

July 28, 2000

A. KEITH STRANGE  
VICE PRESIDENT, PURCHASING AND MATERIALS

SUBJECT: Letter Advisory Report - Review of Influence  
of Postal Service Officials on Contractors'  
Employment of Consultants  
(Report Number CA-LA-00-002)

This letter advisory report presents the results of our review of a hotline allegation and congressional inquiry concerning allegations that United States Postal Service (Postal Service) improperly influenced consultants to leave their company and work for the Postal Services or other Postal Service vendors (Project Number 00HR003CA000).

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**Results in Brief**

Our review revealed that Postal Service officials did not improperly influence the consultants. We determined that two of the complainant's former consultants were appointed to career positions within the Postal Service. In addition, two consultants provided services to the Postal Service through other contractors. However, we found no evidence to support the complainant's allegations that the Postal Service improperly influenced the movement of consultants between contractors.

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**Background**

During February 2000, the Office of Inspector General (OIG) received a hotline complaint from a former Postal Service employee regarding the influence of Postal Service officials on contractors' employment of consultants. The complainant alleged that he provides consultants to perform personal services for the Postal Service; however, lately his consultants have been improperly influenced by Postal Service officials to breach their employment contracts with his company and work for other vendors in order to continue working on Postal Service contracts.

Subsequently, the complainant wrote to his congressman alleging that his company had lost personnel resources either through direct hire by the Postal Service or through the Postal Service directing his employees to work with other companies. The complainant asked his congressman to monitor our review of his complaint to ensure that the review was fair and impartial and that he was compensated for his losses. The congressman wrote to the Postal Service Legislative Affairs manager, requesting that he review allegations made by the complainant and report on the issues. The congressman's letter to the Legislative Affairs manager was referred to our office.

In a March 11, 1999, memorandum, the postmaster general established a policy for obtaining consultant services. As part of the policy, the postmaster general took away officers' budget authority to hire consultants and the Consulting Services Review Committee was established to review all requests for new contracts or renewal of existing contracts.<sup>1</sup> In a March 19, 1999, memorandum, the co-chairs of the Consulting Services Review Committee provided initial guidance until permanent procedures were developed. The guidance defined consultant services and excluded certain services.<sup>2</sup>

In a June 1, 1999, memorandum, the co-chairs of the Consulting Services Review Committee established procedures for processing requests for consulting services. The memorandum stated "Until approval authorities are restored to individuals, any new contract, task order, or any action requiring additional funding approval for covered services must be submitted to the committee using the procedures outlined below." Procedures included completion of the Consulting Services Review Committee Form 1<sup>3</sup> and approval by the applicable officer and management committee member, and preparation of Postal Service Form 7381<sup>4</sup> and approval by the applicable officer.<sup>5</sup>

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<sup>1</sup> Memorandum, March 11, 1999, William J. Henderson, postmaster general, chief executive officer, "Use of Consulting Services."

<sup>2</sup> Memorandum, March 19, 1999, John H. Ward and A. Keith Strange, Co-chairs, Consulting Services Review Committee, "Consulting Services Review Committee."

<sup>3</sup> CSRC Form 1, Justification for New Contract or Task Order or Continuation of Current Contract.

<sup>4</sup> PS Form 7381, Requisition for Supplies, Service, or Equipment.

<sup>5</sup> Memorandum, June 1, 1999, John H. Ward and A. Keith Strange, Co-chairs, Consulting Services Review Committee, "Consulting Services Review Committee."

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**Objective, Scope, and  
Methodology**

The objective of the review was to determine whether the allegations, that Postal Service officials improperly influenced the employment of the complainant's former consultants either through direct hire or by directing them to breach their contracts and work for other companies, were supported. We also wanted to determine whether the contractor was entitled to compensation by the Postal Service for losses. In addition, we wanted to determine whether the Postal Service complied with the Consulting Services Review Committee's policies and procedures in obtaining the services of the complainant's former consultants through other contractors.

In accomplishing the objectives, we reviewed correspondence and the contract between the Postal Service and the complainant's company. We also reviewed documentation supplied by the complainant, correspondence between the complainant and the Postal Service, documentation of Postal Service actions regarding contracting activities, and compliance with policy set by the Consulting Services Review Committee. Finally, we compared contract identifiers on invoices to contract identifiers on Postal Service requisition forms to determine whether consultants were properly identified to contracts.

This review was conducted from May through July 2000 in accordance with the President's Council on Integrity and Efficiency, Quality Standards for Inspections. We discussed our conclusions and observations with appropriate management officials and included their comments where appropriate.

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**Employment of  
Contractor's  
Consultants**

Our review revealed that Postal Service officials appointed two of the complainant's former consultants to career positions within the Postal Service. We also determined that two of the complainant's former consultants provided services to the Postal Service through other contractors. However, we found no evidence to support the complainant's allegations that the Postal Service improperly influenced the movement of consultants between contractors.

The complainant provided evidence, which they believed documented that a Postal Service official had influenced the movement of a prospective consultant. This evidence

indicated that a Postal Service employee discussed with a prospective consultant possible work opportunities with Postal Service contractors. However, the documentation did not suggest that the Postal Service official acted improperly in assisting the prospective consultant in obtaining suitable employment. In addition, Postal Service officials' discussions with the consultant took place when he was not working for the complainant.

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**Compensation for  
Losses**

A review of the contract indicated that the Postal Service was not required to reimburse the complainant's company when its former consultants accepted career positions with the Postal Service. In a letter to the vice president, Purchasing and Materials, the complainant requested that the Postal Service reimburse his company for the loss of services of two former consultants who were hired by the Postal Service as career employees. The complainant felt that his company should receive finder fee compensation from the Postal Service for the loss of contract resources and commissions. Postal Service officials denied the complainant's request for a finder's fee. The denial was based on the fact that the contract did not provide for a finder's fee and contract language did not prohibit the complainant's consultants from accepting employment with the Postal Service. Our review confirmed the provisions of the contract.

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**Adherence to Policy**

We found that of the complainant's former consultants, two provided services to the Postal Service through other contractors. The two consultants worked under contracts that required the approval process dictated by the Consulting Services Review Committee. We found that Postal Service officials complied with the committee's policies and procedures in obtaining the services of two of the complainant's former consultants through other contractors.

Specifically, consultant A began working for a new contractor on August 24, 1999. Initially, consultant A worked on contract delivery order no. 102590-95-D-0806. Funding for this delivery order was increased on December 2, 1998, before consultant A began working for the new contractor and before implementation of the Consulting Services Review Committee procedures on June 1, 1999. This funding action also extended the period of performance to December 31, 1999.

On November 23, 1999, additional funding was requested for the delivery order and extension of the period of performance to March 31, 2000. These actions were processed in accordance with Consulting Services Review Committee's procedures, and the committee granted budget authority for these changes on December 17, 1999. Effective March 1, 2000, consultant A was reassigned to another delivery order no. 102590-96-D-1819. We concluded that the steps undertaken to effect approval of this delivery order were also in compliance with the committee's procedures. The committee granted budget authority for this delivery order on February 28, 2000.

Consultant B began working for a new contractor on February 1, 2000, under contract no. 483083-93-B-2134. The third option under this contract provided funding and a period of performance from September 1, 1999, to August 31, 2001. The procedures undertaken to effect approval for this action were in compliance with Consulting Services Review Committee procedures. The committee granted budget authority for this option on June 25, 1999.

We appreciated the cooperation and courtesies provided by your staff during the review. If you have any questions, please contact Kim H. Stroud, director, Contracts, or me at (703) 248-2300.

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Assistant Inspector General  
for Business Protection

cc: John R. Gunnels

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**Major Contributors to  
This Report**

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