



December 16, 2008

TOM A. SAMRA
VICE PRESIDENT, FACILITIES

WALTER O'TORMEY
VICE PRESIDENT, ENGINEERING

DOUG A. TULINO
VICE PRESIDENT, LABOR RELATIONS

SUBJECT: Audit Report – Maintenance Facility Repairs
(Report Number SA-AR-09-002)

This report presents the results of our audit of Maintenance Facility Repairs (Project Number 08YG022SA000). We conducted this self-initiated audit based on operational risks we identified during the Facilities Single Source Provider (FSSP) program audit. Our objective was to determine whether the U.S. Postal Service Maintenance function has effective controls over facility repairs. See [Appendix A](#) for additional information about this audit.

Conclusion

Postal Service Maintenance could improve controls over facility repairs. Specifically, we identified the following internal control weaknesses.

- Field Maintenance Offices¹ (FMOs) inappropriately used credit cards to contract for maintenance and repair services.
- FMOs were inconsistent when writing Article 32² declinations for contracted work.
- The Postal Service did not use the FSSP as a single source to track all facility maintenance and repair work and disbursements.

Contracting Out Maintenance and Repair

¹ FMOs control field maintenance by prioritizing work, establishing a work schedule, and ensuring that maintenance tasks are completed quickly and economically.

² Article 32 is a section of Handbook EL-912, *Agreement between United States Postal Service and American Postal Workers Union, AFL-CIO 2000-2003*, under which the Postal Service gives due consideration to public interest, efficiency, availability of equipment, and qualification of employees when evaluating the need to subcontract.

FMOs used credit cards to contract for facility maintenance and repair services under \$2,000, which the facilities service office (FSO) should have completed. Management issued credit cards to maintenance personnel to make small purchases of additional repair parts needed while they were on-site to complete facility repairs. However, the Southeast Area and Colorado/Wyoming Districts used their credit cards to pay contractors for maintenance and repair services costing less than \$2,000.

This occurred because the FMOs accepted the work and then used their credit cards to procure repair services they could not perform, instead of declining the work and returning it to the FSOs. In addition, FSOs believed that allowing FMOs to contract out and pay for repair services with their credit cards was a quick and effective way to address small emergency projects. Policies and procedures for the FSSP program require FSOs to complete all facility maintenance and repair work FMOs decline. In addition, Handbook MS-45³ restricts FMOs from administering contracts.

The FSOs budget and prioritize facility repair funds. However, by allowing the FMOs to accept FSSP calls and use their credit cards to procure repair services, the FSOs lose the ability to control, prioritize, and track repairs. In addition, when the FSOs do not prioritize maintenance and repairs, there is a risk that assets are not being put to their best use. We identified a total of \$2,927,732 in credit card purchases for the period October 2006 through March 2008 that we consider unsupported questioned costs,⁴ resulting from Postal Service officials not following policies and procedures. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the Vice President, Engineering:

1. Issue supplemental guidance to ensure Field Maintenance Office personnel are aware of Postal Service policy that restricts the use of the credit card to procure services and include internal controls to ensure personnel comply with the policy.

Management's Comments

Management agreed with the recommendation and stated they would issue instructions to the area maintenance managers regarding the appropriate use of credit cards by FMO personnel by the second quarter of fiscal year (FY) 2009. Further, the FSOs will be instructed to review FMO credit card usage to ensure compliance with the policy each quarter, beginning with the third quarter of FY 2009. See [Appendix C](#) for management's comments, in their entirety.

Inconsistent or Incomplete Article 32s

³ Handbook MS-45, *Field Maintenance Program, Maintenance Series* states "The FSO contracts work declined by the FMO after an evaluation is completed by the FMO." Chapter 4 states the "FMO does not procure or administer contracts."

⁴ Costs that are unnecessary, unreasonable, or an alleged violation of a law or regulation.

We identified inconsistencies in the data entered for Article 32 declinations for 75 of 299 statistically selected FSSP calls reviewed.⁵ This occurred because some FMO managers did not receive training on completing Article 32 declinations.

In addition, five of the six maintenance-capable offices (MCO)⁶ included in our review could not enter Article 32 information into the FSSP program because the FSO had not authorized access to the FSSP for all MCOs.

Proper completion of Article 32 declinations can assist the Postal Service in its defense against union grievances they receive when they need to contract out for facilities maintenance and repairs. See [Appendix B](#) for our detailed analysis of this topic.

We recommend the Vice President, Engineering, in coordination with the Vice President, Labor Relations:

2. Develop and implement training for facility maintenance offices and maintenance-capable offices on how to complete Article 32 declinations.

Management's Comments

Management agreed with the recommendation and stated that Labor Relations will develop training for proper completion of Article 32 declinations by the end of the first quarter of FY 2009. Management further stated that, contingent upon budget availability, training would begin in the third quarter of FY 2009.

We recommend the Vice President, Facilities:

3. Require facilities service offices to provide all maintenance-capable offices with access to the Facility Single Source Provider program.

Management's Comments

Management agreed with the recommendation and stated they will issue instructions to all FSOs by the end of the first quarter of FY 2009 to ensure all maintenance capable offices have access to the FSSP program.

⁵ We identified inconsistencies with the disclosure factors entered. Five disclosure factors are evaluated before making a decision to subcontract: public interest, cost, efficiency, availability of equipment, and qualifications of employees.

⁶ An MCO has assigned maintenance personnel who are qualified to maintain a facility and the equipment installed in that facility. The office typically includes a maintenance manager and building equipment mechanics.

Bypassing the Facilities Single Source Provider Program

The Postal Service did not use the FSSP as a single source to track all facility maintenance and repair work and disbursements. As a result, in FY 2007, the FMO performed 71,072 work orders (39 percent of the total work orders) that did not originate in FSSP.

The FSSP implementation plan requires the FSSP program to track all facility repairs. Currently, the FMO's electronic Maintenance Activity Reporting System (eMARS) and Facilities' FSSP have separate databases to track facility repairs. Facilities management officials stated they have been working to consolidate the data; however, technical issues are involved with interfacing the two databases.

Because the Postal Service manages repairs through these two separate databases and the FMO was not required to include the FSSP call number on the work orders included in eMARS, tracking all facility repairs was difficult.

We also found that Associate Offices (AOs) bypassed the FSSP program by calling the FMO directly because they believed this gave them a better response to their problems. In addition, maintenance personnel from the FMO often performed additional work on-site that was not included with the original work order. This additional work was not entered into the FSSP program. However, the FMO charged the additional repairs to the budget line item for facility repairs⁷; as a result, less than the budgeted amount of money was available to the FSO to manage and prioritize FSSP calls.⁸ See [Appendix B](#) for our detailed analysis of this topic.

We recommend the Vice President, Facilities, in coordination with the Vice President, Engineering, implement internal controls to:

4. Allow the accurate tracking of facility maintenance and repair orders, such as requiring maintenance personnel to include Facility Single Source Provider call numbers on work orders in the electronic Maintenance Activity Reporting System.

Management's Comments

Management agreed with the recommendation and stated that by the end of the second quarter of FY 2009 they will modify eMARS to require a field indicating the FSSP program call number on all work orders.

⁷ Budget Line 3B is the Finance Performance Report line item for facilities repairs.

⁸ For FY 2007, Line 3B projects expensed by the Postal Service totaled \$189,475,773, of which the FMO expensed \$41,827,221.

We recommend the Vice President, Facilities, in coordination with the Vice President, Engineering, implement internal controls to:

5. Ensure that facility maintenance office personnel require all Associate Office repair and alteration work, including additional work requests performed while the facility maintenance office personnel are on-site, to be generated through the Facility Single Source Provider program.

Management's Comments

Management agreed with the recommendation in part and stated that the Vice President, Engineering, and Vice President, Facilities, will issue joint instructions to installation heads of field offices and FMO operations managers on the proper use of the FSSP program by the end of the first quarter of FY 2009. However, in certain situations the maintenance technician may do additional work on-site, approved by the supervisor, without initiating a separate call to FSSP. In these cases the work order will contain the original FSSP call number for reference.

Evaluation of Management's Comments

The U.S. Postal Service Office of Inspector General (OIG) considers management's comments responsive to all the recommendations and management's corrective actions should resolve the issues identified in the report. Management did not believe the \$2,927,732 in unsupported questioned costs were unnecessary or unreasonable. They stated there was no indication that this money was not used for valid business needs. However, they did agree that their field offices did not properly follow policies and procedures when contracting for maintenance services. Because field offices did not follow proper procedures we will report the \$2,927,732 in unsupported questioned costs in our *Semiannual Report to Congress*.

The OIG considers recommendations 1, 2, 4, and 5 significant, and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are 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, Jr. 
VERIFY authenticity with ApproveIt.

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

Attachments

cc: Edward L. Gamache
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

Administrative Support Manual (ASM), Section 531.22, states that the primary objectives of maintenance management are to maintain a safe, pleasant, and healthy working environment; maintain all plant and Postal Service equipment in good operating condition; minimize total operating costs; and protect the Postal Service's investment in buildings and equipment. The ASM also defines building and building equipment as the building's physical structure, utilities, and environmental systems.

Local maintenance offices are to implement headquarters maintenance policies and programs through the area office. Area managers may delegate to their staffs the authority to oversee the performance of maintenance activities, but they retain final accountability for the success or failure of the program. There are two types of local maintenance offices:

- An FMO coordinates and administers maintenance activities at sites that have no maintenance supervision. The FMO is responsible for the effective use of its resources to provide maintenance support to these sites. It is composed of an FMO manager and area service technicians.
- An MCO is an office that has assigned maintenance personnel qualified to maintain a facility and the equipment installed in that facility. The maintenance manager reports to the postmaster of a facility.

The local maintenance organization should use Postal Service (PS) Form 4805, Maintenance Work Order Request, for all facility repair and alteration work. These work orders are maintained electronically in eMARS. The work order provides information for planning repairs and estimating workhours and material. It also authorizes the work, gives instructions on when and how the job is to be performed, and includes a space for reporting the work performed.

The Postal Service accounts for repair and alteration expenses under account classification code 3B in the Postal Service Financial Performance Report. Line 3B is the budget line that provides funding for repair and alterations of Postal Service facilities. In FY 2007, Facilities took over from Operations the responsibility for managing these funds. Facilities also gave a portion of these funds to the areas, which distributed it to district field maintenance for facility repairs. However, for FY 2008, headquarters Facilities controlled the amount of the Line 3B budget the districts used.

In 2001, the Postal Service reengineered the facilities support process by developing the FSSP program. The FSSP program incorporates into one organization all facilities services the FSO, the Administrative Services Office, and the Area Project and Development Team previously provided. In addition, the FSO now manages all facility

repair work less than \$2,000 and enforcement of lessor maintenance managed by postmasters.

The FSSP program benefits the Postal Service by providing a single point of contact for facilities needs. The goal of FSSP is to establish a cost effective and efficient program to provide facilities support. Postmasters, station managers, and officers in charge contact the FSSP response line and inform them of repairs needed at a facility. Work requests are recorded in a database through the Postal Service's Intranet. This database is separate from the eMARS database maintenance uses. FSO personnel update the database to provide current project updates. In addition, FSO management uses the database to track the status of all active repairs to ensure timely completion and track lessor maintenance and contracting issues. Each of the Postal Service's nine areas implemented the system by the end of FY 2005.

The FMO should receive all calls for facility repairs from FSSP. The FSO offers repairs and alterations to the FMO in accordance with Handbook EL-912, *Agreement Between the United States Postal Service and American Postal Workers Union, AFL-CIO 2000-2003*, Article 32. The FMO makes a determination to accept or decline the repair and alteration work based on five factors listed in Article 32. If the FMO declines the work, they are required to give due consideration to public interest, cost, efficiency, availability of equipment, and qualification of employees when evaluating the need to subcontract. Handbook MS-45, *Field Maintenance Program, Maintenance Series* provides guidelines for work the FMO declines. Chapter 4, Section 421B, states that if the FMO Manager decides to decline an FSSP Response Line work request, Article 32 considerations will be completed within the FSSP call response software and become part of the problem history. The FSO then procures and administers the contract.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether the Postal Service maintenance function has effective controls over facility repairs. To accomplish this objective, we reviewed documentation, including a statistical sample of maintenance work orders and judgmental samples of FSSP calls and credit card payments. We also reviewed applicable policies and procedures and examined other material necessary to meet our audit objective. In addition, we visited Postal Service facilities and interviewed managers and employees.

We conducted this performance audit from March through December 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 October 8, 2008, and included their comments where appropriate.

We used computer-generated data from the Postal Service's FSSP, eMARS, and [REDACTED]. We verified the validity and reliability of computer-generated data obtained by comparing it to actual work orders, Article 32 declinations, and actual disbursement documentation and receipts, interviews with the auditee, and observation of data input.

PRIOR AUDIT COVERAGE

The OIG and the Government Accountability Office (GAO) have issued several reports in recent years regarding facilities operations.

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Review of Postal Service Facilities Single Source Provider System</i>	SA-AR-08-004	March 3, 2008	\$9,379	The report concluded FSOs do not consistently manage repair calls through the FSSP program; FSOs do not adequately track the expenditures charged to the repairs and alterations budget line; FSOs do not adequately control Facilities Knowledge Center invoicing and payments; and the data in the FSSP program is not reliable. Management agreed with the report results except for the report's identification of \$18 million of assets at risk for not adequately tracking expenditures. Management stated monitoring controls are in place. Therefore, the assets are not at risk.
<i>Improvements in Data Would Strengthen Maintenance and Alignment of Access to</i>	GAO-08-41	December 2007	N/A	The Postal Service developed a Facility Database, but the database does not conform to the Postal Service's goals or to leading federal practices. Specifically, it does not include

<p><i>Retail Services</i></p>				<p>data needed to measure performance on managing facilities or have the capacity to track such data over time. The Postal Service agreed with the recommendations except for replacing the Facility Database with a new one, establishing additional controls to improve database reliability, adopting leading federal practices for measuring facility management performance, tracking performance trends over time, and instituting a criteria-based approach to identify and close unneeded retail facilities.</p>
<p><i>Postal Service Facilities Maintenance and Repair Costs</i></p>	<p>CA-AR-07-003</p>	<p>May 14, 2007</p>	<p>N/A</p>	<p>The Postal Service does not perform inspections or preventative maintenance of customer service facilities to prevent unplanned repairs and alterations. In addition, facilities personnel do not believe local building managers possess the expertise to conduct the inspection. The Postal Service agreed with the recommendations except for spending for repairs and alterations. Management believed its inspection program was adequate to allow for optimum service.</p>

APPENDIX B: DETAILED ANALYSIS

Contracting for Services by Maintenance

The FMOs did not always follow Postal Service policy for contracting for maintenance repair services. Specifically, in some cases they used credit cards to procure services under \$2,000. We reviewed FMO work orders⁹ for the Atlanta, Greensboro, and Colorado/Wyoming Districts for the period October 1, 2006, through September 31, 2007, to determine whether the FMOs were contracting for services. Our review identified 1,071 work orders¹⁰ for which the Atlanta FMO contracted for repair services instead of performing the work in-house. In addition, we found instances of the Colorado/Wyoming District contracting for repair services.

To determine the financial impact, we reviewed credit card purchases by the Southeast Area and the Colorado/Wyoming District for the period October 2006 through March 2008. We identified \$2,927,732 in credit card purchases by the FMO for maintenance and repair services. We consider these unsupported questioned costs because the FMO did not adhere to the policy requiring them to return all declined work to the FSSP or the policy that prohibits them from administering contracts.

Table 1. Review of Work Contracted Out

Districts Reviewed	Amounts of Credit Card Purchases for FY 2007 to March 2008
Alabama	\$ 96,437
Atlanta	500,899
Central Florida	450,130
Mississippi	95,492
North Florida	210,745
South Florida	167,556
South Georgia	169,153
Suncoast	473,418
Tennessee	240,940
Colorado/Wyoming ¹¹	522,962
Total	\$2,927,732

⁹ Work orders document the scheduling and reporting of planned and unplanned corrective, reactive, and breakdown maintenance. Work orders also document root causes, workhours, travel, and costs.

¹⁰ The Atlanta District had 4,667 work orders in FY 2007.

¹¹ Our review of district credit card purchases for the Western Area showed FMO subcontracting maintenance work only in the Colorado/Wyoming District.

Inconsistent or Incomplete Article 32 Declinations

Our review of statistically selected declined FSSP calls for the Atlanta, Greensboro, and Colorado/Wyoming Districts showed that FMOs are inconsistent when inputting Article 32 declinations. An Article 32 declination is required when the FMO declines a FSSP call and the work is to be contracted out. This process requires the Postal Service to give due consideration to public interest, cost, efficiency, availability of equipment, and qualification of employees when evaluating the need to subcontract. Our review identified the following.

Table 2. Review of Article 32 Submissions

District Name	Number of Discrepancies	Sample Size
Atlanta	16	99
Greensboro	30	100
Colorado/Wyoming	29	100

We found the following types of discrepancies.

- Periods were input for one or more of the five due consideration factors.
- N/A (not applicable) was input for one or more of the five due consideration factors.
- The same narrative was repeated for each consideration factor.
- FMO managers input N/A for the public interest criteria because they were unsure of the meaning of “public interest.”

In addition, five of the six MCOs reviewed did not have access to the FSSP program to input Article 32 declinations into the system. The FSSP program is the central location for all declined Article 32 submissions. Without access to the FSSP program, MCO personnel cannot enter Article 32 information into the system.

Proper completion of Article 32 declinations can assist the Postal Service in its defense against union grievances resulting from disputes over whether facilities maintenance work should be contracted out.

Bypassing the Facilities Single Source Provider Program

The FSSP implementation plan requires that the FSSP program track all facility repairs. However, we found that the FSSP was not a single source to track all facility repairs and disbursements. For FY 2007, the FMO processed 182,156 work orders; however,

71,072 of those work orders (39 percent) were not generated through the FSSP program.

This occurred because there were two separate databases used to track facility repairs: FMOs used eMARS and Facilities used the FSSP program. The FMO documented facility repairs performed by the FMO on work orders and was not required to include the FSSP call number on its work order. The FMO maintained all work orders they perform in the eMARS system, but they did not maintain work orders in the FSSP. Facilities management stated they have been working to consolidate the data; however, there are cost-prohibitive technical issues involved with interfacing the two databases.

Because the Postal Service managed repairs through two separate databases and the FMO was not required to include the FSSP call number on the work orders in eMARS, it was difficult to track all facility repairs, as the FSSP program was intended to do. We identified two FMOs that included the FSSP call number in the description section of an FMO work order, which assisted Finance personnel in tracking the work order to the FSSP call number when approving eBay requests. However, this was not a consistent practice at all FMOs.

We also found that AOs called the FMOs directly for repairs, believing this gave them a better response to their problems. Further, FMO personnel often performed additional work outside of the original work order while at the AO, which created more work orders that were not being tracked through the FSSP.

Examples of AOs circumventing the FSSP program include AOs:

- Bypassing the FSSP program by faxing requests directly to the FMO.
- Calling contractors directly for facilities repairs under \$2,000 and then addressing the issue with District Finance Managers when the eBay request was submitted.
- Contacting the Manager of Post Office Operations directly, who then contacted the FMO, bypassing the FSSP.
- Contacting FMO employees directly.

Because the FMO charged the additional repairs as 3B Line expenses, less than the budgeted amount of money was available to the FSO to manage and prioritize FSSP calls. In addition, the Postal Service bore the risk that a contractor and the FMO might complete the same repair.

APPENDIX C: MANAGEMENT'S COMMENTS

November 19, 2008

LUCINE WILLIS
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Maintenance Facility Repairs
Report Number: SA-AR-08-DRAFT

Thank you for the opportunity to review and comment on the subject draft audit report. We have reviewed the subject report and agree fully or in part with the findings. We do not feel that the \$2,927,732 identified as unsupported, questioned costs were unnecessary or unreasonable as there is no indication that this money was not spent for valid business needs. We do agree that policies and procedures were not properly followed by some field locations and remediation is required as identified in the recommendations below.

Recommendation 1:

Issue guidance to ensure Field Maintenance Office personnel are aware of the Postal Service policy restricting the use of the credit card to procure services.

Response

Management agrees with the recommendation. Instructions will be issued to the Area Maintenance Managers regarding the appropriate use of credit cards by Field Maintenance Office personnel by Quarter II, fiscal year (FY) 2009. The Facilities Service Offices will be instructed to review credit card usage by the Field Maintenance Office to ensure compliance with the policy each quarter beginning with Quarter III, FY2009.

Recommendation 2:

Develop and implement training for Facility Maintenance Offices and Maintenance-Capable Offices on how to complete Article 32 declinations.

Response

Management agrees with the recommendation. Labor Relations will develop training for the proper completion of Article 32 declinations by the end of Quarter I, FY2009. The training will be designed and targeted for all Field Maintenance Office personnel and Maintenance-Capable Offices. Contingent of budget availability the training is planned beginning in Quarter III, FY2009.

Recommendation 3:

Require the Facilities Service Offices to provide all Maintenance-Capable Offices with access to the Facility Single Source Provider Program.

Response

Management agrees with this recommendation. Instructions will be issued to all Facilities Service Offices by the end of Quarter I, FY2009 to ensure that all Maintenance-Capable Offices have access to the Facility Single Source Provider (FSSP) Program.

Recommendation 4:

Allow the accurate tracking of facility maintenance and repair orders, such as requiring maintenance personnel to include Facility Single Source Provider call numbers on work orders in the electronic Maintenance Activity Reporting System.

Response

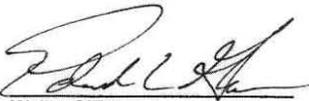
Management agrees with the recommendation and the electronic Maintenance Activity Reporting System will be modified to require a field indicating the FSSP call number on all Field Maintenance Operations work orders. This will be completed by the end of Quarter II, FY2009.

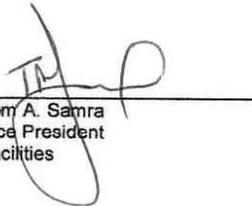
Recommendation 5:

Ensure that Facility Maintenance Office personnel require all Associate Office repair and alteration work, including additional work requests performed while the Facility Maintenance Office personnel are on-site, to be generated through the Facility Single Source Provider Program.

Response

Management agrees with the recommendation in part and the Vice President, Engineering and Vice President, Facilities will issue joint instructions to installation heads of field offices and Field Maintenance Operations Managers on the proper use of the FSSP Program by end of Quarter I, FY2009. In certain situations the maintenance technician may do additional work while on-site with approval from his supervisor, but without initiating a separate call to FSSP. In these cases the work order will contain the original FSSP call number for reference.


Walter O'Tomey
Vice President
Engineering


Tom A. Samra
Vice President
Facilities

cc: Kathy Banks