



July 18, 2016

MEMORANDUM FOR: TOM A. SAMRA
VICE PRESIDENT, FACILITIES

E-Signed by Keshia L. Trafton 
VERIFY authenticity with eSign Desktop

FROM: Keshia L. Trafton
Acting Deputy Assistant Inspector General
for Supply Management and Human Resources

SUBJECT: Management Alert – Disposal of the Postal Service’s
Pembroke Pines Processing and Distribution Center
(Report Number SM-MT-16-001)

This management alert responds to a request from Representative Mario Diaz-Balart’s office on behalf of Broward County, FL, to review the disposal process for the U.S. Postal Service’s Pembroke Pines Processing and Distribution Center (P&DC) (Project Number 16BG004SM000). The alert addresses the bid negotiation process related to the sale of the Pembroke Pines P&DC.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lucine M. Willis, acting director, Supply Management and Facilities, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

Introduction

Representative Mario Diaz-Balart's office submitted a request to the U.S. Postal Service Office of Inspector General (OIG) on behalf of Broward County, FL, to review the Postal Service's process for disposal of the South Florida Pembroke Pines Processing and Distribution Center (P&DC) (Project Number 16BG004SM000). Our objective was to assess the Postal Service's bid negotiation process in the sale of the Pembroke Pines P&DC.

The Postal Service spent about \$19.4 million to acquire land and build the Pembroke Pines P&DC, which opened for mail processing operations in March of 1991. More than 345,000 square feet in size, the P&DC is situated on almost 30 acres of land. CBRE Group, Inc. (CBRE) is the Postal Service's sole provider of real estate management services, including marketing, negotiations, and sale of properties. In January 2015, the Postal Service, through CBRE, offered the Pembroke Pines P&DC for sale. The Postal Service requested potential buyers to submit initial bids by February 27, 2015, and nine bids were submitted, including a Letter of Intent from Broward County that did not contain a bid purchase price.¹

CBRE and the Postal Service evaluated the bids, identified seven as the best contenders to meet the terms and conditions required, and requested these bidders submit their best and final offers by April 3, 2015. The Postal Service received final bids ranging from \$16,700,000 to \$19,000,000. The city of Pembroke Pines (the City) and Broward County submitted bids for \$16,700,000 and \$17,875,000, respectively.

The five other bids, while generally higher than those of both the City and Broward County, had lengthy estimated timetables for completing the sale, ranging from 12 to 18 months, whereas the two municipalities offered to complete the sale in 90 days. Additionally, the other five bidders were not willing to remove the zoning contingencies, as requested. The Postal Service selected the City and Broward County as the two finalists.

Summary

The Postal Service could have improved its competitive bid negotiation process during the sale of the Pembroke Pines P&DC. CBRE did not consistently communicate with or provide equal opportunities to the City and Broward County regarding their best and final offers for purchasing the Pembroke Pines P&DC. The Postal Service's current policy does not require it to communicate with potential buyers consistently or provide them the same due dates for submitting their best and final offers.²

¹ Postal Service officials continued to work with Broward County during the bid negotiation process even though the Letter of Intent did not include a bid price.

² *Implementing the RE-1, Postal Service Real Estate Actions*, Section 2-1.3, Contracting Officers, dated July 2015.

Based on our review of communications between the Postal Service, CBRE, and the City, we did not identify a conflict of interest between the parties. However, as a government agency, it is important that the Postal Service communicate consistently with all bidders to be fair and impartial in the bid negotiation process and ensure it offers equal bid opportunities. Without consistent communication with bidders, the negotiation process can be perceived as unfair, biased, or inequitable, and can ultimately have a negative impact on the Postal Service's brand.

Communication with Potential Buyers

The Postal Service did not consistently communicate with or provide equal bid opportunities to the City and Broward County during the bid negotiation process. Specifically, after the City and Broward County met the April 3, 2015, deadline for submitting their best and final offers, CBRE (on behalf of the Postal Service) allowed the City to change its bid price but did not give Broward County the same opportunity. CBRE only gave Broward County opportunities to clarify its bid terms, obtain a zoning approval letter, and clarify various contingencies associated with its bid.

See Table 1 for a timeline of negotiations and offers that occurred between CBRE and the two finalists after their initial best and final offers.

Table 1. Negotiations and Offers

Date	Bid Activity
March 25, 2015	CBRE requested bidders submit their best and final offers by April 3, 2015.
April 1, 2015	The City submitted its best and final offer for \$16,700,000, which guaranteed the Postal Service could remain in the current building rent-free until the new facility is approved for occupancy and did not include a zoning contingency.
April 3, 2015	Broward County submitted its best and final offer for \$17,875,000, which did not mention rent-free terms and included a zoning approval contingency.
April 21, 2015	CBRE allowed the City to revise its bid price and clarify its guaranteed rent-free terms. Broward County was not given the opportunity to revise its bid price or clarify its rent terms.
April 23, 2015	The City updated its bid price from \$16,700,000 to \$17,200,000 and guaranteed the Postal Service can remain in the current building, rent free, until the new facility is approved for occupancy.
May 4, 2015	CBRE asked Broward County and the City to confirm their best and final bid terms and conditions. ³ The City confirmed its bid terms the same day.
May 6, 2015	Broward County confirmed its bid terms.

³ According to CBRE correspondence, a few of the finalists updated their bid terms via email or telephone after the April 3, 2015, submission to the Postal Service; therefore, the Postal Service wanted to officially confirm final terms with the bidders.

Date	Bid Activity
May 8, 2015	CBRE asked Broward County to address additional items before the Postal Service made its final selection, including a request for the county to obtain a zoning verification letter. ⁴ The county was given 3 additional days to obtain the letter. The County was not advised they could make any other changes.
May 13, 2015	Broward County responded with a revised proposal to address CBRE’s requested items and removed the zoning contingency. The details of the final proposal were disclosed in an agenda posted on Broward County’s public website prior to its May 12, 2015 commission meeting.
May 14, 2015	As a result of Broward County removing the zoning contingency, CBRE gave another opportunity to the City to resubmit its best and final proposal by May 19, 2015, which allowed another change in bid price.
May 18, 2015	The City modified its bid amount from \$17,200,000 to \$17,876,000.
May 26, 2015	The Postal Service sent official “Confirmation of Offer Terms” ⁵ letters to the City and Broward County, which outlined the Postal Service’s understanding of the terms and conditions in their bids.
May 27, 2015	The City confirmed the terms and conditions.
May 28, 2015	Broward County confirmed the terms and conditions.

Source: Correspondence provided by CBRE on March 24, 2016.

CBRE officials stated they used the terminology “bid price” and “bid terms” interchangeably; however, they did not define these terms in their communications. In addition, in its communications with the City, CBRE allowed officials to revise the “bid price” or “resubmit their proposal.” In its communication with Broward County, CBRE asked the county to “clarify” or “confirm” its offer, which the county interpreted to mean it could not change its offer price.

Inconsistent communication occurred because the Postal Service’s disposal process and policy do not require consistent communication with all potential buyers during the negotiation process. While Postal Service policy⁶ requires that real estate contracting officers treat all buyers fairly and objectively and maintain effective communications with them during contract performance, the policy does not address the need for consistent communication during the negotiation process.

Based on our review of communications between the Postal Service, CBRE, and the City, we did not identify a conflict of interest between the parties. However, as a government agency, it is important that the Postal Service communicate consistently with bidders to be fair and impartial in the bid negotiation process and ensure equal bid opportunities. Without this consistent communication, the negotiation process can be perceived as unfair, biased, or inequitable, and can ultimately have a negative impact on the Postal Service’s brand.

⁴ Broward County’s bid had a contingency that required a letter from the City approving the county’s proposed use of the facility. If Broward County did not receive the letter, it would get the 10 percent deposit back and the agreement would be cancelled.

⁵ The finalists made additional updates after the Postal Service confirmed the terms on May 4, 2015; therefore, the Postal Service wanted to officially reconfirm the updated final terms with the bidders before making its selection.

⁶ *Implementing the RE-1, Postal Service Real Estate Actions*, Section 2-1.3, Contracting Officers.

Recommendation

We recommend the vice president, Facilities:

1. Update *Implementing the RE-1, Postal Service Real Estate Actions* to add a section on the negotiation process that requires consistent communication with all bidders, including:
 - Defining and using consistent terminology; and
 - Providing the same due dates for buyers to submit their bids and any revised best and final bids, including clarifying price, terms, and contingencies.

Management's Comments

Management disagreed with the findings and recommendation in our report.

Regarding our recommendation, management stated it is unnecessary to update RE-1 to require consistent communication, including defining and using consistent terminology. Management does not believe there was any miscommunication with bidders, but that communication with the bidders was fair. Management stated that both the City and Broward County had opportunities to adjust any and all parts of their respective offers. Further, management does not believe that it is necessary to inform each bidder that every item in their offer is available for modification when offered the chance to confirm or adjust a bid.

Management also stated that it is unnecessary to update RE-1 to require the same due dates for buyers to submit their bids because the due date for all bidders is always set at solicitation. Management asserted there are times when it may be in the best interest of the Postal Service to allow additional time to one or more offerors to clarify price, terms, or contingencies, even after a best and final offer, and that this flexibility allows the Postal Service to obtain the best value.

Management disagreed that CBRE did not consistently communicate with or provide equal opportunities to the City and Broward County regarding their best and final offers for purchasing the Pembroke Pines P&DC and during the bid acceptance process. Management stated the City and Broward County were both given the same date to provide their best and final offers, that CBRE subsequently asked both parties to confirm their best and final offers, and that they were also both given an opportunity to change their bids in response to the Confirmation of Offer Terms letter from the Postal Service. Management further stated they went out of their way to accommodate changes and deficiencies in the bids in order to obtain the best value for the Postal Service and provide a fair chance for all bidders.

See [Appendix A](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments unresponsive to the recommendation in the report.

As noted in our report, our review of available documentation related to the negotiations and offers between CBRE, the City, and Broward County revealed that CBRE allowed the city to revise its bid price without notifying the county or giving them an opportunity to do the same. CBRE also used terminology — bid price and bid terms — interchangeably with the City and Broward County, which may have led Broward County to believe it could not change its bid price. For example, in the correspondence we reviewed, CBRE allowed the City to revise its "bid price" but asked Broward County to "clarify" or "confirm" its offer.

Management noted that both the City and Broward County had opportunities to adjust their offers; however, based on our review, these opportunities were not consistently or explicitly provided. Management further stated that the due date for all bidders is set at solicitation so it is unnecessary to update policy to require the same due date for buyers to submit their bids. However, we found that both the City and Broward County submitted revised prices and terms on various dates after the date set at solicitation.

We agree the Postal Service should strive to obtain the best value and provide a fair chance for all bidders and, at times, may need to be flexible in allowing offerors to clarify offer price, terms or contingencies during the bid negotiation process. Notwithstanding, we believe using consistent terminology and providing the same due dates for submitting clarifications would enhance the process and promote equity among all bidders.

We view the disagreement on the recommendation as unresolved but do not plan to pursue it through the formal audit resolution process; therefore, we consider the recommendation closed, but not implemented by the Postal Service, with the issuance of this report.

APPENDIX A. MANAGEMENT'S COMMENTS

TOM A. SAMRA
VICE PRESIDENT, FACILITIES



July 8, 2016

SHERRY FULLWOOD
DIRECTOR, AUDIT OPERATIONS (A)

SUBJECT: Management Alert - Disposal of the Postal Service's Pembroke Pines Processing and Distribution Center (Report Number SM-MT-16 DRAFT)

Thank you for the opportunity to review and comment on the above referenced Draft Management Alert. Management disagrees with the final recommendations in the report, as explained below, and has determined that there is no reason to modify current Postal Service policy. In addition, Management disagrees with various findings in the Management Alert as noted below.

FINDINGS

Finding #1:

CBRE did not consistently communicate with or provide equal opportunities to the City and Broward County regarding their best and final offers for purchasing the Pembroke Pines P&DC.

Management disagrees with this finding. CBRE communicated with both Broward County and the City regarding the best and final offers. The City and County were both required to submit best and final offers by April 3, 2015. The City and County both submitted these by the due date. The City offer did not include a zoning contingency, while the County offer did include a zoning approval contingency. The County offer indicated that its bid was contingent upon its ability to obtain a zoning letter from the City approving the County's proposed use of the property being offered for sale. The City offered that the Postal Service could stay in the property rent free until a new facility was ready for occupancy by the Postal Service. The County did not make any offer to allow the Postal Service to remain rent free. CBRE then asked both the City and the County to confirm their best and final offers. The County and City both did so. At no time did CBRE or the Postal Service ask either the County or the City to raise their prices for the property nor would this be appropriate. Each of the City and County had an opportunity to do so as part of the confirmation of its bid. If the bid as presented was not what either wanted to have evaluated, including any purchase price offered, either could have done so. The fact that the County did not understand this concept is not the fault of the Postal Service or CBRE. If the County was unsure what it could and could not do as part of the bid confirmation, it was free to ask. The County never did so. Moreover, given that the County had originally not submitted a purchase price with its initial bid, and only after submission did the County present any price to the USPS, it seems clear that the County felt free to modify its pricing for the property as part of the bid process.

Following confirmation of the respective bids, CBRE asked for clarifications from the County regarding their zoning contingency in their bid. The Postal Service, through CBRE, offered the County three days to obtain the zoning letter mentioned in the County's contingency so that such

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contingency could be removed. In response, the County removed the contingency. The details of the County's bid, including the offered price, was posted on the County website sometime after the May 12, 2015 County Commission meeting. At this point, the City was aware of the County's bid price and in fact, the City, solely on its own initiative, modified its bid amount. It did not change the price at the request of CBRE or the Postal Service nor would CBRE or the Postal Service ask it do to so.

The City and County were given a further opportunity to change their bids via a response to the Confirmation of Offer Terms letter from the Postal Service to each of these bidders. Neither the City nor the County took this opportunity.

Therefore, for purposes of Finding #1, the unilateral actions of the City and County are irrelevant and a review of the actions of CBRE shows it communicated consistently and provided equal opportunities to both the City and the County.

Finding #2

The Postal Service did not consistently communicate with or provide equal bid opportunities to the City and Broward County during the bid acceptance process.

For the reasons stated above with respect to Finding #1, Management disagrees with this Finding. In addition, Management provided many opportunities for all bidders to update or modify bid terms. For example, as noted in Footnote #5 and in Footnote #7 of the Management Alert:

"#5 According to CBRE correspondence, a few of the finalists updated their bid terms via email or telephone after the April 3, 2015, submission to the Postal service Therefore the postal service wanted to officially confirm final terms with the bidders.

#7 The finalists made additional updates after the Postal service confirmed the terms on May 4, 2015; therefore the Postal Service wanted to officially reconfirm the updated final terms with bidders before making its selection".

As noted above, and in Footnote #3 of the Management Alert: *#3 Postal Service officials continued to work with Broward County during the bid negotiation process even though the letter of Intent did not include a bid price*

Far from discriminating against the County or other bidders, the Postal Service went out of its way to accommodate changes and deficiencies in the bids in order to obtain the best value for the Postal Service and provide a fair chance for all bidders.

It seems that the County is complaining of mistreatment when in fact, the Postal Service could have disqualified the County from bidding after the first round of offers came in because the County's offer failed to conform to the bidding rules. Moreover, as the County's zoning contingency detracted from the viability of their offer, the Postal Service again went above and beyond to allow the County to remove or satisfy that contingency prior to its bid being finally considered.

Finally, Management is aware of no other bidder complaining about the unfairness of a bid process, including the one for Pembroke Pines, although this same process has been used with hundreds of bidders over the last 10 years.

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RECOMMENDATIONS

Recommendation:

Update Implementing the RE-1, Postal Service Real Estate Actions to add a section on the negotiation process that requires consistent communication with all bidders, including:

- Defining and using consistent terminology; and
- Providing the same due dates for buyers to submit their bids and any revised best and final bids, including clarifying price, terms, and contingencies.

Management Response:

Management does not agree with these recommendations. These recommendations are being suggested to fix a problem that Management believes is nonexistent. It is unnecessary to update RE-1 to require consistent communication, including defining and using consistent terminology. Management does not believe there was any miscommunication with bidders and that Postal Service's and CBRE's communications were fair to each bidder. The Postal Service reviewed all bids and worked with each of the City and County to ensure they each had opportunities to reflect and adjust any and all parts of their respective offers. Management does not believe it is necessary to inform each bidder that every item in their offer is available for modification or for a bidder to ask specific permission to change one item (price) when offered the chance to confirm or to adjust a bid.

It also is unnecessary to update RE-1 to require the same due dates for buyers to submit their bids because the due date for all bidders is always set in the solicitation. But there are times when it may be in the best interest of the Postal Service to give additional time to one or more offerors to clarify offer price, terms or contingencies after the initial offer or even after a best and final offer should questions arise. This flexibility allows us to obtain the best value for the Postal Service. Indeed, if the Postal Service had established inflexible bidding requirements, as suggested by this recommendation, then the Postal Service may have been compelled to reject the County's offer for non-compliance.

In conclusion, Management appreciates the OIG's efforts in reviewing the process for disposal of the Pembroke Pines P & DC and preparing this Draft Management Alert. The Draft Management Alert and Management's responses do not contain information that management believes may be exempt from disclosure under the FOIA.



Tom A. Samra

cc: Sally K. Haring, Manager via email (CARManager@USPS.GOV)
AUDIT TRACKING