



November 19, 2003

KEITH STRANGE
VICE PRESIDENT, SUPPLY MANAGEMENT

SUBJECT: Management Advisory – Contracting Authority
(Report Number CA-MA-04-001)

This report presents the results of the survey phase of our self-initiated review of Contracting Authority within the Postal Service (Project Number 02XG008CA000). This project was originally titled Unauthorized Contractual Commitments, but was modified to more accurately reflect the scope of our review.

Background

Contracting officers have the authority to enter into, administer, and terminate contracts for the Postal Service. Contracting officers are appointed by the vice president, Supply Management, and by individuals delegated that authority by the vice president. Appointees to the position of contracting officer must be career employees in good standing, and must meet the qualifications for their particular appointment level. Appointment is made by letter and on Postal Service Form 7378, Certificate of Appointment.

There are four general levels of contracting officer:

Level I contracting officers:

- Generally delegated up to \$100,000 of contracting authority.
- Requires 1 year of experience performing substantive purchasing tasks.
- Requires a baccalaureate degree or a purchasing certification, and training.

Level II contracting officers:

- Generally delegated up to \$1,000,000 of contracting authority.
- Requires 3 years of experience.
- Requires additional education and training above Level I.

Level III contracting officers:

- Generally delegated up to \$10,000,000 of contracting authority.
- Requires 5 years of experience.
- Requires additional education and training above Level II.

Level IV contracting officers:

- Delegated unlimited contracting authority.
- Must hold one of the following positions: (1) manager, headquarters Purchasing; (2) manager, National Mail Transportation Purchasing; (3) manager, Major Facilities Purchasing; (4) manager, Field Customer Support; and 5) manager, Materials.¹

Objectives, Scope, and Methodology

Our objective was to determine whether adequate controls were in place over contracting authority for the commitment of operational funds. To achieve these objectives, we reviewed applicable criteria and interviewed each of five supply management organization portfolio managers, and the Information Technology Category Management Center manager. Additionally, we interviewed the category management center managers and Facilities Service Office managers at Windsor, Connecticut, and Greensboro, North Carolina.

Our review included an examination of contract actions for 70 judgmentally selected high-dollar value contracts. We also, reviewed the qualifications and training for 16 contracting officers at the Windsor Category Management Center, Windsor Purchasing Service Center, Windsor Facilities Service Office, Greensboro Category Management Center, and Greensboro Facilities Service Office.

Of the 16 contracting officers in our sample, 13 were Level III, 1 was Level II, and 2 were Level I contracting officers. We compared Postal Service contracting officer documented authority levels² with degrees and certificates provided by contracting officers. Finally, we compared these contracting officer authority levels to the dollar value of contracts as shown in the Strategic National Automated Purchasing System and Facilities Management System for Windows databases.

This review was conducted from February 2002 to November 2003 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 applicable.

Prior Audit Coverage

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

¹ According to Postal Service management, the next version of the Purchasing Manual will contain the updated positions as a result of the transition to Supply Management from Purchasing.

² Internal list of contracting officers provided by the program manager, Training and Development, Supply Management Infrastructure, Washington, D.C., in excel spreadsheet form on February 24, 2003.

Results

Controls over contracting authority for the commitment of operational funds for the 70 contracts reviewed were generally adequate. However, the 16 contracting officers did not always meet qualification and continuing professional education requirements. We found three Level III contracting officers had not completed their required courses;³ two had not completed Level I and Level II courses and all three had not completed the Level III courses. Also, two of those three and one additional Level III contracting officer had not completed the required annual 21 hours of continuing professional education in contracting and purchasing.

The Postal Service Purchasing Manual requires managers to review annually whether contracting officers have maintained professional proficiency and otherwise remain qualified for their appointment levels. It also requires contracting officers to attend 21 hours of formal purchasing training covering such areas as new requirements, techniques, or policies and procedures.⁴

This condition occurred because management officials did not always verify contracting officer backgrounds in compliance with established criteria when granting contracting authority levels to ensure they had the education and training necessary for their levels. In addition, management did not annually ensure contracting officers qualified for their current authority levels. As a result, Postal Service managers may be assuming higher levels of risk than anticipated.

Recommendation

We recommend the vice president, Supply Management:

1. Ensure the contracting officers identified in the report obtain the appropriate qualification and continuing professional education requirements for their appointment level.

Management's Comments

Management agreed with the recommendation. Management stated that applicable managers were aware of the contracting officer training issues and are working to resolve them. An update will be provided by November 28, 2003. Management's comments, in their entirety, are included in the appendix to this report.

³ As shown in the Purchasing Manual, Issue 2, Chapter 1, Section 1.4.4.b.3 (a-d).

⁴ Purchasing Manual, Issue 2, Chapter 1, Section 1.4.6.

Recommendation

We recommend the vice president, Supply Management:

2. Direct portfolio managers to review all contracting officer authority to ensure appropriate qualification and continuing professional education requirements are met.

Management's Comments

Management agreed with the recommendation. Management stated as part of the annual individual development planning process, managers should always consider the qualifications and continuing professional education requirements of contracting officers, and beginning in fiscal year 2004, all managers within Supply Management must follow this process. Management will also cascade the final management advisory report through Supply Management's Review for Excellence Program to all portfolio managers for self-assessment and reinforcement of current policies by November 28, 2003.

Recommendation

We recommend the vice president, Supply Management:

3. Enforce existing policy to review annually all contracting officer appointments to ensure they have maintained professional proficiency and remain qualified.

Management's Comments

Management agreed with the recommendation. The annual update request from Supply Management's Training and Development team will include a reminder on the importance of ensuring contracting officer qualification and continuing professional education requirements are met. The request will be sent by December 31, 2003.

Evaluation of Management's Comments

Management's comments are responsive to recommendations 1, 2, and 3. Management's actions taken or planned should correct the issues identified in the report.

We appreciate the cooperation and courtesies provided by your staff. If you have any questions, or need additional information, please contact Lorie K. Siewert, director, Supply Management and Facilities, at (651) 855-5856 or me at (303) 925-7400.

/s/ Colleen A. McAntee

Colleen A. McAntee
Deputy Assistant Inspector General
for Financial Management

cc: Richard J. Strasser, Jr.
Susan M. Duchek

APPENDIX. MANAGEMENT'S COMMENTS

SUPPLY MANAGEMENT



October 27, 2003

COLLEEN MCANTEE

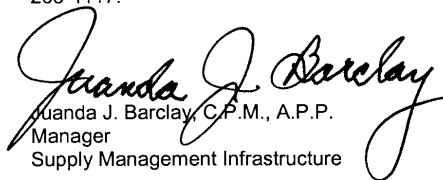
THRU: KEITH STRANGE

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10/30SUBJECT: Draft Management Advisory – Contracting Authority
(Report Number CA-MA-04-DRAFT)

Thank you for the opportunity to review and comment on the subject management advisory report. We were pleased to learn that no problems were found with the commitment of Postal Service funds and we are working to resolve the training issues for the three contracting officers identified in the report. Management agrees with the report's three recommendations, and will take the following actions to support implementation.

1. Applicable managers are aware of the contracting officer training issues and are working to resolve them. An update covering the three contracting officers will be provided to Lorie Siewert and Kim Stroud by November 28.
2. As part of the annual individual development planning (IDP) process, managers of contracting officers or prospective contracting officers should always consider contracting officer qualification requirements and continuing professionalism. Starting this fiscal year, the IDP process must be followed by all managers within Supply Management. In addition to this action, we will cascade the final management advisory report through Supply Management's Review for Excellence Program to our portfolio purchasing managers for self-assessment and reinforcement of current policies. A copy of our IDP process guidelines and report cascade will be provided to Lorie Siewert and Kim Stroud by November 28.
3. The next annual update of the contracting officer listing will start before the end of the calendar year. This request will be sent by Supply Management's Training and Development team, and will include a reminder on the importance of ensuring that contracting officer qualification requirements and continuing professionalism are met. A copy of the message requesting review and update of the contracting officer listing will be provided to Lorie Siewert and Kim Stroud by December 31.

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). Marie Martinez, of Supply Management, will monitor implementation of report recommendations and can be reached at (202) 268-4117.



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