

June 30, 2000

STEPHEN L. JOHNSON
DISTRICT MANAGER, CUSTOMER SERVICE
AND SALES, SALT LAKE CITY

SUBJECT: Audit of the Salt Lake City District 2002 Winter Olympic Plan
(Report Number FA-AR-00-002)

This report presents the results of our Audit of the Salt Lake City District Facilities portion of the 2002 Winter Olympic Plan (Project Number 00RS005FA000). The objectives of the audit were to evaluate the reasonableness of the Salt Lake City District's 2002 Olympic Project Plan and its compliance with Postal Service regulations. Specifically, we reviewed the Facilities Decision Analysis Report dated May 3, 1999, the contracting process, and the financial accounting methodology and controls.

The audit revealed several opportunities for improvements. Specifically, we determined that the Facilities Decision Analysis Report dated May 3, 1999, did not accurately represent the specific work to be performed at 24 facilities included in the Olympic Plan. Documented criteria were not utilized when determining whether to include a facility in the Olympic project, or identifying if specific repairs and alterations at each facility should be included in the Olympic project. Additionally, the Olympic facilities project was being implemented without a purchase plan. Finally, a facility project was not properly coded and related costs were not identified as an Olympic project in the Facilities Management System for Windows. Management generally agreed with our recommendations and the actions taken or planned should correct the issues discussed in this report. Management's comments, in their entirety, are included in the appendix.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have questions, or need additional information please contact Anthony Cannarella, director, Facilities, or me at (703) 248-2187.

Sylvia L. Owens
Assistant Inspector General
For Business Protection

Attachment

cc: Patrick R. Donahoe
Clarence E. Lewis, Jr.
Richard J. Strasser, Jr.
Yvonne D. Maguire
A. Keith Strange
Anthony J. Vegliante
Craig G. Wade
William H. Hanson
John R. Gunnels

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EXECUTIVE SUMMARY

Introduction

This report presents the results of our audit of the Salt Lake City District's 2002 Olympic Plan and the implementation of the plan to date. The audit was a self-initiated review that was not included in our fiscal year (FY) 2000 audit workload plan.

Results in Brief

We observed that the Salt Lake City District and the Olympic Advisory Committees had prepared plans, which demonstrated a commitment to the success of the Facilities Olympic Project. However, we identified several opportunities for improvement. We determined that the Facilities Decision Analysis Report dated May 3, 1999, did not accurately represent the specific work to be performed in each of the 24 facilities. In addition, the criteria used to determine whether or not to include a facility in the Olympic project and to identify if specific repairs and alterations at each facility should be included in the Olympic project was not documented. Further, the Olympic facilities project was being implemented without a purchase plan. Finally, a facility project was not properly coded and related costs were not identified as an Olympic project in the Facilities Management System for Windows.

Summary of Recommendations

We recommend that the chairman of the Olympic Advisory Committees modify the Facilities Decision Analysis Report to accurately reflect the specific work to be performed for the Olympic project. In addition, written criteria for determining which facility should be included in the Olympic project and a purchase plan for monitoring and measurement of project implementation should be developed. Further, the chairman should ensure that all facility projects are properly coded as an Olympic project for cost tracking purposes.

Summary of Management's Comments

Management generally agreed with our recommendations and agreed that there are areas of their plan that can be strengthened and the Postal Service is proceeding to do so. The Salt Lake City District manager stated that a Decision Analysis Report Modification has been prepared documenting the criteria used to identify facilities and related repairs in the Olympic project and submitted for approval. The district manager also stated that an enlarged and more accurate purchase plan is being prepared and

when completed will be made part of the official Olympic Plan. Further, management stated that district finance personnel have obtained log-on access to the Facilities Management System and have received instructions on how to reconcile financial reports between the various reporting systems.

**Overall Evaluation of
Management's
Comments**

Management actions taken or planned are responsive to our recommendations.

INTRODUCTION

Background

On June 16, 1995, Salt Lake City was awarded both the 2002 Olympic and Paralympic Games. The Salt Lake City District created an Olympic Advisory Committee to determine what involvement would be needed by the Postal Service to best prepare for this event. The Olympic Advisory Committee is chaired by the Salt Lake City District manager and comprised of representatives of the Postal Service's Salt Lake City District, Law Department, and Western Area.

Based on the Western Area vice president's request for assistance, the chief operating officer and executive vice president established a headquarters Olympic Advisory Committee. This committee is also chaired by the Salt Lake City District manager and is comprised of representatives from the Western Area and various departments from Postal Service Headquarters.

To facilitate the Olympic project, the Salt Lake City District created an implementation plan that included a mission statement, goals, and details of the Postal Service's approach to the 2002 Olympic Games. The plan also included a copy of the Facilities Decision Analysis Report dated May 3, 1999, with a total estimated cost of \$4.9 million. The facilities plan was to expand 1 facility, and upgrade lobbies in 23 other facilities to project the new postal image.

Objective, Scope, and Methodology

The objective of the review was to evaluate the reasonableness of the Salt Lake City District's 2002 Olympic Plan and its compliance with Postal Service regulations. Specifically, we reviewed the Facilities Decision Analysis Report dated May 3, 1999, the contracting process, and the financial accounting methodology and controls. We also considered lessons learned from our review of the Postal Services preparation and implementation of its Atlanta Olympic Facility Improvement Plan.

During the review, we interviewed officials from the Salt Lake City District, Western Area, Denver Facilities Service Office, and Postal Service Headquarters Facilities. We reviewed the May 3, 1999, Facilities Decision Analysis

Report and its supporting documentation and Postal Service policies and procedures relative to the repairs and alterations at existing facilities detailed in the Olympic Plan. We also visited all facilities identified in the Salt Lake City District's 2002 Olympic Plan.

This audit was conducted from January through June 2000 in accordance with generally accepted government auditing standards and included such tests of internal controls as were considered necessary under the circumstances. Upon completion of the fieldwork we discussed our conclusions and observations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

An audit performed by the Office of Inspector General entitled, Review of the Atlanta Olympic Facility Improvement Plan, dated March 31, 1999, presented areas for improvement in the development and execution of the Atlanta Olympic Plan. Specifically, we presented opportunities for improvement in obtaining appropriate levels of approval and oversight of construction projects, adhering to Postal Service policies and procedures for construction and renovation projects, and managing the contracting process, including the use of indefinite quantity contracts.

AUDIT RESULTS

Facilities Decision Analysis Report Policies and Procedures

We determined that the Facilities Decision Analysis Report dated May 3, 1999, did not accurately reflect the work to be performed in each of the 24 facilities identified as Olympic projects. Specifically, the Decision Analysis Report for the 2002 Olympic project included work sheets for each facility; however, the line items in each facility worksheet did not necessarily represent the work to be performed.

We found that some line items may not have been necessary or accurately presented and were only included to provide support for an estimated total cost for each facility. For example, according to an earlier version of the Decision Analysis Report one facility was slated to have a parking lot repair for \$3,545 and another facility was supposed to have a slatwall installed at \$5 per square foot. However, in the approved May 3, 1999, Decision Analysis Report the parking lot repair was deleted and the slatwall installation fell to \$1 per square foot, even though the individual project totals never changed, and all other projects had a slatwall installation price of \$5 per square foot.

Thus, the Decision Analysis Report was not prepared as an analytical report for decision-making purposes as intended by Postal Service regulations. Instead, the report was prepared as a funding document based on general scope of work derived from preliminary surveys conducted at each facility. The scope of work did not have the detail necessary to identify specific work at each facility or to develop accurate cost estimates. More specifically, accurate and detailed documentation did not exist to:

- Utilize in the evaluation and approval process of the Facilities Decision Analysis Report.
- Plan work to be performed with realistic timelines.
- Estimate cost of work to be performed.
- Award contracts with defined scopes of work.
- Measure performance and return on investment.

Postal Service regulations require that the Facilities Decision Analysis Report provide sufficient detail, including backup documentation, to enable the approving officials to make an informed decision regarding the best use of Postal Service funds. The project's cost estimate should be based on a defined and written scope of work and is a key component in management's evaluation of a project and consideration for approval.

**Determination of
Criteria for Inclusion
in Olympic Project**

The audit also disclosed that written criterion was not used to determine whether or not to include a facility in the Olympic project and if specific repairs and alterations at each facility should be included.

The undocumented criterion used to determine whether or not to include a facility in the Olympic project was the proximity of each facility to the Olympic venue. As the plan was refined, the rationale to include or exclude facilities, and specific repairs and alterations at affected facilities, were not documented. In addition, there were insufficient written criteria or documentation to determine if repairs and alterations to existing facilities in the Salt Lake City District should be included in the Olympic project.

Postal Service regulations require that the Facilities Decision Analysis Report contain, not only, clear scope of work, but also, supporting justifications for each affected facility. Without this documentation, we question whether Postal Service was able to accurately estimate the cost of the Olympic project. Reasonable cost estimates were needed to determine the appropriate level of management approval.

Since the project total was less than \$5 million, the area Capital Investment Committee and the area vice president were able to approve the Olympic project. If the project total had exceeded \$5 million the deputy postmaster general and other headquarters officers are required to approve the project up to \$7.5 million, and the postmaster general is required to approve projects valued from \$7.5 to \$10 million. Once the cost of a project exceeded \$10 million it needs Board of Governors approval.

Recommendations

We offer the following recommendations:

The Salt Lake City District manager, as the Chairman of the Olympic Advisory Committees, should:

1. Ensure that documented criteria are developed to determine whether a facility should be included in the Olympic project, including related facility repairs and alterations.

2. Ensure that an accurate scope of work is prepared for each facility to be included in the Olympic project.
3. Recalculate the estimated cost for each facility and the Olympic facilities project as a whole based on detailed scopes of work prepared in response to recommendation 2.
4. Use the results of actions taken in response to recommendations 1 through 3 to prepare a Facilities Decision Analysis Report Modification for submission and approval by the appropriate levels of Postal Service Management.

**Management's
Comments**

The Salt Lake City District manager agreed that there are areas of their plan that can be strengthened and the Postal Service is proceeding to do so. In addition, the district manager indicated agreement with all four recommendations stating that a Decision Analysis Report Modification has been prepared documenting the criteria used to identify facilities and related repairs in the Olympic project. He also stated that the Decision Analysis Report modification has been submitted for approval by appropriate Postal Service management. Furthermore, he stated that each Olympic facility project would have a final design and cost estimate prepared prior to issuance of the solicitation for construction proposals.

**Evaluation of
Management's
Comments**

Overall, management's comments are responsive to our recommendations and the actions taken or planned should correct the issues discussed in this report.

Purchase Plan to Ensure the Timely Completion of the Olympic Project	The audit disclosed the absence of a documented purchase plan, which typically includes the purchasing method, type of contract, estimated project cost, and the schedule to complete the project. Postal Service regulations require individual purchase plans for all new construction projects and for all repair and alteration projects. Without a purchase plan postal officials would be unable to monitor or measure progress of the Olympic project or prioritize and adjust the scheduling of work.
Recommendation	<p>We offer the following recommendation:</p> <p>5. The Salt Lake City District manager as the Chairman of the Olympic Advisory Committees should ensure that a formal purchase plan is developed to enable Postal Service management to monitor and evaluate the performance and status of the Olympic facilities project.</p>
Management's Comments	The Salt Lake City District manager agreed with the recommendation stating that an enlarged and more accurate purchase plan is being prepared and when completed will be made part of the official Olympic Plan.
Evaluation of Management's Comments	While management's comments are responsive to our recommendation, we may obtain and review a copy of the purchase plan when completed.

**Accountability for
Expenditures to Be
Charged to Olympic
Project**

Senior management officials use the Facilities Management System for Windows database to track costs, monitor progress, and base decisions relating to facilities projects. During the audit, a Facilities headquarters official identified an instance where a facility project was not properly coded as an Olympic project in the Facilities Management System for Windows. This instance was found while the official was demonstrating the Facilities Management System. In this regard, we noted that there were no routine controls in place to ensure that information entered into the Facilities Management System Windows database was accurate or complete.

Further review disclosed that the Salt Lake City District was tracking all Olympic related expenses in the Postal Service Financial Report. However, a review of the Salt Lake City District Olympic accounting process revealed that this report was not being reconciled with the Facilities Management System For Windows database. Reconciliation of the two reports would help ensure that both databases were complete and accurate for the basis of management decisions. The reconciliation would also help to ensure the accuracy of the Olympic project's total cost.

Recommendation

We offer the following recommendation:

6. The Salt Lake City District manager as the Chairman of the Olympic Advisory Committees should ensure district finance personnel reconcile entries in the Facilities Management System for Windows with the Olympic project related costs as recorded in the Postal Service Financial Report.

**Management's
Comments**

The Salt Lake City District manager indicated agreement with the recommendation stating that district finance personnel have obtained log-on access to the Facilities Management System and have received instructions on how to reconcile financial reports between the various reporting systems.

**Evaluation of
Management's
Comments**

Management's comments are responsive to our recommendations.

APPENDIX. MANAGEMENT'S COMMENTS

DISTRICT MANAGER
SALT LAKE CITY DISTRICT



June 16, 2000

Sylvia L. Owens
Assistant Inspector General for Business Protection
Office of the Inspector General
1735 N Lynn St
Arlington VA 22209-2020

SUBJECT: Audit of the Salt Lake City District 2002 Winter Olympic Plan
(Report Number FA-AR-00-DRAFT)

The Salt Lake City District appreciates the effort of the Inspector General's Office to audit our 2002 Winter Olympic Plan. We concur that there are areas in our plan that can be strengthened and we are proceeding to do so. We will address each specific finding that was noted and that has an opportunity for improvement.

The following "Findings" were listed in the section titled "Results in Brief" on the Executive Summary page.

1. Finding: "The DAR dated May 3, 1999 did not accurately represent the specific work to be performed in each of the 24 facilities."
Management Response: The "cost estimate sheets" prepared for each facility may not accurately define the final work done at a facility. The cost sheets were prepared for "budget" purposes and not as the final design and specification cost estimate. Contingency funds were built into the projects to fund the final A/E design and construction cost. In lieu of contracting with an A/E firm to visit each facility at the time the DAR was being prepared, we used in-house staff to determine what modifications would be made to each facility. We believed the budget cost estimates were sufficient for funding the projects.

Each project has or will have a final design and cost estimate prepared prior to issuance of the solicitation for construction proposals.
2. Finding: "Documented criteria were not utilized when determining whether to include a facility in the Olympic Plan, or identifying if specific repairs and alterations at each facility should be included in the Olympic Plan."
Management Response: The SLC District had developed specific criteria that was used in determining which facilities to include in the Olympic Plan. These criteria were given to the IG's Inspectors during their visit to Salt Lake City. The May 1999 DAR did not specifically enumerate the criteria used by the District. The DAR Modification dated April 24, 2000 lists the criteria and how the criteria was applied to each of the 52 facilities along the Wasatch Front. The DAR Modification was submitted to Headquarters in May 2000 for review and approval of additional funds. We anticipate approval in approximately 60 days.
3. Finding: "The Olympic facilities project was being implemented without a purchase plan."
Management Response: The District had utilized two different purchase plans prior to the audit by the Inspector General's Office. The first one divided the projects over three construction years, FY 99, 2000, and 2001. Because it took an extra year to get the Olympics DAR approved from our original schedule, a second purchase plan was developed that divided the projects into two years, FY 2000 & 2001. We agree that the purchase plan did not define a timeline for each project nor its duration. We are in the process of rectifying this with an enlarged and more accurate purchase plan. This should be completed in the next 45 days and will be made part of our official Olympic Plan.

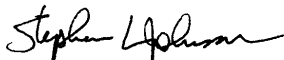
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4. Finding: "A facility project was not properly coded and related costs were not identified as an Olympic project in the Facilities Management System for windows."
Management Response: This was an oversight discovered during the IG's audit and was corrected in the Facilities Management System before the audit was completed. The situation occurred when we created a project to initiate a preliminary study to determine if a facility could be expanded. When the decision was made to expand the facility and include it on the Olympic Plan we created a new project instead of using the previous project number in the Facilities Management System.

The following items pertain to the "Recommendations" listed on pages 6-8 of the audit report.

1. "Recommendation": Ensure that documented criteria are developed to determine whether facility should be included in the Olympic project, including related facility repairs and alterations.
"Management Response": See comment #2 under the "Findings" section.
2. "Recommendation": Ensure that an accurate scope of work is prepared for each facility to be included in the Olympic Project.
"Management Response": See comment #1 under the "Findings" section.
3. "Recommendation": Recalculate the estimated cost for each facility and the Olympic Facilities project as a whole based on detailed scopes of work prepared in response to recommendation 2".
"Management Response": See comment #1 under the "Findings" section.
4. "Recommendation": Use the results of actions taken in response to recommendations 1 through 3 to prepare a Facilities Decision Analysis Report Modification for submission and approval by the appropriate levels of Postal Service Management.
"Management Response": See comment #2 under the "Findings" section.
5. "Recommendation": The Salt Lake City District Manager as the Chairman of the Olympic Advisory Committees should ensure that a formal purchase plan is developed to enable Postal Service Management to monitor and evaluate the performance and status of the Olympic facilities project.
"Management Response": See comment #3 under the "Findings" section.
6. "Recommendation": The Salt Lake City District Manager as the Chairman of the Olympic Advisory Committees should ensure district finance personnel reconcile entries in the Facilities Management System for Windows with the Olympic Project related costs recorded in the Postal Service Financial Report.
"Management Response": District finance personnel have obtained log-on access to the Facilities Management System and have received instructions on how to reconcile financial reports between the various reporting systems. Reconciliation reports will be produced and maintained as part of the Olympic Plan.

We appreciate the courtesy shown to our Olympics Planning Team members by your audit team members. If you need any additional information, please let me know.


Stephen L. Johnson

Major Contributors to [REDACTED]
This Report