



March 31, 2004

KEITH STRANGE
VICE PRESIDENT, SUPPLY MANAGEMENT

SUBJECT: Management Advisory – Contract Management
for the Curseen-Morris Facility Cleanup and
Modification
(Report Number CA-MA-04-003)

This report presents the results of our self-initiated review of contract management activities at the Curseen-Morris Processing and Distribution Center in Washington, D.C. (Project Number 03XR015CA000).

Results in Brief

Overall, the Postal Service adequately managed contracts for the unprecedented cleanup and modification of the Curseen-Morris Processing and Distribution Center. Specifically, the contract statements of work did not contain duplicate tasks. In addition, the Postal Service implemented adequate internal controls to control costs and properly used and controlled appropriated funds.

Background

Beginning in 2001, Congress appropriated and the President released \$762 million¹ to support the Postal Service's overall efforts to respond to the biohazard threat from anthrax that faced the mail, employees, and the public. The Curseen-Morris Processing and Distribution Center was the first of three Postal Service facilities² scheduled to be decontaminated, cleaned, and renovated. To accomplish this task, the Postal Service awarded ten contracts and used expedited contracting procedures when necessary.

¹ In November 2001, the United States President released \$175 million from the Emergency Response Fund. In January 2002, Congress funded and approved an additional \$500 million; a supplemental appropriation in August 2002 provided an additional \$87 million.

² Curseen-Morris Processing and Distribution Center, Washington, D.C.; Trenton Processing and Distribution Center, Trenton, New Jersey; and Morgan Station Processing and Distribution Center, New York, New York.

The Postal Service performed cleanup and renovation of the facility under immense pressure because of concerns for public safety, employee welfare, and business impact. In addition, the events were so unprecedented the Postal Service had little baseline information on the remedial action or the effects of the cleanup on the building in terms of planning for renovation.

Postal Service personnel from Engineering, Supply Management, Facilities, Finance, Employee Resource Management, and Legal, as well as Postal Service suppliers, were key to implementing the decontamination, cleanup, and renovation activities.

**Objectives, Scope,
and Methodology**

Our objective was to determine the adequacy of contract management for the unprecedented cleanup and modification of the Curseen–Morris Processing and Distribution Center in Washington, D.C. Specifically, we determined whether: (1) contract statements of work contained duplicate tasks, (2) internal controls were in place to control overall costs, and (3) appropriated funds were properly used and controlled. To achieve these objectives, we reviewed applicable laws and policies and procedures; and interviewed appropriate Engineering, Supply Management, Facilities, Finance, Employee Resource Management, and Legal personnel, as well as Postal Service suppliers.

The scope of our review included ten contracts³ totaling \$275.3 million⁴ identified from the Strategic National Automated Purchasing System (SNAPS) and Facilities Management System for Windows (FMS WIN) as decontamination, cleanup, and renovation of the Curseen-Morris Processing and Distribution Center.

To determine if contract statements of work contained duplicate tasks, we reviewed and compared the statement of work for each contract and obtained explanations and documentation to confirm that the tasks differed. To review cost control measures, we analyzed each contract to determine the initial scope of work and associated costs and

³ Of the ten contracts reviewed, six were for decontamination and cleanup and four were for renovation of the facility.

⁴ This total, as of November 14, 2003, includes \$268.8 million of appropriated funds and \$6.5 million of Postal Service capital investments and expenditures for both the Curseen-Morris and Trenton facilities.

reviewed subsequent modifications and work orders for reasonableness. We also obtained and reviewed a sample of invoices from each contract to verify that they were properly certified. Finally, we interviewed contracting officers and contracting officer representatives to determine how contract activities were monitored and how costs were controlled. To review use and control of appropriated funds expenditures, we reviewed funding documents and interviewed Facilities and Finance officials.

This review was conducted from August 2003 through March 2004 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and observations with appropriate management officials and included their comments where appropriate.

We relied on computer-processed data obtained from SNAPS and FMS WIN to extract the universe of contracts for decontamination, cleanup, and renovation of the Curseen-Morris facility. We believe the computer-generated data was sufficiently reliable for that purpose. We did not rely on any computer-generated data to support the opinions or conclusions in this report.

Prior Audit Coverage

The General Accounting Office (GAO) issued an audit report, Capitol Hill Anthrax Incident: EPA's Cleanup Was Successful; Opportunities Exist to Enhance Contract Oversight (Report Number GAO-03-686, dated June 4, 2003). This report concluded that overall, the agency had used its contract effectively, but that it could improve some areas of its contracting support. In addition, it revealed inconsistencies in the Environmental Protection Agency's cost oversight practices among regions.

The Office of Inspector General (OIG) issued a management advisory report, Deployment Plans for Acquired Irradiation Equipment (Report Number CA-MA-03-006, dated March 20, 2003). This report concluded that Postal Service officials periodically reported the expenditure of appropriated funds in accordance with Office of Management and Budget directives and did not incur any additional cost related to storing the irradiation equipment.

The OIG issued a management advisory report, Review of Contracts Associated With Biohazard Threat (Report Number CA-MA-02-002, dated March 29, 2002). This report concluded that the Postal Service used deviated purchasing procedures to award contracts as quickly as possible in response to the biohazard threat, which was consistent with findings from a prior review. It also identified contract increases that lacked supporting documentation and a payment to a supplier for work we were unable to determine was provided as required. Management agreed with our recommendations that contract officials document the basis for important contract decisions, including determinations of price reasonableness; audit costs incurred by suppliers; and improve procedures for certifying invoices.

**Contract
Management**

Overall, the Postal Service adequately managed contracts for the unprecedented cleanup and modification of the Curseen-Morris Processing and Distribution Center. Specifically, the contract statements of work did not contain duplicate tasks. In addition, the Postal Service implemented adequate internal controls to control costs and properly used and controlled appropriated funds.

As part of its overall effort, the Postal Service provided regular on-site program management to monitor activities at the Curseen-Morris facility. The on-site program manager reviewed the reasonableness of labor hours to ensure accuracy of invoices prior to certification. Additionally, in accordance with contract provisions, Postal Service personnel requested incurred cost audits to verify accuracy of billed costs and plan to request additional reviews prior to final payment on the decontamination, cleanup, and renovation contracts.

Finally, the Postal Service developed a tracking system to segregate appropriated funds expenditures from Postal Service capital investments and expenditures. Additional modifications not necessarily resulting from the anthrax attack, such as telecommunications wiring and bathroom renovations were properly excluded from appropriated funds.

Audit Comment

In an exit briefing on January 23, 2004, we advised Postal Service management that although Postal Service officials

from Engineering, Supply Management, Facilities, Finance, Employee Resource Management, and Legal, as well as Postal Service suppliers, were key to implementing the decontamination, cleanup, and renovation activities, we expressed concern that there was no central focal point who was knowledgeable of all activities at the site. Postal Service management indicated they too had recognized the need for centralized management and oversight and advised us of their intent to provide this centralized facilitation for future emergency projects. They informed us that a new functional area, Emergency Preparedness, had recently been established and part of their responsibility will be to provide centralized facilitation over emergency projects such as the Curseen-Morris facility decontamination, cleanup, and modification. Therefore, we do not plan to pursue this issue.

**Management's
Comments**

Management was pleased with the report's conclusions. Also, in a letter dated February 24, 2004, the vice president, Emergency Preparedness, outlined the scope of the Office of Emergency Preparedness and accepted the facilitation role within the scope of its mission. Management's comments, in their entirety, are included in the appendix of this report.

**Evaluation of
Management's
Comments**

Management's comments are responsive to the conclusions stated in the report.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions, or need additional information, please contact Lorie Siewert, director, Supply Management and Facilities, at (651) 855-5856, or me at (303) 925-7429.

/s/ Colleen A. McAntee

Colleen A. McAntee
Deputy Assistant Inspector General
for Financial Management

Attachment

cc: Richard J. Strasser, Jr.
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APPENDIX. MANAGEMENT'S COMMENTS

Supply Management



March 17, 2004

COLLEEN MCANTEE

THRU: KEITH STRANGE

*KS
3/18/04*

SUBJECT: Draft Management Advisory—Contract Management for the Curseen-Morris Facility
Cleanup and Modification (Report Number CA-MA-04-DRAFT)

Thank you for the opportunity to respond to the subject advisory report. We have noted your comments and are pleased the report's conclusions confirm the Postal Service effectively managed the contracts issued to support the unprecedented cleanup and modification of the Curseen-Morris Processing and Distribution Center. In addition, we appreciate your efforts to verify that our contract statements of work did not duplicate tasks and internal controls were adequate to control costs and ensure proper use of appropriated funds.

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act (FOIA). If you have any questions regarding this response, please contact Marie Martinez at (202) 268-4117.

A handwritten signature in black ink that reads "Juanda J. Barclay".

Juanda J. Barclay, C.P.M., A.P.P.
Manager
Supply Management Infrastructure

cc: Richard J. Strasser, Jr.
John A. Rapp
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HENRY A. PANKEY
VICE PRESIDENT, EMERGENCY PREPAREDNESS



February 24, 2004

LORIE SIEWERT, DIRECTOR, SUPPLY MANAGEMENT AND FACILITIES, OFFICE OF
INSPECTOR GENERAL

SUBJECT: Draft Management Advisory – Contract Management for the Curseen-Morris Facility
Clean up and Modification (Report Number XX-MA-04-DRAFT)

The Office of Emergency Preparedness (OEP) was invited to comment on the future role that it would play in the recovery of facilities affected by critical incidences as outlined in the above referenced OIG report. We welcome the opportunity and would like to offer the following considerations.

On page seven of the report, reference was made to this future role of the Office of Emergency Preparedness in facility recovery efforts as follows:

“we expressed concern that there was no central focal point who was knowledgeable of all activities at the site. Postal Service management indicated they too had recognized the need for centralized management and oversight and advised us of their intent to provide this centralized facilitation for future emergency projects. They informed us that a new functional area, Emergency Preparedness, had recently been established and part of their responsibility will be to provide centralized facilitation over emergency projects such as the Curseen-Morris facility decontamination, cleanup, and modification. “

This office accepts the facilitation role as a vital part of management's efforts to establish centralized recovery management. To ensure that we adopt a practical approach to handling this responsibility, the scope of OEPs activities can be generally outlined as follows.

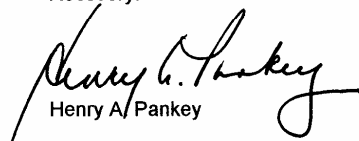
- a. The OEP will develop and document a control structure that better defines the anticipated processes, process owners, expected outcomes and indicators that such recovery projects may entail. This we intend to tackle through a review of the historical information related to the recovery of the affected facilities. The control structure will be documented in the form of a process management matrix to be included in the Integrated Emergency Management Plan.
- b. The Director of Incident Management, Office of Emergency Preparedness, will provide initial facilitation support in any recovery effort that overwhelms local management's ability to coordinate ongoing recovery activities. This will include contacting key departments and organizing the initial group of functional experts required to begin the recovery process; however, a local designee similar to a Post Office Activation Coordinator must quickly be assigned who will oversee the overall project plan and manage the specific project activities such as overseeing contractors, tracking costs, reporting progress and performance, etc.

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- c. The role of OEP through the Director of Incident Management is one of facilitation, with each functional area assigning a manager that will accept responsibility for managing the issues related to the specific function i.e. Engineering, Facilities, Supply Management, etc. The Director of Incident Management will initially schedule those activities required to ensure that this group of managers is interacting and communicating effectively. Once the direction of this group has been established, it will need to be guided by the head of the functional area which holds the overriding concerns of the recovery project. This leadership role can be designated by the chief operating officer or his representative, or if the recovery is within local control, the Vice President of Area Operations.
- d. The Director of Incident Management will regularly interact with the functional designee to determine the effectiveness of all processes, procedures and activities and will provide feedback to the Vice President of Emergency Preparedness. The vice president can then intervene as appropriate to help resolve any problems identified which cannot be corrected by the assigned personnel.

Using a defined set of processes and working with (1) the on-site coordinator, (2) the functional team of managers and (3) the functional team leader, the Director of Incident Management could provide the focal point that is desired.

It is important to clarify the scope of the facilitation role referenced in the report. Depending on the magnitude of the recovery effort and the events unfolding at any given point in time, assuming complete oversight and management responsibility for a particular recovery project may overrun the capacity of resources assigned to the Office of Emergency Preparedness. However, the facilitation activities as outlined are well within the scope of our mission. This would also contribute to the overall USPS effort to establish more systemic approaches to handling the four phases of emergency management which include Mitigation, Preparedness, Response and Recovery.


Henry A. Pankey