

Facility Lease Management

AUDIT REPORT

Report Number 26-031-R26 | September 28, 2026



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Highlights

Background

Due to a variety of cost and service considerations, the U.S. Postal Service leases nearly 23,000 of its 31,000 real properties nationwide, at an annual cost of more than \$1 billion. While Postal Service staff manage leases and rent payments, a third-party contractor helps negotiate terms and submits annual reports with key financial and operating data. Facility-related lease costs rose by █ percent since 2021 — sometimes by over █ percent for an individual facility — driven by higher commercial rents. The Postal Service's financial position, the cost and service challenges of relocating, and vulnerability to rental rate fluctuations make strong lease management essential to minimizing cost risks.

What We Did

Our objective was to assess the Postal Service's management of facility leases. We reviewed policies, data, and documentation, and interviewed Postal Service officials.

What We Found

While leased facilities are crucial to providing nationwide service, the Postal Service's management of these leases puts costs at risk. We found unreliable data, such as leases with no value, underpinning the third-party contractor's annual financial report. We estimate nearly █ in questionable contractor commission-related costs between calendar years 2024–2025, because the Postal Service did not have an approach to verify this financial and operational information. We also found some questionable payment amounts for █ leases that were in holdover status at some point in fiscal year (FY) 2025 (whereby the lease expired, but the Postal Service continued occupancy and rent payments pending a subsequent lease decision). These payment irregularities resulted in █ in questioned costs during FY 2025. We also found insufficient documentation and inconsistent methods for determining rental rate proposals, and non-centralized storage of lease records.

Recommendations and Management's Comments

We made five recommendations to address the issues identified in the report. We consider management's comments responsive to all five as corrective actions should resolve the issues identified. Postal Service management's comments and our evaluation are at the end of each finding and recommendation. See [Appendix B](#) for management's comments in their entirety.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

September 28, 2026

MEMORANDUM FOR: BENJAMIN KUO
SENIOR VICE PRESIDENT, FACILITIES AND INFRASTRUCTURE

A handwritten signature in black ink, reading "Amanda H. Stafford", is centered below the memorandum header.

FROM: Amanda Stafford
Deputy Assistant Inspector General
for Retail, Marketing, and Supply Management

SUBJECT: Audit Report – Facility Lease Management
(Report Number 26-031-R26)

This report presents the results of our audit of the Postal Service's management of its leased facilities.

All recommendations require U.S. Postal Service Office of Inspector General's (OIG) concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesy provided by your staff. If you have any questions or need additional information, please contact Josh Bartzen, Director, Retail and Infrastructure, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of facilities lease management (Project Number 26-031). Our objective was to assess the U.S. Postal Service's management of leased facilities. See [Appendix A](#) for additional information about this audit.

Background

The Postal Service operates over 31,000 properties across the United States and its territories. These properties range in size and functionality, such as a post office in a small town, a vehicle maintenance facility in a suburban plant, or a processing facility in a major transportation hub. These properties support various retail, delivery, mail processing, maintenance, and administrative activities.

Nearly 23,000 of these properties (over 70 percent) are leased by the Postal Service, whereby they pay rent to private owners for the use of their facility and space (see Table 1). In fiscal year (FY) 2025, the Postal Service leased nearly 87 million square feet of space and incurred rent-related costs of over \$1 billion.

Table 1. Postal Service Properties, by Ownership Type

Ownership Type	Number	Square Footage
Government ^a	288	1,658,298
Leased	22,734	86,874,663
Owned	8,529	195,875,125
Totals	31,551	284,408,086

Source: U.S. Postal Service Office of Inspector General (OIG) analysis of the Postal Service FY 2025 Annual Report data.

^a General Services Administration or other government property.

Organizations like the Postal Service, other federal agencies, and private sector firms frequently rely on leased facilities due to a variety of factors including lower capital costs, operational flexibility, and other considerations—such as access to geographically desirable locations and facility up-keep costs.

Lease Management Policies and Responsibilities

The Postal Service has policies and procedures for managing facility leases, including for assessing potential facilities and local market conditions; developing rental rate proposals; negotiating lease parameters with third-party landlords; monitoring lease performance; and coordinating activities pending the conclusion of the lease (either renewal or seeking other options). These policies and procedures describe staff responsibilities, analysis and documentation requirements, and review and decision-making authority, and can vary based on the “size/value” of the proposed leases. Generally, as rental payment amounts increase, the required level of analysis and documentation become more rigorous.¹

Considering the Postal Service has over 20,000 facility leases, with most of them having five-year terms, there is a consistent flow of leases requiring renewal or rent renegotiation activities.

“In fiscal year (FY) 2025, the Postal Service leased nearly 87 million square feet of space and incurred rent-related costs of over \$1 billion.”

¹ Postal Service facility lease payments range in cost, such as over [REDACTED] leases having annual rents of less than \$25,000 each year and nearly [REDACTED] leases having annual rents of over \$250,000.

The Postal Service also contracts with a third-party, external real estate service provider (“contractor”) to help it negotiate leases (new leases and renewals) and perform other lease management activities.² The contractor is compensated through a combination of fees for service and commissions. For the lower-value leases (under \$10,000) they are paid [REDACTED]. For the higher-value leases (those over \$10,000) they are paid [REDACTED] basis. Each year, the contractor submits reports to the Postal Service, which include detailed data on each lease (such as the commission rate; annual and gross lease value; proposed and final rental rates), as well as the basis for any rebate payments to the Postal Service (nearly [REDACTED] in 2025).³

Lease Negotiations and Holdovers

Lease rate negotiations between the Postal Service and the landlords typically start with Postal Service staff collecting key information such as rates, taxes, insurance, and square footage for comparable leased facilities (“comps”) in the respective geographic area. Postal Service staff then review this information, determine a potential reasonable “range” of the rent (for example, between \$12–\$20 a square foot) and then record a written explanation of the basis for the comps and rate methodology that were used in developing this range.

The next steps then differ based on the size of the proposed rents,⁴ but generally entail the contractor negotiating with a prospective landlord on potential rental terms and rates. In instances where the contractor- or landlord-negotiated proposed rental rate falls within the range identified by Postal Service staff, no additional analysis or documentation is required. However, in instances when the contractor- or landlord-negotiated proposed rate exceeds the initial range (such as if it was \$23 in the aforementioned example), Postal Service staff should review this request. If the Postal Service subsequently agrees to the proposed rent increase,

they are required to document the explanation and justification.

Rent negotiations can occur at various times, such as when seeking a new lease or when the expiration of a current lease is approaching. There are instances where leases expire but operations continue under a “holdover” status. Under these “holdovers” — of which there were [REDACTED] during FY 2025 — although the terms of the original lease have technically “expired”, the Postal Service continues to occupy the facility at the existing rent (or a previously agreed-upon rent) until a subsequent decision on the lease is made.

Leases enter holdover status for various reasons. According to our statistical sample of 127 holdovers, 61 percent of holdovers in FY 2025 occurred due to [REDACTED], or the need for additional negotiations (see Table 2). Holdovers also varied in length, with 33 percent of them lasting over one year, with the longest being over 10 years.

Table 2. OIG Analysis of Postal Service Reasons for Holdover Leases

Reason for Holdover	Number of Holdovers	Percent of Holdovers
[REDACTED]	42	33%
Additional negotiations	36	28%
[REDACTED]	17	13%
[REDACTED]	13	10%
Unspecified	9	7%
[REDACTED]	6	5%
[REDACTED]	2	2%
[REDACTED]	2	2%
Total	127	100%

Source: OIG analysis of Postal Service data.

² Private and public organizations often rely on third-party contractors to assist with negotiations and conduct other lease management activities.

³ Annually, the contractor is required to report 1) commissions collected and any portion payable to the Postal Service (rebates) and 2) the offset of below Fair Market Value lease commissions against above Fair Market Value lease commissions

⁴ For these purposes, there are generally three tiers: annual rents below \$25,000 ([REDACTED] active leases in FY 2025); annual rents between \$25,000–\$249,999 ([REDACTED] active leases in FY 2025); and annual rents of \$250,000 or more ([REDACTED] active leases in FY 2025). For the leases in the largest tier, the Postal Service incorporates third-party appraisals.

Postal Service Is Vulnerable to Increases in Facility Lease Rates

The Postal Service relies heavily on facility leases to support its operations and is vulnerable to fluctuations in facility rental rates. Facility-related lease costs continue to rise, increasing █ percent between FY 2021 and FY 2025. In particular, lease costs experienced steep rental rate increases in FY 2025 — averaging █ percent per renewed lease. These upward pressures stem from a variety of factors including operational dependence on existing, deeply customized facilities, which makes relocating costly and could also result in service-related challenges for customers. Postal Service officials estimated moving a unit would cost between █ per square foot. Commercial facility rental rates across the country also continue to rise, with rates for industrial-type facilities increasing by over 50 percent and rates for retail-type facilities increasing at over 10 percent.⁵ Lastly, efforts to reduce the number of retail and processing facilities (leased or owned) can face resistance resulting from potential staffing limitations, operational service disruptions, and statutory requirements.⁶

“The Postal Service relies heavily on facility leases to support its operations and is vulnerable to fluctuations in facility rental rates.”

Operational necessity and statutory constraints limit the Postal Service’s ability to relocate or consolidate facilities. For its segment of leased facilities, the Postal Service must rely heavily on rigorous internal controls, consistent rate-setting methodologies, and effective oversight of contractor-provided data to help mitigate rising lease costs.

Finding Summary: Oversight Improvements Are Needed

As cost pressures will continue, strong management and oversight of leases will remain essential to protect the Postal Service’s financial position and service performance. To assess the effectiveness of the Postal Service’s facility lease management, we reviewed a statistically significant sample of leases, the related supporting documentation, and contractor oversight activities. We found the Postal Service’s management of these leases needs to be strengthened in the areas of contractor data, holdover payments, and documentation necessary to support cost effective leasing decisions.

⁵ Research collected from recent analysis on the retail and industrial rental rates (asking rent per square foot) from leading global leaders in commercial real estate analytics.

⁶ We and the U.S. Government Accountability Office (GAO) have discussed these challenges in a variety of reports including OIG report, *The Evolution of the Post Office Network*, Report Number [RISC-WP-25-006](#), September 26, 2025; and GAO, *U.S. Postal Service: Challenges Related to Restructuring the Postal Service’s Retail Network*, Report Number [GAO-12-433](#), April 17, 2012.

Finding #1: Unreliable Contractor Data

The Postal Service relies on its third-party contractor for facility lease negotiation and key management activities. The contractor annually reports on key financial and administrative data for each lease, such as the commission rate, annual and gross lease value, proposed and final rental rates, and the basis for any rebate payments to the Postal Service. Our review of the last five years of reports identified the following data reliability issues:

- **Incomplete data.** We compared the number of leases reported by the contractor to the number of leases as shown in Postal Service lease data⁷ for the same periods and found discrepancies for all five years (see Table 3) — a discrepancy of 2,232 leases over the five-year period.
- **Inaccurate data.** We found a variety of instances of inaccurate data related to contractor performance and payments. They include:
 - **Contractor Commission Payments:** We found multiple instances where the reported contractor commission significantly exceeded

the expected amount.⁸ For example, commissions of [REDACTED] were reported for a lease that should have been [REDACTED], and [REDACTED] for a lease that should have been [REDACTED]. Our five-year comprehensive review showed a total of [REDACTED] in commission in excess of expected levels.

- **Gross Lease Value (the Lease Value Over the Entire Term):** Gross lease values were inaccurate for 519 leases—178 reported values as \$0 and 341 others listed values below their Annual Lease Value. Over five years, we found these errors were linked to [REDACTED] in reported commission costs.
- **Undefined Lease Terms (Months):** We found 260 leases that had no required lease terms, even though they appeared to be active leases.
- **Lease Start and End Dates:** We found 17 instances where the reported “End Date” was listed as being before the “Start Date”, and 184 where there were no start or end dates.

Table 3. Leases for Calendar Years 2021–2025

Calendar Year	Reported to the Postal Service by the Contractor	Recorded by the Postal Service	Difference
2021	1,272	2,274	(1,002)
2022	1,438	1,818	(380)
2023	1,540	1,710	(170)
2024	1,780	1,986	(206)
2025	1,936	2,410	(474)
Total	7,966	10,198	(2,232)

Source: OIG analysis of data from the contractor annual reports (with subsequent clarification from Postal Service staff) and the Postal Service’s facility Level Doc Log report.

Because of the Postal Service’s limited review of the contractor reports and underlying data, inaccurate values persisted in each of these data elements above — hindering their ability to fully assess contractor performance or the validity and accuracy of commission and rebate payments. Postal Service officials stated they provide a high-

level review of the reasonableness of this data, focusing on the larger transactions. They confirmed their ability to independently verify this data is limited, because they lack access to certain underlying contractor information on the timing and details of certain payments and because of the large number of annual transactions, estimated between

⁷ Postal Service data from the Level Doc Log report.

⁸ The expected amount is the product of the Gross Lease Value multiplied by the commission percent.

1,500–2,000. While we recognize these challenges, the reliability issues we identified are significant, given that this data underpins key financial records used to justify the contractor’s commissions and rebates received for facility lease negotiations and management — [REDACTED], respectively, over the last five years.

Considering the magnitude of these lease costs and that this data is used as a determining factor in associated financial payments and assessing contractor performance, it would benefit the Postal Service to develop a more robust approach for testing, validating, and enhancing the reliability of this data. This could include leveraging automated analytic tools for anomaly detection or other sampling methodologies, developing procedures for communicating issues to the contractor, and tracking the results/resolutions. Additionally, the Postal Service could require the contractor to identify concerns on a regular basis.⁹ We estimate nearly [REDACTED] in contractor commission-related costs that were reported as exceeding the expected amounts as questioned costs between calendar years 2024 and 2025.

Recommendation #1

We recommend the **Senior Vice President, Facilities and Infrastructure**, develop an approach to more robustly review the reliability of annual data provided by the contractor and procedures for communicating concerns to the contractor and tracking the results.

Postal Service Response

Management agreed with the finding and recommendation 1 but disagreed with the monetary impact. While management agreed with the finding, it disagreed, in part, with how the OIG compared submitted lease actions with commissions because the Postal Service is not party to nor enforcer of the commission agreements between the real estate service provider (contractor) and the lessor. Management disagreed with the monetary impact calculation, as the commission payment is a contractual issue between the contractor and the lessor.

Regarding recommendation 1, management stated it will develop a review process that will be incorporated into the next real estate service provider contract award, which is scheduled for quarter 3, FY 2027. The target implementation date is June 30, 2027.

OIG Evaluation

We consider management’s comments responsive to the recommendation as the corrective action should resolve the issues identified in the report. Regarding the partial disagreement with the finding related to the commission agreements, because the commission payments are factored into the Postal Service’s lease costs, the reliability issues we identified are significant — this data underpins key financial records used to justify the contractor’s commissions and rebates received for facility lease negotiations and management. Regarding the monetary impact, we stand by our methodology, which provides a reasonable basis for assessing the potential financial impacts and risks associated with not sufficiently reviewing the reliability of the commission payments and other contractor data.

⁹ Relying on its contractors would require the Postal Service to ensure that the contractor has provided accurate data.

Finding #2: Opportunities to Improve Holdover Management

While the Postal Service actively manages and tracks holdovers, we identified concerning payments to the contractor and landlords. First, we reviewed a statistical sample of 127 holdover leases¹⁰ and found the Postal Service's monthly¹¹ payments to the landlord continued to include amounts for contractor

commissions, even though the contractor provided no additional service (such as negotiations or other significant administrative duties) during the holdover. An example of the problematic payment structure is shown in Figure 1.¹²

Figure 1. Illustrative Example of Monthly Postal Service Lease Rent Payments, Lease Period vs. Holdover

PAYMENTS DURING 5-YEAR LEASE		PAYMENTS DURING HOLDOVER PERIOD	
Postal Service Monthly Rent Payment	\$10,000.00	Postal Service Monthly Rent Payment	\$10,000.00
Facility portion	\$9,600.00		
Commission portion (4%) ^a	\$400.00		

Source: Illustrative OIG example based on expected contractor commission structure.

^a Commission costs are built into the Postal Service's rent payments. The landlord then transfers the commission payment to the Postal Service's contractor.

This occurred because the landlord and Postal Service did not always include specific holdover provisions in the lease agreement that stipulate terms, conditions, and protections¹³ if the lease enters a holdover status. Postal Service officials confirmed that not all leases include holdover provisions. We found that [REDACTED] percent¹⁴ of the leases we reviewed contained a holdover provision.

Second, the Postal Service made questionable retroactive reimbursement payments. When a holdover lease was renewed at a higher rental rate, the Postal Service is required under the agreement [REDACTED]. For example, a six-month holdover with a rent increase from [REDACTED] per month requires

a [REDACTED]. This obligation stemmed from the existing lease structure.

While we recognize these payment structures are accepted as part of the current lease agreements; Postal Service officials stated [REDACTED] because doing so could negatively impact rental rate negotiations and flexibility. The lack of holdover provisions, however, could place sizable cost burdens and risks on the Postal Service. In FY 2025, we estimate the Postal Service paid [REDACTED] in one-time, reimbursement payments, which we identified as questioned costs due to payment irregularities.¹⁵ The Postal Service also likely paid excess rent associated with commissions that were built into lease costs that it should take steps to safeguard against in the future.

¹⁰ From the Postal Service portfolio of [REDACTED] leases that were in holdover status during FY 2025.

¹¹ As background, before leases enter the holdover status, the Postal Service's monthly rental payments to the landlord are generally based on two components: (1) the costs directly associated with the facility usage and (2) the commissioning costs paid to the contractor from the landlord (typically starting at [REDACTED]).

¹² Figure 1 represents an illustration (commissions were also not always itemized in the leases).

¹³ Postal Service policy states [REDACTED]. This specific clause contains language that protects the Postal Service from being in breach of the contract should a lease enter holdover status.

¹⁴ We reviewed a total of 333 leases: 127 holdover leases from 2025 and another 206 "current" leases.

¹⁵ Questioned costs are costs the OIG found to be unreasonable and generally applies to events which occurred prior to the audit.

It would be financially prudent for the Postal Service to reassess the potential for holdover provisions and/or revisions to the holdover payment structure and timing in future leases. Such an action could help protect Postal Service costs and provide incentives for the Postal Service, its contractor, and the landlord to prevent holdovers or more quickly find amicable resolutions.

Recommendation #2

We recommend the **Senior Vice President, Facilities and Infrastructure**, include holdover provisions in future facility lease agreements to better safeguard payments from including inappropriate commissions (within rental rates) and retroactive reimbursements (for subsequent renewals).

Postal Service Response

Management disagreed with the finding and monetary impact and partially agreed with recommendation 2.

Regarding the finding, management stated that holdovers represent approximately one percent of all leasing transactions, and requiring a holdover provision would expose it to potentially increased costs since such clauses

Management also stated that lessors could use the holdover language to

Management noted the need to maintain flexibility when negotiating holdover situations. Management further disagreed that the real estate service provider (contractor) provides no services during the holdover, as they continue to lead negotiations during the holdover period.

Regarding recommendation 2, management stated it would not want to introduce a holdover clause in every lease, but it will continue to include a holdover clause in leases where it The target implementation date is September 30, 2026.

Management disagreed with the monetary impact calculation, as the amounts that were paid were directly supported by the contract agreements.

OIG Evaluation

We consider management's comments responsive to the recommendation as the corrective action should resolve the issues identified in the report.

Regarding the finding, we acknowledge the Postal Service's position to not include holdover provisions in certain leases because doing so could

. It would be to include holdover provisions and/or revisions to the holdover payment structure and timing in future leases. Such an action could help protect Postal Service costs and provide incentives for the Postal Service, its contractor, and the landlord to prevent holdovers or more quickly find amicable resolutions.

Regarding the monetary impact, we stand by our methodology, which provides a reasonable basis for assessing the potential financial impacts and risks associated with not including holdover provisions in leases.

Finding #3: Insufficient Support and Inconsistent Methods for Rental Rate Proposals

We reviewed various Postal Service leases and found insufficient supporting documentation and inconsistent rate methodologies that threaten the dependability of Postal Service's initial rental rate proposals. First, regarding the insufficient documentation, we reviewed the lease packages for 87 leases.¹⁶ We specifically assessed the facility "comps" and corresponding documentation used when developing rental rate range estimates for

initiating negotiations with the contractor and/or potential landlord. We found that over half did not contain required¹⁷ written explanations to support why certain facility "comps" were selected during the initial rental rate analysis. Figure 2 shows an example of where no explanations were included to show why comps for certain properties were chosen to establish the fair market range.

Figure 2. Example of Insufficient Written Narratives for Selecting Comps During the Initial Rate Analysis

Line #	Zip Area	Facility/Unit Name	Lease Eff Dte	Lease Exp Dte	Lease Term	Tax Resp.	Last Tax Amt.	Multi Tenant	(A) INT SqFt	(B) Annual Rent	(B/A) Rent/SqFt	Total Site SF
1					Fixed	Percentage		Y				3,135.00/sqft
2					Fixed	None Specified	N/A	Y				624.00/sqft
3					Fixed	None Specified	N/A	Y				1,399.00/sqft
4					Fixed	None Specified	N/A	Y				2,154.00/sqft
5					Fixed	None Specified	N/A	Y				2,902.00/sqft
6					Fixed	None Specified	N/A	Y				2,628.00/sqft
7					Fixed	None Specified	N/A	Y				10,940.00/sqft
8					Fixed	None Specified	N/A	Y				945.00/sqft
9					Fixed	Percentage	N/A	Y				2,954.00/sqft
10					Fixed	None Specified	N/A	Y				2,782.00/sqft

Market

Source: OIG example from a Postal Service lease.

Note: Comps highlighted in yellow were selected for further analysis without written narrative explanations.

Postal Service officials stated written explanations were not included due to the subjective nature of the analysis and that employees perform the analysis differently. Improperly omitting these documented rationales for selecting comparable properties

hinders management's ability to understand and justify why certain comps were included while others were removed and to understand the basis of the initial rate proposal. Implementing enhanced internal controls (that is, a checklist or manager review) and

¹⁶ These 87 leases were from our statistical sample of 206. The 87 represent leases that required negotiation to establish, whereas the remaining 119 were leases with renewal options that did not require negotiation.

¹⁷ Postal Service policy stipulates that the lease package should contain a "brief explanation as to why the leases were chosen as comparable properties and for any adjustments to the price per square foot of the comparable properties".

better communication with staff—would help with the quality of the Postal Service’s initial rate proposals and provide better visibility to management about the basis and justifications for these rate proposals.

Second, we found inconsistencies with the methodologies used by Postal Service staff to develop initial rental rate proposals. Specifically, Postal Service management stated that the leasing teams in different regions¹⁸ utilize different methodologies when applying the Cost and Income¹⁹ approach when developing initial rate proposals. For example, one leasing team includes a [REDACTED] commission within its formula, whereas the other team does not. These inconsistencies occurred due to a lack of policy guidance on the correct methodology (whether the commission rate should be included or not) for calculating rates. The lack of a consistent approach results in notable differences in the ensuing rate proposals. It will be important for the Postal Service to clarify the policy guidance in this area and to communicate these clarifications to lease staff nationwide.

The instances of insufficient documentation and inconsistent rate methodologies we found threaten the quality of the Postal Service’s initial rental rate proposals. Implementing corrective actions would lead to more consistent rental rate proposals, which could potentially help expedite the ensuing rate negotiations.

Recommendation #3

We recommend the **Senior Vice President, Facilities and Infrastructure**, take action to enforce compliance with Postal Service policies for requiring written narratives that accompany initial rental rate reviews, including developing corresponding internal controls and communicating them to staff.

Recommendation #4

We recommend the **Senior Vice President, Facilities and Infrastructure**, clarify the policy guidance on the correct methodology for calculating initial rental rate proposals when applying the Cost and Income approach, and communicate these clarifications to staff nationwide.

Postal Service Response

Management agreed with the finding and recommendations 3 and 4. Regarding recommendations 3 and 4, management stated that it will send a written reminder of these requirements in the RE-1 IMP (Postal Service Handbook RE-1, *Postal Service Facilities Guide to Real Property Acquisitions and Related Services*). The target implementation date for both recommendations is February 28, 2027.

OIG Evaluation

We consider management’s comments responsive to recommendations 3 and 4 as the corrective action should resolve the issues identified in the report.

¹⁸ The Postal Service designates certain leasing staff into the East and West regions.

¹⁹ The Cost and Income approach is employed to determine fair market rent in situations where comparable data are limited. The Postal Service utilized this method for 18 percent of the 206 properties examined in our review.

Finding #4: Non-Centralized Lease Records Limit Oversight

While conducting fieldwork to evaluate the sufficiency of facility lease documentation, Postal Service officials notified us that many of the source records—such as supporting documents, analysis, and decisions—were not stored in the Postal Service electronic Facilities Management System (eFMS) but instead were retained in hard-copy at four facilities across the country. Officials explained that this practice was intended to avoid the administrative burden of saving records in an electronic format.

This lack of consistent use of a centralized, electronic repository for facility lease records does not align with Postal Service policy²⁰ and directly hinders management and oversight. As a result, it complicates data validation, impedes effective holdover tracking, and makes compensation analysis more difficult. Without pertinent records stored in an accessible, centralized system, the Postal Service

faces challenges in ensuring the accuracy, completeness, and timely review of facility lease documentation—ultimately impacting operational efficiency and auditability. Overall, implementing centralized, digital records nationwide will support corrective action for the other preceding findings.

“This lack of consistent use of a centralized, electronic repository for facility lease records does not align with Postal Service policy and directly hinders management and oversight.”

Recommendation #5:

We recommend the **Senior Vice President, Facilities and Infrastructure**, take action to store all pertinent lease-related records in an electronic, centralized system.

Postal Service Response

Management agreed with the finding and recommendation 5. Regarding recommendation 5, management stated that the active transition to a new system will facilitate further progress in this area, and it will send a written reminder to all staff reminding them of this requirement. The target implementation date is February 28, 2027.

OIG Evaluation

We consider management's comments responsive to recommendation 5 as the corrective action should resolve the issues identified in the report.

²⁰ Implementing the RE-1 in Postal Service Real Estate Actions 3-5.2 Electronic Storage of Documents

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Appendix A: Additional Information

Scope and Methodology

Our objective was to assess the Postal Service's management of facility leases. To accomplish our objective, we:

- Reviewed Postal Service policies and procedures related to managing and overseeing facility leases.
- Collected and analyzed data on leased facilities, such as the number, types, rents, costs, status, and performance from the eFMS; Enterprise Data Warehouse (EDW)/Application System Reporting (ASR); and other Postal Service provided reports (such as Level Doc Log).
 - We selected a statistical sample of active leases in FY 2025 (206 of 22,721) and reviewed each corresponding lease package to understand key information such as the initial proposed and final rates, lease status, square footage, type of facility, and if the lease contained a holdover provision.
 - We selected a statistical sample of leases that were in holdover status during FY 2025 (127 of [REDACTED]) and reviewed each corresponding lease package to understand key information such as the reason for the holdover, status, rents, and if the lease contained a holdover provision.

For these analyses, we first reviewed pertinent lease package data that were electronically saved and available within eFMS. A substantive portion of leases, however, did not have those documents electronically saved within eFMS, so we traveled to Postal Service facilities in San Francisco, CA; Greensboro, NC; and Denver, CO, to review that information. Specifically, we:

- Reviewed the Postal Service's contract with its third-party real estate company.
- Interviewed Postal Service Headquarters officials in the Facilities group responsible for managing facility leases and related data.

- Reviewed prior audit work from the OIG and GAO related to facility lease management.
- Met with facility leasing industry officials.
- Reviewed leading practices related to managing facility leases and brokers (contractors).

We conducted this performance audit from January through September 2026 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 findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on August 31, 2026, and included its comments where appropriate.

In planning and conducting the audit, we obtained an understanding of the facility leasing internal control structure to help determine the nature, timing, and extent of our audit procedures. We reviewed the management controls for overseeing the program and mitigating associated risks. We also assessed the internal control components and underlying principles, and determined that the following four components were significant to our audit objective:

- Control Environment
- Control Activities
- Information and Communication
- Monitoring

We developed audit work to ensure that we assessed these controls. Based on the work performed, we identified internal control deficiencies related to all four components that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

We assessed the reliability of computer-generated data obtained from eFMS; EDW/ASR; and other Postal Service provided reports (such as the Level Doc Log and contractor commission reports) by reviewing and testing data and interviewing management. We determined that the data were sufficiently reliable to support the objectives of this audit and the findings presented in this report. Although we identified data

quality issues that affect management's ability to rely on certain information for operational oversight and decision-making, those issues did not prevent us from obtaining sufficient, appropriate evidence to support our audit conclusions. The findings and recommendations in this report are intended to improve the completeness, reliability, and usefulness of the data used by management.

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact
<i>The Evolution of the Post Office Network</i>	To describe the size and scope of the Postal Service retail network in FY 2025 and how the network changed from FY 2000 to FY 2025 and to review international approaches to generating revenue, reducing costs, and serving communities through postal retail networks.	RISC-WP-25-006	9/26/2025	None

Appendix B: Management's Comments



September 21, 2026

LAURA LOZON
DIRECTOR, AUDIT SERVICES

SUBJECT: Management Response: *Facility Lease Management (26-031-DRAFT)*

Thank you for providing the Postal Service with an opportunity to review and comment on the findings and recommendations contained in the draft audit report, *Facility Lease Management*.

Finding #1: Unreliable Contractor Data

Management **agrees** with this finding but disagrees with how the OIG tried to compare submitted lease actions with commissions received during the year. These are two distinct actions that are not related to each other. USPS is not party to the commission agreements and has no responsibility or oversight for enforcing the agreements. They are between the Real Estate Service Provider (RESP) and the lessor.

Further, Management disagrees with the monetary impact calculation as the payment of the commissions is a contractual issue between the RESP and the lessor.

Finding #2: Opportunities to Improve Holdover Management

Management **disagrees** with this finding. Holdovers currently represent approximately 1% of all leasing transactions. The majority of these situations are administrative in nature. By requiring a holdover provision, OIG is exposing USPS to potentially increased costs in most situations.

The OIG's assertion that hold over rent should be at [REDACTED] misses the point. USPS and the Lessor not agreeing on [REDACTED] is the cause of the [REDACTED] hold over situations. [REDACTED]

Lessors will potentially use the holdover language to [REDACTED] [REDACTED] USPS should maintain flexibility in negotiations to determine the best way to address holdover situations.

USPS also disagrees with the assertion that the RESP does not provide any services during holdover. The RESP continues to lead negotiations during the holdover period.

Further, USPS disagrees with the monetary impact calculation. The amounts that were paid were directly supported by the contract agreements executed.

Finding #3: Insufficient Support and Inconsistent Methods for Rental Rate Proposals

Management **agrees** with this finding.

Finding #4: Non-Centralized Lease Records Limit Oversight

Management **agrees** with this finding.

Following are our comments on each of the five recommendations.

Recommendation 1:

We recommend the Senior Vice President, Facilities and Infrastructure, develop an approach to more robustly review the reliability of annual data provided by the contractor and procedures for communicating concerns to the contractor and tracking the results.

Management Response/Action Plan:

Management **agrees** with this recommendation and will develop a review process that will be incorporated into the upcoming Real Estate Service Provider contract award which is scheduled to be executed in Quarter 3 FY2027.

Target Implementation Date: 6/30/2027

Responsible Official:

Director, Real Estate and Assets

Recommendation 2:

We recommend the Senior Vice President, Facilities and Infrastructure, include holdover provisions in future facility lease agreements to better safeguard payments from including inappropriate commissions (within rental rates) and retroactive reimbursements (for subsequent renewals).

Management Response/Action Plan:

Management **partially agrees** with this recommendation as written. Management does agree that it will continue to include a holdover clause in leases where it [REDACTED] Management, however, would not want to introduce a holdover clause in every lease, as it would expose USPS to [REDACTED]

Target Implementation Date: 9/30/2026

Responsible Official:

Director, Leasing

Recommendation 3:

We recommend the Senior Vice President, Facilities and Infrastructure, take action to enforce compliance with Postal Service policies for requiring written narratives that accompany initial rental rate reviews, including developing corresponding internal controls and communicating them to staff.

Management Response/Action Plan:

Management **agrees** with this recommendation. A written reminder will be sent to all staff reminding them of the requirements in the RE-1 IMP.

Target Implementation Date: 2/28/2027

Responsible Official:

Director, Leasing

Recommendation 4:

We recommend the Senior Vice President, Facilities and Infrastructure, clarify the policy guidance on the correct methodology for calculating initial rental rate proposals when applying the Cost and Income approach, and communicate these clarifications to staff nationwide.

Management Response/Action Plan:

Management **agrees** with this recommendation. A written reminder will be sent to all staff reminding them of the requirements in the RE-1 IMP.

Target Implementation Date: 2/28/2027

Responsible Official:

Director, Leasing

Recommendation 5:

We recommend the Senior Vice President, Facilities and Infrastructure, take action to store all pertinent lease-related records in an electronic, centralized system.

Management Response/Action Plan:

Management **agrees** with this recommendation and is actively implementing it. The transition to the new Tango system will further improve on this recommendation. A written reminder will be sent to all staff reminding them of the requirement.

Target Implementation Date: 2/28/2027

Responsible Official:

Director, Leasing

 E-SIGNED by BENJAMIN.P KUO
on 2026-09-22 08:21:12 EDT

Benjamin Kuo
Senior Vice President, Facilities and Infrastructure

Cc: Corporate Audit Response Management

OFFICE OF INSPECTOR GENERAL UNITED STATES POSTAL SERVICE



This document contains sensitive information that has been redacted for public release. These redactions were coordinated with USPS and agreed to by the OIG.

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