



January 11, 2010

SYLVESTER BLACK
VICE PRESIDENT, WESTERN AREA

TERRY K. ANDERSON
DISTRICT MANAGER, PORTLAND DISTRICT

SUBJECT: Audit Report – Excess Mail Processing Equipment in the Portland District
(Report Number EN-AR-10-002)

This report presents the results of our audit of excess mail processing equipment (MPE) in the Portland District (Project Number 09XG023EN000). Our audit objective was to assess the management and disposition of excess MPE in the Portland District. This audit is self-initiated and addresses operational risk. See [Appendix A](#) for additional information about this audit.

Conclusion

The Postal Service could improve its processes and internal controls for managing and disposing of excess MPE. We found that Portland District management did not properly and promptly dispose of excess carrier sequence barcode sorter (CSBCS) machines,¹ and did not adequately maintain MPE inventory accountability. As a result, there is an increased risk of loss and misstated value of MPE in financial records. In addition, the Postal Service may have missed an opportunity to recover partial lease costs of \$520,538 for a facility used to store excess CSBCS machines.

Disposition of Excess MPE

Portland District management did not follow procedures as required in Handbook AS-701² to ensure the prompt and proper notification, recycling, and disposal of MPE. The decline in mail volume along with efforts to move mail processing operations back to the plants have resulted in excess CSBCS machines throughout the Postal Service. Portland District management stored eight excess CSBCS machines in a leased facility for up to 6 years. As a result, the Postal Service received negative media coverage regarding storage costs. In addition, the Postal Service may have missed the opportunity to sublet

¹ The CSBCS is a small, high-speed barcode sorter designed specifically for decentralized processing in post offices.

² Handbook AS-701, *Material Management*, Section 64, June 2005 (updated with *Postal Bulletin* revisions through November 2006).

the facility and recover partial lease costs of approximately \$520,538. See [Appendix B](#) for our detailed analysis of this topic.

Postal Service Actions – In June 2009, Portland District management took corrective action detailed in the CSBCS Maintenance Management Orders for 2007 and 2009 by disposing of the eight excess CSBCS machines stored in the leased facility. In addition, Portland District management disposed of 12 other excess CSBCS machines and recovered salvage revenue of \$1,391 in July 2009.

Inventory Accountability

Portland District management did not ensure inventory listings were current and accurate as required by Handbook AS-701 and attributed these conditions to insufficient knowledge of policies and procedures and limited oversight. Two databases³ did not contain accurate records for the management and disposition of excess CSBCS machines in the Portland District. In addition, management did not always document and record MPE transfers within the Portland District. Without accurate inventory listings of MPE, there is an increased risk of loss and misstated value of MPE in financial records. See [Appendix B](#) for our detailed analysis of this topic.

Postal Service Actions – In August 2009, Portland District management initiated actions to correct and update data in the FDB database.

We recommend the district manager, Portland District, ensure:

1. Mail processing equipment inventory is current and accurately documented in the Enterprise Data Warehouse and Facilities databases.
2. Personnel responsible for the management and accountability of mail processing equipment receive appropriate training and adhere to established policies and procedures.

We recommend the vice president, Western Area Operations, in coordination with the vice president, Facilities and the district manager, Portland District:

3. Reconsider subleasing the Albany, Oregon Detached Carrier Unit facility to offset lease costs.

Management's Comments

Management agreed with recommendation 1, to ensure the mail processing equipment inventory is current and accurately documented. Management stated they would review equipment inventories beginning March 2010 and make appropriate changes. However, Portland District management did not agree with the finding that they did not follow

³ Enterprise Data Warehouse (EDW) and Facilities Database (FDB).

procedures to ensure the prompt and proper notification, recycling, and disposal of excess CSBCS machines. Portland District management stated that equipment identified in the audit report was not identified as excess to the Portland District until June 4, 2009, when they received notification that Postal Service Headquarters had authorized excessing of the machines. In addition, management provided clarifying information for various issues in the report.

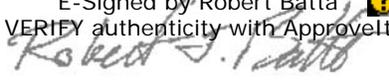
Management agreed with recommendation 2, to provide training to personnel responsible for management and accountability of mail processing equipment. Management indicated they would reissue policy and instructions with the start of the next semiannual capital property review in March 2010.

Management agreed with recommendation 3, to reconsider subleasing the Albany, Oregon Detached Carrier Unit facility to offset lease costs. Management indicated they would contract for a facility evaluation to determine how best to proceed and would make a decision in February 2010. See [Appendix E](#) for management's comments in their entirety.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General considers management's comments responsive to the recommendations in the report. Regarding Portland District management's disagreement with our finding regarding the prompt and proper notification, recycling, and disposal of excess CSBCS machines, they were unable to provide documentation showing when they notified the Western Area of the excess equipment. We agree that the management of excess equipment is a shared responsibility and management at other levels may have contributed to the situation, but believe local management should have made additional efforts to address the situation in a more timely manner.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Michael A. Magalski, director, Network Optimization, or me at (703) 248-2100.

E-Signed by Robert Batta 
VERIFY authenticity with ApproveIt


Robert J. Batta
Deputy Assistant Inspector General
for Mission Operations

Attachments

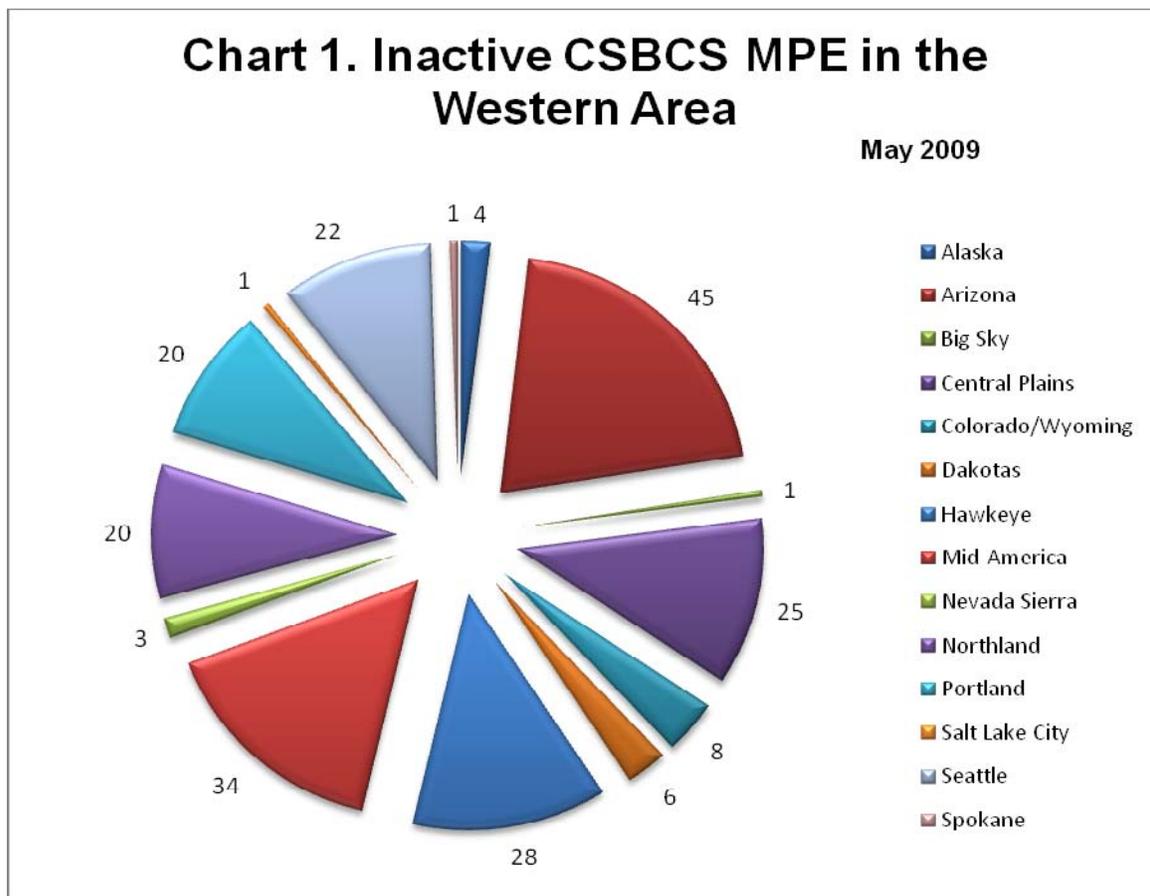
cc: Patrick R. Donahoe
Jordan M. Small
Frank Neri
Tom A. Samra
Jack L. Gustafsson
Sally K. Haring

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Excess MPE is managed and disposed⁴ of through coordination among the local, district, area, and headquarters offices. Headquarters purchases MPE and develops policies and procedures for the lifecycle⁵ of the equipment. Area management ensures that policies are carried out through the MPE lifecycle and communicates changes to district and local sites. District and local personnel are required to follow guidance and report directly to area personnel any issues regarding excess MPE during weekly teleconferences.

The Portland District is in the Western Area. According to the Web End-of-Run (WebEOR) Mapping-Machine Information Report the Western Area’s records showed 218 inactive⁶ CSBCS machines throughout the 13 districts. Chart 1 below shows the number of inactive CSBCS machines the Western Area reported.



⁴ Disposal is the process of properly relinquishing possession of assets that are unrepairable, obsolete, or surplus to the Postal Service.

⁵ The lifecycle guides the equipment from conception to retirement.

⁶ Inactive material refers to all assets that are not being used.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to assess the management and disposition of excess MPE in the Portland District. To accomplish our objective, we interviewed local, district, and area officials, along with personnel at Postal Service Headquarters in Customer Service Standardization, Technology Acquisition Management, Supply Management Operations, and Processing Operations. To understand the process and property controls of the Portland District, we conducted on-site visits at 11 Postal Service facilities. See Table 1 for the list of facilities visited.

Table 1. On-site Facility Observations

	Facility Name	City
1	Albany Main Office	Albany
2	Albany Detached Carrier Unit	Albany
3	Portland Sunset Delivery and Distribution Center	Hillsboro
4	Portland Warehouse	Portland
5	Portland Airport Terminal Self Service Postal Unit	Portland
6	Portland Mount Hood Delivery and Distribution Center	Portland
7	Portland Airport Mail Facility	Portland
8	Portland Airport Mail Center Annex	Portland
9	Portland Processing and Distribution Center	Portland
10	Tualatin Delivery Carrier Unit	Tualatin
11	Wilsonville Main Office	Wilsonville

We reviewed Postal Service policies and procedures and Government Accountability Office (GAO) and U.S. Postal Service Office of Inspector General (OIG) reports for managing and disposing of excess assets. We obtained data on CSBCS machines and reviewed selected documents on disposal of these assets.

We conducted this performance audit from May through January 2010 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 did not directly audit the database systems but performed a limited data integrity review to support our data reliance. We discussed our observations and conclusions with management on November 23, 2009, and included their comments where appropriate.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Final Report Date	Report Results
<p><i>Mail Processing Equipment Spare Parts: Plant Stockrooms</i></p>	<p>DA-AR-08-008</p>	<p>July 28, 2008</p>	<p>As of February 2008, Postal Service plant stockrooms are maintaining excess MPE spare parts. The Postal Service incurred unnecessary costs of approximately \$30 million during the 2 years ending February 2008 and can avoid costs of another \$30 million over the next 2 years. Management agreed with the findings, recommendations, and monetary impact.</p>
<p><i>Efficiency of Carrier Sequence Barcode Sorters</i></p>	<p>NO-AR-06-005</p>	<p>August 2, 2006</p>	<p>The Postal Service took an incremental approach in discontinuing use of the CSBCS processing at many of its facilities. However the OIG found three facilities in the Seattle District that process mail on delivery barcode sorters rather than the CSBCS, reducing mail processing and maintenance workhours. The OIG estimated processing mail on delivery bar code sorters would save workhours, which could produce a cost avoidance of near \$3.7 million over 10 years. Management agreed with the finding, recommendations, and monetary impact.</p>

Report Title	Report Number	Final Report Date	Report Results
<p><i>Escalating Financial Problems Require Major Cost Reductions to Limit Losses</i></p>	<p>GAO-09-475T</p>	<p>March 25, 2009</p>	<p>Fiscal year 2009 financial condition continues to deteriorate and projections suggest record declines in mail volume by 22.7 billion pieces, with a net loss of \$6.4 billion, and an unprecedented cash shortfall of \$1.5 billion. The Postal Service's most immediate challenge is to dramatically reduce costs fast enough to meet its financial obligations. The GAO reported the Postal Service has excess capacity and needs to consider how it can best use its facilities, if it is cost effective to retain those that are underused and take the actions necessary to right size its network. Management generally agreed with the accuracy of the statements in the report.</p>
<p><i>Improvements in Data Would Strengthen Maintenance and Alignment of Access to Retail Services</i></p>	<p>GAO-08-41</p>	<p>December 10, 2007</p>	<p>The facility database data is unreliable and is not used as a centralized source for facility data as planned. The FDB does not conform to the Postal Service's goals; specifically, it does not include data needed to measure performance on managing facilities or have the capacity to track such data over time. Management agreed with two recommendations; disagreed with three recommendations; and agreed in principle to one recommendation.</p>

APPENDIX B: DETAILED ANALYSIS

Disposition of Excess MPE

Portland District management did not dispose of MPE in accordance with Postal Service guidance. Although the Postal Service has excessed CSBCS machines nationwide, the Portland District continued to store CSBCS machines in a leased facility for up to 6 years and did not notify the Western Area office of the excess CSBCS machines as required. District managers stated the Western Area office was properly notified of the excess CSBCS machines; however, they were unable to provide documentation. Handbook AS-701 states that management is responsible for taking steps to ensure the prompt and proper recycling and disposal of material. Postal Service Headquarters issued additional procedures in October 2006 establishing optimal solutions for identifying and disposing of excess MPE.⁷ See [Appendix C](#) for a flowchart of the process.

During our site visit, we observed eight excess CSBCS machines in storage at a leased facility. The Postal Service used the leased facility as a detached carrier unit (DCU) until January 2003 when it moved the carrier operation into the Albany Post Office (PO). As shown in Illustration 1, from August 2003 through June 2009, the Portland District used the leased facility as a storage space for excess CSBCS machines and other mail processing equipment.



Illustration 1. Excess CSBCS machines stored in the leased facility.

Based on our audit fieldwork, Portland District management removed and disposed of the eight excess CSBCS machines from the leased facility in June 2009. In addition, the

⁷ Individual offices must notify the Area Manager, In-Plant Support (MIPS) who will determine if there is a need for redeployment in the area. If equipment is determined to be excess, the MIPS will notify the headquarters Manager, Processing Operations who will work to redeploy the equipment to other areas. If equipment is determined to be excess to Postal Service operations, the Manager, Technology Acquisition Management and the Area MIPS are notified that the equipment is excess and may be disposed of in accordance with Material Handbook AS-701 sections 641 and 642.

Portland District disposed of 12 other excess CSBCS machines and recovered salvage revenue of \$1,391.

The leased facility has been marketed for sublease since September 2004 and in February 2009 the Postal Service received an inquiry. The sublease inquiry could have potentially provided a 50- to 60-percent recovery of the lease obligation for the remaining lease term through November 2019. When the opportunity was presented to the Western Area Facility Service Office, management decided not to sublet the property as it might be useful for meeting future local needs. We recognize management is exercising due diligence; however, the Postal Service has not actively used the leased facility for operations in over 6 years. We believe the Postal Service may have missed an opportunity to partially recover the \$10,268 a month lease costs. We estimate the Postal Service could incur about \$520,538 in unnecessary lease costs over a 10-year period. In addition, the Postal Service spent \$46,206 in lease costs that were not recoverable. See [Appendix D](#) for our monetary impact calculation.

Inventory Accountability

Portland District management did not ensure inventory listings were current and accurate as required by Handbook AS-701. The Portland District used inventory listings from the EDW Capital Property Listing and FDB systems to identify equipment use and specify which MPE was active or inactive. As shown in Table 2, we found that the CSBCS inventory listings were inaccurate and inconsistent in the two systems. During our review, we determined the Portland District had 20 CSBCS machines at the following facilities:

- Eight CSBCS machine at the Albany DCU.
- Four CSBCS machines at the Grand-Rogue Gateway Annex.
- Four CSBCS machines at the Longview PO.
- Two CSBCS machines at the Tualatin DCU.
- Two CSBCS machines at the Wilsonville PO.

Table 2. Portland District CSBCS Inventory Listings as of May 2009

	Facility	EDW			FDB	
		Active	Inactive	Cameras ⁸	Active	Inactive
1	Albany PO		6	2		
2	Baker City PO	2			2	
3	Bend PO				4	
4	Grand-Rogue Gateway Annex	4	4			
5	Klamath Falls PO			4	4	
6	LA Grande PO	1		1	2	
7	Longview PO					
8	Pendleton PO				1	
9	Salem Processing and Distribution Facility			10		
10	Tualatin Postal Retail Store				2	
11	Tualatin DCU					2
12	Vancouver Orchards Postal Retail Store				5	
13	Wilsonville PO		2			2
14	Dalles PO					
15	Coos Bay Empire Branch					
	Total	7	12	17	20	4

In addition, we reviewed WebEOR data for MPE to validate the actual number of CSBCS machines assigned to the Portland District. WebEOR data shows equipment usage. The database identified eight active CSBCS and 20 inactive CSBCS machines in the Portland District.

Insufficient knowledge of Postal Service policies and procedures contributed to inventory discrepancies within the Portland District. As a result, management did not properly document and record MPE transfers within the Portland District. The Postal Service Forms 969, Material Recycling and Disposal, that Portland District management provided for our review revealed capital identification (ID) numbers⁹ did not always match the associated pieces of equipment. Portland District management could not provide a complete history of MPE transfers within the district, in part because it transferred MPE by placing a telephone call to have the equipment physically moved, without required documentation.

Without accurate inventory listings of MPE, there is an increased risk that the value of MPE will be misstated in financial records.

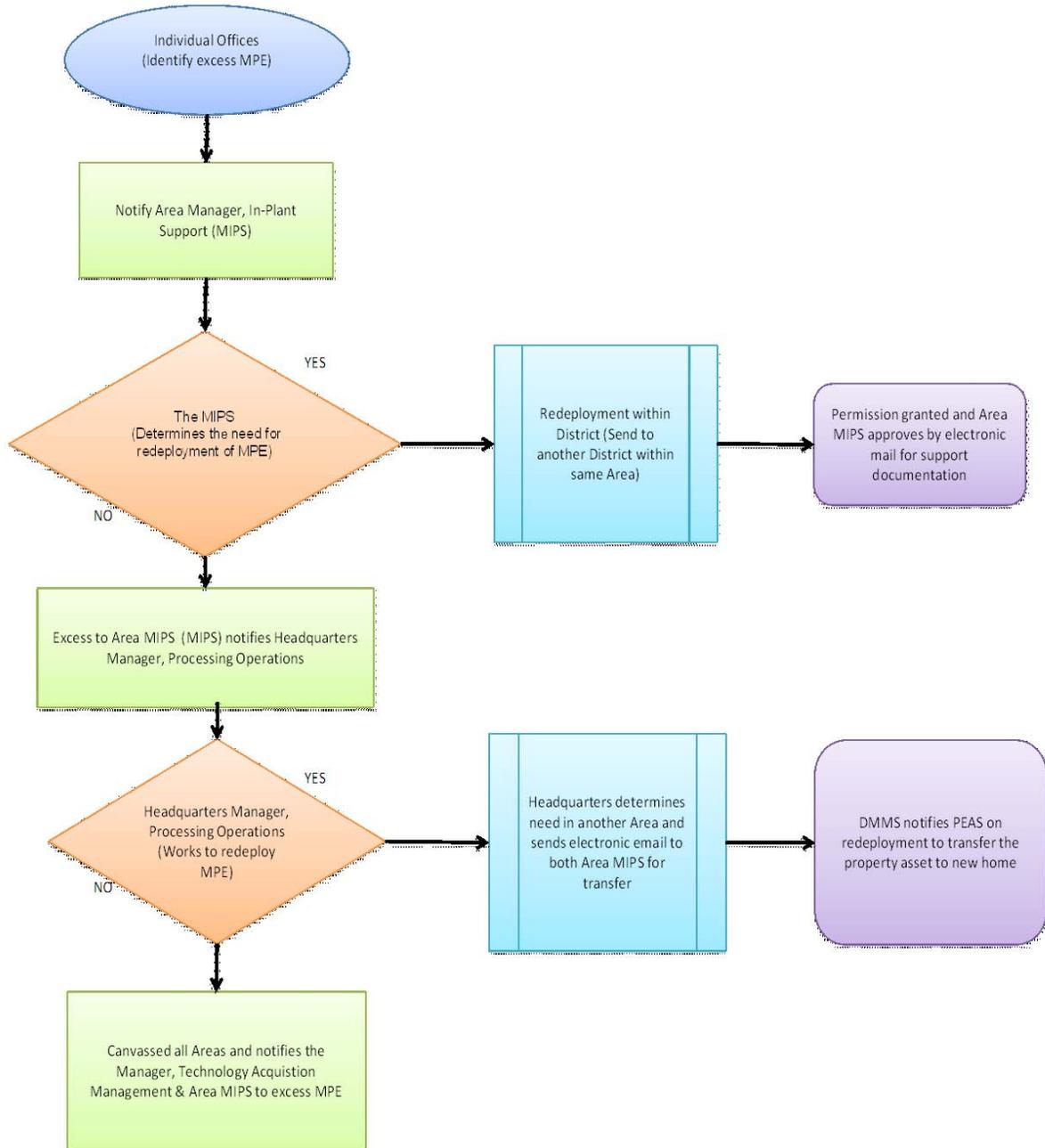
⁸ The facilities incorrectly recorded CSBCS machines as cameras in the EDW inventory system.

⁹ ID number is a unique 6- or 7-digit number used to identify each piece of capital property owned by the Postal Service. The San Mateo Accounting Service Center assigns and controls ID numbers.

APPENDIX C: EXCESS MPE FLOWCHART

Excess MPE Flowchart

(Prepared by OIG)



APPENDIX D: MONETARY IMPACT

The present value of the amount the Postal Service could have received had it sublet the Albany DCU is \$520,538.¹⁰ The Western Area reported that the amount that the Postal Service could have recovered as a result of subleasing the DCU was from 50- to 60-percent of the total annual lease cost of \$123,216. The value of the remaining lease term is \$1,314,304.

Description	Unrecoverable Questioned Costs¹¹	Funds Put to Better Use¹²
Total Present Value of Lease Payments	\$46,206	\$520,538

We estimated using the lower amount of 50 percent recovery for 9 months in 2009 (March through November) and 120 months from December 2009 through November 2019 for a total of 120 months.

The \$46,206 in unrecoverable questioned costs represents lease costs that were paid from March to November 2009.

¹⁰ Rent is due at the end of the month and the borrowing rate is .035 percent.

¹¹ Unrecoverable costs that are unnecessary, unreasonable, or an alleged violation of law or regulation.

¹² Funds that could be used more efficiently by implementing recommended actions.

APPENDIX E: MANAGEMENT'S COMMENTS

SYLVESTER BLACK
VICE PRESIDENT, GENERAL AUDIT OPERATIONS



December 28, 2009

Lucine M. Willis
Director, Audit Operations
Office of the Inspector General
1735 North Lynn Street
Arlington, VA 22209-2020

Subject: Excess Mail Processing Equipment in the Portland District
(Report Number EN-AR-10-DRAFT)

We have reviewed the draft audit report associated with Excess Mail Processing Equipment in the Portland District and appreciate the opportunity to provide comments.

We agree with the recommendation to consider sub-leasing the Albany Detached Carrier Unit (DCU) facility and will direct our Facilities Service Office (FSO) to find a suitable tenant for the facility, pending review by the Portland District regarding ongoing postal operations in Albany, OR.

With regard to background information provided as a part of the Excess Mail Processing Equipment audit report, we want to elaborate on some information contained therein.

The background data notes that there are 218 "inactive" CSBCS machines throughout the 13 Districts of the Western Area. It should be noted that for machine mapping purposes, WebEOR categorizes the status of machines as either "active" or "inactive." "Active" denotes those machines deployed in the field that are currently processing mail. "Inactive" denotes those machines that were once deployed in the field but have since been removed from service at that location. The "inactive" flag in WebEOR allows for volume data to be maintained for historical purposes.

The current fleet of CSBCS machines in the Western Area are generally housed in smaller mail processing facilities and Associate Post Offices and provide distribution capability for outgoing operations (limited) and carrier route and delivery point sequencing distribution. The CSBCS machines have worked well during their lifetime to provided extended, service-responsive distribution capabilities to our smaller sites.

The overall inventory of CSBCS machines is continually under review under a larger umbrella of equipment utilization sponsored by USPS Headquarters and frequently referred to as a "Mail Processing Closing the Gap" initiative. Areas have been instructed to review plant processing capabilities, and where possible, eliminate CSBCS processing by moving those volumes back into the larger Processing and Distribution Centers and Facilities. The Western Area has aggressively pursued CSBCS removals and has reduced the CSBCS inventory from 270 (March, 2009) to the current inventory of 173 (December, 2009).

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act.

A handwritten signature in black ink, appearing to read "Sylvester Black".

Sylvester Black
1745 Stout Street, Suite 1000
Denver CO 80290-5000
303-313-5100
FAX: 303-313-5102
www.usps.com

Dec-24-2009 11:09am From-PDX-FINANCE

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DISTRICT MANAGER
PORTLAND DISTRICT



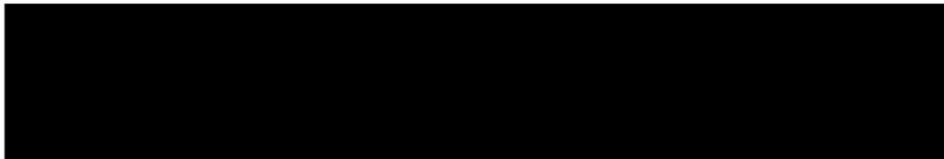
December 24, 2009

MEMORANDUM FOR:

Office of the Inspector General
Attn: Lucine M. Willis
Director, Audit Operations
1735 N Lynn Street
Arlington, VA 22209-2020

Subject: Draft Audit Report – Excess Mail Processing Equipment in the Portland District
USPS OIG Report Number EN-AR-10-DRAFT
Project Number 09XG023EN000

Thank you for the opportunity to review and comment on the Draft Audit Report of Excess Mail Processing Equipment in the Portland District. I appreciate the time and research that went into its preparation.



The Portland District agrees with the OIG finding regarding inventory accountability and that its processes and internal controls for managing and disposing of excess mail processing equipment (MPE) could be improved. We agree that management did not adequately maintain MPE inventory accountability. We also agree that Portland District management did not ensure inventory listings were current and accurate as required by Handbook AS-701, Material Management.

The Portland District disagrees with the OIG finding regarding the disposition of excess MPE. We disagree that management did not follow procedures as required in Handbook AS-701 to ensure the prompt and proper notification, recycling, and disposal of MPE and that management did not properly and promptly dispose of excess carrier sequence barcode sorter (CSBCS) machines.

The AS-701, Section 64 states, "Installation heads, material accountability officers, and other employees responsible for managing material must take all necessary steps to ensure the prompt and proper recycling and disposal of material. MSC and district material management personnel are responsible for providing guidance and coordinating with MAOs the disposal activities throughout their assigned geographic area." The AS-701 neither identifies excess material nor specifies when excess material should be disposed of or recycled.

Dec-24-2009 11:09am From-PDX-FINANCE

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USPS OIG Report Number EN-AR-10-DRAFT Project Number 09XG023EN000
Excess Mail Processing Equipment in the Portland District
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The Portland District followed directions provided in AS-701, Maintenance Management Orders (MMO), and Western Area policies and directions. Appendix C: Excess MPE Flowchart in the OIG report describes the process for determining how MPE is identified for disposal. Until a joint determination is made by the Area MIPS; the Headquarters Manager, Processing Operations; and the Manager, Technology Acquisition, no disposal or recycling occurs.

Although Maintenance Management Orders MMO-116-08 and MMO-022-09 notified us that sites "desiring to excess CSBCS machines" were issued in October 3, 2008 and January 26, 2009, Portland District had approval from Western Area to reuse some parts of the CSBCS machines located in the Albany DCU to extend the stackers on CSBCS machines in Klamath Falls, Baker City, and La Grande to improve efficiencies, reduce run times, and allow mail to be presented to carriers in these three locations much earlier each day, reducing waiting time and overtime. The CSBCS equipment cited in this report was not identified as excess to the Portland District until June 4, 2009 when we received notification from Western Area In-Plant Support that Headquarters had authorized excessing of the Albany, Longview, and Grants Pass CSBCS machines (Attachment). At that time, as was stated in the OIG report, Portland District management disposed of the excess CSBCS machines.

Recommendation 1: Mail processing equipment inventory is current and accurately documented in the Enterprise Data Warehouse and Facilities databases.

The Portland District agrees with this recommendation. To better manage the accuracy of the mail processing equipment inventory in the Enterprise Data Warehouse and Facilities databases, Portland senior operations managers and the managers of In-Plant Support, Maintenance, and Finance will meet as necessary in conjunction with the semi-annual capital property review to discuss recent and planned MPE changes and the data reported in the Facilities Database and the Enterprise Data Warehouse. These meetings will begin March 2010 during the next semi-annual capital property review. Senior managers will contact their installation heads to make certain new MPE inventory changes are documented in the Customer Service module of the FDB and that Forms 969, Material Recycling and Disposal, and 2880, Physical Inventory Certification/Adjustments, are accurately completed and sent to the San Mateo Accounting Service Center.

Recommendation 2: Personnel responsible for the management and accountability of mail processing equipment receive appropriate training and adhere to established policies and procedures.

The Portland District agrees with this recommendation and believes that District employees have been trained on and are generally following current USPS policies and guidelines.

The Portland District has had two District Material Management Specialists (DMMS) since December 2006. Both received Material and Inventory Management Principles training at the National Center for Employee Development within three months of their appointments.

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In April 2009, Portland District Finance issued District Finance Instruction DFI-2009-01, Excess Items; Redistribution, Recycling, and Disposal. Its general purpose is to clarify policies and procedures related to non-capital material management, but a section on capital equipment reinforces the need to track equipment through the Capital Property Listing and to submit Forms 969 and 2880 to the DMMS to document equipment disposal or reallocation. This instruction was distributed to all customer service managers, processing and distribution managers, and postmasters in the Portland District and is available on the Portland District website.

We also understand that with the transition of Material Service Centers to Asset Accountability Service Centers and the retirement of our DMMS we will need to realign our local policies and procedures with the new structure. At this time, no new policy has been distributed and the AS-701 is under revision. With the start of the next semi-annual capital property review in March 2010, Portland District Manager Finance will reissue current policy and instructions to all installation heads and functional managers.

Recommendation 3: Reconsider subleasing the Albany, Oregon Detached Carrier Unit facility to offset the lease costs.

The Portland District agrees with this recommendation. The Albany, Oregon Detached Carrier Unit (DCU) was built and occupied by the USPS in 1999 when use of CSBCS machines was a component of delivery point sequencing (DPS) mail processing. In October 2002, the Salem Plant assumed DPS processing for Albany and the machines were not needed for daily operations. The equipment was shut down and moved aside at the Albany Main Office Unit (MOU). Moving mail processing operations and equipment opened up floor space and allowed carrier operation at the Albany DCU to be consolidated with retail operations in the MOU. The carriers were relocated back to the Albany MPO and the DCU was not used.

We have actively marketed the property with several brokers; currently the property is listed with CB Valley Brokers via agent Dan Herbst. During the many years the property has been marketed, we have never had an offer that resulted in a sub-lease. The USPS pulled the active listing earlier this calendar year as part of the re-evaluation of postal operations in Albany. Allegedly, someone from an Oregon State agency inquired about sub-leasing it for a period of time. We never received an actual offer and the transaction was not pursued by either side. No conclusion can be made whether or not this inquiry would have resulted in this entity actually sub-leasing the site or not.

Currently, the Portland District is actively working with the Western Facilities Service Office and HQ Asset Management to determine our next actions with the Albany postal facilities. The MPO is a leased facility built and occupied by the USPS in 1964 and has been leased at the annual amount of \$19,000 ever since with the landlord having maintenance responsibility. Over the years, there have been a number of communications, proposals, and counter-proposals related to maintenance responsibility and purchase of the site. The MOU lease term is up in 2012 with an option to purchase the facility. There are numerous maintenance and environmental issues with the building.

Dec-24-2009 11:10am From-PDX-FINANCE

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Rozann Heininger in the USPS legal office has advised the USPS to have an independent facility evaluation completed in order to determine how to proceed. This work is under contract with Carlson-Veit of Salem, Oregon. We expect their report by the end of 2009.

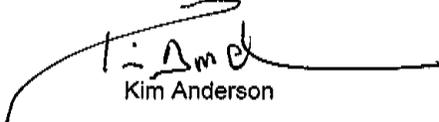
We then will evaluate and proceed with one of these options:

1. The Landlord will agree to pay for and complete all deferred and current maintenance repairs and the USPS will continue to lease the building.
2. The Landlord will refuse to do the repairs; the USPS will complete repairs and sue the Landlord to recover costs.
3. The Landlord will refuse to do the repairs and sign over the property to the USPS in exchange.

The USPS will make a decision on the Albany MPO the first week of February 2010. The MPO actions have a direct bearing on the use of the Albany DCU since re-occupancy of the DCU could be an integral part of the ongoing postal operations in Albany.

Other than the paragraph specifically identified as containing pre-decisional information, we do not believe that this report contains any other propriety or business information and may be disclosed pursuant to the Freedom of Information Act.

Sincerely,



Kim Anderson

Attachment

cc: *Manager, Corporate Audit and Response Management, acting*
Manager, Finance, Western Area
Manager, Maintenance, Western Area
Senior Plant Manager, Portland District
Manager, Finance, Portland District
Manager, Maintenance, Portland District

TKA:LER:

Dec-24-2009 11:10am From-PDX-FINANCE

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T-553 P.005/005 F-997

Attachment

Hammerman, Ruth M - Portland, OR

From: Wild, Jerry - Denver, CO
Sent: Thursday, June 04, 2009 6:19 AM
To: Teeters, Marcee T - Albany, OR; Haycraft, Timothy B - Grants Pass, OR; Spina-Denson, Anthony J - Portland, OR
Cc: Larson, Frank S - Norman, OK; Stillmunkes, Patricia A - Denver, CO; Henderson, Andy L - Denver, CO; Harris, Jeffrey - Denver, CO; Hammerman, Ruth M - Portland, OR; Anderson, Kim - Portland, OR; Shear, Lisa K - Portland, OR; Murray, Steven P - Denver, CO; Streicher, Kenneth E - Portland, OR
Subject: CSBCS Excessing Authorization
Importance: High
Attachments: csbcs_excessing_mmo-116-08.pdf; csbcs_excessing_mmo-022-09.pdf; HQ_Equipment_Excessing_Memo.pdf; AS-701_641_642.doc

Headquarters has authorized excessing of the Albany OR (8), Longview WA (4), and Grant's Pass OR (4) CSBCS machines.

We can now complete the excessing process for these machines per the attached HQ excessing memo.

Frank Larson from MTSC is copied on this message. It may be the case that Frank needs these machines in support of the National LCREM (Low Cost Reject Encoding Machine) program.

I have included Frank's contact information below. Please call or email Frank before physically disposing of these machines to find out if he needs them. If he does, he will work with you to transfer them to a destination he will name. If he needs them he will also provide guidance as to how the attached CSBCS Excessing MMO's must be performed.

If Frank does not need the machines please follow the MMO's and dispose of the machines.

When the machines are shipped to Frank, or are otherwise disposed of, I will need a signed PS969 documenting the retirement of the machines. Scanned signed copies are fine. If you do not have access to a scanner my FAX number is 303-313-5961.

When the machines are excessed please make sure that they are marked as inactive in WebEOR, and please make sure the CS Equipment Module for the respective site in the Facilities Database is updated to reflect the removals as well.

Contact information for Frank Larson
Office: (405) 573-2284
Cell: (405) 681-2167

Jerry Wild
Western Area In-Plant Support
Office: 303-313-5970
BlackBerry: 303-810-8797

6/4/2009