



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

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**Unauthorized Contractual  
Commitments**

**Audit Report**

August 6, 2012

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Report Number CA-AR-12-004



# HIGHLIGHTS

## **BACKGROUND:**

An unauthorized contractual commitment occurs when a U.S. Postal Service employee who has not been delegated contracting or local buying authority causes another party to deliver or provide goods or services, or when individuals who have delegated contracting authority exceed that authority. The Postal Service requires unauthorized contractual commitments to go through a process called ratification, which involves after-the-fact preparation and execution of appropriate contractual documents.

Our objective was to determine whether the Postal Service ratified unauthorized contractual commitments in accordance with its policy. We also reviewed contracting actions to determine whether contracting officers (COs) received delegations of authority to exceed their contracting authority and benchmarked Postal Service contracting authority levels and delegation of authority practices with those of other federal agencies.

## **WHAT THE OIG FOUND:**

Postal Service personnel did not always ratify unauthorized contractual commitments in accordance with U.S. Postal Service policy. Of the 23 unauthorized contractual commitments we reviewed, eight (35 percent, valued at \$582,649) were either missing the approval of the

ratifying official, approved by an individual who did not have sufficient approval authority, or lacked sufficient documentation. We also found that Postal Service personnel generally followed their policy on delegating contracting authority to COs for actions exceeding their authority. However, we did identify one contracting action where the CO did not receive the proper delegation and exceeded their authority by more than \$5.1 million. Finally, our benchmarking results indicated that, unlike the Postal Service, other federal agencies do not have a policy providing for a one-time delegation of authority to COs to execute actions over and above their contracting authority.

## **WHAT THE OIG RECOMMENDED:**

We recommended management ensure they review and ratify improperly ratified unauthorized contractual commitments, if appropriate; reinforce current policies to ensure Supply Management contracting personnel follow the ratification process and documentation requirements for unauthorized contractual commitments; and assess and align contracting authority levels within Supply Management.

[Link to review the entire report](#)



August 6, 2012

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

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


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

**SUBJECT:** Audit Report – Unauthorized Contractual Commitments  
(Report Number CA-AR-12-004)

This report presents the results of our audit of Unauthorized Contractual Commitments (Project Number 12YG002CA000).

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: Stephen Masse  
Deborah Giannoni-Jackson  
Trent K. Ensley  
Paul D. McGinn  
Susan A. Witt  
Corporate Audit and Response Management

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## Introduction

This report presents the results of our audit of unauthorized contractual commitments (Project Number 12YG002CA000). Our objective was to determine whether contracting actions coded as unauthorized contractual commitments in the Contract Authoring Management System (CAMS) were ratified in accordance with U.S. Postal Service policy. We also reviewed a sample of contracting actions to determine whether contracting officers (COs) received delegations of authority to exceed their contracting authority. In addition, we benchmarked the Postal Service's contracting authority levels and delegation of authority practices with those of other federal agencies. This self-initiated audit addresses operational risk. See [Appendix A](#) for additional information about this audit.

During fiscal years (FYs) 2010 and 2011, the Postal Service had a universe of 78 unauthorized contractual commitments, valued at \$1.8 million. An unauthorized contractual commitment occurs when a Postal Service employee who has not been delegated contracting or local buying authority causes another party to deliver or provide goods or services. The Postal Service requires unauthorized contractual commitments to go through a process called ratification, which involves after-the-fact preparation and execution of appropriate contractual documents.<sup>1</sup>

An unauthorized contractual commitment also occurs when individuals who have delegated contracting authority exceed that authority. However, in some cases, Postal Service employees can exceed their contracting authority. Specifically, the Postal Service has a policy in place stating that COs may execute contracting actions exceeding their contracting authority after receiving a written delegation of authority specific to the action from the appropriate authority. Additionally, the policy stipulates that written approval of the proposed contracting action from the appropriate authority serves as a delegation of authority.<sup>2</sup>

## Conclusion

Postal Service personnel did not always ratify unauthorized contractual commitments in accordance with Postal Service policy. Of the 23 unauthorized contractual commitments we reviewed, eight (35 percent, valued at \$582,649) were either missing the approval of the ratifying official, approved by an individual who did not have sufficient approval authority, or lacked sufficient documentation. We also found that Postal Service personnel generally followed their policy on delegating contracting authority to COs for actions exceeding their authority. However, we did identify one contracting action where the CO did not receive the proper delegation and exceeded their authority by more than \$5.1 million. Finally, our benchmarking results indicate that other federal agencies do

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<sup>1</sup> Management Instruction (MI) Number MI SP-G4-2006-2, *Unauthorized Contractual Commitments*, dated November 30, 2006, documents the ratification process.

<sup>2</sup> *Supplying Practices*, Section 2-41.4, Actions Exceeding a Contracting Officer's Delegated Authority.

not have a policy providing for a one-time delegation of authority to COs to execute actions over and above their contracting authority.

**Ratification of Unauthorized Contractual Commitments**

Postal Service personnel did not always ratify unauthorized contractual commitments in accordance with the Postal Service’s MI on unauthorized contractual commitments. Specifically, of the 23 unauthorized contractual commitments we reviewed, Postal Service personnel did not ratify eight of them (35 percent, valued at \$582,649) in accordance with policy.<sup>3</sup> See Table 1 for a summary of the deficiencies we found.

**Table 1. Ratification Deficiencies**

Contract Number	Dollar Value	Missing Approval from the Ratifying Official	Ratifying Official did not have Sufficient Authority	Insufficient Documentation <sup>4</sup>
2WMISC-10-B-0025	\$126,016	X		
2CMROS-10-B-0031	61,347		X	
1CTELE-10-B-0008 <sup>5</sup>	29,506	X		
2WMISC-10-B-0084	104,060		X	X
2DMISC-11-B-0009	196,000	X		
2WSNOW-11-B-1053	15,430	X		
2WMISC-11-B-1009	27,405		X	
4BSCLP-11-B-0096	22,885	X		X
<b>Total</b>	<b>\$582,649</b>	<b>5</b>	<b>3</b>	<b>2</b>

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

According to Postal Service personnel, they did not properly ratify unauthorized contractual commitments because:

- Documentation was lost or misplaced.
- There was an oversight or mistake.
- The CO was not aware of their approval authority as it pertained to the ratification of unauthorized contractual commitments.

<sup>3</sup> The remaining 15 unauthorized contractual commitments were ratified in accordance with the Postal Service’s MI on unauthorized contractual commitments and the ratification was sufficiently supported.

<sup>4</sup> The immediate manager of the employee who made the unauthorized contractual commitment did not provide the required documentation. The CO responsible for contract number 4BSCLP-11-B-0096 said they made multiple attempts to obtain the documentation.

<sup>5</sup> The Postal Service took corrective action by obtaining the approval of the ratifying official after we notified the CO that the approval was missing.

- The ratifying official waived documentation requirements for ratification;<sup>6</sup> therefore, the CO did not obtain approval from the ratifying official.

Unauthorized contractual commitments pose a risk to the Postal Service when personnel do not follow normal purchasing procedures, as these purchases do not include the terms and conditions necessary to protect the interests of the Postal Service. In addition, unauthorized contractual commitments may not be an appropriate or advantageous business arrangement for the Postal Service and warrant management attention. The Postal Service incurred \$582,649 of unsupported questioned costs associated with eight unauthorized contractual commitments found to be in error (see [Appendix B](#)).

### **Actions Exceeding a Contracting Officer's Delegated Authority**

Postal Service personnel generally followed their policy on delegating contracting authority. Of the 18 contracting actions we reviewed, there was one instance where a CO exceeded their authority and did not receive the proper delegation. The CO had contracting authority of \$100,000 and executed a contracting action for \$5,204,783.<sup>7</sup> The CO said that, due to a manager's absence, he received a written delegation of authority, but the language in the delegation letter did not increase his competitive contracting authority amount due to an oversight. As a result, the CO made an unauthorized contractual commitment because the action exceeded his contracting authority by \$5,104,783 (see [Appendix B](#)). In discussions with Supply Management personnel, they believed this was not a failure to follow the policy concerning one-time delegations of contracting authority, but rather the result of management re-delegating insufficient contracting authority to a subordinate.

### **Benchmarking Contracting Authority Levels**

Our benchmarking results indicate that contracting authority levels at the other federal agencies reviewed<sup>8</sup> are similar to the Postal Service's contracting authority levels (see [Appendix C](#) for the comparison of contracting authority levels). However, they also indicated that COs at other agencies do not execute contracting actions that exceed their authority. Instead, management transfers those contracting actions to COs who have sufficient contracting authority to execute the actions. In addition, National Aeronautics and Space Administration (NASA) and the General Services Administration (GSA) both indicated they align contracting authority levels to correspond to the needs of the procurement office or function. The policy at the Postal Service is for the CO to follow a contract through to completion, regardless of the CO's contracting authority, with appropriate managerial approvals. Postal Service personnel said management bases this policy on the idea that management should have the flexibility to assign work

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<sup>6</sup> The MI on unauthorized contractual commitments does not stipulate that documentation to support ratification of an unauthorized contractual commitment can be waived.

<sup>7</sup> Contract Number 2DBLDG-08-B-0020, Modification 26.

<sup>8</sup> We benchmarked with NASA, the GSA, the Federal Deposit Insurance Corporation (FDIC), and the Federal Aviation Administration (FAA). NASA and the GSA are required to follow Federal Acquisition Regulations, while the FDIC and FAA, like the Postal Service, are not.

as operational conditions require and that a CO given responsibility for a contract should be responsible and accountable for the business decisions made throughout the purchasing process.

At the Postal Service and other federal agencies, COs achieve a certain contracting authority level based on their training, education, and experience. The Postal Service policy that COs may be delegated additional contracting authority to execute contracting actions that exceed their authority creates the perception that they are bypassing contracting authority levels and puts the Postal Service at risk. The Postal Service would benefit from assessing and aligning contracting authority levels to ensure that COs have adequate contracting authority to fulfill the needs and requirements of each Category Management Center (CMC).<sup>9</sup> We believe the information in this report may be useful in that assessment.

## Recommendations

We recommend the vice president, Supply Management:

1. Ensure that management review and ratify unauthorized contractual commitments not ratified in accordance with policy, if appropriate.
2. Reinforce current policies by training and conducting periodic reviews to ensure that Supply Management contracting personnel follow the ratification process and documentation requirements for unauthorized contractual commitments.
3. Assess and align contracting authority levels to ensure that contracting officers have adequate contracting authority to fulfill the needs and requirements of each Category Management Center.

## Management's Comments

Management generally agreed with the findings, recommendations, and monetary impact. Regarding recommendation 1, management stated personnel reviewed the contracts in Table 1 of the report and will include the appropriate approvals in the contract files. Management agreed to provide copies of the approvals to the OIG by August 3. However, management stated that they executed one of the contracts pursuant to a claim settlement, which did not require ratification. Therefore, they asked the OIG to consider removing the contract from the monetary impact calculations.

Regarding recommendation 2, management agreed to issue a communication including the final audit report and other guidance on the ratification process by August 2012 and to conduct a compliance review by March 2013.

Regarding recommendation 3, management recently reviewed contracting levels and raised the level I contracting authority from up to \$100,000 to up to \$250,000 and,

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<sup>9</sup> Offices within Supply Management with designated contracting responsibility for specific products and services.



based on that change, portfolio managers reviewed their organizational needs and reissued delegations of authority, as they deemed appropriate. Management stated that portfolio managers periodically perform CO assessments based on organizational needs and CO's knowledge, skills, and abilities. Management did not agree their policy to delegate additional contracting authority on a one-time contractual action basis puts the Postal Service at risk. Management stated the policy provides managers the flexibility to assign work as operational conditions require and establishes transparency and accountability by ensuring that a CO retains responsibility for a purchase throughout the purchasing process. In addition, management stated the contractual action review and approval process, mandatory for any action valued at \$250,000 or more, ensures a CO cannot take any action exceeding their delegated authority without a thorough review and approval. Management concluded that the established controls provide meaningful and effective oversight to ensure that contractual actions protect the interests of and provide best value to the Postal Service.

See [Appendix D](#) 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 identified issues. Regarding recommendation 1 and the contract executed pursuant to a claim settlement, the contract was necessary because a Postal Service employee exceeded their authority and entered into agreements to lease copiers. As a result, there is a need for the contract to go through the ratification process. The CO coded the contract as an unauthorized contractual commitment in the CAMS and confirmed the accuracy of the coding during our fieldwork. Therefore, the OIG will not adjust the monetary impact calculation.

Regarding recommendation 3, we agree with management that the contractual action review and approval process aids in reducing risks associated with COs executing contracting actions that exceed their authority. We believe the periodic reassessment of contract authority levels is important and encourage the Supply Management leadership team to closely oversee this effort. We find the actions taken and periodic reassessment planned adequate to close the recommendation.

The OIG considers recommendations 1 and 2 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. These 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.

## Appendix A: Additional Information

### Background

The Postal Reorganization Act<sup>10</sup> provides purchasing authority to the postmaster general, who has delegated all purchasing and related policy development authority to the vice president, Supply Management. In turn, the vice president, Supply Management, has delegated to individuals the authority to negotiate, award, modify, and terminate contracts and, in some cases, the authority to re-delegate these authorities. Individuals delegated any or all of these authorities must ensure that contracting actions, including negotiations, contract awards, modifications, and terminations, are within the scope of their delegated authority before taking those actions.

An unauthorized contractual commitment occurs when a Postal Service employee who has not been delegated contracting or local buying authority causes another party to deliver or provide goods or services. The Postal Service requires unauthorized contractual commitments to go through a process called ratification, which involves after-the-fact preparation and execution of appropriate contractual documents. MI SP-G4-2006-2, *Unauthorized Contractual Commitments*, documents the ratification process. Key provisions in the MI include:

- The person who makes the unauthorized contractual commitment must provide the following information to their immediate manager:
  - A statement describing the circumstances surrounding the particular action.
  - All invoices, statements, receipts, or other documentary evidence of the transaction.
- If the immediate manager concurs that the commitment should be ratified, they should forward the above documentation to the appropriate ratifying official. The immediate manager must also prepare a cover letter which addresses:
  - The accuracy and completeness of the documentation.
  - Measures taken to prevent a recurrence of similar unauthorized contractual commitments.
  - A complete purchase description and; if necessary, funding information.
  - A recommendation to ratify the unauthorized contractual commitment.

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<sup>10</sup> The Postal Service was established as an independent establishment within the Executive branch of the U.S. government under the Postal Reorganization Act of August 12, 1970 (Public Law 91–375, 84 Statute 719).

- The ratifying official should review the documentation and, based on the facts, either approve or disapprove the ratification.
- If the ratifying official approves the ratification, the CO should prepare, sign, and distribute the appropriate contractual and payment documentation.<sup>11</sup>
- If the ratifying official disapproves the ratification, the person who made the unauthorized contractual commitment is notified of the reason(s) for the disapproval and informed that they may be required to assume some or all of the liability, in addition to other administrative actions. A decision not to ratify an unauthorized contractual commitment may not result in unjust enrichment to the Postal Service.

An unauthorized contractual commitment also occurs when individuals who have delegated contracting authority exceed that authority. However, in some cases, Postal Service employees can exceed their contracting authority. The Postal Service has a policy in place which states that COs may execute contracting actions exceeding their contracting authority after receiving a written delegation of authority specific to the action from the appropriate authority. Additionally, the policy stipulates that written approval of the proposed contracting action from the appropriate authority will serve as a delegation of authority.

### Objectives, Scope, and Methodology

Our objective was to determine whether contracting actions coded as unauthorized contractual commitments in CAMS were ratified in accordance with Postal Service policy. In addition, we benchmarked Postal Service contracting authority levels and delegation of authority practices with those of other federal agencies.<sup>12</sup> To accomplish our objectives we:

- Reviewed provisions of MI SP-G4-2006-2, *Unauthorized Contractual Commitments*, dated November 30, 2006, and the Postal Service's *Supplying Principles and Practices* related to unauthorized contractual commitments and contracting authority.
- Interviewed and distributed questionnaires to Supply Management personnel to obtain general information on unauthorized contractual commitments.
- Used the Enterprise Data Warehouse (EDW) and CAMS to identify the universe of contracting actions coded as unauthorized contractual commitments in FYs 2010 and 2011. The universe consisted of 78 unauthorized contractual commitments valued at \$1.8 million. From the universe, we judgmentally selected a sample of

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<sup>11</sup> The CO should also make a recommendation to the appropriate ratifying official to either approve or disapprove the ratification.

<sup>12</sup> As part of the survey phase, we also reviewed a sample of contracting actions to determine whether COs received a delegation of authority to exceed their contracting authority.

23 unauthorized contractual commitments valued at \$1.4 million. In order to obtain a broad perspective, our sample selections consisted of unauthorized contractual commitments from seven CMCs. The sample included all 17 unauthorized contractual commitments that were over \$25,000. We obtained documentation from COs and CAMS to determine whether our sample items were ratified in accordance with Postal Service policy.

- Obtained and reviewed the Postal Service's CO listing, which identifies the contracting authority of COs.
- Used EDW and CAMS to identify those contracting actions in FYs 2010 and 2011, which exceeded the contracting authority of the CO. Specifically, we identified 506 contracting actions in which COs exceeded their contracting authority by more than \$2.31 billion.<sup>13</sup> Of the 506 contracting actions, we judgmentally selected a sample of 18 in which COs exceeded their contracting authority by \$1.1 billion. Our sample selections included the top 10 contracting actions in terms of dollar amount by which the CO exceeded their contracting authority and the top 10 contracting actions in terms of percentage by which the CO exceeded their contracting authority.<sup>14</sup> We obtained documentation from COs and CAMS in order to determine whether COs had received delegations of authority to exceed their contracting authority.
- Benchmarked Postal Service contracting authority levels and delegation of authority practices with NASA, the GSA, the FDIC, and the FAA.

We conducted this performance audit from October 2011 through August 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We discussed our observations and conclusions with management on June 27, 2012, and included their comments where appropriate.

To complete the audit, we relied on data obtained from the Postal Service's EDW and CAMS. We did not test the validity of controls over these systems, but reviewed contracts and supporting documentation, which validated the data we relied on. We determined that the data were sufficiently reliable for the purposes of this report.

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<sup>13</sup> On December 12, 2011, the Postal Service increased the contracting authority of a Level I CO from \$100,000 to \$250,000. If the \$250,000 threshold was applied to FYs 2010 and 2011 contracting actions, COs would have executed 308 contracting actions and exceeded their contracting authority by \$2.27 billion.

<sup>14</sup> There were two contracting actions that met both criteria.

### Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objectives of this audit during the last 3 years.

**Appendix B: Monetary Impacts**

Recommendation	Impact Category	Amount
1	Unsupported Questioned Costs <sup>15</sup>	\$5,687,432

The \$5,687,432 includes \$582,649, which represents the total value of the eight unauthorized contractual commitments that the OIG found were not ratified in accordance with Postal Service policy. It also includes \$5,104,783, which represents the difference between the amount of a contracting action (\$5,204,783) and the COs contracting authority (\$100,000) for the one instance where the OIG found the CO had exceeded their authority and did not receive the proper delegation.

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<sup>15</sup> Defined as “a failure to follow policy or required procedures.” The amounts are not necessarily actual losses incurred by the Postal Service.

### Appendix C: Contracting Authority Levels

#### U.S. Postal Service

CO Level	Contracting Authority
Level I	Up to \$100,000 <sup>16</sup>
Level II	Up to \$1,000,000
Level III	Up to \$10,000,000
Level IV	Unlimited

#### NASA

CO Level	Contracting Authority
Level I	Up to \$100,000 noncommercial Up to \$1,000,000 commercial
Level II	Up to \$10,000,000
Level III	Unlimited

#### GSA

CO Level	Contracting Authority
Level I/Simplified Acquisition	Up to \$150,000 noncommercial Up to \$6,500,000 commercial
Level II/Intermediate	Up to \$10,000,000
Level III/Senior	Unlimited

#### FDIC

CO Level	Contracting Authority
Level I	Up to \$100,000
Level II	Up to \$1,000,000
Level III	Up to \$5,000,000
Level IV	Up to \$10,000,000
Level V	Unlimited

#### FAA

CO Level	Contracting Authority
Level I	Up to \$500,000
Level II	Up to \$10,000,000
Level III	Unlimited

<sup>16</sup> On December 12, 2011, the Postal Service increased the maximum contracting authority for a Level I CO to \$250,000. The increase in contracting authority is consistent with the Postal Service's simplified acquisition threshold.

## Appendix D: Management's Comments

SUSAN M. BROWNELL  
VICE PRESIDENT, SUPPLY MANAGEMENT



July 31, 2012

LUCINE M. WILLIS

SUBJECT: Response to Draft Audit Report – Unauthorized Contractual Commitments  
(Report Number CA-AR-12-DRAFT)

We appreciate the opportunity to review and comment on the subject draft report. Management is in general agreement with the Office of Inspector General's (OIG) findings and recommendations. However, we do not agree that our policy to delegate additional contracting authority on a one-time, contractual-action basis puts the Postal Service at risk. This policy not only provides management the flexibility to assign work as operational conditions require, it also establishes real transparency and accountability by ensuring that a contracting officer (CO) given responsibility for a purchase retains that responsibility throughout the purchasing process. In addition, the contractual action review and approval process, mandatory for any action valued at \$250,000 or more, ensures that no CO, regardless of one-time delegated authority or otherwise, can take any action exceeding his or her delegated authority without a thorough review and approval of the proposed action. In other words, the controls we have established provide meaningful and effective oversight regardless of whether the action proposed is done on a one-time delegated basis. Other business practices, such as the requirement that certain proposed actions must be reported or announced to internal organizations both before and when an action is taken, reinforce these controls, and establish an oversight structure that ensures that our contractual actions protect the interests of the Postal Service and obtain the best value for the Postal Service.

During our review of the actions listed in Table 1 of the report, we found that the contract 2DMISC-11-B-0009 in the amount of \$196,000 was executed pursuant to a claim settlement not requiring ratification. We ask that the OIG consider removing this action from the monetary impact calculations and would agree with the resultant amount.

### **AUDIT RECOMMENDATIONS**

We recommend the vice president, Supply Management:

**Recommendation 1.** Ensure that management review and ratify unauthorized contractual commitments not ratified in accordance with policy, if appropriate.

**Management Response/Action Plan:** Management agrees to review the remaining six actions under Table 1 of the report and obtain the appropriate approvals for inclusion within the contract files.

**Target Implementation Date:** This action has been completed. Copies of the approvals will be provided to the OIG in a separate response on or before August 3.

**Responsible Official:** Manager, Supply Management Infrastructure, Supply Management.

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**Recommendation 2.** Reinforce current policies by training and conducting periodic reviews to ensure that Supply Management contracting personnel follow the ratification process and documentation requirements for unauthorized contractual commitments.

**Management Response/Action Plan:** Management agrees and will issue a communication to include the final audit report and other guidance on the ratification process. A compliance review will also be performed during fiscal year 2013 of unauthorized contractual commitments.

**Target Implementation Date:** The communication will be issued in August 2012 and the review will be completed by March 2013.

**Responsible Official:** Manager, Supply Management Infrastructure, Supply Management.

**Recommendation 3.** Assess and align contracting authority levels to ensure that contracting officers have adequate contracting authority to fulfill the needs and requirements of each Category Management Center.

**Management Response/Action Plan:** Management agrees and has recently reviewed our contracting authority levels. During this review, it was determined that approximately 80% of goods or services purchased by the Postal Service are under \$250,000. On December 12, 2011 we decided to raise our Level I contracting authority from up to \$100,000 to up to \$250,000. Based on that change, all of our Portfolio Managers reviewed their organizational needs and reissued delegations of authority as they deemed appropriate. Contracting officer assessments are performed periodically by the Portfolio Managers and are based on organizational needs and employee knowledge, skills and abilities. The table below provides a general overview of the hierarchy and authority levels. Some exceptions do apply based on certain commodities and these exceptions are not represented in this table.

Position	Level	Contracting Authority	Noncompetitive Authority	Ratifying Authority
VP	IV	Unlimited	Unlimited	Unlimited
Portfolio Manager	IV	Unlimited	Up to \$10 million	Up to \$100,000
CMC Manager	III	Up to \$10 million	Up to \$250,000	Up to \$25,000
Contracting Officer	I, II or III	Up to \$10 million	Up to \$250,000	Up to \$25,000

**Target Implementation Date:** We believe the intent of this recommendation has been met and request OIG consideration for closure.

**Responsible Official:** Manager, Supply Management Infrastructure, Supply Management.

This report and management's response do not contain proprietary or sensitive business information that may be exempt from disclosure pursuant to the Freedom of Information Act. If you have any questions about this response, please contact Susan Witt at (202) 268-4833.

*Susan M. Brownell*

- cc: Stephen Masse
- Deborah Giannoni-Jackson
- Trent Ensley
- Robert D'Orso
- Paul McGinn
- Susan Witt
- Corporate Audit and Response Management