



# Air Force Housing Privatization Portfolio Management Compliance Testing



## Information Sheet

AIR FORCE CENTER FOR ENVIRONMENTAL EXCELLENCE

Compliance Testing is a troubleshooting mechanism designed to assess project fitness and safeguard Air Force interests by testing stakeholder compliance with privatization transaction documents. This process is depicted in the quarterly Compliance Testing cycle graphic below.

Stakeholders include the following:

- The Project Owner
- The Property Manager
- The Lender
- The Lockbox Agent
- The Air Force

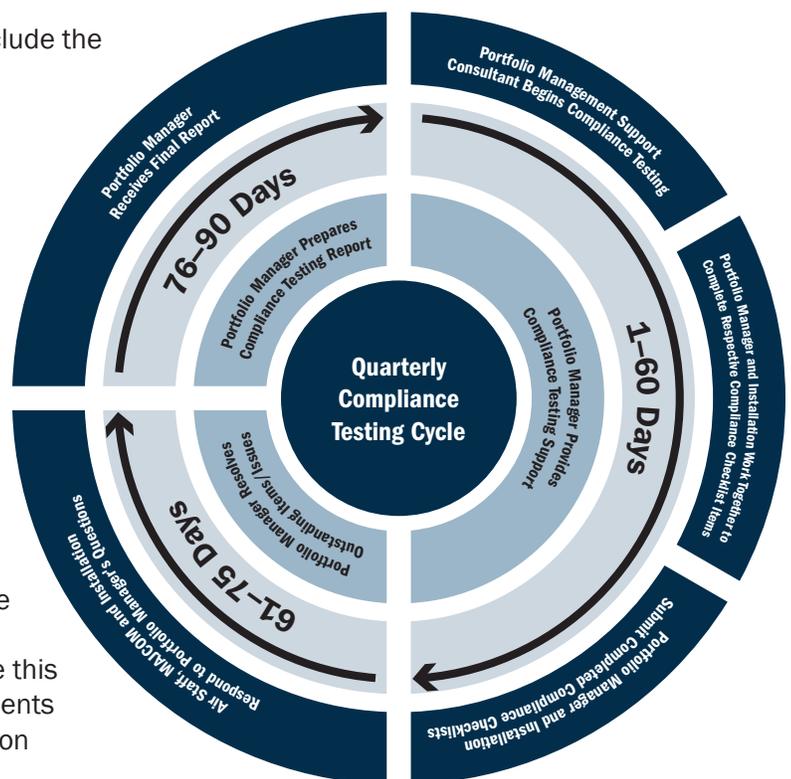
Transactional documents include the following:

- Ground lease documents
- Operating agreement documents
- Third-party loan documents
- Government loan and guarantee documents
- Other applicable project documents

Each of the many compliance requirements has unique timing provisions. To manage this complexity, compliance elements are drawn from the transaction

documents and compiled into a Compliance Checklist, initiated at transaction closing. After compliance elements are assembled, Major Command (MAJCOM), Portfolio Manager,\* and installation personnel meet to decide which party is responsible for each compliance requirement. Follow-up meetings are conducted during the annual site visit to address issues and changes that occur during the project lifecycle.

Stakeholders can reference the Compliance Checklist to verify their exact obligations under the transaction documents. This user-friendly spreadsheet is organized by transaction document. It details the compliance requirement, how often the requirement must be performed, the



\* The Air Force Housing Privatization Portfolio Manager is the Air Force Center for Environmental Excellence, which executes duties with the assistance of Jones Lang LaSalle, the current Portfolio Management support consultant.



specified deadline, and the responsible party. Furthermore, the checklist also identifies each requirement by location in the transaction document, by type (e.g., as a future event, or as a transition item), and as a task or a compliance item. Users can sort the Compliance Checklist according to individual need. The checklist will continue to be utilized and updated as long as the transaction documents remain in force.

In addition to serving as a reference tool, the Compliance Checklist is a concrete mechanism for pinpointing noncompliant items. When Compliance Testing identifies an area of noncompliance, the proper Air Force authority can address the issue and design mechanisms to ensure future compliance. It is important to note that Compliance Testing is not an enforcement vehicle, but rather an early-warning system essential for effective Portfolio Management. By identifying noncompliant items that threaten project fitness, Compliance Testing protects Air Force rights and interests.

The quarterly Compliance Testing cycle involves a coordinated effort among MAJCOM, Portfolio Manager, and installation personnel. The two principle players in Compliance Testing, the Portfolio Manager and the individual installation, share numerous interrelated responsibilities. The Portfolio Manager reviews the budget, organizes overarching financial data and documentation, and backs the installation on issues of noncompliance. Conversely, the installation is responsible for daily review procedures, which include evaluating property maintenance, overseeing site development, approving budgetary allocations, and surveying compliance. This division of responsibility within Compliance Testing ensures adherence to overarching Air Force goals while allowing customized flexibility in meeting individual installation needs.

**PORTFOLIO MANAGEMENT SERIES**

This Information Sheet is one in a series on the subject of Portfolio Management. In February 2001, the Air Force Center for Environmental Excellence (AFCEE) was designated as the Air Force Housing Privatization Portfolio Manager. AFCEE executes its Portfolio Management responsibilities with the assistance of Jones Lang LaSalle (JLL), the current Portfolio Management support consultant.

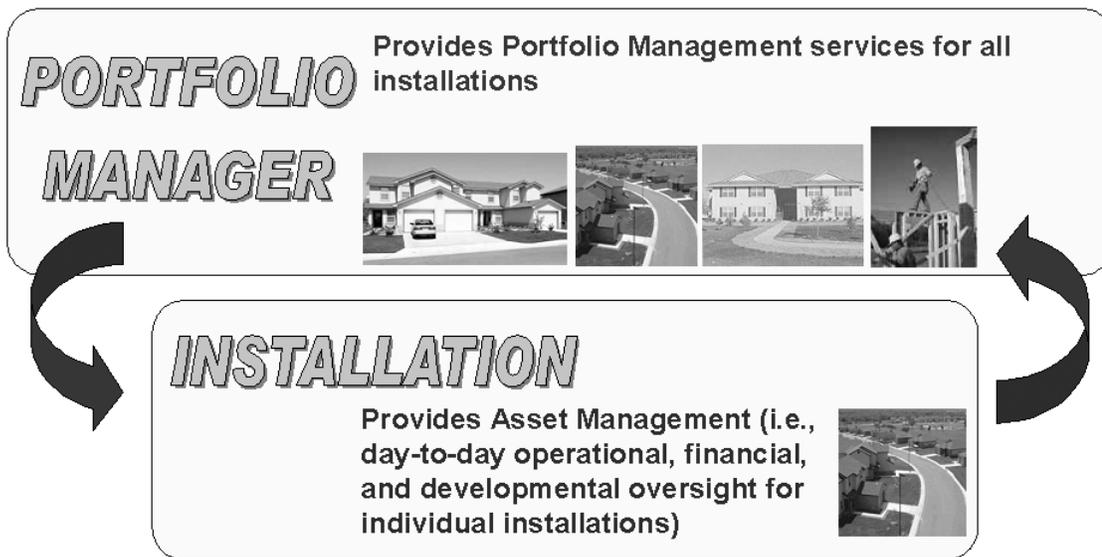
From transaction closing through project closeout, the Portfolio Manager acts in oversight, monitoring, and guidance roles on behalf of the Air Force to protect the Government's interests. (Project closeout is at the conclusion of the transactional performance period, assets are disposed of and the project is closed out.)

**FOR MORE INFORMATION**

**Air Force Center for Environmental Excellence**

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**Portfolio Manager vs. Installation Responsibilities**



**U.S. AIR FORCE**