



June 25, 2010

TOM A. SAMRA
VICE PRESIDENT, FACILITIES

SUBJECT: Management Advisory Report – Congressional Inquiry: New Construction Project, Waterloo, IA (Report Number DA-MA-10-002)

This report presents the results of our review of the U.S. Postal Service's controls over new construction project E42361 for the Waterloo Carrier Annex. The report responds to a congressional request, dated May 6, 2010, to provide assistance related to a concern of misappropriation. Our objective was to determine whether the Postal Service had adequate justification to support constructing a new building for the Waterloo carrier operation. This review addresses financial and operational risk. See [Appendix A](#) for additional information about this review.

The Waterloo Main Post Office is co-located with the Waterloo Processing and Distribution Facility. Recently installed mail processing equipment has caused overcrowding on the workroom floor. The facility was on the Hawkeye District's priority list for new space projects for nearly a 10-year period. In August 2007, plans to construct a new 10,000 square foot carrier annex¹ in Waterloo, IA, were approved. The new construction project was projected to cost \$3.9 million and the move into the new building is scheduled to take place before July 1, 2010.

Conclusion

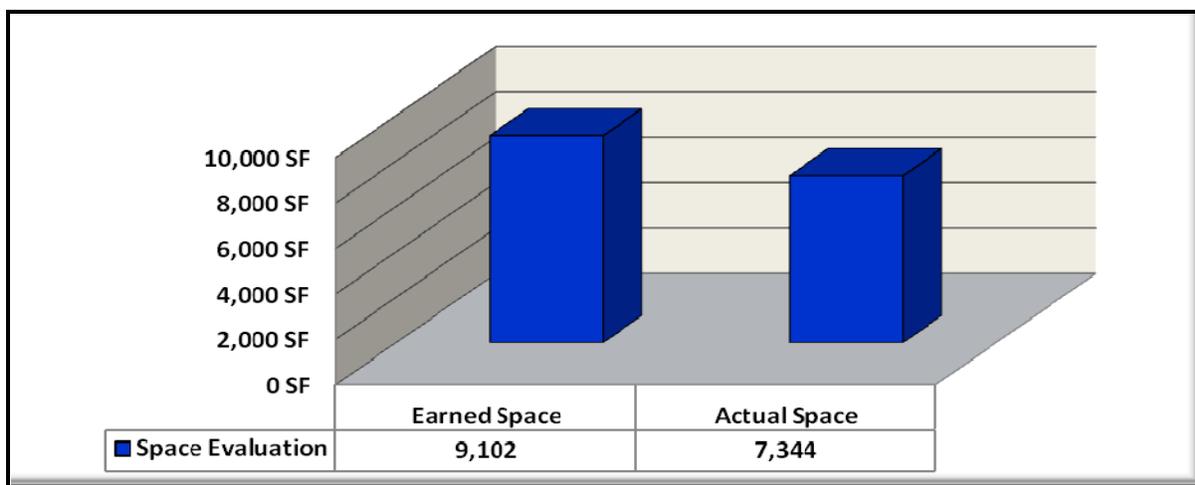
The results of our review do not support claims of misappropriation of Postal Service funds as asserted in the complainant's letter. Based on our analysis, we determined there was adequate justification to support construction of the Waterloo Carrier Annex. The inquiry alleges local postal officials are using the "excuses" of space deficiency, safety, and operational efficiency as the reasons for building the new facility. Moreover, the complainant speculates the real reason is related to shifting labor costs to a new finance number. Additional concerns outlined in the complaint are unnecessary costs related to staffing, maintaining, and building the new facility.

¹ Small Standard Building Design 100C.

Space Deficiency

The Decision Analysis Report (DAR) for the new construction project states the arrival of new mail processing equipment has compressed the carrier operation into a confined footprint, creating shared space conflicts between delivery and mail processing. Observation of the workroom floor revealed carrier space to be tightly aligned with active mail processing equipment. Postal Service space requirements² allocate 123 square feet (SF) per route. Measurement of the carrier unit confirmed 99 SF as the actual space per route. Consequently, personnel are working in over-crowded conditions, assessed at a 19.5 percent deficiency rate. See Chart 1 and Table 1 for further illustrations of the space deficiency.

Chart 1. Carrier Space Evaluation – Waterloo Main Post Office³



Safety

On April 13, 2010, the Department of Labor issued a *Citation and Notification of Penalty* for alleged Occupational Safety and Health Act (OSHA) violations⁴ reported at the Waterloo Main Post Office and plant. Penalties were assessed for the following space related items: (1) insufficient safe clearances where mechanical handling equipment was used (2) exit access not being at least 28 inches wide at all points, and (3) exit routes not being free and unobstructed. Penalties assessed at \$25,500 were directly correlated to space deficiency. After the carrier units are relocated into the carrier annex, postal officials will be able to adopt an improved floor plan with increased aisle widths and egress routes to improve safety on the workroom floor.

² New space requirements criteria established in March 2007 in a letter signed by William P. Galligan.

³ Postal Service criteria define earned space as the number of routes, 74, multiplied by 123 SF.

⁴ *Citation and Notification of Penalty*, inspection number 311517254.

Operational Efficiency

Observation of the workroom floor revealed numerous areas dedicated to shared space functions. For example, Tour 3 processes outgoing primary mail in sack racks and the next tour must break down the racks and replace them with u-carts to sort carrier parcels. Another example of shared space is the caller operation. During Tours 1 and 2 equipment containing caller mail is staged for customer pick up. As the collection mail arrives toward the end of Tour 2, the unit must be cleared to operate the culling mail processing equipment. Table 1 illustrates examples of shared space areas.

Table 1: Examples of Shared Space Areas



The station manager stated that employees use numerous hours per day to move equipment and mail from one area of the building to another. Our observations of the dual use space supported the claim of operational inefficiency. Relocation of carrier operations to the new annex will improve operational efficiency by improving mailflow and eliminating the need to break down and set up mail processing equipment.

Shifting Labor Costs to a New Finance Number

The complainant alleges that shifting labor costs to a new finance number is the real reason behind construction of the new carrier annex. With each new facility, one of the steps in the activation process is requesting a unique six-digit finance number for the new building.⁵ This is a standard step developed to align expenses/revenue with the appropriate facility. The annex's expenses/revenue will still fall under the authority of the Waterloo postmaster, the only difference being his ability to assess the financial and operational performance of each site separately. Shifting labor costs to a new finance number is the result of building a new facility, not the reason for it as implied in the inquiry.

Staffing, Maintenance, and Construction Expenses

The postmaster stated that delivery unit supervisory staffing would not increase as a result of building the new facility. The *Webcoins Payroll Staffing Condition Report* revealed that the office was understaffed. The unit has an earned complement of six authorized delivery supervisor positions, while the unit has five delivery supervisors on board. Additionally, the inquiry asserts that the Postal Service will incur additional maintenance expenses with the new facility. This is an accurate statement. In addition to the Main Post Office, the new carrier annex will require cleaning and maintenance. The estimated cost to provide custodial, lawn maintenance, and snow removal, services at the annex are \$22,000 annually. Since the justification of safety and operational efficiency supports construction of a new facility, we found the estimated expenses to be reasonable and warranted.

The DAR authorized construction of a building with a net interior space of 10,000 SF. The complainant alleged that there was a construction error which prevented the entire carrier operation from moving into the new facility. We found no support for this allegation. The building was designed for the Waterloo carriers after Flat Sequencing System (FSS) implementation. Since the office has not been FSS impacted there would be less space per route⁶ than originally planned if all the routes were moving to the new facility. However, the delivery unit manager stated that 24 carrier routes will remain in the original building. Management made a logistical decision to reduce delivery transportation costs for routes located close to the Main Post Office. Based on Postal Service space requirements the carrier annex is adequately sized for the carrier unit to operate safely and efficiently. The approved and authorized funding for the project is \$3.9 million. There have not been any cost overruns; the project met the proposed projections with \$3.6 million in paid expenses as of May 19, 2010.

⁵ Finance Number Control Master User's Guide, Section 102.

⁶ Postal Service space requirements designate 123 SF for each standard route and 95 SF for each FSS route since they require less casing equipment.

The Waterloo postmaster and the facilities field operations manager reviewed a discussion draft of this report and had no comments or concerns. Management chose not to provide written comments since the report contained no recommendations.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Miguel Castillo, director, Engineering and Facilities, or me at 703-248-2100.

E-Signed by Mark Duda 
VERIFY authenticity with ApproveIt


Mark W. Duda
Deputy Assistant Inspector General
for Support Operations

Attachment

cc: Steve Forte
Gail M. Duba
Anthony S. Huntley
Sally K. Haring

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Waterloo Main Post Office is co-located with the Waterloo Processing and Distribution Facility. The building is a two-story structure with approximately 83,000 SF of space. The building has housed delivery and mail processing operations since January 1979 and the delivery unit has 74 carrier routes. Recently installed mail processing equipment, such as the Low Cost Tray Sorter and Delivery Bar Code Sorter, has caused overcrowding on the workroom floor. The facility was on the Hawkeye District's priority list for new space projects for nearly a 10-year period.

In August 2007, plans to construct a new 10,000 SF carrier annex⁷ were approved. The new construction owned project was projected to cost \$3.9 million and the move-in scheduled to take place before July 1, 2010.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine if the Postal Service had adequate justification to support construction of a new building for the Waterloo carrier operation. Our scope included all documentation related to the Waterloo Main Post Office and the Waterloo Carrier Annex. To accomplish this review, we interviewed Postal Service officials, observed plant and delivery operations, and reviewed reports and financial documentation as appropriate.

We conducted this review during May and June 2010, in accordance with the *Quality Standards for Inspections*⁸. We discussed our observations and conclusions with management on June 9, 2010, and included their comments where appropriate. We did not assess the reliability of data used.

PRIOR AUDIT COVERAGE

The U.S. Postal Service Office of Inspector General did not identify any prior audits or reviews related to the objective of this review.

⁷ Small Standard Building Design 100C.

⁸ These standards were last promulgated by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) in January 2005. Since then, The Inspector General Act of 1978, as amended by the IG Reform Act of 2008, created the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which combined the PCIE and ECIE. To date, the Quality Standards for Inspections have not been amended to reflect adoption by the CIGIE and, as a result, still reference the PCIE and ECIE.