



Office of Inspector General | United States Postal Service

Audit Report

Congressional Mandate on Excess Space

Report Number SM-AR-19-001 | December 14, 2018



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Highlights

Objective

In December 2016, the U.S. Congress enacted the Federal Property Management Reform Act (FPMRA) of 2016 to increase the efficiency and effectiveness of the federal government in managing its properties. The law requires that:

1. The U.S. Postal Service identify properties with space available for use by federal agencies and submit a list of those properties to Congress; and
2. The U.S. Postal Service Office of Inspector General (OIG) submit an excess property report to Congress within two years of FPMRA's enactment, that includes a survey of excess property held by the Postal Service and recommendations for repurposing excess property.

The FPMRA defines excess property as any postal property that management determines is not required to meet the needs or responsibilities of the Postal Service.

Our objectives were to evaluate excess space the Postal Service reported to Congress and provide recommendations for repurposing the property to reduce excess capacity and increase collocation with other federal agencies.

In the September 30, 2017, report to Congress, the Postal Service identified 369 properties with over 1.2 million square feet of excess space. As of October 1, 2018, the Postal Service owned over 8,400 properties and leased over 23,100 properties with annual rents of more than \$800 million.

What the OIG Found

We determined the excess space the Postal Service reported to Congress was generally accurate. Of the 369 facilities the Postal Service reported to Congress, we found:

- Three hundred seventeen properties (86 percent) had excess space, totaling 1,158,498 square feet, that may be repurposed to reduce excess capacity and increase collocation with other federal agencies.
- Fifty-two properties (14 percent) did not have excess space, totaling 76,432 square feet, because the space at these facilities was needed for postal operations, occupied by lessors, or not suitable for out-leasing.

We recognized that there may be unique challenges to reducing excess space at each of the facilities reported to Congress. However, opportunities exist for repurposing Postal Service excess space to improve utilization of federal properties, lower the number of excess and underutilized properties, and improve the cost effectiveness and efficiency of the real estate portfolio.

What the OIG Recommended

We recommended the Vice President, Facilities, increase collaboration with the General Services Administration in identifying opportunities to collocate with other federal agencies and to conduct a feasibility study to identify viable business opportunities to reduce excess space.

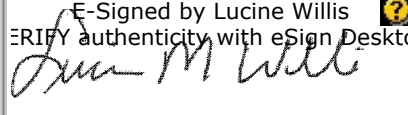
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

December 14, 2018

MEMORANDUM FOR: TOM A. SAMRA
VICE PRESIDENT, FACILITIES

E-Signed by Lucine Willis
VERIFY authenticity with eSign Desktop


FROM: *for*
Charles L. Turley
Deputy Assistant Inspector General
for Supply Management and Human Resources

SUBJECT: Audit Report – Congressional Mandate on
Excess Space (Report Number SM-AR-19-001)

This report presents the results of our review of the Congressional Mandate on Excess Space (Project Number 18SMG022SM000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lori Lau Dillard, Director, Supply Management & Facilities, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our review of the Congressional Mandate on Excess Space (Project Number 18SMG022SM000). The report responds to the U.S. Postal Service Office of Inspector General (OIG) requirement set forth in the Federal Property Management Reform Act (FPMRA) of 2016. Our objectives were to evaluate the excess space identified by the Postal Service and provide recommendations for repurposing the property to reduce excess capacity and increase collocation with other federal agencies.

Background

The Postal Service owns over 8,400 properties and leases over 23,100 properties with annual rent expenses of more than \$800 million. Within the Postal Service, the Facilities function is responsible for overseeing and managing the agency's real estate portfolio.

In December 2016, Congress enacted FPMRA to increase the efficiency and effectiveness of the federal government in managing its properties. The FPMRA requires the Postal Service to identify properties with excess space available for

use by federal agencies and submit a list of those properties to the U.S. Senate Committee on Homeland Security and Governmental Affairs and the U.S. House Committee on Oversight and Government Reform on September 30 of each year.

Additionally, the FPMRA requires the OIG to submit a report to Congress within two years of FPMRA's enactment that includes a survey of excess properties held by the Postal Service and recommendations for repurposing those properties to reduce excess capacity and increase collocation with other federal agencies without diminishing the ability of the Postal Service to meet its service standards.

As of September 30, 2017, the Postal Service's total real estate inventory¹ identified 8,448 postal-owned and 23,184 leased properties, with over 191 million and 78 million interior square feet (SF), respectively. The Postal Service submitted a list to Congress identifying 369 properties with 1,234,930 SF of usable excess space as of September 30, 2017. The Postal Service deemed these properties to be available for lease to other agencies under marketable conditions.² A breakdown of facility type and interior square footage for the 369 facilities is shown in Table 1.

Table 1: Excess Space by Facility Type

Facility Type	Facility Type Count	Percentage of Facility Type	Reported Excess Space Square Footage	Percentage of Excess Space	Total Interior Square Footage
Main Post Office	313	84%	794,518	65%	6,670,238
Station ³	31	8%	180,712	15%	1,137,110
Branch ⁴	4	1%	4,753	0%	47,437
Processing Plant	17	5%	203,284	16%	3,956,495

¹ *United States Postal Service Fiscal Year 2017 Annual Report to Congress.*

² Marketable condition is excess space that is secure or can be secured from Postal Service space without interfering with Postal Service operations.

³ Stations are located within the corporate limits or city carrier delivery area of the city or town in which the Administrative Post Office is located.

⁴ Branches are located outside the corporate limits or city carrier delivery area of the city or town in which the Administrative Post Office is located.

Facility Type	Facility Type Count	Percentage of Facility Type	Reported Excess Space Square Footage	Percentage of Excess Space	Total Interior Square Footage
Carrier Annex	2	1%	50,090	4%	139,761
Other ⁵	2	1%	1,573	0%	88,755
Total	369	100%	1,234,930	100%	12,039,796

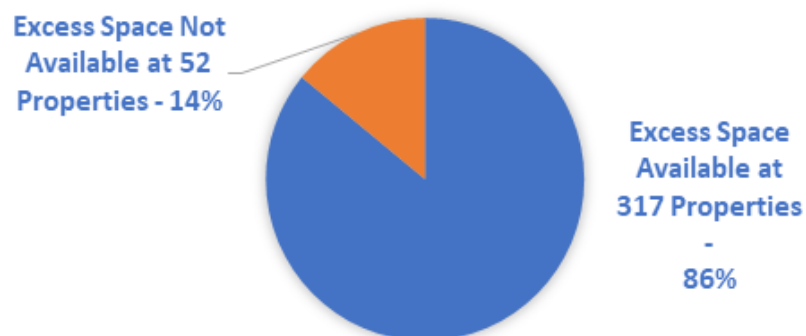
Source: Postal Service Excess Space List sent to Congress.

Finding #1: Excess Space Survey

We concluded that the excess space the Postal Service reported to Congress on September 30, 2017, was generally accurate. As part of the OIG assessment, we conducted physical site observations at 10 judgmentally⁶ selected facilities and contacted respective officials for the remaining 359 facilities to discuss the conditions of the excess space.

As shown in Figure 1, of the 369 properties the Postal Service reported to Congress as available for lease to other agencies under a marketable condition, we determined 317 (86 percent) accurately identified excess space totaling 1,158,498 SF. We also identified 52 properties (14 percent) totaling 76,432 SF which did not meet the requirement of the FPRMA because the excess space at these facilities was needed for postal operations, occupied by lessors, or not suitable for out-leasing.

Figure 1: Excess Space Assessment for the 369 Properties



Source: OIG analysis.

For the 52 properties that did not meet the requirement of the FPRMA, we visited two facilities and identified that:

- The Staten Island, NY, St. George Station used the basement space to store equipment and other items.
- The Biloxi, MS, Main Office leased the excess space to the City of Biloxi after headquarters submitted its Excess Space List to Congress.

We contacted 50 facility officials through telephone and emails to collect information on the identified excess space. We asked a set of questions such as where are the excess spaces within each facility; what type of space is available (office, warehouse, an entire floor, etc.); what is the condition of the space; and

⁵ One facility is leased to General Services Administration (GSA) for use as the Winfield K. Denton Federal Building and U.S. Courthouse in Evansville, IN. The second facility is leased to the Great Neck Plaza parking in Long Island, NY.

⁶ We based our site visit selection on the amount of excess space and type of facility.

is there a separate entrance, restroom, and parking for the excess space. The feedback from our survey included:

- Twenty-nine properties have excess space under 300 SF; however, according to headquarters management, these properties may not be conducive for non-postal operations.
- Two properties — the Moorhead, MN, Main Office and Los Angeles, CA, Network Distribution Center — converted the excess space into training areas.
- Eleven properties — the Camden, AR, Main Office; Girdwood, AK, Main Office; Jackson, CA, Main Office; Glenwood Spring, CO Main Office; Madison, GA, Main Office; Newton, IL, Main Office; Jesse M. Donaldson Post Office, Kansas City, MO; Falls River, MA Main Office; Hazlehurst, MS, Main Office; Woonsocket, RI, Main Office; and Catharpin, VA, Main Office — did not have leasable space.
- The Wakefield, RI, Main Office leased the excess space to a 24-hour medical clinic. The lease has been in effect for about three years.
- The Forest City, NC, Main Office converted the excess space to support postal operations.
- The Durham, NC, Main Office leased part of the excess space to local courts and lawyers, and used the remaining excess space for postal operations.
- The Ironton, OH, Main Office used the excess space for passports and postal supplies storage.
- The Buffalo, NY, Processing and Distribution Center (P&DC) converted the excess space to support or Inspection Services operations.
- The Santa Clarita, CA, P&DC converted the excess space in September 2017 to the Customer Experience Local Operations Center and classroom lab.
- The Ponce, PR, Atocha Station suspended operations in December 2017 due to severe fire and water damage.
- The Riverside Station, CA, Station, converted the excess space for Office of Inspector General operations use in 2006.

Of the 50 facilities contacted, the feedback from our survey included:

- 29** Properties have excess space under 300 SF that may not be conducive to non-postal operations.
- 11** Properties did not have leasable space.
- 2** Properties converted the excess space into training areas.
- 1** Office leased the excess space to a 24-hour medical clinic. The lease has been in effect for about three years.
- 1** Office converted the excess space to support postal operations.
- 1** Office leased part of the excess space to local courts and lawyers, and used the remaining excess space for postal operations.
- 1** Office used the excess space for passports and postal supplies storage.
- 1** Processing and Distribution Center (P&DC) converted the excess space to support or Inspection Services operations.
- 1** P&DC converted the excess space in September 2017 to the Customer Experience Local Operations Center and classroom lab.
- 1** Station suspended operations in December 2017 due to severe fire and water damage.
- 1** Station converted the excess space for Office of Inspector General operations use in 2006.

Finding#2: Repurposing Properties

Increase Collocation with Other Federal Agencies

Our analysis shows the Postal Service could maximize the use of excess and underutilized properties by increasing its collaboration with GSA to identify opportunities for filling the space needs of other federal entities.

GSA is the nation’s largest public real estate organization, providing workspace for more than 1.2 million federal workers through its Public Buildings Service. Per the *Code of Federal Regulations*,⁷ in situations where GSA-controlled space is not available, federal agencies must extend priority consideration to available space in Postal Service buildings.

However, over the past four years, GSA has lowered the number of Postal Service leases for federal agencies’ use. According to GSA’s published lease inventory,⁸ in January 2015, the GSA leased space at 76 Postal Service facilities. As of July 2018, the GSA is leasing space at 64 Postal Service facilities.

In one instance, GSA relocated a federal agency out of Postal Service space to a commercial lease and created a space that remains vacant to this day. In November 2004, GSA moved the U.S. Attorneys out of the Postal Service Tulsa Downtown Station building into a commercial space. As GSA kept the federal courthouse in the same building, the space formerly occupied by the U.S. Attorneys was about 20,000 SF and has been vacant since they moved out.⁹ According to the Excess Space List submitted to Congress, the Tulsa Downtown Station has 79,086 SF of excess space.

As shown in Table 2, GSA leases over 187 million SF from over 8,000 commercial lessors. Our analysis shows potential fulfillment opportunities in each of the Postal Service’s seven areas for other federal government space requirements. Our Geographic Information System (GIS) Maps tool¹⁰ matches GSA leases with Postal Service properties with excess space. In addition, the GIS tool shows any GSA leases with commercial lessors that are near the Postal Service facility with excess space, whether the amount of leased space fits within the excess space of the Postal Service facility or not. See [Appendix B](#) for more information on the GIS tool.

Table 2: Postal Service Excess Space Lease Opportunity

Area	GSA Leased Square Footage	Postal Service Excess Square Footage	GSA Facility Count from Commercial Lessors	Postal Service Facility with Excess Space Count	Existing GSA/Postal Service Leases
Eastern	19,298,141	210,076	1,100	73	10
Southern	27,942,824	381,193	1,636	65	17
Western	34,205,360	286,777	1,746	109	14
Great Lakes	10,431,858	56,170	695	38	3
Northeast	12,300,365	174,152	761	34	10

⁷ *Code of Federal Regulations*, Real Estate Acquisition, Title 41, Sec. 102-73.

⁸ [Published Lease Inventory](#).

⁹ The Tulsa Downtown Station is part of a two-building federal complex which consists of the Post Office and courthouse and the Oklahoma City federal parking garage/plaza.

¹⁰ The OIG Excess Space and GSA Leased Space GIS web map application is an internal tool that allows users to review locations of the 369 Postal Service facilities that were reported to have excess space and locations of nearby GSA-leased space from commercial lessors.

Area	GSA Leased Square Footage	Postal Service Excess Square Footage	GSA Facility Count from Commercial Lessors	Postal Service Facility with Excess Space Count	Existing GSA/Postal Service Leases
Pacific	13,282,512	55,018	770	20	5
Capital Metro	68,069,043	71,544	1,258	30	5
Unknown ¹¹	2,229,470	0	122	0	0
Total	187,759,573	1,234,930	8,088	369	64

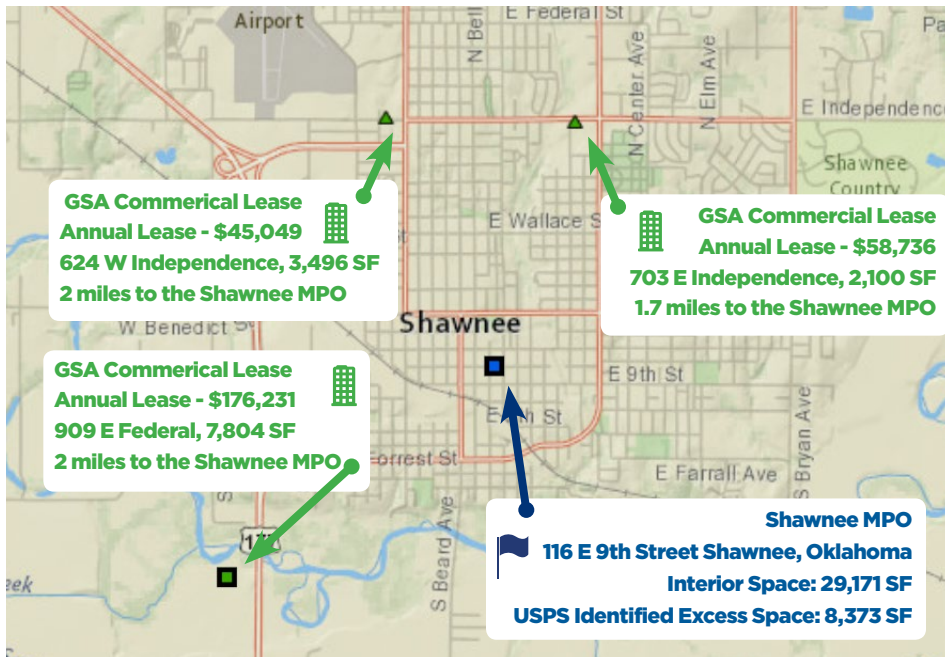
Source: GSA Monthly Lease Inventory, July 2018, and Postal Service Excess Space List sent to Congress.

To illustrate the proximity between GSA commercial leases and Postal Service properties with excess space, [Figure 2](#) shows the Shawnee and Santa Barbara Main Post Offices (MPO) which are located within three miles or less from nearby GSA-leased properties. Each of these GSA-leased properties are with commercial lessors. Prior to the expiration of these commercial leases, the Postal Service could collaborate with GSA to fill the space needs of those federal entities with the excess spaces identified at the Shawnee and Santa Barbara MPO.

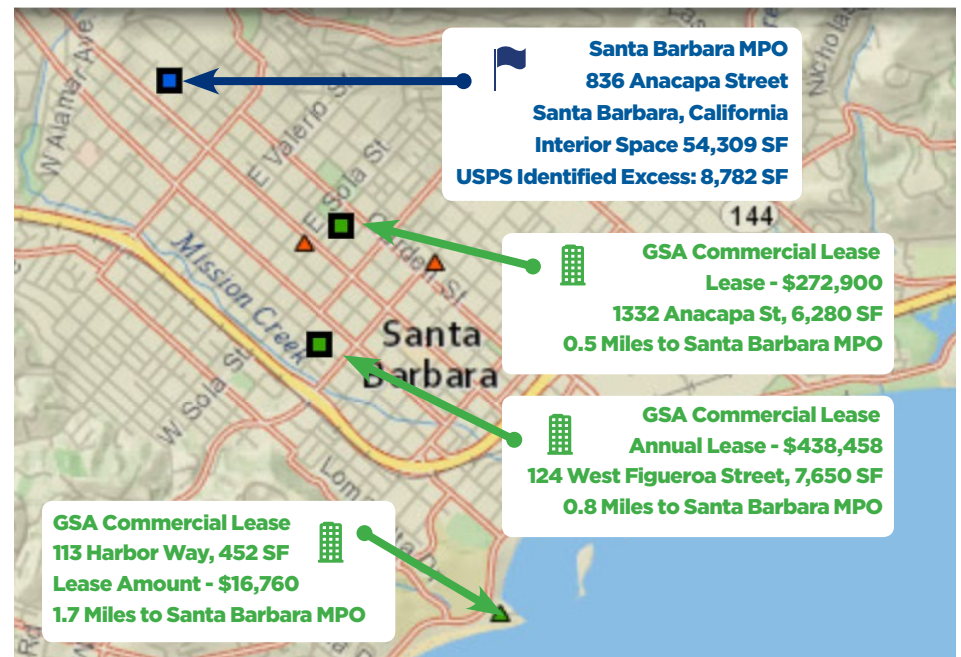
¹¹ A GSA designation in the July 2018 inventory list.

Figure 2: Opportunities to Co-locate with Other Federal Agencies

Shawnee MPO, Shawnee, OK



Santa Barbara MPO, Santa Barbara, CA



Source: GSA Monthly Lease Inventory and Postal Service Excess Space List sent to Congress and mapped using GIS.

Reduce Excess Space

The Postal Service should also pursue opportunities with small businesses to reduce its excess and underutilized space.¹² A prior OIG report¹³ identified gaps in e-commerce fulfillment and end-to-end solutions, particularly for small businesses. Fueled by e-commerce, the demand for warehouse space exceeded the supply by 20 million SF in 2017.¹⁴ In another OIG report¹⁵, we found that industries scaled back their brick-and-mortar stores to set up digital platforms, thereby creating a vacuum for in-person transactions and communications. To

address this gap, the Postal Service could leverage its current Facilities network for use by small businesses.

Our analysis revealed nearly 80 percent of the excess space the Postal Service reported to Congress was configured for administrative use. The administrative excess space can be found at MPOs, stations, and branches. In Figure 4, two of the 17 processing plants previously identified in Table 1 are Postal Service-owned buildings and have leases with other government agencies. However, additional excess space exists. The Tulsa Downtown Station has 79,086 SF of excess

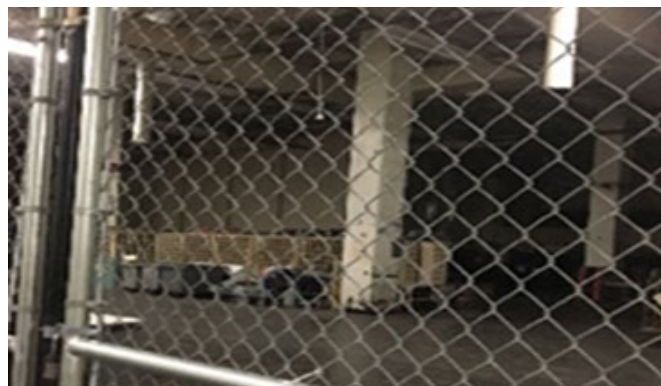
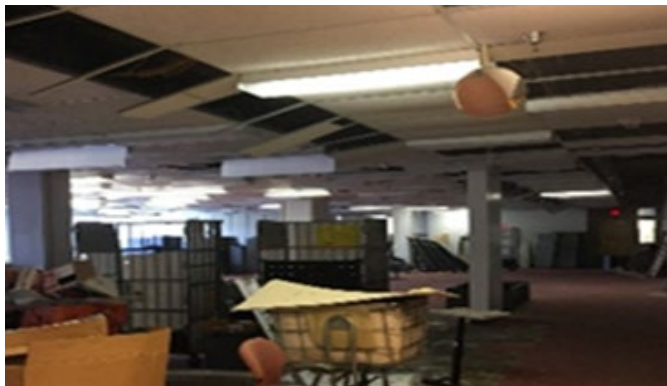
12 H.R.6076 - Postal Reform Act of 2018 and S.2629 - Postal Service Reform Act of 2018 are pending legislations that would allow the Postal Service to expand non-postal services to generate revenue.
 13 *Opportunities for the Postal Service – Micro-Warehousing and Other Logistics Support Services* (Report Number MS-WP-14-003, March 13, 2014).
 14 Datexcorp.com: 2018 Hottest U.S. Retail and E-Commerce Fulfillment Markets, June 30, 2018.
 15 *The Road Ahead for Postal Financial Services* (Report Number RARC-WP-15-011, dated May 21, 2015).

space, representing 20 percent of its interior space. The New Orleans P&DC has 69,642 SF of excess space, representing 11 percent of its interior space. These properties may be suitable for micro-fulfillment or administrative use.¹⁶

Figure 3: Examples of Excess Space at Processing Plants

New Orleans P&DC
701 Loyola Avenue
New Orleans, LA
Interior Square Footage: 666,261
USPS Identified Excess Square Feet: 69,642

Tulsa Downtown Station
333 W 4th Street Room M226
Tulsa, OK
Interior Square Footage: 392,586
USPS Identified Excess Square Feet: 79,086



Source: OIG photo taken July 10, 2018, New Orleans P&DC, New Orleans, LA, and June 28, 2018, Tulsa Downtown Station, Tulsa, OK.

¹⁶ CBRE estimates that every \$1 billion in e-commerce sales requires 1.25 million SF of distribution space. Scaled down for small business, \$100,000 in e-commerce revenue would require 1,250 SF of distribution space.

Figure 4 shows examples of excess space at the Gulfport Downtown Station and Urbana Main Office. Both facilities are Postal Service-owned facilities and have excess space ranging from 2,801 to 3,208 SF.

Figure 4: Examples of Excess Space Configured for Administrative Use

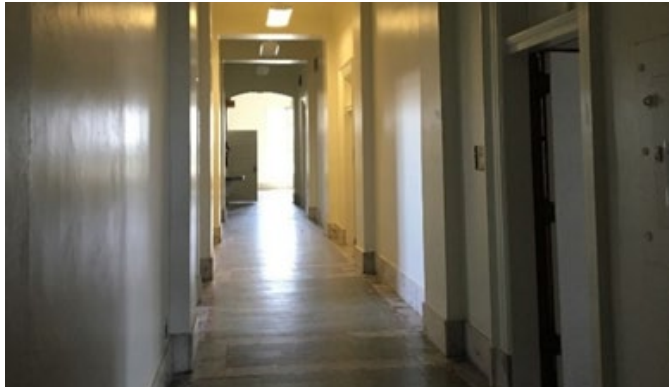
Gulfport - Downtown Station
2421 13th Street, Gulfport, MS
Interior Square Footage: 35,731
USPS Identified Excess SF: 2,801

Urbana - Main Office
200 S Main Street, Urbana, OH
Interior Square Footage: 10,377
USPS Identified Excess SF: 3,208



Gulfport - Downtown Station
2421 13th Street, Gulfport, MS
Interior Square Footage: 35,731
USPS Identified Excess SF: 2,801

Urbana - Main Office
200 S Main Street, Urbana, OH
Interior Square Footage: 10,377
USPS Identified Excess SF: 3,208



Source: OIG photograph taken July 9, 2018, Gulfport Downtown Station - Gulfport, MS, and July 6, 2018, Urbana Main Office, Urbana, OH.

We recognized that there may be unique challenges to reducing the excess space at each of the facilities reported to Congress. Some of the issues we encountered during our assessments included the condition of the space, lack of handicap accessibility, limited parking, accessibility of the space without interfering with Postal Service operations, and the availability of a separate restroom. In addition, current law¹⁷ prohibits the Postal Service from providing new non-postal services.¹⁸ However, opportunities exist for repurposing Postal Service excess space to improve utilization of federal properties, lower the number of excess and underutilized properties, and improve the cost-effectiveness and efficiency of the real estate portfolio.

Recommendation #1

The **Vice President, Facilities**, increase collaboration efforts with the General Service Agency in identifying opportunities to co-locate with other federal agencies.

Recommendation #2

The **Vice President, Facilities**, conduct a feasibility study to identify viable business opportunities for properties with excess space.

¹⁷ Postal Accountability Enhancement Act, December 2006.

¹⁸ H.R.6076 - Postal Reform Act of 2018 and S.2629 - Postal Service Reform Act of 2018 are pending legislations that would allow the Postal Service to expand non-postal services to generate revenue.

Management's Comments

Management agreed with our findings and recommendations.

Regarding recommendation 1, management stated that they pursued collaboration with GSA regarding opportunities to co-locate with other federal agencies by providing them with the 2017 report of excess space submitted to Congress. GSA initially inquired about 13 properties, but subsequently determined they were no longer interested in these sites. Management also stated they reached out to the Public Buildings Commissioner for the GSA but have not received offers to meet or discuss co-location or other opportunities. Management indicated they will continue ongoing efforts to collaborate and co-locate with other federal agencies through GSA.

Regarding recommendation 2, management stated that the Postal Service continuously engages its real estate provider to actively evaluate opportunities

available to lease excess space. Management also stated that they have coordinated with the Postal Service's Marketing and Customer Relations departments to identify and contact potential customers interested in co-location. Management asserted these additional interactions help support the real estate provider's continued evaluations.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and the corrective actions should resolve the issues identified in the report.

Regarding recommendations 1 and 2, management's actions and ongoing efforts to collaborate with GSA regarding co-location opportunities and pursue viable business opportunities for properties with excess space satisfy the intent of the recommendations. Therefore, we consider both recommendations closed upon issuance of this report.

Appendices

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Appendix A: Additional Information

Scope and Methodology

The scope of our audit was the Excess Space List of 369 facilities the Postal Service submitted to Congress on September 30, 2017, as required under the FPMRA.

To accomplish our objectives, we:

- Reviewed and validated the Postal Service list of properties with excess space by using electronic Facility Management System to verify property details and data.
- Judgmentally selected and visited 10¹⁹ facilities and contacted 330²⁰ other facilities via telephone to discuss identified excess space and impediments to leasing.
- Interviewed the Postal Service Facilities Vice President, Manager of Facilities Real Estate and Assets, and local facilities' management about the process used to identify excess space.
- Assessed whether Jones Lang LaSalle (JLL), the Postal Service's real estate provider, actively marketed the properties on the list.
- Discussed with the Manager of Facilities Real Estate and Assets the benefits (e.g., revenue-generating, cost saving, etc.) and feasibility of potential uses for excess space.

- Used the GIS to match GSA leases with excess Postal Service space locations.
- Reviewed OIG reports to determine if any work has been done on disposal or alternate uses of excess Postal Service space and documented any potential uses for excess space indicated in the documents.

We conducted this audit from June through December 2018, 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We assessed the reliability of the Postal Service list of properties with excess space by comparing it to data in eFMS and the OIG Facilities Risk Model. We determined that 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 objectives of this audit within the last five years.

¹⁹ New Orleans, LA, P&DC; Gulfport, MS, Downtown Station; Biloxi, MS, MPO; Binghamton, NY, Stamp Distribution Center; New York, NY, Murray Hill Annex; Staten Island, NY, St. George Station; Bowling Green, OH, MPO; Dayton, OH, Air Mail Facility; Urbana, OH, MPO, and Tulsa, OK, Downtown Station.

²⁰ The Postal Service identified 369 properties with usable excess space. The audit team excluded 29 facilities with reported excess space of less than 300 SF because headquarters management stated these properties may not be conducive to non-postal operations.

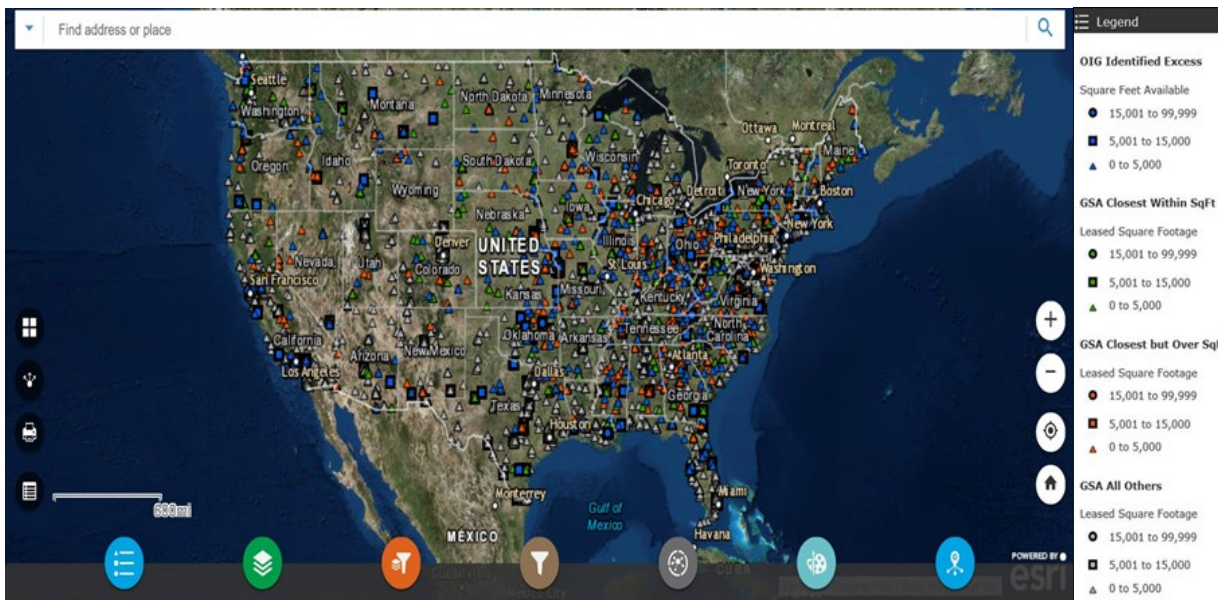
Appendix B: Geographic Information Maps

The Postal Service Excess Space and GSA-Leased Space Web Map Application is an internal tool that allows users to review the locations of the 369 Postal Service facilities that were declared to have excess space and the locations of GSA-leased space from commercial lessors. The application was developed by the OIG's Chief Data Office to illustrate Postal Service Excess Space and GSA-leased space. The GSA-leased space is updated as of September 2018.

The GSA-leased space information is grouped into three layers:

- Layer one includes GSA-leased space that is close in proximity to the identified Postal Service facility with excess space and where the Postal Service facility has enough space to accommodate the GSA lessor's needs.
- Layer two includes GSA-leased space that is close in proximity to the identified Postal Service facility with excess space, but exceeds the space available at the Postal Service facility.
- Layer three includes all other GSA-leased space that is not close in proximity to Postal Service facilities with excess space, but may still be an opportunity for the Postal Service to pursue. These layers can be seen in Figure 5.

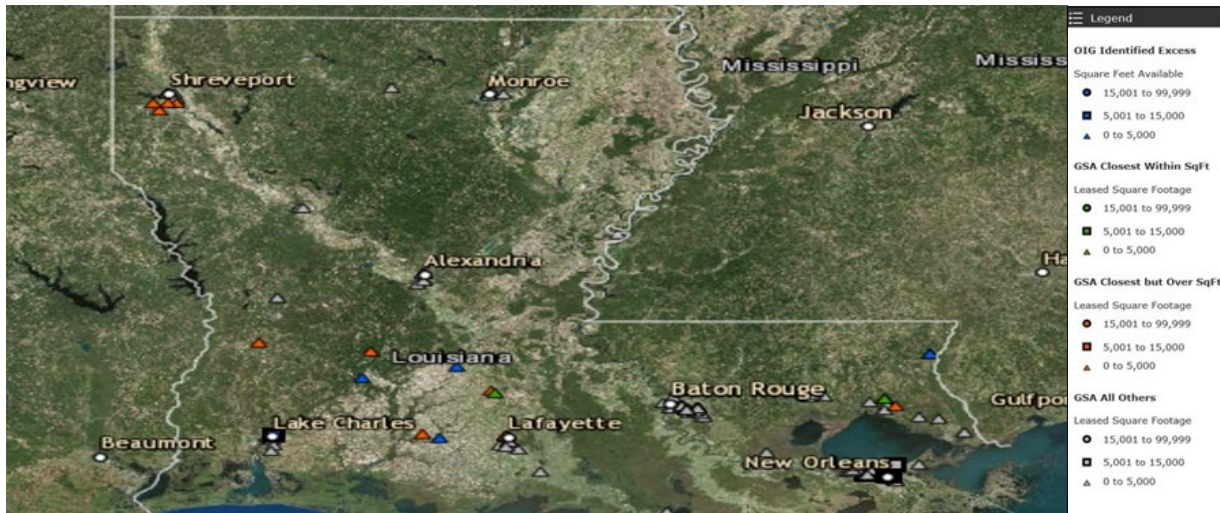
Figure 5: National Map of Opportunities to Co-locate with Other Federal Agencies



Source: GSA's Monthly Lease Inventory and Postal Service Excess Space List sent to Congress and mapped using GIS.

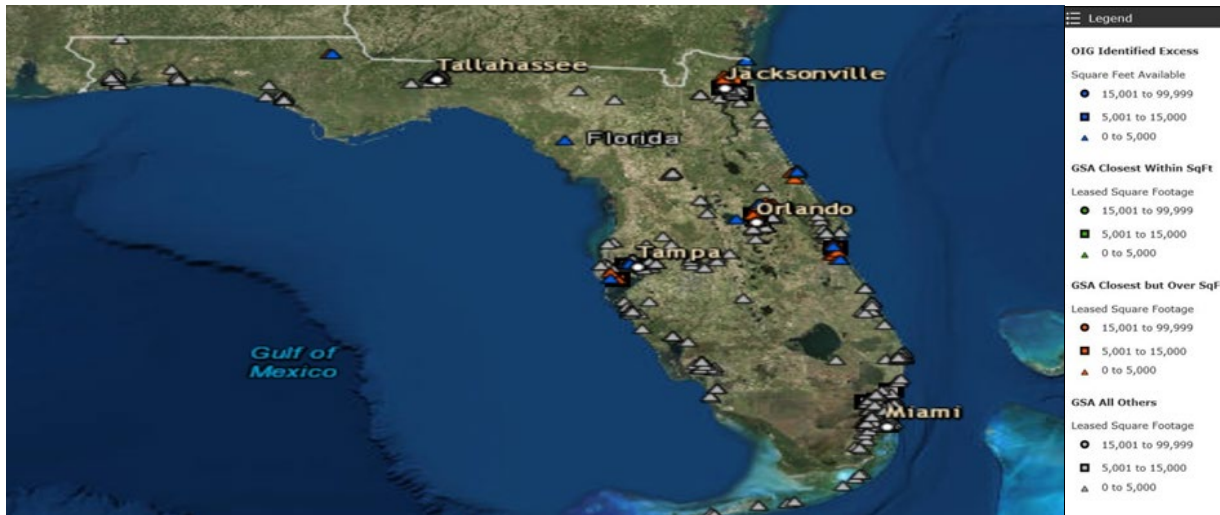
In addition, the tool allows users to filter results by Postal Service area or district, state, and Zip code. Figures 6 and 7 are examples of filtering by district and state. The tool also allows the user to change the base map and perform limited analysis on the points available either before or after filtering.

Figure 6: District Map of Opportunities to Co-locate with Other Federal Agencies



Source: GSA's Monthly Lease Inventory and Postal Service Excess Space List sent to Congress and mapped using GIS.

Figure 7: State Map of Opportunities to Co-locate with Other Federal Agencies



Source: GSA's Monthly Lease Inventory and Postal Service Excess Space List sent to Congress and mapped using GIS.

Appendix C: Management's Comments

TOM A. SAMRA
VICE PRESIDENT, FACILITIES



December 3, 2018

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Congressional Mandate on Excess Space (Report Number SM-AR-19-DRAFT)

Thank you for the opportunity to review and comment on the above referenced audit entitled the "Congressional Mandate on Excess Space". The audit reviewed the list of excess space that was prepared by Postal Service management and submitted to members of Congress on October 17, 2017 (the "2017 Report"), pursuant to the Federal Property Management Reform Act of 2016 (the "FPMRA"). The 2017 Report identified 1,234,930 square feet (sq ft) of excess space (as defined in the FPMRA) in 369 Postal Service facilities. The above referenced audit does not address the most recent list of excess property that was submitted to members of Congress on October 11, 2018 (the "2018 Report"). The 2018 Report identifies 942,407 sq ft of excess space in 307 Postal Service facilities. As the OIG has pointed out in the referenced audit, the Postal Service has reduced excess space due to the fact that some of the space reported in the 2017 Report is now needed for postal operations, occupied by tenants, or not suitable for out-leasing. Overall management was in agreement with the audit and findings cited.

Findings:

Finding 1: The OIG found that the excess space the Postal Service reported to Congress on September 30, 2017 was generally accurate.

Management agrees with this finding.

Finding 2: Per the Code of Federal Regulations, in situations where GSA-controlled space is not available, federal agencies must extend priority consideration to available space in Postal Service buildings. However, over the past four years, GSA has lowered the number of Postal Service leases for federal agencies' use.

Management agrees with this finding and, while management cannot require GSA to lease space from the Postal Service, management encourages the OIG to reach out to the Inspector General for the GSA to determine whether the GSA would give more priority to Postal Service locations as potential leased sites. This would also be consistent with the intent of the FPMRA.

475 L'ENFANT PLAZA, SW
WASHINGTON, DC 20260-1861
WWW.USPS.COM

Finding 3: The OIG has identified gaps in e-commerce fulfillment and end to end solutions, particularly for small businesses. To address this gap, the Postal Service could leverage its current Facilities network for use by small businesses.

Management agrees that providing fulfillment space for small businesses is a laudable goal. Management also points out that the OIG analysis revealed that nearly 80% of the excess space the Postal Service reported to Congress was configured for administrative use. Thus, the use of the space for large fulfillment centers for e-commerce is not practical at this time. The Postal Service does market such space using its real estate service provider and is open to tenants whose uses do not negatively impact Postal Service operations at the facility to be shared.

Finding 4: There may be unique challenges to reducing the excess space at each of the facilities reported to Congress due to the condition of the space, lack of handicap accessibility, limited parking, accessibility of the space without interfering with Postal Service Operations and the availability of a separate restroom.

Management agrees with this finding and believes it reflects the challenges that the Postal Service faces in implementing the repurposing of excess space.

Recommendations:

Recommendation 1: The Vice President, Facilities, increase collaboration efforts with the General Services Administration in identifying opportunities to co-locate with other federal agencies.

Management Response:

Management agrees with the recommendation. Management has pursued collaboration with the General Services Administration ("GSA") by providing the 2017 Report to GSA following submittal to Congress. Management received 13 inquiries from GSA with respect to the properties in the 2017 Report. However, when management responded to the GSA with the requested information, the GSA determined it was no longer interested in these sites.

Management has received no information from GSA or any other federal agencies indicating available space into which the Postal Service may co-locate with other governmental agencies.

Management has reached out to the Public Buildings Commissioner for the GSA on several occasions but has not received any offers to meet or discuss co-location or other opportunities. Management will continue to pursue discussions with the Public Buildings Commissioner.

As management has pursued and made ongoing efforts to collaborate and co-locate with other federal agencies through the GSA, management requests this recommendation be considered implemented and closed.

Recommendation 2: The Vice President, Facilities conduct a feasibility study to identify viable business opportunities for properties with excess space.

Management Response:

Management agrees with this recommendation as evaluating business opportunities for excess space is a routine part of the current program. Business opportunities requiring the use of excess space are driven by market demand and as such the Postal Service continuously engages its real estate service provider to actively evaluate the opportunities available to lease excess space. These efforts are continuous and the Postal Service has identified over 400 out leases to occupy some of the identified excess space. Just within the current year, the Postal Service has identified four new tenants for its excess space.

In addition Management has used its marketing and customer relations departments to identify and contact Postal Service customers interested in co-location. To date, none of these queries has resulted in a lease of excess space. Management believes there are roadblocks to this co-location, some of which have already been identified by the OIG, such as the fact that "nearly 80 percent of the excess space...[is] configured for administrative use." As these Postal Service customers usually seek warehouse or mail work room space with dock access and ample employee parking, the Postal Service is unable to accommodate these needs as supported by the OIG observations regarding the condition of the space citing lack of handicap accessibility, limited parking, accessibility of the space without interfering with Postal Service operations, and the availability of a separate restroom. These challenges all negatively impact customer enthusiasm to lease this space. However, these additional interactions help support the continued evaluations made by the real estate services providers.

As management has pursued and made ongoing efforts to identify viable business opportunities for properties with excess space, management requests this recommendation be considered implemented and closed.

In conclusion, Management appreciates the OIG's efforts in auditing the Congressional mandate on excess space 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.



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cc: Manager, Corporate Audit Response Management



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