



# OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

U.S. Postal  
Service  
Building  
Occupancy  
Data

# Facility Management

Audit Report

Report Number  
CP-AR-16-002

December 8, 2015





# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### Highlights

***Building occupancy costs reported in the FY 2014 ACR do not accurately reflect current network and operational changes because the latest study was completed in 1999 and the Cost Attribution group is unable to clearly identify or provide a documented process for their annual updates to facility space usage data.***

### Background

The U.S. Postal Service develops costs by segments and components for its *Cost and Revenue Analysis* report. Cost Segment 15 contains building occupancy cost data covering expenses for renting and leasing facilities, fuel and utilities, communications, and facility improvements.

Total building occupancy costs for fiscal year (FY) 2014 totaled \$1.8 billion. Management develops these costs for the *Annual Compliance Report* (ACR). The Postal Accountability and Enhancement Act of 2006 requires the U.S. Postal Service Office of Inspector General (OIG) to regularly audit data collection systems and procedures used to collect information and prepare the ACR. The Postal Service's 1999 *Facility Space Usage Study* is the primary data source used to determine the allocation of rental expenses to products. The 1999 study surveyed 724 Postal Service facilities, covering over 17 percent of total space.

Our objective was to determine whether network and operational changes are accurately reflected in building occupancy costs for the FY 2014 ACR.

### What the OIG Found

Building occupancy costs reported in the FY 2014 ACR do not accurately reflect current network and operational changes because the latest study was completed in 1999 and the Cost Attribution group is unable to clearly identify or provide a documented process for their annual updates to facility space usage data. Since 2006, the Postal Service has closed or consolidated more than 350 facilities and made significant operational changes, such as deployment of new equipment and retirement of old equipment. Also, over 140 of the 724 facilities (or 20 percent) surveyed for the 1999 study are no longer in use. The Cost Attribution group's management agrees that a new study is needed, but has not conducted one because of limited resources.

We also found that the methodology used by the Postal Service to attribute costs to products is outdated. Although the Postal Service follows a methodology approved by the Postal Regulatory Commission, we found that it can result in inaccurate attribution of building occupancy rent expenses to mail products. Vacant space costs and a portion of utilities and communication costs are generally considered institutional because they are not generated by any particular product. In 1976 the Postal Regulatory Commission stated that these costs should not be attributed to mail products; however, the methodology the Postal Service uses to attribute costs to products has this result.



# OFFICE OF INSPECTOR GENERAL

## UNITED STATES POSTAL SERVICE

### What the OIG Recommended

We recommended the chief financial officer and executive vice president conduct and document a new facility space usage study reflecting current network and facility operations, establish procedures for updating facility space data annually, and establish criteria for conducting new facility space usage studies. We also recommended management update the

methodology for attributing costs to products so that costs that should be deemed institutional are not attributed to products and evaluate opportunities to use automated sources of data to make the facility space usage study and its updates more accurate and cost effective.

# Transmittal Letter



OFFICE OF INSPECTOR GENERAL  
UNITED STATES POSTAL SERVICE

December 8, 2015

MEMORANDUM FOR: JOSEPH CORBETT  
CHIEF FINANCIAL OFFICER AND  
EXECUTIVE VICE PRESIDENT

E-Signed by Kimberly Benoit  
VERIFY authenticity with eSign Desktop  
*Kimberly F. Benoit*

FROM: Kimberly F. Benoit  
Deputy Assistant Inspector General  
for Technology, Investment and Cost

SUBJECT: Audit Report – U.S. Postal Service Building Occupancy Data  
(Report Number CP-AR-16-002)

This report presents the results of our audit of U.S. Postal Service Building Occupancy Data (Project Number 15TG022CP000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact, Charles Turley, director, Cost and Pricing, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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# Findings

***There are no documented, repeatable procedures to guide the Cost Attribution group in updating facility space data.***

## Introduction

This report presents the results of our self-initiated audit of U.S. Postal Service Building Occupancy Data (Project Number 15TG022CP000). Our objective was to determine whether network and operational changes are accurately reflected in building occupancy costs (Cost Segment 15) for the fiscal year (FY) 2014 *Annual Compliance Report* (ACR).<sup>1</sup> See [Appendix A](#) for additional information about this audit.

The Postal Service develops costs by segments and components for its *Cost and Revenue Analysis* (CRA) report. Cost Segment 15 contains building occupancy cost data and covers expenses for renting and leasing facilities, fuel and utilities, communications, and facility improvements. These costs are developed and presented annually in the ACR. The PAEA requires the U.S. Postal Service Office of Inspector General (OIG) to regularly audit data collection systems and procedures the Postal Service uses to collect information and prepare the ACR.<sup>2</sup>

The August 1999 *Facility Space Usage Study* is the primary data source used to determine the allocation of rental expense to products. This study surveyed 724 Postal Service facilities, covering over 17 percent of the Postal Service's 300 million square feet (SF) of operations. Total building occupancy costs for FY 2014 were \$1.8 billion.

## Summary

Building occupancy costs reported in the FY 2014 ACR do not accurately reflect current network and operational changes because the latest study was completed in 1999 and the Cost Attribution group is unable to clearly identify or provide a documented process for their annual updates to facility space usage data. Since 2006, more than 350 facilities have been closed or consolidated and the network has experienced operational changes, such as deployment of new equipment and retirement of old equipment. The Cost Attribution group's management agrees that a new study is needed, but has not conducted one because of limited resources.

We also found that the methodology the Postal Service uses to attribute costs to products is outdated. Although the Postal Service follows a methodology approved by the PRC, we found that it can result in inaccurate attribution of building occupancy rent expenses to mail products. In 1976, the PRC declared that institutional expenses<sup>3</sup> should not be attributed to mail products; however, the methodology used to attribute costs to products has this result.

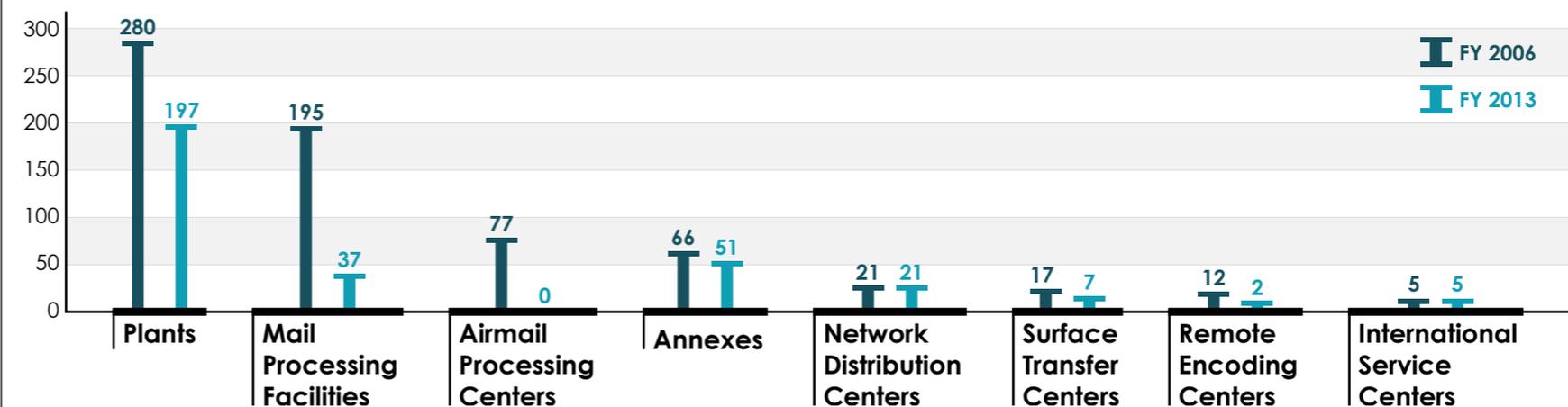
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- 1 A report submitted by the Postal Service to the Postal Regulatory Commission (PRC). The Postal Accountability and Enhancement Act of 2006 (PAEA) mandates this report, which presents an analysis of costs, revenue, pricing, and quality of service for all products.
  - 2 PAEA, Section 3622, page 5, Section C (2).
  - 3 Costs that do not vary by volume and are not associated with any specific Postal Service product. These can also be considered common or overhead costs needed for overall operations.

## Facility Space Data

The Postal Service uses facility space data to assign rental expenses to mail products based on an outdated August 1999 *Facility Space Usage Study*. Prior to 1999, the studies were conducted, on average, every 7 years.<sup>4</sup> Since the 1999 survey, over 350 facilities have been closed or consolidated, among other operational changes. These changes include the introduction of new equipment to process, transport, and deliver mail as well as the retirement of old equipment. Although information regarding equipment deployment is updated annually, of the 724 facilities surveyed as part of the 1999 study, over 140 facilities (or 20 percent) are no longer in use.

Cost Attribution management agrees that they need to conduct a new facility space usage study, but have not scheduled one because of limited resources. Due to anticipated network consolidations, Cost Attribution management is also concerned that a new study would immediately be outdated; however, operational changes made over the past 15 years directly affect how building occupancy space and costs are assigned to mail products. Table 1 illustrates the change by facility type. A new study will more accurately attribute costs to mail products, providing more accurate information for product pricing.

**Table 1. Number of Postal Service Mail Processing Facilities**



Source: PRC 2013 Form 10-K and 2007 Postal Service Annual Report.

<sup>4</sup> Facility space studies were conducted in 1977, 1985, 1992, and 1999.

## Undocumented Procedures

There are no documented, repeatable procedures to guide the Cost Attribution group in updating facility space data. In an effort to update the 1999 study, the Cost Attribution group makes adjustments annually by reviewing changes in network operations and obtaining information from several other departments. However, the group was unable to clearly identify or provide a documented process for making these annual adjustments. Further, adjustments updating the 1999 study are made manually and do not contain automated mechanisms to ensure the accuracy of the data. For example, emails are used to obtain updates for the square footage of equipment. The data and adjustments are stored in an Excel file, which uses footnotes to reference the information obtained. These footnotes do not provide specific details regarding the source of the information or how that information affects the annual adjustments to the study.

Without documented repeatable procedures to update facility data, the Postal Service may not accurately attribute building occupancy costs to mail products. Further, the manual process of collecting and entering adjustments put the data at risk for errors.

## Institutional Costs

Although the Postal Service follows the PRC-approved methodology, we found that the methodology can result in inaccurate attribution of building occupancy rent expenses to mail products. In 1976 the PRC declared that institutional expenses should not be attributed to mail products; however, the methodology used to attribute costs to products has this result. The current methodology<sup>5</sup> to calculate and attribute rental expenses uses current market rental value to reflect the rent paid if a new lease is negotiated. Current market rental value has generally been greater than actual rents paid.<sup>6</sup> The PRC ruled that only actual paid rental expenses should be attributed to mail products; therefore, the Cost Attribution group must make an adjustment to ensure that rental expenses reported in the CRA do not exceed actual rent paid. When the adjustment is made, it results in all of the costs being attributed to mail products. Although this methodology was appropriate when approved in 1976, due to changes in rental values and the growth of the cost segment over the last 40 years, it now results in all rental expenses being attributed to products.

In FY 2014, total building occupancy costs were \$1.8 billion, and \$931.3 million of that total was rent expenses. Attributing institutional costs to mail products overstates their attributable costs, making them appear less profitable. However, increasing the share of costs that is deemed institutional does not have a direct impact on the pricing of mail products.<sup>7</sup>

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<sup>5</sup> *Opinion and Recommended Decision*, Docket No. R76-1, PRC, June 30, 1976. Appendix J, Section C. Reaffirmed in *Opinion and Recommended Decision*, Docket No. R90-1, PRC, January 4, 1991. Volume 1 of 2, Section III, (D).

<sup>6</sup> Current market value is generally greater than actual rent paid because the rental value of space has generally increased beyond the original agreed upon rental rates.

<sup>7</sup> If institutional costs are not attributed to products, the identified costs of a product should decrease. Therefore a price increase would not be required to reach 100 percent cost coverage.

# Recommendations

***We recommend management conduct a new facility space usage study, establish procedures for updating facility space data annually, and establish criteria for conducting new facility space usage studies. We also recommend management update the methodology for attributing costs to products so that costs that should be deemed institutional are not attributed to products and evaluate opportunities to use automated sources of data to make the facility space usage study and its updates more accurate and cost effective.***

We recommend the chief financial officer and executive vice president:

1. Conduct and document a new facility space usage study that reflects current network and facility operations.
2. Establish documented procedures for updating facility space usage data on an annual basis and establish criteria for determining when to conduct new facility space usage studies.
3. Propose an updated methodology to the Postal Regulatory Commission on attributing costs to products so that the costs that should be deemed institutional are not attributed to products.
4. Evaluate opportunities to use automated sources of data to make the facility space usage study and its updates more accurate and cost effective.

## Management's Comments

Management agrees in part that costs reported in the FY 2014 ACR do not accurately reflect current network and operational changes because of the outdated 1999 Facility Space Usage study, and that some improvements can be made in collecting building occupancy data. Management disagreed that the methodology used to attribute costs to products is outdated. They assert that because the recognized attributable costs of current market rental value is greater than total actual rent expenses paid, they can attribute total actual rent expenses paid to products.

Management partially agrees with recommendation 1, but does not believe it is prudent or reasonable to conduct a new study at this time.

Management partially agrees with recommendation 2, however because they feel it is not prudent or reasonable to do at this time they state they will do this as part of the new space usage study. This documentation would also include criteria for the frequency of conducting new studies, along with the cost/benefit of a study.

Management disagrees with recommendation 3 and stated that they reaffirmed their methodology with the PRC.

Management agrees with recommendation 4 and continues to evaluate automation opportunities. No automated sources are available at this time, but they continue to meet with Information Technology, Engineering, and other departments to monitor any available automation opportunities.

See [Appendix B](#) for management's comments, in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1 and 2 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed. We consider corrective action taken

for recommendations 3 and 4 and consider these recommendations closed with the issuance of this report. We may evaluate the methodology for attributing costs to products and the use of automated sources of data in future audit work.

Management partially agreed with our recommendation to conduct and document a new facility space usage study that reflects current network and facility operations. The Postal Service's perspective is that their annual adjustments reflect current operations. However, we believe conducting a new study when the resources are available will result in more accurate data. We understand there is a financial impact of conducting a new study, and that ongoing consolidations should be considered; therefore we agree with the Postal Service's decision to conduct a new study by October 2018.

Management agreed with our recommendation to establish documented procedures for updating facility space usage data on an annual basis and to establish criteria for determining when to conduct new facility space usage studies. In their response, they assert their annual adjustments are documented with the PRC. While we understand that the Postal Service footnotes the annual adjustments in filings with the PRC, a documented process that details how the data is adjusted is needed to trace and/or test the annual updates. Without a documented process we cannot ensure accurate facility data is being used. Although management plans to incorporate a documented process for annual updates as part of a new study by October 2018, we believe the process should be documented before the next annual update occurs.

Management disagreed with our recommendation to propose an updated methodology to the PRC on attributing costs to products. They believe the current methodology appropriately recognizes attributable and institutional costs. Per management, during the report review period, they reaffirmed the methodology with the PRC. We encourage management to continue to reassess methodology on an ongoing basis, however we will close this recommendation.

Management agreed with our recommendation to evaluate opportunities to use automated sources of data to make the facility space usage study and its updates more accurate and cost effective. In addition, the Postal Service has taken the initiative and meets with Information Technology, Engineering, and other areas to seek opportunities to automate this data. Per management, as of October 2015, there are no automated opportunities available, but the Postal Service will continue to regularly monitor and seek opportunities to automate postal cost data.

# Appendices

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## Appendix A: Additional Information

### Background

Cost Segment 15 – Building Occupancy, covers expenses for renting and leasing facilities (space provision), fuel and utilities (space support), communications, and improving facility-related working conditions. Building Occupancy includes three cost components: Rent, Fuel, and Utilities; Communications; and Other Expenses.<sup>8</sup> These costs are divided into 72 operations and functions performed at Postal Service facilities (also known as cost pools) based on facility space usage, such as mail processing operations and retail window and Post Office Box operations. These calculated building occupancy expenses are part of the Postal Service’s annual CRA report. Management compiles the CRA information into the ACR for the PRC’s review.

The facility space usage study is conducted to determine how much square footage the Postal Service uses for each of its operations and functions. The most recent facility space usage study was conducted in August 1999. Facility space data is updated annually based on known space usage changes and equipment deployment and retirement. Since the 1999 study, mail processing operations and functions, facilities information system, and data sources have changed and facilities have been consolidated.

Each year the Postal Service takes actions that impact building occupancy data. For example:

- As part of its network rationalization effort, the Postal Service consolidated 97 processing plants in FY 2013, and has consolidated more than 350 mail processing facilities since 2006.
- Since beginning optimization efforts in 2009, the Postal Service has reviewed over 4,000 facilities, earmarking over 600 buildings for elimination from inventory.
- The Facilities Implementation group completed 29 new construction projects and over 30 other major renovations in FY 2013.
- In the past 2 years alone, Postal Service-owned interior space decreased by 1 million SF and leased interior space decreased by nearly 4 million SF.
- From 2012 through 2014, the Postal Service closed 143 mail processing facilities. In July 2014, the Postal Service announced plans to proceed with a second phase of consolidations, which are expected to impact up to 82 facilities in 2015, and close about 76 mail processing facilities. Currently, much of this activity is on hold; however, due to ongoing network consolidations, the Postal Service is concerned that a new study would immediately be outdated. In addition, conducting a new facility space usage study is not currently a top priority due to limited resources.

In July 2014, the Postal Service announced plans to proceed with a second phase of consolidations, which are expected to impact up to 82 facilities in 2015, and close about 76 mail processing facilities. Currently, much of this activity is on hold; however, due to ongoing network consolidations, the Postal Service is concerned that a new study would immediately be outdated. In addition, conducting a new facility space usage study is not currently a top priority due to limited resources.

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<sup>8</sup> “Communication” and “Other Expenses” include such items as telephone and telegraphic services, equipment and operations moving expenses, and noncapitalized facility improvements. Management has not found these requirements to be influenced significantly by changes in mail volume and are, consequently, classified as institutional.

## Objective, Scope, and Methodology

Our objective was to determine whether network and operational changes are accurately reflected in the building occupancy costs for the FY 2014 ACR. To accomplish our objective we:

- Identified data collection systems and procedures used in collecting information to prepare the FY 2014 ACR.
- Reviewed data and reports for Building Occupancy and Floor Space (Cost Segment 15) used by the Cost Attribution group and Facilities by interviewing postal officials to obtain an understanding of the data and reports.
- Interviewed Postal Service personnel responsible for managing Facilities and Engineering data to determine how they obtain new data, including new and renovated facilities and equipment deployments and discontinued equipment.
- Reviewed user guides, strategic plans, OIG and Government Accountability Office reports, and library references and testimony from previous rate cases and ACR filings.
- Interviewed personnel from the Facilities group to determine how they maintain the facility database and what other systems it interfaces with.
- Interviewed personnel from Cost Attribution to determine how they attribute costs within Cost Segment 15 and whether the 1999 Facility Space Usage Study still plays a useful role, and clarify the method for calculating attributable and institutional costs.
- Compared data from the 72 cost pools from FY 2005 (data from the original 1999 study) to FY 2014.
- Determined how new data is obtained and calculated and whether those approaches are valid.
- Reviewed the 1999 study data for reasonableness and recent equipment purchases.
- Determined whether data from the 1999 study is valid.
- Determined whether idle/unused building space costs are being attributed to specific mail products.
- Examined the list of surveyed sites in FY 1999 (via electronic Facilities Management System Property Search) to identify the sites that have been consolidated and/or closed.
- Discussed the recognition of institutional costs for Cost Segment 15 with the PRC.

The scope of this project included examining building occupancy costs, calculations, and procedures for accuracy of Cost Segment 15 – Building Occupancy costs.

We conducted this performance audit from March through December 2015, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for

our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on October 21, 2015, and included their comments where appropriate.

We did not assess the reliability of any computer-generated data for the purposes of this report.

### **Prior Audit Coverage**

The OIG did not identify any prior audits or reviews related to the objective of this audit.

## Appendix B: Management's Comments

JOSEPH CORBETT  
CHIEF FINANCIAL OFFICER  
EXECUTIVE VICE PRESIDENT



November 25, 2015

LORI LAU DILLARD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: U.S. Postal Service Building Occupancy Data (CP-AR-16-DRAFT)

The United States Postal Service disagrees with the audit report finding that the Postal Service failed to follow the guidance of the Postal Regulatory Commission (PRC) regarding cost treatment of institutional costs when allocating building occupancy costs. It disagrees that the current costing methodology is inappropriately assigning institutional costs to postal products, as discussed below. The Postal Service has reaffirmed with the PRC that the Postal Service is following the proscribed costing methodology for attribution of building occupancy costs, and that the methodology appropriately handles both attributable and institutional costs.

The Postal Service agrees in part with the Office of Inspector General (OIG) audit team finding that "the costs reported in the FY2014 ACR do not accurately reflect current network and operational changes because the latest [Facility Space Usage] study was completed in 1999..." (Highlights, and page 1). While the Postal Service agrees that a new Facility Space Usage study would be preferable, it must be acknowledged that important changes in facility space usage have been accounted for via many annual adjustments to reflect equipment deployments/removals and other changes. Moreover, the distribution of Building Occupancy costs to products also employs up-to-date data on the labor cost by product associated with each type of facility space for the purpose of the actual distribution of costs to products.<sup>1</sup> As the audit report notes, updating the space usage study would be expensive and, due to ongoing network consolidations, the results could possibly be outdated immediately. The PRC had the opportunity to consider the update of the Facility Space Usage study in Docket No. RM2011-3, the Strategic Rulemaking to establish priorities for data collection, but this study was not on the list of short-term priorities.

The Postal Service agrees in part with the OIG finding that "the Cost Attribution group is unable to clearly identify or provide a documented process for their annual updates to facility space usage data." (Highlights, and page 3). As noted above, the Postal Service makes annual adjustments to the facility space profile to account for equipment deployments/removals and other changes in facility space usage. These adjustments are documented as part of the Postal Service Annual Compliance Report filing with the PRC.<sup>2</sup> The adequacy of the documentation is validated on an annual basis by the PRC, however we agree that documentation of the annual process can be improved.

The Postal Service disagrees with the OIG finding "that the methodology used by the Postal Service to attribute costs to products is outdated." (Highlights, and page 1). The report states that the Postal Service's costing methodology, although consistent with the cost methodology sanctioned by the PRC, "can result in inaccurate attribution of building occupancy rent expenses" (page 1) because it fails to follow the Commission's guidance that "institutional expenses should not be attributed to mail

<sup>1</sup> See SUMMARY DESCRIPTION OF USPS DEVELOPMENT OF COSTS BY SEGMENTS AND COMPONENTS, Fiscal Year 2014. Postal Regulatory Commission Daily Listings for 7/1/2015.

<sup>2</sup> See PRC Docket No. ACR2014, USPS-FY14-8.

475 L'ENFANT PLAZA SW  
WASHINGTON, DC 20260-5000  
202-268-5272  
FAC: 202-268-4364  
WWW.USPS.COM

products; however, the methodology used to attribute costs to products has this result." (Ibid). This finding appears to stem from a misunderstanding of a key aspect of the PRC-approved methodology (from Docket No. R76-1 and reaffirmed in Docket No.R90-1 and in every Annual Compliance Determination since PAEA), that it is the use of current market rental rates, not booked expenses, in the determination of attributable costs which has led to the result that all booked rent expenses are attributed. The OIG demonstrates this significant misunderstanding at page 4:

"Although this methodology was appropriate when approved in 1976, due to changes in rental values and the growth of the cost segment over the last 40 years, it now results in all rental expenses being attributed to products."

The long-standing PRC-approved methodology, developed through decades of review and discussion by parties including the Postal Service, unions, mailers and mailer groups, and competitors, has always resulted in the full attribution of booked rent expenses because the booked expenses have always been lower than the attributable portion of the market rental rates. Most recently, the PRC approved the full attribution of booked rents in its FY2014 Annual Compliance Determination, as it had in all previous years. The Postal Service's FY2014 attribution of rent costs is fully in compliance with PRC directives regarding the treatment of institutional costs and, as the Postal Service reconfirmed with the PRC, no change in methodology is required. .

Recommendation 1:

Conduct and document a new facility space usage study that reflects current network and facility operations.

Management Response/Action Plan:

Management agrees that a new space usage study would be appropriate once the transitions resulting from the network optimization efforts, some of which have been deferred in order to maintain and improve service to our customers, especially for the peak season, have stabilized the use of our facility space to a reasonable degree. Given the expense and extent of the study that would be required to fully update the facility space usage study, beyond the annual updates performed to reflect the changes in equipment deployment, it is not prudent to undertake such a large data collection effort at this time. Furthermore, the collection and analysis of the new data and the litigation of the new study at the PRC would be extensive enough that, even if a study were initiated today, it is unlikely that the new data would be incorporated into the cost models in fewer than two years.

Target Implementation Date:

October 2018

Responsible Official:

Steven Phelps, Manager of Regulatory Reporting and Cost Analysis

Recommendation 2:

Establish documented procedures for updating facility space usage data on an annual basis and establish criteria for determining when to conduct new facility space usage studies.

Management Response/Action Plan:

Management agrees that improvements can be made in the documentation/methodology of the annual process used to update the space usage profile, and with the goal of establishing criteria for determining when to conduct new facility space usage studies. Improved documentation would be part of the new space usage study as per Recommendation 1. As an outgrowth of the new study, the

Postal Service would have information related to the cost of performing the new study and the magnitude of the new study's impact on product costs, i.e., the cost/benefit associated with updating the study. At that time, the criteria could be established regarding the utility and frequency of new facility space usage studies.

Target Implementation Date:

October 2018

Responsible Official:

Steven Phelps, Manager of Regulatory Reporting and Cost Analysis

Recommendation 3:

Propose an updated methodology to the Postal Regulatory Commission on attributing costs to products so that the costs that should be deemed institutional are not attributed to products.

Management Response/Action Plan:

Management disagrees with this recommendation. The appropriateness of the current methodology has been reconfirmed by the Postal Service through conference with the Postal Regulatory Commission.

Recommendation 4:

Evaluate opportunities to use automated sources of data to make the facility space usage study and its updates more accurate and cost effective.

Management Response/Action Plan:

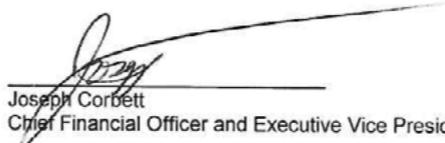
Management agrees with this recommendation and has already performed this activity. As a result of the OIG's 2013 white papers on replacing the entirety of the Postal Service's costing methodologies (MS-MA-13-004 and RARC-WP-14-005), the Postal Service undertook a multi-year, multi-million dollar project to investigate the availability of automated sources of data for all aspects of costing, including that of facility space. No automated sources of data are available for facility space usage at this time. Through regular meetings with Information Technology, Engineering, and other functional areas in the Postal Service, management continues to monitor the availability of automated data from any postal source for any category of postal cost.

Target Implementation Date:

October 2015

Responsible Official:

Steven Phelps, Manager of Regulatory Reporting and Cost Analysis

  
\_\_\_\_\_  
Joseph Corbett  
Chief Financial Officer and Executive Vice President

cc: Maura McNerney, A/Vice President of Finance and Planning  
Steven Phelps, Manager, Regulatory Reporting and Cost Analysis  
Joseph Hurley, A/Manager, Regulatory Reporting and Cost Analysis  
Virginia Mayes, Manager, Cost Attribution  
Sally Haring, Manager, Corporate Audit Response Management



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1735 North Lynn Street  
Arlington, VA 22209-2020  
(703) 248-2100