

June 20, 2003

KEITH STRANGE
VICE PRESIDENT, SUPPLY MANAGEMENT

SUBJECT: Management Advisory – Supplier Certification
(Report Number CA-MA-03-008)

This management advisory presents the results of our review of Supplier Certification (Project Number 02XR005CA000). The review responds to a request from Postal Service management to assist in determining the effectiveness of the current approach of supplier self-certification by determining the accuracy of current supplier certifications.

Background

It is the policy of the Postal Service to establish and maintain a strong, competitive supplier base that reflects the diversity of the American supplier community. The Postal Service relies upon suppliers to self-certify their socioeconomic status at contract award and uses this information to assess its success in promoting supplier participation reflective of the American supplier community. On November 21, 2001, Postal Service management requested our assistance in determining the effectiveness of the current approach of supplier self-certification by determining the accuracy of current supplier certifications.

Objectives, Scope, and Methodology

Our overall objective was to determine the effectiveness of the current approach of supplier self-certification by determining the accuracy of current supplier certifications. Additionally, based upon discussions with the Postal Service policies specialist, Supplier Diversity, we expanded our scope to identify the instructions contracting officers provided for supplier certifications. To accomplish these objectives we compared Strategic National Automated Purchasing System data to supplier self-certification forms contained in contract files or to contracting officer testimony. Additionally, we compared Strategic National Automated Purchasing System data to third party certification databases. We also telephoned suppliers to ascertain their socioeconomic status and any instructions they received for certification. Finally, we contacted contracting officers and identified instructions they provided for supplier certification.

We did not perform any additional tests to validate the accuracy of testimonial evidence or third-party socioeconomic certifications. This review was limited to data gathering for contract actions occurring between October 9 and November 21, 2002. Therefore, the Office of Inspector General (OIG) does not express any opinion regarding the effectiveness of the supplier self-certification process or the Postal Service's supplier diversity efforts as a whole. This review was performed from February 2002 to June 2003.

Prior Audit Coverage

We did not identify any prior audits or reviews related to the objective of this review.

Results

We confirmed that supplier certification data for 58 of 88 suppliers with contract actions occurring between October 9 and November 21, 2002, was accurate. Also, our discussions disclosed that contracting officers did not always provide certification instructions to suppliers in addition to representations and certifications contained in the contract document. These results, summarized as follows, are limited to the 128 contract actions reviewed and are not necessarily reflective of the supplier base for other periods.

Strategic National Automated Purchasing System data revealed that between October 9 and November 21, 2002, the Postal Service entered into 128 contract actions with small minority or woman-owned businesses. We determined that there were 88 suppliers and 53 contracting officers associated with those 128 contract actions.

Twelve of the eighty-eight suppliers were also independently certified as small minority or woman-owned businesses.¹ Accordingly, we did not perform any additional steps to verify accuracy.

Two of the eighty-eight suppliers were classified in the Strategic National Automated Purchasing System as small minority or woman-owned businesses but actually self-certified as large businesses. Management corrected these input errors during the course of our review.

We attempted to contact the remaining 74 suppliers but did not receive responses from 28.² We confirmed that supplier certification data for all of the 46 suppliers contacted was accurate. Additionally, three advised that they received written or oral instructions from contracting officers for certification in addition to representations and certifications

¹ These suppliers were independently certified by the Small Business Administration (seven), National Minority Supplier Development Council (four), and Women's Business Enterprise National Council (one).

² We attempted to contact the 28 suppliers a minimum of four times.

contained in the contract document. However, the information was limited to filing procedures and did not relate to socioeconomic status classifications.

We contacted all 53 contracting officers associated with the 128 contract actions to identify the procedures they used for obtaining supplier certification. Our discussions disclosed that during the contract process, contracting officers did not obtain documentation other than representations and certifications to verify the socioeconomic status of the supplier. Also, we found 25 contract actions where certification was provided orally. Management's comments, in their entirety, are included in the appendix of this report.

Since this was a limited scope review, we did not offer any suggestions for program improvement in this report.

Management thanked us for our assistance and indicated that they had corrected errors identified during the course of the review. In addition, management will use the results of our review as a baseline for continual assessment of their supplier certification process.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lorie Siewert, director, Contracts and Facilities, at (651) 855-5856, or me at (303) 925-7429.

Colleen A. McAntee
Deputy Assistant Inspector General
for Financial Management

cc: Richard J. Strasser, Jr.
Gordon MacMahon
Janice B. Williams-Hopkins
Susan M. Duchek

APPENDIX. MANAGEMENT'S COMMENTS

SUPPLY MANAGEMENT



May 22, 2003

COLLEEN A. MCANTEE

THRU KEITH STRANGE

for *Whee 5/23/03***SUBJECT: Draft Management Advisory – Supplier Certification
(Report Number CA-MA-03-DRAFT)**

Thank you for responding to Supply Management's request for assistance in determining the effectiveness of our supplier certification process. Despite the limited review scope, we were pleased to learn our self-certification approach is working well and that most data elements reviewed were accurate. We have corrected any errors identified during your review effort.

We also appreciate your honesty with regards to the audit limitations and the resulting inability to attribute the report's findings to the effectiveness of our process as a whole. Therefore, we will use the results of this review as a baseline for continual assessment of our supplier self-certification process.

We do not believe that this report contains any proprietary or business information and may be disclosed pursuant to the Freedom of Information Act (FOIA). If you have any questions about this response, please contact Marie Martinez at (202) 268-4117.

A handwritten signature in black ink that reads "Christine L. Jennings".

Christine L. Jennings
Acting Manager
Supply Management Infrastructure

cc: Richard J. Strasser, Jr.
Gordon F. MacMahon
Janice B. Williams-Hopkins
Susan M. Duchek