



Office of Inspector General | United States Postal Service

Audit Report

Accenture Information Technology Contracts

Report Number 20-076-R21 | December 29, 2020



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Highlights

Objective

Our objective was to assess contractual compliance and oversight of the U.S. Postal Service's Accenture information technology (IT) contracts for fiscal years (FY) 2018-2019.

The Postal Service contracts with a variety of suppliers for goods and services such as technical and consulting services. Accenture Federal Services (Accenture) accounted for the highest amount of funds the Postal Service spent for IT contracts during FYs 2018 and 2019 – about \$332 million.

In 2009, the Accenture Enterprise Technology Services (ETS) contract was established to increase the number of staff to support IT operations nationwide and develop and maintain applications. This Indefinite Delivery Indefinite Quantity (IDIQ) contract continues to this day and allows the Postal Service to request services and supplies when needed but when the timing or amount required is not certain. The Postal Service is currently recompeting this contract and the future contract is estimated to be awarded in January 2021. The Supply Management group is responsible for oversight and administration of the current and future IDIQ contracts. With the Postal Service operating with significant net losses, effective management and oversight of contracts is critical.

We reviewed the Accenture ETS base contract and seven of 58 task orders that totaled \$165 million (or 50 percent) of contract costs for FYs 2018 and 2019. We judgmentally selected ten of 42 Accenture applications that were developed and maintained under these seven task orders.

Findings

The Postal Service did not effectively manage the Accenture ETS contract or adhere to its internal controls for contractual compliance and oversight. Specifically, we found issues related to managing the cost of the contract, missing contract clauses, and an incomplete Quality Assurance Plan.

We found the Supply Management group did not develop and maintain a cost management plan and evaluate cost variances to ensure the contract remained within budget. In addition, the competition advocate advised Supply Management

to recompet the contract to create an opportunity for increased competition. However, the Postal Service continued to rely heavily on Accenture's services and raised the contract ceiling price from \$750 million to \$1.95 billion without evaluating competitive pricing for these services.

These issues occurred because the Supply Management group did not enforce the internal controls outlined in the policy to develop a cost management plan and evaluate cost variances. Also, management made a business decision to continue with Accenture services to avoid program delays and transition time to recompet the contract. The Cost Management Plan supports the effective management of contract costs and evaluation of competitive pricing ensures the Postal Service receives the best value for services procured under the contract. Further, the Postal Service is at risk of becoming overly dependent on a specific vendor for its IT services.

We also found that the Supply Management group did not include the appropriate contract clauses in the Accenture ETS contract. Specifically, they did not include the required clauses for Reimbursement for Testing and Warranty Exclusion and Limitation of Damages. Additionally, management included clauses for Inspection and Acceptance and Quality Management System in the contract; however, policy states that these two clauses cannot be added to the same contract.

This occurred because management did not provide appropriate oversight to ensure the required clauses were included in the contract. According to the contracting officer (CO), the clauses were not reviewed because it was assumed the prior CO and legal team vetted the clauses before awarding the contract. On average, the Postal Service spent \$82.9 million annually in FYs 2018 and 2019

“The Postal Service continued to rely heavily on Accenture’s services and raised the contract ceiling price from \$750 million to \$1.95 billion without evaluating competitive pricing for these services.”

for the seven Accenture ETS task orders reviewed. Without these clauses, the Postal Service could potentially face financial impact from loss of reimbursement from testing, warranty claims, or damages not explicitly stated in the contract.

Finally, the CO and IT organization did not establish the Quality Assurance team for this contract and did not fully complete and execute the Quality Assurance Plan. For example, the plan did not include milestone dates for the quality assurance reviews, but instead listed the dates as “to be determined.” This occurred because the CO and IT organization did not provide appropriate oversight of the quality assurance requirements. The Quality Assurance Plan supports the monitoring of quality controls throughout the project lifecycle and provides visibility into the health of the contract.

Recommendations

We recommended management:

- Develop and implement a cost management plan during purchase planning for the future contract to effectively manage and monitor contract costs.
- Update the Supplying Principles and Practices to require an evaluation of the cost management plan as part of the noncompetitive purchase request process before approving contract ceiling price increases and to require contracting officers complete training on the policy requirements for the cost management plan.
- Modify the contract to include the required clauses in the Accenture Enterprise Technology Services contract and ensure the future contract terms conform to the guidelines in the Supplying Principles and Practices.
- Implement an oversight process to periodically verify the inclusion of required contract clauses throughout the life of the contract.
- Complete and implement a Quality Assurance Plan to effectively monitor quality objectives for the future contract.

Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

December 29, 2020

MEMORANDUM FOR: MARK A. GUILFOIL
VICE PRESIDENT, SUPPLY MANAGEMENT

MARC D. MCCRERY
VICE PRESIDENT, TECHNOLOGY APPLICATIONS

Margaret B. McDavid

FROM: Margaret B. McDavid
Deputy Assistant Inspector General
for Information Technology and Inspection Service

SUBJECT: Audit Report – Accenture Information Technology Contracts
(Report Number 20-076-R21)

This report presents the results of our audit of the Accenture Information Technology Contracts.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Mary Lloyd, Director, Information Technology, or me 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 Accenture Information Technology (IT) Contracts (Project Number 20-076). Our objective was to assess contractual compliance and oversight of the U.S. Postal Service's Accenture information technology contracts for fiscal years (FY) 2018-2019.

See [Appendix A](#) for additional information about this audit.

Background

The Postal Service contracts with a variety of suppliers for goods and services such as technical and consulting services. Accenture Federal Services (Accenture) accounted for the highest amount of funds the Postal Service spent for IT contracts during FYs 2018 and 2019 – about \$332 million. In 2009, the Accenture Enterprise Technology Services (ETS) contract was established to increase the number of staff to support IT operations nationwide and develop and maintain applications. This Indefinite Delivery Indefinite Quantity (IDIQ)¹ contract continues to this day and allows the Postal Service to request services and supplies when needed but when the timing or amount required is not certain. These requests are made using task orders (e.g., Time-and-Materials (T&M)² contracts) which are issued to the supplier for services under an existing IDIQ contract. The Postal Service is currently recompeting this contract and the future contract is estimated to be awarded in January 2021. The Supply Management group is responsible for oversight and administration of the current and future IDIQ contracts. With the Postal Service operating with significant net losses, effective management and oversight of contracts is critical.

During FY 2019, we published three audit reports³ that highlighted multiple issues with [REDACTED] developed and maintained by Accenture. Based on the deficiencies identified in FY 2019 audit reports related to Accenture, we determined that a review of Accenture IT contracts was warranted.

To accomplish our objective, we reviewed the Accenture ETS base contract and seven of 58 task orders that totaled \$165 million (or 50 percent) of contract costs for FYs 2018 and 2019. We also judgmentally selected ten of 42 Accenture applications developed and maintained under these seven task orders.

We found the Postal Service did not effectively manage the Accenture ETS contract or adhere to internal controls for contractual compliance and oversight. Specifically, we found issues related to managing the cost of the contract, missing contract clauses, and an incomplete Quality Assurance Plan (QAP).

Finding #1: Cost Management

The Postal Service did not adhere to its internal controls to effectively manage the cost of the Accenture ETS contract. Specifically, we found the Supply Management group did not develop and maintain a cost management plan.⁴ They also did not evaluate cost variances to ensure the contract remained within budget. Postal Service policy⁵ requires the pricing analyst⁶ to develop the cost management plan and the contracting officer (CO) to review it. Policy also

“The Postal Service did not adhere to its internal controls to effectively manage the cost of the Accenture ETS contract.”

1 Type of contract that provides for an indefinite quantity of supplies or services during a fixed period of time.

2 T&M contracts are orders placed against an indefinite-delivery contract. The Postal Service and supplier agree on a fixed hourly rate for each labor category required. Each required labor rate is inclusive of the supplier's applicable cost elements such as direct labor, labor overhead, general and administrative expenses, and profit.

3 The three audits we published [REDACTED] Management Alert – [REDACTED] (Report Number IT-MT-19-002, dated August 26, 2019), and *Review of Postal Service's Response* [REDACTED] (Report Number IT-AR-19-005, dated September 6, 2019).

4 The cost management plan is developed using the purchase plan, which provides the overall strategy to accomplish and manage a purchase.

5 *Supplying Principles and Practices* (SP&P) Section 5-1, Develop, Finalize, and Implement Cost Management Plan and Section 5-1.1, Develop a Cost Management Plan, dated October 2019.

6 Pricing analyst is responsible for determining the most appropriate technique for a given purchase. However, the Postal Service does not have a pricing analyst for the Accenture ETS contract.

requires the CO to analyze cost variances before making decisions regarding contract administration.

The Supply Management group and the IT organization did not recompute the contract over the 11-year period,⁷ even though the competition advocate⁸ advised them to recompute it to create an opportunity for increased competition. The Postal Service continued to rely heavily on Accenture's services and raised the contract ceiling price⁹ for three of the four option year periods¹⁰ without evaluating competitive pricing¹¹ for these services. For example, the Postal Service originally awarded the contract competitively for a maximum value of \$750 million.¹² However, they approved noncompetitive purchase requests (NPR)¹³ that more than doubled the contract value to \$1.95 billion (see Figure 1). Postal Service policy¹⁴ states that a purchase plan¹⁵ for a noncompetitive purchase should provide a clear understanding of the best value sought and business processes that will be used to obtain that value. Policy also states that in most cases, the competitive purchase method is best suited to meet the business objectives of the Postal Service.

These issues occurred because the Supply Management group did not enforce the internal controls outlined in the policy to develop a cost management plan and evaluate cost variances. Specifically, they stated developing a cost management plan was not standard practice for this type of contract. There was also uncertainty among the Supply Management group, IT organization, and contracting officer representatives (COR)¹⁶ about who was responsible for developing the cost management plan and evaluating cost variances for the Accenture ETS contract. Further, management made a business decision to continue with Accenture services to avoid program delays and transition time associated with recompeting the contract.

Figure 1. Accenture ETS Contract Ceiling Price Increases (millions)

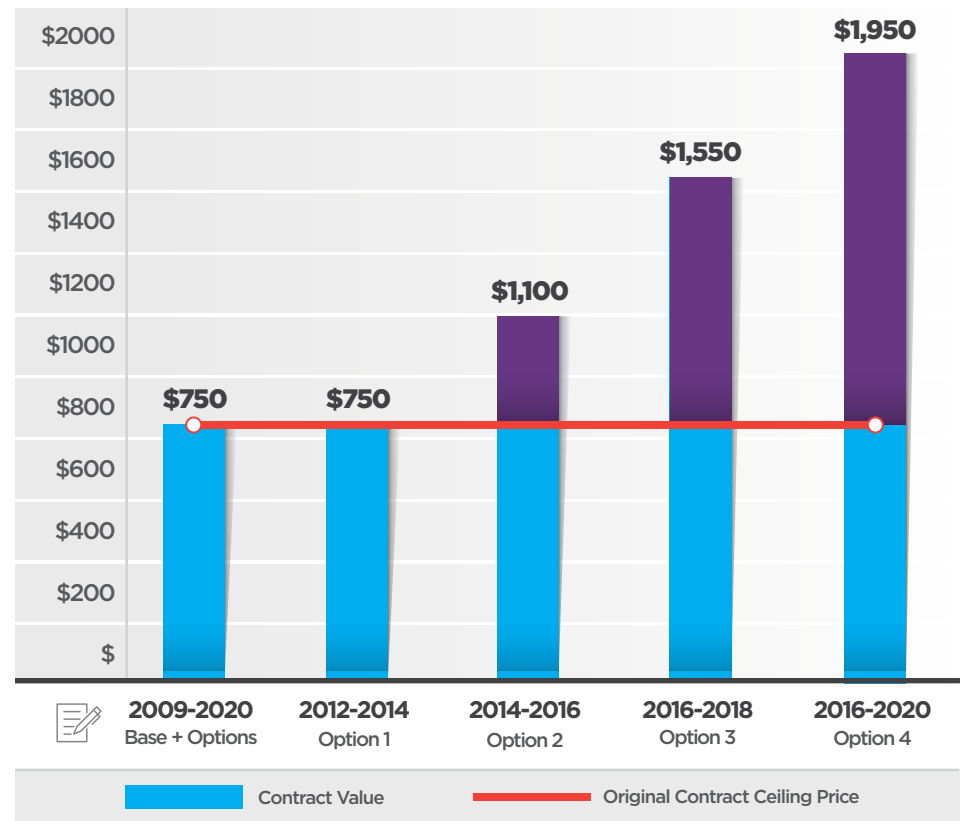


Figure reflects the Accenture ETS contract ceiling price increases for the period of performance from 2009 to 2020.
Source: Contract Authoring and Management System, Accenture ETS contract file, as of January 2020.

7 The Postal Service awarded the Accenture ETS contract in 2009 covering a base contract period of three years with four two-year option periods.

8 The competition advocate provides an independent review for the CO to consider in their evaluation of the noncompetitive purchase request.

9 The ceiling price is the maximum aggregate amount that the Postal Service is obligated to pay the supplier for efforts expended under the contract or order.

10 An option period authorizes the Postal Service to unilaterally elect to purchase the additional quantities of goods or services in the contract option.

11 Competition brings market forces to bear and allows comparison of the relative value of competing proposals and prices.

12 IDIQ contracts have guaranteed minimum and maximum order amounts for the Accenture ETS base contract and the maximum was \$750 million.

13 When the Postal Service recommends purchases should be made noncompetitively, the requesting organization must submit a NPR to the contracting officer.

14 SP&P Section 2-1.3.2, Noncompetitive Purchases, dated October 2019; and Management Instruction SP S2-2015-1, *Noncompetitive Purchases*, dated August 2015.

15 SP&P Section 2-1.1, Develop a Purchase Plan, dated October 2019. A purchase plan provides the overall strategy to accomplish and manage a purchase.

16 COs have delegated contract authority and may designate Postal Service employees to serve as CORs. These individuals are authorized to take actions related to the award and administration of specified contracts.

The Cost Management Plan supports the effective management of contract costs and evaluation of competitive pricing ensures the Postal Service receives the best value for services procured under the contract. Without recompeting contracts, the Postal Service is at risk of becoming overly dependent on a specific vendor for its IT services.

Recommendation #1

We recommend the **Vice President, Supply Management and Vice President, Technology Applications**, develop and implement a cost management plan during purchase planning for the future contract to effectively manage and monitor contract costs.

Recommendation #2

We recommend the **Vice President, Supply Management**, update the Supplying Principles and Practices to require an evaluation of the cost management plan as part of the noncompetitive purchase request process before approving contract ceiling price increases and to require contracting officers complete training on the policy requirements for the cost management plan.

Finding #2: Contract Clause Compliance

We found that the Supply Management group did not include the appropriate contract clauses in the Accenture ETS contract and ensure compliance with contracting policy. While the Postal Service included 60 of the applicable clauses in the contract, they did not include Clause 2-23: Reimbursement – Postal Service Testing and Clause 4-15: Warranty Exclusion and Limitation of Damages. In addition, management did not comply with policy by including Clause 2-1: Inspection and Acceptance and Clause 2-2: Quality Management System in the Accenture ETS contract.

Postal Service policy requires the following:

- Clause 2-23: Reimbursement – Postal Service Testing¹⁷ must be added when Clause 2-1: Inspection and Acceptance or Clause 2-2: Quality Management System are included in the contract. This clause addresses the costs to the supplier for Postal Service time when the supplier is not compliant for an inspection requested by the supplier and for re-inspections.
- Clause 4-15: Warranty Exclusion and Limitation of Damages¹⁸ must be included in all contracts for information systems and specifies there are no warranties expressed or implied, except as specifically stated in the contract.
- Clause 2-1: Inspection and Acceptance¹⁹ and Clause 2-2: Quality Management System should not be included in the same contract. Both clauses are used to manage quality; however, Clause 2-2 should be included when the supply or service contracts are extensive, complex, or unique and the Postal Service requires that the supplier maintain a quality management system.

“We found that the Supply Management group did not include the appropriate contract clauses in the Accenture ETS contract and ensure compliance with contracting policy.”

This occurred because management did not provide appropriate oversight to ensure the required clauses were included in the contract. According to the CO, the clauses were not reviewed because it was assumed the prior CO and legal team vetted the clauses before awarding the contract. Further, the Postal Service may not be exercising all of its rights under the contract and is at an increased risk of not completely protecting its financial interest. For the seven Accenture ETS task orders evaluated during our audit period, the Postal Service incurred contract costs exceeding \$165 million.²⁰ Without these clauses, the Postal Service could potentially face financial impact from loss of reimbursement from testing, warranty claims, or damages not explicitly stated in the contract.

¹⁷ SP&Ps, Section 5-6.1, Develop a QAP; and Section 4-4.5, Surveillance or Audit of the Work In Progress, dated October 2019.

¹⁸ SP&Ps, Section 8-4.10, Clauses; and Section 10, Contract Clauses, dated October 2019.

¹⁹ SP&Ps, Section 5-6.1, Develop a QAP, dated October 2019.

²⁰ Unsupported Questioned Costs – A subset of questioned costs that are called into question because of missing or incomplete documentation, or because of failure to follow required procedures.

Recommendation #3

We recommend the **Vice President, Supply Management**, modify the contract to include the required clauses in the Accenture Enterprise Technology Services contract and ensure the future contract terms conform to the guidelines in the Supplying Principles and Practices.

Recommendation #4

We recommend the **Vice President, Supply Management**, implement an oversight process to periodically verify the inclusion of required contract clauses throughout the life of the contract.

Finding #3: Quality Assurance

The CO and IT organization did not establish a Quality Assurance team²¹ and did not fully complete and execute the QAP. For example, the QAP did not include milestone dates for the quality assurance reviews, but instead listed the dates as “to be determined.” While the CO maintains performance metrics for Accenture, those metrics do not address quality controls as defined in the QAP. Policy²² states the QA team should draft the QAP. Also, policy states the client,²³ Accenture, and the Supply Management group have joint responsibility with the QA team for executing the QAP. The QAP was not established or executed because the CO and IT organization did not provide appropriate oversight of the quality assurance requirements. The QAP supports the monitoring of quality controls throughout the project lifecycle and provides visibility into the health of the contract.

“While the CO maintains performance metrics for Accenture, those metrics do not address quality controls as defined in the QAP.”

Recommendation #5

We recommend the **Vice President, Supply Management and Vice President, Technology Applications**, complete and implement a quality assurance plan to effectively monitor quality objectives for the future contract.

Other Matters: Risks Associated with Information Technology Applications

While conducting this audit, we found the Postal Service allowed IT applications to operate in the production environment with substantial vulnerabilities. Although the issues identified were not directly related to the scope of the audit, they were security weaknesses that warranted management’s attention and corrective action. Therefore, we issued the *Risks Associated with Information Technology Applications* alert (Report Number 20-251-R20, dated July 27, 2020). The Postal Service agreed with our recommendations to complete the Certification and Accreditation (C&A) process for all identified applications. The Postal Service addressed all recommendations and we closed them on September 14, 2020.

Management’s Comments

Management generally agreed with the findings and recommendations in the report. Management believes that additional information in the report’s findings would provide clarifying context regarding administration of the Accenture ETS contract. Management acknowledges that the contract ceiling price increased during the option periods; however, as technology applications and information technology requirements dramatically increased during the period of performance, this estimate proved to be insufficient. Management also stated that they competitively awarded the Accenture contract under the ETS Program. The purchase strategy envisioned the supplier’s continued performance and there was not a plan to otherwise recompute the contract during the 11-year period. Additionally, management disagreed with the monetary impact because they believe the missing contract clauses do not restrict the Postal Service

²¹ The QA team is often made up of members of the purchase and Supply Chain Management team and reports to both the client and CO.

²² SP&P Section 5-6.2, Execute the QAP, dated October 2019.

²³ The client for the Accenture ETS contract is the Postal Service’s Information Technology organization.

from making a request for equitable adjustment against the supplier for any performance issues.

Regarding recommendation 1, management agreed with this recommendation and stated they will review the use of a cost management plan during the purchase planning phase for the future contract. The target implementation date is June 2021.

Regarding recommendation 2, management agreed with this recommendation in part. Specifically, management agreed to update the SP&P regarding cost management plans and train contracting officers on revised policy requirements. However, they will not require an evaluation of the cost management plan as part of the NPR process before approving contract ceiling price increases, stating that a cost management plan is not applicable to every noncompetitive contract. The target implementation date is December 2021.

Regarding recommendation 3, management agreed with this recommendation and stated they will attempt to negotiate and modify the existing contract to include the omitted clauses. They will also ensure that future contract terms conform to SP&P guidelines. The target implementation date is November 2021.

Regarding recommendation 4, management agreed with this recommendation and stated they will implement an oversight process to periodically verify the inclusion of required contract clauses throughout the life of the contract. The target implementation date is March 2021.

Regarding recommendation 5, management agreed with this recommendation to complete and implement a quality assurance plan to effectively monitor quality objectives for the future contract. The target implementation date is November 2021.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report.

The OIG considers the monetary impact assessed to be appropriate and related to unsupported questioned costs because the Postal Service acknowledged that the required clauses were missing from the contract. We chose a conservative amount of \$165 million covering our audit period of two years; however, the clauses were missing during the entire 11-year period. These unsupported questioned costs quantify the impact of missing clauses which could potentially lead to the Postal Service not fully exercising all of its rights under the contract.

In response to management's comments on our findings, as stated, the Postal Service did not recompet the Accenture ETS contract over the 11-year period, which limited its ability to increase competition and obtain the best pricing for the ETS contract. Although the Postal Service followed the NPR process in raising the contract ceiling price, the cost management plan documented in policy would assist in providing a critical control to support ceiling price increases.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. All 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

The scope of our audit included a review of the Postal Service's Accenture IT contracts. We reviewed the Accenture ETS base contract and seven of 58 task orders that totaled \$165 million (or 50 percent) of the contract costs for FYs 2018 and 2019. We judgmentally selected ten of 42 Accenture applications that were developed and maintained under these seven task orders. We compared the IDIQ Accenture ETS base contract to the Postal Service Supplying Principles and Practices to determine if the contract complied with policy. We reviewed policies and procedures to gain an understanding of the Postal Service's internal controls to comply with the C&A process for the Accenture developed and maintained applications. Also, we reviewed the applications based on a testing issue found in a prior audit report,²⁴ which lead to the *Risk Associated with Information Technology Applications* management alert (Report Number 20-251-R20, dated July 27, 2020).

To accomplish our objective, we:

- Obtained background information related to Accenture, including the history of Accenture, the scope of Accenture's involvement with the Postal Service, and other pertinent information.
- Identified the universe of contracts, systems and services related to Accenture for FYs 2018 - 2019.
- Reviewed policies and procedures to gain an understanding of the Postal Service's internal controls to manage contract cost, monitor quality assurance, and comply with the C&A process for systems developed and maintained by Accenture.

- Interviewed the CO, CORs, program managers, and other appropriate officials to understand their process for providing oversight and management of the contract and task orders.
- Reviewed Accenture ETS contracts and statements of work to document key contract deliverables and determine if all the required contract clauses were included.
- Evaluated the adequacy of contract oversight to include cost management practices and work performed under the contract to ensure compliance with policy.
- Evaluated the C&A process for the ten applications sampled to determine compliance with Postal Service policy.

We conducted this performance audit from November 2019 through December 2020 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 that 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 November 20, 2020 and included their comments where appropriate.

We assessed the reliability of contracting data by interviewing the CO and comparing datasets from the Enterprise Data Warehouse. We determined that the data were sufficiently reliable for the purposes of this report.

²⁴ Review of Postal Service's Response [REDACTED] (Report Number IT-AR-19-005, dated September 6, 2019).

Prior Audit Coverage

Report Title	Objective	Report Number	Final Report Date	Monetary Impact (in millions)
<i>Risks Associated with Information Technology Applications</i>	Provide U.S. Postal Service officials immediate notification of the issues identified during our ongoing audit.	20-251- R20	7/27/2020	None
<i>Review of Postal Service's Response</i> [REDACTED]	[REDACTED]	IT-AR-19-005	9/6/2019	None
[REDACTED] (Management Alert)	[REDACTED]	IT-MT-19-002	8/26/2019	None
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	None
<i>U.S. Postal Service Contract Labor Substitution</i>	Determine whether contracting officers complied with Postal Service policy for labor substitution on [REDACTED] contracts.	SM-AR-17-005	5/30/2017	\$150
<i>Controls Over Multiple Award Indefinite Delivery, Indefinite Quantity Contracts</i>	Assess the Postal Service's use of multiple award IDIQ contracts. Specifically, to determine whether there are adequate controls over the use of this contract vehicle and identify best practices for the use of IDIQ contracts.	SM-AR-16-007	3/28/2016	\$722

Appendix B: Management's Comments



December 17, 2020

JOSEPH E. WOLSKI
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Draft Audit Report – Accenture Information Technology
Contracts (Project Number 20-076-DRAFT)

Thank you for providing the United States Postal Service (Postal Service) with an opportunity to review and comment on the subject draft audit report titled "Accenture Information Technology Contracts" dated November 24, 2020. Management views that additional information within the report's findings would provide clarifying context to the audit results. Management agrees in general with the report's recommendations. Management does not agree with the monetary impact.

Findings

Regarding the report's findings, Management views that additional information is necessary and would provide clarifying context to more properly reflect the circumstances with respect to the administration of the Accenture Enterprise Technology Services (ETS) contract.

Concerning Finding #1 Cost Management, the OIG notes that the Postal Service did not recompetete the contract over the 11-year period of performance and suggests there is a lack of competition concerning Accenture's performance. As background, the Accenture contract was awarded with a three-year base period of performance and four 2-year option terms. Subject to satisfactory performance of the supplier, the purchase strategy for the instrument envisioned the supplier's continued performance and there was not a plan to otherwise recompetete the contract within the contract term. Additionally, the Enterprise Technology Services (ETS) program, under which the Accenture contract was awarded, is a competitively awarded multiple award program. The ETS program provides for several sources in addition to Accenture which the Postal Service uses to provide technology solutions for our operations. Each supplier performs under individual IDIQ instruments. Accordingly, competition is an ongoing component of ETS. The Contracting Officer (CO) evaluates competitive pricing between contract holders in negotiating and determining task order awards.

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Management acknowledges that the ceiling price of the contract was raised through the option periods, however the OIG states that it was done without evaluating competitive prices. As noted above, the CO evaluates competitive pricing already under contract with the other ETS suppliers in the program when evaluating competitive task orders, and used this same approach in determining price reasonableness concerning the negotiation and exercise of options contained in the contract. The initial ceiling price was an estimate of the amount of work to be performed by the supplier, however as technology applications and information technology requirements dramatically increased within the Postal Service during the period of performance, this estimate proved to be insufficient. The CO properly processed the Noncompetitive Purchase Request (NPR) documentation in raising the contract ceiling.

Concerning Finding #2 Contract Clause Compliance, the OIG found that Supply Management did not include two required contract clauses in the Accenture ETS contract, Clause 2-23: Reimbursement – Postal Service Testing, and Clause 4-15: Warranty Exclusion and Limitation of Damages. Additionally, the OIG found that the CO in awarding the contract in 2009 included both Clause 2-1: Inspection and Acceptance, and Clause 2-2: Quality Management System in the Accenture ETS contract. While policy recommends that both clauses 2-1 and 2-2 are not to be used in the same contract, the obligation on the supplier to provide for a Quality Management System enhanced the performance of the supplier and did not result in any demonstrated harm to the Postal Service.

In its report, the OIG expressed a concern that without Clause 2-23 the Postal Service "may not be exercising all of its rights under the contract and is at an increased risk of not completely protecting its financial interest." The lack of Clause 2-23 in no way restricts the Postal Service from asserting a request for equitable adjustment against the supplier for any failure of performance including its failure to support a scheduled test. Additionally, the OIG did not identify any instance during the past decade in which the Postal Service was unable to fully exercise its service inspection rights due to any clause omissions. Clause 4-15 is a clause which benefits the supplier concerning claims of warranty, the omission of which has no effect on the Postal Service.

In summary, the OIG did not find that the omission of any clause resulted in any unrecovered costs or improperly paid amounts spent by Postal Service. Accordingly, it is difficult to reach the conclusion that the omissions had any material adverse impact on the Postal Service.

Monetary Impact

As noted above, the OIG audit did not find any circumstance where either the inclusion of an extra clause, or lack of including Clause 2-23 and Clause 4-15 damaged the Postal Service. The OIG however calculates the entire value of the subject seven task orders as unsupported questioned costs. Management suggests that denoting such a significant sum without any circumstance of actual impact due to the clauses in question or failure of the supplier to perform is not an accurate reflection of contract administration concerning the Accenture ETS contract. The clauses cited in the in the draft audit report while addressed in policy, are not required by regulation or law.

Under the seven task orders reviewed, Accenture delivered the required performance and the Postal Service paid Accenture for that performance at the agreed-upon rates. The inclusion, or failure to include, the clauses discussed in Finding #2 had no impact on the performance or payment of those task orders.

OIG Recommendations

We recommend the Vice President, Supply Management and the Vice President, Technology Applications:

Recommendation 1:

We recommend the Vice President, Supply Management and Vice President, Technology Applications, develop and implement a cost management plan during purchase planning for the future contract to effectively manage and monitor contract costs.

Management Response/Action Plan:

Management agrees with this recommendation. We will review the use of a cost management plan during the purchase planning phase for the future contract.

Target Implementation Date:

June 2021

Responsible Official:

Manager, Technology Infrastructure Portfolio, Supply Management
Executive Director, Technology Applications

Recommendation 2:

We recommend the Vice President, Supply Management, update the Supplying Principles and Practices to require an evaluation of the cost management plan as part of the noncompetitive purchase request process before approving contract ceiling price increases and to require contracting officers complete training on the policy requirements for the cost management plan.

Management Response/Action Plan:

Management agrees in part with this recommendation. Management agrees to update the Supplying Principles and Practices regarding cost management plans, and train contracting officers on the revised policy requirements. However, we will not require an evaluation of the cost management plan as part of the noncompetitive purchase request process before approving contract ceiling price increases. A cost management plan is not applicable to every noncompetitive contract.

Target Implementation Date:

December 2021

Responsible Official:

Manager, Supply Management Infrastructure, Supply Management

Recommendation 3:

We recommend the Vice President, Supply Management, modify the contract to include the required clauses in the Accenture Enterprise Technology Services contract and ensure the future contract terms conform to the guidelines in the Supplying Principles and Practices.

Management Response/Action Plan:

Management agrees with this recommendation. We will attempt to negotiate and modify the existing contract to include the omitted clauses. We will ensure that the future contract terms conform to the guidelines in the Supply Principles and Practices.

Target Implementation Date:

November 2021

Responsible Official:

Manager, Technology Infrastructure Portfolio, Supply Management

Recommendation 4:

We recommend the Vice President, Supply Management, implement an oversight process to periodically verify the inclusion of required contract clauses throughout the life of the contract.

Management Response/Action Plan:

Management agrees with this recommendation. We will implement an oversight process to periodically verify the inclusion of required contract clauses throughout the life of the contract.

Target Implementation Date:

March 2021

Responsible Official:

Manager, Technology Infrastructure Portfolio, Supply Management

Recommendation 5:

We recommend the Vice President, Supply Management and Vice President, Technology Applications, complete and implement a quality assurance plan to effectively monitor quality objectives for the future contract.

Management Response/Action Plan:

Management agrees with this recommendation.

Target Implementation Date:

November 2021

Responsible Official:

Manager, Technology Infrastructure Portfolio, Supply Management
Executive Director, Technology Applications

E-SIGNED by MARK GUILFOIL
on 2020-12-17 15:50:59 CST

Mark A. Guilfoil
Vice President,
Supply Management

E-SIGNED by Marc D McCreery
on 2020-12-17 16:07:34 CST

Marc D. McCreery
Vice President
Technology Applications

cc: Manager, Corporate Audit Response Management

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