



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Deceased
Lessors

Audit Report

Report Number
SM-AR-16-005

January 29, 2016

DECEASED

Borrower's Signature

X





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

The Postal Service did not always know which facility leases it had with deceased lessors and continued to pay some of them, and did not always maintain accurate lessor information in its facilities management system.

Background

The U.S. Postal Service leases more than 23,000 properties and pays annual rent of over \$800 million. The Facilities organization negotiates, executes, and renews expiring leases.

The U.S. Postal Service Office of Inspector General (OIG) developed a predictive risk model that analyzes various attributes of Postal Service facility leases, including those with deceased lessors. Our model compared lessors' Social Security numbers from the Postal Service's facility database to the Social Security Administration's death master file. We identified 321 instances where the Postal Service had deceased persons listed as lessors with annual leases valued at more than \$5.3 million. As of October 2015, these lessors were deceased an average of 9.7 years.

Postal Service lessors include individuals and business entities, such as limited liability corporations, partnerships, trusts, and estates. The IRS allows the owners of these entities to use a Social Security number for tax reporting when they establish the entity; however, if the owner dies, these owners must instead use an employer identification number.

Our objective was to assess controls over updating lease information for deceased lessors.

What The OIG Found

The Postal Service did not always know which facility leases it had with deceased lessors and continued to pay some of them, and did not always maintain accurate lessor information in its facilities management system.

We identified 338 active lease agreements associated with the 321 deceased persons listed as lessors (some lessors had multiple leases with the Postal Service). We also identified two leases where the lessor died before the lease was signed and referred these instances to the OIG Office of Investigations.

Of the 338 active (and valid) lease agreements, the Postal Service made payments to:

- Seventy-eight deceased individuals with lease rents totaling about \$805,000 annually.
- Sixty-seven leases with annual rent totaling about \$1.6 million were with legal entities that continued to use deceased individuals' Social Security numbers when they should have used employer identification numbers.
- Seventy-seven leases with annual rent totaling about \$850,000 had multiple lessors, with the Social Security number of the deceased lessor listed as the primary Social Security number for the agreement.



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

The Postal Service did not have a process to confirm that lessors' information remained accurate during the term of the lease but relied on lessors' estates to voluntarily provide notification of a death.

In addition, for 116 of the 338 leases with annual rent totaling about \$2.1 million, the Postal Service was aware that the lessors were deceased and updated lease information to include the new lessors in its facilities management system; however, the system still identified deceased persons as active lessors. This occurred because Facilities personnel did not change all applicable fields in the system when they updated lease information.

Maintaining leases with deceased lessors jeopardizes the integrity of Postal Service's financial and operational data and could damage its reputation and brand. In addition, there is a greater risk of fraud when payments are improperly made to deceased individuals.

What The OIG Recommended

We recommended management develop a process to periodically compare its lessor data file with external data sources, such as the Social Security Administration's death master file, to identify deceased persons listed as lessors and obtain updated lessor information. We also recommended management update lessor information in the electronic Facilities Management System.

Transmittal Letter



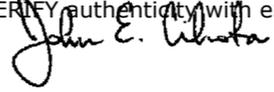
OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

January 29, 2016

MEMORANDUM FOR: TOM A. SAMRA
VICE PRESIDENT, FACILITIES

RICHARD B. ROSOFF
ACTING VICE PRESIDENT, CONTROLLER

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop



FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance and Supply Management

SUBJECT: Audit Report – Deceased Lessors
(Report Number SM-AR-16-005)

This report presents the results of our audit of Deceased Lessors
(Project Number 15BG013SM000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Keshia L. Trafton, director, Supply Management and Facilities, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Table of Contents

Cover	1
Highlights	1
Background	1
What The OIG Found.....	1
What The OIG Recommended	2
Transmittal Letter.....	3
Findings	5
Introduction	5
Summary.....	5
Knowledge of Deceased Lessors	6
Leases With Individual Lessors	6
Leases With Legal Entities.....	7
Leases With Multiple Lessors	7
Lessor Information in the Electronic Facility Management System	7
Recommendations.....	8
Management’s Comments	8
Evaluation of Management’s Comments	9
Appendices.....	11
Appendix A: Additional Information	12
Background	12
Objective, Scope, and Methodology	12
Prior Audit Coverage.....	13
Appendix B: Management’s Comments.....	14
Contact Information	20

Findings

We identified 338 active lease agreements associated with 321 deceased persons listed as lessors (some lessors had multiple leases with the Postal Service).

Introduction

This report presents the results of our self-initiated audit of Deceased Lessors (Project Number 15BG013SM000.) Our objective was to assess controls over updating lease information for deceased lessors. See [Appendix A](#) for additional information about this audit.

The U.S. Postal Service leases more than 23,000 properties and pays annual rent of over \$800 million. The Facilities organization negotiates, executes, and renews expiring leases.

The U.S. Postal Service Office of Inspector General (OIG) developed a predictive risk model that analyzes various attributes of Postal Service facility leases, including those with deceased lessors. Our model compared lessors' Social Security numbers from the Postal Service's electronic Facility Management System (eFMS)¹ to the Social Security Administration's (SSA) death master file. We identified 321 instances where the Postal Service had deceased persons listed as lessors with annual leases valued at more than \$5.3 million. As of October 2015, these lessors were deceased an average of 9.7 years.

Postal Service lessors include individuals and business entities, such as limited liability corporations (LLC), limited partnerships (LP), trusts, and estates. The IRS allows the owner of one of these entities to use a Social Security number for tax reporting when the entity is established; however, if the owner dies, the entity must instead use an employer identification number (EIN).²

Summary

The Postal Service did not know which facility leases it had with deceased lessors and continued to pay some of them, and did not maintain accurate lessor information in its facilities management system.

We identified 338 active lease agreements associated with 321 deceased persons listed as lessors (some lessors had multiple leases with the Postal Service). We also identified two leases where the lessor died before the lease was signed and referred these instances to the OIG Office of Investigations (OI).

Of the 338 active lease agreements, 78 with rents totaling about \$805,000 annually were with deceased individuals the Postal Service continued to pay. In addition, 67 of the 338 lease agreements with annual rents totaling about \$1.6 million were with legal entities that continued to use deceased individuals' Social Security numbers. These entities should have used an employee identification number instead. For 77 active leases with multiple lessors, the Social Security number of the deceased lessor had not been removed from the records. These leases had annual rents totaling about \$850,000.

These issues occurred because the Postal Service did not have a process to confirm whether lessors' information remained accurate during the term of the lease but relied on lessors' estates to voluntarily provide notification of a death.

For 116 of the 338 leases in question with annual rents totaling about \$2.1 million, the Postal Service had updated lease information in its eFMS to reflect a new lessor. However, the system still identified the deceased persons as active lessors because Facilities personnel did not change all applicable fields in the system when they updated lessors' information.

- ¹ eFMS manages all aspects of the Postal Service's property leasing program, including the preparation of leases, tax payments, and the out-lease/sub-lease of excess space.
- ² IRS Publication 1635, *Employer Identification Number: Understanding Your EIN*, explains that an EIN must be established and used in lieu of the decedent's Social Security number.

Maintaining leases with deceased lessors jeopardizes the integrity of the Postal Service's financial and operational data and could damage its reputation and brand. In addition, there is a greater risk of fraud when payments are improperly made to deceased individuals.

Knowledge of Deceased Lessors

The Postal Service did not know which leases it had with deceased lessors. We identified 338 active lease agreements (valued at \$5.3 million) associated with 321 deceased persons listed as lessors (some lessors had multiple leases with the Postal Service). Of these 338 leases, we identified 222 in which the Postal Service continued to pay the deceased lessor using that individual's Social Security number. In addition, although the Postal Service was aware that lessors for 116 of the 338 leases were deceased, it did not fully update eFMS to reflect that information. We also identified two leases where the lessor died before the lease was signed and referred these instances to the OI.

Leases With Individual Lessors

The Postal Service did not know which facility leases it had with deceased lessors and continued to make lease payments to them. Of the 338 active lease agreements, 78 were with individual lessors who were deceased. The Postal Service continued to make payments to these individuals for lease agreements totaling \$805,000 annually. These individuals died between 1 and 52 years ago and over 58 percent of them have been deceased for more than 5 years. See Figure 1 for details of when the lessor died.

Figure 1: Percentage of Deceased Lessors by Time of Death

Source: OIG analysis of SSA's death master file.

For 77 active leases with multiple lessors, the deceased lessor's Social Security number had not been removed from Postal Service records and remained listed as the primary Social Security number for the agreement.

Current lease agreement language requires lessors to notify the Postal Service of major changes that can impact lease payments, such as a change of address. Therefore, Facilities relied on lessors' estates to voluntarily notify the Postal Service of the primary lessor's death.

Leases With Legal Entities

Sixty-seven leases were with legal entities that continued to use deceased individuals' Social Security numbers. Owners of these legal entities — including trusts, LLCs, LPs, estates, and corporations — should have used EINs instead of Social Security numbers for tax identification. We reviewed 13 leases with legal entities and determined that:³

- Six were with trusts. This is a property held by one party (trustee) for the benefit of another (beneficiary).
- Three were with legal entities such as LLCs and LPs.
- Four were with estates.

The IRS requires that owners who initially established legal entities with an individual's Social Security number use an EIN instead when continuing the entity after the lessor dies.⁴ As with individual leases, the Postal Service did not have a process to confirm whether lessors' information remained accurate during the term of the lease.

Leases With Multiple Lessors

For 77 active leases with multiple lessors, the deceased lessor's Social Security number had not been removed from Postal Service records and remained listed as the primary Social Security number for the agreement. Although the surviving lessor(s) may have been entitled to receive the lease payments, the Postal Service did not have a process to identify such instances and did not remove the deceased lessors' information from its records.

Lessor Information in the Electronic Facility Management System

The Postal Service was aware that 116 of the 338 lessors were deceased. However, because Facilities personnel did not fully update eFMS, the system still identified these lessors as active. Specifically, when Facilities personnel updated eFMS with the new lessors' contact and payment information, they did not update the active/inactive field to show the deceased lessor as an inactive lessor. Effective October 2015, the Postal Service implemented a new procedure that will deactivate the deceased lessor's tax identification number in the accounts payable system. This will help improve the accuracy of lessor information.

Inaccurate lessor information jeopardizes the integrity of the Postal Service's data and could tarnish its reputation. Further, continuing to pay rent to deceased individuals increases the risk of fraud. As previously noted, we identified and referred two leases that were signed after the lessors' death to the OI.

During our audit, we identified data sources that provide information on deceased individuals. The SSA produces a death master file, which is considered a public document under the Freedom of Information Act.⁵ In addition, the National Technical Information Service of the U.S. Department of Commerce updates information on deceased individuals both weekly and monthly. The Postal Service could use these data sources to identify whether any of its lessors are deceased.

³ We initially selected a statistical sample of 182 of 1,426 potential deceased persons that had both active and inactive leases; however, we revised our universe to include only lessors with active leases. From our initial sample of 182, there were 13 active leases with legal entities.

⁴ IRS Publication 1635.

⁵ A law that gives you the right to access information from the federal government.

Recommendations

We recommend management develop a process to periodically compare its lessor data file with external data sources to identify deceased persons listed as lessors and obtain updated lessor information. We also recommend management update lessor information in the electronic Facilities Management System.

We recommend the vice president, Facilities:

1. Obtain and revise property ownership information for the 222 leases with deceased lessors identified in this report.

We recommend the vice president, Facilities, in coordination with the acting vice president, Controller:

2. Update the electronic Facilities Management System to accurately reflect the inactive status of the 116 deceased lessors of which the Postal Service was aware.
3. Develop a process, such as using external data verification services, to validate that Postal Service lessor information is accurate.

Management's Comments

Management agreed and disagreed with certain parts of the findings; however, they agreed with recommendations 1 and 2. Management disagreed with recommendation 3.

Regarding recommendation 1, management stated they are in the process of reviewing the list of the 222 leases provided by the OIG and will send out change of ownership packages, as appropriate, after such review. The target implementation date is February 1, 2016.

Regarding recommendation 2, management stated that they will continue efforts to coordinate the eFMS and the accounting systems to accurately reflect the inactive status of the deceased lessors when a change of ownership has been completed and reported to the Postal Service. They further stated that they have implemented a policy requiring notice to the accounts payable system administrators when Facilities receives a completed change of ownership package. Accounting will continue to input new information it receives from Facilities to improve the accuracy of the accounts payable system. In subsequent correspondence, management stated the target implementation date is February 29, 2016.

Regarding recommendation 3, management stated they do not have the resources to devote to checking the life and death status of lessors for 23,000 leases, and there would be no discernable benefit to the Postal Service. Management continues to believe that voluntary reporting required by the lease is the most practical and cost effective way to capture changes of ownership of leased property.

Management stated that the sheer number of Postal Service leases creates a challenge for maintaining current information concerning the death of lessors. They further stated that of the 23,000 leases, the OIG found only 338 leases where the lessor listed in eFMS was deceased. They also stated given that this system includes hundreds of fields of data for over 31,000 total leased and owned facilities, there were data entry delays on only 1.4 percent of all leases.

Management stated the Postal Service cannot cease making rental payments simply because a lessor has died. They explained that leases entered into by the Postal Service are contracts that have obligations and that these contracts do not vary based upon the life or death of the lessor. Management further explained that rental payments are for the right to use and occupy space, which the Postal Service continues to do regardless of whether a lessor is alive or deceased. They also stated that payments to deceased lessors are not improper, but are contractually required unless and until the Postal Service is legally relieved of its obligation to pay rent to the deceased lessor.

Management disagreed that maintaining leases with deceased lessors is damaging to the brand. They stated that if the Postal Service were to stop paying rent before a legal transfer of interest, it would be in default of its obligation, which could result in damage to the Postal Service's reputation.

Management also disagreed that Facilities personnel did not fully update eFMS for the 116 deceased lessors they were aware of, as identified in the report. They stated that a new owner is correctly listed in the system and pointed out that not all of the 116 lessors are deceased, although a change of ownership did occur. Management explained that eFMS automatically receives information from a Postal Service accounts payable table that contains information on all Postal Service suppliers or payees. They further explained that a change of lessor or payee in eFMS does not automatically result in removal of such payee because the individual may still be entitled to receive payments as a supplier of other services to the Postal Service. Management further stated that no payments were scheduled to be made to these lessors even though they were shown as active in eFMS and that after 2 years of there being no payments made to lessors, they are inactivated in the accounts payable table.

See [Appendix B](#) for management's comments, in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 and 2, and the corrective actions should resolve the issue identified.

Regarding recommendation 3, management stated the Postal Service cannot cease making rental payments simply because a lessor has died. We did not recommend that the Postal Service stop payment on its leases but, rather, develop a process to timely identify when lessors become deceased so Facilities can initiate action to obtain updated lessor information.

We continue to believe there are external data sources the Postal Service could use, such as the SSA death master file or the U.S. Department of Commerce's National Technical Information Service, to periodically identify whether any of its lessors are deceased, ensure lessor information is accurate and reduce the risk of improper payments. A periodic match between the Postal Service and the external data file(s) could be automated to list only those lessors identified as deceased. Further, follow-up on this list lessors should not be resource intensive since our audit identified 338 of them, a small percentage of lessors overall. Notwithstanding, we recognize management's efforts to mitigate the risk of inaccurate lessor information for the leases the OIG identified. We do not plan to pursue this recommendation through the formal audit resolution process.

Management also disagreed that Facilities personnel did not fully update eFMS for the 116 deceased lessors they were aware of, as identified in the report, and stated that a new owner is correctly listed in the system. We agree that a new owner was listed in eFMS; however, as noted earlier in this report, the previous lessor was still listed as an active lessor. Management stated that a change of lessor or payee in eFMS does not automatically result in removal of such payee because the individual may still be entitled to receive payments as a supplier of other services to the Postal Service. However, although we agree with making payments for contractual obligations, we question the fiscal prudence of continuing to pay suppliers identified as deceased even if the payments are for other services to the Postal Service.

Management further pointed out that although a change of ownership did occur for 116 lessors, not all of them are deceased. While we did not contact lessors to determine if they were deceased, we matched the lessors' names and Social Security numbers, as listed in the Postal Service's system with the SSA's death master file and all 116 lessors were identified as being deceased.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations 1 and 2 should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed. We will close recommendation 3 with the issuance of this report, noting that it was not implemented by the Postal Service.

Appendices

*Click on the appendix title
to the right to navigate
to the section content.*

Appendix A: Additional Information	12
Background	12
Objective, Scope, and Methodology	12
Prior Audit Coverage	13
Appendix B: Management's Comments.....	14

Appendix A: Additional Information

The IRS requires businesses to use its Form 1099 to report payments made to any person if the services total \$600 or more during a calendar year.

Background

The Postal Service leases more than 23,000 properties with annual rent of over \$800 million. The Postal Service's current process requires a signature from the lessor only during a lease amendment or renewal. The Postal Service does not verify that lessor information remains accurate during active leases and there is no required signature or information certification from the lessor when the Postal Service exercises a lease option. This generally occurs every 5 years.

During fiscal year 2014, the OIG developed the Facilities Risk Model, a predictive risk model that analyzes Postal Service property information using multiple metrics. The fraud risk metric measures the level of risk for fraudulent lessors' Social Security numbers. This metric identifies active leases in the Postal Service's eFMS where the lessor's Social Security number was registered with the SSA as deceased. The Facilities Risk Model identified 363 instances of deceased persons listed as lessors, with annual lease amounts valued at more than \$5.6 million. Our analysis revealed that there was some duplicate data included in the risk model and that there were 321 unique deceased persons listed as lessors with 338 active leases.

The IRS requires businesses to use its Form 1099 to report payments made to any person if the services total \$600 or more during a calendar year. This allows the IRS to identify taxpayers who fail to report all of their income. Therefore, the Postal Service is required to submit a Form 1099 for each of its lessors receiving lease payments of over \$600. The Postal Service, however, may not be subject to IRS fines or penalties for issuing a Form 1099 to a deceased person listed as a lessor unless it was aware and willfully neglected to correct the form.

Also, the IRS requires that entities such as LLCs, LPs, trusts, and estates that were initially established with a Social Security number use an EIN instead as the tax identifier when continuing the entity after the lessor dies.

Objective, Scope, and Methodology

Our objective was to assess controls over updating lease information for deceased lessors. Our scope was active leases with individuals who have been declared deceased as generated by the OIG Facilities Risk Model on July 21, 2015. We identified 338 active leases valued at more than \$5.3 million where the lessor's Social Security number was also on the SSA death master file.

To accomplish our objective, we:

- Selected a statistical sampling of 182 leases with a deceased person listed as a lessor, as identified in the OIG Facilities Risk Model.
- Reviewed original document images of lease information in eFMS.
- Reviewed all 13 active leases with legal entities that were included in a statistical sampling of all leases with a deceased person listed as a lessor.
- Conducted interviews with Postal Service management.
- Determined the Postal Service's process for validating Social Security numbers when initiating and renewing leases.
- Identified whether payments were made to leases after the lessor was registered as deceased.
- Identified any criteria that existed with the IRS and the potential for the Postal Service to be liable for fines.

We conducted this performance audit from March 2015 through January 2016, 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 on November 10, 2015, and included their comments where appropriate.

We assessed the reliability of data by comparing and validating source documentation maintained in eFMS, such as lease agreements and lease renewal options, with the data captured in the system. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit.

Appendix B: Management's Comments



January 8, 2016

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Deceased Lessors
Draft Audit Report Number SM-AR-16-Draft (December 24, 2015)

Thank you for the opportunity to review and comment on the above referenced Draft Audit Report. Management agrees in part and disagrees in part with the final recommendations in the report, as discussed below.

The Postal Service leases over 23,000 properties with annual rents of more than \$800 million. (See, Background on Highlights page in Draft Audit Report). The sheer number of leases creates a challenge for maintaining current information concerning the death of lessors. We understand that of the 23,000 leases, the Office of Inspector General (OIG) found only 338 leases where the lessor listed in the electronic Facilities Management System (eFMS) was deceased. Given that this system includes hundreds of fields of data for each property record multiplied by over 31,000 total leased and owned facilities, there were data entry delays on 1.4 % of all leases.

More importantly, the Postal Service cannot cease making rental payments simply because a lessor has died; the leases entered into by the Postal Service are contracts that have obligations for the Postal Service that do not vary based upon the life or death of the lessor. These rental payments are not government entitlements, like Social Security payments. Rather, these are payments for the right to use and occupy space, which the Postal Service continues to do regardless of whether a lessor is alive or deceased. Payments to deceased lessors are not "improper," but are contractually required unless and until the Postal Service is legally relieved of its obligation to pay rent to the deceased lessor.

475 L'Enfant Plaza SW
Washington DC 20060

In addition, management disagrees with the findings and subfindings as noted below.

FINDINGS AND SUBFINDINGS

Finding #1: The Postal Service did not know which facility leases it had with deceased lessors and continued to pay some of them.

Management agrees that at certain points in time, the Postal Service did not know of the death of a lessor; however, Management disagrees with the statement that maintaining leases with deceased lessors is damaging to the brand.

As stated above, it is the obligation of the Postal Service to pay rent to the lessor under a lease unless and until the interest of the lessor in such lease has been legally transferred to another. If the Postal Service were to stop paying rent before such legal transfer of interest, then the Postal Service would be in default of its obligation to pay rent, which would damage the reputation of the Postal Service as a reliable tenant. Management believes that placing the Postal Service in a position where it might breach its lease obligations could result in damage to the reputation of the Postal Service.

Current lease language requires the lessor to notify the Postal Service of a transfer of the lessor's interest in the lease. The Postal Service has found that this is the most practical way to obtain information on all types of changes of ownership of the leased property.

Subfinding: With respect to leases with individual lessors, the Postal Service did not know which leases it had with deceased individual lessors.

It is difficult for the Postal Service to ascertain the transfer of the legal interest of individual lessors as private transfers of real estate are reflected only on a local basis—either in real property records or in probate court records. While the death of an individual may be reported to the Social Security Administration, such reporting may not be timely, and as further discussed below, comparing the lessor's Social Security numbers to the Social Security Administration's death master file would be a time consuming process that, on balance, does not seem to provide substantial benefits to the Postal Service.

Subfinding: Sixty-seven leases were with legal entities that continued to use deceased individuals' Social Security numbers.

With respect to leases with legal entities that continued to use deceased individual's social security numbers instead of obtaining a Taxpayer Identification

Number (TIN) or an Employer Identification Number (EIN), it would be very difficult and time-consuming for the Postal Service to determine whether an entity had applied for, and received, a TIN or an EIN. When the Postal Service is notified of the death of a lessor, the Postal Service sends out a change of ownership package which would include documentation requiring an updated Social Security Number or TIN/EIN for the new lessor. The Postal Service does not always receive a prompt return of the completed change of ownership package. In such instances, the Facilities contract technician follows up with calls and written notices, but until a deceased lessor's successor (either the estate or another entity) responds with a new Social Security Number or TIN/EIN, the Postal Service must continue to report using the number on file.

Subfinding: For 77 active leases with multiple lessors, the deceased lessor's Social Security number had not been removed from Postal Service records and remained listed as the primary social security number for the agreement.

Management agrees that such instances exist; however, as a policy matter the Postal Service does not remove the deceased lessor's Social Security Number or TIN/EIN, as applicable from the historical lease records. Once the Postal Service receives a completed change of ownership package, the change of ownership, including the new TIN, EIN or Social Security Number is inputted into the eFMS, the existing payment schedule is invalidated, and the new payment schedule using the new Social Security Number, TIN or EIN is created. The new information is then updated into the Account Payable Excellence (APEX) system which will then generate a new APEX Supplier ID and Site ID number and in the nightly interface with eFMS that information will be updated. After the new payment schedule is created in the Lease Payment System in eFMS and the old ownership is no longer listed as the payment recipient in the Lease Payment System within eFMS, there will be no scheduled lease payment to the previously listed lessor, even if such prior lessor is still listed as active in the Accounting database of suppliers, known as the APEX Master Supplier Table. Significantly, the APEX Master Supplier Table may continue to list the Social Security Number of the deceased lessor as "active" for a period of time. A change of lessor, and thus payee, in eFMS does not automatically result in removal of such payee from the APEX Master Supplier Table. This is intentional since a payee who is no longer a Postal Service lessor may still be entitled to receive payments as a supplier of other services to the Postal Service. After two years of there being no payments made to such lessor, that lessor's name and Social Security Number or EIN/TIN are inactivated in the APEX Master Supplier Table. Since the APEX Master Supplier Table, as the primary record for all suppliers, is set up to automatically engage in a nightly interface with eFMS for the purpose of updating

eFMS records, it occasionally will happen that the APEX Master Supplier Table changes information in portions of the eFMS system to reflect information that is not current. This can cause confusion when a third party, such as the OIG, views restricted areas of eFMS. These areas are neither reviewable nor editable by the Facilities personnel charged with updating the lessor information. In an effort to address this incongruity between the APEX Master Supplier Table and eFMS, beginning on October 30, 2015, Facilities began to notify Accounting by email, within 30 days after a change of ownership package is returned complete, to change the deceased lessor's Social Security Number or TIN/EIN to an inactive status in the APEX system.

Finding #2: The Postal Service was aware that 116 of the 338 lessors were deceased; however, because Facilities personnel did not fully update the eFMS, the system still identified these lessors as active.

Management disagrees with this finding. Each of these 116 leases has a change of ownership on file and the new owner is correctly listed in eFMS with all data fields properly modified. Moreover, not all of these 116 lessors are deceased, although a change of ownership did occur. Three lessors were listed as deceased by the OIG, but when contacted by Facilities at the last known contact information, these lessors listed by the OIG as deceased were found to be alive. Moreover, in another case, the lessor was alive, but the Social Security Number listed for that lessor in eFMS was in error. One digit was incorrect, leading to a finding that the lessor was deceased. With respect to the remaining deceased lessors identified by the OIG, Management believes that the OIG was looking at information automatically downloaded to eFMS from the APEX Master Supplier Table as described above. In the APEX Master Supplier Table, the 116 deceased lessors were shown as active, although no payments were scheduled to be made to them. After two years during which no payments are made to a lessor, the APEX Master Supplier Table automatically re-categorizes the lessor as "inactive." Management has instituted a new system to assist Accounting in more frequent updating of information in the APEX Master Supplier Table concerning lessors, as described above. Management further notes that the death of a lessor alone will not trigger changes in either eFMS or APEX as to payee or Social Security number or TIN/EIN. Rather, such changes are only made when Management is able to confirm that a legally established successor exists. In the case of a death of a lessor, if probate is not completed for months or years, payment will be made using the Social Security number or TIN/EIN on file. The delay or failure of an executor to obtain an appropriate TIN for the estate of a deceased lessor (assuming the leased property is part of such estate), does not allow the Postal Service to cease rent payments.

RECOMMENDATIONS

Recommendation #1: The Vice President, Facilities obtain and revise property ownership information for the 222 leases with deceased lessors identified in the Audit report.

Management Response:

Management agrees with this recommendation. Management is in the process of reviewing the list of the 222 lease provided by the OIG and will send out change of ownership packages as appropriate after such review.

Target Implementation Date: February 1, 2016.

Recommendation #2: The Vice President, Facilities in coordination with the acting Vice President, Controller will update the electronic Facilities Management System to accurately reflect the inactive status of the 116 deceased lessors of which the Postal Service was aware.

Management Response:

Management agrees with this recommendation. Management will continue efforts to coordinate the electronic Facilities Management System and the APEX system to accurately reflect the inactive status of the deceased lessors at such time as a change of ownership has been completed and reported to the Postal Service.

Target Implementation Date: Management has implemented a policy requiring notice to the Accounting APEX system administrators when a completed change of ownership package has been received by Facilities. Accounting will continue to input new information from Facilities as received to improve the accuracy of the APEX system.

Recommendation #3: The Vice President, Facilities in coordination with the acting Vice President, Controller will develop a process, such as using external date verification services, to validate that Postal Service lessor information is accurate.

Management Response: Management disagrees with this recommendation. Management does not have the resources to devote to checking the life and death status of lessors for 23,000 leases. Management continues to believe that voluntary reporting required by the lease is the most practical and cost effective way to capture changes of ownership of leased property. Management believes at least two full time employees would need to be added to staff to constantly validate such information and there would be no discernable benefit to the Postal

Service. Management has not observed that the current process, which has been in place for at least ten years, damaged the Postal Service's brand.

In conclusion, Management appreciates the OIG's efforts in auditing Deceased Lessors and preparing this Draft Audit Report. The Draft Audit Report and Management's responses do not contain information that management believes may be exempt from disclosure under the FOIA.



Tom A. Samra
Vice President, Facilities



Richard B. Rosoff
Acting Vice President, Controller

cc: Sally K. Haring, Manager, Corporate Audit & Response
(CARManager@USPS.GOV)
E-FOIA@uspsaig.gov



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

Contact us via our [Hotline](#) and [FOIA](#) forms.
Follow us on social networks.
Stay informed.

1735 North Lynn Street
Arlington, VA 22209-2020
(703) 248-2100