



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

Suspension and Debarment Program

Audit Report

May 30, 2012

Report Number CA-AR-12-002



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

May 30, 2012

Suspension and Debarment Program

Report Number CA-AR-12-002

IMPACT ON:

U.S. Postal Service suspension and debarment practices. These practices help ensure that the Postal Service and the federal purchasing community are protected from suspended, debarred, or ineligible suppliers.

WHY THE OIG DID THE AUDIT:

Our objective was to assess the Postal Service's suspension and debarment program. Specifically, we evaluated the Postal Service's compliance with pertinent regulations and benchmarked its suspension and debarment practices against Federal Acquisition Regulation (FAR) and FAR-exempt agencies to identify best practices and key program similarities and differences.

WHAT THE OIG FOUND:

Although no suspended or debarred suppliers are currently under contract with the Postal Service, opportunities exist for improving the suspension and debarment program. Postal Service suspension and debarment officials did not consistently update or accurately record suspension and debarment activity in the General Service Administration's Excluded Parties List System and the Postal Service list of suppliers debarred, suspended, and ineligible at the time of suspension or debarment, as required. If the Postal Service does not keep these required lists current, it puts itself and the federal

purchasing community at risk of doing business with ineligible suppliers. We also identified best practices that, if implemented, could strengthen the program. We are providing those best practices to the Postal Service for their consideration.

WHAT THE OIG RECOMMENDED:

We recommended management consistently update and accurately record suspension and debarment activity on the required lists upon debarment and instruct contracting staff on suspension and debarment policies and practices at least annually.

WHAT MANAGEMENT SAID:

Management agreed with the findings and recommendations in the report and completed actions to implement the recommendations, including implementing oversight controls and communicating suspension and debarment policy information to Supply Management personnel.

AUDITORS' COMMENTS:

The U.S. Postal Service Office of Inspector General considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in the report.

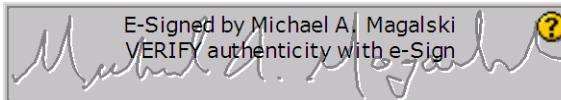
[*Link to review the entire report*](#)



May 30, 2012

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

E-Signed by Michael A. Magalski
VERIFY authenticity with e-Sign

A rectangular box containing a handwritten signature in cursive script, which appears to read "Michael A. Magalski". To the right of the signature is a small yellow circular icon with a question mark.

FROM: Michael A. Magalski
Deputy Assistant Inspector General
for Support Operations

SUBJECT: Audit Report – Suspension and Debarment Program
(Report Number CA-AR-12-002)

This report presents the results of our audit of the U.S. Postal Service's Suspension and Debarment Program (Project Number 11YG046CA000).

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

Attachments

cc: Joseph Corbett
Trent K. Ensley
Robert D. D'Orso
Susan A. Witt
Karren D. Vance
Corporate Audit and Response Management

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Introduction

This report presents the results of our audit of the U.S. Postal Service's Suspension and Debarment¹ Program (Project Number 11YG046CA000). Our objective was to assess the Postal Service's suspension and debarment program. Specifically, we evaluated the Postal Service's compliance with pertinent regulations and benchmarked its suspension and debarment practices against Federal Acquisition Regulation (FAR) and FAR-exempt agencies to identify best practices and key program similarities and differences. This self-initiated audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

Suspensions and debarments are administrative remedies that federal agencies can take to protect against future losses from supplier fraud, waste, abuse, poor performance, and noncompliance with contract provisions or applicable laws. The contracting officer (CO), the U.S. Postal Service Office of Inspector General (OIG), Inspection Service, General Counsel, or a representative from any area of the Postal Service may initiate a request for suspension and debarment to the vice president, Supply Management (VP, SM) through the appropriate channels.² If the VP, SM determines that suspension and debarment is warranted, the suspension and debarment coordinator will notify the General Services Administration (GSA) via its Excluded Parties List System (EPLS), the Inspection Service, and the OIG; and will post the suspension and debarment on the Postal Service's internal listing of suppliers debarred, suspended, and ineligible.³ COs are required to review the Postal Service and GSA lists before making a contract award and may not solicit proposals from, award contracts to, or consent to subcontracts with debarred, suspended, or ineligible suppliers.⁴ The Postal Service plans to eliminate the Postal Service list and only use the GSA list as the official suspension and debarment reference for Postal Service purposes. This will eliminate any potential confusion on the part of the Postal Service COs.

Conclusion

Although no suspended or debarred suppliers were currently under contract with the Postal Service, opportunities exist for the Postal Service to improve its suspension and debarment program. Postal Service suspension and debarment officials (SDOs) did not consistently update or accurately record suspension and debarment activity on the GSA

¹ Code of Federal Regulations (CFR), Title 39, §601-113(b)(6) and (b)(2), *Debarment, Suspension, and Ineligibility* defines suspension as an exclusion from contracting and subcontracting for a reasonable period of time due to specified reasons or the pendency of a debarment proceeding. It defines debarment as an exclusion from contracting and subcontracting for a reasonable, specified period commensurate with the seriousness of the offense, failure, or inadequacy of performance.

² Postal Service's Supply Management General Practice 7.11.1, *Initiating a Request for Debarment or Suspension*.

³ Postal Service's Supply Management General Practice 7.11.2, *Suspension and Debarment Coordinator*.

⁴ CFR, Title 39, §601-113 (d) (1) and (2), *Treatment of Suppliers on Postal Service or GSA Lists*.

EPLS⁵ and the Postal Service's list of suppliers debarred, suspended and ineligible (Postal Service List). In addition, SDOs did not consistently list the "Doing Business As" (DBA)⁶ aliases of debarred suppliers on the GSA's EPLS or the Postal Service List. If management does not consistently update the required lists, the Postal Service puts itself and the federal purchasing community at risk of doing business with suspended or debarred suppliers. We identified best practices that, if implemented, could help strengthen the program.

General Service Administration's Excluded Parties List System and Postal Service List not Updated

SDOs did not consistently update or accurately record suspension and debarment activity on the GSA's EPLS and the Postal Service List at the time of suspension or debarment. From fiscal years (FYs) 2009 through 2011, the OIG's Office of General Counsel (OGC) referred 155 actions for debarment. We reviewed 143 of the actions and identified 31 occurrences where the suspension and debarment coordinator did not update or accurately record suspension and debarment information. In addition, we found one occurrence where the suspension and debarment coordinator did not list the DBA aliases of debarred suppliers on the GSA's EPLS and the Postal Service List (see Table 1).

Table 1: Review of the GSA's EPLS and Postal Service List

Conditions Associated with Debarment Actions	Number of Occurrences
Debarred suppliers not listed on the Postal Service List. ⁷	26
Debarred suppliers on the GSA's EPLS removed from the Postal Service List prior to the official termination date. ⁸	4
Official termination date on the Postal Service List is inconsistent with the official termination date on the GSA's EPLS list.	1
DBA aliases of debarred suppliers not listed on the GSA's EPLS and Postal Service List.	1

According to the Supplying Principles and Practices (SP&P), if the VP, SM determines a suspension or debarment is warranted, the suspension and debarment coordinator will notify GSA (via its EPLS), the Postal Inspection Service, and the OIG and post the suspension and debarment on the Postal Service's internal web page.⁹ The suspension and debarment coordinator did not consistently update the Postal Service List because the organizational redesign of 2011 greatly impacted the ability of the individual to do so in a timely manner. During the organizational changes, staff roles changed, resulting in

⁵ The GSA's EPLS includes information regarding entities debarred, suspended, proposed for debarment, excluded or disqualified under the non-procurement common rule, or otherwise declared ineligible from receiving federal contracts, certain subcontracts, and certain federal assistance and benefits.

⁶ A business name that is different from a personal name, the names of partners or the officially registered name of an LLC or corporation. You need a DBA to start a business under any name other than your real one or if your business is already incorporated and you want to do business under a different name.

⁷ As of January 2012, the Postal Service had not updated its list since July 2011.

⁸ The termination date is the date that a suspension or debarment will expire.

⁹ SP&P, *General Practices*, Section 7-11.2, Suspension and Debarment Coordinator.

a lack of staff dedicated to the Suspension and Debarment Office to ensure that tasks such as updating EPLS and the Postal Service list were completed. Management is working to correct this issue. If management does not consistently update the required lists, including the DBA aliases of debarred entities, the Postal Service puts itself and the federal purchasing community at risk of doing business with suspended or debarred suppliers.

Best Practices: Characteristics of an Active Suspension and Debarment Program

Although there can be overriding and compelling justifications, an agency's reluctance or refusal to suspend or debar a supplier often jeopardizes not only the integrity of that agency's programs, but also the integrity of contract awards across the federal government. By contrast, a federal agency's vigorous and appropriate use of suspensions and debarments can help prevent future losses.¹⁰

Opportunities exist for the Postal Service to enhance its suspension and debarment program. We benchmarked the Postal Service's suspension and debarment program against other FAR¹¹ and FAR-exempt¹² agencies and identified best practices related to fact-based suspension and debarment actions, CO involvement, participation on the Interagency Suspension and Debarment Committee (ISDC)¹³, detailed policies and procedures, active referral processes, and dedicated staff (see Table 2). We are reporting these best practices to the Postal Service so it may consider them for implementation.

Fact-Based Suspensions and Debarments

Government-wide, most suspensions and debarments rely on indictments, criminal convictions, or civil judgments to establish the basis for action. Actions based entirely on the strength of the facts¹⁴ are less frequent. Of the agencies we benchmarked, all had initiated suspensions and debarments based upon factual grounds (see Table 2). Fifty-five of the 143 Postal Service suspension and debarment actions we reviewed (38 percent) were fact-based referrals the OIG made and 40 of the 55 fact-based

¹⁰ The Council of the Inspectors General on Integrity and Efficiency (CIGIE) report titled *Don't Let the Toolbox Rust: Observations on Suspension and Debarment, Debunking Myths, and Suggested Practices for Offices of Inspector General*, dated September 20, 2011.

¹¹ We benchmarked the Department of Justice (DOJ), Department of Interior (DOI), Defense Logistics Agency (DLA), and GSA.

¹² We benchmarked the Tennessee Valley Authority and Federal Deposit Insurance Corporation (FDIC).

¹³ The ISDC was established to monitor and implement Executive Order 12549, which mandates executive departments and agencies to (1) participate in a government-wide system for debarment and suspension from programs and activities involving federal financial and non-financial assistance and benefits, (2) issue regulations with government-wide criteria and minimum due process procedures when debarring or suspending participants, and (3) enter debarred and suspended participants' identifying information on the GSA's EPLS. The ISDC also serves as a forum to discuss current suspension- and debarment-related issues and assists in developing unified federal policy.

¹⁴ Fact-based actions do not rely on judicial proceedings such as indictments, convictions, or civil judgments. Instead, these actions can be supported by a preponderance of the evidence leading to the conclusion that a fact in issue is more probable than not. For example, willful failure to perform in accordance with contract terms, history of unsatisfactory performance, or any other cause that is so serious as to affect present responsibility.

referrals (73 percent) resulted in debarment. However, the Postal Service may not take action on some fact-based cases because of the time and resources required, the level of evidence needed to sustain an action, and the potential impact of holding simultaneous proceedings on criminal, administrative and civil matters.¹⁵

Best practices observed by the CIGIE¹⁶ remind agencies that suspension and debarment actions may not always arise from court proceedings. In reality, the FAR, the Non-Procurement Common Rule,¹⁷ and Postal Service regulations contemplate fact-based actions by providing that debarment can be supported by a preponderance of the evidence. Likewise, an indictment alone can establish cause for suspension and such action may be appropriate based on adequate evidence, which is a lower standard akin to probable cause.

Contracting Officer Involvement

The DLA notes that CO involvement is key to the suspension and debarment process. The DOI also actively involves the CO in the referral process. At the DOI, the CO makes referrals to their OIG Acquisition Integrity Unit, which then prepares the referral for further consideration to management.

The DLA COs also receive semiannual training on how and when to make referrals and on contractor fraud indicators. Postal Service COs review general practices related to suspension and debarment during their initial CO training, but are not required to recertify after they receive their SP&P certification. Instead, they must complete 24 hours of training annually, but the content of the training is at their discretion.

We reviewed 143 Postal Service suspension and debarment actions for FYs 2009 through 2011, and none were referred by COs. Rather, they were all referred by the OIG's OGC. The suspension and debarment coordinator stated that COs have initiated suspension and debarment cases in the past, but this is not the norm. The CO may initiate a request by submitting it to the VP, SM, in addition to referring fraudulent activity to the OIG or Inspection Service. The COs could benefit from receiving additional training in order to identify and recommend more cases suitable for suspension and debarment consideration.

Participation on the Interagency Suspension and Debarment Committee

All but one of the agencies we benchmarked attend monthly ISDC meetings or participate on the various ISDC sub-committees. The Postal Service does not currently

¹⁵ Sensitive investigative information or case theories being disclosed to the subject through the suspension and debarment process, thereby compromising judicial proceedings.

¹⁶ The CIGIE report titled *Don't Let the Toolbox Rust: Observations on Suspension and Debarment, Debunking Myths, and Suggested Practices for Offices of Inspector General*, dated September 20, 2011.

¹⁷ Procedures used by federal executive agencies to suspend, debar, or exclude individuals or entities from participation in nonprocurement transactions under Executive Order 12549. Examples of nonprocurement transactions are grants, cooperative agreements, scholarships, fellowships, contracts of assistance, loans, loan guarantees, subsidies, insurance, payments for specified use, and donation agreements.

participate on the ISDC; however, a representative from the OIG's OGC is a standing committee member. It could benefit the Postal Service to have a representative attend ISDC meetings to gain insight on enhancing its suspension and debarment program and to participate in forums and activities with other agencies to share ideas.

Other Best Practices

The U.S. Government Accountability Office (GAO) issued a report¹⁸ in August 2011 outlining characteristics of active suspension and debarment programs. Of the agencies GAO reviewed, the four with the most suspensions and debarments based on acquisition regulations share certain characteristics that were not present at agencies with relatively few or no such cases. The DLA, Department of the Navy, GSA, and the Department of Homeland Security's U.S. Immigration and Customs Enforcement agency share the following characteristics of an active suspension and debarment program:

- Detailed policies and procedures.
- Practices that encourage an active referral process.
- A full-time staff dedicated to the suspension and debarment program.

The Postal Service's program embodies one of the three characteristics of an active suspension and debarment program. Specifically, the Postal Service's policies and procedures include Title 39 CFR, §601.113, which provides guidance for supplier debarment, suspension, and ineligibility. Further, the Postal Service's Supply Management General Practices, *Supplier Debarment, Suspension, and Ineligibility*, provides step-by-step guidelines on initiating a request for suspension and debarment. In addition to the Postal Service's policies, procedures, and guidelines, the OIG identifies and refers cases based on investigations and legal proceedings.

We observed active referral processes at DLA and DOI, as discussed above in the section addressing CO involvement. Finally, of the six agencies we benchmarked, three have full-time staff dedicated to suspension and debarment activities. GSA has a suspension and debarment division, consisting of a division director and four staff members within its Office of Government-Wide Policy. Most of the staff members are attorneys who attend suspension and debarment training at the Federal Law Enforcement Training Center. Their duties include referral processing, case development, and coordination with the OIG. DLA's suspension and debarment program is part of the agency's larger contracting integrity issue area. Three attorneys and one part-time paralegal from the OGC administer suspensions and debarments. Responsibilities include processing referrals from primary field activity offices, assisting in coordination with the DOJ, and coordinating lead agency determinations with other agencies.

¹⁸ *Suspension and Debarment: Some Agency Programs Need Greater Attention, and Government-Wide Oversight Could Be Improved*, GAO-11-739.

The DOI's suspension and debarment function is part of its Office of Acquisition and Property Management and the senior procurement executive is the suspension and debarment official. The senior debarment program manager (SDPM) is an attorney who reviews incoming action referrals, acts as case representative, and prepares written determinations. In addition, the SDPM conducts debarment awareness training and works with the DOI's OIG personnel who prepare action referrals. A full-time paralegal provides administrative support, including making EPLS entries.

The Postal Service's suspension and debarment function is a component of the Policy, Compliance, Audit Management, and Freedom of Information Act group. The Postal Service does not have a full-time dedicated staff for its suspension and debarment program. Rather a suspension and debarment coordinator assists with processing suspensions and debarments and one contract attorney reviews requests before forwarding them to the VP, SM. These individuals are not assigned solely to suspensions and debarments, but have duties in other areas as well.

Table 2: Suspension and Debarment Best Practices by Agency

Best Practices	Non-FAR Agencies			FAR Agencies			
	Postal Service	FDIC	TVA	DLA	DOJ	DOI	GSA
Fact-based suspensions and debarments	X	X	X	X	X	X	X
CO actively involved in referrals				X		X	
Semiannual training specific to suspension, debarment, and fraud				X			
Agency ISDC participation		X		X	X	X	X
Detailed policies and procedures	X	X	X	X	X	X	X
Practices that encourage an active referral process		X		X	X	X	X
Full-time staff dedicated to the program				X		X	X

Recommendations

We recommend the vice president, Supply Management:

1. Direct the suspension and debarment coordinator to timely and accurately record suspension and debarment activity, including reporting the “Doing Business As” aliases of debarred suppliers, on the General Service Administration’s Excluded Parties List System; and the Postal Service’s list of suppliers debarred, suspended, and ineligible.
2. Provide all contracting staff with instruction and guidance on suspension and debarment policies, practices, and referrals at least annually; and regularly remind them of the importance of a strong suspension and debarment program and vigilance against contract fraud.

Management’s Comments

Management agreed with the findings and recommendations in the report and completed actions to implement the recommendations. Regarding recommendation 1, management stated they have implemented oversight controls, including monitoring procedures to ensure referrals are processed timely and the GSA and Postal Service lists are accurate. Management further stated they will perform oversight of this process on a semiannual basis and indicated they completed an oversight review and corrected all actions as of May 15, 2012. Management has also proposed a policy change to discontinue the requirement to maintain the Postal Service list, which should duplicate the information on the GSA list.

Regarding recommendation 2, management stated they partnered with the OIG’s Major Fraud Investigations Division to communicate information on contract fraud cases to increase awareness among SM personnel and that they have further communicated information on suspension and debarment policies to all contracting staff. Management indicated that they issued contract fraud alert and policy communications on February 6, 2012 and May 9, 2012, respectively. 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 and corrective actions should resolve the issues identified in the report. Management asked that we close both recommendations based on completing the actions stated.

The OIG considers both recommendations significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation that corrective actions are completed. Management has provided us with sufficient supporting documentation to verify the actions were completed. Therefore, we are closing both recommendations with the issuance of this report.

Appendix A: Additional Information

Background

Suspensions and debarments are administrative remedies that federal agencies can take to protect against future losses from supplier fraud, waste, abuse, poor performance, and noncompliance with contract provisions or applicable laws. The Postal Service should continuously measure and analyze supplier performance relative to contractual requirements and apply suspension and debarment remedies when applicable. Appropriate use of suspension and debarment could help limit future Postal Service losses.

The Postal Service's suspension and debarment policy was in the original *Postal Contracting Manual* and placed into effect no later than January 1, 1972. According to the Postal Service's SM General Practices, the CO, the OIG, Inspection Service, General Counsel, or a representative from any area of the Postal Service who is aware of circumstances that may be the basis for a suspension and debarment may initiate a request for suspension and debarment. The request is sent to the VP, SM through the appropriate channels (such as the CO, relevant manager, General Counsel, or the suspension and debarment coordinator); however, the requestor must first report circumstances that involve possible criminal or fraudulent activities to the OIG or Inspection Service, as appropriate, for investigative consideration. CFR Title 39, §601-113(d) requires COs to review the Postal Service and GSA lists before making a contract award. COs may not solicit proposals from, award contracts to, or, when a contract provides for such consent, consent to subcontracts with debarred, suspended, or ineligible suppliers.

The suspension and debarment coordinator in the SM Infrastructure, with assistance from the General Counsel, will review the suspension and debarment request in adherence to the requirements of CFR Title 39, §601-113 before forwarding it to the VP, SM with a recommended course of action. If the VP, SM determines that suspension and debarment is not warranted, the suspension and debarment coordinator will notify the requestor of the determination. If the VP, SM determines that suspension and debarment is warranted, the suspension and debarment coordinator, with the assistance of the General Counsel, will prepare a written notice to the party advising of the proposed suspension and debarment. The supplier will have 30 days to respond to the proposed suspension and debarment and, if there is no response or the supplier's response is not sufficient and the VP, SM still determines that suspension and debarment is warranted, the suspension and debarment coordinator will notify GSA (via its EPLS), the Inspection Service, and the OIG of the suspension and debarment and post it on the Postal Service's internal listing of suppliers debarred, suspended, and ineligible.

The Postal Service does not initiate debarment actions internally. Rather, the OIG's OGC forwards case referrals to the Postal Service's suspension and debarment

coordinator. In FY 2006, the OIG's OGC began collaborating with the Postal Service to develop a more streamlined referral process for suspension and debarment actions. From FYs 2009 through 2011, the OIG's OGC referred 155 debarment actions to the Postal Service. Of the 143 actions we reviewed for that period, the Postal Service debarred 98 (69 percent). The Postal Service bases its decisions to suspend or debar an individual supplier on several factors, including CFR Title 39, §601-113(b)(6), *Debarment, Suspension, and Ineligibility*; the level of competition from suppliers; and other mitigating factors. Ultimately, management considers suspension and debarment actions a business decision.

Objective, Scope, and Methodology

Our objective was to assess the Postal Service's suspension and debarment program. To accomplish our objective, we:

- Interviewed SDOs to obtain an understanding of the program.
- Reviewed criteria related to suspension and debarment and evaluated the Postal Service's compliance with pertinent regulations.
- Surveyed COs to determine their knowledge of the criteria.
- Analyzed 143 suspension and debarment action referrals from FYs 2009 through 2011 and tracked debarments to the GSA EPLS and Postal Service List.
- Benchmarked the Postal Service's suspension and debarment practices against FAR and FAR-exempt agencies to identify best practices and key programsimilarities and differences.

We conducted this performance audit from August 2011 through May 2012 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 April 11, 2012, and included their comments where appropriate.

We did not rely on computer-generated data for this audit. We reviewed suspension and debarment case files provided by the OIG's OGC and assessed the reliability of the information contained in these files and the Postal Service's resolution of the cases by interviewing OGC and Postal Service officials knowledgeable about the cases. We determined the data were sufficiently reliable for the purposes of this report.

Prior Audit Coverage

The OIG identified prior audits or reviews conducted by the GAO and the CIGIE related to the objective of this audit.

The GAO report titled *Suspension and Debarment: Some Agency Programs Need Greater Attention, and Government-Wide Oversight Could Be Improved* (Report Number [GAO-11-739](#), dated August 31, 2011) concluded that characteristics of an active suspension and debarment program are: full-time staff dedicated to the suspension and debarment program, detailed policies and procedures implementing guidance, and practices that encourage an active referral process.

The CIGIE report titled *Don't Let the Toolbox Rust: Observations on Suspension and Debarment, Debunking Myths, and Suggested Practices for Offices of Inspector General*, dated September 20, 2011, concluded that suspensions and debarments might be used more often if the relevant federal communities understood them better – an understanding that could be fostered through continuing dialogue and training. The report also outlined suggested suspension and debarment practices for OIGs to consider.

Appendix B: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



May 21, 2012

LUCINE M. WILLIS

SUBJECT: Response to Draft Audit Report – Suspension and Debarment
(Report Number CA-AR-12-DRAFT)

We appreciate the opportunity to review and comment on the subject draft report. Management agrees with Recommendation 1, has implemented oversight controls, and performed all necessary corrective actions prior to issuing this response. In our review of your findings, we conclude that there was only one instance where the General Services Administration's (GSA) list did not include a "doing business as" entity alias. All other occurrences of conditions associated with debarment actions were relative to the Postal Service's list. This list is a duplication of what is entered within GSA's system. It therefore had a high potential for errors with the number of people that were involved in updating this list during the audit sample period. A pending proposed policy change to discontinue the requirement to maintain the Postal Service's list will reduce or eliminate similar future data integrity issues.

Management also agrees with Recommendation 2, to provide all contracting staff with instruction and guidance on suspension and debarment policies, practices, and referrals at least annually; and regularly remind them of the importance of a strong suspension and debarment program and vigilance against contract fraud.

Based on our efforts described within this response, we look forward to the OIG considering both of these recommendations as implemented and provide concurrence of closure within the final report.

AUDIT RECOMMENDATIONS

We recommend the vice president, Supply Management:

Recommendation 1. Direct the suspension and debarment coordinator to timely and accurately record suspension and debarment activity, including reporting the "Doing Business As" aliases of debarred suppliers, on the GSA's Excluded Parties List System; and the Postal Service's list of suppliers debarred, suspended, and ineligible.

Management Response/Action Plan: Management agrees with Recommendation 1, has implemented oversight controls and performed all necessary corrective actions prior to issuing this response. On May 4, 2012, the vice president, Supply Management forwarded the OIG's draft audit report via e-mail to the manager, Supply Management Infrastructure and manager, Policy, Compliance and Audit teams directing regular monitoring and tracking of suspension and debarment records to ensure that they are consistently and accurately being entered and updated in the GSA system and on the Postal Service's list.

Based on this request, Supply Management Infrastructure developed procedures for managing the supplier suspension, debarment, and ineligibility process. These procedures include a requirement to update the tracking mechanism through each phase of the process and implemented a practice for monitoring and oversight to be performed by an individual other than the person entering the

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information on the GSA and Postal Service's list. This oversight will be performed on a semiannual basis to ensure: a) the referrals are being processed within the described timelines; and, b) to ensure the list(s) are accurate. The results and a description of any corrective actions taken will be provided to management.

An oversight review was performed and all actions were corrected as of May 15, 2012. This review was performed on the 31 occurrences within this report, the remaining 75 currently active entities within GSA's system, and eight active referrals on hand. We agree with the type of issues noted in the OIG's occurrences and found that there was only one instance where the GSA list did not include a "doing business as" entity alias. All other occurrences were relative to the Postal Service's list. The Postal Service list is a duplication of what is entered within GSA's system. It therefore had a high potential for errors with the number of people that were involved in updating this list during the audit sample period. A pending proposed policy change to discontinue the requirement to maintain the Postal Service's list will reduce or eliminate similar future data integrity issues.

Target Implementation Date: Based on the above information, we consider the actions related to implementation of this recommendation to have been completed on May 15, 2012.

Responsible Official: Manager, Supply Management Infrastructure.

Recommendation 2. Provide all contracting staff with instruction and guidance on suspension and debarment policies, practices and referrals at least annually; and regularly remind them of the importance of a strong suspension and debarment program and vigilance against contract fraud.

Management Response/Action Plan: Management agrees with the recommendation. In fact, prior to this audit, we had partnered with the Office of Inspector General (OIG) Major Fraud Investigations Division to receive and communicate information on contract fraud cases to increase awareness and educate Supply Management employees on the types of fraud schemes being imposed on the Postal Service and other federal agencies. Information on our suspension and debarment policies has also recently been communicated. A copy of these communications will be provided to the OIG under separate cover for verification of implementation of this recommendation.

Target Implementation Date: A Contract Fraud Alert and policy communications were issued on February 6, 2012 and May 9, 2012, respectively. We consider the actions related to implementation of this recommendation to have been completed as of this response date.

Responsible Official: Manager, Supply Management Infrastructure.

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act. If you have any questions about this response, please contact Susan Witt at (202) 268-4833.



cc: Joseph Corbett
Trent Ensley
Robert D'Orso
Susan Witt
Karren Vance
Corporate Audit and Response Management