



July 1, 2004

RUDOLPH K. UMSCHIED  
VICE PRESIDENT, FACILITIES

SUBJECT: Management Advisory – Financial Opportunities of Underutilized Land  
(Report Number CA-MA-04-004)

This report presents the results of the survey phase of our self-initiated review of Financial Opportunities of Underutilized Land (Project Number 04XG001CA000).

### **Background**

The Postal Service is one of America's largest owners of real estate. It owns over 8,700 facilities with over 900 million square feet of land. Data for these facilities and related land is maintained in the Facilities Management System for Windows (FMSWIN).

The Administrative Support Manual requires annual reviews of the inventory of Postal Service-owned property to determine whether there are any properties for which the Postal Service has no foreseeable need. The Administrative Support Manual further states that if the area office or other office with such authority approves a property as being excess to Postal Service needs, that office submits a written recommendation to Realty Asset Management to dispose of the property. These instructions apply to excess property, but do not specifically include underutilized land at active facilities.

### **Objective, Scope, and Methodology**

Our survey objective was to identify marketable underutilized land at active Postal Service-owned facilities for which there was no operational need. To achieve the objective, we reviewed applicable criteria to determine the process for identifying and disposing of excess and underutilized properties. In addition, we discussed the survey objective with Facilities personnel. Based on those discussions, we jointly developed a methodology for identifying marketable underutilized land for which there was no operational need (see Appendix B), and applied it to facilities in Colorado. In addition, we performed preliminary analysis of all Postal Service-owned facilities to identify the nationwide scope of potential underutilized land. Our review was limited to facilities with a total site size of 100,000 square feet or more.

This review was conducted from November 2003 to June 2004 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions with appropriate management officials and included their comments, where appropriate. We relied on computer-generated data from FMSWIN to extract facilities with a total site size of 100,000 square feet or more. We believe the computer-generated data was sufficiently reliable for that purpose. We did not rely on any computer-generated data to support the opinions or conclusions in this report.

### **Prior Audit Coverage**

Realty Asset Management (Report Number CA-MA-04-002, dated January 9, 2004) reported that the Postal Service might not have been maximizing its return on excess land and vacant space because the process for identifying and reporting excess facilities and vacant space needed improvement. Postal Service area officials did not annually review their inventory of owned property, nor did they identify vacant leased space. Postal Service management agreed to communicate and enforce existing annual requirements to review and identify any excess Postal Service owned property with appropriate area and Facilities personnel, enhance reporting requirements of annual reviews to include negative replies, and to develop a process to identify excess space on a regular basis.

Disposal of Excess Real Property (Report Number CA-AR-02-002, dated January 28, 2002), identified 30 properties purchased for \$45 million that had not been developed and utilized—one for almost 18 years. The Postal Service did not use these properties, in part, because operational requirements changed and budget constraints prevented development of the property. The audit concluded that efficient and economical disposal of unused property could provide additional financial resources to the Postal Service. Accordingly, Postal Service management agreed to have area offices review all undeveloped and unused real properties and advise Realty Asset Management of those properties that should be disposed.

### **Results**

During the survey phase, we identified 46 facilities in Colorado with total site size greater than 100,000 square feet. Of the 46 facilities, 12 had potential underutilized land in excess of 100,000 square feet. Of these 12 facilities:

- Two facilities ( [REDACTED] and [REDACTED] Station) had marketable underutilized land.
- Six facilities did not have excess land of sufficient size or shape to be marketable.

- One facility had excess land that was not marketable due to location and proximity to utilities.
- Two facilities were erroneously included in our review because FMSWIN contained incorrect information that overstated the total site size.
- One facility was excluded from our review because it was reviewed during the Disposal of Excess Real Property audit (Report Number CA-AR-02-002, dated January 28, 2002).

Colorado/Wyoming District Administrative Services Office personnel confirmed that there was no operational need for the underutilized land at the [REDACTED] and [REDACTED] facilities. A real estate broker determined that these parcels of underutilized land were marketable and estimated that the potential sales price of the [REDACTED] parcel was between \$180,000 and \$350,000 and between \$160,000 and \$320,000 for the [REDACTED] parcel. As a result, Realty Asset Management initiated actions to dispose of the underutilized land at these facilities. See Appendix A, for estimated net proceeds from the sale of the underutilized land. These funds represent funds that can be put to better use and will be reported as such in the September 2004 Semiannual Report to Congress.

In addition to applying the methodology to facilities in Colorado, we performed preliminary analysis of all Postal Service-owned facilities and identified 627 facilities that had potential underutilized land in excess of 100,000 square feet. In a meeting on March 1, 2004, we agreed to provide this information to Facilities personnel to use in the upcoming inventory of excess property.

Although policies and procedures do not exist to require identification of underutilized land at active facilities, Postal Service officials advised us that they would be validating the need for the potential underutilized land identified in our preliminary nationwide analysis. Therefore, we do not plan to conduct a nationwide review of underutilized land at active Postal Service-owned facilities at this time. Rather, we plan to review the results of the upcoming inventory of excess property in a follow up to the review of Realty Asset Management (Report Number CA-MA-04-002, dated January 28, 2004).

### **Recommendation**

We recommend the Vice President, Facilities:

1. Direct Realty Asset Management to continue its efforts to dispose of the underutilized land at the [REDACTED]
2. [REDACTED] Facility and the [REDACTED] Station.

**Management's Comments**

Management concurred with this recommendation and will continue efforts to dispose of the identified excess property. Management comments, in their entirety, are included in Appendix C of this report. In addition, Postal Service management subsequently advised that they were in agreement with the \$330,000 estimated net proceeds from the sale of the identified excess property.

**Recommendation**

We recommend the Vice President, Facilities:

3. Distribute the list of facilities with potential underutilized land to area and district personnel for use in the upcoming inventory of excess property.

**Management's Comments**

Management concurred with this recommendation and will include the list of potential underutilized land in the annual call to the areas, scheduled for the beginning of fiscal year 2005.

**Recommendation**

We recommend the Vice President, Facilities:

4. Enhance the Administrative Support Manual to require that area and district personnel include the identification of underutilized land at active facilities when conducting annual reviews of excess property.

**Management's Comments**

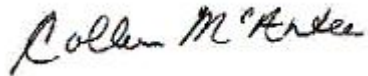
Management concurred with this recommendation and will add language to the Administrative Support Manual by December 31, 2004.

**Evaluation of Management's Comments**

Management's comments are responsive to recommendations 1, 2, and 3. Management's actions taken or planned should correct the issues identified in the finding.

The Office of Inspector General (OIG) considers recommendation 1 and 3 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendation(s) can be closed.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Siewert, Supply Management and Facilities, at (651) 855-5856 or me at (303) 925-7429.



Colleen A. McAntee  
Deputy Assistant Inspector General  
for Financial Management

Attachment

cc: Patrick Donahoe  
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## APPENDIX A

ESTIMATED NET PROCEEDS FROM SALE OF  
COLORADO UNDERUTILIZED LAND

## (FUNDS PUT TO BETTER USE)

[REDACTED]	Facility	
	Estimated Proceeds from Sale	\$180,000
	Estimated Disposal Costs	<u>(5,000)</u>
	Estimated Net Proceeds	<u>\$175,000</u>
[REDACTED]	Station	
	Estimated Proceeds from Sale	\$160,000
	Estimated Disposal Costs	<u>(5,000)</u>
	Estimated Net Proceeds	<u>\$155,000</u>
	<b>Total Estimated Net Proceeds</b>	<b><u>\$330,000</u></b>

**NOTES**

Estimated proceeds from sale were determined by taking the lowest estimated sales price provided by the real estate broker for each property.

Estimated disposal costs were provided by Realty Asset Management personnel.

***FUNDS PUT TO BETTER USE*** – Funds that could be used more efficiently by implementing recommended actions.

## APPENDIX B

### METHODOLOGY FOR IDENTIFYING MARKETABLE UNDERUTILIZED LAND AT ACTIVE POSTAL SERVICE-OWNED FACILITIES FOR WHICH THERE WAS NO OPERATIONAL NEED

- Based on data in FMSWIN, identify Postal Service-owned facilities with total site size greater than 100,000 square feet (approximately 2.5 acres).
- Compute the amount of unused land by subtracting the total used square feet recorded in FMSWIN (or estimated using ratios) from the total site size. Alternatively, the amount of unused land can be estimated by subtracting 600 percent of the total interior square feet from the total site size.
- If available from commercial providers, obtain aerial photographs of facilities with significant amounts of unused property.
- Obtain property boundary information from Facility Service Office files.
- Determine if the unused land is of sufficient size and shape to be potentially marketable by reviewing the aerial photographs and/or property boundary information.
- Confirm the lack of operational requirement for the potentially marketable unused land with area or district operations personnel.
- Confirm the marketability and potential sales price of unused land with real estate professionals.

## APPENDIX C. MANAGEMENT'S COMMENTS

RUDY UMSCHIED  
VICE PRESIDENT, FACILITIES



June 1, 2004

KIM H. STROUD  
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Management Advisory—Financial Opportunities of Underutilized Land  
(Report Number CA-MA-04-DRAFT)

We have completed our review of the subject draft management advisory and have the following responses to the recommendations in the advisory.

We recommend the Vice President, Facilities:

1. Direct Realty Asset Management to continue its efforts to dispose of the underutilized land at the [REDACTED] Facility and the [REDACTED] Station.

**Management Response:** We concur with this recommendation and will continue our efforts to dispose of the excess property.

2. Distribute the list of facilities with potential underutilized land to area and district personnel for use in the upcoming inventory of excess property.

**Management Response:** We concur with this recommendation and will include the list of potential underutilized land with our annual call to the areas, scheduled for the beginning of Fiscal Year 2005, as noted in our response to the previous audit on the Realty Asset Management Program.

3. Enhance the Administrative Support Manual to require that area and district personnel include the identification of underutilized land at active facilities when conducting annual reviews of excess property.

**Management Response:** We concur with this recommendation and will add language to the Administrative Support Manual by the end of Quarter I of Fiscal Year 2005.



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