

April 30, 2001

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SUBJECT: Review of Payment Requests by Neal R. Gross and Company, Incorporated Under Contract 102590-98-P-0751 (Report Number CA-MA-01-002)

This report presents the results of our review of payment requests by Neal R. Gross and Company, Incorporated, a contractor awarded contract 102590-98-P-0751. This review responds to a request from a Postal Service contracting officer, Supplies, Services, and Equipment Purchasing.

Background

On January 13, 1998, the Postal Service awarded a 3-year contract to Neal R. Gross and Company, Incorporated for court reporting and stenographic services throughout the United States. The contractor requested \$1,418 for travel expenses incurred by court reporters for three trips to Great Falls, Montana; Albuquerque, New Mexico; and Pueblo, Colorado. The contracting officer requested that the Office of Inspector General conduct a review of the contract terms and conditions to determine if the contractor's requests for travel expenses for the three trips are allowable.

Objective, Scope, and Methodology

The objective of the review was to determine whether three payment requests totaling \$1,418 from Neal R. Gross and Company, Incorporated for court reporting and stenographic services are allowed under the terms and conditions of contract 102590-98-P-0751.

We reviewed contract 102590-98-P-0751 as well as subsequent contract modifications regarding travel expenses. We also interviewed the president of Neal R. Gross and Company, Incorporated, the Postal Service contracting officer, and court reporters in the Great Falls,

Montana, area. We selected the Great Falls area because it represented approximately 77 percent of the total cost of the three trips in question.

This review was conducted from November 2000 through April 2001 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.

Observations

It is our opinion that the contractor's request for travel expenses for the three trips are allowable. Section B, Part XII, of the contract states, in part, that the contractor shall by use of direct employees or by subcontract provide ordered reporting services at any location required by the Postal Service. If services are required outside of the Washington, D.C. metropolitan area or outside a 50-mile radius of the reporter's headquarters, travel cost authorization will be approved only if the contractor establishes to the satisfaction of the contracting officer that services could not be obtained by subcontract in the required location. In addition, travel costs will be authorized only to the required location from the next nearest location from which services could be obtained. Further, travel authorization is required from the contracting officer in advance of the proceedings.

The contract also states that the contractor shall submit to the contracting officer with each request for travel (1) the estimated cost for travel and per diem that would be incurred and invoiced if travel is approved and (2) indicate if the reporter is to be provided by the contractor directly or by subcontract. The contracting officer may require the contractor to furnish the subcontract entered into in support of the travel request. A written certification shall be submitted with each invoice for each approved travel request containing the following:

This is to certify that in accordance with paragraph XIIA – Travel of the contract (Statement of Work), reporting service could not be obtained in the required location or nearer location for proceeding.

In each of the three payment requests, the contractor obtained advance approval from the contracting officer to take the trips.

The contracting officer and the contractor do not agree on the interpretation of travel requirements under Section B, XII of the contract. The contracting officer stated that the contractor is required to subcontract locally if he does not have an established subcontract relationship in a particular area. The contractor stated that the contract does not specifically state that he must establish a subcontract relationship in an area in which he does not already have an established subcontract relationship. The contractor contends that he has acted within the letter of the contract in that he did not have established subcontract relationships in the areas in question and he requested and received advance approval for travel. Based upon his interpretation of the contract, the contractor did not attempt to subcontract locally.

The contract is silent as to the steps the contractor is required to take to secure the services of a local court reporter if the contractor did not already have a subcontract relationship in a particular area. To clarify travel requirements, the subsequent contract which was not given to Neal R. Gross and Company, Incorporated, was rewritten to state that the contractor had to submit in writing to the contracting officer's representative "statement of reasons why the service cannot be performed by a subcontractor in or within 50 miles of the required location and the efforts of the contractor to find a subcontractor in the required location." This language was not in the contract awarded to Neal R. Gross and Company, Incorporated.

As a result, Neal R. Gross and Company, Incorporated complied with the terms and conditions of contract 102590-98-P-0751 and should be reimbursed for travel expenses incurred for the three trips in question.

We appreciated the cooperation and courtesies provided by your staff during the review. If you have any questions,

please contact Hermeta Martin-Reddon, acting director,
Contracts or me at (703) 248-2300.

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cc: Keith Strange
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