



July 23, 2004

RUDOLPH K. UMSCHEID  
VICE PRESIDENT, FACILITIES

SUBJECT: Management Advisory – Repairs and  
Alterations of Postal Service Facilities  
(Report Number CA-MA-04-005)

This report presents the results of our self-initiated review of repairs and alterations of Postal Service facilities (Project Number 04XG004CA000).

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## Results in Brief

During fiscal year (FY) 2003, Postal Service officials in the Dallas District effectively managed expensed repairs and alterations for Postal Service buildings and leased facilities. Specifically, district administrative service office (ASO) personnel developed an annual plan for expensed repairs and alterations projects, and they started or completed all approved expensed repairs and alterations projects during FY 2003. However, in FY 2003, there was an appearance that the Dallas District did not appropriately use funds budgeted for expensed repairs and alterations, which would cause Postal Service facilities to require more costly future repairs.

To address this issue, the Southwest Area established a procedure in FY 2004 to use each district's budget proposal to allocate funds to the districts. This made the districts accountable for projects, resolved the surplus funding for expensed repairs and alterations, and reduced the appearance that the Dallas District did not appropriately use funds budgeted for expensed repairs and alterations. Therefore, we did not recommend further action and will not conduct any further audit work.

The Postal Service could also enhance the credibility of Facilities Management System for Windows (FMSWIN) to assist in making management decisions. The Dallas ASO personnel responsible for expensed repair and alteration projects in the Dallas District did not always close or update rollover projects in FMSWIN. As a result, management cannot rely on the accuracy of the data in FMSWIN for making management decisions about workloads and ongoing projects.

We recommended that the Postal Service enhance its policy on construction projects to include timely updates to FMSWIN for expensed repairs and alterations, and communicate that requirement to applicable personnel.

Management agreed with the recommendation and plans to have corrective action in place by July 30, 2004, that is responsive to our recommendation. Management's comments, in their entirety, are included in Appendix B of this report.

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## Background

The Postal Service incurs expenditures for both capital and expensed repairs and alterations. Capital expenditures are projects costing \$5,000 or more that provide new features, increased space, or significant extension of useful life. Expenditures that do not meet those requirements, including capital-type projects up to \$5,000 and routine repair and maintenance projects, are expensed.

As of April 2004, the Postal Service owned 8,771 facilities and leased 28,337 facilities, totaling over 318 million square feet. The actual repair and alteration expenses for these facilities were \$158.1 million for FY 2003. In the Dallas District, the Postal Service owned 136 facilities and leased 315 facilities, totaling over 5.4 million square feet. The actual repair and alteration expenses for facilities in the Dallas District were \$1.4 million for FY 2003.

District ASOs are responsible for most facilities' expensed repairs and alterations less than \$250,000. As part of the preparation process for the District's five-year plan,<sup>1</sup> the

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<sup>1</sup> Handbook RE-13, Section 111.1, Repairs and Alterations of Real Property Facilities, requires each district to develop a five-year plan to maintain existing buildings and building-related systems in an acceptable operating condition.

Dallas District ASO was also responsible for scheduling and performing inspections to identify district facilities' needs for expensed repairs and alterations. However, during the capital freeze of 2001, Facilities Headquarters discontinued the use of the five-year plan and limited expensed repairs and alterations to resolving emergency, safety, and legal issues. As a result, the Dallas District ASO no longer performed scheduled inspections. Subsequently, the Postal Service replaced the freeze with constraints on spending, and allowed maintenance of facility infrastructure in addition to resolving emergency, safety, and legal issues. In FY 2003, the Vice President, Finance, Controller, advised that all areas received funds for expensed repairs and alterations to allow for minor repairs on facilities to maintain the existing infrastructure and prolong major investments.

The Dallas District ASO develops an annual plan for expensed repairs and alterations based on requests from postmasters and installation heads for specific nonemergency repairs and alterations. Emergency repairs occur throughout the year and generally take priority over expensed repairs and alterations included in the annual plan.

Area offices provide funding for expensed repairs and alterations on line 3b of the districts' budgets. For FY 2003, the Southwest Area allocated \$2.2 million to the Dallas District.

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**Objectives, Scope,  
and Methodology**

Our survey objective was to determine whether the Postal Service was effectively managing expensed repairs and alterations for Postal Service buildings and leased facilities. Specifically, we determined whether the Postal Service planned and performed expensed repairs and alterations to avoid more costly repairs in the future as building conditions deteriorate, and appropriately utilized the funds budgeted for expensed repairs and alterations. We limited our review to FY 2003 expensed repairs and alterations in the Dallas District, as discussed with Postal Service management on January 21, 2004.

To achieve these objectives, we reviewed applicable policies and procedures; interviewed personnel in the Dallas District, Southwest Area, Facilities Service Office, and Facilities Headquarters; and reviewed project files for a

judgmental sample of repairs and alterations to determine whether the repairs were properly planned and performed.

We identified a universe of 193 expensed repairs and alterations projects totaling \$1.4 million<sup>2</sup> in the Dallas District for FY 2003. Budget data<sup>3</sup> indicated that in FY 2003, the Dallas District was allotted \$2.2 million and expended \$1.4 million for expensed repairs and alterations.

We extracted the universe of expensed repairs and alterations projects for FY 2003 from FMSWIN and compared it to the FY 2003 plan for expensed repairs and alterations. We then identified emergency projects and the costs of those projects. We judgmentally sampled 28 projects and reviewed the project files to verify that the repairs and alterations were properly planned and performed. We interviewed personnel from the District ASO, the Facilities Service Office (FSO), and Facilities Headquarters regarding procedures for planning and performing expensed repairs and alterations and using budgeted funds for expensed repairs and alterations. We also reviewed Postal Service policies and procedures and obtained and reviewed documentation to support the performance of planned projects and the use of budgeted funds.

This review was conducted from January through July 2004 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our observations and conclusions with appropriate management officials and included their comments where appropriate.

We relied on computer-processed data obtained from FMSWIN to extract the universe of expensed repairs and alterations projects active in FY 2003 for the Dallas District. We also relied on the Postal Service Financial Reporting System to identify the budgeted and actual expenditures for expensed repairs and alterations in the Dallas District for FY 2003. We believe the computer-generated data was

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<sup>2</sup> The \$1.4 million expended for repairs and alterations included 79 planned repairs and alterations projects for FY 2003 totaling \$483,804; and 114 emergency projects totaling \$840,444. The remaining \$127,752 was attributable to purchases made with International Merchant Purchase Authorization Cards (IMPAC) or Postmaster purchases.

<sup>3</sup> Data was obtained from the Postal Service Financial Reporting System.

sufficiently reliable for that purpose. We did not rely on any computer-generated data to support the opinions or conclusions in this report.

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**Prior Audit Coverage**

We did not identify any prior audits or reviews related to the objective of this review.

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**The Postal Service Effectively Managed Repairs and Alterations and Appropriately Utilized Budgeted Funds**

During FY 2003, Postal Service officials in the Dallas District effectively managed expensed repairs and alterations for Postal Service buildings and leased facilities. Specifically, District ASO personnel developed an annual plan for expensed repairs and alterations based on requests from postmasters and installation heads and submitted it to the Southwest Area for approval. Additionally, expensed repairs and alterations projects that had been approved were all started or completed during FY 2003. However, in FY 2003, the Southwest Area allocated funds to the Dallas District for repairs and alterations based on previous years' expenses and an inflation rate, which was not commensurate with the cost of completing planned and emergency expensed repairs. This created the appearance that the Dallas District did not appropriately use budgeted funds for expensed repairs and alterations, which would cause facilities to need more costly repairs in the future.

In FY 2004, the Southwest Area established a procedure to use each district's budget proposal to allocate funds to the districts, which made the districts accountable for projects and resolved the surplus funding for expensed repairs and alterations. Consequently, this reduced the appearance that the Dallas District did not appropriately use budgeted funds for expensed repairs and alterations, which would cause facilities to need more costly repairs in the future.

Because the Southwest Area implemented this change in the budget process for FY 2004, we did not recommend any further action and will not conduct further audit work.

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**Opportunity to Increase Accuracy of FMSWIN**

The Postal Service could increase the accuracy of FMSWIN to assist in making management decisions. Dallas ASO personnel responsible for expensed repair and alteration projects in the Dallas District did not close or update 20 rollover projects in FMSWIN that were started in FYs 1997 through 2001. In a meeting on April 1, 2004,

Dallas ASO personnel acknowledged that they should have closed or updated these projects in FMSWIN.

Headquarters Facilities personnel provide a list of aging expensed projects to each FSO annually. The FSOs then provide lists to each district ASO for a response or action to update or close expensed repair and alteration projects in FMSWIN. Although the Postal Service has a procedure for closing or updating projects in a timely manner in FMSWIN, Dallas ASO personnel did not always follow the procedure. As a result, management cannot rely on the accuracy of the data in FMSWIN for making management decisions about workloads and ongoing projects.

We recognize that the existing policy for construction projects helps ensure timely updates of FMSWIN. However, it does not address updating FMSWIN for expensed repairs and alterations. Enhancing this policy to include repairs and alterations would increase the accuracy of the data in FMSWIN.

During a meeting on April 1, 2004, management agreed that the current requirement for timely updates of FMSWIN should be reemphasized with field personnel.

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**Recommendation**

We recommend the Vice President, Facilities:

1. Enhance the Postal Service policy on construction projects to include timely updates of FMSWIN for expensed repairs and alterations, and communicate that requirement to applicable personnel.

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**Management's  
Comments**

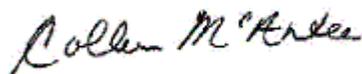
Management agreed with the recommendation. Management has procedures in place for closing or updating capital and expense projects in FMSWIN and has issued several reminders to the field in the past about the requirement. The reminders normally included a report on capital projects that were candidates for closeout or cancellation. Management agreed to enhance this process by including expense repair and alteration projects in the report by July 30, 2004.

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**Evaluation of  
Management's  
Comments**

Management's comments are responsive to the recommendation, and actions taken or planned should correct the issues identified in the finding.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Lorie Siewert, Director, Supply Management and Facilities, or me at (703) 248-2100.



Colleen A. McAntee  
Deputy Assistant Inspector General  
for Financial Management

Attachment

cc: Patrick R. Donahoe  
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Joseph K. Moore

## APPENDIX A. ABBREVIATIONS

FY	Fiscal Year
FMSWIN	Facilities Management System for Windows
ASO	Administrative Service Office
FSO	Facilities Service Office
OIG	Office of Inspector General

## APPENDIX B. MANAGEMENT'S COMMENTS

RUDY UMSCHIED  
VICE PRESIDENT, FACILITIES



July 8, 2004

KIM H. STROUD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Management Advisory – Repairs and Alterations of Postal  
Service Facilities (Report Number CA-MA-DRAFT)

We have completed the review of the subject draft management advisory and have the following response to the single recommendation in the advisory:

1. Enhance the Postal Service policy on construction projects to include timely updates of FMSWIN for expensed repairs and alterations, and communicate that requirement to applicable personnel.

**Management Response:** Management agrees with this recommendation. As stated in the report findings, we have procedures in place for closing or updating capital and expense projects in FMSWIN. We have issued several reminders to field offices in the past of this requirement. The reminder normally included a report on capital projects that were candidates for close-out or cancellation. We will enhance this process by including expense repair and alteration projects in the report. We will issue the next reminder and aging project reports to field offices by July 30.

A handwritten signature in black ink, appearing to read "Rudy Umscheid".

Rudy Umscheid

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