



June 17, 2008

TOM A. SAMRA
VICE PRESIDENT, FACILITIES

TERRY J. WILSON
VICE PRESIDENT, SOUTHEAST AREA OPERATIONS

SUBJECT: Management Advisory – Location of Southeast Area Office Space
(Report Number SA-MA-08-002)

This report presents the results of our review of the location of Southeast Area office space (Project Number 08YG020SA000). The report responds to a request from the Southeast Area Vice President to determine whether there are other locations within the Southeast Area that would be more appropriate for the Southeast Area office. Click [here](#) to go to Appendix A for additional information about this audit.

Conclusion

We determined the U.S. Postal Service may benefit from the Southeast Area office being located at other locations within the area they serve. We reviewed transportation and logistics, labor availability, labor, and real estate costs in assessing the location of the Southeast Area office.¹

The Southeast Area Office May Benefit from a More Optimal Location

The Southeast Area was developed when the former Postal Service regions were discontinued in the early 1990s and officials, at that time, chose to stay in Memphis, Tennessee. The office was originally centrally located within the Southern Region, which included all of what is now the Southeast Area, the Southwest Area (with the exception of New Mexico), and a portion of South Carolina. The reorganization of the regions into areas resulted in the Southeast Area office being located at the far western border of its current area of responsibility and approximately 1,100 miles from its southernmost area of responsibility.

The Postal Service does not have specific policies or procedures it considers when determining the optimal location for area or administrative offices. As a result, the area office remains in a facility that is not located in the center of the area's subordinate district offices and processing and distribution centers.

¹ These are three of the four factors considered in a study conducted by the Government Accountability Office (GAO) and used in a prior Decision Analysis Report (DAR) prepared by the Postal Service.

We reviewed a GAO report which identified four important factors to consider when determining the optimal location for administrative offices. Those factors include: transportation and logistics, labor availability, labor and real estate costs, and business climate and incentives. We also reviewed a DAR from two previous area office relocations and found that those areas considered transportation and logistics, labor availability, and real estate cost in choosing optimal site locations, but not labor costs or business climate and incentives. Our initial review and evaluation of Memphis and other locations within the Southeast Area revealed that, based on the aforementioned criteria, the Southeast Area office space may not be located in the optimal location. As a result, the Postal Service may be incurring additional and unnecessary transportation, labor, and real estate costs.

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

We recommend the Vice President, Facilities:

1. Revise current policies and procedures concerning the determination of optimal facility location, to specifically include area and administrative office space.

Management's Comments

Management agreed with the recommendation and stated they will review their internal procedures and make sure policies are adequate to address the optimal facility location when dealing with area or administrative office space. In subsequent correspondence, Facilities stated their review of internal procedures should be completed by October 1, 2008. Management's comments, in their entirety, are included in [Appendix D](#).

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 resolve the issue identified in the report.

We recommend the Vice President, Facilities, in coordination with the Vice President, Southeast Area Operations:

2. Conduct a detailed analysis to determine the optimal location for the Southeast Area office based on the policies, procedures, and criteria that are developed.

Management's Comments

Management agreed with the recommendation and stated they will continue to work in coordination with the Vice President, Southeast Area Operations, to conduct a detailed analysis to determine the optimal location for the Southeast Area office in conjunction with their review of Postal Service policies and procedures. In subsequent correspondence, Facilities stated that the Southeast Area and the Southeast Facilities Service Office began work in March 2008 to determine the optimal office location. However, they stated that due to the nature of this type of work, it is difficult to determine a specific time period for completion.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendation and the actions taken should resolve the issue identified in the report.

The OIG considers recommendation 2 significant, and therefore requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action is completed. This recommendation 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

Attachments

cc: Patrick R. Donahoe
William P. Galligan
Katherine S. Banks

APPENDIX A: ADDITIONAL INFORMATION

BACKGROUND

The Southern Region encompassed all of what is now the Southeast Area and the Southwest Area (with the exception of New Mexico), and a portion of South Carolina. The Southern Region DAR, dated May 24, 1991, states that the selected location at the Eaglecrest Building, 225 North Humphreys Boulevard, Memphis, Tennessee was ". . . within one and a half miles of the center of the postal population it will serve."

When the regions were reorganized into areas in the early 1990s, the Southeast Area office remained at the Eaglecrest Building in Memphis, Tennessee. This facility is now located at the westernmost border of its current area of responsibility and approximately 1,100 miles from its southernmost area of responsibility.

Publication 191, *Investment Policies and Procedures*, dated September 1989, was the document in place that governed investment activities at the time the DAR was written and approved. It was the precursor document to the F-66 Handbook series and is silent on where to locate facilities. Section 442 does state: "A planning parameters meeting must be held in the planning cycle for major facility projects. Planning parameters define the problem, and identify possible viable solutions to it." One of the items on the meeting agenda was to consider the preferred area where the proposed facility was to be located.

Publication 191, Section 531.2, Backup Materials, contains a list of all documents that were required in the DAR backup package. There was no requirement to include the planning parameters meeting minutes, or any other documents related to that meeting in the backup. Accordingly, the backup documentation for the Southern Region DAR did not include information resulting from a planning parameters meeting.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the review was to determine whether there are other locations within the Southeast Area that would be more appropriate for the Southeast Area office. We reviewed Postal Service and private industry policies and procedures for selecting the location of administrative offices. The specific criteria we reviewed as it relates to the Southeast Area are transportation and logistics, labor availability, and labor and real estate costs. Our audit scope included metropolitan areas within the Southeast Area geographic boundaries.

To accomplish our objective, we reviewed a study the GAO conducted and prior area office DARs. We also conducted research through the Bureau of Labor Statistics and examined other material deemed necessary to accomplish our objective.

We conducted this review from March through June 2008 in accordance with the President’s Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials on April 29, 2008, and have included their comments where appropriate.

PRIOR AUDIT COVERAGE

Our review of the U.S. Postal Service Office of Inspector General’s prior audits did not identify any audits or reviews specifically related to the audit objective within the past 3 years. However, we did identify a GAO report directly related to the location of federal facilities.

<i>REPORT TITLE</i>	<i>REPORT NUMBER</i>	<i>REPORT DATE</i>
<i>GAO Report</i>		
<i>Facilities Location: Agencies Should Pay More Attention to Costs and Rural Development Act</i>	<i>GAO-01-805</i>	<i>July 2001</i>

APPENDIX B: DETAILED ANALYSIS

The Southeast Area Office May Benefit from a More Optimal Location

The GAO report titled *Facilities Location: Agencies Should Pay More Attention to Costs and Rural Development Act*, dated July 2001, found the private sector identified the following as main areas of consideration when deciding on the location of facilities:

- Transportation and logistics²
- Labor availability and cost
- Real estate costs
- Business climate and business incentives

Labor availability was an area of consideration important in the relocation of the Pacific Area office from South San Francisco, California to San Diego, California. According to the DAR, the primary reason for the relocation of the area office was the inability to recruit individuals to fill Postal Career Executive Service (PCES) and Executive and Administrative Schedule (EAS) positions. In 2002, the Pacific Area identified recruiting as a critical concern. Of the 74 employees housed in the Oyster Pointe location, 40 percent were eligible to retire by the end of 2003. High cost of living in the area resulted in rejections of possible executive promotions. The relocation required a capital investment of approximately \$2 million and resulted in rental savings of approximately \$6.96 million over 10 years. It also placed them into a postal-owned facility that is more centrally located to their subordinate operations.

Transportation and logistics was an area of consideration important in the relocation of the Great Lakes Area office to the current Bloomingdale, Illinois, location in 1996. According to the DAR, the primary reason for relocation of the area office was the need to consolidate area administrative operations from three separate locations to a single facility. The preferred area was established by the Area Vice President after considering the need to be accessible to subordinate district offices and processing and distribution centers and to provide access to an excellent transportation infrastructure.

Review of the decision-making criteria employed by private industry and federal agencies, as it relates to the location of the Southeast Area office, revealed that labor availability (as measured by unemployment rate)³ is comparable throughout the metropolitan areas of the Southeast. Although costs for management type labor,⁴ as found in an area office, vary significantly, Memphis, Tennessee, labor costs approximate the average throughout the Southeast Area. Of the 10 metropolitan areas

² When asked to rate the importance of transportation and logistics, 17 of the 52 respondents in the consultant's survey gave it the highest rating for headquarters offices and over one-half gave it the highest rating for satellite (field) offices. Transportation factors were also important to the public sector. In the GAO's survey of federal agency sites, 40 percent of the respondents said access to transportation (such as airports, trains, and highways) was an important factor in their location decisions.

³ See [Appendix C](#), Labor Availability table.

⁴ See [Appendix C](#), Labor Cost table.

studied, we found that the Memphis International airport had fewer commercial flights in 2006 than did five other airports within the Southeast Area, but more flights than four other airports.⁵

Based upon precedent set by the Pacific and Great Lakes Area office relocations, Southeast Area travel data, and the GAO's identification of the four main areas of consideration in the choice of office location, we determined the Southeast Area office may not be optimally located within the area.

⁵ See [Appendix C](#), Flight Statistics.

APPENDIX C: SOUTHEAST AREA DATA

Labor Availability

State	City	Unemployment	
		Year	Rate
TN	Memphis	2007	4.6
TN	Nashville	2007	4.6
GA	Augusta	2007	4.3
GA	Atlanta	2007	4.3
GA	Tattnall County/Savannah	2007	4.3
FL	Orlando	2007	4.1
FL	Ft. Lauderdale	2007	4.1
FL	Miami	2007	4.1
AL	Birmingham	2007	4.0
AL	Huntsville	2007	4.0
USA		2007	4.6

(Bureau of Labor Statistics data)

Labor Cost

State	City	Bureau of Labor Statistics Data Year	Office Worker Hourly Rate (\$)
GA	Tattnall County/Savannah	2007	21.30
FL	Orlando	2007	27.20
AL	Birmingham	2007	28.07
TN	Memphis	2007	29.25
FL	Miami	2007	30.13
FL	Ft. Lauderdale	2007	30.13
GA	Atlanta	2007	32.26
TN	Nashville	2006	32.47
AL	Huntsville	2007	32.48
GA	Augusta	2007	38.87
Average			30.36

(Bureau of Labor Statistics data)

Flight Statistics

State	City	Airport Name	Data Year	Commercial Flights per Year
GA	Atlanta	Hartsfield Jackson Atlanta International	2006	672,188
FL	Miami	Miami International Airport	2006	295,946
FL	Orlando	Orlando International	2006	281,984
FL	Ft. Lauderdale	Ft. Lauderdale/Hollywood International Airport	2006	184,800
TN	Nashville	Nashville International	2006	99,229
TN	Memphis	Memphis International	2006	82,437
AL	Birmingham	Birmingham International	2006	32,266
GA	Tattnall County	Savannah	2006	14,410
AL	Huntsville	Huntsville International Airport	2006	6,669
GA	Augusta	Augusta Regional	2006	3,176

(Airlines.com airport data)

APPENDIX D: MANAGEMENT'S COMMENTS

FACILITIES-HEADQUARTERS



June 6, 2008

Brian Newman
Acting Director, Audit Operations

SUBJECT: Transmittal of Draft Management Advisory- Location of Southeast Area
Office space (Report Number SA-MA-08_DRAFT)

This is in response to the Draft Audit Report # SA-MA-08-DRAFT, Transmittal of Draft Management
Advisory- Location of the Southeast Area Office Space

Recommendation 1: Revise current policies and procedures concerning the determination of optimal
facility location, to specifically include area and administrative office space.

Response: We agree with this recommendation and will review our internal procedures and make
sure that there are adequate policies to address the determination of optimal facility location when
dealing with area or administrative office space.

Recommendation 2: Conduct a detailed analysis to determine the optimal location for the Southeast
Area office based on the policies, procedures, and criteria that were developed.

Response: We agree with this recommendation and will continue to work in coordination with the Vice
President, Southeast Area Operations to conduct a detailed analysis to determine the optimal location
for the Southeast Area office in conjunction with our review of USPS policies and procedures.

In conclusion, we appreciate the efforts of the OIG audit team in the review of the location of the
Southeast Area Office Space

A handwritten signature in black ink, appearing to read "Tom A. Samra".

Tom A. Samra
cc: Manager, Facilities Program Support
National Manager, Real Estate Facilities Headquarters
Manager, FSO

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