



AUDIT REPORT

Advertising and Consulting Supplier Selection Process

June 11, 2014





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**Advertising and Consulting
Supplier Selection Process**
Report Number SM-AR-14-006

BACKGROUND:

In a January 2013 report, the U.S. Postal Service Office of Inspector General (OIG) found that the U.S. Postal Service did not adequately monitor its two largest advertising contracts. As a result, the Postal Service planned to restructure the contracts to take advantage of competition in the advertising marketplace. In fiscal years 2012 and 2013, the Postal Service awarded about \$252 million for advertising and related consulting services.

Supplier selection involves a team evaluating suppliers' proposals. Team members individually evaluate proposals and then meet to reach a consensus. The team must document the rationale for its consensus decisions. Competing suppliers who disagree with the supplier selection can challenge the contract award.

We conducted this audit to follow up on the OIG's prior report on the Postal Service's advertising program. Our audit objectives were to determine whether the Postal Service increased competition for advertising contracts and to assess the supplier selection process.

WHAT THE OIG FOUND:

The Postal Service increased competition for advertising contracts by closing its two largest advertising contracts and competitively awarding contracts to four suppliers. Evaluation teams generally complied with the

established guidelines for the supplier selection process by documenting narratives to support their consensus decisions, except for two consulting contract purchases. Specifically, the two evaluations did not include narratives to explain the basis of the competing supplier ratings.

If supplier evaluations are not fully documented and maintained, the Postal Service cannot ensure the transparency and integrity of the supplier selection process and its contract awards may be vulnerable to challenges. As a result, we identified two contract purchases valued at \$3.5 million for which evaluations did not contain narratives to support the consensus decisions. This does not necessarily indicate that the Postal Service incurred losses.

WHAT THE OIG RECOMMENDED:

We are not making any recommendations because management took corrective actions to address the need for consensus documentation by releasing an official memorandum and training contracting officials on the technical evaluation policy requirement.

[Link to review the entire report](#)



June 11, 2014

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

A rectangular box containing a handwritten signature in black ink that reads "John E. Cihota". There is a small black dot in the top right corner of the box.

FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance and Supply Management

SUBJECT: Audit Report – Advertising and Consulting Supplier Selection
Process (Report Number SM-AR-14-006)

This report presents the results of our audit of the U.S. Postal Service's Advertising and Consulting Supplier Selection Process (14YG001SM000).

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

Attachment

cc: Corporate Audit and Response Management

TABLE OF CONTENTS

Introduction	1
Conclusion	1
Consensus Evaluations.....	2
Management’s Comments	2
Evaluation of Management’s Comments.....	3
Appendix A: Additional Information	4
Background	4
Objectives, Scope, and Methodology	4
Prior Audit Coverage	5
Appendix B: Monetary Impact	6
Appendix C: Management’s Comments.....	7

Introduction

This report presents the results of our audit of the U.S. Postal Service's Advertising and Consulting Supplier Selection Process (Project Number 14YG001SM000). Our audit objectives were to determine whether the Postal Service increased competition for advertising contracts and to assess the supplier selection process. We conducted this audit to follow up on the prior U.S. Postal Service Office of Inspector General's (OIG) report, titled *Advertising Program*,¹ and review advertising contracts issued by contracting officers in the Supply Management Professional and Technical Services Category Management Center.² See [Appendix A](#) for additional information about this audit.

In the previous report, the OIG found the Postal Service did not adequately monitor its two largest advertising contracts. As a result of that audit, the Postal Service planned to restructure the contracts to take advantage of competition in the advertising marketplace. In fiscal years (FYs) 2012 and 2013, the Postal Service awarded about \$252 million for advertising and related consulting services.³

Supplier selection involves a team evaluating suppliers' proposals. Team members individually evaluate proposals and then meet to reach a consensus. The team must document the rationale for its decisions.⁴ Competing suppliers who disagree with the supplier selection can challenge the contract award.⁵

Conclusion

The Postal Service increased competition for advertising contracts by closing its two largest advertising contracts and competitively awarding contracts to four suppliers. Evaluation teams generally complied with the established guidelines for the supplier selection process by documenting narratives to support their decisions, except in the case of two consulting contract purchases. Specifically, the evaluations for these purchases did not include narratives to explain the basis of the competing supplier ratings.

If supplier evaluations are not fully documented and maintained, the Postal Service cannot ensure the transparency and integrity of the supplier selection process and its contract awards may be vulnerable to challenges. As a result, we identified two contract purchases valued at \$3.5 million for which evaluations did not contain narratives to

¹ Report Number MS-AR-13-002, dated January 4, 2013.

² The Professional and Technical Services Category Management Center facilitates the purchase of service contracts and consists of four teams: Professional Consulting Services; Technical and Non-Traditional Services; Sustainability and Environmental Services; and Advertising and Creative Services.

³ Purchases made by the Postal Service, Supply Management, Commercial Products and Services Portfolio.

⁴ *Supplying Principles and Practices* (SP&P), Section 2-40.3.1, Contract Files for Competitive Contracts, dated November 29, 2012.

⁵ SP&P, Section 7-4, Supplier Disagreement Resolution.

support team consensus decisions. This does not necessarily indicate that the Postal Service incurred losses. See [Appendix B](#) for additional information about the monetary impact.

Consensus Evaluations

For two contract purchases valued at \$3,493,680, the evaluation team members did not provide narratives to explain the basis of their scores in the consensus evaluations. The contracting officer did, however, include final consensus scores for all suppliers in the contract file. The two suppliers who won these contracts received the highest consensus scores.

The contracting officer did not require the teams to submit a written narrative to support their decisions as required by policy. The SP&P states that the evaluation team should document its conclusions and prepare a narrative at the same time it is scoring the proposals. The team must provide its rationale for each supplier's score and arrive at a consensus decision for each proposal.⁶ If supplier evaluations are not fully documented and maintained, the Postal Service cannot ensure the transparency and integrity of the supplier selection process and its contract awards may be vulnerable to supplier challenges.

As a result of our audit, the vice president, Supply Management, issued a memorandum on May 16, 2014, to the Professional and Technical Services Category Management Center manager to address this issue. Specifically, the vice president, Supply Management, reiterated the consensus documentation requirements and instructed management to follow up with a written plan of action by May 30, 2014, to enforce the contracting policy. In response, on May 21, 2014, management trained contracting officials on the technical evaluation policy requirement.

The OIG considers management's corrective actions responsive to address the risks that contracting officials did not follow policy by including narratives supporting their scores in the consensus evaluations. Therefore, we are not making any recommendations.

Management's Comments

Management agreed with the finding and monetary impact. Management took corrective action by informing the Professional and Technical Services Category Management Center manager to reinforce technical proposal evaluation policy with team leaders and contracting officers. On May 21, 2014, the manager conducted training on the policy. See [Appendix C](#) for management's comments, in their entirety.

⁶ SP&P, Section 2-31.2, Individual Evaluation.

Evaluation of Management's Comments

Although the report does not contain any recommendations, the OIG considers management's comments responsive.

Appendix A: Additional Information

Background

In January 2013, the OIG found the Postal Service was not adequately monitoring its two largest advertising contracts. The chief Marketing and Sales officer stated she was evaluating the Postal Service's overall advertising program. She also stated that restructuring contracts would allow the Postal Service to take advantage of available competition in the advertising marketplace, better align these contracts with current advertising purchasing practices, and maximize the effectiveness of the Postal Service's advertising investments.

Supplier selection is a process that involves a team evaluating the proposals suppliers submit to the Postal Service to compete for contracts. For each solicitation, the purchasing officer organizes a proposal evaluation team to judge the relative value of proposals based on certain evaluation factors. Team members independently evaluate competing suppliers and then convene to discuss their evaluations and rank proposals according to the value they offer the Postal Service. The proposal evaluation team documents its conclusions and a narrative is prepared at the time the proposal is scored. The team must provide its rationale for a particular supplier's score and must arrive at a consensus decision for each proposal. The contracting officer oversees the selection of the supplier and the overall fairness and integrity of the purchase.

In FYs 2012 and 2013, the Postal Service Supply Management Professional and Technical Services Category Management Center awarded about \$252 million for advertising and consulting contracts. We conducted this audit to follow up on Postal Service advertising contracts.

Objectives, Scope, and Methodology

Our audit objectives were to determine whether the Postal Service increased competition for advertising purchases and assess the supplier selection process.

To accomplish our objectives, we:

- Analyzed data from FYs 2011 to 2013 for all advertising purchases, which totaled \$388,852,649, to determine the fluctuation in the number of advertising services' competitive and noncompetitive contracts.
- Reviewed the requirements of the two largest contracts to determine whether the Postal Service restructured the requirements and increased competition for advertising services.
- Obtained and analyzed contract documentation for active competitive contracts for 31 advertising and consulting contracts valued at \$251,890,868 for FYs 2012 and 2013.

- Interviewed purchasing officials and evaluation team members to determine the supplier selection process.
- Reviewed contract documentation such as statements of work and technical and consensus evaluations to determine whether suppliers were evaluated on the criteria outlined in the solicitations.

We conducted this performance audit from October 2013 through June 2014, 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on May 15, 2014, and included their comments where appropriate.

We assessed the reliability of computer-generated data by comparing the contract values on the source documentation obtained from the Postal Service's Contract Authoring Management System⁷ to the value of the data pulled from the Postal Service's Enterprise Data Warehouse.⁸ We determined that the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Prior audit coverage includes an OIG report titled *Advertising Program* (Report Number [MS-AR-13-002](#), dated January 4, 2013). The audit found that the Postal Service was not adequately monitoring its two largest advertising purchases, which threatened the effectiveness and integrity of its advertising program. The OIG identified nearly \$7 million in unsupported questioned costs due to incorrectly certified and questionable purchaser support staff labor costs and bonus payments. Management agreed with all the recommendations and planned to restructure the advertising contracts.

⁷ A contract-writing tool that houses clauses and provisions relevant to various contracts.

⁸ A single repository for managing all of the Postal Service's data assets.

Appendix B: Monetary Impact

Finding	Impact Category	Amount
1	Unsupported Questioned Cost ⁹	\$3,493,680

The \$3,493,680 represents the total value of two contract purchases that did not have a written narrative to support the consensus evaluations. This does not necessarily indicate that the Postal Service incurred losses.

⁹ Claimed because personnel did not follow policy or required procedures but it does not necessarily connote any real damage to Postal Service.

Appendix C: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



May 20, 2014

JUDITH LEONHARDT

SUBJECT: Response to Draft Audit Report – Advertising and Consulting Supplier Selection Process
(Report Number SM-AR-14-DRAFT)

Thank you for providing the Postal Service with the opportunity to review and comment on the subject draft report. Management is in agreement with the Office of Inspector General's (OIG) findings, recommendations and monetary impact associated with this report.

OIG Audit Recommendations:

We recommend the vice president, Supply Management, instruct the manager, Professional and Technical Services Category Management Center (CMC), to:

Recommendation 1: Instruct the Professional Consulting Services' contracting officers to require evaluation teams to follow the Supplying Principles and Practices and document a narrative that supports their rationale for suppliers' consensus evaluations and the contracting officer to maintain the narrative in the contract files.

Management Response: Management agrees with this recommendation. On May 16, 2014, the vice president, Supply Management informed the manager, Professional and Technical Services CMC to reinforce the Supplying Principles and Practices policy on technical proposal evaluation requirements with the Team Leaders and Contracting Officers of the Professional Services Commodity Management Team. Additionally, to support our mutual goal of safeguarding the interests of the Postal Service, the Commercial Products and Services Portfolio Manager will be providing a broader discussion of the technical evaluation policy requirements as part of a strategic planning session to the three CMC managers and eleven team leaders within his organization on May 21, 2014.

Target Implementation Date: May 2014.

Responsible Manager: Manager, Professional and Technical Services CMC.

This report and management's response does 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.

A handwritten signature in cursive script that reads "Susan M. Brownell".

cc: Corporate Audit Response Management

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