



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

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**Land Optimization — Northern  
Virginia District**

**Audit Report**

September 28, 2012

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Report Number DA-AR-12-003



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# HIGHLIGHTS

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## **BACKGROUND:**

The U.S. Postal Service has more than 33,000 facilities nationwide, including more than 24,000 leased facilities. These facilities occupy more than 950,000,000 square feet (SF) of land.

Beginning in April 2008, the Postal Service began a series of facility optimization efforts. The goals of those efforts were to generate revenue and reduce expenses. Through its optimization efforts, the Postal Service has the ability to reduce excess real property by selling or leasing Postal Service-owned property and subleasing or reassigning leased property. The Postal Service can also use these same options to optimize land space.

The Northern Virginia District has 185 facilities with about 14,000,000 SF of land. Our objective was to identify opportunities for the Postal Service to optimize existing land in the Northern Virginia District to align with the current operating environment.

## **WHAT THE OIG FOUND:**

The Postal Service can improve procedures for identifying and disposing of excess land space in the Northern Virginia District. While there is a requirement to conduct excess space, building, and land evaluations, there is no specified frequency for reporting those reviews. As a result, two of the six Postal Service-owned properties

reviewed -- the Dulles Processing and Distribution Center (P&DC) and land slated for the Ashburn Main Post Office -- have about 442,570 SF of excess land space or about 17 percent of the exterior space of those properties. By selling the excess land space, the Postal Service has a one-time opportunity to realize at least \$2,931,250 of increased revenue in the Northern Virginia District. The Postal Service initiated the process of selling the Ashburn property on October 12, 2011.

## **WHAT THE OIG RECOMMENDED:**

We recommended that the Postal Service initiate action to sell excess land space at the Dulles P&DC.

We are not making a recommendation regarding the frequency for reporting results of excess space, building, and land evaluations, because this issue was addressed in a prior report, *Land Optimization — Central Illinois District*, (Report Number DA-AR-12-001, dated September 19, 2012).

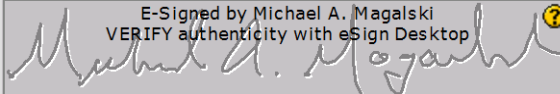
[Link to view the entire report.](#)



September 28, 2012

**MEMORANDUM FOR:** DAVID C. FIELDS  
VICE PRESIDENT, OPERATIONS, CAPITAL METRO  
AREA

TOM A. SAMRA  
VICE PRESIDENT, FACILITIES

E-Signed by Michael A. Magalski  
VERIFY authenticity with eSign Desktop  


**FROM:** Michael A. Magalski  
Deputy Assistant Inspector General  
for Support Operations

**SUBJECT:** Audit Report – Land Optimization – Northern Virginia District  
(Report Number DA-AR-12-003)

This report presents the results of our audit of Excess Land Space in the Northern Virginia District (Project Number 11YG037DA000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Monique P. Colter, director, Facilities, Environmental, and Sustainability, or me at 703-248-2100.

Attachments

cc: Megan Brennan  
John F. Budzynski  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit addressing land optimization in the Northern Virginia District (Project Number 11YG037DA000). Our objective was to identify opportunities for the U.S. Postal Service to optimize existing land to align with the current operating environment. This self-initiated audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

Postal Service facilities officials are responsible for reviewing useable excess space in the Postal Service inventory.<sup>1</sup> Area or other authorized personnel can approve a property as being excess to Postal Service needs and are required to submit a written recommendation to Realty Asset Management<sup>2</sup> to dispose of the property. While ASM 13 requires Postal Service area and other authorized personnel to review and report excess space, it does not state a required frequency for reporting properties determined to be excess.

The Northern Virginia District has 185 facilities with more than 14,000,000 square feet (SF) of land. Due to economic conditions and increased competition with traditional mail products, the total mail volume in the Northern Virginia District decreased from about 1.7 billion pieces in fiscal year (FY) 2008 to about 1.4 billion pieces in FY 2011, a drop of about 334,000 pieces, or 20 percent.

According to the Postal Service, it realized \$180 million in revenue during FY 2010 from reviews of building and land properties no longer necessary to meet operational needs.<sup>3</sup> Given the liquidity challenges the Postal Service is currently facing, the agency has the opportunity to re-evaluate its land needs and further capitalize on revenue opportunities by reducing excess land space.

## Conclusion

The Postal Service can improve procedures for identifying and disposing of excess land space. Two of the six Postal Service-owned properties reviewed in the Northern Virginia District -- the Dulles Processing and Distribution Center (P&DC) and land slated for the Ashburn Main Post Office (MPO) -- have excess land space of 442,570 SF or about 17 percent of the exterior space of those properties. By initiating disposal action for excess land space for these two properties, the Postal Service has a one-time opportunity to realize a revenue increase of at least \$2,931,250 in the Northern Virginia District. The Postal Service initiated the process of selling the Ashburn property on October 12, 2011.

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<sup>1</sup> *Administrative Support Manual (ASM) 13*, Section 517, dated July 1999, updated with *Postal Bulletin* revisions through December 1, 2011.

<sup>2</sup> The Postal Service Headquarters National Realty Asset and Lease Management team administers programs and provides project support services for Postal Service leased and owned properties.

<sup>3</sup> *Postal Service 2010 Comprehensive Statement on Postal Operations*, page 29.

## Excess Exterior Space

Of the six Postal Service-owned properties reviewed, two properties, land purchased for the Ashburn MPO and land located at the Dulles P&DC, have excess land space of 442,570 SF. The land purchased for the Ashburn MPO has been unused since 2007, and Postal Service officials identified the tract of land at the Dulles P&DC as excess. For the remaining four properties, we calculated excess spaces on the earned customer and parking spaces according to Postal Service policy.<sup>4</sup> Two properties<sup>5</sup> had excess parking spaces less than 10,000 SF. These properties were excluded from our finding based on a threshold that we established to identify properties with more than 10,000 SF as potential revenue-generating sources. The remaining two properties<sup>6</sup> did not have excess land.

While there is a requirement to conduct excess space, building, and land evaluations, there is no specified frequency for reporting those reviews. We also identified this issue in the U.S. Postal Service Office of Inspector General (OIG) audit report, *Land Optimization – Central Illinois District*,<sup>7</sup> which contains a recommendation to address the issue.

**Table 1: Sites with Excess Land in the Northern Virginia District**

Property Name	Site Square Footage Per County Property Records	Excess Space (In square footage)	Percentage of Excess Space	Value of Excess Space <sup>8</sup>
Ashburn MPO (land only)	246,550	246,550	100%	\$1,975,000
Dulles P&DC	2,392,315	196,020	8%	956,250
<b>Total</b>	<b>2,638,865</b>	<b>442,570</b>	<b>17%</b>	<b>\$2,931,250</b>

Source: OIG as of September 2012.

- The Postal Service purchased the land for a new Ashburn MPO for \$2,529,700 in November 2007 but never approved funding for construction of the building. Instead of constructing a new building, the Postal Service placed the retail and carrier functions planned for the Ashburn property at the Dulles P&DC in Sterling, VA. The

<sup>4</sup> Postal Service Handbook AS-504, *Space Requirements*, Section 324.

<sup>5</sup> Joel T. Broyhill Post Office, Merrifield, VA and Chantilly Branch, Chantilly, VA.

<sup>6</sup> Woodbridge Post Office, Woodbridge, VA and Research & Development Engineering Building, Merrifield, VA.

<sup>7</sup> Report Number DA-AR-12-001, dated September 19, 2012.

<sup>8</sup> We used the advertised sale price of \$1,975,000 as the value of the Ashburn land. We calculated the value of the Dulles P&DC land by multiplying the dollar value per square foot by the amount of excess space. We used county property records for the value of the overall property in calculating the per square foot price.

Postal Service and OIG agreed that the Ashburn property was excess and the Postal Service initiated the process of selling the property in October 2011.<sup>9</sup>

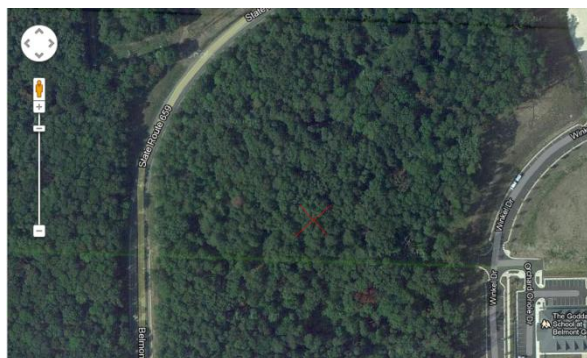
- Postal Service officials identified 196,020 SF, about 4.5 acres, of land at the Dulles P&DC as unused land. Officials stated the land was initially held for local delivery routes; however, those needs were resolved. Although identified as excess land, Postal Service officials stated that due to planned commercial development near the property, it could be worth more in the future and decided to hold onto it. These officials also stated they were considering relocating operations from other facilities to the Dulles P&DC.

The Postal Service can improve procedures for disposing of excess land space. By selling the excess land space, the Postal Service has a one-time opportunity to realize at least \$2,931,250 of increased revenue in the Northern Virginia District. See [Appendix B](#) for details.

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<sup>9</sup> Facilities personnel began the process to hire a firm to appraise the Ashburn property in October 2011. The appraisal was completed in December 2011 and valued the land at \$1,975,000.

### Photograph 1 — Ashburn Land



The Ashburn MPO site is vacant land. The Postal Service relocated the operations intended for this site to the Dulles P&DC. The land represents 246,550 SF of excess space. Source: Google.

### Photograph 2 — Dulles P&DC



The Dulles P&DC has 196,020 SF of excess space as identified by the Postal Service in the photograph. Source: Google.

## Recommendation

We recommend the vice president, Capital Metro Area Operations, in coordination with the vice president, Facilities:

1. Initiate action to sell excess property at the Dulles Processing and Distribution Center.

## Management's Comments

Management disagreed with our recommendation stating that they have a process for identifying potential land that is deemed to be no longer needed and is determined to be marketable. Management believes that their process is adequate and intends to continue following it. With respect to the excess property at the Dulles P&DC, management does not believe it is in the best interest of the Postal Service to initiate action to sell this property at this time.

Management also disagreed with the \$2,931,250 of revenue that OIG believes could be generated from the excess land identified at both the Ashburn site and the Dulles P&DC. However, management agreed that there is 246,500 SF of unimproved land in Ashburn that should be sold. Management stated they had already identified this site as excess and had taken steps necessary to list the property for sale. They also stated that the market value for the unimproved land in Ashburn, based on an independent appraisal, is \$1,840,000 versus a value suggested by the OIG of \$1,975,000.

With respect to the second property located at the Dulles P&DC, management believed that the entire property is required to support operational needs for future flexibility and therefore, disagreed with pursuing a sale of the property to obtain \$956,250 of potential



value. Management stated that gaining network facilities need to keep any and all excess land to provide flexibility to carry out future optimization efforts. Management also believed that in order for optimization to be successful, the receiving property must allow for the incoming operations that will create the need for additional parking and possible plant expansion. Management did not believe this is possible if they proceed with OIG's recommendation to sell the land. See [Appendix C](#) for management's comments, in their entirety.

### **Evaluation of Management's Comments**

The OIG does not consider management's comments responsive to the finding and recommendation in the report. The OIG considers the recommendation significant and, therefore, requires OIG concurrence before closure. We view the disagreement with this recommendation as unresolved but do not plan to pursue it through the formal audit resolution process and are closing this recommendation with the issuance of this report.

Management disagreed with our recommendation to initiate action to sell excess property at the Dulles P&DC, because this facility is gaining additional operations as part of their network optimization efforts. They deemed that the entire property is required to support operational needs for future flexibility and the potential need for additional parking and possible plant expansion. While the OIG agrees it is important for the Postal Service to have flexibility in its network optimization implementation efforts, it is also important for the Postal Service to explore every opportunity to generate revenue based on its current financial condition. Selling unused land could generate revenues to fund operations. Accordingly, we believe management should give careful consideration prior to determining that any excess land should not be sold. If the decision is made not to sell the excess property at the Dulles P&DC, management should re-evaluate its decision subsequent to planned network optimization efforts.

Management agreed that there are 246,500 SF of unimproved land in Ashburn that should be sold. However, management stated that the market value of the unimproved Ashburn land, based on an independent appraisal is \$1,840,000 versus a value suggested by the OIG of \$1,975,000. The \$1,975,000 used in our report is the price the property is listed for on the USPS Properties for Sale website.<sup>10</sup> OIG believes that the property selling price more closely approximates the amount of revenue to be generated from the sale due to potential commercial growth and the expansion of public transportation to the area.

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<sup>10</sup> [http://www.uspspropertiesforsale.com/default.asp?f=listing\\_details&listingid=280894&listingtype=5](http://www.uspspropertiesforsale.com/default.asp?f=listing_details&listingid=280894&listingtype=5)

## Appendix A: Additional Information

### Background

The Postal Service has more than 33,000 properties nationwide, including more than 24,000 leased properties. These properties occupy more than 950,000,000 SF of land. The Northern Virginia District has 185 facilities with about 14,000,000 SF of land.

In April 2008, the vice president, Facilities, initiated the Facility Optimization Program to balance the portfolio of existing delivery facilities with the Postal Service's current and projected space needs. The process entails identifying, investigating, analyzing, and approving interior space before executing the approved optimization action.<sup>11</sup>

Established in May 2009, the Station and Branch Optimization and Consolidation Initiative Program provides tools and strategies for evaluating the effectiveness of Postal Service's retail placement in support of the 2006-2010 *Strategic Transformation Plan's* goal of improving service and increasing revenue. In addition, the Postal Service initiated the Delivery Unit Optimization in December 2010 for relocating delivery operations into larger offices that had excess space to increase operational efficiencies.<sup>12</sup>

In June 2011, the Postal Service began the Delivering Results, Innovation, Value, and Efficiency (DRIVE) initiative. DRIVE is a management process the Postal Service is using to improve business strategy development and execution and is broken down into eight priorities. The Infrastructure and Operations Optimization strategic priority includes an initiative related to facilities management and disposal. The objectives of the Facilities DRIVE initiative are to:<sup>13</sup>

- Generate revenue and reduce expenses by selling owned buildings, terminating leases, and eliminating facility operating costs.
- Reduce the inventory square footage of facilities.

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<sup>11</sup> Optimization of Postal Facilities presentation, October 1, 2008.

<sup>12</sup> Postal Service, *Delivery Unit Optimization*, page 2, 2010.

<sup>13</sup> Postal Service, *DRIVE*, pages 1 and 4, 2011.

Through the optimization efforts, the Postal Service has the ability to reduce excess interior space through:<sup>14</sup>

- Disposing of or selling of property.
- Outleasing (leasing Postal Service-owned property).
- Subleasing/reassigning leased property.

The Postal Service could use these same options to optimize exterior space.

### Objective, Scope, and Methodology

Our objective was to identify opportunities for the Postal Service to optimize existing land in the Northern Virginia District to align with the current operating environment. We judgmentally selected 14 sites<sup>15</sup> in the Northern Virginia District for review. We selected eight sites because their cumulative total excess square footage accounts for 50 percent of the district's excess square footage. We selected the remaining six sites because either no exterior square footage was recorded in the electronic Facilities Management System (eFMS)<sup>16</sup> for the property, or the sites were classified as land parcels only. Based on discussions with Postal Service Facilities personnel during the review, we decided to focus on the six owned sites. The owned sites provided the Postal Service the greatest opportunity to optimize exterior excess space.

To accomplish our objective we reviewed applicable policies and procedures, visited selected sites, conducted interviews, and examined aerial photographs obtained to document undeveloped excess exterior space at existing facilities. If the land appeared to be unusable<sup>17</sup> we did not include it in our determination of excess SF.

We calculated excess spaces on the earned customer and parking spaces according to Postal Service policy. All earned customer parking was based on earned retail workstations; rented Post Office Boxes; and Postal Service policy.<sup>18</sup> We verified the number of postal vehicles assigned and peak hour on-duty employees, additional employees used during tour turnover, and the number of carrier routes and large volume firm mailers that mail at the same time during site visits against data from various Postal Service databases. After determining the square footage of excess parking spaces (employee and customer), we subtracted calculated earned parking spaces from total space allotted for parking.

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<sup>14</sup> ASM-517.

<sup>15</sup> Six of the sites were owned and eight of the sites were leased.

<sup>16</sup> The eFMS database is the official Postal Service record for real property inventory and is used to manage all property related projects including acquisition, disposal, and repairs.

<sup>17</sup> Examples of unusable land include land used for retaining ponds and land without direct access to a roadway.

<sup>18</sup> Handbook AS-503, *Standard Design Criteria*, Section 1-2.4, Parking and Drives (July 17, 2010); Handbook AS-504, Section 324; and Handbook RE-4, *Standards for Facility Accessibility*, Section 502, Parking Spaces (March 2005).

We conducted this performance audit from June 2011 through September 2012<sup>19</sup> 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 finding and conclusion based on our audit objective. We discussed our observations and conclusions with management on August 24, 2012, and included their comments where appropriate.

We assessed the reliability of eFMS property data by comparing the data to county property data. While we noted some discrepancies, we determined that the data were sufficiently reliable for the purposes of this report.

### **Prior Audit Coverage**

No audits were conducted examining excess land space within the past 3 years.

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<sup>19</sup> Fieldwork for this project was delayed when the Postal Service revised its plan to rationalize the mail processing facility network.

**Appendix B: Monetary Impacts**

<b>Recommendation</b>	<b>Impact Category</b>	<b>Amount</b>
1	Increased Revenue	\$2,931,250

The Postal Service could realize revenue of \$2,931,250 by initiating the disposal of excess land space at the Dulles P&DC and land slated for the Ashburn MPO (see Table 2). The Postal Service initiated the process of selling the Ashburn property on October 12, 2011. We used the advertised sale price of \$1,975,000 to calculate the monetary impact for the Ashburn land. We calculated the monetary impact for the Dulles P&DC land by multiplying the dollar value per square foot by the amount of excess space. We used county property records for the value of the overall property in calculating the per square foot price.

**Table 2: Calculation of One-Time Monetary Impact**

<b>Property Name</b>	<b>Site Square Footage Per County Records</b>	<b>Value of Property</b>	<b>Dollar Value Per Square Footage</b>	<b>Square Footage of Excess Space</b>	<b>Value of Excess Space</b>
Ashburn MPO (land only)	246,550	\$1,975,000	\$8.01	246,550	\$1,975,000
Dulles P&DC	2,392,315	11,670,500	\$4.88	196,020	956,250
<b>Total</b>	<b>2,638,865</b>	<b>\$13,510,500</b>		<b>442,570</b>	<b>\$2,931,250</b>

Source: OIG, as of September 2012.

## Appendix C: Management's Comments

AREA VICE PRESIDENT  
CAPITAL METRO AREA OPERATIONS



September 25, 2012

Lucine M. Willis, Director - Audit Operations  
Office of Inspector General, United States Postal Service  
1734 North Lynn Street  
Arlington, VA 22209-2020

SUBJECT: Land Optimization – Northern Virginia District  
Draft Audit Report (Report Number DA-AR-12-DRAFT)

Thank you for the opportunity to review and comment on the subject draft audit report. Management appreciates the efforts the Office of Inspector General (OIG) has taken in regards to land optimization in the Northern Virginia District. We agree that optimization of land is a critical and important initiative within the Postal Service and believe we have been proactive in implementing a process to identify parcels that are no longer needed by the Postal Service and that have value on the open market in an effort to generate revenue. The following is in response to the above subject audit and management's comments with respect to the findings of such audit.

Management disagrees with the \$2,931,250 of revenue that OIG believes could be generated from the excess land identified at both Ashburn site and the Dulles Processing & Distribution Center.

However, Management agrees that there is 246,500 sf of unimproved land in Ashburn that should be sold. As previously discussed, Management had already identified this site as excess and had taken steps necessary to list the property for sale. In October 2010, management approved a node study that determined it was the best business decision to relocate the Ashburn carriers to the Dulles P&DC in lieu of constructing a new main post office. The carriers were relocated in July 2011. An ebuy was issued October 13, 2011 to obtain all approvals required prior to initiating the disposal process. The market value based on an independent appraisal is \$1,840,000 versus a value suggested by the OIG of \$1,975,000.

With respect to the second property located at the Dulles P&DC, Management strongly believes this entire property is required to support operational needs for future flexibility and therefore, disagrees with pursuing a sale of the property to obtain \$956,250 of potential value. This issue was reviewed with both the COO and VP, Network Operations, both of whom concur with management's concerns and agree that at the gaining Network facilities, we need to keep any and all excess land to provide flexibility to carry out future optimization. In order for optimization to be successful, the receiving property must allow for the incoming operations that will create the need for additional parking and possible plant expansion. This is not possible if management proceeds with OIG's recommendation to sell the land.

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**Audit Recommendations:** Management's comments with respect to the recommendation outlined in the audit report is noted below:

**Recommendation:** Initiate action to sell excess property at the Dulles Processing and Distribution Center.


**Management Response:** As previously discussed and stated above, Management has implemented a process for identifying potential land that is deemed to be no longer needed and is determined to be marketable. This process is adequate and one that management intends to continue following. With respect to the excess property at the Dulles Processing and Distribution Center, Management does not believe it is in the best interest to initiate action to sell this property at this time.

In conclusion, Management believes the current land optimization process, allows Facilities to effectively identify marketable excess land within the portfolio. Once identified and approved for sale, Facilities, in collaboration with its national real estate services provider, CBRE, develops and initiates marketing strategies tailored to the uniqueness of each property in an effort to maximize value.

Please note, Management does not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act.



David C. Fields  
Vice President, Operations  
Capital Metro Area



Tom A. Samra  
Vice President  
Facilities

cc: Megan Brennan, Chief Operating Officer and Executive Vice President  
Sally K. Haring, Manager, Corporate Audit and Response Management  
Michael A. Magalski, Deputy Assistant Inspector General for Support Operations