



July 23, 2008

TOM A. SAMRA
VICE PRESIDENT, FACILITIES

SUBJECT: Audit Report – Leased Facility Maintenance Responsibility in the Great Lakes Area (Report Number SA-AR-08-008)

This report presents the results of our audit of Leased Facility Maintenance Responsibility in the Great Lakes Area (Project Number 08YG009SA000). This is one in a series of audits we are conducting to determine if the U.S. Postal Service is incurring costs for maintaining leased facilities for which the lessor is actually responsible. We conducted this self-initiated audit based on operational risks we identified during the Facilities Single Source Provider (FSSP) system audit regarding lessor responsible maintenance and repairs. Click [here](#) to go to Appendix A for additional information about this audit.

Conclusion

We determined the Postal Service is incurring costs for maintaining leased facilities for which the lessor is responsible. Specifically, the Great Lakes Facilities Service Office (FSO) does not have an effective process for recouping lessor responsible maintenance and repair costs. As a result, the Postal Service was not reimbursed for all maintenance and repair work they performed at leased Postal Service facilities. In addition, we were unable to determine the exact number of lessor responsible repairs the Postal Service paid for in fiscal years 2006 and 2007, because there was no way to identify all lessor responsible repairs in the FSSP system. The Postal Service implemented a new Landlord Maintenance Module within the FSSP system in May 2008 to make the lessor enforcement process more consistent and to reduce errors in the future.¹

Reimbursement for Lessor Responsible Repairs

The Postal Service did not pursue reimbursement for many maintenance and repair costs that were the responsibility of the lessor. Specifically, of the 90 projects reviewed for the Great Lakes Area, the Postal Service completed 43 projects that were the responsibility of the lessor. Further, the Postal Service did not collect reimbursements for 27 of the 43 projects. This occurred because Facilities management has not developed written policies and procedures to adequately identify, track, and recoup

¹ The audit team did not evaluate the new Landlord Maintenance Module in the FSSP system.

costs incurred by the Postal Service for performing maintenance and repairs that are the responsibility of the lessor.²

In addition, we determined that Customer Service Representatives (CSRs) who input the FSSP project calls were inconsistent in how they identified who was responsible for a facility maintenance or repair project.³ When the responsible party is not correctly identified in the FSSP system, the Postal Service may make repairs that are the responsibility of the lessor and the lessor may not have the opportunity to perform maintenance and repairs for which they are responsible. Further, it becomes more difficult for the Postal Service to collect reimbursements when they have performed lessor responsible maintenance or repairs.

We identified a total of \$117,111 that the Postal Service has not collected for lessor responsible repairs. Specifically, we are reporting unrecoverable questioned costs totaling \$54,486 and recoverable questioned costs totaling \$62,625. We could not determine the monetary impact associated with the Facilities Maintenance Office (FMO) completing lessor responsible repairs because the FSSP system does not record the labor and materials costs the FMO incurs.

Click [here](#) to go to Appendix B for our detailed analysis of this issue.

We recommend the Vice President, Facilities, in coordination with the Great Lakes Facilities Service Office:

1. Strengthen its policies and procedures to ensure tracking and reimbursement of expenses incurred by the Postal Service for performing lessor responsible maintenance and repairs. Policies and procedures should include, at a minimum:
 - A requirement for consistent identification of lessor responsible maintenance and repairs in the Facilities Single Source Provider system.
 - Procedures to ensure real estate specialists notify the lessors of maintenance and repairs for which they are responsible.
 - Procedures for monitoring the status of calls assigned to Design and Construction to ensure reimbursement when repairs are complete.
 - Procedures to ensure lessor responsible maintenance and repairs are not being performed by the Facilities Maintenance Office.

² In our May 20, 2008, meeting with Great Lakes FSO management, they stated they had written procedures for the lessor enforcement process. We requested copies of the procedures, but management had not provided them as of the date of this report.

³ According to FSO management, they have experienced turnover in the CSR position and CSRs have difficulty interpreting lease agreements. As a result, the CSRs made mistakes when identifying maintenance responsibility.

Management's Comments

Management agreed with the finding and recommendation. The Facilities organization deployed new FSSP system enhancements to better identify and manage work that is the responsibility of the landlord. The new module increases tracking, monitoring, and follow-up of lessor enforcement issues. We have included management's comments, in their entirety, in [Appendix D](#).

Management disagreed with the conclusion that the Great Lakes FSO does not have a sufficient process for recouping lessor responsible maintenance and repair costs, stating that training manuals document the process. Management acknowledged prior inconsistencies in the lessor enforcement process; however, they attribute those issues primarily to turnover in staff and the lack of visible problems in the application.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to the recommendation and the actions taken should correct the issue identified. While management disagreed with the conclusion, they acknowledged inconsistencies in the process and believe recent changes to the FSSP system should solve those issues.

We recommend the Vice President, Facilities:

2. Require the Great Lakes Facilities Service Office to collect the \$62,625 in recoverable supported questioned costs.

Management's Comments

Management agreed with the finding and recommendation to collect recoverable costs but disagreed with our originally calculated amount of \$80,974. The Great Lakes FSO stated — and subsequently provided documented support for — the recoverable amount of \$62,625 and has, to date, collected \$10,650. They estimate recovering the remainder by the end of December 2008.

Evaluation of Management's Comments

On July 10, 2008, management provided the OIG with additional documentation showing the recoverable amount was actually \$62,625. We validated the documentation as complete and accurate, so we have revised the amount accordingly and will report \$62,625 in recoverable questioned costs, along with \$54,485 in unrecoverable questioned costs, in our *Semiannual Report to Congress*.

The OIG considers both recommendations significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when

corrective action is completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions, or need additional information, please contact Andrea L. Deadwyler, Director, Inspection Service and Facilities, or me at (703) 248-2100.

E-Signed by Darrell E. Benjamin, 
VERIFY authenticity with ApproveIt

Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Support Operations

Attachment

cc: Sharad Shrestha
Katherine S. Banks



APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Facilities is an enabling organization within the U.S. Postal Service whose primary mission is to (1) provide quality real estate and facilities products and services to meet present and future needs of Postal Service organizations and (2) realize optimum value from facilities assets and transactions. Facilities is headquartered in Arlington, Virginia, and has eight Facilities Service Offices (FSOs) throughout the country.

Lease management occurs at the FSO level and duties include monitoring and enforcement of lease provisions; acting as liaison for lessors on improvement projects; and providing support to postmasters and installation heads when issues occur concerning the maintenance of leased facilities.

Administrative Support Manual, Chapter 13, Section 5, explains that leases or rental agreements specify the lessor's obligations for repairs and maintenance. Typically, the agreements require the owners to keep the premises and all the equipment they furnish in good tenantable condition, except when a Postal Service agent or employee causes damage.

Per MS-110,⁴ the Real Estate department of the FSO should be familiar with lease provisions and understand the respective responsibilities of the Postal Service and lessor to ensure that Postal Service money is not spent on work that is the lessor's responsibility. In addition, the Contracting Officer at the FSO will make the final decision on whether the repair costs the Postal Service incurs for repairs for which the lessor is responsible (with or without administrative expenses) are deducted from future rents due the lessor.

The maintenance rider in Postal Service leases states that if the lessor does not make the repairs within the timeframe the Postal Service stipulates (provided it is a reasonable timeframe) the Postal Service can perform the work by contract or otherwise and withhold the cost of such work (which may include administrative costs and interest) from payments due.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the audit was to determine if the Postal Service is incurring costs for maintaining leased facilities that are the responsibility of the lessor. To accomplish this objective, we reviewed documentation and applicable policies and procedures and

⁴ Maintenance Series (MS)-110, *Associate Office Postmasters Facility Maintenance Guidelines*.

examined any other material deemed necessary to accomplish our audit objective. We also visited Postal Service facilities and interviewed managers and employees.

We conducted this performance audit from November 2007 through July 2008 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 officials on May 20, 2008, and included their comments where appropriate. We used computer-generated data from Postal Service systems such as the FSSP system and data provided by the OIG's Computer Assisted Assessment Techniques Staff to pull our sample items. We verified the items with documentation the FSO provided, and are not aware of any limitations in the reliability of computer-generated data supporting the audit findings.

PRIOR AUDIT COVERAGE

Report Title	Report Number	Report Date	Monetary Impact	Report Results
<i>Postal Service Facilities Maintenance and Repair Costs</i>	CA-AR-07-003	May 14, 2007	\$22,396	The report identified opportunities for the Postal Service to reduce costs associated with facility repair and alteration by taking a more proactive approach. The report also identified accounting issues, including two leased facility repair expenses that the Postal Service did not recoup from the lessor through rental deductions. The OIG made three recommendations to improve maintenance, repair and alteration procedures and management concurred with the findings and recommendations.

APPENDIX B: DETAILED ANALYSIS

Reimbursement for Lessor Responsible Repairs

The Postal Service did not pursue reimbursement for many repair and maintenance costs that were the responsibility of the lessor. Specifically, of the 90 projects reviewed for the Great Lakes Area, the Postal Service completed 43 projects that were the responsibility of the lessor, and did not collect reimbursements for 27 of them. For example:

- Two projects were not identified as the responsibility of the lessor in FSSP.
- For 16 projects, the FSO did not ensure notification letters were sent to the lessor informing them that the required maintenance or repair was their responsibility.
- For three projects, the Design and Construction (D&C) project managers did not notify real estate specialists that projects were complete or provide them with paid invoices so the reimbursement process could begin. Similarly, the real estate specialists did not adequately monitor calls sent to D&C for completion.
- The FMO completed one project and the Postal Service did not recoup the repair expenses.⁵

This occurred because facilities management has not developed written policies and procedures to adequately identify, track, and recoup costs incurred by the Postal Service for performing maintenance and repairs that are the responsibility of the lessor. However, Great Lakes FSO management provided the following information regarding their local lessor enforcement process:

- The lessor enforcement process identifies lessor enforcement repairs in the Problem Detail Report of the FSSP problem screen.
- The lessor enforcement process requires written notification to the lessor of the necessary repair once it has been determined that the repair is the responsibility of the lessor. The lease for each facility identifies maintenance or repairs for which the lessor is responsible and may indicate specific items for which the Postal Service is responsible.

⁵ We are reviewing this issue in more detail in our audit of Maintenance. When the FMO performs a repair and it is not included in FSSP, the Postal Service cannot track the repair. With regard to lessor-responsible repairs, the Postal Service cannot recoup the cost of a repair if it was not included in the FSSP system.

- If the lessor fails to respond to the first letter, the Postal Service provides a second letter informing the lessor that, due to their inaction, the Postal Service will make the repair and seek reimbursement once the repair is complete.
- D&C then receives the repair project and a Project Manager will contract out the repair work, manage the repair, and ensure the scope of the work is complete. Under no circumstances are lessor enforcement projects to be assigned to the FMO for completion. Once it is complete, to include payment of the invoice, the D&C Project Manager will reassign the call to the Real Estate department, and forward all documentation to the real estate specialist, so the collection process can begin.
- The Postal Service sends a third letter to the lessor informing them of the cost of the repairs, instructing them to remit a check, and advising them the Postal Service will deduct the costs from future rent payments if necessary. If the Postal Service receives no payment 30 days after the third letter, it will send a fourth and final letter to the lessor notifying them that it will deduct the repair costs from future rent payments.
- The Real Estate department is supposed to communicate any impending repairs when renewing leases or during the sale of a leased facility in order to ensure reimbursement.

In addition, we found that CSRs who input the FSSP project calls were inconsistent in how they identified who was responsible for a facility maintenance or repair project. Management personnel stated they felt CSRs made these mistakes based on the high turnover of employees in the CSR position as well as the difficulty of interpreting lease agreements. When the responsible party is not correctly identified in FSSP, the Postal Service makes repairs that are the responsibility of the lessor and the lessor does not receive timely notification of the required repair. As a result, the lessor does not get the opportunity to perform maintenance and repairs they are responsible for and it becomes more difficult for the Postal Service to collect reimbursements when they have performed lessor responsible maintenance or repairs.

We identified a total of \$117,111 the Postal Service has not collected in reimbursements for lessor responsible repairs. Specifically, we are reporting unrecoverable questioned costs totaling \$54,486 and recoverable questioned costs totaling \$62,625. We could not determine the monetary impact associated with the FMO completing lessor-responsible repairs because the FSSP system does not record the labor and materials costs incurred by the FMO.

APPENDIX C: QUESTIONED COSTS

Number of Transactions	Description	Amount
11	Recoverable Questioned Costs (repair costs that were not recouped from the lessor)	\$62,625
15	Unrecoverable Questioned Costs (repair costs that cannot be recouped from the lessor)	\$54,486
26	TOTAL	\$117,111

APPENDIX D. MANAGEMENT'S COMMENTS

TOM A. SAMRA
VICE PRESIDENT, FACILITIES



June 26, 2008

Mr. Brian Newman
Acting Director
Audit Operations
Office of Inspector General

SUBJECT: Leased Facility Maintenance Responsibility in the Great Lakes Area
(Report Number SA-AR-08-DRAFT)

Thank you for the audit and recommendations regarding leased facility maintenance responsibility in the Great Lakes Area. This letter provides a response to the items mentioned in the audit.

Recommendation 1: We recommend the Vice President, Facilities, in coordination with the Great Lakes Facilities Service Office (FSO) strengthen its policies and procedures to ensure tracking and reimbursement of expenses incurred by the Postal Service for performing lessor responsible maintenance and repairs. Policies and procedures should include, at a minimum:

- A requirement for consistent identification of lessor responsible maintenance and repairs in the Facilities Single Source Provider (FSSP) System.
- Procedures to ensure real estate specialists (RESs) notify the lessors of maintenance and repairs for which they are responsible.
- Procedures for monitoring the status of calls assigned to Design & Construction (D&C) to ensure reimbursement when repairs are complete.
- Procedures to ensure lessor responsible maintenance and repairs are not being performed by the Facilities Maintenance Office (FMO).

Response: We agree with the recommendation and feel there are now sufficient policies and procedures in place to address each of these concerns. In May 2008, the Facilities organization deployed a new FSSP system enhancement to better identify and manage all landlord responsible work. This new application module greatly increases the tracking of lessor enforcement issues and provides for more effective monitoring and follow-up for recovery of any costs incurred by the Postal Service. Our specific response to each item is below.

- A requirement for consistent identification of lessor responsible maintenance and repairs in the FSSP system.
 - Response: A training manual has been developed for use by the customer service representatives (CSRs) which details the process they are to use. All new CSRs receive this handbook and receive extensive on the job training by the senior CSR. The Manager of Contracts and Administration also provides a training overview for the new CSRs to ensure the process is clearly understood and followed. This handbook includes instructions on taking and entering calls in the response line database, accessing the lease, lease interpretation guidance, and assignment

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protocols. Additionally, as issues regarding landlord and Postal Service responsibilities are identified and clarified, a FSSP Instruction Guide is updated and given to the CSRs for additional instructions and clarifications. When the CSRs have questions on lease interpretation they seek an opinion from RESs and sometimes the FSO management team to ensure assignment is accurate the first time. (Training Manual and FSSP Instruction Guide available upon request.)

- Procedures to ensure RESs notify the lessors of maintenance and repairs for which they are responsible.
 - Response: The FSSP RES Users Guide and Work Instructions document provide instructions for RESs who are assigned to lessor enforcement responsibility on how to access the system. A PowerPoint presentation was reviewed with the districts prior to implementing the FSSP. Slide 28 in the presentation provides a flow chart of the process used for lessor enforcement. Although the flow chart is not in a narrative format, it does document the process in a format that is easier to understand. There are standardized letters generated from the FSSP program used to notify the lessors and the system check is in place. (Copy of presentation available upon request.)
- Procedures for monitoring the status of calls assigned to D&C to ensure reimbursement when repairs are complete.
 - Response: The new FSSP module previously mentioned includes an enhancement that automatically sends an email to the RES when the work is shown as completed by D&C. This allows for seamless notification and coordination between functional groups and ensures better management and follow-up for reimbursement.
- Procedures to ensure lessor responsible maintenance and repairs are not being performed by the FMO.
 - Response: Another enhancement included in the new FSSP module does not allow any problems associated with a leased facility to be assigned to Maintenance until they are reviewed by someone working on landlord maintenance issues and checked off in the system as being reviewed and certified as not part of the landlord's contractual responsibility. This should significantly avoid the potential for assigning lessor responsible work to field Maintenance.

Recommendation 2: Recommend the Vice President of Facilities require the Great Lakes Facilities Service Office to collect the \$80,974 in recoverable supported questioned costs.

Response: We have reviewed this recommendation and agree in general to collect recoverable costs, but dispute the total of \$80,974. The Great Lakes FSO has already begun the process to recover \$62,625 which we have found to be the total amount recoverable based on our review and analysis. Of this amount, \$10,650 has been recovered to date and estimate the remainder to be recovered by end of December 2008. A synopsis of our review and analysis follows.

The audit reports that that the Postal Service did not collect reimbursements for 34 of the 43 projects that were completed by the Postal Service and were the responsibility of the lessors. We have since reviewed the list in detail and the following are our responses to the findings of the audit that were summarized in Appendix B of the audit report:

- Audit Reports: Four projects were not identified as the responsibility of the lessor in FSSP.
 - Response: These four items were assigned properly and were not landlord responsibility, therefore; no recovery needed.

- Audit Reports: Eleven projects were identified where it was stated the FSO did not ensure notification letters were sent to the lessor informing them that the required maintenance was their responsibility.
 - Response: After reviewing the OIG's spreadsheet we disagree with the number. Our research indicates of the 11 projects, five are recoverable, totaling \$20,991.75. Two of the five have already been recovered for a total of \$10,650.00.

- Audit Reports: For nine projects, the D&C project managers did not notify Real Estate Specialists that projects were complete or provide them with paid invoices so the reimbursement process could begin. Similarly, the RESs did not adequately monitor calls sent to D&C for completion.
 - Response: Of the nine projects, three were the Postal Service's responsibility and were assigned properly. Thus, there is no need to recover. Out of the six that remain one is recoverable in the amount of \$8,383.50.

- The OIG identified five projects that the FMO completed and the FSO did not recoup the repair expenses.
 - Response: Three out of the five were the Postal Service's responsibility, and were assigned properly. Of the two remaining, one of them has been recovered for \$123.18. Only one is unrecoverable due to the fact that there was no invoice generated for lessor enforcement. The emergency letter notification was sent to the lessor for this last one, but it was a minimal repair. The situation was that a field maintenance staff was at the location and climbed up on a ladder and removed the vent that had been blown onto a wire.

The following is a summary of the FSO's findings after further review of the problems:

FSO Overall Sample Summary

Category:	Maintenance:	Amount
Recoverable	Lessor Responsibility	\$51,975
Payment Already Received	Lessor Responsibility	\$10,650
TOTAL RECOVERABLE	Lessor Responsibility	\$62,625
Unrecoverable	Lessor Responsibility	\$29,485
No Need to Recover	USPS Responsibility	\$53,606

The FSO's responses have been noted on the spreadsheet provided by the OIG and is available upon request. Of the total amount of \$145,716 reported as not collected by the Postal Service, the FSO's research indicates the recoverable amount is \$62,625, unrecoverable amount is \$29,485 for 13 of the 90 projects reviewed by the OIG, and the remaining \$53,606 is the Postal Service's responsibility. Of the recoverable amount, we have already collected \$10,625 and are currently in the process of collecting the remaining \$51,975.

In addition, we disagree with the conclusion drawn from the audit that the Great Lakes FSO does not have an effective process for recouping the lessor responsible maintenance and repair costs. The process is documented in training manuals provided to the CSRs and the RESs assigned to the Lessor Enforcement program as described above. The tracking of the letters sent to the lessors were done manually under the old system and handing over of the projects after they were completed by the D&C staffs to the RESs for recovery of costs under lessor enforcement did occur but were not readily visible in the system.

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Finally, we do note some prior inconsistency in the lessor enforcement process, but feel this is attributable primarily to turn over in staff and lack of visibility of problems in the application; however, are not due to lack of effective policies and procedures. The new system enhancement recently deployed nationally and stability in the staffing at the FSO should help reduce or eliminate these inconsistencies and better allow us to recover any costs incurred by the Postal Service.

We appreciate the audit and recommendations provided by the OIG. Please be assured that we will continue with our efforts to improve the lessor enforcement program.



Tom A. Samra

cc: Katherine Banks
Tim Perez
Sharad Shrestha