

March 28, 2002

KEITH STRANGE
VICE PRESIDENT, PURCHASING AND MATERIALS

SUBJECT: Management Advisory – Postal Service Supplier Demographics
(Report Number CA-MA-02-001)

This report presents the results of our review of the Postal Service's Supplier Demographics (Project Number 00RA010CA001). This review was self-initiated as part of a request from the Governors to review the Postal Service Supplier Diversity Program. This is the third report addressing supplier diversity. Our primary objective was to determine if Postal Service minority-owned and woman-owned supplier statistics were consistent with national business supplier diversity statistics at the ethnic group level.

We were unable to determine if the Postal Service's minority-owned and woman-owned supplier statistics were consistent with national business supplier diversity statistics at the ethnic group level because minority-owned supplier contract records did not always include ethnic level data. Therefore, we conducted our review on the overall categories of minority-owned and woman-owned businesses. These results showed the Postal Service was generally consistent with national business demographics regarding the total percentage of dollars awarded. However, the Postal Service was not consistent with national business demographics regarding the percentage of minority-owned and woman-owned suppliers awarded contracts.

We recommended management require contracting officers to input ethnic codes for minority-owned suppliers in procurement databases and use national business demographics data as a tool when assessing diversity of its supplier base and identifying market opportunities. Management agreed with our recommendations but questioned the accuracy of Postal Service dollars and number of suppliers used, and the methodology used in the comparative analysis. We pointed out that the dollars and number of suppliers used in our analysis were derived from Postal Service procurement databases and that the comparisons were appropriate. Overall, management's corrective actions are responsive to our recommendations. Management's comments and our evaluation of these comments are included in this report.

The Office of Inspector General (OIG) considers recommendation 1 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action(s) are completed. This recommendation should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions, please contact Lorie Siewert, director, Contracts and Facilities, at (651) 855-5856 or me at (703) 248-2300.

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Attachment

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EXECUTIVE SUMMARY

Introduction

At the request of the Board of Governors, the Office of Inspector General (OIG) reviewed different aspects of the Postal Service Supplier Diversity Program and made recommendations for improvement. This review was self-initiated as part of the overall request from the Governors to review the Postal Service Supplier Diversity Program.

This is the third report addressing supplier diversity. The primary objective of this audit was to determine if Postal Service minority-owned and woman-owned supplier statistics were consistent with national business supplier diversity statistics at the ethnic group level.

Results in Brief

We were unable to determine if the Postal Service minority-owned and woman-owned supplier statistics were consistent with national business supplier diversity statistics at the ethnic group level. This occurred because minority-owned supplier contract records did not always include ethnic level data. Therefore, we conducted our review on the overall categories of minority-owned and woman-owned businesses. The results showed the Postal Service was generally consistent with national business demographics regarding the total percentage of dollars awarded to minority-owned and woman-owned suppliers. However, the Postal Service was not consistent with national business demographics regarding the percentage of minority-owned and woman-owned suppliers awarded contracts.

In addition, the Postal Service did not use national business demographics data as a tool when assessing diversity of its supplier base and identifying market opportunities. As a result, the Postal Service cannot assess its supplier base as business demographics change within the American economy. National business demographics data could assist the Postal Service in assessing its minority-owned and woman-owned supplier representation and foster opportunities to maintain or increase revenue from these sources.

Summary of Recommendations	We recommended management require contracting officers to input ethnic codes for minority-owned suppliers in procurement databases and use national business demographics data as a tool when assessing diversity of its supplier base and identifying market opportunities.
Summary of Management's Comments	Management agreed with all of our recommendations but did not agree with all of our findings and conclusions. Management questioned the accuracy of Postal Service dollars and number of suppliers used in our comparisons. In addition, management did not believe the comparison with national business demographics to be appropriate because the OIG did not adjust the statistics for firms with few or no employees. Management's comments, in their entirety, are included in Appendix F of this report.
Overall Evaluation of Management's Comments	Management's actions, planned or taken, are responsive to our recommendations and should correct the issues identified in the findings. We disagree with management's assertions regarding the accuracy of the data and the methodology used for the comparisons. The dollars and numbers of suppliers used in our analysis were derived from Postal Service procurement databases. Additionally, comparison with national business demographics was appropriate. To be comparable, we did not adjust national business demographics for few or no employees because we could not do the same for Postal Service data.

INTRODUCTION

Background

The Department of Commerce, United States Census Bureau Economic Census is the major source of facts about the structure and functioning of the nation's economy. It provides essential information for government, business, industry, and the general public. Some uses of the data include locating potential markets, analyzing performance, and keeping informed of market changes. It reported that minority-owned businesses grew more than four times as fast as United States businesses overall between the years 1992 and 1997,¹ and the number of woman-owned firms increased 16 percent between 1992 and 1997, almost triple the rate for all United States businesses.²

The Postal Service places value in doing business with minority-owned and woman-owned businesses. According to the Postal Service Supplier Diversity Plan, if the Postal Service is going to succeed, it must take full advantage of all resources available. The plan recognizes that minority and woman-owned suppliers are driving the growth in the American economy, and in doing so, many of these suppliers use the Postal Service as their carrier of choice. The plan also recognizes minority-owned and woman-owned suppliers' growth may mean additional revenues for the Postal Service.³

Objectives, Scope, and Methodology

Our primary objective was to determine if Postal Service minority-owned and woman-owned supplier statistics were consistent with national business supplier diversity statistics at the ethnic group level.

First, we extracted all fiscal year (FY) 2001 minority contract records from Postal Service's Facilities, Supplies, Services, and Equipment, and Highway Transportation Purchasing systems to determine if the records contained ethnic codes. We found ethnic level data did not always exist. As a result, we conducted the review on the overall categories of minority-owned and woman-owned businesses.

To continue the review on minority-owned and woman-owned businesses, we obtained, compiled, sorted, and

¹ United States Department of Commerce News Release dated July 12, 2001.

² United States Department of Commerce News Release dated April 4, 2001.

³ Supplier Diversity Plan, Fiscal Years 1999-2003 dated January 1999.

compared Postal Service FY 1999 contract data⁴ to national business demographics data from the Department of Commerce Economic Census.

We conducted analyses by state, Postal Service area, and industrial sector for two diversity groups: women and minorities. For each combination of analysis group and diversity group, we calculated the ratio between Postal Service diversity group suppliers and Postal Service total suppliers. We also calculated the corresponding ratio for national business demographics suppliers. For each combination, we compared the Postal Service ratio to the national business demographics ratio to determine if the Postal Service minority-owned and woman-owned supplier statistics were consistent with national business supplier diversity statistics. Our detailed methodology is in Appendix A. Data and resulting ratios are included in Appendices C, D, and E.

We conducted this review between August 2001 and March 2002 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and recommendations with appropriate management officials and included their comments, where appropriate.

Prior Audit Coverage

On September 30, 1998, the Office of Inspector General (OIG) issued a report on Supplier Diversity and Minority Contracting (Report Number CA-MA-98-003) that examined Postal Service contracts with minority businesses. The review disclosed: (1) the Postal Service did not enforce its requirement that contractors submit subcontracting plans that encourage and include minority contracts; (2) the Postal Service did not meet FY 1998 supplier diversity targets for minority contract awards; (3) minority contract awards declined from FY 1994 to 1995, increased from FY 1995 to 1996 and then declined again from FY 1996 to 1997; and (4) the Postal Service did not address all supplier diversity recommendations from the Aguirre International Study. Management generally agreed with the findings and took

⁴ Contract data included Supplies, Services, and Equipment Purchases; Facilities Purchases; Transportation Purchases (air, rail, water, and highway); and credit card purchases.

adequate corrective actions. The Postal Service indicated all recommendations from the Aguirre International Study were addressed; however, they did not adopt all of the recommendations.

On September 6, 2001, the OIG issued an audit report on the Supplier Diversity Program for Supplies, Services, and Equipment Purchases (Report Number CA-AR-01-005). This audit assessed the reliability of FY 1999 supplier diversity statistics for supplies, services, and equipment purchasing and Postal Service effectiveness in achieving its supplier diversity spending plan. The audit disclosed supplier diversity statistics for FY 1999 were unreliable and the Postal Service was not always effective in achieving its supplier diversity spending plan. Management generally agreed with the recommendations and stated they were taking corrective actions.

AUDIT RESULTS

Minority-owned Supplier Contract Records Did Not Always Include Ethnic Level Data

Minority-owned supplier contract records did not always include ethnic level data. Specifically, about 50 percent of minority-owned supplier contract records in the Facilities and Supplies, Services, and Equipment Systems did not include ethnic codes. (See Appendix B)

Section 3.2.4 of the Purchasing Manual states purchases made from small, minority, and woman-owned businesses must be coded by socioeconomic classification, which includes ethnic classification. However, Postal Service contracting officers did not always input ethnic level data for minority-owned suppliers in procurement database records. This occurred because Postal Service policy does not specifically require contracting officers to input these codes in the procurement databases. Further, Postal Service Strategic National Automated Purchasing System (SNAPS) and Facilities Management System for Windows (FMSWIN) do not have edit checks that would prevent entry of a minority-owned supplier contract record without the ethnic code.

As a result, the Postal Service cannot assess its supplier base against business demographics changes at the ethnic level and thus, may not be taking full advantage of opportunities to increase revenue from minority-owned businesses.

The Postal Service plans to correct this problem in its April 2002 upgrade to the Strategic National Automated Purchasing System. However, the Postal Service does not have immediate plans for any system enhancements to correct this problem in the Facilities Management System for Windows.

Recommendation

We recommend the vice president, Purchasing and Materials:

1. Require contracting officers to input ethnic codes for minority-owned suppliers in procurement databases.

**Management's
Comments**

Management agreed with our recommendation. They stated that current policy clearly calls for entry of this data. They also stated they would remind contracting personnel of this requirement via the Purchasing and Materials electronic newsletter. They will also verify these codes are mandatory fields in the Supplies, Services, and Equipment, Facilities, and Transportation purchasing systems. They will also request as applicable, edit checks be added to these purchasing systems. These actions will take place within 60 days following receipt of the final report.

**Evaluation of
Management's
Comments**

Management's comments are responsive to our recommendation. Although the OIG does not agree that current policy clearly requires entry of this data in the procurement systems, the actions planned should correct the issues identified in the finding.

Supplier Base Not Consistent With National Business Demographics for Number of Suppliers

Although the Postal Service was consistent with national business demographics regarding the total percentage of dollars awarded to minority-owned and woman-owned suppliers, it was not consistent with national business demographics regarding the percentage of minority-owned and woman-owned suppliers awarded contracts.

Dollars Awarded

As shown in Table 1.1, at the national level minority-owned and woman-owned businesses receive about the same percent of dollars from the Postal Service as they receive from the United States business population.

**Table 1.1
National Level Analysis for Dollars Awarded**

	Minority Owned Business		Woman Owned Business		Total
	Dollars	Percent to Total	Dollars	Percent to Total	Dollars
Postal Service	\$286,511,430	3.49%	\$265,420,961	3.23%	\$8,220,590,821
Nat'l Business Demographics \$(000)	\$591,259,123	3.19%	\$818,669,084	4.41%	\$18,553,243,047
Delta Percentage		0.30%		-1.18%	

Although we identified certain opportunities for improvement (refer to Appendices C, D, and E for variances), the Postal Service was generally consistent with national business demographics at the state, Postal Service area, and industrial sector levels.

Number of Suppliers

As shown in Table 1.2, at the national level the percentage of minority-owned and woman-owned businesses awarded Postal Service contracts varied significantly when compared to national business demographics. Specifically, the Postal Service contracted with 5.8 percent fewer minority-owned businesses as a percent of total suppliers than the United States business population. Further, the Postal Service contracted with 13.7 percent fewer woman-owned businesses as a percent of total suppliers than the United States business population.

Table 1.2
National Level Analysis for Number of Suppliers

	Minority Owned Business		Woman Owned Business		Total Suppliers
	Suppliers	Percent to Total	Suppliers	Percent to Total	
Postal Service	1,636	8.72%	2,310	12.31%	18,764
Nat'l Business Demographics	3,039,033	14.60%	5,417,034	26.02%	20,821,934
Delta Percentage		-5.88%		-13.71%	

Analyses at the state, Postal Service area, and industrial sector levels for the number of minority-owned businesses disclosed significant variances between the percentages for Postal Service and national business demographics. Specifically:

- Twelve states⁵ showed variances ranging from 6 percent to more than 18 percent (see Appendix C).
- Two Postal Service areas, Pacific and New York Metro, showed variances of 12.6 percent and 19 percent respectively (see Appendix D).
- Three industrial sectors showed variances ranging from 5 percent to 10.7 percent (see Appendix E).

For the number of woman-owned businesses, we found significant variances between the percentages for Postal Service and national business demographics. Specifically:

- **Forty-five** states⁶ showed variances ranging from 5.1 percent to 22.2 percent (see Appendix C).
- Nine of the ten Postal Service areas showed variances ranging from 6.3 percent to 17.5 percent (see Appendix D).
- Four industrial sectors showed variances ranging from 5.4 percent to 22.8 percent (see Appendix E).

⁵ The 12 states included Washington, D.C.

⁶ The 45 states included Washington, D.C.

We also noted the Postal Service did not use national business demographics data as a tool when assessing diversity of its supplier base and identifying market opportunities. As a result, the Postal Service cannot assess its supplier base as business demographics change within the American economy.

National business demographics data could assist the Postal Service in assessing its minority-owned and woman-owned supplier representation and foster opportunities to maintain or increase revenue from these sources. According to the Postal Service Supplier Diversity Plan many of these suppliers use the Postal Service as their carrier of choice. Therefore, under representation of these suppliers may impact Postal Service opportunities to increase or maintain revenues.

During an audit, Postal Service management advised us that many of the minority-owned and woman-owned businesses included in the 1997 national business demographics may be too small to have the capability to meet the needs of the Postal Service at the prime contract level. Postal Service management believes there may be opportunities for these suppliers at the subcontract level.

Recommendation

We recommend the vice president, Purchasing and Materials:

2. Use national business demographics data as a tool when assessing diversity of its suppliers and identifying market opportunities.

**Management's
Comments**

Management agreed that national business demographic data is valuable and may be useful in efforts to identify market opportunities. In addition, management agreed with our recommendation and has begun to use this data in overall diagnostics. However they do not believe that the data is particularly useful in "sourcing" particular buys and is probably less effective than the methods that are used now. Management also questioned the accuracy of Postal Service data used and the appropriateness of comparing Postal Service data to national business demographics without adjusting the national business demographics data to exclude firms with few or no paid employees.

**Evaluation of
Management's
Comments**

Management's comments are responsive to our recommendation. Although management acknowledged the usefulness of national business demographics data and agreed with our recommendation, we disagree with management's assertion that the dollars and numbers of suppliers used in our analysis are inaccurate because the dollars and numbers of suppliers used in our analysis were derived from Postal Service procurement databases. Regarding the appropriateness of comparing Postal Service data to national business demographics without the adjustments, we could not adjust Postal Service data to exclude firms with few or no paid employees. Therefore, in order to ensure an accurate comparison, we did not adjust national business demographics data.

APPENDIX A. METHODOLOGY

National Business Demographics

We categorized all United States businesses by minority and nonminority status and gender of business owners. We extracted the total number of all businesses, total revenue across all businesses, and total revenues for woman-owned businesses and minority-owned businesses from the Department of Commerce, United States Census Bureau, Economic Census 1997- Survey of Minority and Woman-Owned Business, C1-E97-NA2D-17-US1, Disc 2D CD-Rom.⁷ We excluded Guam, Puerto Rico, and the United States Virgin Islands from national business demographics because that information is not reported by gender. Total nonminority businesses and dollars represent the difference between total universe (all United States businesses) or dollars and total minority-owned businesses or dollars, respectively.

- *National Business Demographics by State.* All national business demographics as described above were analyzed for each of the 50 states, the District of Columbia, and the United States as a whole.

- *National Business Demographics by Postal Service Area.* All national business demographics as described above were analyzed for each of the ten Postal Service areas⁸ and for the United States as a whole. Because the United States Census Bureau does not group data by Postal Service areas, we had to merge Census Bureau national county data with data from the Postal Service Address Information System CD-Rom using the key (common factor) of county name and state to find their respective ZIP Codes. Then, national business demographics for each county were categorized into ZIP Codes that corresponded to the ten Postal Service areas. We verified counties that were identified in two Postal Service areas and assigned them to the correct area.⁹ Finally, we summarized the data by Postal Service area using Statistical Analysis Software.

- *National Business Demographics by Industrial Sector.* All national business demographics as described above were analyzed for each of nine industrial sectors (Agriculture, Construction, Manufacturing, Transportation, Wholesale Trade, Retail Trade, Finance, Service, and Not Classified) and for the United States as a whole. These sectors were based on one-digit Standard Industrial Classification Codes.

⁷ This includes both businesses/dollars with no paid employees. In addition, detail data does not add to the total because of duplication of some businesses.

⁸ Postal Service areas in existence as of FY 1999.

⁹ County assignments were made based on Postal Service area with the larger number of ZIP Codes. When ZIP Code information was not available, county assignments were made based on geographic area and proximity to major cities.

Postal Service Supplier Demographics

We used FY 1999 contract data and categorized all Postal Service suppliers by either minority or nonminority status and gender of business owners based on Postal Service classification of socioeconomic status. The total number of all suppliers¹⁰ and total Postal Service dollars awarded across all suppliers were calculated for each possible business combination (minority-female-owned business, minority-male-owned business, nonminority-female-owned business, and nonminority-male-owned business). In addition, summaries were provided for each business combination. The data presented within this report has been aggregated from four separate Postal Service purchasing groups (Supplies, Services, and Equipment; Facilities; Transportation; and local purchases paid via credit card) and consist of FY 1999 contract data. Transportation purchasing data is separated as water, air, highway, and rail categories.¹¹ In all analysis group comparisons the number of suppliers in local purchases paid via credit card was excluded from the total number of Postal Service suppliers.

- *Postal Service Supplier Demographics by State* were analyzed for each of the 50 states, the District of Columbia, and for the United States as a whole.
- *Postal Service Supplier Demographics by Postal Service Areas* were analyzed for each of the ten Postal Service areas and the United States as a whole.
- *Postal Service Supplier Demographics by Industrial Sector* described above were analyzed for six of the nine industrial sectors (Construction, Manufacturing, Transportation, Wholesale Trade, Retail Trade, and Service) and for the United States as a whole. We excluded Agriculture and Finance because the Postal Service did not have any suppliers in these categories. The not classified category was not a meaningful comparison in this report. The six industrial sectors analyzed were based on one-digit Standard Industrial Classification Codes.¹²

¹⁰ Total number of suppliers does not include those suppliers classified as Nonprofit, Educational, National Institute for the Blind (NIB), National Institute for the Severely Handicapped (NISH), Federal Prison Industries or Foreign.

¹¹ For all purchasing areas except local purchases made by credit card, the total number of businesses and the total amount of Postal Service procurements across those businesses is based on commitment, and thus does not represent actual payments.

¹² The various Postal Service purchasing entities all used different means to classify business sectors (industrial areas). For example, there are approximately 600 commodity codes that can be used to classify supplies and services contracts. Thus, in order to compare Postal Service Supplier Demographics to National Business Demographics, we created a mapping of these supplies and services commodity codes to the standard sectors provided by Standard Industrial Classification codes.

APPENDIX B. ANALYSIS OF MINORITY ETHNIC CODE USAGE

Data contained in this table was extracted from Facilities (FMSWIN), Supplies, Services, and Equipment (SNAPS), and Transportation Highway (HCSS) procurement databases after the end of FY 2001.

State Minority Dollars

FY 2001 Minority Ethnic Code Usage					
System	Total Records	Minority Records	Minority Records w/o codes	Percentage of Minority Records w/o Ethnic Codes	Nonminority Records with Ethnic Codes
FMSWIN	7,769	553	312	56.42%	0
SNAPS	10,560	835	405	48.50%	55
HCSS	4,160	521	9	1.73%	7

APPENDIX C. COMPARISONS BY STATE

State	Postal Service			National Business Demographics			DELTA PERCENT MINORITY
	TOTAL SUPPLIER \$	TOTAL MINORITY SUPPLIER \$	PERCENT MINORITY	TOTAL SUPPLIER \$ (000)	TOTAL MINORITY SUPPLIER \$ (000)	CENSUS PERCENT MINORITY	
ALASKA	\$14,241,847	\$8,071,842	56.68%	\$36,911,657	\$2,214,134	6.00%	50.68%
RHODE ISLAND	\$6,699,874	\$1,619,376	24.17%	\$52,930,316	\$626,860	1.18%	22.99%
IDAHO	\$8,708,253	\$1,880,442	21.59%	\$65,838,870	\$744,248	1.13%	20.46%
LOUISIANA	\$14,731,838	\$2,422,201	16.44%	\$285,022,192	\$5,104,762	1.79%	14.65%
NEVADA	\$20,820,599	\$3,497,418	16.80%	\$102,813,070	\$3,523,319	3.43%	13.37%
MINNESOTA	\$71,039,146	\$9,211,820	12.97%	\$382,363,126	\$3,105,911	0.81%	12.15%
NEW MEXICO	\$18,501,305	\$3,029,285	16.37%	\$79,752,084	\$4,892,577	6.13%	10.24%
FLORIDA	\$181,340,239	\$29,199,652	16.10%	\$828,429,130	\$50,840,406	6.14%	9.97%
ARKANSAS	\$46,119,107	\$4,405,587	9.55%	\$143,570,776	\$1,406,545	0.98%	8.57%
MISSISSIPPI	\$25,288,346	\$2,506,450	9.91%	\$122,887,932	\$1,993,954	1.62%	8.29%
NEBRASKA	\$21,314,241	\$1,599,504	7.50%	\$137,755,012	\$592,132	0.43%	7.07%
COLORADO	\$61,041,723	\$5,605,446	9.18%	\$277,629,997	\$6,072,352	2.19%	7.00%
WASHINGTON	\$58,677,493	\$5,656,893	9.64%	\$357,322,932	\$11,335,907	3.17%	6.47%
SOUTH CAROLINA	\$18,996,495	\$1,256,278	6.61%	\$213,486,429	\$2,621,280	1.23%	5.39%
KANSAS	\$57,083,224	\$3,681,884	6.45%	\$184,199,987	\$2,160,560	1.17%	5.28%
MASSACHUSETTS	\$99,955,579	\$6,466,021	6.47%	\$517,291,479	\$6,980,154	1.35%	5.12%
CALIFORNIA	\$353,242,431	\$45,079,858	12.76%	\$2,178,292,213	\$182,892,499	8.40%	4.37%
NORTH CAROLINA	\$126,862,235	\$7,173,105	5.65%	\$518,648,589	\$6,711,336	1.29%	4.36%
SOUTH DAKOTA	\$6,613,174	\$311,605	4.71%	\$50,181,052	\$352,347	0.70%	4.01%
DELAWARE	\$1,751,938	\$85,865	4.90%	\$89,318,585	\$1,244,413	1.39%	3.51%
NORTH DAKOTA	\$5,462,189	\$224,803	4.12%	\$35,005,958	\$248,686	0.71%	3.41%
PENNSYLVANIA	\$433,440,175	\$18,201,214	4.20%	\$802,492,149	\$8,643,046	1.08%	3.12%
MAINE	\$10,538,101	\$323,360	3.07%	\$63,626,180	\$401,278	0.63%	2.44%
NEW JERSEY	\$157,451,565	\$9,278,919	5.89%	\$690,007,714	\$24,138,905	3.50%	2.39%
TENNESSEE	\$81,082,515	\$2,520,033	3.11%	\$362,587,045	\$4,583,483	1.26%	1.84%
WYOMING	\$4,849,477	\$103,564	2.14%	\$26,742,915	\$231,547	0.87%	1.27%
ILLINOIS	\$448,188,406	\$16,106,827	3.59%	\$993,116,732	\$23,997,470	2.42%	1.18%
MONTANA	\$14,473,082	\$302,695	2.09%	\$37,668,225	\$355,777	0.94%	1.15%
OHIO	\$143,156,090	\$3,375,622	2.36%	\$796,505,791	\$11,115,306	1.40%	0.96%
ALABAMA	\$55,720,149	\$1,225,804	2.20%	\$237,406,593	\$3,231,787	1.36%	0.84%
UTAH	\$36,381,421	\$573,055	1.58%	\$119,100,391	\$1,208,280	1.01%	0.56%
MISSOURI	\$134,808,328	\$2,065,638	1.53%	\$382,797,052	\$3,775,340	0.99%	0.55%
CONNECTICUT	\$100,314,464	\$1,814,947	1.81%	\$314,909,364	\$4,572,230	1.45%	0.36%
IOWA	\$44,471,128	\$336,500	0.76%	\$206,328,836	\$897,145	0.43%	0.32%
MARYLAND	\$519,206,646	\$21,963,962	4.23%	\$285,924,027	\$11,575,635	4.05%	0.18%
GEORGIA	\$206,745,140	\$4,892,102	2.37%	\$580,344,999	\$12,874,398	2.22%	0.15%
INDIANA	\$467,988,862	\$3,814,052	0.81%	\$407,270,539	\$4,305,606	1.06%	-0.24%
ARIZONA	\$97,909,538	\$2,485,560	2.54%	\$247,191,482	\$7,139,822	2.89%	-0.35%
WEST VIRGINIA	\$10,916,731	\$63,950	0.59%	\$77,527,532	\$834,659	1.08%	-0.49%
NEW HAMPSHIRE	\$12,153,972	\$70,699	0.58%	\$79,303,771	\$891,838	1.12%	-0.54%
KENTUCKY	\$113,965,143	\$344,313	0.30%	\$245,795,924	\$2,460,827	1.00%	-0.70%
OKLAHOMA	\$32,506,542	\$615,956	1.89%	\$172,370,196	\$4,606,294	2.67%	-0.78%
WISCONSIN	\$148,424,902	\$440,061	0.30%	\$367,841,279	\$3,969,840	1.08%	-0.78%
NEW YORK	\$517,346,275	\$11,550,156	2.23%	\$1,488,912,652	\$47,214,892	3.17%	-0.94%
VIRGINIA	\$772,327,925	\$9,993,524	1.29%	\$415,092,587	\$10,197,142	2.46%	-1.16%
VERMONT	\$3,133,401	\$469	0.01%	\$33,469,226	\$449,620	1.34%	-1.33%
MICHIGAN	\$699,229,447	\$2,685,427	0.38%	\$715,375,586	\$12,730,730	1.78%	-1.40%
OREGON	\$321,392,025	\$1,086,025	0.34%	\$220,084,989	\$3,945,696	1.79%	-1.45%
TEXAS	\$1,070,426,732	\$27,729,085	2.59%	\$1,415,535,633	\$67,384,765	4.76%	-2.17%
DISTRICT OF COLUMBIA	\$366,863,512	\$2,752,845	0.75%	\$52,900,995	\$3,039,016	5.74%	-4.99%
HAWAII	\$17,176,116	\$3,157,812	18.38%	\$55,361,257	\$14,822,367	26.77%	-8.39%

State Minority Suppliers

State	Postal Service			National Business Demographics			DELTA PERCENT MINORITY
	TOTAL SUPPLIER #	TOTAL MINORITY SUPPLIER #	PERCENT MINORITY	TOTAL SUPPLIER #	TOTAL MINORITY SUPPLIER #	PERCENT MINORITY	
NEVADA	165	28	16.97%	129,757	15,187	11.70%	5.27%
ILLINOIS	1,009	179	17.74%	882,053	110,340	12.51%	5.23%
LOUISIANA	224	43	19.20%	295,679	41,734	14.11%	5.08%
WYOMING	40	3	7.50%	49,376	2,146	4.35%	3.15%
CONNECTICUT	327	28	8.56%	284,022	20,409	7.19%	1.38%
MISSISSIPPI	170	24	14.12%	167,907	21,997	13.10%	1.02%
OREGON	187	13	6.95%	291,596	18,215	6.25%	0.71%
SOUTH DAKOTA	94	3	3.19%	65,791	1,653	2.51%	0.68%
INDIANA	278	16	5.76%	413,400	22,761	5.51%	0.25%
COLORADO	426	39	9.15%	410,249	37,021	9.02%	0.13%
MINNESOTA	428	16	3.74%	410,634	15,258	3.72%	0.02%
MASSACHUSETTS	571	40	7.01%	537,150	39,039	7.27%	-0.26%
MICHIGAN	596	42	7.05%	677,473	51,751	7.64%	-0.59%
ARKANSAS	282	17	6.03%	193,424	13,023	6.73%	-0.70%
IOWA	249	4	1.61%	227,562	5,299	2.33%	-0.72%
MAINE	211	3	1.42%	127,467	2,822	2.21%	-0.79%
NEBRASKA	119	3	2.52%	138,762	4,632	3.34%	-0.82%
IDAHO	83	3	3.61%	109,758	5,164	4.70%	-1.09%
TENNESSEE	330	22	6.67%	415,934	32,524	7.82%	-1.15%
MONTANA	125	3	2.40%	93,677	3,356	3.58%	-1.18%
ARIZONA	334	40	11.98%	329,031	43,337	13.17%	-1.20%
ALABAMA	257	22	8.56%	285,206	28,292	9.92%	-1.36%
KENTUCKY	226	7	3.10%	281,551	12,664	4.50%	-1.40%
NORTH DAKOTA	75	1	1.33%	55,266	1,530	2.77%	-1.44%
WEST VIRGINIA	128	3	2.34%	111,737	4,290	3.84%	-1.50%
WISCONSIN	295	6	2.03%	366,436	13,692	3.74%	-1.70%
NEW HAMPSHIRE	127	1	0.79%	115,747	3,228	2.79%	-2.00%
UTAH	163	5	3.07%	169,164	8,617	5.09%	-2.03%
DELAWARE	41	3	7.32%	56,586	5,329	9.42%	-2.10%
OHIO	619	26	4.20%	781,284	49,430	6.33%	-2.13%
RHODE ISLAND	82	3	3.66%	80,934	4,784	5.91%	-2.25%
PENNSYLVANIA	944	32	3.39%	837,756	49,455	5.90%	-2.51%
MISSOURI	454	17	3.74%	411,403	26,558	6.46%	-2.71%
KANSAS	182	5	2.75%	213,392	11,663	5.47%	-2.72%
WASHINGTON	339	22	6.49%	447,433	42,935	9.60%	-3.11%
VERMONT	60	0	0.00%	67,488	2,109	3.13%	-3.13%
OKLAHOMA	238	15	6.30%	280,722	28,509	10.16%	-3.85%
SOUTH CAROLINA	206	16	7.77%	260,342	30,753	11.81%	-4.05%
NORTH CAROLINA	462	29	6.28%	570,484	61,551	10.79%	-4.51%
GEORGIA	430	41	9.53%	568,552	88,733	15.61%	-6.07%
NEW MEXICO	179	38	21.23%	131,685	37,497	28.47%	-7.25%
VIRGINIA	653	45	6.89%	480,122	71,705	14.93%	-8.04%
MARYLAND	590	74	12.54%	400,203	82,619	20.64%	-8.10%
NEW JERSEY	685	50	7.30%	654,227	102,295	15.64%	-8.34%
ALASKA	192	16	8.33%	64,134	10,695	16.68%	-8.34%
TEXAS	1,250	184	14.72%	1,525,972	365,450	23.95%	-9.23%
FLORIDA	867	106	12.23%	1,301,920	286,885	22.04%	-9.81%
HAWAII	132	61	46.21%	93,981	54,250	57.72%	-11.51%
NEW YORK	1,246	87	6.98%	1,509,829	296,523	19.64%	-12.66%
CALIFORNIA	1,489	209	14.04%	2,565,734	738,000	28.76%	-14.73%
DISTRICT OF COLUMBIA	174	26	14.94%	45,297	15,238	33.64%	-18.70%

State Woman-Owned Dollars

State	Postal Service			National Business Demographics			DELTA PERCENT WOMEN
	TOTAL SUPPLIER \$	TOTAL WOMEN SUPPLIER \$	PERCENT WOMEN	TOTAL SUPPLIER \$ (000)	TOTAL WOMEN SUPPLIER \$ (000)	PERCENT WOMEN	
SOUTH CAROLINA	\$18,996,495	\$6,445,179	33.93%	\$213,486,429	\$10,634,412	4.98%	28.95%
COLORADO	\$61,041,723	\$17,041,657	27.92%	\$277,629,997	\$13,762,595	4.96%	22.96%
NEW MEXICO	\$18,501,305	\$5,065,002	27.38%	\$79,752,084	\$4,449,686	5.58%	21.80%
NEBRASKA	\$21,314,241	\$4,172,769	19.58%	\$137,755,012	\$4,536,547	3.29%	16.28%
LOUISIANA	\$14,731,838	\$2,390,337	16.23%	\$285,022,192	\$11,462,806	4.02%	12.20%
SOUTH DAKOTA	\$6,613,174	\$714,601	10.81%	\$50,181,052	\$1,202,178	2.40%	8.41%
NORTH DAKOTA	\$5,462,189	\$614,887	11.26%	\$35,005,958	\$1,166,763	3.33%	7.92%
IOWA	\$44,471,128	\$4,542,990	10.22%	\$206,328,836	\$8,093,311	3.92%	6.29%
OHIO	\$143,156,090	\$13,906,408	9.71%	\$796,505,791	\$30,596,853	3.84%	5.87%
NEW JERSEY	\$157,451,565	\$14,009,114	8.90%	\$690,007,714	\$30,000,725	4.35%	4.55%
CALIFORNIA	\$353,242,431	\$33,771,637	9.56%	\$2,178,292,213	\$121,191,163	5.56%	4.00%
FLORIDA	\$181,340,239	\$17,270,831	9.52%	\$828,429,130	\$48,261,328	5.83%	3.70%
MINNESOTA	\$71,039,146	\$4,432,542	6.24%	\$382,363,126	\$13,457,542	3.52%	2.72%
IDAHO	\$8,708,253	\$553,988	6.36%	\$65,838,870	\$2,405,407	3.65%	2.71%
UTAH	\$36,381,421	\$2,401,810	6.60%	\$119,100,391	\$5,096,187	4.28%	2.32%
WASHINGTON	\$58,677,493	\$3,839,065	6.54%	\$357,322,932	\$15,099,236	4.23%	2.32%
RHODE ISLAND	\$6,699,874	\$467,702	6.98%	\$52,930,316	\$2,683,580	5.07%	1.91%
MAINE	\$10,538,101	\$586,180	5.56%	\$63,626,180	\$3,212,307	5.05%	0.51%
GEORGIA	\$206,745,140	\$10,059,348	4.87%	\$580,344,999	\$25,267,240	4.35%	0.51%
ARIZONA	\$97,909,538	\$4,892,598	5.00%	\$247,191,482	\$11,304,658	4.57%	0.42%
MONTANA	\$14,473,082	\$844,170	5.83%	\$37,668,225	\$2,047,559	5.44%	0.40%
MASSACHUSETTS	\$99,955,579	\$3,529,213	3.53%	\$517,291,479	\$16,752,596	3.24%	0.29%
TENNESSEE	\$81,082,515	\$3,028,761	3.74%	\$362,587,045	\$14,538,315	4.01%	-0.27%
OKLAHOMA	\$32,506,542	\$1,576,127	4.85%	\$172,370,196	\$8,911,638	5.17%	-0.32%
ILLINOIS	\$448,188,406	\$17,811,384	3.97%	\$993,116,732	\$44,273,464	4.46%	-0.48%
WISCONSIN	\$148,424,902	\$5,567,530	3.75%	\$367,841,279	\$15,653,949	4.26%	-0.50%
VERMONT	\$3,133,401	\$105,781	3.38%	\$33,469,226	\$1,313,146	3.92%	-0.55%
NEVADA	\$20,820,599	\$1,087,472	5.22%	\$102,813,070	\$5,971,518	5.81%	-0.59%
DELAWARE	\$1,751,938	\$25,643	1.46%	\$89,318,585	\$1,831,055	2.05%	-0.59%
NORTH CAROLINA	\$126,862,235	\$4,658,272	3.67%	\$518,648,589	\$24,166,074	4.66%	-0.99%
WEST VIRGINIA	\$10,916,731	\$338,992	3.11%	\$77,527,532	\$3,298,735	4.25%	-1.15%
CONNECTICUT	\$100,314,464	\$1,751,971	1.75%	\$314,909,364	\$9,276,337	2.95%	-1.20%
NEW YORK	\$517,346,275	\$13,032,720	2.52%	\$1,488,912,652	\$59,496,722	4.00%	-1.48%
ALABAMA	\$55,720,149	\$1,444,877	2.59%	\$237,406,593	\$10,230,379	4.31%	-1.72%
KENTUCKY	\$113,965,143	\$2,592,131	2.27%	\$245,795,924	\$9,876,600	4.02%	-1.74%
WYOMING	\$4,849,477	\$84,688	1.75%	\$26,742,915	\$944,747	3.53%	-1.79%
ALASKA	\$14,241,847	\$472,434	3.32%	\$36,911,657	\$1,942,339	5.26%	-1.94%
ARKANSAS	\$46,119,107	\$1,157,681	2.51%	\$143,570,776	\$6,490,255	4.52%	-2.01%
KANSAS	\$57,083,224	\$928,705	1.63%	\$184,199,987	\$6,928,221	3.76%	-2.13%
NEW HAMPSHIRE	\$12,153,972	\$215,184	1.77%	\$79,303,771	\$3,112,620	3.92%	-2.15%
MISSOURI	\$134,808,328	\$2,374,248	1.76%	\$382,797,052	\$15,002,981	3.92%	-2.16%
VIRGINIA	\$772,327,925	\$13,278,813	1.72%	\$415,092,587	\$17,486,395	4.21%	-2.49%
PENNSYLVANIA	\$433,440,175	\$7,511,909	1.73%	\$802,492,149	\$34,043,332	4.24%	-2.51%
MICHIGAN	\$699,229,447	\$6,641,171	0.95%	\$715,375,586	\$26,498,569	3.70%	-2.75%
TEXAS	\$1,070,426,732	\$18,549,785	1.73%	\$1,415,535,633	\$65,065,262	4.60%	-2.86%
MISSISSIPPI	\$25,288,346	\$487,663	1.93%	\$122,887,932	\$5,995,011	4.88%	-2.95%
INDIANA	\$467,988,862	\$1,351,535	0.29%	\$407,270,539	\$13,578,102	3.33%	-3.05%
DISTRICT OF COLUMBIA	\$366,863,512	\$1,220,604	0.33%	\$52,900,995	\$1,813,270	3.43%	-3.09%
MARYLAND	\$519,206,646	\$7,823,453	1.51%	\$285,924,027	\$14,657,414	5.13%	-3.62%
OREGON	\$321,392,025	\$1,460,674	0.45%	\$220,084,989	\$10,334,626	4.70%	-4.24%
HAWAII	\$17,176,116	\$251,021	1.46%	\$55,361,257	\$3,253,329	5.88%	-4.42%

State Woman-Owned Suppliers

State	Postal Service			National Business Demographics			DELTA PERCENT WOMEN
	TOTAL SUPPLIER #	TOTAL WOMEN SUPPLIER #	PERCENT WOMEN	TOTAL SUPPLIER #	TOTAL WOMEN SUPPLIER #	PERCENT WOMEN	
LOUISIANA	224	76	33.93%	295,679	70,550	23.86%	10.07%
MONTANA	125	29	23.20%	93,677	22,404	23.92%	-0.72%
SOUTH DAKOTA	94	17	18.09%	65,791	14,121	21.46%	-3.38%
NEW MEXICO	179	44	24.58%	131,685	38,706	29.39%	-4.81%
ALABAMA	257	50	19.46%	285,206	69,515	24.37%	-4.92%
ARKANSAS	282	48	17.02%	193,424	42,581	22.01%	-4.99%
OKLAHOMA	238	45	18.91%	280,722	67,481	24.04%	-5.13%
IDAHO	83	15	18.07%	109,758	25,763	23.47%	-5.40%
ARIZONA	334	69	20.66%	329,031	88,780	26.98%	-6.32%
MAINE	211	36	17.06%	127,467	30,598	24.00%	-6.94%
TEXAS	1,250	224	17.92%	1,525,972	381,453	25.00%	-7.08%
WYOMING	40	6	15.00%	49,376	11,148	22.58%	-7.58%
NORTH DAKOTA	75	11	14.67%	55,266	12,417	22.47%	-7.80%
NEVADA	165	29	17.58%	129,757	33,311	25.67%	-8.10%
SOUTH CAROLINA	206	34	16.50%	260,342	64,232	24.67%	-8.17%
OREGON	187	35	18.72%	291,596	80,543	27.62%	-8.90%
KENTUCKY	226	30	13.27%	281,551	65,965	23.43%	-10.15%
INDIANA	278	42	15.11%	413,400	107,082	25.90%	-10.79%
MISSISSIPPI	170	20	11.76%	167,907	38,321	22.82%	-11.06%
FLORIDA	867	127	14.65%	1,301,920	337,811	25.95%	-11.30%
NEBRASKA	119	15	12.61%	138,762	33,469	24.12%	-11.51%
MISSOURI	454	60	13.22%	411,403	103,626	25.19%	-11.97%
MICHIGAN	596	91	15.27%	677,473	184,590	27.25%	-11.98%
ALASKA	192	26	13.54%	64,134	16,633	25.93%	-12.39%
UTAH	163	20	12.27%	169,164	41,991	24.82%	-12.55%
COLORADO	426	60	14.08%	410,249	114,807	27.98%	-13.90%
TENNESSEE	330	31	9.39%	415,934	99,772	23.99%	-14.59%
NEW HAMPSHIRE	127	11	8.66%	115,747	27,265	23.56%	-14.89%
MARYLAND	590	82	13.90%	400,203	115,801	28.94%	-15.04%
CALIFORNIA	1,489	181	12.16%	2,565,734	700,513	27.30%	-15.15%
VERMONT	60	6	10.00%	67,488	17,030	25.23%	-15.23%
NORTH CAROLINA	462	42	9.09%	570,484	139,900	24.52%	-15.43%
GEORGIA	430	43	10.00%	568,552	145,576	25.60%	-15.60%
DISTRICT OF COLUMBIA	174	26	14.94%	45,297	13,979	30.86%	-15.92%
RHODE ISLAND	82	7	8.54%	80,934	19,886	24.57%	-16.03%
PENNSYLVANIA	944	77	8.16%	837,756	202,990	24.23%	-16.07%
NEW JERSEY	685	51	7.45%	654,227	155,345	23.74%	-16.30%
WASHINGTON	339	37	10.91%	447,433	123,042	27.50%	-16.59%
NEW YORK	1,246	117	9.39%	1,509,829	394,014	26.10%	-16.71%
WEST VIRGINIA	128	13	10.16%	111,737	30,231	27.06%	-16.90%
MINNESOTA	428	40	9.35%	410,634	108,417	26.40%	-17.06%
ILLINOIS	1,009	101	10.01%	882,053	239,725	27.18%	-17.17%
WISCONSIN	295	19	6.44%	366,436	89,284	24.37%	-17.92%
VIRGINIA	653	60	9.19%	480,122	132,219	27.54%	-18.35%
KANSAS	182	13	7.14%	213,392	54,638	25.60%	-18.46%
OHIO	619	46	7.43%	781,284	205,044	26.24%	-18.81%
MASSACHUSETTS	571	37	6.48%	537,150	142,661	26.56%	-20.08%
CONNECTICUT	327	17	5.20%	284,022	72,393	25.49%	-20.29%
IOWA	249	11	4.42%	227,562	57,527	25.28%	-20.86%
DELAWARE	41	1	2.44%	56,586	13,662	24.14%	-21.70%
HAWAII	132	7	5.30%	93,981	25,807	27.46%	-22.16%

APPENDIX D. COMPARISONS BY POSTAL SERVICE AREAS

Postal Service Area - Minority Dollars

Area*	Postal Service			National Business Demographics			DELTA PERCENT MINORITY
	TOTAL SUPPLIER \$	TOTAL MINORITY SUPPLIER \$	PERCENT MINORITY	TOTAL SUPPLIER \$ (000)	TOTAL MINORITY SUPPLIER \$ (000)	PERCENT MINORITY	
NATIONAL	\$8,220,590,821	\$286,511,430	3.49%	\$18,553,243,047	\$591,259,123	3.19%	0.30%
ALLEGHENY	\$586,466,361	\$22,013,072	3.75%	\$1,847,014,192	\$22,971,589	1.24%	2.51%
GREAT LAKES	\$1,479,907,627	\$22,366,512	1.51%	\$1,990,639,407	\$38,535,858	1.94%	-0.42%
MID-ATLANTIC**	\$1,908,703,155	\$42,135,032	2.21%	\$1,786,772,885	\$35,250,385	1.97%	0.23%
MIDWEST	\$611,707,667	\$17,885,221	2.92%	\$1,740,450,346	\$12,455,224	0.72%	2.21%
NEW YORK	\$344,553,111	\$15,390,378	4.47%	\$1,752,339,803	\$65,773,471	3.75%	0.71%
NORTHEAST	\$551,769,002	\$10,948,344	1.98%	\$1,376,010,588	\$16,379,223	1.19%	0.79%
PACIFIC	\$368,417,751	\$47,900,545	13.00%	\$2,227,414,207	\$197,399,282	8.86%	4.14%
SOUTHEAST	\$545,031,239	\$40,445,792	7.42%	\$2,179,121,137	\$70,899,339	3.25%	4.17%
SOUTHWEST	\$1,167,891,806	\$35,166,667	3.01%	\$1,991,402,923	\$73,769,536	3.70%	-0.69%
WESTERN	\$656,143,102	\$32,259,867	4.92%	\$1,559,555,266	\$40,323,532	2.59%	2.33%

Postal Service Area - Minority Suppliers

Area*	Postal Service			National Business Demographics			DELTA PERCENT MINORITY
	TOTAL SUPPLIER #	TOTAL MINORITY SUPPLIER #	PERCENT Minority	TOTAL SUPPLIER #	TOTAL MINORITY SUPPLIER #	PERCENT MINORITY	
NATIONAL	18,764	1,636	8.72%	20,821,934	3,039,033	14.60%	-5.88%
ALLEGHENY	1,741	72	4.14%	1,899,355	102,264	5.38%	-1.25%
GREAT LAKES	1,790	233	13.02%	1,820,276	155,048	8.52%	4.50%
MID-ATLANTIC**	2,370	195	8.23%	2,100,031	203,143	9.67%	-1.45%
MIDWEST	1,930	58	3.01%	1,895,290	46,972	2.48%	0.53%
NEW YORK	1,235	32	2.59%	1,681,227	363,718	21.63%	-19.04%
NORTHEAST	1,847	93	5.04%	1,610,641	71,207	4.42%	0.61%
PACIFIC	1,601	264	16.49%	2,695,303	784,715	29.11%	-12.62%
SOUTHEAST	2,059	219	10.64%	2,733,845	382,768	14.00%	-3.36%
SOUTHWEST	1,981	259	13.07%	2,260,178	363,065	16.06%	-2.99%
WESTERN	2,210	211	9.55%	2,177,199	174,338	8.01%	1.54%

* Postal Service areas in existence as of FY 1999.

** Includes Capital Metro Area.

Postal Service Area - Woman-Owned Dollars

Area*	Postal Service			National Business Demographics			DELTA PERCENT WOMEN
	TOTAL SUPPLIER \$	TOTAL WOMEN SUPPLIER \$	PERCENT WOMEN	TOTAL SUPPLIER \$ (000)	TOTAL WOMEN SUPPLIER \$ (000)	PERCENT WOMEN	
NATIONAL	\$8,220,590,821	\$265,420,961	3.23%	\$18,553,243,047	\$818,669,084	4.41%	-1.18%
ALLEGHENY	\$586,466,361	\$23,474,870	4.00%	\$1,847,014,192	\$72,744,940	3.94%	0.06%
GREAT LAKES	\$1,479,907,627	\$25,413,566	1.72%	\$1,990,639,407	\$77,819,836	3.91%	-2.19%
MID-ATLANTIC**	\$1,908,703,155	\$34,233,972	1.79%	\$1,786,772,885	\$79,197,191	4.43%	-2.64%
MIDWEST	\$611,707,667	\$23,755,315	3.88%	\$1,740,450,346	\$62,869,189	3.61%	0.27%
NEW YORK	\$344,553,111	\$21,778,867	6.32%	\$1,752,339,803	\$71,265,985	4.07%	2.25%
NORTHEAST	\$551,769,002	\$9,068,965	1.64%	\$1,376,010,588	\$47,500,449	3.45%	-1.81%
PACIFIC	\$368,417,751	\$33,715,353	9.15%	\$2,227,414,207	\$124,013,961	5.57%	3.58%
SOUTHEAST	\$545,031,239	\$32,496,497	5.96%	\$2,179,121,137	\$103,972,092	4.77%	1.19%
SOUTHWEST	\$1,167,891,806	\$23,629,461	2.02%	\$1,991,402,923	\$87,791,036	4.41%	-2.39%
WESTERN	\$656,143,102	\$37,854,095	5.77%	\$1,559,555,266	\$72,879,288	4.67%	1.10%

Postal Service Area - Woman-Owned Supplier

Area*	Postal Service			National Business Demographics			DELTA PERCENT WOMEN
	TOTAL SUPPLIER #	TOTAL WOMEN SUPPLIER #	PERCENT WOMEN	TOTAL SUPPLIER #	TOTAL WOMEN SUPPLIER #	PERCENT WOMEN	
NATIONAL	18,764	2,310	12.31%	20,821,934	5,417,034	26.02%	-13.71%
ALLEGHENY	1,741	140	8.04%	1,899,355	417,031	21.96%	-13.92%
GREAT LAKES	1,790	227	12.68%	1,820,276	422,868	23.23%	-10.55%
MID-ATLANTIC**	2,370	273	11.52%	2,100,031	425,377	20.26%	-8.74%
MIDWEST	1,930	195	10.10%	1,895,290	311,683	16.45%	-6.34%
NEW YORK	1,235	86	6.96%	1,681,227	410,745	24.43%	-17.47%
NORTHEAST	1,847	164	8.88%	1,610,641	402,546	24.99%	-16.11%
PACIFIC	1,601	179	11.18%	2,695,303	719,657	26.70%	-15.52%
SOUTHEAST	2,059	280	13.60%	2,733,845	589,047	21.55%	-7.95%
SOUTHWEST	1,981	391	19.74%	2,260,178	446,204	19.74%	0.00%
WESTERN	2,210	375	16.97%	2,177,199	518,164	23.80%	-6.83%

* Postal Service areas in existence as of FY 1999.

** Includes Capital Metro Area.

APPENDIX E. COMPARISONS BY INDUSTRIAL SECTOR

Sector - Minority Dollars *

SECTOR	Postal Service			National Business Demographics			DELTA PERCENT MINORITY
	TOTAL SUPPLIER \$	TOTAL MINORITY SUPPLIER \$	PERCENT MINORITY	TOTAL SUPPLIER \$ (000)	TOTAL MINORITY SUPPLIER \$ (000)	PERCENT MINORITY	
Construction	\$1,796,318,480	\$160,388,747	8.93%	\$944,154,542	\$41,883,580	4.44%	4.49%
Manufacturing	\$935,425,732	\$8,844,050	0.95%	\$4,021,515,429	\$63,048,288	1.57%	-0.62%
Retail Trade	\$104,117,148	\$6,583,482	6.32%	\$2,649,085,229	\$116,260,610	4.39%	1.93%
Services	\$1,769,164,662	\$50,246,518	2.84%	\$2,614,964,642	\$135,876,314	5.20%	-2.36%
Transportation & Public Utilities	\$2,206,686,310	\$38,055,594	1.72%	\$1,183,669,281	\$21,273,509	1.80%	-0.08%
Wholesale Trade	\$1,378,819,794	\$34,205,124	2.48%	\$4,270,041,314	\$153,874,333	3.60%	-1.12%

Sector - Minority Suppliers *

SECTOR	Postal Service			National Business Demographics			DELTA PERCENT MINORITY
	TOTAL SUPPLIER #	TOTAL MINORITY SUPPLIER #	PERCENT MINORITY	TOTAL SUPPLIER #	TOTAL MINORITY SUPPLIER #	PERCENT MINORITY	
Construction	8,463	503	5.94%	2,333,424	255,251	10.94%	-5.00%
Manufacturing	1,407	111	7.89%	688,782	63,640	9.24%	-1.35%
Retail Trade	22	1	4.55%	2,889,041	439,450	15.21%	-10.67%
Services	4,899	665	13.57%	8,891,023	1,339,486	15.07%	-1.49%
Transportation & Public Utilities	2,923	405	13.86%	919,570	190,564	20.72%	-6.86%
Wholesale Trade	2,843	225	7.91%	797,856	92,727	11.62%	-3.71%

Sector - Woman-Owned Dollars *

SECTOR	Postal Service			National Business Demographics			DELTA PERCENT WOMAN
	TOTAL SUPPLIER \$	TOTAL WOMAN SUPPLIER \$	PERCENT WOMAN	TOTAL SUPPLIER \$ (000)	TOTAL WOMAN SUPPLIER \$ (000)	PERCENT WOMAN	
Construction	\$1,796,318,480	\$72,941,294	4.06%	\$944,154,542	\$67,632,059	7.16%	-3.10%
Manufacturing	\$935,425,732	\$29,133,359	3.11%	\$4,021,515,429	\$113,722,304	2.83%	0.29%
Retail Trade	\$104,117,148	\$6,633,709	6.37%	\$2,649,085,229	\$152,041,311	5.74%	0.63%
Services	\$1,769,164,662	\$44,761,675	2.53%	\$2,614,964,642	\$186,161,274	7.12%	-4.59%
Transportation & Public Utilities	\$2,206,686,310	\$69,056,956	3.13%	\$1,183,669,281	\$32,944,160	2.78%	0.35%
Wholesale Trade	\$1,378,819,794	\$45,289,705	3.28%	\$4,270,041,314	\$188,488,639	4.41%	-1.13%

Sector - Woman-Owned Suppliers *

SECTOR	Postal Service			National Business Demographics			DELTA PERCENT WOMAN
	TOTAL SUPPLIER #	TOTAL WOMAN SUPPLIER #	PERCENT WOMAN	TOTAL SUPPLIER #	TOTAL WOMAN SUPPLIER #	PERCENT WOMAN	
Construction	8,463	331	3.91%	2,333,424	157,173	6.74%	-2.82%
Manufacturing	1,407	122	8.67%	688,782	121,108	17.58%	-8.91%
Retail Trade	22	2	9.09%	2,889,041	919,990	31.84%	-22.75%
Services	4,899	849	17.33%	8,891,023	2,981,266	33.53%	-16.20%
Transportation & Public Utilities	2,923	910	31.13%	919,570	128,999	14.03%	17.10%
Wholesale Trade	2,843	295	10.38%	797,856	125,645	15.75%	-5.37%

* The Industrial Sector analyses do not include categories Agriculture, Finance, and Not Classified.

APPENDIX F. MANAGEMENT'S COMMENTS

Purchasing:



March 22, 2002

JOHN M. SEEBA
ASSISTANT INSPECTOR GENERAL
FOR FINANCIAL MANAGEMENT

THRU: KEITH STRANGE *KS 3/25/02*

SUBJECT: Draft Management Advisory—Postal Service Supplier Demographics
(Report Number CA-MA-02-DRAFT)

Thank you for the opportunity to respond to the subject management advisory report. We were pleased that the Office of the Inspector General (OIG) found, in looking at FY 1999 statistics, that the Postal Service was generally consistent with national business demographics regarding the total percentage of contract dollars awarded to minority and woman owned suppliers. With our continued focus on strategic sourcing and supply chain management, we were not surprised with the results related to the number of contracts awarded.

The attached includes our response to the report's findings and recommendations. We do not believe your report contains any proprietary or business information. If you have any questions about this response, please contact Marie Martinez at (202) 268-4117.

A handwritten signature in cursive script, appearing to read "Michael J. Harris".

Michael J. Harris
Acting Manager
Purchasing Policies and Programs

Attachments

cc: John E. Potter (all w/Attachments)
William T. Johnstone
Benjamin P. Ocasio
Rudolph K. Umscheid
John R. Gummels
Jean J. Provost
Marie K. Martinez

ATTACHMENT
Management Response
OIG Report CA-MA-02-DRAFT
Postal Service Supplier Demographics

Finding: Minority-owned Supplier contract Records Did Not Always Include Ethnic Level Data

Comments on Findings and Conclusions

As pointed out by the Office of the Inspector General (OIG), the Purchasing Manual requires that purchases made from small, minority and women-owned businesses must be coded by socioeconomic classification. Further, a Purchasing Manual exhibit details those classification codes and minority ethnic classifications.

Recommendation

1. Require contracting officers to input ethnic codes for minority-owned suppliers in procurement databases.

Management agrees with this recommendation. While existing Purchasing Manual clearly calls for entry of this data, and our systems now accommodate such entries, contracting personnel will be reminded of the requirement to code purchases with small, minority and women-owned businesses by appropriate socioeconomic classification code through a Purchasing and Materials electronic newsletter (*CustomerLink*). A request will also be sent to the Manager, Supply Chain Management Systems Portfolio to verify that these codes are mandatory fields in our Supplies, Services and Equipment, Facilities, and Transportation purchasing systems. We will also request that as applicable, edit checks be added to insure data entry and to promote data integrity and accuracy. These actions will be taken within 60 days following receipt of the final OIG report.

Finding: Supplier Base Not Consistent with National Business Demographics for Number of Suppliers

Comments on Findings and Conclusions

The OIG found that the dollars (FY 99 committed dollars) that went directly to minority and woman-owned firms were generally in line with the portion of total annual revenues that go to minority and woman-owned firms as indicated in the Census Bureau's analysis of the 1997 Economic Census data.

The OIG then found that the number of discrete minority and woman-owned firms receiving contracts during FY 1999, in proportion to our overall supplier base, fell short of reflecting the ratio of such suppliers to the overall number of firms in the United States. We will discuss this finding in more detail *infra*, in the Appendix 1 to this response. We can here note that we do not consider that disparity to be surprising or very significant. According to the Census Bureau data, nearly 75% of the 20.8 million firms in the United States have no employees at all, and of the remaining 5 million, two thirds have fewer than five employees. These are very small firms by virtually any standard. In all probability, such firms will not have either the capabilities or reach to meet Postal Service needs. The OIG, at page 7 of the report, noted our comment on this point.

Since many of our suppliers hold multiple contracts, dollars and transactions going to minority and woman-owned firms, and the percentage of such as a function of our total dollars and total contracts may be a more accurate indicator. In saying that, we should note that we did, this year, adopt a new metric -- the number of discrete suppliers (and discrete small, minority and woman-

owned suppliers) that make up our supplier base. We think that this new metric will be valuable, and will complement those we have used historically. However, we think it will be of limited value as a comparator to national Economic Census statistics.

We view our supplier diversity program, in part, as an initiative to insure that we can have some insight as to how, and to what extent, our purchasing dollars find their way into the small, minority and woman-owned business communities. We view our subcontracting program as an important part of our supplier diversity program.

Recommendation

2. Use national business demographics data as a tool when assessing diversity of its suppliers and identifying market opportunities.

Management agrees with this recommendation to the extent outlined below.

Supplier Diversity at the Postal Service is the proactive business process that seeks to "insure that no supplier is excluded from opportunities, or given preference, to compete on the basis of race, color, religion, sex, age, or national origin."¹ This process underpins the policy of the Postal Service to maintain a strong supplier base that reflects the diversity of the American supplier community. Small, minority and woman-owned businesses are an important part of that supplier base. Purchase teams currently use various means to source suppliers, including minority and woman-owned businesses.

We believe use of the national business demographics data can be useful in top-level diagnoses. The data may also have some value in efforts to assess supplier diversity subcontracting plans in some particular cases. The data is quite generic for use in fundamental sourcing, and our purchasing professionals do have a variety of focused data bases they can more practically use for source identification. From a management or strategic level, we will use the census data as a benchmark to monitor overall performance.

¹ See "Supplier Diversity, Statement of Commitment"

APPENDIX 1
Supplementary Management Response To Recommendation 2
 OIG Report CA-MA-02-DRAFT
 Postal Service Supplier Demographics

As noted in the response above, the OIG's Advisory Report recommended that the vice president, Purchasing and Materials "use national business demographics data as a tool when assessing diversity of its suppliers and identifying market opportunities."

The Economic Census Data:

We agree that the Census Bureau's material, drawn from the periodic "Economic Census," does provide a wealth of information about the overall business community within the United States, and its overall composition. We agree that this information is valuable for top level analysis of our program and for general diagnoses. We are using it for those broad purposes.

We include, as an attachment, a summary of information derived from the several reports the Census Bureau published from the 1997 statistics, and the trend data they contain, drawn from using 1992 Economic Census data as a comparator.

For example, we can use the data to get a picture of publicly held versus privately held businesses and their relative "sharing of overall business revenues". We can see, in gross fashion, growth in both numbers of firms and revenues from 1992 to 1997, broken down by business classification. We can see where geographic concentrations of firms, by ethnic ownership, are developing. We can drill into the makeup of various industry sectors. These are all valuable data for general assessment and diagnostics.

However, it does not provide a particularly useful tool for our purchasing professionals to use in "sourcing" for particular buys. Typically, but with some exceptions, our buyers source nationally. In other words, they look for suppliers capable of meeting our needs across the span of the nation. Our formal "buys" or solicitations are generally large and require financial, technical, and logistical capability. Large proportions of our formal contracts go to publicly held firms, as do the preponderance of our purchasing dollars.¹ Notable exceptions can be found in construction activities, some road transportation contracts, and, to some extent, "local" buys made with the purchase card (P-card). In these, there can often be a more geographical (regional or local) focus, but even with the P-cards, much of the buying is done from national firms.

The Census Bureau Data and Market Opportunities:

The OIG concluded that the Census Bureau's national business demographic data could assist the Postal Service in assessing its minority-owned and woman-owned supplier representation and foster opportunities to maintain or increase revenues from these sources. As noted above, we think there is general value in the Census Bureau data. We can use that information to some degree, to assess minority and woman-owned business representation and participation in our supply chain. To use that data to "foster opportunities to maintain and increase revenues from these sources" is far more problematic, and probably does not lie with Purchasing and Materials. We do understand that our marketing and sales forces have made some focused attempts at identifying and addressing particular small, and minority markets, but our role, in Purchasing and Materials, has been one of tangential support.

¹ Some 380,000 (less than 2%) of the nearly 20.8 million firms in the United States are publicly held, foreign-owned or not for profit firms. Those firms account for well over half the total annual revenues being received by the total number of firms.

That being said, we do understand and believe that the regard held for the Postal Service, overall, and within the minority and woman sectors of the marketplace, can be improved (or lessened) to some degree by whether or not we are viewed in those communities as supporting cross-cultural business opportunities. The extent of effect that may have on our "market" in those communities is extremely difficult to assess, given our ubiquitous presence everywhere in the United States.

Nevertheless, we think that our general reputation for promoting supplier diversity has stood the Postal Service in good stead. We receive a fair amount of recognition from external sources for the efficacy of our program. For example, in both 2000 and 2001, the Postal Service ranked high in an electronic survey of some 100,000 minority and woman-owned firms asked to rate private sector Fortune 100 companies and government agencies on how well they support cross-cultural business opportunities. The survey is conducted by DIV2000. Among the government agencies, we ranked second (to the Small Business Administration) in 2000, and sixth in 2001.

Indeed, the analysis contained in the OIG's draft report indicated that minority-owned businesses, in FY 1999, received 3.49% of our purchasing dollars against that sector's 3.19% "share" of total national revenues. Woman-owned businesses, on the other hand, received 3.23% of our purchasing dollars as contrasted to WOBs 4.41% "share" of total national revenues.² The OIG does not address subcontracting, or second tier diverse supplier usage, although it is an important plank in our overall supplier diversity program. We strive to enlist our prime suppliers so that they too, in turn, will promote supplier diversity within their own activities. To that end, we require many to provide subcontracting plans, and call for quarterly reports on supplier diversity achievement from most of our suppliers. This clearly augments our efforts to insure that Postal procurement dollars find their way to all sectors of the business community.

Our Supplier Base Compared To Supplier Census Data:

The OIG has also assessed the makeup of our supplier base, and compared it to the makeup of the suppliers included in the National Demographics. To do this, they sought to identify the number of discrete suppliers we used during FY 1999. The number of minority, woman-owned, and total suppliers attributed to us by the OIG appears to us to be low, though we have not done the analysis for FY 1999.³

Fundamentally, we do not believe the comparison to be apposite. A close look at the detail underlying the national demographic data, we believe, will make the point. We already noted the number of publicly held, foreign-owned and non-profit firms in the overall data, and the disproportionate "share" of revenues they command (see footnote 1). To dig a bit deeper, we find

² We were told that these figures include Purchase Card dollars, and reflect FY 1999 figures. Figures we reported for FY 1999, which do not include the P-card results, were somewhat higher, even after "correction" to reflect the dollars questioned by the OIG in Audit Report Number CA-AR-01-005. We had reported that \$363.6 Million had gone to minority firms, and \$445.6 Million had gone to Woman-owned firms in FY 1999, exclusive of P-Card figures.

³ While we have not done an analysis on FY 1999 suppliers to determine the discrete number by category, the numbers of minority, woman-owned and total suppliers attributed to us by the OIG appears to us to be low. We began to use this metric at the end of (and for) FY 2001. For our 2001 analysis, we tabulated suppliers receiving contracts, or contract amendments involving money during the fiscal year. We're not sure that the methodology we used is comparable to that underlying the OIG's figures. For 2001, we reflect a total active supplier base of some 25,600 discrete suppliers, with 2,900 classified as minority owned and 5,965 as woman-owned. We believe that the numbers have decreased somewhat over the past few years due to a significant decrease in commitments and due to our efforts to consolidate buys, in line with our Supply Chain Management strategy. The FY 1999 numbers the IG postulates indicate a total supplier base of 18,764 (exclusive of P-Card vendors), 1,636 minority suppliers, and 2,310 woman-owned firms. The computational approaches may be different from those we used for FY 2001.

that of the remaining 20.4 million firms, generally partnerships, sole proprietorships, and Subchapter S corporations, only about 25% have any employees. Of that remaining number (i.e., the approximately 5 million firms that do have employees), over 60% have fewer than five. The Census data breaks those figures down by supplier sector (see attachment, *infra*).

To look at it a different way, the average annual revenue of the 20.8 million firms was \$891,500⁴. We have already seen that the relatively few publicly held, foreign-owned, and non-profit firms account for more than half the total revenues. Average annual revenues for minority owned firms, (taken as a group) was \$195,000, while that of woman-owned firms was \$151,000. This data tell us that a great many firms in the National Business Demographic Database are simply too small, generally, to serve our needs.

Supplier Diversity and Sourcing:

Under our approach to supplier diversity, and in line with our congruent strategies to find and do business with the best while adopting supply chain management approaches, we stress the identification and examination of specific firms (including minority and woman-owned firms). To that end, we provide buyers with access to supplier listings and data bases of our own and from a broad variety of other sources such as that of the National Supplier Diversity Council (NSDCC). These listings and data bases can provide our buyers with more detailed and focused information on particular suppliers than can be derived readily from the Census Bureau Data. We have promulgated a series of "best practices" for both individual buyers and for buying organizations to assist them in their efforts to identify (and develop) capable firms.

Summary:

All told, we certainly agree that the data derived from the periodic Economic Census, compiled and distributed by the Census Bureau, is valuable. It provides an excellent top-level perspective of the composition and mix of suppliers within and throughout the United States. We can, and have begun, to use this information in overall diagnostics.

We also agree that the Economic Census Data may well be useful in efforts to identify market opportunities. We believe that our marketing and sales organizations have used that and similar data for those purposes. Collaterally, we recognize that our reputation in the "outside world" for supporting multicultural opportunities in our purchasing activities and in promoting supplier diversity, supports market development in such sectors.

The value of this data as a tool for particular sourcing efforts to be problematic, and probably less effective than the methods we endeavor to use now.

⁴ Some 693,000 minority-owned firms, or 23% of all minority-owned firms had revenues of \$5,000 or less. Similarly, approximately 1,631,000 woman-owned firms, or 30% of all woman-owned firms had revenues of less than \$5,000/year.

**ATTACHMENT TO APPENDIX 1
Data Extracted From the 1997 Economic Census**

RECEIPTS & REVENUE GROWTH -- '92 to '97					
97 Census Data	# Firms **	Total Revenue (in millions)	Growth In Revenues From '92 (in Millions)		
			%	'92 Revenues	\$ Increase
All U.S.	20,821,934	\$ 18,553,243	7%	\$ 17,339,479	\$ 1,213,764
Wht-non-Hisp	17,316,796	\$ 7,763,011			
Total Minority	3,039,033	\$ 591,259	60%	369,537	\$ 221,722
Black	823,499	\$ 71,215	33%	53,545	\$ 17,670
Amer. Ind./Alask.Nat.	197,300	\$ 34,344	179%	12,310	\$ 22,034
Asian/Pac. Isl.	912,960	\$ 306,933	68%	182,698	\$ 124,235
Hispanic	1,199,896	\$ 186,275	49%	125,017	\$ 61,258
50% Min.Owned	84,586	\$ 37,732			
Woman-Owned	5,417,034	\$ 818,700	33%	615,564	\$ 203,136
Other*	381,519	\$ 10,161,242			
* Other = publicly held, foreign-owned, not-for profit					
** = non farm					
			Average (in \$M)	Rev.>\$1M	Rev.< \$5K
All U.S.	20,821,934	\$ 18,553,243	\$ 0.891	1,041,097	
Wht-non-Hisp	17,316,796	\$ 7,763,011	\$ 0.448		
Total Minority	3,039,033	\$ 591,259	\$ 0.196	84,267	692,861
Black	823,499	\$ 71,215	\$ 0.086	8,682	247,536
Amer.Ind./Alask.Nat.	197,300	\$ 34,344	\$ 0.174	4,892	50,433
Asian/Pac. Isl.	912,960	\$ 306,933	\$ 0.336	45,252	151,751
Hispanic	1,199,896	\$ 186,275	\$ 0.155	26,666	263,071
50% Min.Owned	84,586	\$ 37,732	\$ 0.446		
Women-Owned	5,417,034	\$ 818,700	\$ 0.151	98,870	1,630,833
Other*	381,519	\$ 10,161,242	\$ 26.834		

Growth in Number of Firms -- '92 to '97

	Firms **	Increase Since '92		
		%	# in '92	# increased
All U.S.	20,821,934	7%	19,459,751	1,362,183
Wht-non-Hisp	17,316,796			
Total Minority	3,039,033	30%	2,337,718	701,315
Black	823,499	26%	653,571	169,928
Ind./Alask.Nat.	197,300	84%	107,228	90,072
Asian/Pac. Isl.	912,960	30%	702,277	210,683
Hispanic	1,199,898	30%	922,997	276,899
50% Min.Owned	84,586			
Woman-Owned	5,417,034	16%	4,669,857	747,177
Other*	381,519			
* Other =	publicly held, foreign-owned, not-for profit			
** = non farm				