



March 3, 2008

TOM A. SAMRA
VICE PRESIDENT, FACILITIES

WALTER O'TORMEY
VICE PRESIDENT, ENGINEERING

SUBJECT: Audit Report – Postal Service Facilities Single Source
Provider System (Report Number SA-AR-08-004)

This report presents the results of our self-initiated audit of the Facilities Single Source Provider system (FSSP) (Project Number 07YG050CA000). The objective of this audit was to determine whether the FSSP provides the Postal Service with an effective means to repair and maintain Postal Service facilities. This audit is the first comprehensive review of the FSSP since its inception in 2001.

Background

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

Historically, the districts' Administrative Service Offices (ASOs) generally handled all facilities repairs and alterations that cost less than \$100,000. The ASOs also enforced lesser maintenance issues and used contractors to paint; replaced flooring, ceiling tiles, and handicap ramps; and performed other repairs as needed. The FSOs were responsible for the work when repairs and alterations exceeded \$100,000.

Facilities Single Source Provider System

The Postal Service re-engineered the facilities support process through the development of the FSSP system. The goal of the FSSP is to establish a cost effective and efficient means to provide facilities support. Each of the Postal Service areas implemented the system by the end of fiscal year (FY) 2005. Facilities is responsible for overseeing the FSSP, which provides building repair and maintenance. Postmasters, Station Managers, or Officers in Charge contact the FSSP response line and inform them of needed repairs at their facility.

Customer Service representatives staff the response line and discuss the problem with the caller. The FSO uses criteria related to safety, security, and serviceability to prioritize the call as emergency, urgent, or routine. If the lessor is responsible for the repair, the FSO contacts them and provides the information necessary to make the repair.

The Postal Service offers those repairs and alterations it is responsible for to the Field Maintenance Office (FMO) in accordance with Handbook EL-912, *Agreement between USPS and American Postal Workers Union, AFL-CIO 2000-2003*, Article 32. The FMO may elect or decline to perform the work for various reasons, including cost, efficiency, availability of equipment, and qualification of employees. If the FMO performs the work, the Postal Service incurs only material costs as labor costs are already a part of the payroll base. Conversely, if the FMO declines the work, the Postal Service contracts it to private entities and incurs labor and material costs.

The FSO uses the FSSP database to track the status of repair calls. Postal Service employees who process the calls input data to provide details and updates about the repair. Although the FSO enters payment information into the FSSP database, the Enterprise Database Warehouse tracks payments for all repair projects by finance number. Therefore, the Postal Service does not rely on the FSSP for financial data.

Account Classification Codes

The Postal Service accounts for repair and alteration expense under account classification code 3B in the Postal Service Financial Performance Report (FPR). Capital repairs and alterations are categorized as account classification code 63 in the FPR. The FSO determines whether the expenditure is 3B or 63. The FSOs, as of the beginning of FY 2007, are responsible for all 3B spending

Facilities Knowledge Center (FKC)

FSOs may use the FKC, a contract resource, to accomplish repair and alteration work. FSO project managers can choose to assign FSSP calls involving expense projects under \$25,000 to the FKC. The FKC invoices the Postal Service when the required work is completed.

Objective, Scope, and Methodology

Our objective was to determine whether the FSSP provides the Postal Service with an effective means to repair and maintain Postal Service facilities.

To accomplish our objective, we identified the process for performing and funding repairs through the FSSP and determined end-user satisfaction. Specifically, we visited the Eastern, Northeastern, Southwestern, and Western FSOs to review related processes. We reviewed documentation for a judgmentally selected sample of FSSP calls and interviewed FSSP personnel and end users.

We found that management did not maintain records of historical costs for facilities repairs prior to implementation of the FSSP. As a result, we could not determine if the FSSP system is more cost effective than the previous facilities repair process.

We conducted this performance audit from June 2007 through February 2008 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management officials on December 6, 2007, and included their comments where appropriate. We determined the computer-generated data was sufficient to support our findings, however, as discussed in the report we did identify specific issues regarding FSSP data.

Prior Audit Coverage

In the last 3 years, the U.S. Postal Service Office of Inspector General (OIG) issued two reports related to the audit objective, although not necessarily specific to the FSSP:

1. *Data Integrity and Reliability of the Facilities Single Source Provider System (FSSP)* (Report Number FA-MA-05-002, dated August 11, 2005). This report identified errors in the acceptance rates recorded in the FSSP system for districts in the Southeast Area. Backdating transactions was not restricted and there was no log or audit trail to track changed or deleted transactions.

To address these issues, management updated the system to require specific data input, changed the program logic to eliminate problems with calculations, and enhanced the application so that deleted transactions do not remove the record from the database.

2. *Postal Service Facilities Maintenance and Repair Costs* (Report Number CA-AR-07-003, dated May 14, 2007). This report discussed how the Postal Service could reduce costs associated with facility repair and alteration by becoming more proactive and by instituting a proactive inspection program as part of a national repairs and alterations management strategy. In addition, insufficient budgeting for repairs and maintenance may be hampering the Postal Service's ability to be proactive.

To address these issues, management agreed to implement a standardized approach to the identification, pricing, and prioritization of building repairs. In addition, management developed a formal building inspection program, which includes a web-based self-assessment and building inspections. Management

believes the inspection program will assist them in developing reliable, needs-based budgets and in prioritizing projects.

Results

We determined the majority of users are satisfied with the FSSP as an effective means to repair and maintain Postal Service facilities. However, our review identified management control weaknesses as follows:

- FSOs do not consistently manage repair calls through the FSSP.
- FSOs do not adequately track the expenditures charged to the repairs and alterations budget line.
- FSOs do not adequately control FKC invoicing and payments.
- Data in the FSSP system is not reliable.

Inconsistent FSSP Procedures

Our review of procedures at four FSOs identified several inconsistencies and issues regarding how FSSP calls and repairs are processed, including how long emergency and urgent calls remain open. Further, there were no consistent procedures in place to monitor or follow up on the status of active calls. The following are examples of inconsistencies we identified:

- One FSO did not accept routine calls outside of the 30-day Open Season;¹ however, the other three FSOs accepted routine calls throughout the year.
- One FSO accepted maintenance equipment repair calls while the other three did not.
- One FSO bypassed the FSSP by requiring facilities to contact the local FMO with repair problems before calling the FSSP.
- Thirty-three of the 115 emergency or urgent FSSP calls we reviewed had been open for over a year.
- FMOs were inconsistent with regard to the repair and maintenance calls they accepted or declined.² For example:

¹ For a 30-day period at the beginning of the fiscal year, all districts are asked to report their repair and maintenance needs through the FSSP. The issues are recorded and prioritized, and, if funding is approved, the work is planned.

² Facilities has recognized the need for a standardized list of projects maintenance accepts or rejects. However, Postal Service maintenance and facilities managers had not reached an agreement regarding the standardized list.

- One district FMO accepted a lighting repair in one facility, yet declined a similar repair in another facility.
- One FMO accepted an electronic door alarm repair, but did not respond to a simple doorknob repair.
- In one area, the FMO received three separate requests for heating repairs³ and responded differently to each: they accepted one, declined one, and provided no response to one.

These inconsistencies existed because facilities management personnel did not standardize procedures for handling repairs within the FSSP on a national level. In addition, management did not establish procedures for reviewing and changing the status of calls when they are no longer considered an emergency or urgent, and has not been able to establish policies and procedures regarding the type and complexity of the calls Postal Service maintenance is required to perform. Finally, there were procedural differences based on the size and population densities of the Postal Service areas,⁴ as well as variances in maintenance staffing and capabilities within the districts.

Postal Service guidelines state the FSSP was designed for facilities-related repairs, not equipment calls.⁵ Maintenance procedures also require that requests be sent through FSSP for facilities-related work. Further, the FSSP Implementation Plan⁶ states that it was intended to eliminate inconsistent approaches in administrative and compliance issues and require FSO management to track the status of all active repair and alteration projects to assure timely completion.

Without standardized procedures for managing the FSSP system, management may not address the repair and maintenance needs of the facilities consistently or in a timely manner. As a result, the safety, security, and serviceability of Postal Service facilities, employees, and customers are at increased risk.

³ The FSSP system showed “no heat” for each of these calls.

⁴ Size and population densities can vary widely. For example, the Western Area is 2.1 million square miles and serves a population of 47.1 million. In comparison, the Eastern FSO is responsible for 238,480 square miles serving a population of 66.5 million.

⁵ *Field Maintenance Program Maintenance Series (MS) 45*, Section 250, page 13, dated June 15, 2006.

⁶ FSO and ASO Facilities Consolidation Single Source Provider Implementation Plan is a Microsoft PowerPoint presentation provided by Facilities Headquarters after the FSSP pilot program ended in the Northeast Area in January 2003.

Recommendation

We recommend the Vice President, Facilities:

1. Establish procedures for consistent processing and monitoring of Facilities Single Source Provider calls, including procedures for reviewing and updating the status of calls to ensure timely processing of emergency and urgent calls.

Management Comments

Management agreed with the recommendation and stated they created a new Manager, Facilities Field Operations position. This individual is responsible for developing standard operating procedures based on best practices and implementing them in each FSO. Best practices have been identified and standard operating procedures are being finalized for call centers, leasing, lessor maintenance, and repairs and alterations costing less than \$2,000. This effort will continue until critical processes are standardized for all Facilities products and services. This effort should be completed by the end of FY 2009. Management's comments, in their entirety, are included in Appendix A.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the actions taken and planned should correct the issue identified.

Recommendation

We recommend the Vice President, Engineering, in coordination with the Vice President, Facilities:

2. Establish standard procedures and guidelines defining maintenance and repair work that Postal Service maintenance will perform.

Management Comments

Management agreed with the recommendation and stated that the FSSP system should truly be a single source for non-maintenance capable offices to request service and that requests for service, including work that should be done by the FMO, should be routed to the FSSP. Engineering will provide Facilities with a list of items maintenance should accept. The list should be completed and released to Facilities prior to the third quarter of FY 2008.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the actions planned should correct the issue identified.

Controls Over Budget Line 3B Funding

Line 3B is the budget line that provides funding for repairs and alterations of Postal Service facilities. In FY 2007, Facilities Headquarters transferred responsibility for managing these funds to the FSOs. They also gave a portion of these funds to the areas, which distributed them to the districts' FMOs for facility repairs.

We determined that FSOs did not adequately track and monitor expenditures charged to the repairs and alterations 3B budget line. While the FSOs were able to determine the amount spent, they were not tracking how the funds were spent; the FSOs did not even assure the districts expended the funds for facility maintenance and repairs, in general. For the four FSOs included in our audit, we identified expenditures of more than \$18 million in FY 2007 (see Table 1).

Area	Amount
Eastern	\$ 3,679,108
Northeastern	\$ 5,018,676
Southwestern	\$ 3,344,937
Western	\$ 6,423,731
Total	\$18,466,452

Without adequate controls over these expenditures, there is no assurance that funds were used for facilities maintenance and repairs as intended. These expenditures represent the portion of the budget given to the districts for FMO facilities repair, and we consider the \$18,466,452 to be assets at risk.

Recommendation

We recommend the Vice President, Facilities:

3. Require Facilities Service Offices to establish and implement internal management controls to ensure appropriate monitoring and oversight of the expenditure of Line 3B funds.

Management Comments

Management agreed with the recommendation and stated that full responsibility for budget line 3B was assigned to Facilities at the beginning of FY 2008. Headquarters Facilities assigned budgets to the FSOs based on priority needs as identified in the national open season call for projects from postmasters and station managers. Management further stated that each FSO's allocations include contingency funds to handle unplanned emergencies; and the FSO determines an amount suitable to set aside for area maintenance expenditures. Any charges that are assigned to budget line 3B are automatically applied in the journal voucher to the appropriate FSO's finance number. To address the recommendation, the Manager, Facilities Field Operations, will issue instructions to the FSOs by May 2, 2008, detailing expectations for monitoring finance reports.

Management did not agree that the \$18,466,452 in funds were at risk. Management stated that the FSOs are responsible for monitoring the report and looking for spending habits that are outside the boundaries of what was agreed to with the area Finance Manager. These transactions are also subject to audit by the FSO.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the actions taken and planned should correct the issue identified.

With regard to the \$18,466,452 funds at risk, management did not provide documentation to demonstrate that FSOs were monitoring spending habits or conducting reviews of transactions. In addition, based on interviews with Facilities personnel, we determined that responsible individuals were not aware of their oversight responsibilities and were not familiar with the tools available to perform this oversight. Therefore, we will report this amount in our *Semiannual Report to Congress*.

Facilities Knowledge Center Control Weaknesses

We identified management control weaknesses with regard to the FKC as follows:

- At the four FSOs reviewed, there was no verification of repairs for over \$9 million in FKC payments for FY 2006 (see Table 2).

Table 2: FKC Payments FY 2006	
Area	Amount
Eastern	\$6,671,213
Northeast	\$ 386,699
Southwest	\$1,416,462
Western	\$ 620,224
Total	\$9,094,598

- The FKC did not provide invoices from vendors to the Postal Service in a timely manner.
- Postal Service employees without adequate knowledge of the repairs signed off on completed projects, certifying that repairs were completed satisfactorily.
- Two FSOs reviewed had not collected \$9,379 that was due to them from the FKC for credit memos (see Table 3).

Table 3: FKC Credit Memos Not Collected	
Area	Amount
Eastern	\$6,766
Western	\$2,613
Total	\$9,379

These internal control weaknesses existed because facilities management personnel did not have established procedures for FKC invoicing, payment, and reimbursements. Further, the FKC contract did not specify how much time the FKC has to submit invoices to the Postal Service.

Although the Postal Service did not have policies and procedures specifically addressing these issues, Postal Service's *Design and Construction Purchasing Practices* (Handbook P2) states the contracting officer is responsible for accepting contracted construction work. In particular, the individual(s) accepting the repairs should be qualified to certify the repairs were completed satisfactorily and FSOs should collect all receipts the office is entitled to.

Without established controls over FKC, there is an increased risk of fraud and abuse. We consider the \$9,094,598 to be disbursements at risk and the \$9,379 in uncollected credit memos to be recoverable questioned costs.

Recommendation

We recommend the Vice President, Facilities:

4. Establish and implement policies and procedures to include, at a minimum:
 - a. Procedures requiring appropriate certification that Facilities Knowledge Center (FKC) repairs were completed satisfactorily prior to payment of invoices.
 - b. Procedures requiring FKC personnel to submit invoices in a timely manner.

Management Comments

Management disagreed with recommendation 4a and stated that adequate procedures are in place for the level and complexity of work. Management stated that no payment is made unless a postal employee at the site signs off on the invoice, and because of the low dollar value of repair work completed, management made a business decision that the risk was minimal compared to the cost of travel for a project manager to review a simple repair. See management's revised comments in Appendix B.

Management agreed with recommendation 4b. On January 24, 2008, negotiations were held with FKC, and six new procedures were implemented to address this issue.

Evaluation of Management's Comments

With regard to recommendation 4a, we identified payments to FKC of more than \$9 million. No process was in place to ensure that the signature on an invoice was the signature of a postal employee. In addition, we reviewed certified invoices with signatures that were not legible. Management believes FKC repairs have low dollar value and therefore carry low risk; however, based on the cumulative dollar amount associated with FKC repairs, we believe management could better safeguard funds by improving controls over the verification of repairs. We do not plan to pursue this through the audit resolution process; however, we plan follow up on this issue in future audits. We will report the \$9,094,598 in FKC payments as assets at risk in our *Semiannual Report to Congress*.

Management's comments are responsive to recommendation 4b, and the actions taken should correct the issue identified.

Recommendation

We recommend the Vice President, Facilities:

5. Establish and implement procedures to ensure the Postal Service receives timely reimbursement when the Facilities Knowledge Center issues credit memos, and collect the outstanding \$9,379 identified in the audit.

Management Comments

Management agreed with the recommendation and has taken steps to improve timely reimbursement when FKC issues credit memos. As of January 25, 2008, \$8,559 of the outstanding credit memos has been paid. In addition, all further credit memos are to be paid within 60 days, and after 90 days alternative means to collect the funds will be considered.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation, and the actions taken and planned should correct the issue identified. We will report the \$9,379 of recoverable questioned costs in our *Semiannual Report to Congress*.

Reliability of FSSP Data

Information in the FSSP system was not reliable for validating call status and verifying payments.⁷ Specifically, FSO personnel did not always update data entered to track calls or clearly describe changes. Further, data on call sheets were incomplete. In our judgmentally selected sample of 269 active and completed FSSP calls, we found:

- Nine completed items classified as active.
- Two items that appeared to be duplicate payments.
- One item with a completion year of 1900 and three items with a completion year of 2008.
- One item with a completion date earlier than the actual FSSP call was made.
- Sixty-five items with missing, incomplete, or vague entries.⁸

This occurred because facilities management personnel did not establish internal control procedures, such as validity checks and data integrity audits, to ensure the data was updated and complete.

The FSSP Implementation Plan required the system to track all active projects, record all work requests in a database, and update the database to provide the status of projects. Also, Postal Service Handbook AS-805, *Information Security*, section 9-9.2, Data Integrity,⁹ states that resources must comply with data integrity requirements.

Without reliable data, Postal Service Facilities cannot adequately track FSSP repair calls to ensure timely completion of repairs and maintenance calls.

⁷ The Postal Service does not rely on the FSSP system for financial data.

⁸ Problem descriptions were either missing or vague, and some items did not identify the priority level, FMO action, or FMO contact name.

⁹ Data integrity is the security property that ensures that data meets a given expectation of quality and has not been exposed to accidental or malicious modification or destruction.

Recommendation

We recommend the Vice President, Facilities:

- 6. Establish and implement procedures to ensure the information included in the Facilities Single Source Provider database is accurate and up to date.

Management Comments

Management agreed with the recommendation, and in FY 2008, they will implement four data quality goals as part of the FSSP national report card that focuses on timely and accurate updating of FSSP problems.

Evaluation of Management's Comments

Management's comments are responsive to the recommendation and actions planned should correct the issue identified.

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: Lynn L. Malcolm
Katherine S. Banks

APPENDIX A: MANAGEMENT'S COMMENTS

Facilities
Department



February 12, 2008

DARRELL E. BENJAMIN, JR.
DEPUTY ASSISTANT INSPECTOR GENERAL FOR SUPPORT OPERATIONS

SUBJECT: Postal Service Facilities Single Source Provider System
(Report Number SA-AR-08-DRAFT)

This is in response to the Draft Audit Report #SA-AR-08-DRAFT, Postal Service Facilities Single Source Provider System (FSSP).

Recommendation 1: Establish procedures for consistent processing and monitoring of Facilities Single Source Provider calls, including procedures for reviewing and updating the status of calls to ensure timely processing of emergency and urgent calls.

Response: We agree with this recommendation. In February 2007, a new position of Manager, Facilities Field Operations, was created within Facilities. Among the responsibilities for this individual is the requirement to develop standard operating procedures based on best practices and implement them in each Facilities Service Office (FSO). The goal is to improve customer service by assuring the consistency of our product, standardizing output expectations, and allocating appropriate resources to the workload.

To date, best practices have been identified and standard operating procedures are being finalized for:

- Call Center
- Level I, II, and III Leasing
- Lessor Maintenance
- Repair and Alteration less than \$2,000

This effort will continue until critical processes are standardized for all Facilities' products and services. Implementation will be the responsibility of the process owner. It is anticipated that this work effort will be completed by the end of FY 2009.

Recommendation 2: Establish standard procedures and guidelines defining maintenance and repair work that Postal Service maintenance will perform. The report recommends that the Vice President, Engineering, coordinate this with the Vice President, Facilities.

Response provided by the Vice President, Engineering: Engineering agrees that the FSSP system should truly be a single source for non-maintenance capable offices to request service and that all requests for service, including work that should be done by the Field Maintenance Office (FMO), should be routed to the FSSP. As per current process, the FSSP will log the request and forward it to the appropriate FMO to accept or decline the decision.

When FMO performs work, the Postal Service incurs labor and travel for its employees. Although the labor costs are part of the payroll base, other factors including overtime and other work deferred must be considered on a case by case basis to ensure available employees provide the

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maximum benefit to the Postal Service. FMO Managers must evaluate each work request to ensure he/she is using available personnel in the most efficient manner. All work must be evaluated when the work is requested based on availability of resources, special skills and/or tools required, overall cost, and timeliness on completion of work. While it might be cost effective to make a repair in one facility, the same repair may not be cost effective in another facility.

Engineering agrees with the recommendation and will provide Facilities with a list of items maintenance should accept. Those items will be limited to specialized Postal Equipment where a contractor resource is not readily available. The list should be completed and ready for release to field facilities prior to Quarter 3, FY 2008.

Recommendation 3: Facilities Service Offices to establish and implement internal management controls to ensure appropriate monitoring and oversight of the expenditure of Line 3B funds.

Response: We agree in principle with this recommendation. Full responsibility for budget line 3B was assigned to Facilities at the beginning of FY 2008. Headquarters Facilities assigned budgets to the FSOs based on priority needs as identified in the national Open Season call for projects from Postmasters and Station Managers. The FY 2009 budget allocation will be based on a combination of self assessments for smaller facilities, and contracted inspections for larger customer service and plant facilities. Each FSO allocation includes contingency funds to handle unplanned emergencies.

It was then left to each FSO Manager, working with their Area Finance Managers, to determine a suitable amount to set aside for Area maintenance expenditures. Any Area charges that are assigned to budget line 3B are automatically journal vouchered to the appropriate FSO's finance number.

The FSOs have access to reports that itemize Area expenditures. This is the same information that was previously utilized by the Areas and only provides information on the buyer and vendor, not what was purchased. The FSOs are responsible for monitoring the report and looking for spending habits that appear outside the boundaries of what was agreed to with the Area Finance Manager. These transactions are subject to audit by the FSO.

We do not agree that these funds are at risk. Goods and services were received for each expenditure. Expense data is consistent with all credit card related purchases.

In order to address Recommendation No. 3, the Manager, Facilities Field Operations, will issue instructions to the FSOs, detailing expectations for the monitoring of the finance reports. These instructions will be issued by May 2, 2008.

Recommendation 4: Establish and implement policies and procedures to include, at a minimum:

- a. Procedures requiring appropriate certification that Facilities Knowledge Center (FKC) repairs were completed satisfactorily prior to payment of invoices.

Response to 4a: We agree with this recommendation but believe that adequate procedures are currently in place for the level and complexity of work. No payment is made without a sign off on the invoice by a postal employee at the site. Because of the low dollar value and complexity of the repair work completed, a business decision was made that the risk was minimal compared to the cost of paying for a project manager to travel many hours just to review a simple repair. In addition, when the project is closed out after payment, the caller is sent an auto generated email survey. The recipient has the opportunity to mark that either the work is not complete or not

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completed satisfactorily and by doing this, the project is reverted back to active and both the project manager and the FSO manager receive an email notification of this action. The project manager then contacts the site to resolve the issue.

Due to the large volume of small work and invoices, a business decision was made to employ a 'pay and chase' method of business with FKC. If inferior work was found, due to the large quantity of work orders the money is not at risk because it can always be deducted for a future work order.

At the same time payment is made, the project manager is copied on the invoice. If the work is large and complex, the project manager verifies the quantities and depending on the type and scope of work, will plan a visit to review the work. This decision is left to the expert opinion of the project manager and if the work is found inferior or incomplete, FKC is contacted for a recall at no cost to the Postal Service.

b. Procedures requiring FKC personnel to submit invoices in a timely manner.

Response to 4b: We agree with this recommendation and have made the following changes. Although the actual physical repair work was completed, FKC cannot submit an invoice until their subcontractor submits the actual invoice to FKC outlining all labor and material charges. This long term delay in submitting invoices has created financial hardship and inaccurate representation of funds spent. On January 24, 2008, negotiations were held with [REDACTED] of FKC and [REDACTED] of the Postal Service and the following agreement regarding procedures were reached:

- 1) The actual work order issued to each contractor states that the contractor must submit an invoice within 30 days from completion of the work.
- 2) Once the work is marked "complete" in the FKC system, an auto generated email goes to the contractor stating the work was completed and they have 7 days to submit their invoice.
- 3) A weekly report is run by FKC and every contractor that has not submitted an invoice within 7 days from completion of the work is sent another email reminding them that an invoice is due.
- 4) A weekly report is run by FKC and any contractor that has still not submitted an invoice within 30 days of when the work was complete, an additional email is sent to them stating that they must submit an invoice within the next 7 days or risk not getting paid for the work.
- 5) Sixty (60) days past the work complete date, if FKC did not receive an invoice from their contractor, they will submit their invoice for the work order (\$20) and the project will be closed by FKC with no further payment.
- 6) After 90 days from completion of the work, if no invoice of any type is received by FKC, Postal Service will close out the project and no further invoicing will be accepted on that project.

This negotiated agreement will be sent to the Contracting Officer in Purchasing for review and inclusion into the current contract.

Recommendation 5: Establish and implement procedures to ensure the Postal Service receives timely reimbursement when FKC issues credit memos, and collects the outstanding \$9,379 identified in the audit.

Response: There were outstanding credit memos and reimbursement owed to the Western FSO in the amount of \$2,612.94, and to the Eastern FSO in the amount of \$6,765.79.

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It has been confirmed by FKC on January 25, 2008, and Adrian Ruger of the Western FSO on January 28, 2008, that the owed \$2,612.94 has been received by Postal Service.

The Eastern FSO has received \$5,945.79 of the \$6,765.79 in question. There were two credit memos, [REDACTED] for \$340 and [REDACTED] for \$480 that are no longer due the Postal Service due to the fact that these two service call invoices were to be billed with the permanent repairs when completed by FKC. No actual permanent repairs were ever done by FKC so they are owed the service calls.

It was also agreed that in the future all credit memos are to be paid within 60 days of issuance of the memo and if it passes 90 days, alternative means of collecting funds including deduction from future invoices will be considered.

Recommendation 6: Establish and implement procedures to ensure the information included in the Facilities Single Source Provider database is accurate and up to date.

Response: Facilities agrees with this recommendation and has already made, or is planning to make, changes both procedurally and/or to the FSSP application that we feel will help in this area. Specifically, in FY 2008 we have implemented four data quality goals as part of our national Report Card that focus on timely and accurate updating of FSSP problems. The four reports focus on the following areas:

Problems < \$2,000 completed < 30 days: This goal helps improve the timeliness and accuracy of data for lower costs problems by checking the number of days from assignment to FSO personnel to problem completion. The goal is that 80 percent of all problems < \$2,000 be completed in < 30 days.


Landlord maintenance completions: This goal helps improve timeliness and accuracy of data for landlord maintenance problems by checking the number of days between status of active and completed. The goal is that 70 percent of landlord maintenance problems be completed in < 60 days.

New status < 30 days: This goal helps improve timeliness and accuracy of data for all problems. The goal is that 90 percent of all problems assigned to FSO personnel remain in a 'New' status for no more than 30 days.

Pending closeout < 60 days: This goal helps improve timeliness and accuracy of data for all problems. The goal is that 90 percent of all problems assigned to FSO Design and Construction personnel remain in a 'pending closeout' status for no more than 60 days.

In addition, we will be implementing additional edit checks into the program to improve accuracy for dates being entered. Specifically, we will implement an edit check that will not allow for a problem completion date to be prior to the call date. Also, we are going to be removing the manual data entry on all date fields and replace with the calendar feature to help improve accuracy. As we continue our efforts to integrate FSSP and eFMS there will be additional opportunities to improve data quality.

In conclusion, we appreciate the efforts of the OIG audit team in the review of the FSSP system.


Tom A. Sahra

APPENDIX B: REVISED MANAGEMENT'S COMMENTS

From: AUD-Audit Tracking
Sent: Friday, February 22, 2008 9:31 AM
To: [REDACTED]
Cc: [REDACTED]

From: [REDACTED]
Sent: Friday, February 22, 2008 8:44 AM
To: AUD-Audit Tracking
Subject: RE: CARM 2-21-08 Status of Management Comments.xls

Matt:

Based on our phone conversation, below is our revised response to this specific question. The revision is in red.

Recommendation 4: Establish and implement policies and procedures to include, at a minimum:

a. Procedures requiring appropriate certification that Facilities Knowledge Center (FKC) repairs were completed satisfactorily prior to payment of invoices.

Response to 4a: We disagree with this recommendation and believe that adequate procedures are currently in place for the level and complexity of work.

No payment is made without a sign off on the invoice by a postal employee at the site. Because of the low dollar value and complexity of the repair work completed, a business decision was made that the risk was minimal compared to the cost of paying for a project manager to travel many hours just to review a simple repair. In addition, when the project is closed out after payment, the caller is sent an auto generated email survey. The recipient has the opportunity to mark that either the work is not complete or not completed satisfactorily and by doing this, the project is reverted back to active and both the project manager and the FSO manager receive an email notification of this action. The project manager then contacts the site to resolve the issue.

Because of the large volume of small work and invoices, a business decision was made to employ a 'pay and chase' method of business with FKC. If inferior work was found, due to the large quantity of work orders the money is not at risk because it can always be deducted for a future work order.

At the same time payment is made, the project manager is copied on the invoice. If the work is large and complex, the project manager verifies the quantities and depending on the type and scope of work, will plan a visit to review the work. This decision is left to the expert opinion of the project manager and if the work is found inferior or incomplete, FKC is contacted for a recall at no cost to USPS.

b. Procedures requiring FKC personnel to submit invoices in a timely manner.

Please add the following to Response # 5.

"We agree with this recommendation and have taken steps to improve timely reimbursement when FKC issues credit memos."

Glenda has taken the final letter to Tom Samra's office this afternoon. I do not know if this change will be incorporated into the final letter before it is mailed.