



Office of Inspector General | United States Postal Service

Audit Report

Enterprise Project Management Office - Innovation Pool Fund

Report Number SM-AR-18-003 | May 30, 2018

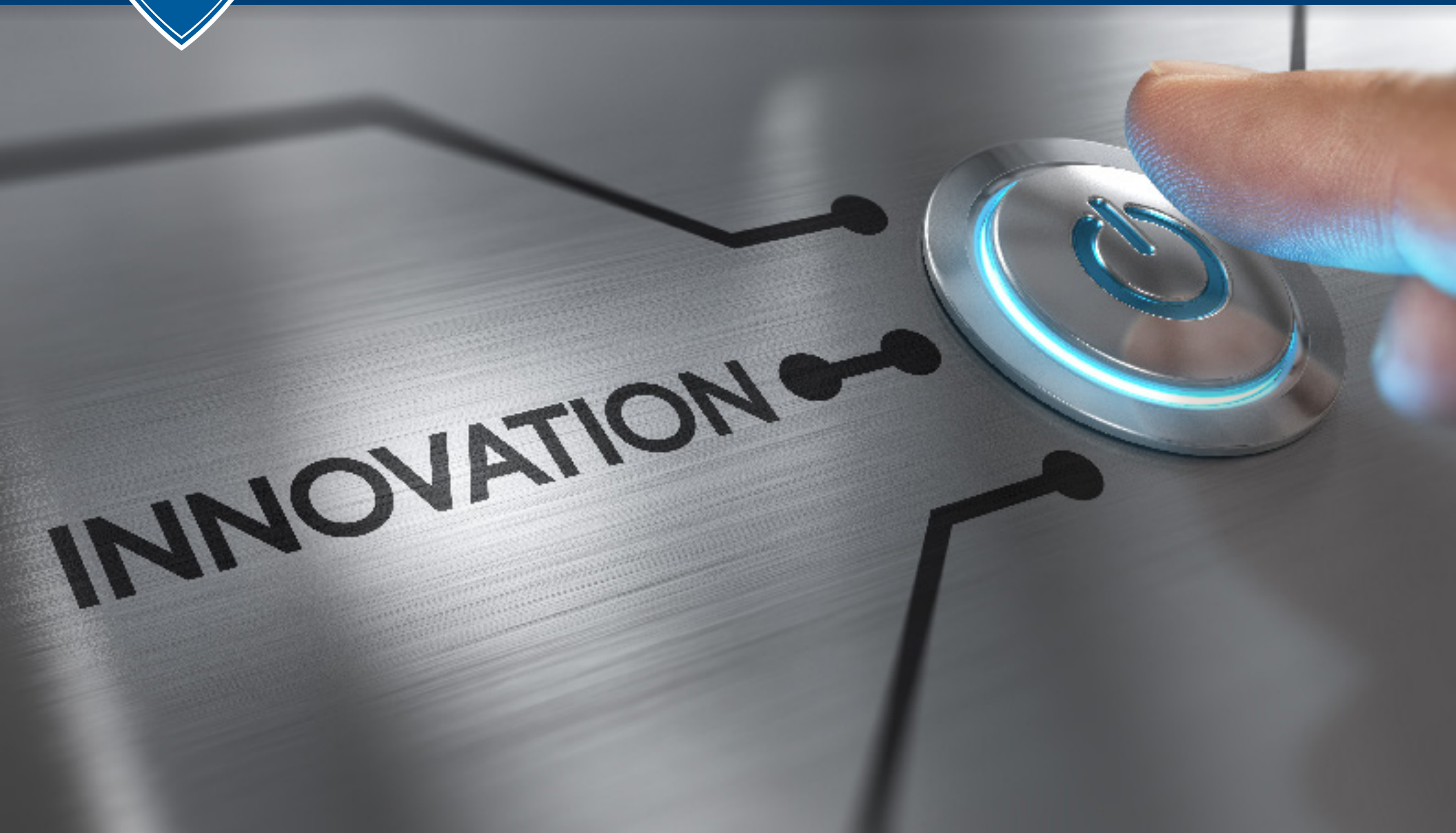


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Highlights

Objective

Our objective was to determine if the U.S. Postal Service properly managed, funded, and executed its Innovation Pool Fund (Pool) in agreement with contractual terms.

The Pool is a supplier-proposed, value-added option included in the Postal Service's Enterprise Project Management Office (EPMO) contract, where the Postal Service earns funding credits based on the total amount it spends on the contract. The EPMO contract was awarded in 2011, and as of December 2017, the Postal Service has spent about \$ [REDACTED] million. For every dollar spent, the supplier allocates between [REDACTED] and [REDACTED] cents to the Pool, which the Postal Service can use to obtain additional services from the supplier.

The credits can be used for a variety of prescribed services related to innovation, ranging from new non-EPMO initiatives and issuing whitepapers to conducting special studies. However, the credits may not be used to reduce the cost of existing programs or projects.

As of January 2018, the supplier contributed about \$ [REDACTED] million to the Pool and the Postal Service awarded 48 Pool task orders totaling about \$ [REDACTED] million, expending 92 percent of the credited funds.

What the OIG Found

The Pool was properly funded and work performed using Pool funds was executed in agreement with Postal Service contractual terms; however, there are opportunities to strengthen oversight over Pool activities.

The Postal Service did not reconcile Pool funds to ensure supplier contributions complied with contractual requirements, although the Pool contained the appropriate credits based on invoice activities. In addition, in fiscal year 2017, proposal statements for 10 of 48 task orders (21 percent) were not properly

approved. In addition, management did not update operating procedures to require cost assessments to reflect current practices.

Furthermore, as there are benefits to using the Pool, such as making additional investments in innovation and bringing new ideas to the Postal Service, there are also risks, such as limits on how the funds can be used, potential misuse of funds, hidden/increased labor costs, and incentives for the Postal Service to use the supplier for follow-on work instead of competing the services. For example, the Postal Service executed eight follow-on task orders, valued at \$ [REDACTED] million, to the same supplier for other work without competition.

These conditions occurred because management did not maintain independent tracking of the Pool, have its own reporting tool, and relied on the supplier to provide current calculations and correspondence on Pool contributions. In addition, Pool activity was not reconciled because current operating procedures do not clearly define responsibility for tracking Pool funds. Furthermore, management indicated it was more cost effective to issue follow-on task orders related to Pool task orders instead of competing additional contracts.

Without adequate oversight, misappropriation of Pool funds could occur and go undetected. In addition, changes to processes or practices without timely updates to operating procedures allow for misinterpretation and unintended execution of the formal procedures.

“The Pool is a supplier-proposed, value-added option included in the Postal Service’s EPMO contract, where the Postal Service earns funding credits based on the total amount it spends on the contract.”

What the OIG Recommended

We recommended management update current operating procedures to clearly define oversight responsibilities for the Pool, accurately reflect the approval and fair and reasonable process for task orders, and require responsible officials to develop a tracking and reporting tool to reconcile Pool funds to ensure that supplier contributions comply with contractual requirements. We also recommended management periodically evaluate the effectiveness of the Pool concept to ensure it is cost-justified and to assess whether it promotes fair and competitive contracting practices.

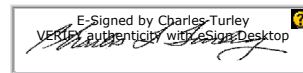
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 30, 2018

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



FROM: Charles L. Turley
Deputy Assistant Inspector General
for Supply Management & Human Resources

SUBJECT: Audit Report – Enterprise Project Management Office –
Innovation Pool Fund (Report Number SM-AR-18-003)

This report presents the results of our audit of the U.S. Postal Service's Enterprise Project Management Office – Innovation Pool Fund (Project Number 18SMG003SM000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Francine Hines, Acting Director, Supply Management & Facilities, at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit Response Management

Results

Introduction/Objective

This report presents the results of our self-initiated audit of the U.S. Postal Service's Enterprise Project Management Office – Innovation Pool Fund (Project Number 18SMG003SM000). Our objective was to determine whether the Postal Service properly managed, funded, and executed its Innovation Pool Fund (Pool) in agreement with Postal Service contractual terms. See [Appendix A](#) for additional information about the audit scope and methodology.

“Our objective was to determine whether the Postal Service properly managed, funded, and executed its Pool in agreement with Postal Service contractual terms.”

Background

On April 26, 2011, the Postal Service awarded an indefinite delivery, indefinite quantity (IDIQ)/fixed price Enterprise Program Management Office (EPMO) contract to Deloitte Consulting LLP (supplier). The contract had a seven-year period of performance and a contract maximum of \$ [REDACTED] million. In September 2017, a contract modification extended the period of performance to September 30, 2018, and increased the contract award amount to \$ [REDACTED] million. As of December 2017, the Postal Service had made total payments of \$ [REDACTED] million toward the EPMO contract.

During the solicitation process, the Postal Service encouraged offerors to propose value-added¹ options. The Pool was a value-added option for exploring innovative ways to maximize the contract and stay ahead of market demands. As a result, the supplier proposed that the Postal Service could use the Pool to fund ongoing innovation projects for enterprise strategic initiatives or special studies designed to benefit business areas or program maturity.

The Pool is a source of funding credits the Postal Service earns based on every dollar it spends on the EPMO contract. These credits can be used to acquire a variety of services from the supplier, including, but not limited to:

- Researching and developing non-EPMO initiatives;
- Conducting special investigative studies that benefit specific business areas of special interest to the Postal Service;
- Issuing white papers specific to the Postal Service;
- Assessing new initiatives;
- Investigating new ideas including their associated value proposition; and
- Determining the feasibility of new technologies, concepts, or ideas.

While the Postal Service can use Pool funds to acquire the services listed above, it may not use the Pool to reduce the cost of existing programs or projects.



¹ Value-added services are tangible, quantifiable and provide significant value, at no additional cost to the Postal Service, through the EPMO engagement supporting information technology and non-information technology initiatives.

The Office of Strategic Planning (OSP) is responsible for ensuring the Postal Service uses the Pool according to contract requirements by:

- Managing the fund through the review and approval of all tasks;
- Overseeing all outcomes and deliverables from the tasks to ensure sharing of insight, refining ideas, and building competencies within the Postal Service; and
- Receiving customer feedback surveys from task sponsors.

In addition, Supply Management reviews and approves task order proposal statements² (proposal statements) and develops the contract.

The supplier funds the Pool monthly with a ■ percent credit for each dollar the Postal Service spends on the EPMO contract; however, the supplier’s proposal included a ■ percent increase in pre-established labor rates to implement the Pool. Therefore, the Postal Service’s realized value in credits received is between ■ and ■ percent for the value-added services. On August 30, 2017, the contract was modified to increase the Pool fund credit to ■ percent. The Pool funds are available to the Postal Service for two years after contract expiration or discontinuance of the Pool fund, whichever occurs sooner.

As of January 2018, the supplier had contributed about \$■ million to the Pool and the Postal Service expended about \$■ million of these funds on 48 task orders (see Table 1).

Table 1: Innovation Pool Fund Contributions and Expenditures

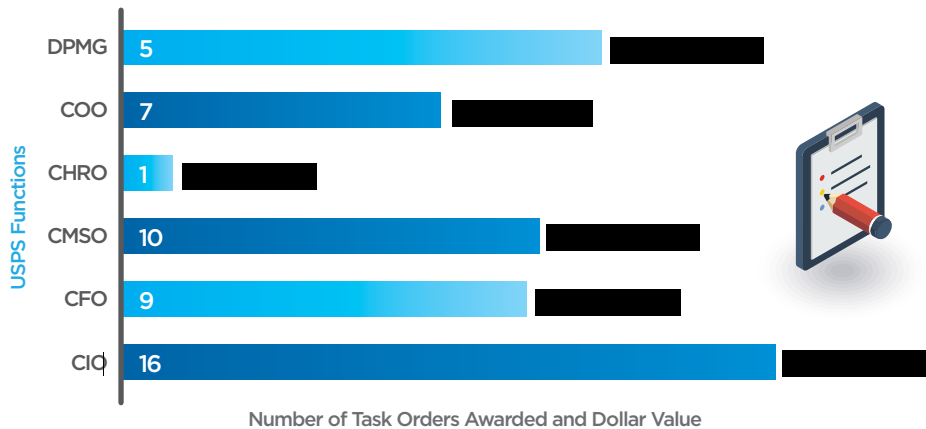
Fiscal Year	Innovation Pool Period	Contributions	Expended
FY 2012	June 1, 2011 - May 31, 2012	■	■
FY 2013	June 1, 2012 - May 31, 2013	■	■
FY 2014	June 1, 2013 - May 31, 2014	■	■
FY 2015	June 1, 2014 - May 31, 2015	■	■
FY 2016	June 1, 2015 - May 31, 2016	■	■
FY 2017	June 1, 2016 - May 31, 2017	■	■
FY 2018	June 1, 2017 - May 31, 2018	■	■
Total		■	■

Source: Postal Service Supply Management.

Of the 48 task orders executed, the Chief Information Office (CIO) function was awarded 16 (or 33 percent) with a value of about \$■ million, which was the highest quantity and dollar value awarded. The Chief Marketing Sales Office (CMSO) was awarded 10 (or 21 percent) valued at about \$■ million (see Figure 1). The Pool was used for a variety of projects including research, ideation, innovation, development of pilot projects, strategic planning studies, and similar investigative/analytic research and development programs.

² The proposal statement is a planning requirement document that includes cost estimates used to request funding from the Pool that should align with Postal Service business objectives, be supported by an executive sponsor, and used to push forward innovative ideas and thinking.

Figure 1. Innovation Pool Awarded Task Order Summary



Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

Finding #1: Increase Pool Oversight

Based on EPMO contract activity, the Postal Service Innovation Pool was properly funded and work performed was executed in agreement with EPMO contractual terms; however, there are opportunities to strengthen oversight of Pool funding activities.

As of December 31, 2017, there was a contract spend of about \$261 million against the EPMO contract. The supplier generally credited the Pool one month after the Postal Service paid the invoice. As of January 31, 2018, the supplier had contributed about \$ [Redacted] million to the Pool, leaving a balance of about \$ [Redacted]³ available to the Postal Service. Current practice requires the supplier to credit the Pool based on the paid invoice amount and provide the Postal Service with a monthly utilization report. The supplier maintains all related supporting documentation and provides updates to the Postal Service during monthly meetings and/or upon request.

Current Pool processes do not include procedures for reconciling Pool credits reported by the supplier with EPMO contract activity to ensure that contributions

³ A credit balance exists when the Postal Service did not expend all funds made available to them from the credits the supplier contributed. The supplier contributed \$ [Redacted] million and the Postal Service expended \$ [Redacted] million. The difference of \$ [Redacted] was an adjustment the supplier made to the accounting system.

comply with contractual requirements. We found the supplier complied with contract requirements to provide credits based on the contract spend; however, neither Supply Management nor OSP personnel maintained an internal tracking or reporting tool. Therefore, the Postal Service relies on the supplier's calculations and correspondence regarding the accuracy of Pool activity.

These issues occurred because current operating procedures do not clearly define contracting officer (CO) and OSP responsibilities related to Pool credit validation. Operating procedures state that the OSP should manage the pool; however, they are silent on who is responsible for tracking Pool activity. OSP personnel communicated that monitoring the Pool to ensure appropriate contributions are made and expended is a CO responsibility; however, the CO communicated that, while they receive and verify the declining balance from the supplier, OSP personnel track contributions and expenditures and determine how funds are allotted.

Without independent validation of Pool credits, there is a risk that the supplier's calculations may be inaccurate and these errors may go undetected, and/or that the Postal Service will not receive all credits per the contractual agreement.

“Current Pool processes do not include procedures for reconciling Pool credits reported by the supplier with EPMO contract activity to ensure that contributions comply with contractual requirements.”

Recommendation #1

The Vice President, Supply Management, revise operating procedures to clearly define roles, responsibilities, and a process to validate credits earned for the Innovation Pool Fund.

Finding #2: Update Operating Procedures

Management did not update operating procedures to reflect process changes implemented to approve proposal statements and perform fair and reasonable cost assessments for Pool task orders.

In 10 of 48 task orders executed, neither the Vice President (VP), Supply Management, nor an executive leadership team (ELT) sponsor, approved proposal statements. Current operating procedures require a VP or an ELT sponsor to approve Pool proposal statements prior to submitting them for final OSP approval. Prior to August 2016, the VP, Supply Management, approved the proposal statements.

This occurred because the task order approval process changed, but the Postal Service did not formally update documented procedures. Management said that VP approval is no longer necessary for proposal statements because the OSP Director and CO have authority to review the funding and scope of all Pool task orders. Management changed the process, but, to date, have not updated the procedures. See [Appendix B](#) for Innovation Pool Fund Process.

In April 2017, Supply Management implemented a proposal statement review process to conduct fair and reasonable cost assessments on all Pool task orders; however, the Pool operating procedures were not updated to reflect this new process. The process was implemented to determine “level of effort and capture savings”.

The operating procedures were not updated because management believed the current Supply Chain Management (SCM) Impact Administrative Instructions contained cost saving initiative procedures for achieving SCM impact goals. However, Pool operating procedures are not included in the SCM Impact Instructions, and should be updated separately. Consequently, changes to processes without timely updates to operating procedures may allow for inconsistent application and inadvertent noncompliance.

Recommendation #2

The Vice President, Supply Management, update current operating procedures to accurately reflect the approval and fair and reasonable processes for Innovation Pool Fund task orders.

“There are risks associated with unconventional value-added arrangements, similar to the Pool.”

Finding #3: Benefits and Risks of a Value-Added Arrangement

The Pool is a mutually beneficial, innovative arrangement for the Postal Service and the supplier. The Postal Service receives credits, based on every dollar spent, to perform additional research and development projects, which allows for an additional investment

in innovation and new projects for the Postal Service that may not have been financially feasible. However, there are risks associated with unconventional value-added arrangements, similar to the Pool, such as potential misuse of funds, hidden/increased labor costs, possibility of controversy, and/or incentives to use the same supplier versus competing the services.

For example, the Postal Service awarded the supplier eight follow-on task orders from Pool funds to perform services that could have been competed. Valued at \$ [REDACTED] million, four of the eight task orders were awarded from the EPMO contract (\$ [REDACTED] million) and four (\$ [REDACTED] million) from non-EPMO contracts (see [Table 2](#)).

Table 2. Pool Task Orders Leading to Follow-On Work

Innovation Pool Task Order Number	Innovation Pool Task Order Title	Contract	Follow-On Task Order Title	Value
2APSER-13-C-0107	<i>IP 006: Brand Enhancement Recycling Take-Back</i>	EPMO	<i>National Standard Recycling Program Management</i>	██████████
		EPMO	<i>Program Management Support for Storage Tanks Removal & Replacement Program</i>	██████████
2APSER-14-C-0024	<i>IP 013: Performance Based Logistics</i>	EPMO	<i>Delivery Route Optimization</i>	██████████
2APSER-14-C-0097	<i>IP 022: FSS Dashboard Prototype</i>	EPMO	<i>FSS Dashboard Prototype</i>	██████████
		Non-EPMO	<i>Flats Analytics Prototype</i>	██████████
2APSER-16-C-0035	<i>IP 031: Customer Insights – Commercial/SMB Journey Mapping</i>	Non-EPMO	<i>Customer & Market Insights Visioning & Strategy</i>	██████████
2APSER-16-C-0065	<i>IP 039: Small Business Needs Assessment</i>	Non-EPMO	<i>USPS Small Business Strategy Acceleration</i>	██████████
2APSER-17-C-0067	<i>IP 046: Blockchain Voting Market Assessment & Strategy</i>	Non-EPMO	<i>Digital Integration Innovation</i>	██████████
Follow-on Task Order Total				██████████

Source: Postal Service Supply Management.

The Postal Service executed these follow-on task orders because Supply Management personnel wanted to retain the supplier’s technical expertise, as they were the area’s main supplier for program management work. Management also indicated that follow-on task orders were awarded because this process is not as time-consuming or costly when compared to the competitive procurement process.

The practice of giving suppliers follow-on orders stemming from value-added arrangements provides the supplier a marketing and competitive advantage not available to all suppliers. As the follow-on orders are under a base contract that was competed, there is the appearance that they are sole sourced, as the value added orders were not part of the scope of work of the competed contract.

Without specific guidance regarding value-added arrangements, the lack of required periodic assessments increases the risk that this unconventional arrangement may not be cost effective, may be misused, or may not be promoting fair and competitive contracting practices.

Recommendation #3

The Vice President, Supply Management, update current operating procedures to include periodically evaluating the effectiveness of the Innovation Pool Fund concept to ensure it is cost-justified and promotes fair and competitive contracting practices.

Management's Comments

Management agreed with findings 1 and 3 and disagreed with finding 2; however, management agreed with all the recommendations.

Management stated the operating procedures submitted to the OIG did not require the approval of the VP, Supply Management, prior to submission of a task order and that they have updated current operating procedures to reflect that a task order sponsor may be a senior executive (e.g., a member of the ELT or a VP or director) and may be approved by a Supply Management delegate. Currently, the Supply Management delegate is the Manager, Professional & Technical Services Category Management Center (CMC).

Regarding recommendation 1, management stated the Manager, Professional & Technical Services CMC, will update operating procedures to obtain from the supplier information on Pool accrual, task orders initiated, and expense amounts with all relevant dates on at least a quarterly basis. Management also stated they will internally track and validate spend data and credits earned. The target implementation date is October 2018.

Regarding recommendation 2, management stated the Manager, Professional & Technical Services CMC, and the Manager, Strategic Business Planning, will clarify standard operating procedure language regarding the task sponsor, Office of Strategic Planning, and Supply Management's approval and fair and reasonable cost processes for Innovation Pool Fund task orders. The target implementation date is October 2018.

Regarding recommendation 3, management stated the Manager, Professional & Technical Services CMC, and the Manager, Strategic Business Planning, will update and revise standard operating procedures to require an annual review and written report focused on pool expenditures, value and benefit obtained, and evaluation of the sourcing strategy used for subsequently issued task orders. The target implementation date is November 2018.

See [Appendix C](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in this report.

We agree with management's assertion that operating procedures submitted to the OIG did not require approval of the VP, Supply Management, prior to submission of a task order; however, the practice prior to August 2016 was to have the Vice President, Supply Management, sign task orders. The operating procedures stated that task orders should be approved by a VP or ELT member. Management's corrective action to update operating procedures to state that a task order sponsor may be a senior executive (e.g., an ELT member or VP or director) and that a Supply Management delegate may approve task orders is responsive to our recommendation.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Scope and Methodology

We reviewed all 48 task orders the Postal Service awarded from Pool funds and verified whether the Postal Service contractually received the correct contributions as of January 31, 2018. We also determined whether the Postal Service expended Pool funds in compliance with contract requirements. To achieve our objective, we:

- Reviewed Contract Authoring and Management System (CAMS)⁴ to obtain an understanding of the EPMO contract and any modifications and task orders associated with the Pool.
- Extracted from CAMS all task orders associated with the Pool to verify the project purposes matched the task order proposal statement.
- Obtained from EDW the *Commitment Status by Purchase Order Report* (payments made up to December 31, 2017) to determine invoice amounts billed to and payments made by the Postal Service for services received on the EPMO contract.
- Obtained the *Innovation Pool Funds Utilization Report* to determine the balance of, contributions made to, and expenses awarded from the Pool fund.
- Traced EPMO charges that resulted in a credit to the Pool and validated whether the [redacted] or [redacted] percent was appropriately credited.
- Assessed the Pool's approval process and whether it complied with applicable standard operating procedures.
- Reconciled task orders awarded from the Pool against the *Innovation Pool Funds Utilization Report*, the *Task Order Summary Report*, and CAMS to ensure consistency with the awarded value and project purpose.

■ Interviewed:

- Responsible personnel in the OSP and Supply Management to gain an understanding of their roles and responsibilities, how they manage the Pool, and the innovation pool approval process.
- CMC manager and CO to understand the roles and responsibilities in the Pool process.

We conducted this performance audit from November 2017 through May 2018, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on April 12, 2018, and included their comments where appropriate.

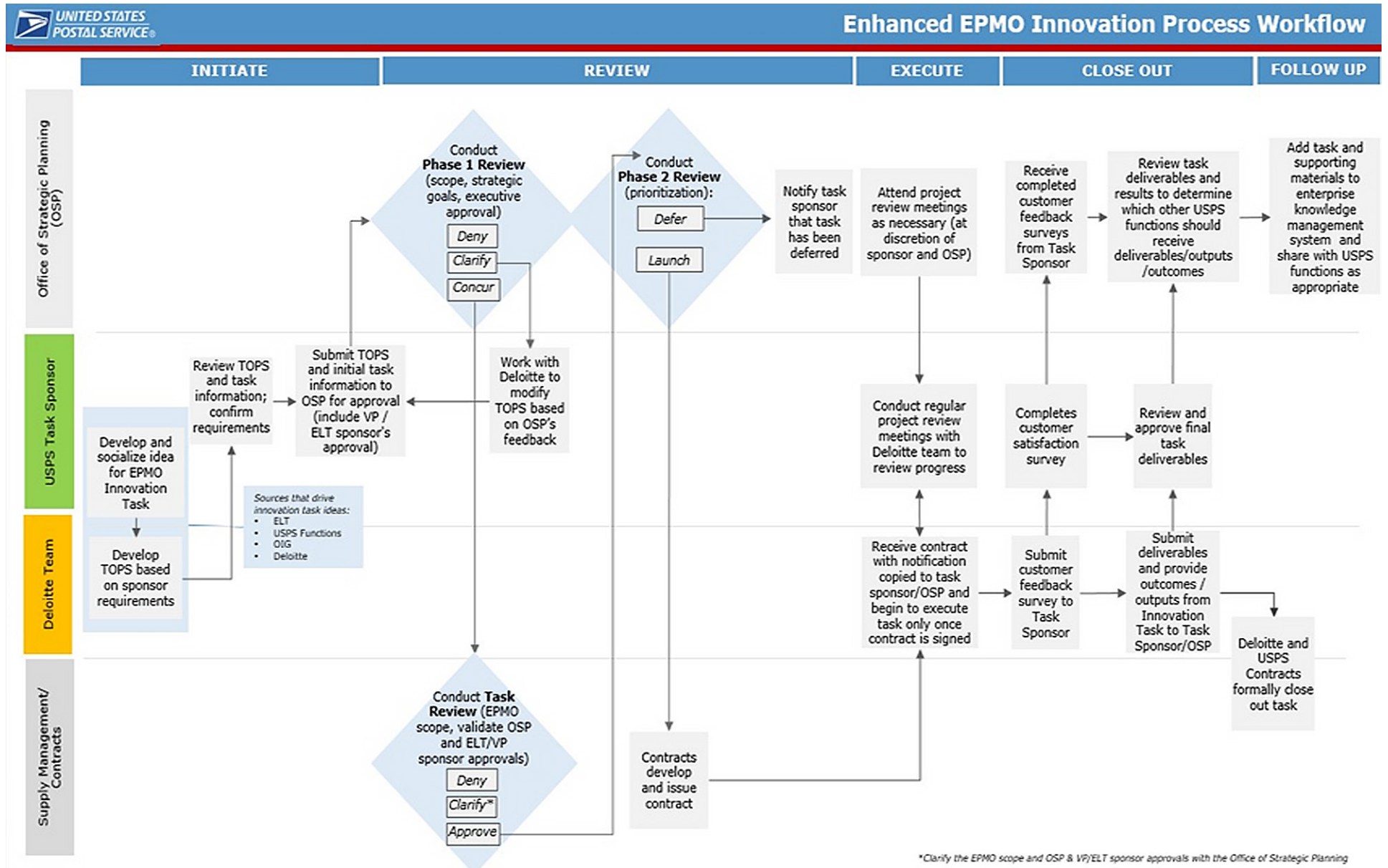
We assessed the reliability of computer data by performing verification testing on CAMS data traced against the Supplier utilization report, the management's Office Task Summary report, and the Approved Task Order Proposal Statement. We determined that the data was sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews directly related to the objective of this audit within the last five years.

⁴ The primary contracting system for the Postal Service. It supports the purchase of supplies, services, equipment, and mail transportation (excluding surface transportation).

Appendix B: Innovation Pool Fund Process



Source: Postal Service Office of Strategic Planning – Standard Operating Procedure for EPMO Innovation Tasks (draft document dated November 18, 2016).

Step One: The ELT identifies strategic objectives and initiatives that support achieving the financial and non-financial goals stated in the most recent five-year plan.

Step Two: ELT members or officers assigned to execute specific strategic initiatives work with the OSP to identify support requirements needed from the EPMO contract. Specifically, they identify support requirements for innovative market analysis, planning facilitation, technology assessments, concept of operation articulation, and pilot or proof of concept support.

Step Three: The OSP, in conjunction with Supply Management, tracks the amount of funds accumulating in the Innovation Pool Fund and estimates an annual disbursement amount. The OSP notifies specific ELT members and officers designated to lead strategic initiatives of the availability of innovation funds and works with them to identify support requirements related to their specific strategic initiatives.

Step Four: ELT members or officers work with OSP personnel or the EPMO contractor to prepare a task order proposal statement (TOPS) for any request for Pool funds. The TOPS identifies the strategic initiative and strategic outcomes supported by the effort, the proposed approach, the specific work plan, milestones, proposed workhours, and total cost tied to the project deliverables. The ELT member or officer submits the TOPS to the OSP for review.

Step Five: Upon receipt of the task order, OSP personnel:

- Log the order into its project tracking system as an unfunded opportunity.
- Review the order with the contractor to determine if the scope is appropriate considering the deliverables. OSP personnel negotiate with the contractor to receive more favorable terms, scope, level of effort, and deliverable quality attributes.

- Confirm the Innovation Pool Fund Initiative is aligned to a specific strategic initiative and supported by the hosting ELT member.

Once the OSP director receives written approval from the ELT member and confirmation that the price is in line with the annual disbursement estimate, the task order, funding amount, and innovation fund balance is sent to the VP, Supply Management, for final approval. Supply Management personnel confirm that the innovation task order scope conforms to the terms of the EPMO contract.

When the OSP receives approval from the VP, Supply Management, they track the committed initiative funds and update the fund balance.

Step Six: Supply Management enters the task order into CAMS and manages it like a typical time and materials contract. OSP personnel serve as Contracting Officer Representatives for each innovation fund task order by working in conjunction with the host executive to track progress toward milestones, monitor the quality of deliverables, and review receipt of final project deliverables. Once receipt of final products is confirmed and the ELT member or officer confirms with the OSP that the quality attributes were achieved, the OSP notifies Supply Management, who then closes the task in the tracking system.

Step Seven: OSP personnel enter copies of final deliverables into the shared folders for future reference, send copies of the final deliverables to interested executives, and present results of the initiative at monthly strategic and competitive insights forums. The OSP does an annual assessment of how fund disbursements are aligned to strategic initiatives and uses that data to reassess priorities for the next fiscal year.

Appendix C: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



May 18, 2018

LORI LAU DILLARD

SUBJECT: Enterprise Project Management Office – Innovation Pool Fund Audit
(Report Number SM-AR-18-DRAFT)

Thank you for providing the United States Postal Service with an opportunity to review and comment on the subject Office of the Inspector General (OIG) audit report, "Enterprise Project Management Office – Innovation Pool Fund." Management agrees with the report's Findings #1 and #3, but not Finding #2, "Update Operating Procedures." Management agrees with the recommendations. Management appreciates that the OIG noted that the Enterprise Project Management Office (EPMO) Innovation Pool Fund (Pool) is "a mutually beneficial, innovative arrangement for the Postal Service and the supplier" and that the Pool was "properly funded and work performed using Pool funds was executed in agreement with Postal Service contractual terms."

Regarding Finding #2, the OIG asserts that "neither the Vice President (VP), Supply Management, nor an executive leadership team (ELT) sponsor, approved proposal statements" for 10 of 48 orders executed. Management notes that the operating procedures submitted to the OIG audit team did not require the approval of the VP, Supply Management, prior to submission of a task order. The current operating procedure has been updated to reflect that a task order sponsor may be a senior executive (e.g., a member of the ELT, VP, or Director) and may be approved by a Supply Management delegate. Currently, the Supply Management delegate is the Manager, Professional & Technical Services Category Management Center (CMC).

Management's response to the audit findings and recommendations are as follows:

Recommendation #1: The Vice President, Supply Management, revise operating procedures to clearly define roles, responsibilities, and a process to validate credits earned for the Innovation Pool Fund.

Management Response to Recommendation #1: Management agrees with this recommendation. Management will update operating procedures to obtain from the supplier information on Pool accrual, task orders initiated, and expense amounts with all relevant dates on at least a quarterly basis. Spend data and credits earned will be internally tracked and validated.

Target Implementation Date: October 2018

Responsible Official: Manager, Professional & Technical Services CMC

Recommendation #2: Update current operating procedures to accurately reflect the approval and fair and reasonable processes for Innovation Pool Fund task orders.

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Management Response to Recommendation #2: Management agrees with this recommendation and will clarify the Standard Operating Procedure language on the Task Sponsor, Office of Strategic Planning, and Supply Management approval and fair and reasonable processes for Innovation Pool Fund task orders.

Target Implementation Date: October 2018

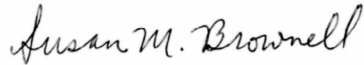
Responsible Official: Manager, Professional & Technical Services CMC, and Manager, Strategic Business Planning

Recommendation #3: Update current operating procedures to include periodically evaluating the effectiveness of the Innovation Pool Fund concept to ensure it is cost-justified and promotes fair and competitive contracting practices.

Management Response to Recommendation #3: Management agrees that periodically evaluating the effectiveness of the Innovation Pool funding expenditures and their relationship to subsequently tasked work is prudent. Accordingly, management will update and revise the Standard Operating Procedures to require an annual review and written report focused on pool expenditures, value and benefit obtained, and evaluation of the sourcing strategy utilized for subsequently issued task orders.

Target Implementation Date: November 2018

Responsible Official: Manager, Professional & Technical Services CMC, and Manager, Strategic Business Planning



cc: Manager, Corporate Audit Response Management



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