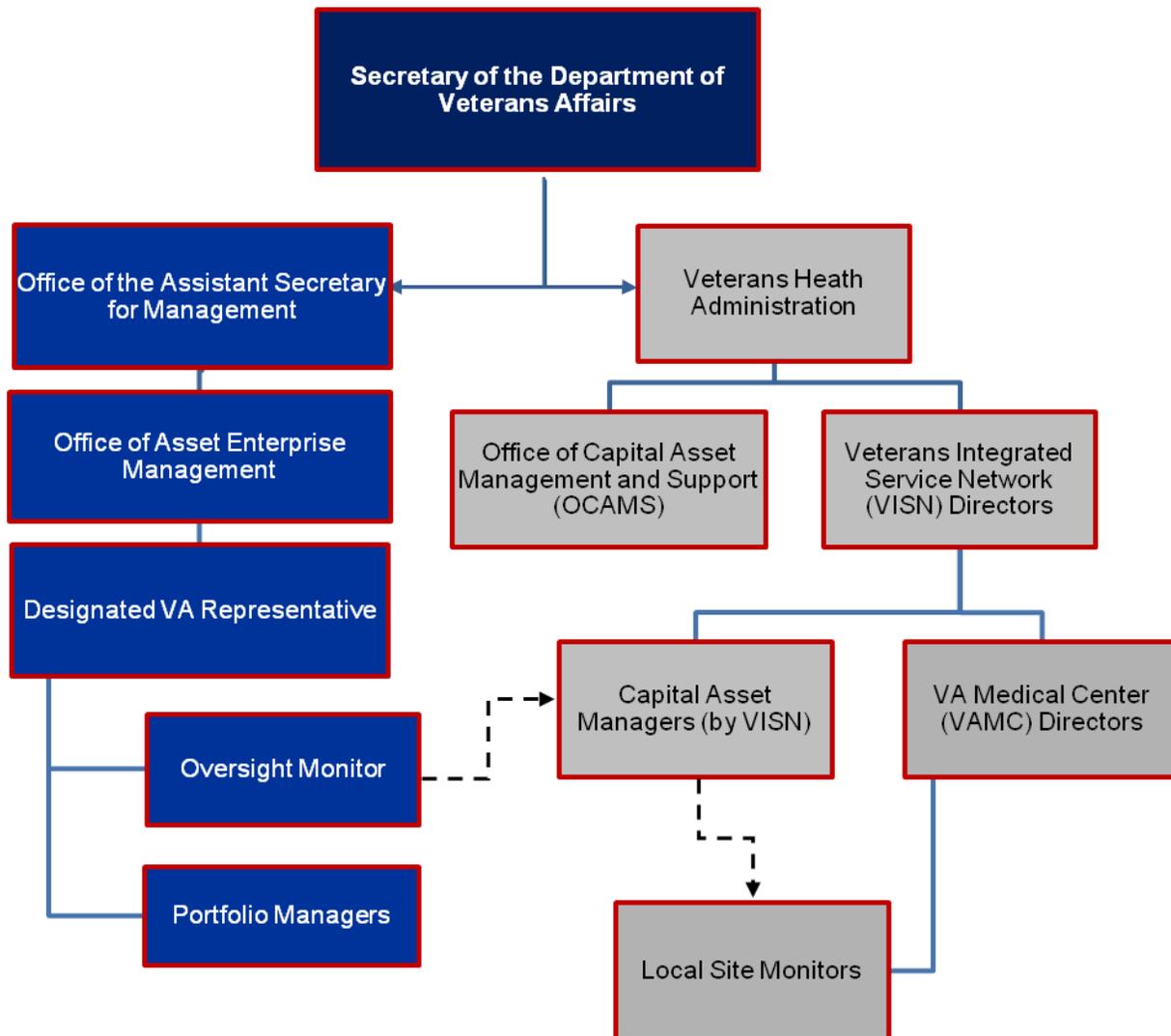


FIGURE 2: ORGANIZATIONAL STRUCTURE - VBA PROJECTS

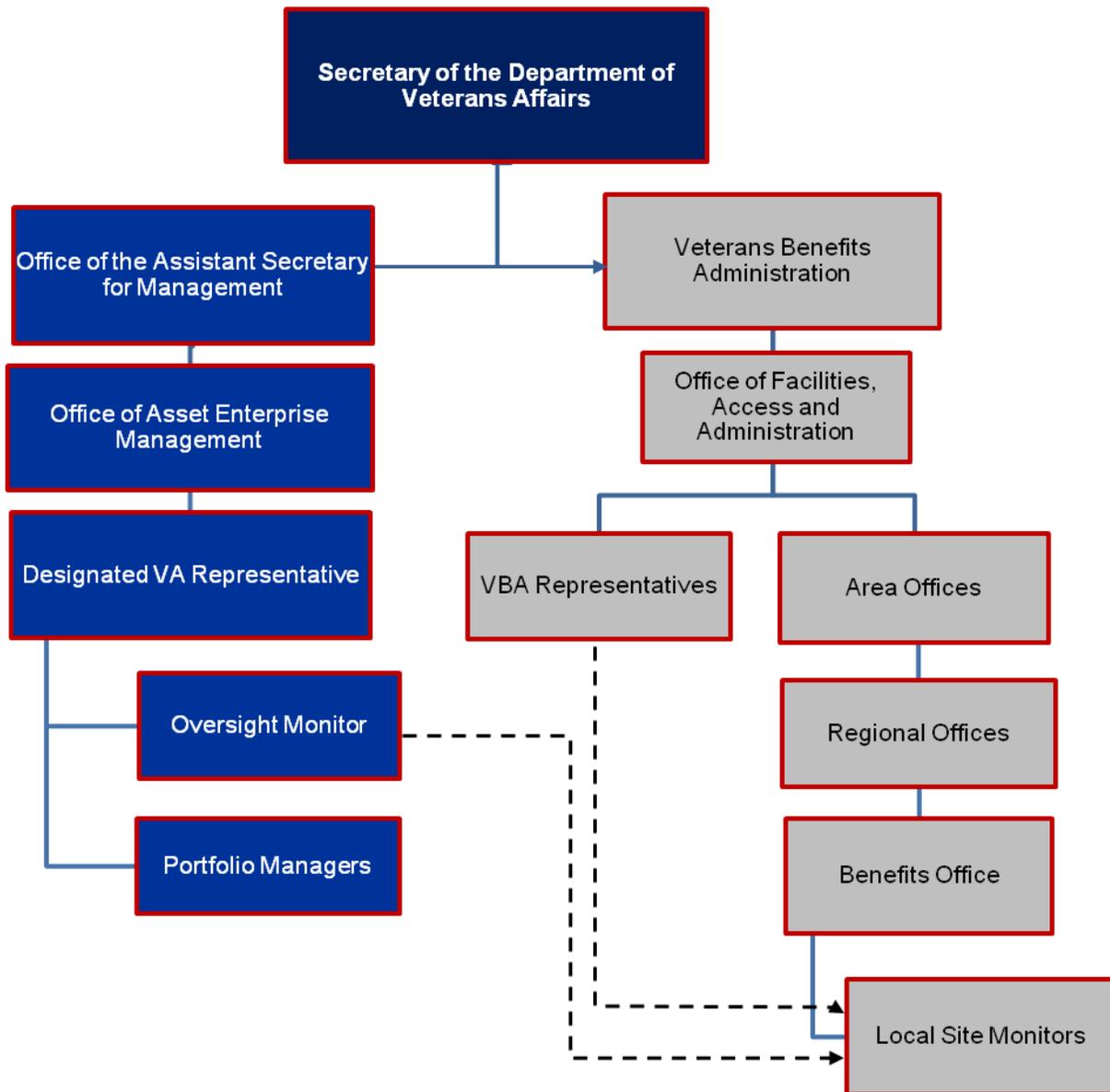
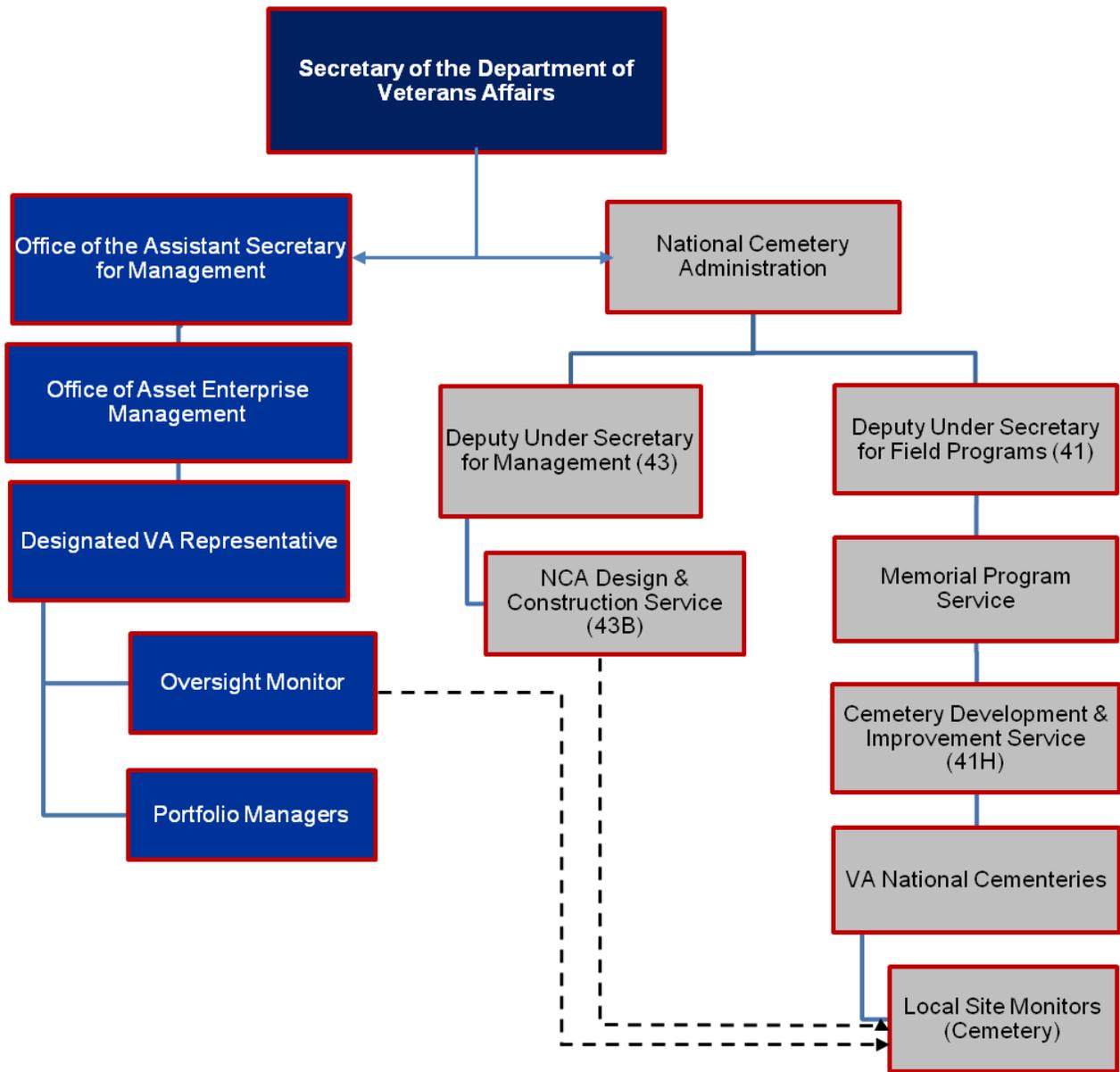
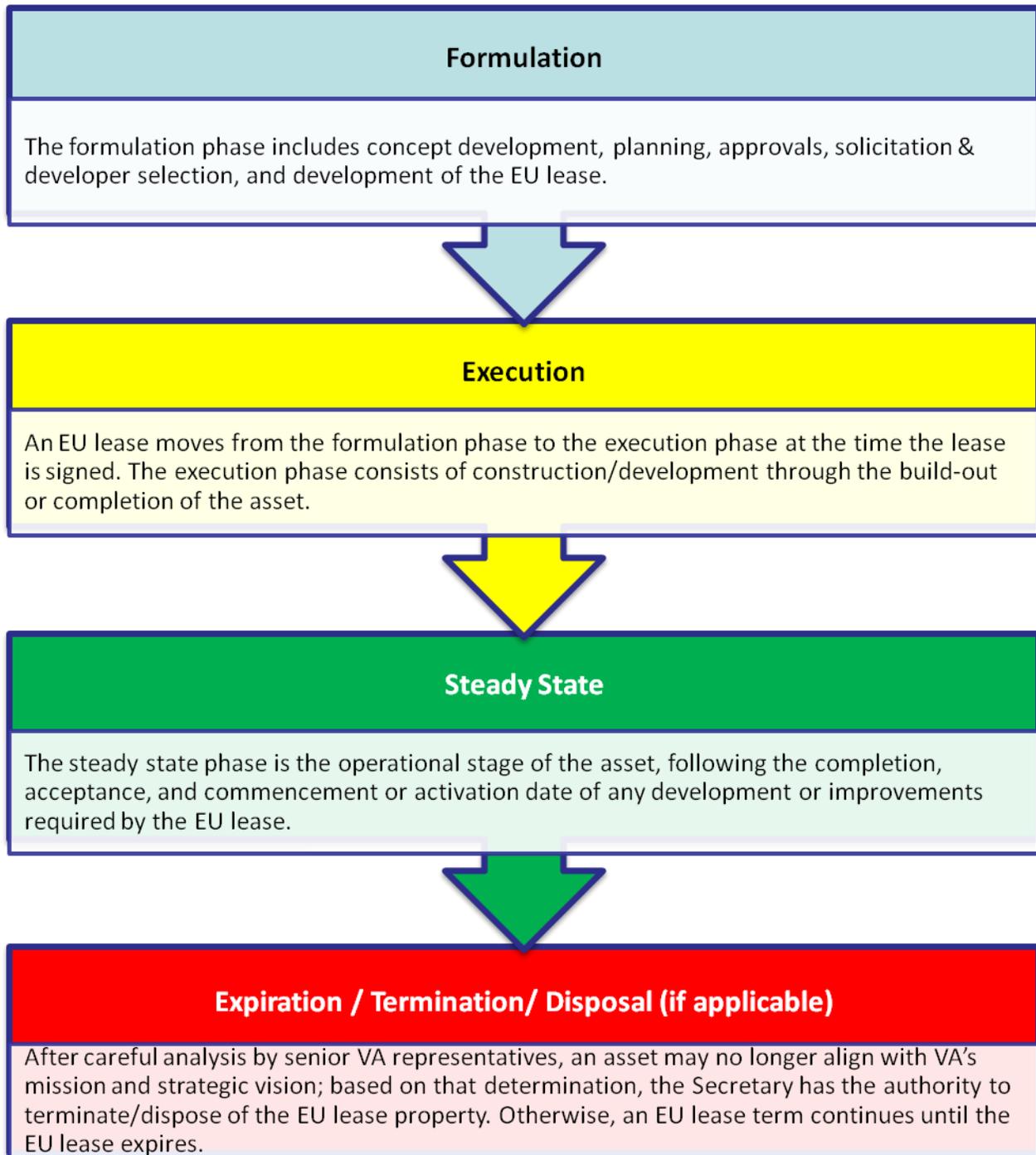


FIGURE 3: ORGANIZATIONAL STRUCTURE - NCA PROJECTS

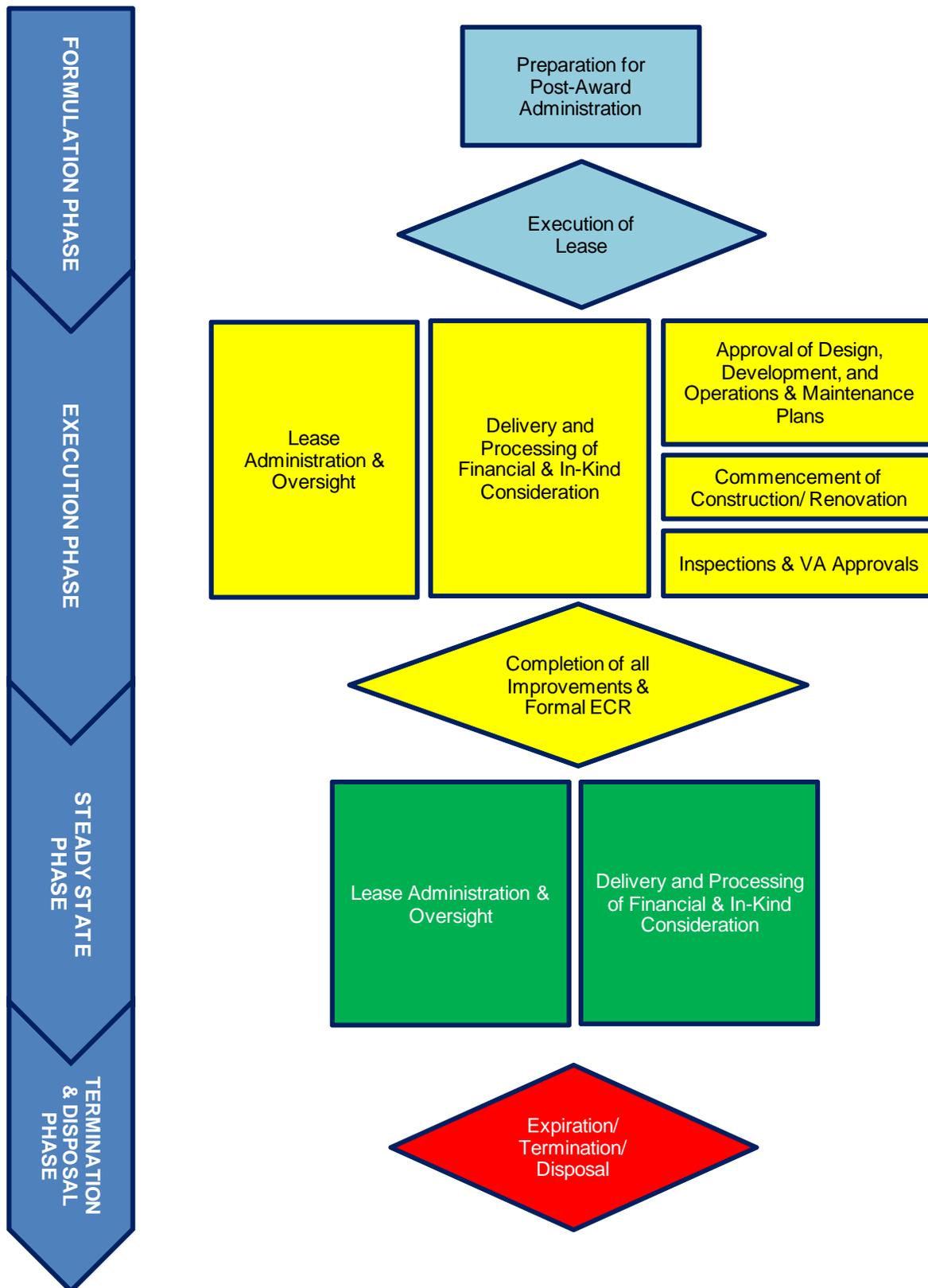


**FIGURE 4: EU LEASE LIFE CYCLE**



*Note: Post transaction monitoring begins at lease signing (the start of the execution phase) and continues throughout the remainder of the EU lease lifecycle.*

FIGURE 5: POST TRANSACTION PROJECT FLOW AND MILESTONES



## CHAPTER 3 – POST TRANSACTION MONITORING STRATEGY AND TOOLS

**1. MONITORING STRATEGY.** OAEM has primary responsibility for developing the oversight management process and the performance measurement system for EU leases during all phases of the EU lease lifecycle. In developing a system to monitor EU lease project performance, OAEM has aligned its oversight strategy with all relevant federal laws as well as Departmental missions and goals. Currently this includes:

**a. Federal Financial Management Improvement Act of 1996.** The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that Federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. OAEM is responsible for collecting, analyzing, monitoring, and reporting all financial data related to VA's EU leasing program and reviewing financial payments for accuracy in VA's central accounting system, FMS.

**b. VA's Strategic and Capital Portfolio Goals.** EU leases are an important means of carrying out specific strategic and capital portfolio goals that could otherwise not be achieved, e.g., strengthening the network of local services available to Veterans, distributing costs of VA capital investments, transferring maintenance costs of land and improvements, and creating innovative community partnerships. As such, OAEM is responsible for closely monitoring each EU lease project throughout its entire life cycle to ensure that VA is fulfilling its mission to Veterans and their families and is managing its capital assets efficiently. During post transaction monitoring, OAEM is responsible for ensuring lessee compliance with the terms of the EU lease (particularly regarding financial and in-kind consideration), establishing benchmarks for performance evaluation, and recommending changes to EU lease agreements to better meet VA's needs and goals.

**c.** OAEM's IEDS has primary responsibility for managing the EU lease projects during the formulation and execution phases. During the steady state and at the direction of the DVR, all or a portion of the monitoring responsibilities may transfer back to IEDS, if a development matter has arisen. During the execution phase, IEDS is responsible for overseeing construction monitoring of each EU lease project, while CAMS will track the presence of required compliance data and documents in any relevant VA systems and provide discrepancy reports to OAEM's IEDS to resolve.

**d.** OAEM's CAMS has the primary responsibility for developing and implementing the post transaction compliance oversight process. During the steady state, CAMS has the primary responsibility for ensuring the compliance of all of the EU leases. OAEM's CAMS is responsible for developing and implementing the compliance performance measurement system for VA's EU Leasing program.

**2. OVERSIGHT MANAGEMENT TOOLS.** OAEM has developed an integrated system of post transaction, compliance tools used to monitor EU lease projects following lease execution. These tools include:

**a. Enhanced-Use Leasing Information System.** The Enhanced-Use Leasing Information System (EULIS) is a web-based, compliance oversight tool that allows VA to monitor its portfolio of projects administered under the EU leasing authority during the execution and

steady state phases. Specific user guidelines and instructions for EULIS will be distributed in training materials. EULIS serves the following purposes:

- (1) Stores and organizes project documents necessary for ensuring compliance of EU lease agreements
- (2) Tracks compliance reporting requirements on both a project and portfolio basis
- (3) Displays for VA's responsible parties upcoming and overdue reporting requirements
- (4) Tracks contacts associated with all projects
- (5) Collects program outcomes ensuring consistency across projects

**b. Monitoring Information System.** The Monitoring Information System (MIS) is the process of abstracting EU lease requirements and populating a template provided by the OM. The MIS is an important tool to help the OAEM administer and oversee each EU lease during its term.

(1) The MIS is a detailed summary of key lease information that allows the OM, the VISN CAM or VBA/NCA representative (as applicable), the PM, and the LSM to review and track compliance with frequently referenced EU lease requirements. The contents of the MIS will vary depending on the terms of each EU lease; however, at a minimum each MIS will contain the following:

- (a) Project Name
- (b) Points of Contact (VA and lessee)
- (c) Project Type
- (d) Key Terms
- (e) Monitoring Frequency
- (f) Responsible Parties
- (g) Milestones (including documents and critical dates)

(2) The PM shall perform a lease abstraction using the MIS template provided by the OM. Once the lease has been executed, the PM populates the MIS with all points of contact, key terms, monitoring frequencies, responsible oversight parties, and milestones. For additional guidance regarding the MIS, please see Appendix C, Sample Oversight Management Tools. The VISN CAM or VBA/NCA representative (as applicable) and the OM shall review the MIS and suggest revisions as necessary. The MIS shall be uploaded to EULIS for use by all VA officials.

(3) During the 90 day transitional period, the LSM shall review the MIS and suggest revisions as necessary. The PM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall review comments from the LSM, and the PM shall revise as necessary. The OM shall accept the final MIS, and the PM shall upload to EULIS the final MIS as an attachment to the formal ECR.

**c. Oversight Compliance Summary Certificate.** The Oversight Compliance Summary Certificate (OCSC) is a one-time certificate collected at the end of the execution phase for each EU lease. The OCSC lists all development requirements applicable during the execution phase of the EU lease and all of the required supporting documentation. The OCSC is created using the requirements of the EU lease and provides a checklist for the PM to report to the VISN CAM or VBA/NCA representative (as applicable) and the OM on the status of compliance with each construction requirement following completion of all improvements.

(1) The OCSC includes all Construction/ Renovation requirements that occur during the execution phase. The PM shall create the OCSC provided by the Director of IEDS once the EU lease has been executed. The OCSC will be reviewed by the VISN CAM or VBA/NCA representative (as applicable) with final acceptance by the OM.

(2) The PM in consultation with any required local facility support staff shall use the OCSC to monitor the construction phase, completing the certificate as each requirement is met. The OCSC shall be executed by the PM. A local facility point of contact (e.g., VA Resident Engineer (RE) or local facility engineering staff member) may also at the direction of the DVR be required to sign the completed OCSC. A list of required supporting documentation for the EU lease is included with each certificate. Originals (unless copy is requested) of each supporting document shall be submitted to the OM with a completed OCSC.

(3) The PM shall complete and post the OCSC (and all required supporting documentation) to EULIS and any other required VA systems as an attachment to the formal ECR.

(4) Original documents shall be stored at VACO (by OAEM) until seven years after the end of the EU lease term, unless otherwise specified.

(5) Further instructions on completing the OCSC shall be provided by the Director of IEDS.

**d. Formal End of Construction Report.** The formal ECR is one-time report collected at the end of the execution phase for each EU lease. The ECR shall include all required construction documents and oversight information for the LSM (e.g., signed OCSC and supporting documents). The ECR template will be provided by the Director of IEDS. For a sample formal ECR template, please see Appendix D.

(1) The formal ECR shall be available to the LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM within 45 days following the latter of the issuance of the Certificate of Completion (or the equivalent as specified by the EU lease) and VA's approval of the "As-Built" drawings. The PM shall post the formal ECR to EULIS.

(2) The LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall review the formal ECR, including the executed OCSC, to ensure proper completion. The LSM

will be responsible for notifying the VISN CAM or VBA/NCA representative (as applicable) and the OM of his/her acceptance of the ECR or of any outstanding issues/ comments. The OM in consultation with the VISN CAM or VBA/NCA representative (as applicable) will work with the PM and the LSM to resolve any issues. Once the VISN CAM or VBA/NCA representative (as applicable) and the OM have approved the formal ECR, the approved formal ECR shall be uploaded to EULIS with a notification to the LSM that the formal ECR is ready for final acceptance.

(3) Once the approved formal ECR has been loaded to EULIS, the PM shall ensure that all necessary data systems, including the Capital Asset Inventory (CAI) and the Strategic Capital Investment Planning (SCIP) tool, are updated with information from the accepted formal ECR. The PM shall follow all policies and procedures in accordance with the OAEM Records Management System.

**e. Annual Oversight Compliance Certificate.** The Annual Oversight Compliance Certificate (AOCC) is an annual certificate collected at the close of each fiscal year during the steady state phase of the EU lease. The AOCC lists all requirements for an operational EU lease and all of the required supporting documentation. The AOCC is created as part of the completion of the MIS. Completion of the AOCC and its exhibits is performed by the LSM on an annual basis.

(1) The AOCC is a component of the MIS and includes all operational requirements from the EU lease that occur during the steady state phase and all of the required supporting documentation.

(2) The LSM shall use the AOCC to monitor the steady state phase. Throughout the year, various checklists (e.g., taxes, insurance, site visits) are completed and the supporting documentation is posted to EULIS. At the end of each fiscal year during the steady state phase, the LSM shall complete and post the AOCC to EULIS within 30 days of the close of the fiscal year. Supporting documentation is required with the submission of each AOCC, and electronic copies (unless original is requested) of each supporting document shall be posted to EULIS with a completed AOCC.

(3) The LSM shall complete and post the AOCC and all supporting documentation to EULIS with a notification to the VISN CAM or VBA/NCA representative (as applicable) and the OM. The VISN CAM or VBA/NCA representative (as applicable) and the OM shall review the executed AOCC to ensure proper completion. The VISN CAM or VBA/NCA representative (as applicable) will be responsible for notifying the OM of his/her acceptance of the AOCC or of any outstanding issues. The OM will be responsible for notifying the LSM of his/her acceptance of the AOCC or of any outstanding issues.

(4) Original documents shall be stored at the local facility until seven years after the end of the lease term, unless otherwise specified.

(5) For a sample AOCC, please see Appendix C. Further instructions on completing the AOCC shall be provided in training materials.

**f. Outcomes Tracking Sheet.** The PM and the LSM have responsibility for monitoring the performance and timely provision of agreed upon EU lease consideration and expenses to VA as stipulated in the EU lease. Fair consideration can take the form of cash or in-kind consideration as defined in 38 U.S.C. § 8162. Depending on project type, market demand, and the VA assets involved, the amount and type of consideration will vary from lease to lease.

(1) The OM shall develop a program Outcomes Tracking Sheet (OTS) for each EU lease to document and track the provision/ performance of consideration and expenses.

(2) The OTS shall track consideration as well as other account balances and expenses. Calculations within the OTS shall be determined by consideration type and project type. Consideration has been divided into revenue, cost avoidance, cost savings, and enhanced services. VA expenses (new expenses associated with the lease not already subtracted in the calculation of cost savings) will also be tracked. The financial/consideration/expense data will be integrated into EULIS. Each OTS will include a standardized calculation methodology that, based upon project performance entry from the PM and/or the LSM, will calculate program outcomes ensuring consistency across projects.

(3) During the execution phase, the PM shall populate the OTS on a monthly, quarterly, semi-annual, or annual basis, as required by the frequency of consideration receipt or expenses incurred. The VISN CAM or VBA/NCA representative (as applicable) and the OM shall monitor the PM's consideration data entry.

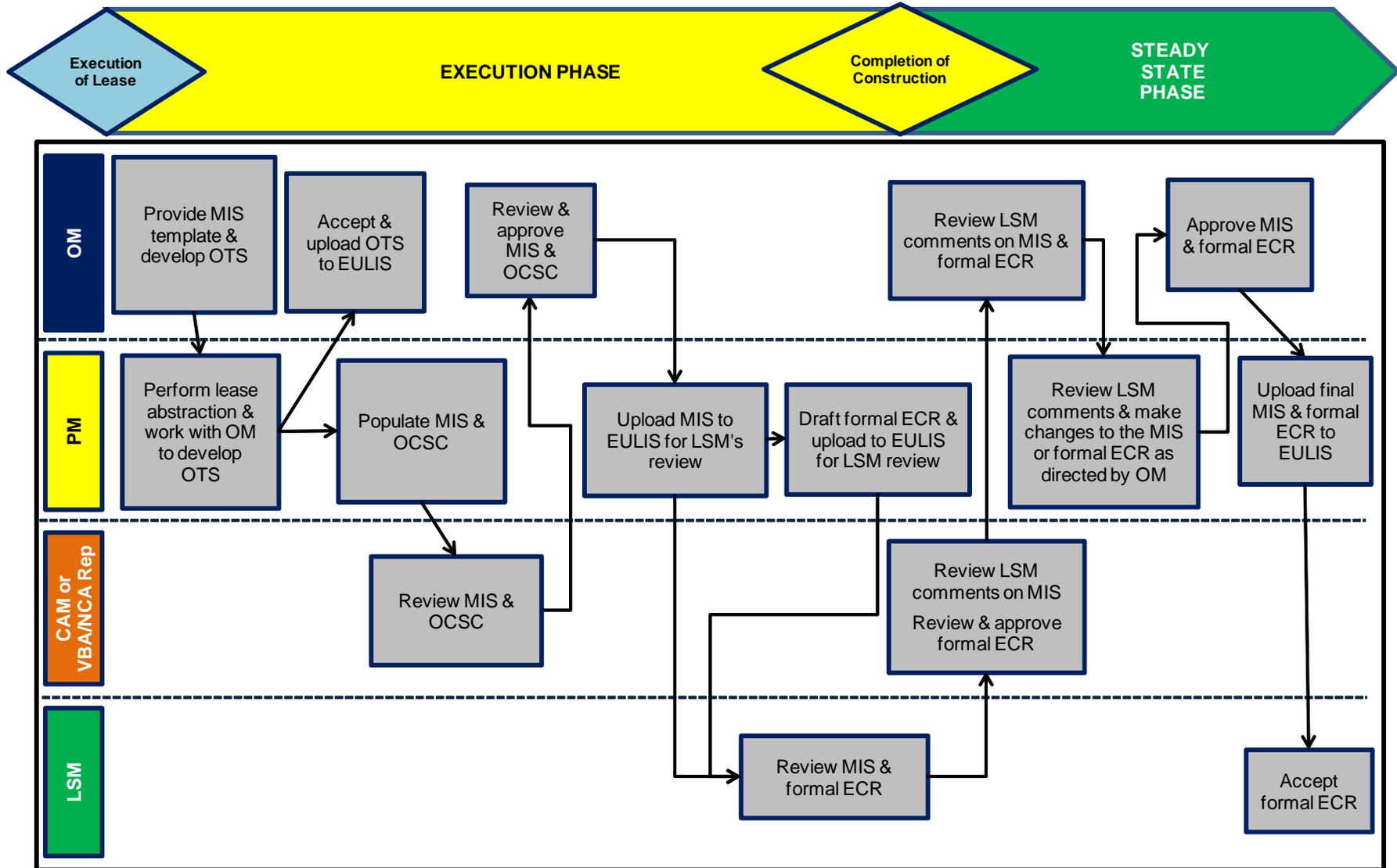
(4) During the steady state, the LSM shall populate the OTS on a monthly, quarterly, semi-annual, or annual basis, as required by the frequency of consideration receipt or expenses incurred. The VISN CAM or VBA/NCA representative (as applicable) and the OM shall monitor the LSM's consideration data entry.

(5) At the close of each fiscal year, using the data collected by the PMs and the LSMs, the OM aggregates EU lease program outcomes.

**3. PROCESS FLOW FOR DEVELOPMENT OF EU LEASE OVERSIGHT MANAGEMENT TOOLS.** The flowchart at the end of this chapter (Figure 6) illustrates the high level process for the development of EU lease post transaction oversight management tools, beginning with strategy development through distribution of approved tools.

**4. REPORTING SYSTEMS.** Throughout the execution and steady state phases of an EU lease, it is critical that development and/or operational data, including financial/consideration data, is captured by the appropriate VA representative(s) and that the appropriate information technology system(s) are utilized to ensure accurate reporting of the EU lease in accordance with established timeframes. Access to these systems is appropriately restricted. Refer to Appendix E, Enhanced-Use Leasing Reporting Systems, for further detail.

FIGURE 6: PROCESS FLOW FOR THE DEVELOPMENT OF EU LEASE OVERSIGHT MANAGEMENT TOOLS



**CHAPTER 4 – EXECUTION PHASE**

**1. BACKGROUND.** The execution phase begins at EU lease signing and continues through the completion, acceptance and commencement or activation of any development or improvements required by the EU lease. The PM is responsible for administering the EU lease during the construction period and for monitoring the required development/ improvement activities to ensure compliance of the developer with the terms and conditions of the EU lease. The execution phase consists of three stages: pre-construction, construction, and post construction. As part of the post construction stage, the PM prepares a formal ECR for review by the LSM and approval by the VISN CAM or VBA/NCA representative (as applicable) and the OM. The LSM will have the opportunity to provide comments on the report, which will then be reviewed by the VISN CAM or VBA/NCA representative (as applicable) and the OM. Following this review, the PM shall make changes to the report as necessary. Daily oversight duties are transferred from the PM to the LSM upon approval by the VISN CAM or VBA/NCA representative (as applicable) and the OM, and acceptance by the LSM, of the formal ECR.

**a.** The DVR must coordinate with the OM to ensure that all compliance reporting requirements, including financial/in-kind consideration reporting requirements, are provided accurately and timely. If the OM fails to receive the required documentation from the PM, then the OM may contact the local facility director, the VISN CAM or VBA/NCA representative (as applicable), the Director of IEDS, or the lessee directly to obtain the information.

**b.** At a minimum, a local facility point of contact will be assigned the responsibility of storing copies of all required EU lease documents at the local facility and forwarding original physical copies to the OAEM upon request by the PM. Additionally, the local facility shall be responsible for providing necessary technical experts to support the PM throughout the execution phase. The DVR shall submit all requests for local support staff to the VISN CAM or VBA/NCA representative (as applicable). The local facility director shall be responsible for assigning support staff as requested by the VISN CAM or VBA/NCA representative (as applicable). Such requests will primarily include engineering staff and/or financial staff. All requests for local or VISN/VACO support staff should follow appropriate VHA, VBA, or NCA staffing and communication protocols, with a courtesy copy to all parties (including the local facility director; the VISN CAM or VBA/NCA representative (as applicable); the Director of IEDS; the OM; and any other applicable parties, e.g., the VISN Director; the Director of the Office of Capital Asset Management and Support (OCAMS); the Director of Administration, Emergency Preparedness, and Facilities.

**c.** If the EU lease project requires the support of an LSM during the execution phase, the PM, at the direction of the DVR and in consultation with the Director of IEDS and the OM, shall submit a request for an LSM to the VISN CAM or VBA/NCA representative (as applicable). The VISN CAM or VBA/NCA representative (as applicable), in consultation with the local facility director shall recommend an LSM (subject to approval by the DVR). The OM shall provide the LSM with materials and instructions detailing the monitoring duties that the LSM shall perform.

**d.** If the EU lease project requires the support of a VA RE, the PM, after consultation with the Director of IEDS, shall submit a request for a VA RE to the OM. The OM shall submit all requests to the DVR for approval and forward the DVR's response to the Director of IEDS, the PM, and the VISN CAM or VBA/NCA representative (as applicable). The VISN CAM or

VBA/NCA representative (as applicable) will be responsible for recommending a VA RE in consultation with the local facility director, subject to approval by the DVR. The OM shall prepare a Letter of Authority for the VA RE, signed by the DVR, which details the VA RE's responsibilities and limitations with respect to the project.

**e.** During the execution phase it is important to monitor planned construction activities against actual results to ensure compliance with EU lease terms and agreements. Examples of data and documentation that must be acquired, maintained, and provided to the OM upon request include: financial/in-kind consideration data; the OCSC; insurance certificates; Annual and/or Quarterly Financial Statements from lessee; payment and performance bond(s); design/development documents; federal, state and/or local permits, licenses, and/or approvals; inspection reports/ punch lists; and other related supporting documentation, as applicable.

**f.** The duties, tasks, and responsibilities of the PM are numerous and varied. The following chapter is not exhaustive, but meant to provide an overview of the types of compliance and oversight activities to be performed. Appendix B provides a list of the major types of responsibilities and activities to be performed. For further detail on construction oversight, please refer to VA Handbook 7415 and Chapter 6 of the Resident Engineer Handbook. If the provisions of the EU lease conflict with any of the Resident Engineer Handbook, VA Handbook 7415, or this VA Handbook 7454, the terms of the EU lease shall govern.

## 2. PRE-CONSTRUCTION RESPONSIBILITIES.

**a. Lessee Responsibilities.** The lessee must insure the project/ participants as per the specifications of the EU lease and provide a payment and performance bond to ensure the project will be constructed and that the workers for the EU lessee's contractor are properly paid for their work. Next, the lessee must secure all required permits, licenses, and/or approvals for the project and provide design and development documents for review and approval by the local facility, VACO (OAEM), engineering staff, the VISN CAM or VBA/NCA representative (as applicable), OGC, and/or other VA officials as applicable. The lessee will also be responsible for providing and maintaining utilities on the leased property and for notifying the PM when required utility tests are to be performed or when planned outages shall occur. Additionally, the lessee will be responsible for fulfilling any project-specific duties outside of this scope as specified in the EU lease.

**(1) Lessee Reporting Requirements.** The lessee is responsible for providing all required project documents within the timeframes specified in the EU lease and in the agreed upon construction schedule. These documents shall include responses to VA inquiries on any document.

**b. Local Facility Responsibilities.** At a minimum, the assigned local facility point of contact will be responsible for storing copies of all required EU lease documents at the local facility and forwarding any original physical copies to OAEM upon request by the PM. Additionally, the local facility will be responsible for supporting the PM as requested.

**c. PM Responsibilities.** The PM is responsible for conducting or verifying periodic oversight inspections, processing lessee submittals, coordinating all pre-construction activities with the lessee and VA (including any joint development meetings or surveys), and ensuring timely responses by the lessee and by VA. The PM, who may be assisted by a VA RE or other technical experts at the local facility, is also responsible for providing the lessee with any applicable VA construction requirements and for performing initial design/ development review. The local facility director, the VISN office or other Administration offices (as applicable), the VISN CAM or VBA/NCA representative (as applicable), the Director of IEDS, the OM, the DVR, and/or OGC may also participate in the design/ development review process.

**(1) VA Review.** The PM shall be responsible for ensuring that all appropriate parties review the lessee's design and development plans. At a high level, the VA's review of design/ development plans will be performed with regard to the following:

(a) Life safety requirements;

(b) Impact on VA facilities (e.g., elevation, site plans, personnel relocation, demolition/ renovation of existing structures);

(c) Impact on Veterans and/or their families;

(d) Utility requirements (including tie-in criteria) and metering (if the lessee is utilizing VA utility systems);

(e) If applicable, IT telecommunications connectivity requirements (including tie-in criteria to telecommunication service provider's point of presence and demarcation room location.)

(f) Construction plan, phasing plan, and schedule from design to final acceptance;

(g) Logistics (e.g., material staging area, delivery routes, site trailer requirements, waste disposal, traffic flow); and,

(h) Compliance with VA and Administration Directives (e.g., energy efficiency, architectural compatibility), federal laws (e.g., National Environmental Protection Act (NEPA), National Historic Preservation Act (NHPA)), and state and local laws.

**(2) PM Reporting Requirements.** The PM shall monitor the project in accordance with the approved OCSC and any additional required reports as specified in VA Handbook 7415. The PM must also ensure that all compliance milestones associated with the design efforts are reported in all required systems, (e.g., the Capital Asset Inventory (CAI) database) in accordance with designated timeframes based on approval/ completion dates. At a minimum, milestones shall include:

(a) Lease Execution: The PM shall upload the executed lease documents and enter any required real property data into the required VA system(s) (refer to Appendix E) within 2 business days of lease signing.

(b) Approval of Design and Development Plans: The PM shall upload the approved plans to the required VA system(s) (refer to Appendix E) within 2 business days of approval.

(c) Receipt of Supporting Compliance Documents: The PM shall collect any required supporting compliance documents and maintain in accordance with the policies and procedures outlined in OAEM Records Managements System. Required supporting documents shall be determined by the MIS and the OCSC and may include: insurance certificates, notices, invoices. Original physical documents shall be stored at VACO (OAEM) by the OM, with copies stored at the local facility. Further information regarding compliance milestones will be provided in training materials.

**d. VISN CAM or VBA/NCA Representative Responsibilities.** The VISN CAM or VBA/NCA representative (as applicable) is responsible for overseeing the monitoring activities on a quarterly basis at a minimum, or more frequently as issues arise.

**(1) VISN CAM or VBA/NCA Representative Reporting Requirements.** The VISN CAM or VBA/NCA representative (as applicable) shall ensure that all compliance milestones associated with the pre-construction stage are reported in accordance with the OAEM Records Management System.

**e. OM Responsibilities.** The OM shall facilitate communication related to EU lease compliance between all parties, and when appropriate, the DVR.

**(1) OM Reporting Requirements.** The OM is responsible for overseeing the compliance monitoring activities and ensuring that all compliance milestones associated with the pre-construction stage are reported in accordance with the OAEM Records Management System. The OM will work with the PM and/or the Director of IEDS to ensure any pre-construction compliance issues are resolved.

**f. DVR Responsibilities.** The DVR is responsible for final approval of all lessee submittals. All lessee submittals shall be provided to the DVR by the PM, or where appropriate the OM.

### **3. CONSTRUCTION RESPONSIBILITIES.**

**a. Lessee Responsibilities.** The lessee must construct all required project developments/improvements per the terms of the underlying EU lease and VA-approved design documents. The lessee is responsible for obtaining and conducting all appropriate inspections, with VA and when applicable as per the terms of the EU lease, including pre-final and final inspections, and remedying any punch-list items before final acceptance by VA. The lessee shall also provide for approval an Operations and Maintenance (O&M) Plan, a Tenant Selection Plan, and any other required EU lease-related supplementary plans that will be used to operate the facility during the steady state phase. Additionally, the lessee is responsible for fulfilling any project-specific duties outside of this scope as specified in the lease.

**b. Local Facility Responsibilities.** At a minimum, the assigned local facility point of contact will be responsible for storing copies of all required EU lease documents at the local facility and forwarding any original physical copies to VACO (OAEM) upon request by the PM. Additionally, the local facility will be responsible for supporting the PM as requested.

**c. PM Responsibilities.** The PM is responsible for performing or verifying oversight inspections as required, ensuring VA presence (and, as applicable, input), in all major inspections, coordinating all construction activities with the lessee and VA, and ensuring timely responses by the lessee and by VA. The PM is responsible for initial review of the lessee's O&M Plan, Tenant Selection Plan, and any other EU lease-related supplementary plans submitted by the lessee. Additionally, the PM is responsible for initial review of any lessee-requested changes to the Design and Development Plans and shall prepare recommendations for any PM- or local facility-requested changes. The PM shall notify the VISN CAM or VBA/NCA representative (as applicable) and the OM of any lessee- or VA-requested changes. The PM shall notify the local facility, the VISN CAM or VBA/NCA representative (as applicable), and the OM of all major inspections.

**(1) Periodic Inspections.** The PM is responsible for ensuring that periodic inspections of the site are performed during the construction period to ensure that construction standards are being met and that the project is proceeding in accordance with the terms and conditions outlined in the EU lease. In instances of non-compliance the PM must notify the VISN CAM or VBA/NCA representative (as applicable) and the OM promptly and, if requested, provide relevant material related to the dispute.

**(2) PM Reporting Requirements.** The PM must ensure that all milestones associated with the construction efforts are reported in all required VA systems, in accordance with designated timeframes based on approval/ completion dates. At a minimum, milestones shall include:

(a) Revised Design and Development Plans: The PM shall upload the revised plans to the required VA systems (refer to Appendix E) within 2 business days of approval.

(b) Approval of the O&M Plan, Tenant Selection Plan, and any other required EU lease-related supplementary plans: The PM shall upload the approved plan to the required VA system(s) (refer to Appendix E) within 2 business days of approval.

(c) Completion of Construction: The PM shall upload the Certificate of Completion or the equivalent (as applicable) to the required VA system(s) (refer to Appendix E), and shall ensure that any required real property data is entered (e.g., square footage of facilities) within 2 business days of issuance.

(d) Receipt of Supporting Compliance Documents: The PM shall collect and maintain any required supporting documents in accordance with the OAEM Records Management System. Required supporting documents shall be determined by the MIS and the OCSC and may include: insurance certificates, notices, invoices. Original physical documents shall be stored at VACO (OAEM), with physical copies stored at the local facility.

**d. VISN CAM or VBA/NCA Representative Responsibilities.** The VISN CAM or VBA/NCA representative (as applicable) is responsible for overseeing the monitoring activities on a quarterly basis at a minimum, or more frequently as issues arise.

**(1) VISN CAM or VBA/NCA Representative Reporting Requirements.** The VISN CAM or VBA/NCA representative (as applicable) shall ensure that all compliance milestones associated with the construction stage are reported in required systems in accordance with designated timeframes based on approval/ completion dates.

**e. OM Responsibilities.** The OM shall facilitate communication related to EU lease compliance between all parties, and when appropriate, the DVR.

**(1) OM Reporting Requirements.** The OM is responsible for overseeing the compliance monitoring activities and ensuring that all compliance milestones associated with the construction stage are reported in required systems in accordance with designated timeframes based on approval/ completion dates. The OM will work with the PM and/or the Director of IEDS to ensure any construction compliance issues are resolved.

**f. Designated VA Representative.** The DVR is responsible for final approval of the lessee's O&M plan, Tenant Selection Plan, and any other required EU lease-related supplementary plans, as well as any changes to the design and development plans. All such plans and any lessee-requested changes shall be provided to the DVR by the PM, or if appropriate the OM.

**g. Note for Commercial Facility Construction Oversight.** With regard to design and construction oversight of commercial facilities, the United States (i.e. VA) has a fee simple title interest in the EU land and improvements, and therefore an underlying interest in any improvements constructed on VA property. VA oversight of commercial facility construction shall be more limited than that of direct VA construction (e.g., construction of VA regional offices); however, VA officials shall exercise a proper level of effort for commercial construction oversight commensurate to the complexity of the project to ensure that VA's rights and interests remain protected.

**4. POST-CONSTRUCTION RESPONSIBILITIES.** Upon VA's acceptance of the Certificate of Completion or the equivalent (as applicable), there are a number of post-construction reporting activities that must be completed.

**a. Lessee Responsibilities.** The lessee is responsible for providing "As Built" drawings to VA in the format specified within the EU lease. Additionally, the lessee is responsible for fulfilling any project-specific duties outside of this scope as specified in the EU lease.

**b. Local Facility Responsibilities.** At a minimum, the assigned local facility point of contact will be responsible for storing copies of all required EU lease documents at the local facility and forwarding any original physical copies to the PM on an as needed basis. Additionally, the local facility will be responsible for supporting the PM as requested.

**c. PM Responsibilities.** The PM is responsible for coordinating all post-construction activities with the lessee and VA; preparing materials for the LSM; ensuring timely delivery of all construction documents to the LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM; and incorporating any necessary changes to the MIS, AOCC, or the formal ECR. The PM's authority remains in effect until the VISN CAM or VBA/NCA representative (as applicable) and the OM approve, and the LSM accepts, the formal ECR. During the transition from the execution phase to the steady state phase, the PM shall serve as an advisor to the LSM. After the completion of any development or improvements required by the EU lease, the PM will draft a formal ECR. For further information on the formal ECR, please refer to Appendix D. Until the formal ECR is completed and approved by the VISN CAM or VBA/NCA representative (as applicable) and the OM and is accepted by the LSM, the

PM shall maintain responsibility for the oversight of the project. The PM is responsible for notifying the lessee when the LSM assumes responsibility for oversight of the EU lease.

**(1) PM Reporting Requirements.** The PM must ensure that all milestones associated with the post construction efforts are reported in all other required VA systems, in accordance with designated timeframes based on approval/ completion dates. At a minimum, milestones shall include:

(a) VA Acceptance of Improvements: The PM shall upload the Certificate of Acceptance (as applicable) and approved “As-Built” drawings to the required VA systems (refer to Appendix E) within 2 business days of issuance/approval.

(b) Receipt of Supporting Compliance Documents: The PM shall collect and maintain any required supporting documents in accordance with the OAEM Records Management System. Required supporting documents shall be determined by the MIS and the OCSC and may include: insurance certificates, notices, invoices. Original physical documents shall be stored at VACO (OAEM), with physical copies stored at the local facility. Further information regarding compliance milestones will be provided in training materials.

(c) Formal ECR: Within 45 days following the latter of the issuance of the Certificate of Completion (or the equivalent as specified by the EU lease) and VA’s receipt of the “As-Built” drawings, the PM shall draft the formal ECR (including the signed OCSC), with all necessary supporting documentation and provide the formal ECR for review by the LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM. The LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall review the formal ECR for completion and accuracy, and the OM shall notify the DVR upon final acceptance of the formal ECR. The PM shall collect all necessary documentation and store all original construction documents at VACO (OAEM). The PM shall also be responsible for providing the approved formal ECR for acceptance by the LSM. The local facility point of contact shall store a copy of all documents at the local office. For an example of the formal ECR and further guidance, please refer to Appendix D.

**d. LSM Responsibilities.** During the approximately 90-day training and transition period, the LSM shall be responsible for reviewing the EU lease AOCC and MIS and for providing the PM, the VISN CAM or VBA/NCA representative (as applicable), and the OM with any comments. The LSM is also responsible for the review of the formal ECR once it has been provided by the PM. Once the formal ECR has been approved by the VISN CAM or VBA/NCA representative (as applicable) and the OM, the LSM shall accept the formal ECR. Additionally, the LSM shall upload the approved formal ECR to EULIS.

**e. VISN CAM or VBA/NCA Representative Responsibilities.** The VISN CAM or VBA/NCA representative (as applicable), in consultation with the local facility director, is responsible for recommending the LSM (subject to DVR approval) to be assigned and notifying the approved LSM within 90 days prior to completion of construction. The VISN CAM or VBA/NCA representative (as applicable), in conjunction with the OM, shall be responsible for review of comments submitted by the LSM on the AOCC, the MIS, and the formal ECR. The VISN CAM or VBA/NCA representative (as applicable) will work with the LSM, the PM, and the OM to determine the appropriate response to any comments on the AOCC, the MIS, and the formal ECR. Additionally, the VISN CAM or VBA/NCA representative (as applicable) is

responsible for overseeing the monitoring activities of the PM on a quarterly basis at a minimum, or more frequently as issues arise.

**(1) VISN CAM or VBA/NCA Representative Reporting Requirements.** The VISN CAM or VBA/NCA representative (as applicable) shall ensure that all compliance milestones associated with the post construction stage are reported in any required systems in accordance with designated timeframes based on approval/ completion dates.

**f. OM Responsibilities.** The OM shall facilitate communication related to EU lease compliance between all parties, and when appropriate, the DVR. The OM shall provide training materials to the LSM including instructions for reviewing the AOCC, the MIS, and the formal ECR. Once the LSM has reviewed and submitted comments on the AOCC, the MIS, or the formal ECR, the OM will work with the LSM, the PM, and the VISN CAM or VBA/NCA representative (as applicable) to determine the appropriate response to the LSM's comments. Upon acceptance of the formal ECR, the PM shall issue a memo signed by the DVR to the LSM, the OM, the VISN CAM or VBA/NCA representative (as applicable), the DVR, and the LFO notifying all parties of the transfer of responsibilities from the PM to the LSM.

**(1) OM Reporting Requirements.** The OM is responsible for overseeing the compliance monitoring activities and ensuring that all compliance milestones associated with the construction stage are reported in any required systems in accordance with designated timeframes based on approval/ completion dates. The OM will work with the PM and/or the Director of the IEDS to ensure any post-construction compliance issues are resolved.

**g. DVR Responsibilities.** The DVR is responsible for final approval of the "As Built" drawings and any other required submittals. All lessee submittals shall be provided to the DVR by the PM. Additionally, the DVR is responsible for authorizing the transfer of responsibilities from the PM to the LSM.

## 5. ONGOING RESPONSIBILITIES

**a. Construction Oversight.** The PM may be responsible for additional ongoing construction monitoring activities and reports as described in VA Handbook 7415.

**b. Communication.** The PM is responsible for ensuring successful communication between the lessee and VA. If at any time the PM is not responsive, particularly during short deadlines, the OM may communicate directly with the VISN CAM or VBA/NCA representative (as applicable), the local facility director, or the lessee. The PM shall also be responsible for scheduling calls or meetings with the lessee and any applicable community partners.

**(1) Staffing Requests, Reporting Issues.** All communications related to EU lease staffing requests or the reporting of EU lease issues should follow appropriate VHA, VBA, or NCA communication protocols, with a courtesy copy to all parties to include: the local facility director; the PM; the VISN CAM or VBA/NCA representative (as applicable); the OM; and any other applicable parties, i.e. VISN Director; the Director of the Office of Capital Asset Management and Support (OCAMS); the Director of Administration, Emergency Preparedness, and Facilities; etc.

**c. Recommendations and Changes.** The PM oversees all design/ development plan changes by the lessee, performs initial assessment and review of changes, and delivers recommendations to the VISN CAM or VBA/NCA representative (as applicable) and the OM for consideration. When changes or other actions result in EU lease amendments, the PM shall work with the OM to prepare all necessary documentation and to obtain required authorizations prior to submission of the amendment to the DVR and the AS/M (or other duly-authorized VA official) for review and final authorization. As necessary, the PM with OM approval shall be responsible for updating project reporting templates (e.g., the MIS, the OCSC, or the AOCC) if any changes are made to the EU lease terms.

**d. Receipt, Processing, and Tracking of Consideration, Funded Maintenance Account, and Capital Contributions (as applicable during the execution phase).** The PM shall be responsible for maintaining any supporting data or documents related to financial/ in-kind consideration (including any VA expenses), the lessee's FMA or Reserve Account, or VA Capital Contributions (e.g., commitment agreements, receipts, bank statements) in accordance with the OTS and the OAEM Records Management System.

**(1) PM's Financial Reporting Requirements.** Once the OM has transferred responsibility for payment processing to the local facility office, the PM will be responsible for tracking financial payments on a monthly, quarterly, and annual basis (frequency as specified in the EU lease) during the execution phase. The PM is responsible for mailing invoices (e.g., for ancillary reimbursements, rent payments) and ensuring that all financial payments are appropriately authorized, and that remittance, disbursements, and receipts are accurately recorded in the FMS database.

(a) The PM must ensure that the LFO continues to use the proper accounting classification codes and revenue source codes in the recording of all financial transactions (e.g., recurring rental payment and payments related to ancillary services), as provided by the OM (refer to Appendix F, Sample Accounting Codes for a list of existing EU lease revenue source codes). The PM shall ensure that the financial payment data recorded in FMS is accurate.

(b) The PM shall immediately notify the LFO of any FMS-related issues and log the issue. The LFO shall resolve the issue within 30 days. If the issue is not resolved within 30 days, the PM shall notify the VISN CAM or VBA/NCA representative (as applicable) and the OM of the FMS issue. Additionally, in accordance with the EU lease, the PM shall ensure that there are no outstanding balances due to VA or to the lessee. The PM shall log the issue and notify the VISN CAM or VBA/NCA representative (as applicable) and the OM of any lessee-related issues regarding outstanding balances as soon as they arise.

**(2) PM's Consideration Reporting Requirements.** If applicable, the PM is responsible for tracking required cash and/or in-kind consideration as well as any VA expenses on a monthly, quarterly, and annual basis (frequency as specified in the AOCC) using the system developed during the formulation phase. The PM shall record required cash and/or in-kind consideration data for the project and provide to the OM as necessary.

**(3) PM's Reserve Account Reporting Requirements.** Some EU leases include a requirement for the EU lessee to establish and maintain a Funded Maintenance Account (FMA) or Maintenance Reserve Fund (MRF) or other similar reserve account during the term of the EU lease. If the project requires a reserve account, then the PM shall be responsible for

monitoring the lessee's monthly reserve account bank statements to ensure that the reserve account is funded appropriately (per the terms of the EU lease).

(a) Funds in the reserve account are owned by the lessee and are withdrawn exclusively to perform non-routine capital repairs and replacement activities for the project. The lessee is typically required to notify the DVR in writing prior to withdrawing any funds. The OM shall notify the PM of any proposed withdrawals. The PM is responsible for sending notice to the lessee requesting written, detailed receipts of the contractor(s) that were paid from funds of the applicable reserve account. The PM shall also be responsible for ensuring these receipts are received, and for monitoring the reserve account bank statements to ensure that the receipts match the amount withdrawn.

**(4) PM's Capital Contribution Reporting Requirements.** Some EU leases include a requirement negotiated between VA and the EU lessee for VA to make an EU lease Capital Contribution (i.e. a monetary contribution of minor construction funding) towards the project, subject and pursuant to the EU lease statute. If the project requires VA Capital Contributions, then the PM shall be responsible for monitoring the amounts paid by VA to the lessee and for requesting (with notice to the VISN CAM or VBA/NCA representative (as applicable) and the OM) any required DVR approvals. Only the DVR may approve VA Capital Contributions to be paid to the lessee. For further information regarding VA Capital Contributions, please refer to VA Handbook 7415.

**(5) VISN CAM or VBA/NCA Representative and OM Reporting Requirements.** The VISN CAM or VBA/NCA representative (as applicable) and the OM shall provide oversight of the PM's monitoring activities on a quarterly basis, or more frequently as issues arise. The VISN CAM or VBA/NCA representative (as applicable) and the OM shall review the financial/in-kind payment data and documents to ensure completion and accuracy.

**(6)** For further information on financial processing and reporting, please see Chapter 6 and Appendix G, Enhanced-Use Lease Payment Policies and Procedures.

**e. Lease Enforcement and Dispute Resolution.** The PM, the local facility director, any local support staff, the VISN CAM or VBA/NCA representative (as applicable), and the OM have no authority to modify, amend, or waive EU lease terms and conditions. The PM shall immediately alert the VISN CAM or VBA/NCA representative (as applicable) and the OM of instances when the lessee is not performing in accordance with the EU lease. The PM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall prepare recommendations for resolution. The OM shall aggregate recommendations, brief the DVR, and communicate any direction received from the DVR. The PM shall notify the VISN CAM or VBA/NCA representative (as applicable), the OM, and any applicable local support staff of their responsibilities for each issue.

**(1) Disputes and Claims.** If the PM becomes aware of a dispute/ claim filed or to be filed on behalf of the lessee, the PM shall notify the VISN CAM or VBA/NCA representative (as applicable) and the OM promptly. If requested by the OM, the PM shall compile and provide all necessary documentation related to the dispute/ claim and submit it to the VISN CAM or VBA/NCA representative (as applicable) and the OM. The PM shall forward all information to

the DVR and the AS/M (or other duly-authorized VA official) for review as they assess and determine settlement options. OGC shall assist as necessary.

**f. Tracking and Resolving Issues.** The PM shall immediately log any issues that arise with the EU lease during the execution phase (including but not limited to issues that arise with: compliance, lease enforcement, disputes, claims, EU lease changes, recommendations). On at least a monthly basis, the PM is responsible for logging any issues and maintaining project notes and supporting documentation. The PM with assistance from the VISN CAM or VBA/NCA representative (as applicable) and any applicable local support staff shall be responsible for monthly tracking of resolutions to the EU lease issues log and for providing timely updates. The PM shall be responsible for overseeing and facilitating the issues resolution process, and briefing the DVR and the OM. Refer to Handbook 7415 for further instructions on identifying and reporting construction issues.

**6. ANNUAL PROCESSES.** Annual activities and EU lease requirements will vary; however, at a minimum, the PM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall be responsible for the same processes outlined above in the pre-construction, construction, and post-construction activities, as well as ongoing responsibilities. Additionally, the PM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall be responsible for the following on an annual basis:

**a. Annual Financial Statement Review.**

**(1) PM Responsibilities.** On an annual basis, the PM shall identify and monitor the financial health of the project. The PM shall review the annual financial statements and assign a rating as directed in training materials. Additionally, the PM shall ensure that all required financial supporting documents have been maintained in accordance with the OAEM Records Management System.

**(2) VISN CAM or VBA/NCA Representative Responsibilities.** On an annual basis, the VISN CAM or VBA/NCA representative (as applicable) shall review the PM's financial rating and ensure that all required financial supporting documents have been maintained in accordance with the OAEM Records Management System.

**(3) OM Responsibilities.** On an annual basis, the OM shall review the financial health of projects in the EU leasing portfolio using the information entered by the PMs and reviewed by the VISN CAMs and the VBA/NCA representatives (as applicable). The OM shall identify major issues and produce portfolio reports as required.

**b. Annual Compliance Review.**

**(1) PM Responsibilities.** On an annual basis, the PM shall review the EU lease to identify any major issues. The PM may solicit feedback from the lessee or the VISN CAM or VBA/NCA representative (as applicable) to determine action items and requested changes to the EU lease.

**(2) VISN CAM or VBA/NCA Representative Responsibilities.** On an annual basis, the VISN CAM or VBA/NCA representative (as applicable) shall review the PM's required

monitoring activities to identify any major issues and to determine action items and/or requested changes to the EU lease.

**(3) OM Responsibilities.** On an annual basis, the OM shall review each EU lease to determine compliance status and establish action items for resolution of any outstanding compliance items and communicate required actions to the PM and the VISN CAM or VBA/NCA representative (as applicable, and as needed). Once the VISN CAM or VBA/NCA representative (as applicable) has completed his/her review of the PM's required monitoring activities the OM shall review financial/ in-kind consideration data, missing or past due data requirements, issues logs, and project documentation.

(a) The OM shall produce a portfolio management report. This report will describe the current makeup of the EU lease portfolio in terms of types of projects and benefits received.

(b) The OM shall be responsible for reviewing and updating the portfolio issues log to identify critical issues and track resolutions with input from the PM and the VISN CAM or VBA/NCA representative (as applicable).

**c. Lessons Learned.** On an annual basis, the PM, VISN CAM or VBA/NCA representative (as applicable), and the OM shall review each project to document lessons learned.

## CHAPTER 5 – STEADY STATE PHASE

**1. BACKGROUND.** An EU lease moves from the execution phase to the steady state phase following the completion, acceptance and commencement or activation of any development or improvements required by the EU lease. Post transaction management transfers from the PM to the LSM with the close of the execution phase and the initiation of the steady state. Once the formal ECR has been approved by the VISN CAM or VBA/NCA representative (as applicable) and the OM and accepted by the LSM, the LSM shall be responsible for administering the lease during the steady state (operational) phase and for monitoring the lessee and VA for compliance with all terms and conditions of the EU lease. Prior to the LSM's acceptance of the formal ECR, the PM will maintain responsibility for the day-to-day administration of the EU lease. The LSM shall coordinate directly with the lessee, the LFO, and any required local facility staff to provide all required operational and financial/ in-kind consideration information in accordance with established timeframes.

a. The steady state compliance team will be made up of the LSMs, the PMs (when applicable), local support staff (as applicable), the VISN CAMs and the VBA/NCA representatives (as applicable by EU lease project), the OM(s), and the DVR. The VISN CAMs and the VBA/NCA representatives are responsible for compliance oversight of the LSMs. The OM is responsible for oversight over compliance issues for all EU lease projects (i.e., the LSMs as well as the VISN CAMs and VBA/NCA representatives), overseeing and facilitating the issues resolution process, producing portfolio reports as required, and facilitating requests and approvals of the DVR.

b. Ongoing monitoring is essential during the steady state phase when a project becomes fully functional/ operational. Appropriate VA representative(s) have oversight responsibility to ensure that established metrics are met and that accurate financial/ in-kind consideration information is provided and utilized in internal and external reports. The OM must coordinate with the VISN CAMs, the VBA/NCA representatives, and the LSMs to ensure that all operational reporting requirements for the entire EU leasing portfolio, including financial/in-kind consideration reporting requirements, are provided accurately and timely. For each EU lease, the VISN CAM or VBA/NCA representative (as applicable) shall monitor the reporting activities of the LSM on a quarterly basis, or more frequently as necessary. If the VISN CAM or VBA/NCA representative (as applicable) fails to receive the required data/ documentation from the LSM in the local facility office, then the OM may contact the local facility director, the VISN CAM or VBA/NCA representative (as applicable), or the lessee directly to obtain the information. Examples of data and documentation that must be completed and provided to OAEM include: financial/ in-kind consideration data, the AOCC, insurance certificates, financial statements from lessee, FMA bank statements from lessee, and other related supporting documentation as applicable.

c. The duties, tasks, and responsibilities of the LSM are numerous and varied. The following chapter is not exhaustive, but meant to provide an overview of the types of oversight and monitoring activities to be performed. Appendix B provides a list of the major types of oversight and monitoring activities to be performed. The EU lease and its exhibits, including any Management Agreements and Service Agreements, document the operational procedures and required activities to be performed over the term of the EU lease. The required

operational activities to be performed by both the lessee and VA are captured in the MIS and the AOCC for monitoring by the LSM, as well as in this VA Handbook 7454 and related training materials.

**2. MONTHLY PROCESSES.** Monthly activities and EU lease requirements will vary; however, at a minimum, the LSM shall be responsible for monthly completion of three primary processes. These include:

**a. Receipt, Processing, and Tracking of Consideration, Funded Maintenance Accounts, and Capital Contributions.** The LSM shall be responsible for maintaining any supporting data or documents related to financial/ in-kind consideration (including any VA expenses), the lessee's FMA or Reserve Account, or VA Capital Contributions (e.g., commitment agreements, receipts, bank statements) in OTS and/or EULIS.

**(1) LSM's Financial Reporting Requirements.** The LSM will be responsible for tracking financial payments on a monthly basis (or less frequently as specified in the EU lease). The LSM is responsible for mailing invoices (e.g., for ancillary reimbursements, rent payments) and ensuring that all financial payments are appropriately authorized, and that remittance, disbursements, and receipts are accurately recorded in the FMS database.

(a) The LSM must ensure that the LFO continues to use the proper accounting classification codes and revenue source codes in the recording of all financial transactions (e.g., recurring rental payment and payments related to ancillary services), as provided by the OM (refer to Appendix F for a list of existing EU lease revenue source codes). The LSM shall enter financial payment data for the project in EULIS and ensure that data entered in EULIS matches the information recorded in FMS.

(b) The LSM shall immediately notify the LFO of any FMS-related issues and log the issue. The LFO shall resolve the issue within 30 days. If the issue is not resolved within 30 days, the LSM shall notify the VISN CAM or VBA/NCA representative (as applicable) and the OM of the FMS issue. Additionally, in accordance with the EU lease, the LSM shall ensure that there are no outstanding balances due to VA or to the lessee. The LSM shall log the issue and notify the VISN CAM or VBA/NCA representative (as applicable) and the OM of any lessee-related issues regarding outstanding balances as soon as they arise.

(c) For further information on financial processing and reporting, please see Chapter 6 and Appendix G.

**(2) LSM's Consideration Reporting Requirements.** If applicable, the LSM is responsible for tracking required cash and/or in-kind consideration as well as any VA expenses on a monthly basis (or less frequently as specified in the AOCC) using the system developed during the formulation phase. The LSM shall enter required cash and/or in-kind consideration data for the project in EULIS.

**(3) LSM's Reserve Account Reporting Requirements.** Some EU leases include a requirement for the EU lessee to establish and maintain an FMA or MRF or other similar reserve account during the term of the EU lease. If the project requires a reserve account,

then the LSM shall be responsible for monitoring the lessee's monthly reserve account bank statements to ensure that the reserve account is funded appropriately (per the terms of the EU lease).

(a) Funds in the reserve account are owned by the lessee and are withdrawn exclusively to perform non-routine capital repairs and replacement activities for the project. The lessee is typically required to notify the DVR in writing prior to withdrawing any funds. The OM shall notify the LSM of any proposed withdrawals. The LSM is responsible for sending notice to the lessee requesting written, detailed receipts of the contractor(s) that were paid from funds of the applicable reserve account. The LSM shall also be responsible for ensuring these receipts are received, and for monitoring the reserve account bank statements to ensure that the receipts match the amount withdrawn.

**(4) LSM's Capital Contribution Reporting Requirements.** Some EU leases include a requirement negotiated between VA and the EU lessee for VA to make an EU lease Capital Contribution towards the project, subject and pursuant to the EU lease statute. If the project requires VA Capital Contributions paid during the steady state, then the LSM shall be responsible for monitoring the amounts paid by VA to the lessee and for requesting (with notice to the VISN CAM or VBA/NCA representative (as applicable) and the OM) any required DVR approvals. Only the DVR may approve VA Capital Contributions to be paid to the lessee. For further information regarding VA Capital Contributions, please refer to VA Handbook 7415.

**b. Collection of Project Documents.** The LSM is responsible for collecting and storing all project documents that are acquired on a monthly basis as specified in the lease, e.g., invoices, FMA bank statements, taxes, insurance certificates. The LSM shall upload required copies of these documents to EULIS as supporting documentation for the AOCC. For further detail regarding the required documents to be uploaded to EULIS, please refer to related training materials.

**c. Tracking Issues to Resolution.** The LSM shall immediately notify the VISN CAM or VBA/NCA representative (as applicable), any applicable local support staff, the local facility director, and the OM of issues as they arise. On at least a monthly basis, the LSM is responsible for logging any issues and maintaining project notes and supporting documentation in EULIS. For more detail on the issue resolution process please refer to paragraph b, Ongoing Responsibilities, below.

### 3. QUARTERLY PROCESSES.

**a. LSM Responsibilities.** Quarterly activities and EU lease requirements will vary. The LSM shall be responsible for the same processes outlined above in monthly responsibilities; however, the LSM may need to review additional requirements that occur on a quarterly basis as specified in the EU lease.

**b. VISN CAM or VBA/NCA Representative Responsibilities.** The VISN CAM or VBA/NCA representative (as applicable) shall be responsible for oversight of the LSM's monitoring activities on a quarterly basis, or more frequently as issues arise. The VISN CAM or VBA/NCA representative (as applicable) shall review the data and documents in EULIS to ensure proper completion.

**c. OM Responsibilities.** The OM is responsible for oversight of the EU leasing portfolio on a quarterly basis. The OM will review EULIS to ensure proper reporting by the LSMs and the VISN CAMs or VBA/NCA representatives (as applicable). Additionally, the OM will be responsible for review of the portfolio issues log and coordination of the resolution process with direction from the DVR. The OM shall produce portfolio oversight reports, as required.

**4. ANNUAL PROCESSES.** Annual activities and EU lease requirements will vary; however, at a minimum, the LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall be responsible for the same processes outlined above in monthly and quarterly responsibilities. Additionally, the LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall be responsible for the following on an annual basis:

**a. Review of Financial Payments.** The LSM, in coordination with the LFO, shall perform an annual review to ensure that all financial payments are appropriately authorized, and that remittance, disbursements, and receipts are accurately recorded in the FMS database and in EULIS. The VISN CAM or VBA/NCA representative (as applicable) shall perform an annual review to ensure that the all payments have been tracked correctly by the LSM and shall notify the Office of Finance in the event that errors are identified. On a portfolio basis, the OM shall perform an annual review to ensure that the LSMs, the VISN CAMs, and the VBA/NCA representatives have completed their oversight activities and to ensure that financial payments are current and properly recorded in FMS and EULIS.

(1) For projects held in trust, the OM must collect the necessary data and prepare the Annual Disclosure Statement.

(2) Some projects may require annual payment reconciliations for reimbursement or for use in following year budgets. The LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall coordinate to prepare all necessary documentation or reports, review budgets as necessary, and submit to the DVR for final approval.

(3) Some projects may require payment adjustments (e.g., annual rent increases) as specified in the lease or as negotiated throughout the EU lease term. The OM with DVR oversight shall notify the LSM, the VISN CAM or VBA/NCA representative (as applicable), and the lessee accordingly.

(4) The OM shall produce portfolio management reports as required.

**b. Review of Consideration.** The LSM and the VISN CAM or VBA/NCA representative (as applicable) shall perform an annual review to ensure that all cash and/or in-kind consideration as well as any VA expenses are accurately recorded in EULIS and that all required supporting documents have been uploaded. On a portfolio basis, the OM shall perform an annual review to ensure that the LSMs, the VISN CAMs, and the VBA/NCA representatives have completed their oversight activities and that all cash and/or in-kind consideration has been received in full and is properly recorded in EULIS. Additionally, the OM shall produce portfolio management reports as required.

**c. Collection of Project Documents.** The LSM and the VISN CAM or VBA/NCA representative (as applicable) shall perform an annual review to ensure that all required project documents have been uploaded to EULIS (e.g., invoices, taxes, insurance certificates). On a portfolio basis, the OM shall perform an annual review to ensure that the LSMs, the VISN CAMs, and the VBA/NCA representatives (as applicable) have completed their oversight activities and that project documentation has been properly uploaded to EULIS.

**d. Completion of the Annual Oversight Compliance Certificate.** At the close of the fiscal year, the OM notifies the LSM and the VISN CAM or VBA/NCA representative (as applicable) that the AOCC is coming due, and the LSM completes and uploads the AOCC (with all supporting documentation) to EULIS within 30 days following the close of the fiscal year. The VISN CAM or VBA/NCA representative (as applicable) shall have 30 days to review, and the OM shall review the AOCC within a designated time period to ensure sufficient time to prepare any required annual reports.

**e. Completion of the Annual Compliance Review.**

**(1) LSM Responsibilities.** On an annual basis, the LSM shall review the project to identify any major issues. When the EU lease requires an annual third-party site assessment, the LSM shall verify that assessment was completed and collect any necessary supporting documents. The assessment shall be uploaded to EULIS. Additionally, the LSM may solicit feedback from the lessee or the VISN CAM or VBA/NCA representative (as applicable) to determine action items and requested changes to the EU lease.

**(2) VISN CAM or VBA/NCA Representative Responsibilities.** On an annual basis, the VISN CAM or VBA/NCA representative (as applicable) shall review the LSM's required monitoring activities, including maintenance of EULIS, to identify any major issues and to determine action items and/or requested changes to the EU lease.

**(3) OM Responsibilities.** On an annual basis, the OM shall review each project to determine compliance status and establish action items. Once the VISN CAM or VBA/NCA representative (as applicable) has completed his/her review of the LSM's required annual monitoring activities, the OM shall utilize EULIS to review financial/ in-kind data, missing or past due data requirements, issues logs, and project documentation. Business Intelligence (BI) may also be used to query information from relevant VA systems to facilitate review and reporting of information for each project.

(a) The OM shall utilize data collected by EULIS to produce a number of portfolio management reports. Further detail on the portfolio management reports will be provided in related training materials.

(b) The OM shall be responsible for reviewing and updating the portfolio issues log to identify critical issues and track resolutions with input from the LSM, the VISN CAM or VBA/NCA representative (as applicable), the local facility director, and the PM as required.

**f. Annual Financial Statement Review.**

**(1) LSM Responsibilities.** On an annual basis, the LSM shall identify and monitor the financial health of the project. The LSM shall review the annual financial statements, assign a

rating, and update EULIS as directed in related training materials. Additionally, the LSM shall ensure that all required financial supporting documents have been uploaded to EULIS.

**(2) CAM or VBA/NCA Representative Responsibilities.** On an annual basis, the VISN CAM or VBA/NCA representative (as applicable) shall review the LSM's financial rating and ensure that all required financial supporting documents have been uploaded to EULIS.

**(3) OM Responsibilities.** On an annual basis, the OM shall review and rate the financial health of projects in the EU leasing portfolio using the information entered by the LSM and reviewed by the VISN CAM or VBA/NCA representative (as applicable). The OM shall identify major issues and produce portfolio reports as required.

**g. Lessons Learned.** On an annual basis, the LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM (and the PM as required) shall review each project to document lessons learned. Responses shall be updated in EULIS.

**h. Program Meetings.** The OM shall be responsible for organizing and hosting a series of meetings with the LSMs, the PMs, the VISN CAMs, and the VBA/NCA representatives (and other participants as deemed necessary). The frequency, the participants, and agendas will vary at the discretion of the OM and the DVR, but at a minimum, the meetings shall be a forum for airing issues and discussing best practices/lessons learned and additional agenda items as determined by CAMS and, on occasion, IEDS.

**5. BI-ANNUAL PROCESSES.** EU leases may contain service agreements, in which VA is a tenant of the EU leased property. Service agreements normally have a duration of 2-year terms, with potential subsequent new terms (as opposed to options to extend the initial term of the service agreement). The PM, in consultation with the OM, is responsible for notifying the lessee of VA's plans for entering into a new service agreement or its intention to vacate the premises during the new service agreement term. Additionally, the PM, in consultation with the OM, has responsibility for sending the lessee a proposed new service agreement by the dates specified in the initial service agreement, otherwise, the existing service agreement likely will expire.

## 6. ONGOING RESPONSIBILITIES

### a. Communication.

**(1) External.** The LSM is responsible for ensuring successful communication between the lessee and VA in accordance with any direction provided by the OM. If at any time the LSM is not responsive, particularly during short deadlines, the OM shall communicate directly with the local facility director, the VISN CAM or VBA/NCA representative (as applicable), or the lessee. The LSM will also be responsible for scheduling any calls or meetings with the lessee and any applicable community partners.

**(2) Internal.** All internal communications related to EU leases (including EU lease issue reporting) should follow appropriate VHA, VBA, or NCA communication protocols, with a courtesy copy to all parties to include: the local facility director; LSM; the VISN CAM or

VBA/NCA representative (as applicable); the OM; and any other applicable parties, i.e. VISN Director; the Director of the Office of Capital Asset Management and Support (OCAMS); the Director of Administration, Emergency Preparedness, and Facilities; etc. The OM shall be the single point of contact for all internal communication with the DVR during the steady state phase of the EU lease.

**b. Disbursement of Funds.** The LSM is responsible for collecting and processing lessee requests for VA funds to be used for maintaining the project facilities. The LSM shall notify the local facility director, the VISN CAM or VBA/NCA representative (as applicable), and the OM of any requests for tenant improvements for formal approval by the DVR. Tenant improvements shall be executed using money from the local budget; however, VA is not to expend any funds on EU projects without DVR consent.

**c. Recommendations and Changes.** The LSM tracks all lessee-requested changes to terms and conditions of the EU lease (including Management or Service Agreements). The LSM performs initial assessment and review of changes, and delivers recommendations to the VISN CAM or VBA/NCA representative (as applicable) and the OM for consideration. When changes or other actions result in EU lease amendments, the OM, in consultation with the Director of IEDS, directs the PM, with assistance from the VISN CAM or VBA/NCA representative (as applicable), the LSM, and OGC as required, to prepare all necessary documentation and obtain required authorizations prior to submission of the amendment to DVR and AS/M (or other duly-authorized VA official) for review and final authorization. The LSM will be responsible for updating the MIS and AOCC if any changes are made to the lease terms, with review by the VISN CAM or VBA/NCA representative (as applicable) and the OM.

**d. Lease Enforcement and Dispute Resolution.** The LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM have no authority to modify, amend, or waive EU lease terms and conditions. The LSM shall immediately alert the appropriate VA parties of instances when the lessee is not performing in accordance with the EU lease or if the LSM becomes aware of a dispute/ claim filed or to be filed on behalf of the lessee. As noted above, all communications related to EU lease issues should follow appropriate VHA, VBA, or NCA (as applicable) communication protocols, with a courtesy copy to all parties to include: the local facility director; the VISN CAM or VBA/NCA representative (as applicable); the OM; and any other applicable parties, i.e. VISN Director; the Director of the Office of Capital Asset Management and Support (OCAMS); the Director of Administration, Emergency Preparedness, and Facilities; etc.

**(1) Recommendations.** The LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall prepare recommendations for resolution. The OM shall aggregate recommendations and brief the DVR on portfolio issues.

**(2) Disputes and Claims.** If requested by the OM, the LSM shall compile and provide all necessary documentation related to the dispute/ claim and submit it to OAEM for review as it assesses and determines settlement options. OGC shall assist as necessary.

**e. Tracking Issues to Resolution.** During the steady state, the OM is responsible for overseeing and facilitating the issues resolution process with direction from the DVR. The LSM shall lead and manage the compliance issue resolution process and assign tasks to all appropriate parties. The LSM, in consultation with the VISN CAM or VBA/NCA representative

(as applicable) or any local support staff, is responsible for maintaining his/her EU lease issues log and providing timely updates upon request by the OM. The OM shall be responsible for reviewing the EU lease portfolio issues log, overseeing and facilitating the issues resolution process managed by the LSMs, and briefing the DVR. At all times, notwithstanding any of the above, the DVR will have final authority on any resolution actions, which will be communicated by the OM. The OM shall alert the DVR of any issues not related to compliance that may be development matters (e.g., additional phases to EU lease project, work out issues). The DVR shall determine when an issue becomes a development matter.

**7. DEVELOPMENT MATTERS.** If an issue is determined to be a development matter, the DVR may transfer compliance monitoring and responsibility for the resolution of the development matter to the PM. At the direction of the DVR, the LSM may retain responsibility for the day-to-day post transaction compliance monitoring even if the project reverts from the steady state phase to the formulation or execution phases (e.g., amendments, additional construction phases). Notwithstanding the above, at no time shall the DVR transfer any of the DVR's delegated authorities or responsibilities. The OM will notify the PM, the LSM, the VISN CAM or VBA/NCA representative (as applicable), the local facility director, the lessee, the LFO, and any other applicable parties in writing or via electronic mail (e-mail) of the DVR's decision that a development matter has occurred.

**8. CHANGE OF PERSONNEL.** Over the course of an operational EU lease project, there may be some turnover in key VA personnel or lessee points of contact. Formal notification shall be provided to both parties based on changes to key personnel essential to the EU lease program. To ensure a seamless transition in personnel, written notification shall be provided to the OM or to the lessee at least ten business days prior to the effective date of the change. Key personnel with respect to the EU lease program include the lessee's assigned point of contact, the AS/M (or other duly-authorized VA official), the DVR, the PM, the LSM, and the LFO. Internal notification only is required for personnel changes relating to the OM or the VISN CAM or VBA/NCA representative (as applicable).

**9. STAFFING REQUESTS.** The local facility shall be responsible for providing necessary technical experts to support the LSM throughout the steady state phase. The LSM shall submit all requests for local support staff to the VISN CAM or VBA/NCA representative (as applicable). The local facility director shall be responsible for assigning support staff as requested by the VISN CAM or VBA/NCA representative (as applicable). Such requests will primarily include engineering staff and/or financial staff. All requests for local or VISN/VACO support staff should follow appropriate VHA, VBA, or NCA (as applicable) staffing and communication protocols, with a courtesy copy to all parties (including the local facility director; the VISN CAM or VBA/NCA representative (as applicable); the OM; and any other applicable parties, i.e. VISN Director; Director of OCAMS; Director of the Office of Administration, Emergency Preparedness, and Facilities; etc.).

**CHAPTER 6 - ENHANCED-USE LEASE PAYMENT PROCESS**

**1. PROGRAM OUTCOMES.** The OM shall develop an individual OTS for each EU lease, which tracks financial and in-kind consideration, account balances, as well as any VA expenses incurred by the EU leases. The PM will notify the OM of the key consideration terms of the EU lease (e.g., through the MIS) and assist as requested in drafting the OTS. The OTS will be integrated into EULIS. Consideration management reports will include a standardized calculation methodology that, based upon project performance entry by the PM or the LSM, will calculate program outcomes ensuring consistency across projects. The procedures described below focus on financial payments.

**2. TYPES OF CONSIDERATION.** Cash is one type of consideration that VA realizes from an EU lease. As background, there are two types of consideration as follows:

**a. Cash.** Cash receipts to VA. Such payments may include one-time reimbursement payments, lump-sum payments at EU lease signing, recurring rental payments, or other recurring payments related to ancillary services.

**b. In-Kind Consideration.** EU leases executed under VA's now-expired EU lease statute may include provision of goods or services of benefit to the Department, including construction, repair, remodeling, or other physical improvements of Department facilities, maintenance of Department facilities, or the provision of office, storage, or other usable space.

**3. VA CLASSIFICATIONS.** For reporting purposes, VA classifies in-kind consideration into three categories:

**a. Cost Avoidance.** Amounts that would be incurred by VA to maintain a facility or deliver services in the absence of an EU lease.

**b. Cost Savings.** Discounts realized on necessary VA purchases.

**c. Enhanced Services.** A service expansion or improvement available to Veterans or their families or to VA employees, having a budget neutral impact on the VA operating budget.

**4. TYPES OF PAYMENTS.** Third-party entities may remit EU lease payments for purposes including one-time reimbursement payments, recurring rental payments, or recurring payments related to ancillary services.

**a. VACO (OAEM and the Office of Finance)** maintains responsibility for the receipt, recording, and oversight of one-time reimbursement payments associated with an EU lease. In instances where OAEM and OGC have incurred project-related expenses associated with a lease, OAEM may seek to recover the administrative costs from project proceeds in accordance with VA Handbook 7415. The OM, with technical assistance by the Office of Finance, shall be responsible for invoicing the lessee for one-time reimbursement payments and for ensuring accurate recording in FMS and any other required VA systems. Additionally, the OM with assistance by the Office of Finance has the responsibility to investigate and resolve all payment discrepancies.

b. In accordance with VA Handbook 7415, when one-time reimbursement payments are not adequate to cover the administrative costs associated with the lease, the remaining amount due shall be deducted from the recurring payments until such time as all administrative costs are recovered. During this time of recovery of administrative costs, processing of recurring payments is handled by the OM and the Office of Finance. Once administrative costs are fully recouped, the responsibility for ongoing processing of this type of payment is transferred to the LFO, with oversight by the PM, if this occurs during the construction phase, or the LSM, if this occurs during the steady state phase.

(1) The OM must document in writing the transfer of responsibility from VACO (OAEM and the Office of Finance) to the PM or LSM and the local finance center. If applicable, the OM must also document in writing the transfer of responsibility from the PM to the LSM at the start of the steady state phase.

(2) Additionally, the OM must notify the remitter in writing of any new contacts (the PM or LSM and the LFO, as applicable) to ensure a smooth transition for the processing of future payments.

(3) Once the PM or LSM and the local finance center assume responsibility for payment processing, they also assume responsibility to investigate and notify OAEM of any payment discrepancies.

(4) All notifications should include a courtesy copy to all relevant parties (i.e. the PM, the LSM, the VISN CAM or VBA/NCA representative, the LFO, the local facility director, and the lessee as applicable).

c. There may be instances where OAEM does not expect to recover administrative costs, and as such, the PM and the local finance center shall be assigned responsibility for the processing of recurring payments at the start of the process.

**5. REMITTANCE OPTIONS.** As outlined in Appendix G, payment remittance by third-party entities can occur through one of three methods:

**a. Remittance Express (REX) Account.** Submission of Automated Clearing House (ACH) payments directly by a third party entity (preferred method).

**b. Treasury Fedwire Deposit System (FDS).** Submission of payment via wire transfer.

**c. Check.** Submission of check directly to VACO (OAEM and the Office of Finance).

## 6. RECORDING OF RECEIPT.

**a. REX and FDS Payments.** When submitting REX and FDS payments, the remitter must notify VACO (OAEM and the Office of Finance) of the payment amount transmitted. The OM monitors the Treasury CA\$HLINK II System, a system utilized to monitor collections received during the month, and upon receipt notifies the Office of Finance who shall record the receipt in FMS.

**b. Check Payments.** All checks received by the OM are given to the VACO agent cashier for deposit and processing, in accordance with agent cashier guidelines.

**c. Recording Payments in FMS.** See Appendix G for details on payment recording procedures, including requirements for deposit number, fund number, and revenue source code needed to record remittance amounts. Any movement of funds between accounts must be supported by written request and have the proper authorization.

**(1) Use of Correct Codes.** It is critical that accurate fund numbers, general ledger classification codes and revenue source codes are used by both VACO (OAEM and the Office of Finance) and at the local facility level by the local finance center when processing payments. The OM is responsible for the development and maintenance of a spreadsheet listing the valid fund numbers, general ledger classification codes, and revenue source codes for EU leases. The OM is also responsible for the distribution of this spreadsheet with proper instructions to the appropriate PM/LSM and LFO when the OM transfers payment processing responsibility to the local facility level to ensure that accurate coding is used when recording data into the FMS system. Please refer to Appendix F for a sample spreadsheet.

**7. VA EXPENDITURES.** The PM, the LSM, the LFO, or the VISN CAM or VBA/NCA representative (as applicable) shall not have the authority to approve any VA expenditures on the project. Only the DVR shall have the authority to approve any VA expenditures on the project.

**a. Execution Phase.** The LFO and the VISN CAM or VBA/NCA representative (as applicable) must notify the local facility director, the PM, and the OM of any requested VA expenses on the EU lease project. The OM shall coordinate approval from the DVR. All expenses shall be tracked by the LFO in FMS and should be updated accordingly by the PM in EULIS, with oversight by the VISN CAM or VBA/NCA representative (as applicable) and the OM.

**b. Steady State Phase.** The LFO and the VISN CAM or VBA/NCA representative (as applicable) must notify the local facility director, the LSM, and the OM of any requested VA expenses on the EU lease project. The OM shall coordinate approval from the DVR. All expenses shall be tracked by the LFO in FMS and should be updated accordingly by the LSM in EULIS, with oversight by the VISN CAM or VBA/NCA representative (as applicable) and the OM.

**8. REPORTING REQUIREMENTS.** Ongoing oversight of financial transactions is performed by VACO (OAEM and the Office of Finance), the PM and the LSM, and the local finance center as described in Chapters 5 and 6. These officials ensure that EU lease financial payments are received and accounted for, that there is complete and accurate recording in FMS, and that the consideration received complies with lease terms.

**a. Office of Finance Requirements.** The Office of Finance prepares external financial reports, including VA's quarterly and annual consolidated financial statements, which are presented to the Department of the Treasury, Office of Management and Budget (OMB), and Congress. Additionally, an annual statement on the status of funds deposited into the MCCF and reimbursements related to the EU leasing program (by individual project) is prepared by the Administration Chief Financial Officer (CFO) and provided to the AS/M.

**b. PM/LSM Requirements.** On a monthly or quarterly basis (dependent upon the frequency of consideration payments and the particular phase of the EU lease's lifecycle), the PM or LSM shall update EULIS to reflect consideration payments made during the reporting period. The PM or LSM shall ensure that the consideration data agrees to amounts recorded by the Office of Finance in FMS.

**c. VISN CAM or VBA/NCA Representative and OM Requirements.** On a quarterly basis, the VISN CAM or VBA/NCA representative (as applicable) and the OM shall review EULIS to ensure that the payment and expense balances reflected in EULIS agree to amounts recorded by the Office of Finance in FMS.

**CHAPTER 7 – DEFAULT MONITORING**

**1. DEFAULT PROCESS.** The PM during the execution phase or the LSM during the steady state phase is responsible for carrying out day-to-day administration and reporting requirements associated with the EU lease. Ongoing monitoring of the EU lease will enable the PM or LSM to identify when a lessee or VA is at risk of default because of actions or omissions resulting in non-compliance with the terms and conditions of the lease.

**a. Execution Phase.** If the PM expects or has confirmed an event of default by the lessee or by VA, the PM shall immediately notify the VISN CAM or VBA/NCA representative (as applicable), the OM and the DVR. The PM is responsible for overseeing and facilitating the default remedy process with direction from the DVR. The PM must keep the OM informed on all matters. The PM, in consultation with the VISN CAM or VBA/NCA representative (as applicable), any local support staff, and the OM, shall then work with the lessee or Department in an effort to remedy any event of default. At all times, notwithstanding any of the above, the DVR will have final authority on any remedy actions, which will be communicated by the PM. If no remedy is possible, then the DVR shall proceed with termination of the lease.

**b. Steady State Phase.** If the LSM expects or has confirmed an event of default by the lessee or by VA, the LSM shall immediately notify the VISN CAM or VBA/NCA representative (as applicable) and the OM. The OM shall then immediately notify the DVR and the PM. The PM, with assistance from the OM, is responsible for overseeing and facilitating the default remedy process with direction from the DVR. The LSM, in consultation with the VISN CAM or VBA/NCA representative (as applicable), any local support staff, and the OM, shall then work with the lessee or Department in an effort to remedy any event of default. At all times, notwithstanding any of the above, the DVR will have final authority on any remedy actions, which will be communicated by the OM. If no remedy is possible, then the DVR shall proceed with termination of the lease.

**2. NOTICE OF DEFAULT OR NOTICE OF TERMINATION.** Upon the occurrence of an event of default by either the lessee or by VA, the PM or LSM shall coordinate with the OM, the DVR, and OGC to prepare, as applicable, a written notice of default or written notice of termination, which is presented to the lessee, lessee's counsel if the EU lease requires it, and any applicable Leasehold Mortgagees.

**a. Execution Phase – PM Responsibilities.** Immediately following any event of default the PM shall notify the VISN CAM or VBA/NCA representative (as applicable) and the OM in writing and attach all supporting documentation. The OM shall assist the PM in drafting the Notice of Default or Notice of Termination, as necessary. The PM will be responsible for notifying the DVR. The PM, the OM, and the DVR (with assistance from the VISN CAM or VBA/NCA representative as requested) shall then work with the lessee or Department in an effort to remedy any event of default. If no remedy is possible, then the DVR shall proceed with steps necessary to terminate the lease.

**b. Steady State Phase – LSM Responsibilities.** Immediately following any event of default during the steady state, the LSM shall notify the VISN CAM or VBA/NCA representative (as applicable) and the OM in writing and attach all supporting documentation. The OM will be responsible for notifying the DVR and the PM. The LSM (with assistance from the VISN CAM or VBA/NCA representative as requested) shall assist the PM and the OM in drafting the

Notice of Default or Notice of Termination, as necessary. The LSM, the VISN CAM or VBA/NCA representative (as applicable), the OM, and the DVR shall then work with the lessee or Department in an effort to remedy any event of default. If no remedy is possible, then the DVR shall proceed with steps necessary to terminate the lease.

**c. OM Responsibilities.** Once the OM has received notification from the LSM, the OM shall immediately notify the DVR and assist the PM in preparing the Notice of Default. Once the Notice of Default has been approved, the OM is responsible for mailing the notice to all appropriate parties, updating the project's status in EULIS, and uploading the Notice of Default to EULIS. As directed by the DVR, the PM, with assistance from the OM, shall prepare the Notice of Termination. Once the Notice of Termination has been approved, the OM is responsible for mailing the notice to all appropriate parties, updating the project's status in EULIS, and uploading the Notice of Termination to EULIS.

**(1) Projects Held in Trust.** Trust projects require additional notifications when an EU lease project enters default. With the assistance of the PM, the LSM, and the VISN CAM or VBA/NCA representative (as applicable), the OM is responsible for drafting trustee letters and liaising with the OFPIAR as necessary. Additionally, the OM may be required to advise the Office of Finance on bondholder issues.

**d. DVR Responsibilities.** The DVR is responsible for approving the Notice of Default and/or Notice of Termination.

**3. CURE PERIOD.** Upon an EU lease party's issuance of a written Notice of Default to the other EU lease party, VA must monitor the underlying cure period in which the defaulting party must remedy (i.e., cure) the underlying EU lease breach. VA shall monitor the actions of each party to determine if the defaulting party is taking appropriate steps to remedy the default within the applicable cure period, as specified in each EU lease.

**a. Execution Phase.** The PM shall coordinate with the VISN CAM or VBA/NCA representative (as applicable), the OM, and the DVR to determine appropriate next steps. The PM with the assistance of the VISN CAM or VBA/NCA representative (as applicable) shall work with the lessee as instructed to fulfill any default requirements specified in the EU lease.

**b. Steady State Phase.** The LSM shall coordinate with the VISN CAM or VBA/NCA representative (as applicable), the OM, and the DVR to determine appropriate next steps. The LSM, with the assistance of the LSM and the VISN CAM or VBA/NCA representative, shall work with the lessee as instructed to fulfill any default requirements specified in the lease.

**c. VISN CAM and VBA/NCA Representative Responsibilities.** The VISN CAM or VBA/NCA representative (as applicable) assists in monitoring the default remedy process.

**d. OM Responsibilities.** The OM assists in monitoring the default remedy process and coordinates communications with the DVR.

**e. DVR Responsibilities.** The DVR oversees the default remedy process and approves any required notifications.

**4. EARLY TERMINATION/ REPLACEMENT.** If the PM, the LSM, the VISN CAM or VBA/NCA representative (as applicable), the OM, and the DVR are unsuccessful in resolving the default conditions, then the DVR, with assistance from the OM, the PM (with assistance from the LSM and VISN CAM or VBA/NCA representative as necessary), shall work towards completion of the proper steps needed to terminate the EU lease, with approval by the AS/M (or other duly-authorized VA official). OAEM will request legal assistance from OGC for EU lease termination matters.

**a. Recoveries.** The OM (with assistance from the PM, LSM, the VISN CAM or VBA/NCA representative, and the Office of Finance as necessary) shall coordinate with the DVR and all applicable VA staff offices regarding the tracking and reporting of all reasonable expenses, including reasonable attorneys' fees and costs incurred due to termination of an EU lease, and if applicable, costs related to the preparation, execution, and delivery of a replacement or amended lease. Additionally, the OM (with assistance from the LSM, the PM, and the VISN CAM or VBA/NCA representative as necessary) shall coordinate with the DVR regarding the monitoring of recoveries related to damages associated with the default based on Federal, State, or local law.

**b. Amendments.** If multiple parcels are contained in an EU lease, but not all parcels are affected by the event of default/ termination, then the PM or LSM (with assistance from the VISN CAM or VBA/NCA representative and any local support staff as necessary) shall coordinate with the OM, who shall work with the DVR and OGC to prepare, as applicable and if deemed appropriate from a business and legal perspective, an amendment to the existing lease or a replacement EU lease excluding the affected parcel.

**c. Notifications.** The OM is responsible for overseeing and facilitating the notification process as directed by the DVR. Timely notification of any changes to an EU lease must be provided to stakeholders, trustees, and all other applicable parties by the PM during the execution phase or by the LSM during the steady state.

**d. Terminations, Replacements, and Amendments.** The AS/M (or other duly-authorized VA official) is responsible for approving any termination, replacement, or amendment to an existing EU lease. The LSMs, the PMs, the VISN CAMs, the VBA/NCA representatives, and the OM(s) shall not have the authority to execute any amendments/ modifications to the EU lease, to execute any amendments/ modifications to any EU lease exhibits, or to extend or terminate the EU leases. All such inquires shall be directed to the DVR.

**CHAPTER 8 – DISPOSAL**

**1. DISPOSAL AUTHORITY.** Under 38 U.S.C. § 8164 of VA's EU lease statute, the Secretary was granted the authority to pursue a disposal action during the term of the EU lease or within 30 days thereafter, if the Secretary determined that the leased property was no longer needed by the Department. Only the Secretary can exercise this disposal authority, and this authority may not be delegated. Upon completion of analysis concerning the viability of an asset and the determination that the asset is no longer aligned with the VA's mission and strategic vision, the Secretary may proceed with the final phase in the lifecycle of an asset (i.e. disposal) of the EU lease property.

**2. REQUIREMENTS.** In order to transfer to the lessee all rights, title, and interest of the United States in the property, the Secretary must ensure the following:

**a. Fair Market Value.** VA is required to obtain appropriate consideration as determined by the Secretary for any real property disposition. Receipt of the proceeds from the disposition of EU lease properties shall be designated by the Secretary to either the major or minor construction accounts or to the Capital Asset Fund (CAF).

**b. Notice.** The Secretary is required to provide to the Congressional VA committees a "Notice of Intent to Dispose" at least 45 days prior to commencing disposal of the leased property.

**c. Compliance with Federal Laws.** Prior to transferring the property, the transfer must be in compliance with the NEPA, NHPA, and the Comprehensive Environmental Response, Compensation & Liability Act (CERCLA).

**d. Compliance with all VA internal Directives, Handbooks, Publications, and Protocols.**

(1) Some disposals may require approval at the Administration level before submission to the Secretary for final authorization. Disposal actions shall follow all published Administration protocols.

(2) Information related to the disposition of an asset, such as any applicable business case applications or disposal data elements (e.g., environmental and life safety performance measures and energy related information) shall be entered into VA systems as required.

(3) OAEM is responsible for developing a Disposal Plan for all VA capital assets proposed for disposal, regardless of threshold level or transfer option. The AS/M (or other duly-authorized VA official) shall issue a disposal plan call memo annually. The OM must respond to the call memo with the EU assets proposed for disposal.

(4) Monitoring of disposal transactions through completion occurs with quarterly disposal status reports generated from CAMS and submitted to OMB.

**REFERENCES**

1. Asset Management Plan FY 2008
2. Consideration Report FY 2009, FY 2008
3. VA Resident Engineer Handbook, Updated 02/28/02
4. VA Directive 7415, Enhanced-Use Leasing Program Policies and Procedures
5. VA Handbook 7415, Enhanced-Use Leasing Program Policies and Procedures
6. VA Handbook 7415, Reference A - Enhanced-Use Leasing Legislation
7. VA Handbook 7415, Reference B - Enhanced-Use Leasing Program Quick Reference Guide
8. VA Handbook 7415, Reference D - Criteria for Re-Delegation of EU Projects
9. VA Handbook 7415, Reference I - Roles of Responsible Officials
10. VA Handbook 7415, Reference P - Guidance for Processing Enhanced-Use Lease Payments
11. VA Handbook 7633, Managing Underutilized Real Property, Including Disposal
12. VA Organizational Briefing Book, June 2010

**APPENDICES**

- A. Roles of Responsible Officials
- B. Oversight Management Tools
- C. Formal End of Construction Report
- D. Enhanced-Use Leasing Reporting Systems
- E. Sample Accounting Codes
- F. Enhanced-Use Lease Payment Policies and Procedures
- G. Glossary

## APPENDIX A

## ROLES OF RESPONSIBLE OFFICIALS

**NOTE:** *The post transaction duties, tasks, and responsibilities of the Department of Veterans Affairs (VA) officials included in Appendix A, Roles of Responsible Officials, are numerous and varied. The following descriptions are not exhaustive, but meant to provide an overview of the types of compliance oversight activities to be performed.*

**1. DESIGNATED VA REPRESENTATIVE***Post Transaction Responsibilities:*

- a. Oversee all EU Lease projects to ensure lessees are performing in accordance with the terms and conditions of the leases.
- b. Oversee the Designated Local VA Representative (DLVR) (as applicable) and the Oversight Monitor (OM).
- c. Act as only recognized point of contact by the lessee for actions to be taken on assigned projects.
- d. Act as only recognized point of contact by the financial lenders for funds disbursements for assigned projects.
- e. Act as point of contact for dispute resolution when applicable.
- f. Serve as the interpreter of the lease provisions for the Department, or oversee the DLVR's performance of such function.
- g. Provide support and guidance to DLVR (as applicable) and/or the OM upon request.
- h. Authorize and oversee a Portfolio Manager (PM) to oversee the day-to-day activities of the EU Lease during the execution phase, or oversee the DLVR's performance of such function.
- i. As applicable, authorize any VA Resident Engineers (REs) to support the PM in overseeing the day-to-day activities of the EU Lease during the execution phase.
- j. Authorize and oversee a Local Site Monitor (LSM) who oversees the day-to-day activities of the EU Lease during the steady state phase, or oversee the DLVR's performance of such function.
- k. Authorize all payments, disbursements and reimbursement requests, or oversee the DLVR's performance of such function.
- l. Provide final approval on all post transaction lessee submittals, including Design and Development Plans, Operations and Maintenance Plans, Tenant Selection Plans, etc.
- m. Provide final approval on any proposed changes to supplementary agreements (e.g. exhibits to the Lease that do not affect any original language of the EU lease terms).
- n. Execute all documents pertinent to EU leases except the EU lease itself and any subsequent amendments, or oversee the DLVR's performance of such function.
- o. Negotiate changes via amendments to the EU lease when appropriate. Must gain approval by the AS/M to execute amendments.
- p. Resolve all disputes, or oversee the DLVR's performance of such function.

**Appendix A****2. DESIGNATED LOCAL VA REPRESENTATIVE***Background*

The AS/M can re-delegate authority on a project-by-project basis to the Administrations with the exception of the authority to dispose of a real property asset; the AS/M's disposal authority cannot be re-delegated. The Under Secretaries for Benefits and National Cemetery cannot re-delegate authority without authorization from the AS/M; however, the Under Secretary for Health is authorized to re-delegate authority to a DLVR for lease administration and monitoring under the oversight of the DVR.

An EU project must meet certain criteria in order to be eligible for re-delegation. The criteria includes: no obligation or financial liability by the Department for lease improvements; project value must be below established threshold for major construction; lease term can be no greater than 55 years; and project cannot be considered a "significant asset initiative" as determined by the Secretary.

For EU leases re-delegated to any of the three Administrations, i.e. Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), and National Cemetery Administration (NCA), the respective Under Secretary may designate a DLVR with the authority to perform the same tasks that the DVR is authorized to perform for non-delegated EU leases, under the oversight of the DVR. Re-delegation by the Under Secretaries of the VBA or the NCA requires prior approval by the AS/M.

*Post Transaction Responsibilities:*

- a. Oversee all re-delegated EU Lease projects to ensure lessee is performing in accordance with the terms and conditions of the lease.
- b. Act as only recognized point of contact recognized by the lessee for actions to be taken on assigned projects.
- c. Act as only recognized point of contact by the financial lenders for funds disbursements for assigned projects.
- d. Act as point of contact for dispute resolution for assigned projects, when applicable.
- e. Serve as the interpreter of the lease provisions (for re-delegated leases) for the Department.
- f. Provide support and guidance to the OM, DVR, and the AS/M upon request.
- g. Authorize and oversee a PM to oversee the day-to-day activities of the EU Lease during the execution phase for assigned projects.
- h. Authorize and oversee a LSM who oversees the day-to-day activities of the EU Lease during the steady state phase.
- i. Authorize all payments, disbursements and reimbursement requests for assigned projects.

**Appendix A**

- j.** Provide final approval on all post transaction lessee submittals for assigned projects, including Design and Development Plans, Operations and Maintenance Plans, Tenant Selection Plans, etc.
- k.** Provide final approval on any proposed changes to supplementary agreements (e.g. Exhibits to the Lease that do not affect any original language of the EU lease terms).
- l.** Execute all documents pertinent to re-delegated EU leases, except the EU lease itself and any subsequent amendments.

## Appendix A

**3. OVERSIGHT MONITOR**

The OM shall not have the authority to execute any amendments/ modifications to the EU lease, to execute any amendments/ modifications to any EU lease exhibits, to extend or terminate the EU lease, or to approve any VA expenditures on the projects. All such inquires shall be directed to the DVR.

*Post Transaction Responsibilities:*

- a. Manage creation and implementation of monitoring tools:
  - (1) Create and distribute templates for the Monitoring Information System (MIS) and Outcomes Tracking Sheet (OTS)
  - (2) For each EU lease, review and approve the MIS, OTS, the Oversight Compliance Summary Certificate (OCSC), and the formal end of construction report (ECR).
    - a. Work with the Veterans Integrated Service Network Capital Asset Managers (VISN CAMs) or VBA/NCA representatives (as applicable), the LSM, and the PM to resolve any issues.
    - b. Approve the final formal ECR.
    - c. Notify all parties of approval.
    - d. Notify the DVR upon final acceptance of the ECR by the LSM.
- b. Manage and implement trainings and lessons learned process for compliance tracking:
  - (1) Develop training materials for the PMs, the VISN CAMs, the VBA/NCA representatives, and the LSMs on proper compliance management of EU leases.
  - (2) Organize meetings for the LSMs, the VISN CAMs, the VBA/NCA representatives, and the PMs, any applicable community or VA partners, etc.
- c. Coordinate communication with the lessee and with all relevant VA parties (including facilitating necessary approvals by the DVR) during the steady state phase:
  - (1) Facilitate all communication between the DVR/DLVR and the LSMs, the PMs, the VISN CAMs, the VBA/NCA representatives, and the lessees.
  - (2) Notify all VA parties of the transfer of responsibilities from the PM to the LSM, or from the LSM to the PM.
- d. Oversee the receipt, processing, and tracking of consideration payments (financial or in-kind), expenses, and other account balances:
  - (1) Oversee the processing of one-time reimbursement payments and monitor recovery of administrative costs.
  - (2) Once administrative costs are recouped, transfer responsibility through written correspondence from VACO (the Office of Management and the Office of Finance) to the local facility office (the Local Fiscal Officer (LFO) and the PM during execution phase, or the LFO and the LSM during the steady state phase).
  - (3) Identify and distribute revenue source codes to the PMs, the VISN CAMs, the VBA/NCA representatives, the LSMs, and the LFOs.

Appendix A

- (4) Overseeing the tracking of the lessee's Funded Maintenance Account (FMA), Maintenance Reserve Account (MRF), other reserve accounts, escrows, and any other miscellaneous accounts.
- (5) Oversee the tracking of VA Capital Contributions.
- (6) Oversee the tracking of VA expenses.
- (7) Oversee the tracking of in-kind consideration payments.
- e. Facilitate the EU lease, Management Agreements, or Service Agreement renewal option process:
  - (1) Support the PM in notification to lessee regarding VA plans for renewal or intention to vacate at six months into a New Term Agreement.
- f. Oversee and facilitate resolution to EU lease compliance disputes, complaints, requested changes, amendments, defaults, etc, as necessary and only as directed by the DVR:
  - (1) Coordinate with the LSMs, the PMs, the VISN CAMs, the VBA/NCA representatives regarding resolution of issues with the lessee.
  - (2) Maintain the EU leasing program issues log and post to EULIS.
  - (3) Aggregate issues and recommendations and brief the DVR on all EU lease issues.
  - (4) Notify all parties of the DVR's decisions.
  - (5) Work with the DVR to determine which issues are development matters and the appropriate next steps.
  - (6) Ensure timely responses from DVR/DLVR related to comments/changes to any lessee submittal (submitted by PM or LSM).
- g. Oversee the collection of compliance data and documents (e.g. OTS data, insurance certificates, taxes, financial statements, etc):
  - (1) On a quarterly basis or more frequently as issues arise, monitor the Enhanced-Use Leasing Information System (EULIS) and any other necessary data systems to ensure that the PMs (as applicable), the VISN CAMs, the VBA/NCA representatives, and the LSMs have completed their monitoring activities and have uploaded all data and project documents.
- h. Manage information systems and reporting:
  - (1) Compile data from EULIS, OTS, and other VA systems and prepare management reports.
  - (2) Specific to trust-related projects, distribute an Annual Disclosure Statement.
- i. Ensure proper document management and maintenance:
  - (1) Ensure that electronic copies of all compliance documents are stored in EULIS and any other required VA systems in accordance with the OAEM Records Management System.
- j. Perform annual compliance reviews at fiscal year-end:
  - (1) Assess compliance performance, rate projects within the EU lease portfolio, solicit feedback from LSMs, PMs, VISN CAMs, and VBA/NCA representatives to assess recommendations/best practices, ensure that all project documents have

**Appendix A**

- been uploaded EULIS, ensure that financial payments/expenses have been recorded appropriately in FMS, and ensure that all data elements have been updated appropriately in all project OTS, EULIS, or other relevant VA systems.
- (2) Identify projects with major issues and notify DVR/DLVR.
  - (3) Identify projects with high performance and facilitate best practices discussion with these project LSMs and PMs at meetings.
- k. Default activities:**
- (1) Notify the DVR/DLVR and assist the PM in the preparation of the Notice of Default or Notice of Termination to all appropriate parties, update the project's status in EULIS, and upload the Notice of Default/Notice of Termination to EULIS.
  - (2) Specific to trust-related projects in default, provide trustees with notification.

#### 4. CAPITAL ASSET MANAGER

The VISN CAM shall not have the authority to execute any amendments/ modifications to the EU lease, to execute any amendments/ modifications to any EU lease exhibits, to extend or terminate the EU lease, or to approve any VA expenditures on the projects. All such inquires shall be directed to the DVR.

##### *Post Transaction Responsibilities:*

- a. Recommend (for DVR approval) the LSM within 90 days prior to the completion of construction.
- b. Review and notify the OM of approval of the MIS, or of any outstanding issues.
  - (1) Review and work with the PM, the LSM, and the OM to resolve the LSM's comments on the MIS, and notify the OM of acceptance of the MIS.
- c. Review the formal ECR (including the executed OCSC) to ensure proper completion.
  - (1) Work with the PM, the LSM, and the OM to resolve comments on the formal ECR, and notify the OM of approval of the formal ECR.
- d. Perform oversight reviews of the LSM's monitoring activities on a quarterly basis, or more frequently as appropriate or when issues arise to include review of EULIS and of other necessary data systems (including the Capital Asset Inventory (CAI) and the Strategic Capital Investment Planning (SCIP) tool), e.g. financial/in-kind consideration data, project documents, issue resolution tracking, OTS, etc.
- e. As directed by the OM, assist the PM or the LSM in resolving issues and/or preparing recommendations or notices related to the EU lease project (e.g. default, amendments, etc).
- f. Track resolutions to compliance issues resolved by the PM during the execution phase.
- g. Track resolutions to the issues log maintained by the LSM during the steady state phase (and updated in EULIS).
- h. Perform annual reviews of the EU project to identify major issues and lessons learned.

## Appendix A

**5. VETERANS BENEFITS ADMINISTRATION & NATIONAL CEMETERY ADMINISTRATION REPRESENTATIVE**

The NCA/VBA representative shall not have the authority to execute any amendments/modifications to the EU lease, to execute any amendments/modifications to any EU lease exhibits, to extend or terminate the EU lease, or to approve any VA expenditures on the projects. All such inquires shall be directed to the DVR.

*Post Transaction Responsibilities:*

- a. Recommend (for DVR approval) the LSM within 90 days prior to the completion of construction.
- b. Review and notify the OM of approval of the MIS, or of any outstanding issues.
  - (1) Review and work with the PM, the LSM, and the OM to resolve the LSM's comments on the MIS, and notify the OM of acceptance of the MIS.
- c. Review the formal ECR (including the executed OCSC) to ensure proper completion.
  - (1) Work with the PM, the LSM, and the OM to resolve comments on the formal ECR, and notify the OM of approval of the formal ECR.
- d. Perform oversight reviews of the LSM's monitoring activities on a quarterly basis, or more frequently as appropriate or when issues arise to include review of EULIS and of other necessary data systems (including the Capital Asset Inventory (CAI) and the Strategic Capital Investment Planning (SCIP) tool), e.g. financial/in-kind consideration data, project documents, issue resolution tracking, OTS, etc.
- e. As directed by the OM, assist the PM or the LSM in resolving issues and/or preparing recommendations or notices related to the EU lease project (e.g. default, amendments, etc).
- f. Track resolutions to compliance issues resolved by the PM during the execution phase.
- g. Track resolutions to the issues log maintained by the LSM during the steady state phase (and updated in EULIS).
- h. Perform annual reviews of the EU project to identify major issues and lessons learned.

## 6. PORTFOLIO MANAGER

The PM shall not have the authority to execute any amendments/ modifications to the EU lease, to execute any amendments/modifications to any EU lease exhibits, to extend or terminate the EU lease, or to approve any VA expenditures on the projects. All such inquires shall be directed to the DVR.

### *Post Transaction Responsibilities:*

#### Execution Phase:

- a. Populate the MIS template (provided by the OM) once the EU lease has been executed and provide to the VISN CAM or VBA/NCA representative (as applicable) and the OM for review. Post the approved MIS to EULIS.
- b. As requested, assist the OM in creating the OTS for the EU lease.
- c. Facilitate communication between VA and the lessee.
- d. Request local staff support to assist with development activities, as necessary.
- e. Oversee development (e.g. construction/ renovation) activities to ensure lessee is performing in accordance with EU Lease terms and conditions.
- f. Perform a parallel review with all required VA parties of the lessee's Design Plan, Development Plan, Operations and Maintenance Plan, Tenant Selection Plan, and any other required plans/ agreements. Submit comments to the VISN CAM or VBA/NCA representative (as applicable) and the Director of Investment and Enterprise Development Service (IEDS), and other VA parties as requested.
- g. Coordinate timely responses by the lessee and by VA for all submittals.
- h. Conduct or verify periodic oversight inspections of construction activities.
- i. Monitor the processing of real property data into the Capital Asset Inventory (CAI) database.
- j. Maintain, store, and upload data and documents in accordance with the OAEM Records Management System.
- k. As directed by the OM, monitor processing by LFO of any payables or receivables to ensure receipt of payment and the accurate recording of financial transactions in FMS.
  - (1) Ensure the proper Revenue Source Code (RSC) is used and that the RSC is active in FMS for posting.
  - (2) Coordinate with the LFO to ensure there are no outstanding balances due to the VA or to the lessee, and notify the VISN CAM or VBA/NCA representative (as applicable) and OM of any financial payment issues as soon as they arise.
  - (3) Mail invoices to lessee, as necessary.
- l. Populate the OTS on a monthly basis, or less frequently as directed by the OM.
  - (1) Additionally, populate any other required VA systems on a monthly, quarterly, semi-annual, or annual basis (as required by the frequency of consideration

## Appendix A

receipt or as expenses occur), if the EU lease mandates consideration during the execution phase.

- m. Notify the VISN CAM or VBA/NCA representative (as applicable) and the OM of instances in which the lessee is violating any terms or conditions of the EU Lease or of any disputes, conflicts, or pending suits.
- n. Notify the VISN CAM or VBA/NCA representative (as applicable) and the OM of any recommended/ proposed changes to the terms of the EU lease and/or any supplementary documents (e.g. Service Agreements, Design/Development Plans, etc).
- o. Support the DVR and the OM in preparation of materials related to amendments, litigation, and termination/disposal, etc.
- p. Notify the VISN CAM or VBA/NCA representative (as applicable) and the OM 90 days prior to construction/renovations/improvements completion.
- q. Draft and upload to EULIS the formal ECR (including the MIS, completed OCSC, supporting documentation, etc.) within 45 days following the latter of the issuance of the Certificate of Completion (or the equivalent as specified by the EU lease) and VA's receipt of the "As-Built" drawings for the LSM's review.
  - (1) Review any LSM comments on the ECR with the LSM, the VISN CAM or VBA/NCA representative (as applicable), and the OM.
  - (2) Process any changes to the MIS, OCSC, or the draft ECR as instructed by the OM.
  - (3) Post the approved formal ECR to EULIS.
  - (4) Ensure original construction documents are stored in accordance with the policies and procedures outlined in OAEM Records Managements System.
  - (5) Ensure copies of all construction documents are stored at the local office (to be stored for seven years after the end of the EU lease term).
- r. Once the approved formal ECR has been loaded to EULIS, ensure that all necessary data systems, including the Capital Asset Inventory (CAI) and the Strategic Capital Investment Planning (SCIP) tool, are updated with information from the accepted formal ECR.
- s. Maintain the EU lease project issues log and track resolutions.
- t. Prepare transition materials (the formal ECR) for the LSM and transition oversight monitoring responsibilities to assigned LSM at designated point in time. The PM should maintain all records in accordance with the policies and procedures outlined in OAEM Records Managements System.
- u. Notify lessee of the transfer of oversight responsibility to the LSM.
- v. Other duties as needed.

Steady State Phase:

**Appendix A**

- a.** If directed by the DVR, manage the development matters resolution process (e.g. resolve issues and/or prepare recommendations or notices related to changes, defaults, amendments, etc).
- b.** If directed by the DVR, all or a portion of the LSM's compliance monitoring responsibilities may transfer to the PM. Refer to the LSM's responsibilities below.
- c.** Participate in meetings as requested.

## Appendix A

**7. LOCAL SITE MONITOR**

The LSM shall not have the authority to execute any amendments/ modifications to the EU lease, to execute any amendments/ modifications to any EU lease exhibits, to extend or terminate the EU lease, or to approve any VA expenditures on the projects. All such inquires shall be directed to the DVR.

*Post Transaction Responsibilities:*

- a. Review the MIS and submit comments to the VISN CAM or VBA/NCA representative (as applicable), the PM, and the OM for review.
  - (1) Work with the PM, the VISN CAM or VBA/NCA representative (as applicable), and the OM to resolve comments on the MIS.
- b. Review the formal ECR (completed OCSC, supporting documentation, etc.) and provide comments to the PM, the VISN CAM or VBA/NCA representative (as applicable), and the OM.
  - (1) Work with the PM, the VISN CAM or VBA/NCA representative (as applicable), and the OM to resolve comments on the formal ECR.
  - (2) Notify the VISN CAM, the PM, and the OM of final acceptance of the ECR or of any outstanding issues.
- c. Facilitate communication between VA and the lessee.
  - (1) Coordinate timely responses by lessee and VA for all submittals.
- d. Oversee operational activities to ensure lessee is performing in accordance with EU Lease terms and conditions during the steady state phase.
  - (1) Notify the VISN CAM or VBA/NCA representative (as applicable) and the OM of instances in which the lessee is violating any terms or conditions of the EU Lease or of any disputes, conflicts, or pending suits.
- e. Log and track issues and maintain project notes and supporting documentation in EULIS on a monthly basis.
- f. As communicated by the OM, manage the compliance issues resolution process.
  - (1) Work with the lessee, the VISN CAM or VBA/NCA representative (as applicable), the OM, or other relevant parties to resolve issues.
  - (2) Update the issues log in EULIS with resolutions, etc.
- g. Conduct periodic oversight inspections of the lessee's operational activities.
- h. Upload data and documents as required into EULIS and any other required systems.
  - (1) Monitor the processing of any applicable real property data into the CAI.
  - (2) Populate the OTS on a monthly basis, or less frequently as directed by the OM.
  - (3) Obtain from lessee operational project documents (e.g. taxes, financial statements, FMA bank statements, insurance certificates, etc) on a periodic basis and upload all project documents to EULIS.
  - (4) Update issues log and project notes on monthly basis or more frequently as issues arise.

Appendix A

- i. As directed by the OM, monitor processing by LFO of any payables or receivables to ensure receipt of payment and the accurate recording of financial transactions in FMS.
  - (1) Ensure the proper RSC is used and that the RSC is active in FMS for posting.
  - (2) Coordinate with the LFO to ensure there are no outstanding balances due to the VA or to the lessee, and notify the VISN CAM or VBA/NCA representative (as applicable) and OM of any financial payment issues as soon as they arise.
  - (3) Mail invoices to lessee, as necessary.
- j. Notify the VISN CAM or VBA/NCA representative (as applicable), the PM, and the OM of any recommended/ proposed changes to the terms of the EU lease and/or any supplementary documents (e.g. Service Agreements, Design/Development Plans, etc).
- k. Support OAEM in preparation of materials related to amendments, litigation, and termination/disposal, etc.
- l. Complete and post the AOCC with all supporting documentation to EULIS within 30 days of the close of each fiscal year during the steady state.
- m. Participate in meetings as directed by the OM.
- n. Perform annual compliance review at fiscal year-end to assess lease compliance performance, solicit feedback from the lessee or the VISN CAM or VBA/NCA representative (as applicable) to assess recommendations/best practices, ensure financial payments have been recorded appropriately in FMS, etc.
- o. If directed by the DVR, perform all or a portion of the monitoring and management activities during the execution phase of the EU lease.
- p. Other duties as needed.



## APPENDIX B

## OVERSIGHT MANAGEMENT TOOLS

**1. POST TRANSACTION OVERSIGHT MANAGEMENT TOOLS.** The sample post transaction oversight management tools in this Appendix represent an integrated system of tools used to monitor compliance of the Enhanced-Use (EU) lease. The Monitoring Information System (MIS) is the process of abstracting EU lease requirements and populating a tool provided by the Oversight Monitor (OM). Additionally, the program Outcomes Tracking Sheet (OTS) for each EU lease is a tool used to track consideration as well as other account balances and expenses. The MIS tool (including the Annual Oversight Compliance Certificate (AOCC)) and the OTS are uploaded to individual project SharePoint sites to create the Enhanced-Use Leasing Information System (EULIS). Compliance team members use EULIS to monitor the EU lease portfolio on an ongoing basis. Further guidance may be provided in training materials. Oversight management tools are subject to change. Current tools are to be provided to program participants by the OM.

**2. MONITORING INFORMATION SYSTEM (MIS).** The MIS is provided by the OM, with additional training materials posted on the OM SharePoint site. Each MIS template consists of a cover page with general lease information, points of contact, a calendar, an issues log, and the AOCC and its corresponding Exhibits. A sample screenshot MIS Cover Page can be found on page B-3. The information collected in the final approved MIS will be used to populate the individual project SharePoint sites in EULIS. The MIS tool for each EU lease is populated by the Portfolio Managers (PMs) upon the execution of an EU lease. The Veterans Integrated Service Network Capital Asset Managers (VISN CAMs), the Veterans Benefits Administration (VBA)/National Cemetery Administration (NCA) representatives (as applicable) and the OM shall review the MIS and suggest revisions as necessary. The MIS shall be uploaded to EULIS for use by all VA officials. During the 90 day transitional period, the LSM shall review the MIS and suggest revisions as necessary. The PM, the VISN CAM or VBA/NCA representative (as applicable), and the OM shall review comments from the LSM, and the PM shall revise as necessary. The OM shall accept the final MIS, and the PM shall upload to EULIS the final MIS as an attachment to the formal ECR.

**3. OTS.** The OTS is a tool created by the OM with input from the PM. PMs and LSMs have responsibility for populating their assigned OTS on a monthly basis (or less frequently depending on the EU lease). The OTS is a tool used to assist the review and monitoring of consideration, expenses, and other account balances: e.g. payments and other accounts, as needed, including: invoicing requirements (receivables), payment requirements (payables), reserve accounts, escrows, VA Capital Improvements, and other miscellaneous accounts.

**4. EULIS.** EULIS is VA's primary post transaction compliance tool. The LSMs, as overseen by the Veterans Integrated Service Network Capital Asset Managers (VISN CAMs), the Veterans Benefits Administration (VBA)/National Cemetery Administration (NCA) representatives, and the OM(s), will utilize EULIS to oversee their assigned EU leases. EULIS incorporates the MIS, serves as a repository for compliance documents, and facilitates the logging and tracking of issues.

**a. EU Lease Project Site.** Refer to the sample screenshot on page B-4. The data collected in the MIS Cover Page and MIS Points of Contact is used to populate the individual project SharePoint sites in EULIS.

**b. Calendar.** The EU lease calendar in EULIS contains key oversight milestones alerting all parties of upcoming due dates and required activities. The MIS Calendar is used to populate the calendars on the individual project SharePoint sites in EULIS.

**c. Issues Log.** All issues and/or feedback are logged and categorized in the issues log and updated throughout the tracking process. The MIS Issues Log will be imported to EULIS.

**d. Document Repository.** All required compliance documents (e.g. EU lease, executed AOCCs and supporting documents, updated OTS, etc) are uploaded to EULIS.

**e. AOCC.** Refer to the sample screenshot on page B-5. The AOCC is made up of various checklists (attached as Exhibits), that together contain all requirements for an operational EU lease. The MIS AOCC is imported to EULIS to create the SharePoint list.

**f. Exhibits.** As indicated on the individual project SharePoint sites (sample on page B-4), EULIS contains the following lists, as applicable, for each EU lease: Exhibit A - Insurance, Exhibit B – Taxes, Exhibit C - Financials, Exhibit D – Budgets, Exhibit E - Consideration, Exhibit F – Reserve/Escrow Accounts, Exhibit G - Trust, and Exhibit H - Site Visit. Each Exhibit contains requirements specific to the named checklist, with any remaining general requirements falling under the Site Visit. The MIS Exhibits are imported to EULIS to create the SharePoint lists.

**g. Key Performance Indicators.** Color ratings (indicated on the EU lease project site) representing project status are assigned to each EU lease by the LSM and the VISN CAM or VBA/NCA representative.

**SAMPLE MIS COVER PAGE**

	A	B	C	D	E	F	G
1	<b>Chillicothe, OH - Stadium Enhanced Use Lease</b>						<i>Last Update</i>
2	<b>Monitoring Information Spreadsheet</b>						<i>2/16/2012</i>
3							
4							
5	<b>Description</b>						
6	VA Memorial Stadium was built by the Blue Star Mothers and was dedicated on May 1, 1955. The stadium has hosted several community and Veteran events. The EU lease will provide for necessary repairs and upgrades to maintaining the integrity of the facility at no cost to VA. This EU lease consists of approximately 4,273 acres of land and improvements.						
7							
8	<b>Benefits</b>						
9	<p><b>To Veterans:</b> Improvements at the stadium will provide Veterans with readily available activities such as concerts, ball games, etc.</p> <p><b>To VA:</b> This VA Memorial Stadium multi-purpose facility project provides VA non-routine capital improvement, fair market rent, use of the stadium at no cost and ground and building maintenance cost avoidance.</p>						
10							
11							
12	<b>AGREEMENT DETAILS</b>						
13	<b>Agreement</b>	<b>Effective Date</b>	<b>Amended Date</b>	<b>Term</b>	<b>Operational Date</b>	<b>Expiration Date</b>	
14	Chillicothe, OH - Stadium EUL	12/22/2008		30 years (two 10-year extension periods)		12/21/2038	
15							
16							
17	<b>BUILDING DETAILS</b>						
18	<b>Name</b>	<b>Acres</b>	<b>Buildings</b>	<b>Square Footage</b>	<b>Beds</b>	<b>Units</b>	<b>Parking Spaces</b>
19	Land and improvements	4.273					
20							

**Note:** Sample oversight management tools are subject to change. Current tools are to be provided to program participants by the OM.

SAMPLE EU LEASE SITE

The screenshot shows a web application interface for 'Dayton, OH - Homeless Housing (Building 402)'. The interface is divided into several sections:

- Navigation:** A top navigation bar with 'Home' and 'EULISOP' links. A breadcrumb trail reads '> EULIS Homepage > Dayton, Ohio > Dayton, OH - Homeless Housing (Building 402)'. A 'This Site: Dayton, OH - Homeless Housing (Building 402)' dropdown is in the top right.
- Left Sidebar:** Contains 'View All Site Content', 'Documents' (with a 'Document Repository' link), and 'Lists' (including Calendar, Issues Log, Insurance: Exhibit A, Taxes: Exhibit B, Financials: Exhibit C, Consideration: Exhibit E, Reserve Account: Exhibit F, Site Visit: Exhibit H, LSM Review, and CAM Review). A 'Recycle Bin' icon is at the bottom.
- Main Content Area:**
  - Header:** 'Dayton, Ohio - Homeless Housing EUL: Building 402'.
  - Image:** A photograph of a three-story brick building.
  - Text:** 'The Dayton VAMC recognized the unmet need for safe, clean and affordable housing opportunities in the area for homeless Veterans. Through this EU lease, Ohio Avenue Commons, LLC (OAC) will develop, renovate, construct, operate, and maintain Building 402 of the property, providing no less than twenty-seven (27) units of transitional housing and related supportive services for eligible Veterans and non-Veterans. Eligible Veterans shall receive priority placement into the Permanent Supportive Housing Facility and any services and programs offered.'
  - Benefits:**
    - To Veterans:** This EU lease is designed to provide safe, supportive, and affordable housing to mentally ill, disabled, and single adult homeless Veterans. The proximity to the Medical Center campus ensures easy access to treatment and services that promote recovery and improved life opportunities for the Veterans served.
    - To VA:** This EU lease will provide income consideration.
  - Agreement Detail:** A table with columns for Agreement, Effective Date, Amended Date, Term, Commencement Date, and Expiration Date.

Agreement	Effective Date	Amended Date	Term	Commencement Date	Expiration Date
Dayton, OH - Homeless Housing EUL	4/19/2007		65 Years (with one 10-year extension option)		4/18/2072
- Right Sidebar:**
  - Contacts:** A table with columns for Contact Name, Contact, Phone Number, and Email.

Contact Name	Contact	Phone Number	Email
Mark Murdock	LSM		
Ron Stertzbach	CAM	513-247-4622	Ronald.Stertzbach@va.gov
Brett Simms	OM	202-632-7092	brett.simms@va.gov
De Carol Smith	PM	202-632-7093	DeCarol.Smith@va.gov
Natalie H. Harris (OAC)	Lessee	937-263-4449	natalie@mvho.net
Emax	OM Contractor	212-813-3510	va@emaxllc.com
  - Building Detail:** A table with columns for Name, Acres, Buildings, Square Footage, Beds, Units, and Park.

Name	Acres	Buildings	Square Footage	Beds	Units	Park
Building 402	0.6049	1			27	
  - Project Status: (GY/R):** Two status indicators: 'LSM Review' and 'CAM Review', both showing a red diamond icon.

**Note:** Sample oversight management tools are subject to change. Current tools are to be provided to program participants by the OM.

AOCC										
New	Actions	Settings								View: All Items
Project	FY	Article	Annual Oversight Compliance Certificate (AOCC) Requirement	Completed (Y/N)	Date	Supporting Document(s)	Comments	Explanation of Exceptions/No Responses		
Dayton - Homeless Housing (Bldg 402)	2011	EUL 14	<b>EXHIBIT A: INSURANCE</b> Verify that the Insurance Checklist has been completed and signed.			Attach Executed Checklist Exhibit A				
Dayton - Homeless Housing (Bldg 402)	2011	EUL 21	<b>EXHIBIT B: TAXES</b> Verify that the Tax Checklist has been completed and signed. Additionally, verify that the Site Visit Checklist has been duly executed.			Attach Executed Checklist Exhibit B & Executed Checklist Exhibit H				
Dayton - Homeless Housing (Bldg 402)	2011	EUL 6	<b>EXHIBIT C: FINANCIALS</b> Verify that the Financials Checklist has been completed and signed. Additionally, verify that the Site Visit Checklist has been duly executed.			Attach Executed Checklist Exhibit C & Executed Checklist Exhibit H				
Dayton - Homeless Housing (Bldg 402)	2011	N/A	<b>EXHIBIT D: BUDGETS</b> N/A	N/A	N/A	N/A	N/A	N/A		
Dayton - Homeless Housing (Bldg 402)	2011	EUL 2	<b>EXHIBIT E: CONSIDERATION</b> Verify that the Consideration Checklist has been completed and signed.			Attach Executed Checklist Exhibit E				
Dayton - Homeless Housing (Bldg 402)	2011	EUL 11	<b>EXHIBIT F: RESERVE ACCOUNT</b> Verify that the Reserve Account Checklist has been completed and signed.			Attach Executed Checklist Exhibit F				
Dayton - Homeless Housing (Bldg 402)	2011	N/A	<b>EXHIBIT G: TRUST</b> N/A	N/A	N/A	N/A	N/A	N/A		
Dayton - Homeless Housing (Bldg 402)	2011	EUL Various	<b>EXHIBIT H: SITE VISIT</b> Verify that the Site Visit Checklist has been completed and signed.			Attach Executed Checklist Exhibit H				
Dayton - Homeless Housing (Bldg 402)	2011	N/A	<b>LOCAL SITE MONITOR:</b> Verify that the AOCC has been completed and then print, sign, and scan with all supporting Exhibits, and then return via email to the Oversight Monitor.							

**SAMPLE AOCC**

**Note:** Sample oversight management tools are subject to change. Current tools are to be provided to program participants by the OM.



## FORMAL END OF CONSTRUCTION REPORT

### 1. END OF CONSTRUCTION REPORT

a. After all improvements have been completed, the PM shall complete a formal End of Construction Report (ECR). This report will be used as a transition document to move the project from execution into steady state.

### 2. END OF CONSTRUCTION MEMO

a. The base document in the formal ECR will be the End of Construction Memo. The End of Construction Memo will include:

- (1) Project Description
- (2) Transaction Structure
- (3) Delegations
- (4) Transaction Participants
- (5) Financing Terms and Requirements
- (6) Revenue and/or In-Kind Consideration
- (7) Cost Savings and/or Cost Avoidance
- (8) Development Project Milestones
- (9) Monitoring Requirements

### 3. ATTACHMENTS

a. Project documents should be included in the ECR in the form of attachments to the End of Construction Memo. Documents to be included are listed below. This list is not exhaustive, and the Portfolio Manager responsible for developing the formal ECR shall use their best judgment in determining whether or not to attach additional documents.

(1) Monitoring Input System (MIS) Tool

(2) General Documents

- a. Enhanced Use Lease
- b. Facility Management Agreement
- c. Development Agreement
- d. Facility Use Agreement
- e. Loan Agreement
- f. Owner Trust Agreement
- g. Indenture of Trust Agreement
- h. Memorandum of Agreement
- i. Bond Purchase Agreement
- j. Amendments
- k. Notice of Intent

(3) Execution Phase Documents

- a. Monthly Status Report & Draw Requests
- b. Certificate of Substantial Completion
- c. Letter of Credit
- d. Oversight Compliance Summary Certificate (OCSC)
- e. Construction Drawings
- f. Project Schedule
- g. Development Plan
- h. Payment & Performance Bond
- i. Agreement Between the Developer and the Design Builder (Design Build Contract)
- j. Audited Financial Statements

## ENHANCED-USE LEASE REPORTING SYSTEMS

**1. REPORTING SYSTEMS.** Throughout the execution and steady state phases of an Enhanced-Use (EU) lease, it is critical that development and/or operational data, including financial/in-kind consideration data, is captured by the appropriate Department of Veterans Affairs (VA) representative(s) and that the appropriate information technology system(s) are utilized to ensure accurate reporting of the EU lease in accordance with established timeframes. Access to these systems is appropriately restricted. The various systems utilized in the post transaction reporting process currently include:

**a. Enhanced-Use Leasing Information System.** The Enhanced-Use Leasing Information System (EULIS) is a web-based oversight tool used for effective and efficient monitoring of executed EU leases during post transaction monitoring. The Portfolio Manager (PM) or the Local Site Monitor (LSM), as applicable, updates EULIS periodically with data and documents, which are then reviewed by the Capital Asset Manager (VISN CAM) or Veterans Benefits Administration (VBA)/ National Cemetery Administration (NCA) Representative (as applicable) and the Oversight Monitor (OM).

(1) In general, EULIS is designed to meet the high level goals including, but not limited to, the following:

- a. Increase communication and collaboration between the LSMs, the CAMs or VBA/NCA Representatives, and the OM(s) for all EU lease projects;
- b. Provide visibility into financial record tracking for consideration, ancillary reimbursements, VA Capital Contributions, EU lease expenditures, and variances;
- c. Provide a centralized repository for managing all documents related to EU lease projects via physical storage or links to appropriate files;
- d. Standardization of EU lease compliance tracking;
- e. Control security access to information;
- f. Track issues and resolutions for all projects; and,
- g. Provide visibility into EU lease compliance performance and an oversight checklist including indicators of upcoming and past-due requirements.

(2) Collect key EU lease compliance data which shall be aggregated into various reports by the OM and reviewed by the Office of Asset Enterprise Management (OAEM) senior management to identify areas of non-compliance with executed EU lease terms. Further detail on using and updating EULIS will be included in separate training materials.

**b. Strategic Capital Investment Planning (SCIP) Automation Tool.** The SCIP Automation Tool (SAT) is a web-based system to collect and analyze data related to VA infrastructure and service gaps and the capital and non-capital solutions to address these gaps. The SAT collects the planning data to produce a 10-year capital plan that

integrates VA's various capital investment programs and Administrations / Staff Offices into a single process. The capital plans include major construction, minor construction, non-recurring maintenance, leasing, and EU leases as tools to meet service and infrastructure gaps.

**c. Capital Asset Management System.** The Capital Asset Management System (CAMS) is a web-based system currently used by VA for tracking and reporting the performance of VA capital assets throughout their lifecycles. CAMS is a business intelligence tool that utilizes data from the Capital Asset Inventory (CAI) database, the Financial Management System (FMS) database, the Veteran Support Service Center (VSSC) energy database, and other real property related data sources to track and report performance results across VA's real estate portfolio. Users can pull canned reports or create ad-hoc reports that are used by various VA representatives during oversight and monitoring of the EU leasing program.

**d. Capital Asset Inventory.** CAI, which is operated by the OAEM, is a web-based database used to capture essential inventory information and real property data for all VA assets. Most data is entered and maintained at the local facility level, then reported and analyzed for government wide reporting requirements such as Federal Real Property Council (FRPC) annual inventory reports. Steady state EU lease data is included in CAI to ensure its relationship to VA's real estate inventory is properly managed.

**e. Financial Management System.** FMS, operated by the Office of Finance, is VA's core accounting system. Financial data is entered by designated financial personnel in accordance with documented procedures (e.g. agent cashier guidelines, etc). FMS information is used for tracking both revenue and expenditures related to EU leases.

APPENDIX E

SAMPLE ACCOUNTING CODES

Administration	Network	Station Name	Station Number	Project Name	ACC	RSC
NCA	4	MOUND CITY, IL	863	EU Lodge Lease	EL1000S3N	E100
Staff	1	Pershing Hall, France	PHALL	Pershing Hall	EL1048S3A	E148
Staff	1	Somerville AMS	794	Somerville EU Adaptive Reuse	EL1047S3A	E147
VHA	1	Bedford	518	Single Residence Occupancy	EL1008S3M	E108
VHA	2	Albany	528A8	Albany, NY EU Parking	EL1010S3M	E110
VHA	2	Batavia	528A4	Havenwood House	EL1065S4M	E165
VHA	4	Butler	529	Intermediate Mental HealthCare	EL1013S3M	E113
VHA	4	Butler	529	Transitional residential homeless	EL1078S6M	E178
VHA	5	Washington, DC	688	Child Development Center	EL1015S3M	E115
VHA	6	Durham	558	Parking	EL1016S3M	E116
VHA	7	Atlanta (Decatur)	508	Atlanta RO Collocation	EL1017S3M	E117
VHA	7	Charleston	534	MUSC Partnership	EL1056S4M	E156
VHA	7	Columbia, SC	544	VHA&VBA new buildings/mixed use	EL1085S6M	E185
VHA	7	Tuscaloosa	679	Hospice	EL1018S3M	E118
VHA	8	West Palm Beach	548	Public Safety Center	EL1020S3M	E120
VHA	9	Mountain Home	621	Energy Center	EL1022S3M	E122
VHA	9	Mountain Home	621	Medical School	EL1021S3M	E121
VHA	10	Chillicothe	538	Chillicothe Stadium/Mixed Use	EL1139S0M	E239
VHA	10	Cleveland, Brecksville	541A0	Reuse of Brecksville Site	EL1055S4M	E155
VHA	10	Dayton	552	Child Care Center	EL1050S3M	E150
VHA	10	Dayton	552	MVHO Transitional Housing	EL1051S3M	E151
VHA	10	Dayton	552	Single Room Occupancy (SRO)	EL1090S6M	E190
VHA	10	Dayton	552	Transitional Housing Building 400	EL1140S0M	E240
VHA	11	Danville	550	Senior Housing	EL1026S3M	E126
VHA	11	Indianapolis, CSR	583A4	Indianapolis, IN Consolidation EUL	EL1024S3M	E124
VHA	12	Chicago, Jesse Brown	537	Chicago Westside Office & Parking Garage	EL1049S3M	E149
VHA	12	Chicago, Jesse Brown	537	Energy Center	EL1027S3M	E127
VHA	12	Hines	578	Assisted Living - B53	EL1069S6M	E169
VHA	12	Hines	578	Transitional Housing	EL1029S3M	E129
VHA	12	Milwaukee	695	VBA Collocation	EL1004S3M	E104
VHA	12	North Chicago	556	Chicago Medical School	EL1032S3M	E132
VHA	12	North Chicago	556	Energy Center	EL1031S3M	E131
VHA	15	Leavenworth	589A6	Residential Health Care	EL1033S3M	E133
VHA	16	Houston	580	EUL - Land	EL1003S3M	E103
VHA	16	N. Little Rock	598A0	Golf Course	EL1034S3M	E134
VHA	17	Dallas	549	Child Development Center	EL1036S3M	E136
VHA	19	Salt Lake City	660	Salt Lake City II	EL1109S7M	E209
VHA	19	Salt Lake City	660	VBA Collocation	EL1006S3M	E106
VHA	20	Roseburg	653	Single Residence Occupancy	EL1039S3M	E139
VHA	20	Vancouver	648A4	Clark County Crisis Triage Center	EL1037S3M	E137
VHA	20	Vancouver	648A4	Single Residence Occupancy	EL1038S3M	E138
VHA	21	Honolulu	459	Barber's Point	EL1040S3M	E140
VHA	22	Sepulveda	691A4	New Directions	EL1059S4M	E159
VHA	23	Minneapolis	618	Affordable Housing Complex	EL1063S4M	E163
VHA	23	Minneapolis	618	Fort Snelling Federal Credit Union	EL1043S3M	E143
VHA	23	Sioux Falls	438	Parking	EL1044S3M	E144
VHA	23	St. Cloud	656	Affordable Housing Complex	EL1046S3M	E146
VHA	23	St. Cloud	656	Golf Course	EL1045S3M	E145



## ENHANCED-USE LEASE PAYMENT POLICIES AND PROCEDURES

### 1. INTRODUCTION

The following procedures apply to enhanced-use lease payments received from 3<sup>rd</sup> party entities (external to VA). There are two kinds of enhanced-use lease payments that VA must process from 3<sup>rd</sup> party entities, a one-time reimbursement payment that comes from closing, and recurring (e.g., monthly, quarterly, annually, etc.) rental payments. Certain VA Central Office (VACO) entities can recoup administrative costs related to initiation of an enhanced-use lease. The source of these reimbursement funds can be either the one-time payment (e.g., at closing) or deducted from the first several rental payments as appropriate. VACO (Office of Asset Enterprise Management (OAEM) and Office of Finance) will **always** manage the one-time payments. VACO (OAEM and Office of Finance) will **initially** manage recurring rental payments and will transfer responsibility for processing these payments to the local station when OAEM determines that all administrative costs have been recouped.

### 2. PROCESS/PROCEDURES

a. **Remittance:** OAEM will contact each enhanced-use lease developer with instructions on remitting payments to VACO. These instructions will outline the procedures necessary for making payments using one of three available methods:

(1) **Remittance Express (REX) Account:** Remittance Express is a program that allows federal agencies to receive Automated Clearing House (ACH) payments directly from the private sector, by receiving ACH credit transactions at a unique routing number at the Federal Reserve Bank of Richmond. REX accepts the Cash Concentration or Disbursement Plus Addendum (CCD+) and the Corporate Trade Exchange (CTX) formats.

a. REX Account - Remitters should initiate an ACH transfer using the following required information:

Originating FRB: 051000033  
ACH ABA#: 051036706  
ACH Account Key: 599  
Originating ALC: 36001200  
Account Number: 220040

b. The remitter should notify VACO (OAEM) of payment and OAEM will verify in CA\$HLINK II receipt of funds through REX account 220040 and note the assigned voucher number for use in recording the deposit in FMS. OAEM must monitor CA\$HLINK II as VA will not receive any type of notification from this system. OAEM will notify the Office of Finance when the funds have been received and the Office of Finance will immediately record the receipt in

FMS (see section D).

- c. The Deputy Director of OAEM will inform the Associate Deputy Assistant Secretary (ADAS) for Financial Operations (047F) in writing (via memo or email) to move the funds into FMS suspense account 3875E using a Cash Receipt (CR) transaction with a Trans Type of 17.

Note: All payments sent through the REX account will be strictly for enhanced-use lease reimbursement payments. The REX account eliminates the need to identify enhanced-use lease deposits from other types of deposits.

(2) **Treasury Fedwire Deposit System (FDS):** FDS is a link between Treasury and the Federal Reserve Bank of New York (FRBNY). This system provides the capability for wire transfers between banks and federal agencies, with the funds transferred to a Treasury account at FRBNY. As a result, banks that maintain an account at an FRB may send fund transfers to Treasury over Fedwire for credit to the account of VA. Fund transfers between Treasury and banks that do not maintain an account at an FRB are processed through correspondent banks. Policies and procedures regarding depositors' requests for fund transfers are determined by the bank sending the transfer (e.g., timing, payment requirements, etc.).

- a. The remitter should contact the designated individual at VACO (OAEM) who will notify the Cash Management Division (CMD) of the FSC of an expected payment. At that time the CMD will release the appropriate banking information to OAEM for one-time use by the remitter. Due to the sensitive nature of the Fedwire account monitoring, CMD will not publish the banking information. After the remitter receives the required banking information, the remitter may initiate the transaction and must include "**VA EUL Program**" in the Beneficiary Section. The remitter should notify VACO (OAEM) of payment and OAEM will verify in CA\$HLINK II receipt of funds through Fedwire and note the assigned voucher number for use in recording the deposit in FMS. OAEM must monitor CA\$HLINK II as VA will not receive any type of notification from this system. OAEM will notify the Office of Finance when the funds have been received and the Office of Finance will immediately record the receipt in FMS (Office of Finance) (see section D).
- b. The Director (or designee) of OAEM will inform the Associate Deputy Assistant Secretary (ADAS) for Financial Operations (047F) in writing (via memo or email) to move the funds into FMS suspense account 3875E using a Cash Receipt (CR) transaction with a Trans Type of 17.

Note: Fedwire payments have lower transaction costs to the remitter for one-time or infrequent payments.

(3) **Check:** Remitters should send check payments made payable to the "Department of Veterans Affairs" in US dollars drawn on US banks.

- a. The remitter should send the check payment to VACO (OAEM), indicating on the memo section of the check or on the Explanation of Benefits the words “**VA EUL Program.**” OAEM will deliver the check to the VACO agent cashier, and the agent cashier will deposit the payment according to standard agent cashier guidelines. The VACO agent cashier will note the deposit ticket/voucher number and submit the information to the appropriate staff within the Office of Finance for immediate recording of the receipt in FMS (see section D).
- b. The Director (or designee) of OAEM will inform the ADAS for Financial Operations (047F) in writing (via memo or email) to move the funds into FMS suspense account 3875E using a CR transaction with a Trans Type of 17.

**b. Deposits and Fund Transfers:** For all amounts deposited above:

- (1) The Director (or designee) of OAEM will identify the amounts due to VA appropriations as reimbursements in writing (via memo or email) to the Offices of Budget (041) and Financial Operations (047F). For each appropriation receiving a reimbursement, OAEM will identify the respective amount, station or administrative office, and fund.
  - a. In cases where the total amount remitted will be used to recoup administrative expenses, these funds will be deposited into GOE as a reimbursement to OAEM, GC and/or APF as appropriate (as determined by OAEM).
  - b. In cases where the amount remitted exceeds the amount to be reimbursed for administrative expenses, the appropriate amount of reimbursement funds will be directed into GOE and the balance will be directed into Medical Care for the specific station involved in the transaction.
- (2) The Office of Budget will inform appropriate budget staff in the organizations receiving the reimbursements of the availability/credit of funds.
- (3) To ensure that sufficient reimbursable authority is available, the ADAS for Financial Operations will share this information with the Director of the General Administration and Coordination Service (041C). Financial Operations staff will then process the reimbursements to the identified VA appropriation.

**Note:** Office of Financial Operations (047F) and Office of Budget (041) will only act upon information received in writing (memo or email) from OAEM in accordance with this paragraph.

**c. Transfer of Responsibility for Processing EUL Payments:** (*Note: OAEM and the Office of Finance will always manage the **one-time payments** and will not transfer responsibility for processing these payments. This section only pertains to the transfer of responsibility for managing **recurring rental payments**.*) VACO (OAEM and Office of

Finance) will initially manage all recurring rental payments and will transfer responsibility for processing these payments to the local station when OAEM determines that all administrative costs have been recouped. The following procedures will be followed to accomplish this transfer of responsibility.

- (1) When OAEM determines that all administrative costs associated with initiating an enhanced-use lease project have been recouped, it will transfer responsibility to the local station by:
  - a. Notifying the appropriate Medical Center Director in writing via memo of the transfer of responsibility.
  - b. Notifying the remitter in writing of their new VA contact person at the station level for future payments.
- (2) Once a station is informed **by OAEM** of the transfer of responsibility for processing payments, the station will:
  - a. Contact the remitter to make arrangements for the continuance of the remittance via REX, FDS or paper check.
  - b. Follow procedures for enhanced-use lease deposits outlined below:

1. REX Account

Remitters should initiate an ACH transfer using the following required information:

Originating FRB: 051000033  
ACH ABA#: 051036706  
ACH Account Key: 599  
Originating ALC: 36001200  
Account Number: 220040

The remitter should notify the station of payment and a station representative will verify in CA\$HLINK II receipt of funds through REX account 220040 and note the assigned voucher number for use in recording the deposit in FMS. Stations must monitor CA\$HLINK II as they will not receive any type of notification from this system. The station representative must immediately record the receipt in FMS (see section D).

2. Treasury Fedwire Deposit System (FDS)

The remitter should contact the designated point of contact at the station who will notify the Cash Management Division (CMD) of the FSC of an expected payment. At that time the CMD will release the appropriate banking information for one-time use by the remitter. Due to the sensitive nature of the Fedwire account monitoring, CMD will not publish the banking information. After the remitter receives the required banking information,

the remitter may initiate the transaction and must include “**VA EUL Program**” in the Beneficiary Section. The remitter should notify the station of payment and the station representative will verify in CA\$HLINK II receipt of funds through Fedwire and note the assigned voucher number for use in recording the deposit in FMS. Stations must monitor CA\$HLINK II as they will not receive any type of notification from this system. The station representative must immediately record the receipt in FMS (see section D).

3. Check Payment

The remitter should send a check payment to the appropriate station and indicate on the memo section of the check or on the Explanation of Benefits the words “**VA EUL Program.**” The station’s agent cashier will receive the check and deposit the payment according to standard agent cashier guidelines. The agent cashier will note the deposit ticket/voucher number and submit the information to the station’s accounting section for recording in FMS. The station representative must immediately record the receipt in FMS (see section D).

**d. Recording Receipt in FMS:** Regardless of payment method used (i.e., REX, FDS, check), instructions for recording in FMS are the same.

**(1) FMS – One-time Reimbursement**

- a. VACO (Office of Finance) should record the receipt using a CR 17 “I” using the following specific accounting details:

Deposit Number: Use the unique voucher number/deposit number assigned  
Fund: 3875E  
Revenue Source Code: appropriate RSC assigned to the EUL project

**(2) FMS – Recurring Rental Payments**

- a. VACO Managed:

- 1. When the entire rental payment is needed to reimburse costs, VACO (Office of Finance) will record the receipt using a CR 17 “I” using the following specific accounting details:

Deposit Number: Use the unique voucher number/deposit number assigned  
Fund: 3875E  
Revenue Source Code: appropriate RSC assigned to the EUL project

2. When only a portion of the rental payment is needed for reimbursement and the remaining amount is deposited to medical care for use by the station (hybrid situation), VACO (Office of Finance) will record the receipt using a CR 17 "I" using the following specific accounting details:

**For the amount to be deposited as a reimbursement for costs -**

Deposit Number: Use the unique voucher number/deposit number assigned; Fund: 3875E; and Revenue Source Code: appropriate RSC assigned to the EUL project;

And

**For the amount (remaining balance) to be deposited into Medical Care**

- Deposit Number: Use the unique voucher number/deposit number assigned; Fund: 36 5287.10; and Revenue Source Code: Use the revenue source code assigned to the EU lease project as directed by OAEM's Oversight Monitor (OM).

b. Station Managed:

1. The station will record the receipt using a CR 17 "I" using the following specific accounting details:

Deposit Number: Use the unique voucher number/deposit number assigned

Fund: 36 5287.10

Revenue Source Code: Use the revenue source code assigned to the EU lease project as directed by OAEM's OM.

### 3. NOTES

a. The REX account and Fedwire payment options both require strict monitoring of receipts on a regular basis through Treasury's CA\$HLINK II system. Failure to monitor these accounts may result in receipts received but not properly recorded in FMS. Receipts not recorded in FMS will cause differences on the SF-224 Statement of Transactions.

b. Remitters may be reluctant to use the REX account option due to the cost associated with initiating this type of transaction for one-time or infrequent payments.

c. All payments sent through Fedwire will be received alongside all other types of deposits using the Fedwire account for VA, making it difficult to identify enhanced-use lease deposits. Remitters must follow the instructions listed above to more easily identify enhanced-use lease deposits using Fedwire.

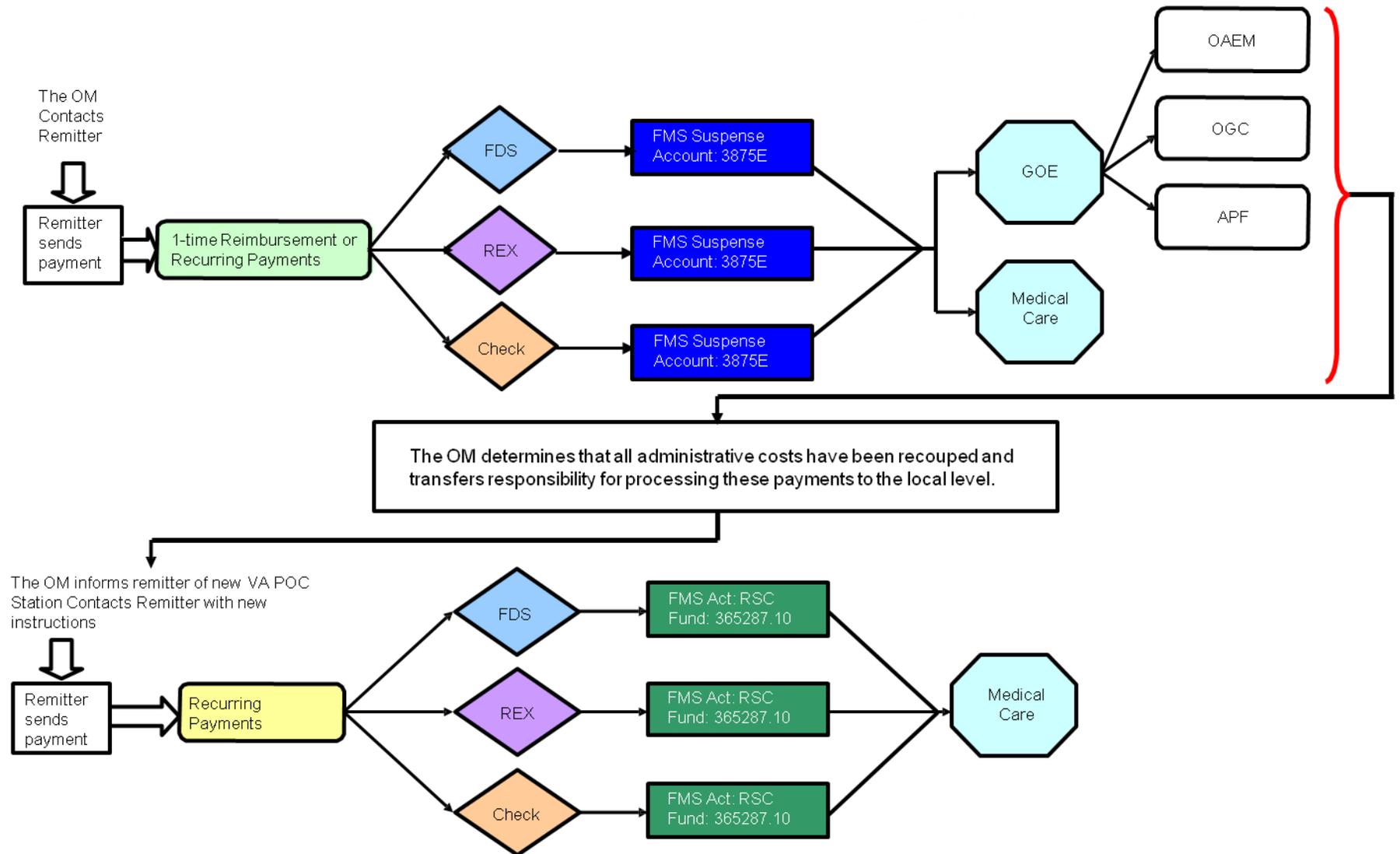
d. Payments sent via check to VACO or station agent cashiers face two potential

problems. First, remitters may be reluctant to issue a check for large dollar amounts. Second, if a remitter fails to indicate the purpose of the check, the payment could be misapplied in FMS.

- e.** REX is the preferred method of remittance.



FUND FLOW FOR PROCESSING ENHANCED-USE LEASE PAYMENTS





## GLOSSARY

**1. Annual Oversight Compliance Certificate (AOCC)** – An annual certificate collected at the close of each fiscal year during the steady state phase of the lease. The AOCC lists all requirements for an operational Enhanced-Use (EU) lease and all of the required supporting documentation.

**2. “As-Built” Drawings** – The final drawings produced at the completion of a construction project.

**3. Assistant Secretary for Management (AS/M)** – The AS/M currently serves as the Department's Chief Budget Officer, Chief Financial Officer, and Senior Real Property Officer. Oversees all resource requirements, development and implementation of agency performance measures, and financial management activities relating to the Department of Veterans Affairs (VA) programs and operations.

**4. Capital Assets** – The President's Office of Management and Budget defines a capital asset as land, structures, equipment and intellectual property, including software and services that have an estimated useful life of two or more years (note: a “Capital asset” is not necessarily the same as a “capitalized” asset). VA's capital assets include medical and non-medical equipment; land; buildings; intellectual property; information technology; leases; GSA space assignments; enhanced-use leases, enhanced-use sharing agreements; energy savings performance contracts (ESPC); and other real property.

**5. Capital Asset Fund (CAF)** – Fund into which receipt of the proceeds from the disposition of EU lease properties are designated.

**6. Capital Asset Inventory System (CAI)** – A web-based database used to capture essential inventory information and real property data for all VA assets.

**7. Capital Asset Manager (VISN CAM)** – The designated Veterans Integrated Service Network Capital Asset Manager (VISN CAM) provides corporate (VISN-level) leadership directing activities relating to the planning, acquisition, management and disposal of capital assets. The VISN CAM serves as a level of oversight over the VHA EU lease projects, and is responsible for liaising with OAEM and the local facility when issues arise with EU lease projects or during policy planning. The VISN CAM is also responsible for assisting with significant asset initiatives or particularly complex EU lease projects. During the steady state phase, the VISN CAM is responsible for

monitoring the activities of the LSM on at least a quarterly basis, or more frequently as appropriate or when issues arise.

**8. Capital Asset Management** – A comprehensive management effort to ensure that all organizational decisions and initiatives dealing with capital assets are planned and executed with the goal of constructing a corporate capital asset portfolio of maximum functional and financial value.

**9. Capital Asset Management System** – An integrated, Department-wide web-based system that enables VA to analyze, monitor and manage VA's portfolio of capital assets.

**10. Cash Flow** – The stream of monetary (dollar) values, costs and benefits, resulting from a project investment.

**11. Cash Flow Analysis** – A study of the anticipated movement of cash into or out of an investment.

**12. Comprehensive Environmental Response, Compensation & Liability Act (CERCLA)** – Federal law codified at 42 U.S.C. § 9601-9675, which is generally designed to ensure proper clean up of real property sites contaminated with hazardous substances, and is also referred to as "Super fund".

**13. Delegation** – Pursuant to the authority granted under 38 United States Code section 512 (a), Secretary to delegate authority to execute and implement the EU lease to the Assistant Secretary of Management.

**14. Department-Controlled Real Property** – Real property that is owned by the United States and directly under the administration, jurisdiction and control of the Department; and/or, occupied, used or controlled by the Department by means of a direct lease or license from a non-federal entity; or, occupied, used or controlled by the Department by means of a permit from another Federal agency, or a sublease or other right of occupancy arrangement from the General Services Administration.

**15. Designated Local VA Representative (DLVR)** – For EU leases re-delegated to any of the three Administrations, i.e. Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), and National Cemetery Administration (NCA), the respective Under Secretary may designate a DLVR with the authority to perform the same tasks that the DVR is authorized to perform for non-delegated EU leases, under the oversight of the DVR. Re-delegation by the Under Secretaries of the VBA or the NCA requires prior approval by the AS/M. An EU project must meet certain criteria in order to be eligible for re-delegation. The criteria includes: no obligation or financial

liability by the Department for lease improvements; project value must be below established threshold for major construction; lease term can be no greater than 55 years; and project cannot be considered a “significant asset initiative” as determine by the Secretary.

**16. Designated VA Representative (DVR)** – Through a delegation from the Secretary, the AS/M has designated a Designated VA Representative (DVR) within OAEM, to serve as the EU lease administrative officer within OAEM, and exercise appropriate delegated signatory authority for documents that from time-to-time require VA execution in relation to an existing, previously-executed EU lease. The DVR is responsible for ongoing administration and monitoring of awarded EU leases, with the exception of terminations, disputes, amendments, and other lease administration actions that result in any change in the project, or which would fall outside of the scope of the previously-approved concept plan. The DVR may authorize additions, deletions, or modifications to supplementary EU-related agreements only (e.g. Tenant Selection Plans, Facility Service Agreements, Operations and Maintenance Plans, etc), so long as the revisions do not result in a material change to the project, conflict with any text of the EU lease, and/or fall outside of the scope of the previously-approved concept plan.

**17. Development Cost** – The cost to create a property (including land costs), and bring it to an efficient operating state, as distinguished from the cost to construct the improvements.

**18. Development Matter** - During the steady state phase, issues relating to EU lease project development, EU lease negotiations, or other non-compliance related matters may be considered to be a “development matter” as determined by the DVR. If an issue is determined to be a development matter, the DVR may transfer compliance monitoring and responsibility for the resolution of the development matter to the PM. At the direction of the DVR, the LSM may retain responsibility for the day-to-day post transaction compliance monitoring even if the project reverts from the steady state phase to the formulation or execution phases (e.g., amendments, additional construction phases). Notwithstanding the above, at no time shall the DVR transfer any of the DVR’s delegated authorities or responsibilities.

**19. Discounting** – A technique for converting cash flows that occur over time to equivalent amounts at a common time.

**20. Discounted Cash Flow Analysis** – The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate.

**21. Discount Rate** – The interest rate used in calculating the present value of expected yearly benefits and costs. (OMB Circular A-94)

**22. Disposal Phase** – The last phase in the capital asset management system which covers issues to be addressed at the end of an asset's life cycle including the removal of the asset from service, planning for the transition to a replacement if required, and final removal of the asset from the agency's property inventory in a timely cost-effective manner. Disposal of complex assets or systems may involve a multi-year process requiring significant effort and funding.

**23. Easement** – A recordable land interest right in real property granted from a one party to another, which conveys use, but not ownership the underlying real property. Access or right-of-way easements under certain limited circumstances may be granted by VA in favor of other parties (e.g., preferred developers/lessees) or public utilities. Portfolio Managers and Capital Asset Managers should consult the Office of General Counsel and/or their local Regional Counsel's Office before negotiating and finalizing an easement. An easement has the ability to impact and encumber the underlying VA property for an extended period of time, and adversely affect VA's ability to plan in the future without having to consider potential limitations and adverse impacts of an existing easement. In addition, one should always consider whether a general, non-exclusive "access agreement" can suffice in place of the granting of an easement.

**24. Encumbrance** – An interest or right in real property that may decrease or increase the value of the fee estate but does not prevent its conveyance by the owner. An encumbrance effects a permanent reduction in an owner's property rights, while a lien represents a claim against the owner's property rights that may or may not become permanent. Mortgages, taxes, and judgments are liens; restrictions, easements, and reservations are encumbrances.

**25. Enhanced-Use Lease** – A lease agreement entered into between the Department and a third party lessee, under the authority contained in 38 U.S.C. Section 8161, et seq.

**26. Enhanced-Use Leasing** – The authority provided to the Department under 38 U.S.C. §§ 8161-8169. It is a mechanism by which VA outleases its unused or underutilized real property and improvements to a public or private sector party for terms of up to 75 years, in exchange for monetary and/or in-kind consideration used to support VA's mission and activities. EU leasing is a negotiated arrangement between the Department and the private sector (or another government entity) for the use of Department-controlled property.

**27. Enhanced-Use Leasing Information System (EULIS)** – EULIS is a web-based, compliance oversight tool that allows VA to monitor its portfolio of projects administered under the EU leasing authority during the execution and steady state phases.

**28. Exit Strategy** – An exit strategy is a divestment plan. It is a methodical disposal implementation plan set in motion at the end of the useful life of a capital asset. This data is consolidated into a disposal plan that culminates at the end of an asset's life cycle that may include the removal of an asset from service, planning for the transition to an alternative use or the removal of the asset from the inventory by transfer of deed of the property, sale, or demolition in a timely manner. Disposal of complex assets or systems may involve a multi-year process requiring significant effort and funding.

**29. Execution Phase** – A phase in the capital asset management system that focuses on the expenditure of the appropriations obtained in the previous phase and on the actual award of the contract through the build-out or completion of the asset. The execution phase begins at EU lease signing and continues through the completion, acceptance and commencement or activation of any development or improvements required by the EU lease.

**30. Exit Strategy** – An exit strategy is a divestment plan. It is a methodical disposal implementation plan set in motion at the end of the useful life of a capital asset. This data is consolidated into a disposal plan that culminates at the end of an asset's life cycle that may include the removal of an asset from service, planning for the transition to an alternative use or the removal of the asset from the inventory by transfer of deed of the property, sale, or demolition in a timely manner. Disposal of complex assets or systems may involve a multi-year process requiring significant effort and funding.

**31. Facility** – The activity of the Department controlling the real property responsibility (i.e., VBA Regional Office, the Department Medical Center, Outpatient Clinic, National Cemetery, etc.).

**32. Facilities Use Agreement** – A commercial agreement between the owner and VA and agreed to by the developer. It identifies all of the provisions of the occupancy of the leased space and becomes a part of the final lease documents.

**33. Fair Consideration** - In return for an EU lease, VA must receive fair consideration as determined by the Secretary. Fair consideration may include cash and/or in-kind consideration as defined in 38 U.S.C. § 8162.

**34. Fair Market Value** – The estimated amount that can be realized from the sale of the property in the commercial marketplace, determined, for example, by the price at

which one or more bona fide sale has been consummated for project of like kind, quality, and quantity in a particular market at any moment in time.

**35. The Federal Financial Management Improvement Act of 1996 (FFMIA)** – A federal act requiring that Federal financial management systems provide accurate, reliable, and timely financial management information to the government’s managers.

**36. The Federal Real Property Council (FRPC) – Council** which established a number of data elements that all agencies are to report on annually at the asset level.

**37. Financial Management System (FMS)** – VA’s corporate core accounting system. Financial data is entered by designated financial personnel in accordance with documented procedures (e.g. agent cashier guidelines, etc).

**38. Formal End of Construction Report (ECR)** – A report prepared by the PM within 45 days following the latter of the issuance of the Certificate of Occupancy (or the equivalent specified by the EU lease) and VA’s receipt of the “As-Built” drawings. This report is reviewed by the LSM, and approved by the VISN CAM or VBA/NCA Rep (as applicable) and the OM. Once the LSM accepts the approved formal ECR, the execution phase of the lease ends, and the steady state begins.

**39. Formulation Phase** – The formulation phase involves defining a specific concept or need, obtaining fund authorization, and eventually gaining appropriations (non-appropriated funding) to obtain a needed capital asset. For EU leases, the formulation phases includes concept paper review; public hearings; direct source leasing (when applicable); solicitations (when applicable); bid terms and agreement; environmental and historic planning, compliance and reporting requirements; developer selection and notification; appraisal and reporting requirements; protests (when applicable); business case application review and standards; notice of intent to enter into an EU lease; and lease development.

**40. Funded Maintenance Account (FMA)** – Funds in the FMA are owned by the lessee and are withdrawn exclusively to perform non-routine capital repairs and replacement activities for the project.

**41. Information Technology** – Any equipment or interconnected system or subsystems of equipment that are used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the executive agency. (see OMB Capital Planning Guide, pg. 79, for additional clarification)

**42. In-Kind Consideration** – The provision of goods, facilities, space, construction or services of benefit to the Department that can be obtained in exchange for entering into an EU lease.

**43. Leaseback** – A transaction whereby the Federal Government leases land to a third party and then reoccupies the land via a negotiated sublease or similar arrangement.

**44. Lease Purchase** – An arrangement whereby the ownership of the asset remains with the lessee until title is transferred to the Department during or shortly after the end of the lease.

**45. Lessee** – A party (i.e., developer, etc.) with whom the Department enters into a lease (i.e., an enhanced-use lease) for that party's use of the Department-controlled real property in exchange for fair consideration. Such party may be an individual, a trust (e.g., so long as VA is not its beneficiary), an estate, a partnership, an association, a company or corporation, regardless of profit or not-for-profit status, or may be a unit, agency, or public corporation of a federal, state or local government or other public authority or entity.

**46. Lessor** - The entity that owns or controls the land or asset in discussion, and grants a lease to a third party (i.e., a lessee). For EU leases, the lessor is the Department.

**47. Local Site Monitor (LSM)** – For VHA projects, the VISN CAM in consultation with the local facility director shall recommend a LSM (subject to approval by the DVR) to monitor and manage (with local facility support staff; e.g., legal, financial, engineering) the EU lease project for the duration of the steady state phase, unless sooner revoked in writing by the DVR. For VBA and NCA projects, the LSM shall be recommended by the VBA/NCA representative in consultation with the local facility director (subject to approval by the DVR). The LSM is responsible for providing all required monitoring data, reports, and project documents in accordance with established timeframes. Additionally, the LSM is responsible for notifying the VISN CAM or the VBA/NCA representative (as applicable) and the OM of any issues that arise with his/her assigned EU lease project in accordance with the established communication protocols. At the direction of the DVR, the LSM may retain responsibility for the day-to-day post transaction compliance monitoring even if the project reverts from the steady state phase to the formulation or execution phases (e.g., amendments, additional construction phases). Additionally at the DVR's discretion, an LSM may be identified and required to perform all or a portion of the monitoring and management activities during the execution phase of the EU lease.

**48. Local Fiscal Officer (LFO)** – The LFO is responsible for ensuring the complete and accurate processing of all financial transactions related to EU lease projects in FMS. The LFO compiles financial results at the facility level and provides information to designated representatives for financial reporting purposes.

**49. Maintenance and Repair Costs** – The total of labor, material, and other related costs incurred in conducting corrective and preventative maintenance and repair on a building, or on its systems and components, or both.

**50. Medical Care Collections Fund (MCCF)** – Account into which administrative costs less than the one-time reimbursement payment are deposited.

**51. Mission** – A clear and concise statement, summarizing what the agency or office does and presenting the main purpose for its major functions and operations.

**52. Mixed-Use Development** – An income-producing property that comprises multiple significant uses within a single site such as retail, office, residential, or lodging facilities.

**53. Monitoring Information System (MIS)** – The MIS is the process of abstracting EU lease requirements and populating a template provided by the OM. The MIS is an important tool to help the OAEM administer and oversee each EU lease during its term.

**54. National Cemetery Administration (NCA)** – As a part of the Department of Veterans Affairs, NCA maintains 130 national cemeteries.

**55. National Environmental Protection Act (NEPA)** – National environmental policy setting procedural requirements for all federal government agencies to prepare Environmental Assessments (EAs) and Environmental Impact statements (EISs).

**56. National Historic Preservation Act (NHPA)** – Federal law which requires Federal agencies to evaluate the impact of all federally funded or permitted projects on historic properties.

**57. Net Benefits (Savings)** – The difference between the benefits and the costs when both are discounted to present or annual value dollars.

**58. Non-Quantifiable Benefits** – Those benefits that are internal non-customer related. They are established benefits without substantial quantifiable support. Any use of this benefit must be coupled with the rationale for the lack of supporting data and calculations. (See Chapter III, Part II)

**59. Office of Asset Enterprise Management (OAEM)** – The principal policy office and business advisor to the Assistant Secretary for Management and the Secretary regarding the acquisition, management and disposal of all Departmental capital assets under VA's enhanced-use leasing authority.

**60. Office of Construction and Facilities Management (CFM)** – CFM is responsible for the planning, design, and construction of all major construction projects greater than \$10 million. In addition, CFM acquires real property for use by VA elements through the purchase of land and buildings, as well as long-term lease acquisitions.

**61. Office of Financial Process Improvement and Audit Readiness (OFPIAR).** OFPIAR oversees all accounting and financial operations associated with trust accounting for VA's capital asset portfolio. Some previously executed EU leases established independent Owner trusts to finance the projects. For these EU lease projects, the OFPIAR is responsible for the financial oversight of EU lease funds held in the Owner trusts. OFPIAR reviews and oversees trust accounts for compliance with accounting/ auditing standards and VA financial regulations, and performs periodic financial reporting duties.

**62. Operating Cost** – The expenses incurred during the normal operation of a building or a building system, IT systems or component, including labor, materials, utilities, and other related costs.

**63. Operations and Maintenance Plan (O&M)** – Plan used to operate the facility during the steady state phase.

**64. Oversight Compliance Summary Certificate (OCSC)** – A one-time certificate collected at the end of the execution phase for each EU lease. The OCSC lists all development requirements applicable during the execution phase of the EU lease and all of the required supporting documentation.

**65. Oversight Monitor (OM)** – The DVR, in consultation with OAEM's Capital Asset Management Service (CAMS), shall assign an OM (or OMs) to coordinate all post transaction compliance activities related to the EU Leasing program portfolio. The OM is responsible for creating and implementing oversight management tools that align with

OAEM's monitoring strategy in order to track EU lease project performance following lease execution. The OM is also responsible for facilitating all communication related to post transaction compliance between the DVR and the LSMs, the VISN CAMs, the VBA/NCA Representatives, and the Lessees, including communicating all requests and approvals of the DVR (e.g. requests for VA expenditures, changes to EU lease exhibits, etc.). The OM is responsible for overseeing the compliance monitoring performed by the PMs, the LSMs, the VISN CAMs, and the VBA/NCA Representatives and for overseeing and facilitating the compliance issue resolution process. Additionally, the OM shall produce portfolio management reports as needed.

**66. Performance Bond** – A bond issued by a surety that guarantees completion of an undertaking in accordance with an agreement, e.g., a bond supplied by a contractor who guarantees to complete a building or road, a bond given to a municipality by a subdivider who guarantees proper work completion.

**67. Portfolio** – Inventory of capital asset holdings by type and location including liabilities, encumbrances, and market valuation.

**68. Portfolio Management** – Managing capital asset holdings in such a way as to leverage an investment or combination of investments in order to minimize risk and maximize return on investment.

**69. Portfolio Manager** –The DVR, in consultation with OAEM's IEDS, shall assign a PM to provide day-to-day support during the formulation phase and throughout the execution phase (refer to VA Handbook 7415 for additional details regarding the formulation and execution phases). During the execution phase, the PM coordinates directly with the lessee (and when applicable, the LSM and the OM) and the Director of IEDS to perform required construction/development responsibilities. Additionally, the PM coordinates directly with the lessee, the LSM (when applicable), other local support staff, and the OM to provide all required compliance monitoring data, reports, and project documents in accordance with established timeframes. The PM shall monitor and manage the EU lease project until final acceptance and approval of the formal End of Construction Report (ECR), unless sooner revoked in writing by the DVR. Following the EU lease project's transition to the steady state, if a development matter arises the DVR may transfer compliance monitoring and responsibility for the resolution of the development matter to the PM.

**70. Oversight Management Tools** – An integrated system of post transaction compliance tools used to monitor EU lease projects following lease execution. These tools currently include: EULIS, MIS, OCSC, formal ECR, and the AOCC.

**71. Post Transaction** – A stage of the EU lease that begins with the execution of the EU lease (i.e. at the time of the EU lease signing) and spans the execution phase, the steady state phase, and disposal or termination (when applicable).

**72. Post Transaction Monitoring** – Beginning with the execution of the EU lease (i.e. at the time of the EU lease signing), this process involves the oversight and management responsibility of the EU lease portfolio by OAEM within the Office of Management and continues throughout the length of the lease term, unless a determination is made that VA no longer needs the property.

**73. Proceeds** – Proceeds are funds received by the Department under an enhanced-use lease. There are two types of proceeds: Disposal proceeds and Lease proceeds. In both instances, expenses for development of the project may be deducted from any proceeds. (1) For proceeds derived from Enhanced-Use Leases, up to 25% of such proceeds are to be credited to Medical Care account for use of the VAMC Facility on which the lease is located. For proceeds derived from VBA facilities, up to 25% of such proceeds are to be credited to the General Operating Expense account. The remaining 75% of the proceeds shall be deposited in the Nursing Home Revolving Fund. (2) Disposal proceeds shall be deposited, after deducting expenses associated with a disposal, into the Department of Veterans Affairs Capital Asset Fund.

**74. Real Property** – As used in the EU Directive includes land, buildings, structures, and space therein and any fixture located thereon that is an integral part or essential to the use or productive capacity of the real property.

**75. Re-delegation** – The Assistant Secretary for Management may re-delegate this authority on a project-by project basis to the Under Secretaries of each Administration. The Under Secretary for Health may further re-delegate this authority at his/her discretion to the Capital Asset Management and Planning Service in the Office of Facilities Management (now known as Construction and Facility Management), or to the VISN Chief Asset Managers. The Under Secretaries of Benefits and Memorial Affairs may not re-delegate the authority without specific approval from the Assistant Secretary of Management.

**76. Remittance Express (REX)** – Submission of Automated Clearing House (ACH) payments directly by a third party entity.

**77. Renovation** – The modification of an existing building or facility to include new functions and systems, or accommodate the growth of existing programs and components improving functional adjacencies and technical requirements.

**78. Right-of-Way** – A stipulated privilege to pass over the land of another in some particular path; usually an easement over the land of another; a strip of land used in this way for railroad and highway purposes, for pipelines or pole lines, and for private or public passage.

**79. Self-Contained Appraisal** – A report that, in compliance with Standards Rule 2 of the Uniform Standards of Professional Appraisal Practice, sets for the data considered, the appraisal procedures followed, and the reasoning employed in the appraisal. A self-contained report addresses each item in the depth and detail required by its significance to the appraisal and provides sufficient information so that the client, the users of the report, and the public will understand the appraisal and not be misled or confused.

**80. Service** – Service is defined as an activity provided within a Departmental facility.

**81. Setback** – Zoning regulations that designate the distance a building must be set back from the front of the property line.

**82. Significant Project** – An EU initiative that involves anticipated improvements or enhancements valued at \$7 million and above present value (in combined contributions from VA and developers), or involve a significant program or service never before provided at that site, regardless of monetary threshold.

**83. Site Improvements** – Improvements on and off a site that make it suitable for its intended use or development. Onsite improvements include grading, landscaping, paving, and utility hookups; offsite improvements include adjacent streets, curbs, sidewalks, drains, and connecting utility lines.

**84. Steady State Phase** – A phase in the capital investment management process that involves the typical operations and maintenance of an asset through its expected life span. For EU leases, the steady state phase starts with the completion, acceptance, and commencement or activation of any development or improvement required by the lease and continues throughout the length of the lease term, unless a determination is made that VA no longer needs the property.

**85. Supplemental Agreement** – A change to an existing contract accomplished by the mutual action of the parties.

**86. Title** – The combination of all elements that constitute proof of ownership.

**87. Transaction** – All elements associated with an EU lease, including but are not limited to, the development, negotiation, implementation and award of the lease and all related agreements resulting from and relating to such activities.

**88. Treasury Fedwire Deposit System (FDS)** – System allowing submission of payment via wire transfer.

**89. Unimproved Land** – Vacant land or land that lacks the essential, appurtenant improvements required to make it useful.

**90. VA Real Property Service** – VA's Real Property Service (RPS), a division within the Office of Construction and Facilities Management (CFM), supports VA's mission in part by acquiring land and leasing space for the construction and/or operation of medical, medically-related, and cemetery facilities that service our nation's Veterans. RPS is also involved with intergovernmental and third-party related real property transactions, parking analyses, and VA's granting and receipt of easements, licenses, and permits. RPS also provides guidance to regional and local VA offices regarding real property issues, including certain real property actions that can be handled by local VA offices versus directly by RPS. RPS should be notified immediately whenever real property issues beyond the underlying EU lease project itself arise, e.g. issues with easements, rights of way, etc.

**91. Variance** – A written authorization from the responsible agency permitting construction in a manner that is not allowed by a code or ordinance.

**92. VBA/NCA Representative** – For VBA and NCA EU lease projects, the VBA/NCA Representative serves as a level of oversight that would be completed by a VISN CAM for a VHA EU lease project. The VBA/NCA Representative serves as a level of oversight over the VBA/NCA EU lease projects, and is responsible for liaising with OAEM and the local facility when issues arise with EU lease projects or during policy planning. The VBA/NCA Representative is also responsible for assisting with significant asset initiatives or particularly complex EU lease projects. During the steady state phase, the VBA/NCA Representative is responsible for monitoring the activities of the LSM on at least a quarterly basis, or more frequently as appropriate or when issues arise.