



HIGHLIGHTS

BACKGROUND:

An equitable adjustment (EA) is intended to compensate the U.S. Postal Service or a supplier for changes to a contract. Contracting officers (COs) must promptly negotiate EAs with suppliers.

The Postal Service does not track EAs in its contract management systems. As a result, our audit scope was limited to 40 contract change orders identified by a survey of Postal Service managers for fiscal years 2010 and 2011. We determined that 24 change orders (totaling about \$33.1 million) resulted in an EA being paid to suppliers, but we cannot be certain that we identified all EAs.

Our objective was to evaluate EA oversight in accordance with Postal Service policies and procedures to protect Postal Service interests.

WHAT THE OIG FOUND:

The 24 EAs generally received review and oversight consistent with current Postal Service policies and procedures. Postal Service personnel performed price/cost analyses and appropriate reviews and approvals. However, they did not require the supplier to sign a

release discharging the Postal Service from further costs and liabilities for 14 EAs (58 percent). As a result, the Postal Service is exposed to unnecessary risks from future legal claims, protests, adjustments, and contract termination.

Additionally, the level of tracking of EAs within the Postal Service's contracting systems was not adequate to protect its interests. As EAs can have a significant impact on contract costs, they should be tracked and monitored to assure adequate oversight. Finally, Postal Service personnel were unable to locate the contract file for two EAs with payments totaling \$80,347.

WHAT THE OIG RECOMMENDED:

We recommended management require COs to include a general release of claims in all supplemental agreements or a more specific release in complex or contentious EAs. We also recommended that management enhance contracting systems to identify EAs and reiterate the contract file tracking process to ensure the accountability of contract files.