



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

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**Best Value in the Purchasing Process**

**Audit Report**

October 9, 2012

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Report Number CA-AR-13-001



# HIGHLIGHTS

October 9, 2012

## Best Value in the Purchasing Process

Report Number CA-AR-13-001

### **BACKGROUND:**

'Best value' is the basis of all U.S. Postal Service sourcing decisions and determined by an analysis of a contract solicitation's evaluation factors, weightings, and price. Review and approval of contractual actions provide oversight and an objective view of important business decisions. From October 2009 through December 2011, purchases for newly awarded contracts and task orders totaled \$4,290,251,400. Of this amount, we identified \$1,582,017,870 as competitive purchases.

Our objective was to determine whether contracting officials provided adequate evidence that they assessed evaluation factors and conducted price analyses to achieve best value in the purchasing process.

### **WHAT THE OIG FOUND:**

Postal Service contracting officials did not provide evidence that they achieved best value when awarding contracts. We identified discrepancies with 69 of the 105 purchases reviewed, valued at \$361,558,156. Specifically, contracting officials did not maintain evidence to support an assessment of supplier past performance, supplier capability, price or cost analysis, or required review and approvals for 60 purchases, valued at \$327,327,782. Further, contracting officials incorrectly coded contract

information in the Contract Authoring Management System (CAMS) for nine purchases, valued at \$34,230,374.

When Postal Service contracting officials do not perform sufficient analyses and reviews during the purchasing process, they cannot ensure they get the best value. In addition, the Postal Service is at increased risk of conducting business with suppliers who lack integrity, adequate resources, or the technical skills to perform their contractual obligations. Finally, without complete files, contracting officials are unable to make informed contract management decisions.

### **WHAT WE RECOMMENDED:**


We recommended contracting managers conduct periodic reviews of electronic and physical contract files and update the contract file transfer process to require receiving contract officials to certify that contract files contain required documentation. Finally, we recommended that management direct contracting officials and higher level approvers to ensure the accuracy of CAMS information and adhere to Supplying Principles and Practices to obtain appropriate written approval prior to submitting or approving contract actions.

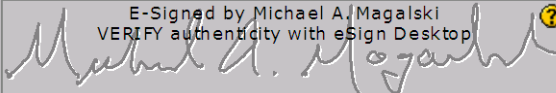
[Link to review the entire report.](#)



October 9, 2012

**MEMORANDUM FOR:** SUSAN M. BROWNELL  
VICE PRESIDENT, SUPPLY MANAGEMENT

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



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

**SUBJECT:** Audit Report – Best Value in the Purchasing Process  
(Report Number CA-AR-13-001)

This report presents the results of our audit of Best Value in the Purchasing Process (Project Number 12YG012CA000).

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

Attachments

cc: Stephen J. Masse  
Trent K. Ensley  
Paul D. McGinn  
Susan A. Witt  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our self-initiated audit of best value in the purchasing process (Project Number 12YG012CA000). Our objective was to determine whether contracting officials provided adequate evidence that they assessed evaluation factors and conducted price analyses to achieve best value in the purchasing process. This audit addresses financial risk and identifies areas in the evaluation process that need improvement to help the U.S. Postal Service achieve its goal to reduce supply chain costs. See [Appendix A](#) for additional information about this audit.

'Best value' is the basis of all Postal Service sourcing decisions and determined by an analysis of a contract solicitation's evaluation factors and weightings in combination with a price analysis. Past performance and supplier capability are mandatory factors that contracting officials must evaluate during the purchasing process, while some form of price analysis is required for every purchase. The evaluation process encompasses the development of strategies and plans to facilitate Postal Service Supply Chain management, the solicitation of suppliers to meet requirements, the evaluation and determination of suppliers that offer best value, and the selection of qualified and capable suppliers for contract award.

In the purchasing process, best value is generally achieved through competition, which brings market forces to bear and allows the direct comparison of proposals and lifecycle costs. Reviews and approvals of contractual actions provide oversight and an objective view of important business decisions and pooling business insights enhances the process of obtaining best value. The Postal Service has established various levels of review and approval for contractual and related actions throughout the purchase process.

## Conclusion

Postal Service contracting officials did not provide evidence that they achieved best value for all contract purchases. They did not maintain evidence to support an assessment of mandatory evaluation factors and price analyses for contract purchases. In addition, contracting officials did not properly approve all contract actions. Of the 105 purchases reviewed (valued at \$1,582,017,870) we identified issues with 69 purchases (66 percent), valued at \$361,558,156.

Specifically, for 60 purchases valued at \$327,327,782:

- Contracting officials did not provide evidence that they assessed supplier capability and past performance or conduct a price analysis for 37 purchases.<sup>1</sup>

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<sup>1</sup> This includes verification of whether suppliers were suspended or debarred.

- Contracting officials did not follow the required review and approval process for 49<sup>2</sup> purchases.

We classified the value of the 60 purchases as unsupported questioned cost. These costs are not considered unreasonable, but are questionable because we were unable to find key documentation to show that Postal Service contracting officials sought best value. See [Appendix C](#) for additional analysis of the 60 purchases. Further, contracting officials also incorrectly coded contract information in the Contract Authoring Management System (CAMS) for nine purchases, resulting in \$34,230,374 of data integrity errors.

### Mandatory Evaluation Factors and Price Analysis

Postal Service contracting officials did not provide required documentation to support an assessment of the mandatory evaluation factors<sup>3</sup> or price analysis during the purchasing process. We reviewed 96 competitive purchases, awarded from October 1, 2009 through December 31, 2011<sup>4</sup> and determined that 37 purchases (39 percent) did not contain assessments of past performance, supplier capability, or evidence of a price analysis.<sup>5</sup> See Table 1 for a breakout of purchases with missing evaluation factors and price analysis by portfolio.

**Table 1. Purchases Missing Evaluations or Price Analysis**

Supply Management Portfolio	Total Purchases Reviewed by Portfolio	Purchases Missing Mandatory Evaluation Factor Assessment and/or Price Analysis	Percentage of Purchases Missing Mandatory Evaluation Factor Assessment and/or Price Analysis
Commercial Products and Services	22	13	59.09%
Facilities	11	3	27.27%
Mail and Operational Equipment	29	8	27.59%
Technology Infrastructure	16	10	62.50%
Transportation	18	3	16.67%
<b>Total</b>	<b>96</b>	<b>37</b>	<b>38.54%</b>

<sup>2</sup> Twenty-six of 49 purchases were also missing mandatory evaluations or a price analysis.

<sup>3</sup> Past performance assessment was not mandatory between May 2006 and December 2011.

<sup>4</sup> Our scope included base contract purchases awarded before October 2009, as the associated task orders for those purchases fell within our review period.

<sup>5</sup> Purchases included task orders against indefinite delivery-indefinite quantity (IDIQ) contracts. Task orders for IDIQ contracts do not require purchase plans, solicitations, and award recommendations; therefore, we evaluated these documents at the contract level.

Source: Postal Service Office of Inspector General (OIG) review of Postal Service records.

For the 37 purchases, we identified 54 discrepancies in the contract files related to past performance, supplier capability, suspension and debarment, and price or cost analysis as shown in Table 2.

**Table 2. Mandatory Evaluation Factors and Price Analysis Discrepancies by Portfolio**

Supply Management Portfolio	Past Performance	Suspension and Debarment	Supplier Capability	Price and/or Cost Analysis	Totals
Commercial Products and Services	0	13	1	0	14
Facilities	0	3	0	1	4
Mail and Operational Equipment	1	8	2	0	11
Technology Infrastructure	2	10	2	3	17
Transportation	1	3	2	2	8
<b>Total</b>	<b>4</b>	<b>37</b>	<b>7</b>	<b>6</b>	<b>54</b>

Source: OIG review of Postal Service records.

- **Past Performance** — Four purchases did not show evidence of assessing past performance in the contract files. This includes a review of suppliers' performance on previous Postal Service contracts, (b) record of conformance to contract requirements and standards of good workmanship, (c) timeliness of performance, (d) business relations with customers, or (e) cost control.
- **Suspension and Debarment** — Thirty-seven purchases did not contain documentation in the contract files to support a verification of whether suppliers were suspended or debarred. To determine whether suppliers are suspended or debarred, contracting officials must check the U.S. General Services Administration's (GSA) consolidated list of suppliers debarred, suspended, or declared ineligible to be sure that Postal Service contracts are with responsible suppliers.<sup>6</sup>
- **Supplier Capability** — Seven purchases did not show evidence of assessing supplier capability in the contract files. This included a review of suppliers'

<sup>6</sup> *Purchasing Manual*, Section 2.1.7.c, Number 2, Past Performance, dated January 31, 1997, with revisions through November 15, 2001. *Supplying Principles and Practices*, Step 2: Evaluate Sources, dated December 31, 2008, with revisions through March 2009. *Supplying Principles and Practices*, Section 2-26.4.1, Past Performance, dated December 12, 2011.

(a) technical and financial ability, (b) record of integrity and business ethics, or (c) quality control programs.<sup>7</sup>

- **Price or Cost Analysis** — Postal Service officials generally obtained adequate competition; however, contracting officials did not conduct a price or cost analysis for six purchases. This included performing one of the following techniques: (a) comparison of competitive offers; (b) comparisons with regulated, catalog or market prices; (c) comparisons with historical prices; or (d) use of independent cost estimates.<sup>8</sup>

Contracting officials stated they misplaced evaluation documents, received incomplete contract files during a recent transfer of files between Postal Service facilities, inadvertently did not include the documentation in the file, or were unaware of the requirement to check the GSA's list of suspended and debarred suppliers. There was one instance where the contracting official relied on an outdated pre-qualification list to determine whether suppliers were suspended or debarred. The pre-qualification list is supposed to be updated every 2 years; however, the list was dated 2006, while the contract was awarded in 2011. In addition, contract files for competitive purchases should include solicitations, evaluation documentation, best value determination, award recommendation, and a determination that the price is fair and reasonable.<sup>9</sup>

When Postal Service contracting officials do not assess mandatory factors, perform a price analysis, and check for supplier suspension and debarment, supply management contracting officials cannot ensure that they achieved the best value for these purchases. In addition, the Postal Service is at increased risk of conducting business with suppliers who lack integrity and business ethics or lack adequate resources and technical skills to perform their contractual obligations. As a result, the Postal Service may not be able to achieve the desired results for the applicable contract agreements.

We identified similar issues during a previous audit, in which management officials did not provide sufficient oversight to ensure employees were following records management requirements.<sup>10</sup> Missing contract documentation could result in contract information that is not readily accessible to contracting officials. In addition, contracting officials are unable to make informed contract management decisions regarding payments and other contract administration tasks. Further, if contracting officials do not appropriately safeguard contract files, they risk the improper disclosure of proprietary or sensitive contract documentation.

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<sup>7</sup> *Purchasing Manual*, Section 2.1.7.c, Number 3, Supplier Capability, dated January 31, 1997 with revisions through November 15, 2001. *Supplying Principles and Practices*, Step 2: Evaluate Sources, dated December 31, 2008, with revisions through March 2009. *Supplying Principles and Practices*, Section 2-26.4.2, Supplier Capability, dated December 12, 2011.

<sup>8</sup> *Purchasing Manual*, Section 5.1.2.a, Price Analysis, dated January 31, 1997, with revisions through November 15, 2001. *Supplying Principles and Practices*, Step 2: Evaluate Sources, Conduct Price/Cost Analysis, dated December 31, 2008, with revisions through March 2009. *Supplying Principles and Practices*, Section 2-34, Conduct Price/Cost Analysis, dated December 12, 2011.

<sup>9</sup> *Supplying Principles and Practices*, Section 2-40.3.1, Contract Files for Competitive Contracts.

<sup>10</sup> *Internal Controls over the Contract Close-out Process* (Report Number CA-AR-11-004, dated April 27, 2011).



## Review and Approvals

Review and approval of contractual actions provide oversight and an objective view of important business decisions. The Postal Service has established various levels of review and approval for contractual and related actions throughout the purchase process. In our review, we evaluated the approval process for purchase plans and contract awards for 96 purchases. Forty-nine of 96 purchases (51 percent) had sixty-two discrepancies. Specifically, 40 purchase plans and 22 award recommendations were either signed but not dated by the approving officials, missing from the contract files, or approved after the release of the solicitation or the award effective date, as shown in Table 3.

**Table 3. Review and Approval Discrepancies**

Document Type	Missing Approvals	Signed not Dated	Approved After the Solicitation or Award Effective Date	Total
Purchase Plans	16	8	16	<b>40</b>
Award Recommendations	15	1	6	<b>22</b>

Source: OIG review of Postal Service records.

Contracting officials stated this occurred because approving officials gave contracting officials verbal approval to proceed with releasing solicitations and approved awards after the effective date. In addition, contracting officials entered incorrect solicitation dates in CAMS and did not follow up with the CAMS specialist to correct the errors. Finally, contracting officials signed but did not date purchase plans; therefore, we were unable to determine whether the plans were approved prior to release of the solicitations.

The Supplying Principles & Practices (SP&P) states that all purchase plans for competitive purchases valued at \$1 million or more must be reviewed and approved by the appropriate approval authority and included in the contract file. Unless other arrangements have been made and approved by the appropriate authority, the purchase plan review and approval must be done either before the pre-qualification of potential suppliers or before the solicitation issuance.<sup>11</sup> The reviewer must signify his or her review approval for the record.<sup>12</sup> Policy also states that contracting officers (COs) with sufficient amount of contracting authority must approve contract awards. If a proposed award requires higher-level review and approval or a delegation of contracting authority, it may not be made until the approval or delegation has been obtained.<sup>13</sup> Further, the vice president of Supply Management must review and approve purchase plans and contract awards and modifications valued at \$10 million or more.<sup>14</sup>

<sup>11</sup> *Supplying Principles & Practices*, Section 2-41.2.1, Purchase Plans.

<sup>12</sup> *Supplying Principles & Practices*, Section 2-41.2-3, Review and Approval Process for Competitive Actions.

<sup>13</sup> *Purchasing Manual*, Section 4.2.6, Contract Award.

<sup>14</sup> *Supplying Principles and Practices*, Section 2-41.2.2, Reviews and Approvals.

Instead of signing purchase plans and awards, higher-level review and approval officials verbally approved purchase plans and approved awards after the awards' effective date. The SP&Ps do not include exceptions that allow verbal approvals for purchase plans. In addition, the award approval date cannot occur after the award effective date.<sup>15</sup> If contracting officials do not follow the review and approval processes, Supply Management cannot provide adequate oversight of important business decisions and may jeopardize their ability to achieve best value. Also, if there are no checks and balances, higher-level officials cannot ensure that (a) contract actions comply with purchasing regulations and laws, (b) sound business judgment is demonstrated and consistent with the purchase plan and solicitation, and (c) potential conflicts of interest will not exist in the purchase.

### **Contract Authoring Management System Data Integrity**

Postal Service contracting officials incorrectly designated nine purchases, valued at \$34,230,374, as competitive in CAMS. Instead they were either required source, legally mandated,<sup>16</sup> or non-competitive.

Specifically, contracting officials selected the incorrect procurement type when creating the purchase information in CAMS and:

- Seven transportation purchases were coded as competitive instead of required source – legally mandated.
- One facility's purchase and one mail and operational equipment purchase was coded as competitive instead of non-competitive.

Contracting officials stated this occurred because the required source — the legally mandated procurement code — was not available as a selection in CAMS or they selected the incorrect code for contracts that were non-competitive. In addition, higher-level reviewers did not conduct a thorough review of the CAMS data before approving the CAMS information.

In 2011, Supply Management trained Postal Service contracting officials in CAMS and electronic file maintenance. The training addressed contracting officials' roles and responsibilities to ensure data integrity. Specifically, the buyer or CO is responsible for ensuring that contract information is complete and accurate before routing to the higher-level reviewer for approval. The higher-level reviewer is responsible for verifying the accuracy of the data entered into CAMS. The higher-level reviewer should thoroughly review all CAMS award data fields and contract electronic file documentation for accuracy before approval. If the data in CAMS are inaccurate, the higher-level reviewer must disapprove the award and contracting officials must take corrective action.<sup>17</sup>

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<sup>15</sup> *CAMS and Contract eFile Documentation Compliance Training Award and Modifications*, dated March 2011.

<sup>16</sup> The Postal Service has an inter-agency agreement with the Defense Logistics Agency (DLA) that requires contracting officials to purchase bulk fuel from the DLA.

<sup>17</sup> *CAMS and Contract eFile Documentation Compliance Training Award and Modifications*.

Because employees did not accurately record or complete contract data in CAMS, the Postal Service cannot accurately report on its purchase award types. In addition, incorrect information in CAMS potentially misrepresents the Postal Service's allocation of funding, adversely influences supply management decisions, and could affect goodwill branding. Contracting officials began taking corrective actions to update the incorrect contract coding in CAMS.

## Recommendations

We recommend the vice president, Supply Management:

1. Direct contracting managers to conduct periodic reviews of electronic and physical contract files to ensure that contracting officials maintain evidence of mandatory evaluations, price analysis, and review and approvals in the contract files.
2. Update the contract file transfer process to include a step to require the receiving contract officials to certify that contract files contain required documentation.
3. Direct contracting officials and higher-level approvers to ensure the accuracy of Contract Authoring Management System information and adhere to Supplying Principles & Practices to obtain appropriate written approval prior to submitting or approving contract actions.

## Management's Comments

Management agreed with all of the findings and recommendations. Regarding recommendation 1, management will enhance the existing compliance reviews of new awards that started in April 2011 by involving the contracting managers in the remediation process and provide an overview of the process by November 2012.

With recommendation 2, management agreed to update the contract file transfer process to improve the transfer and receipt of complete files and will include a step to address acknowledgement of transferred files by December 2012. In response to recommendation 3, management will cascade the report to the contracting officials to reiterate the need for data accuracy and remind higher-level approvers of their roles and responsibilities by November 2012. Management stipulated that some higher level approvals of contracting actions may take the form of an email or electronic approvals. See [Appendix D](#) for management's comments in their entirety.

## Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report. Regarding management's corrective actions to recommendation 3, the potential risks involved in other forms of electronic approvals will need to be reviewed before we can completely agree not to restrict their future use. Lastly, we believe the difference between the processes for reviewing and approving CAMS data versus the process for

reviewing and approving the purchase plan and award recommendations need to be clearly defined and communicated to the contracting managers.

The OIG considers all recommendations 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 Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed

## Appendix A: Additional Information

### Background

'Best value' is the basis of all Postal Service sourcing decisions. The aspects of best value are expressed in the solicitation's evaluation factors and weightings. Past performance and supplier capability are mandatory factors that contract officials must evaluate during the purchasing process, while some form of price analysis is required for every purchase. The evaluation process encompasses the development of strategies and plans to facilitate Postal Service Supply Chain management, the solicitation of suppliers to meet requirements, the evaluation and determination of suppliers that offer best value, and the preliminary selection of a qualified and capable supplier for contract award.

When evaluating past performance, the purchase teams should consider (1) quality, (2) timeliness of performance, (3) business relations, and (4) cost control. To fully evaluate past performance, COs must check the GSA's consolidated list of suppliers debarred, suspended, or declared ineligible to be sure the Postal Service contracts with responsible suppliers. When evaluating supplier capability, the purchase teams should consider several matters, including the supplier's (1) technical and financial ability, (2) record of integrity and business ethics, and (3) organization and operational controls. When conducting a price analysis one or more of the following techniques may be used:

- Comparison of competitive offers.
- Comparison with regulated, catalog, or market prices.
- Comparison with historical prices.
- Use of independent cost estimates.

If the price analysis methods do not ensure that prices are fair and reasonable, a cost analysis or some other technique appropriate for the goods or services being purchased should be performed. Cost analysis is the process of examining the separate elements of cost and profit in a potential supplier's cost or pricing data.

From October 1, 2009 through December 31, 2011, Postal Service purchases for newly awarded contracts and task orders totaled \$4,290,251,400. Of this amount, \$1,582,017,870 was identified as competitive purchases.

### Objective, Scope, and Methodology

Our objective was to determine whether contracting officials provided adequate evidence that they assessed evaluation factors and conducted price analysis to achieve best value in the purchasing process.

To accomplish our objective, we:

- Reviewed Postal Service criteria, guidelines, and procedures on the purchasing evaluation process.
- Interviewed Postal Service contracting officials responsible for the purchasing and evaluation process.
- Obtained a universe of 105 contract purchases valued at \$1,582,017,870 that were identified as competitive, greater than \$1 million, and awarded between October 1, 2009 and December 31, 2011.
- Reviewed contract documentation to determine whether Postal Service officials:
  - Identified how they planned to assess the mandatory evaluation factors and conducted price analysis in the purchase plan.
  - Assessed whether the mandatory evaluation factors and price analysis were conducted in accordance with SP&P.
  - Obtained adequate competition.
  - Performed appropriate review and approvals of the purchase plan and award recommendation.

We conducted this performance audit from December 2011 through October 2012, 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 22, 2012, and included their comments where appropriate.

We assessed the reliability of computer-generated data by comparing source documents to data in the CAMS to validate monetary amounts, as well as contract effective date and procurement type. We determined that, except for the procurement type, the data were sufficiently reliable for the purposes of this report. Our audit results report on the discrepancies found in the 'procurement type' field.

## Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact	Report Results
<i>Contract Management Data</i>	CA-AR-11-002	4/27/2011	\$2.1 billion	Postal Service officials did not adequately collect and maintain contract data in CAMS. Management agreed with all of the recommendations.
<i>Internal Controls over the Contract Close-Out Process</i>	CA-AR-11-004	4/27/2011	\$54.7 million	Supply Management personnel did not always follow contract closeout procedures or records management requirements. Management agreed with all of the recommendations.
<i>Information Technology's Preferred Portfolio Partnering Program</i>	CA-AR-09-007	9/29/2009	\$11.8 million	The cost and price analysis that Postal Service personnel performed usually did not result in negotiated price reductions of Accenture's LLC proposals. Additionally, Supply Management did not always follow the recommendation of a third-party contractor to reduce task order amounts or reject them in full. Management agreed with the findings and recommendations.

## Appendix B: Monetary and Other Impacts

### Monetary Impacts

Recommendation	Impact Category	Amount
1,2,3	Unsupported Unrecoverable Questioned Cost <sup>18</sup>	\$327,327,782

### Other Impacts

Recommendation	Impact Category	Amount
3	Data Integrity <sup>19</sup>	\$34,230,374

The \$327,327,782 represents the total value of 60 purchases where contracting officials did not provide evidence that they assessed past performance and supplier capability, performed a price analysis, checked the GSA's list of suspended or debarred suppliers, obtained the required review and approvals for purchase plans and award recommendations, and maintained complete contract files. The \$34,230,374 represents the value of the nine purchases that contracting officials incorrectly coded in CAMS as competitive awards.

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<sup>18</sup> A subset of questioned costs that is claimed because of failure to follow policy or required procedures, but that does not necessarily connote any real damage to the Postal Service.

<sup>19</sup> Data used to support management decisions that are not fully supported or completely accurate. This can be the result of flawed methodology; procedural errors; or missing or unsupported facts, assumptions, or conclusions.



### Appendix C: Additional Analysis

Our scope included task orders awarded from October 1, 2009 through December 31, 2011, some of which were written against IDIQ contracts awarded prior to 2009. Contracting officials assessed mandatory evaluation factors for these purchases at the contract level. Since contracting officials still award purchases against these IDIQ contracts, the purchases remained in our universe. During our exit conference, the vice president of Supply Management requested a distinction between purchases made after the SP&P were implemented to illustrate whether there were improvements in contracting practices.<sup>20</sup> As noted in Table 4 below, we reviewed contract files for nine contracts awarded prior to 2006, associated with task order purchases made during our period of review. Although there was a decrease in the percentage of discrepancies identified since the SP&P were issued, the discrepancy rate is still greater than 50 percent.

**Table 4. Purchases Containing Discrepancies by Contract Award Date**

Contract Award Date	Total Purchases Reviewed <sup>21</sup>	Purchases Containing Discrepancies	Percentage of Total Purchases Containing Discrepancies
Prior to 2006	9	8	88.88%
2006-2011	87	52	59.77%
<b>Total</b>	<b>96</b>	<b>60</b>	<b>62.50%</b>

Source: OIG review of Postal Service records.

<sup>20</sup> The SP&Ps were issued in May 2006.

<sup>21</sup> The total does not include the nine purchases with data integrity issues.

## Appendix D: Management's Comments

SUSAN M. BROWNELL  
VICE PRESIDENT, SUPPLY MANAGEMENT



October 1, 2012

LUCINE M. WILLIS

SUBJECT: Response to Draft Audit Report – Best Value in the Purchasing Process  
(Report Number CA-AR-12-DRAFT)

Thank you for the opportunity to review and comment on the subject draft report. Management is in general agreement with the Office of Inspector General's (OIG) findings and impact. Our position on each recommendation is provided below.

### **AUDIT RECOMMENDATIONS**

We recommend the vice president, Supply Management:

**Recommendation 1:** Direct contracting managers to conduct periodic reviews of electronic and physical contract files to ensure that contracting officials maintain evidence of mandatory evaluations, price analysis, and review and approvals in the contract files.

**Management Response/Action Plan:** Management agrees with the recommendation. As of April 2011, Supply Management Infrastructure has been conducting contract file documentation compliance reviews on samples of new awards in order to improve compliance with documentation, policies and procedures. Going forward with these reviews, we will enhance the process by involving the contracting managers within the remediation process. An overview of the compliance review process will be provided in response to this recommendation. The reviews will continue into fiscal year 2013.

**Target Implementation Date:** An overview of the compliance review process will be provided by November 2012.

**Responsible Official:** Manager, Supply Management Infrastructure, Supply Management.

**Recommendation 2:** Update the contract file transfer process to include a step to require the receiving contract officials to certify that contract files contain required documentation.

**Management Response/Action Plan:** Management agrees with the recommendation to update the contract file transfer process and will review potential options for enhancing the transfer process of contract files with an objective to improve the transfer and receipt of complete files. This will include an acknowledgement of transfer.

**Target Implementation Date:** This action will be completed and communicated by December 2012.

**Responsible Official:** Manager, Supply Management Infrastructure, Supply Management.

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**Recommendation 3:** Direct contracting officials and higher level approvers to ensure the accuracy of Contract Authoring Management System information and adhere to Supplying Principles and Practices to obtain appropriate written approval prior to submitting or approving contract actions.

**Management Response/Action Plan:** Management agrees. The need for data accuracy will be reiterated by cascading the final audit report and reminding contracting officials and higher level approvers of their roles and responsibilities. We believe this recommendation is based upon the potential use of reviews and approvals that may be captured by the system under "Route History", and is requiring that we ensure that written approvals are within the contract files. At this point, we can agree with this part of the recommendation, as long as it is recognized and accepted that some higher level approvals of contracting actions take the form of an email and agreement does not restrict the potential use of electronic approvals in the future.

**Target Implementation Date:** The final audit report will be cascaded by November 2012.

**Responsible Official:** Manager, Supply Management Infrastructure, Supply Management.

This report and management's response do not contain proprietary or sensitive business information that may be exempt from disclosure pursuant to the Freedom of Information Act. If you have any questions about this response, please contact Susan Witt at (202) 268-4833.



cc: Stephen Masse  
Joseph Corbett  
Trent Ensley  
Paul McGinn  
Susan Witt  
Corporate Audit and Response Management