



July 31, 2007

TOM A. SAMRA
VICE PRESIDENT, FACILITIES

SUBJECT: Management Advisory – Great Lakes Facilities Service Office Use of the
Parsons Indefinite Quantity Contract (Report Number CA-MA-07-004)

This report presents the results of our review of the Great Lakes Facilities Service Office's use of the Parsons indefinite quantity contract¹ (Project Number 07YG047CA000). This report is the second under a Value Proposition agreement between the U.S. Postal Service Office of Inspector General (OIG) and the Postal Service, Supply Management Facilities Portfolio (SMFP).

Background

The OIG and the SMFP entered into an agreement on February 3, 2006, to develop and conduct audit work focused on the Facilities Service Offices' (FSO) use of the Parsons nationwide indefinite quantity contract (Contract Number 512582-03-B-0005). The goals of the Value Proposition are to:

1. Ensure suppliers and responsible Postal Service personnel abide by the terms and conditions of the contract and Postal Service regulations.
2. Reduce costs and review the efficiency and effectiveness of specific aspects of the contract.

The SMFP mission is to provide purchasing leadership for major facilities projects and support client needs that are consistent with supply management and corporate strategic objectives. The SMFP is responsible for purchasing construction and design-build services for projects approved by the Board of Governors and any approved project with an estimated construction value in excess of \$10 million. It supports the purchasing functions of Facilities Headquarters, FSO, and Headquarters Services.

¹ The Parsons indefinite quantity contract enables Facilities Headquarters and the FSOs to contract with the Parsons Infrastructure and Technology Group, Inc., for various real estate-related services on a program or project-by-project basis.

The FSOs accomplish most of the Postal Service's facilities program work. This includes planning, leasing, purchasing, designing, and constructing facilities to house Postal Service operations. Facilities Headquarters administers organizational administration, policy and procedure development, and realty asset management functions.

The Postal Service issued a nationwide contract to the Parsons Infrastructure and Technology Group, Inc., on July 16, 2003. This contract enables Facilities Headquarters and the FSOs to contract for real estate, design, construction management, operation and maintenance, construction, and project/program management system services. Program managers (usually at the FSO level) create work orders against this contract on a program or project-by-project basis. The base contract period was 2 years with up to four 2-year renewals (maximum 10 years) in addition to a "not to exceed" contract price of \$900 million for the entire period including renewals.

The SMFP group issued a report titled *Program Management Contract No. 512582-03-B-0005* (Audit Report Number 01, dated October 22, 2004.) The SMFP reviewed actual labor rates, payments, and work orders for conformance to contract terms and content; and interviewed various staff members for feedback, comments, and suggestions on dealing with various FSOs and headquarters. The SMFP found there was no review of progress payment backup documentation, a subcontractor purchased computer equipment payments without the Postal Service's approval, FSO personnel issued work orders with travel as a fixed price, and travel was not in accordance with Postal Service policy. The SMFP recommended the Contract Policy and Procedures Committee review and discuss these findings at its meeting in March 2005. Additionally, the SMFP suggested management provide more training in this area and project managers start reviewing progress payment backup data.

Prior Audit Coverage

The OIG has issued one report related to the objective of our audit. We have included the details of the report in Appendix A.

Objective, Scope, and Methodology

Our overall objective in conducting this series of reviews is to assess the FSOs' use and administration of the Parsons indefinite quantity contract. Specifically, for each FSO, we will determine whether (1) the supplier and FSO personnel were abiding by the contract terms and (2) work order progress payments complied with Postal Service regulations. We conducted this second review at the Great Lakes FSO, Bloomingdale, Illinois, because it had the second largest number of work orders issued under the Parsons contract. As of June 30, 2006, the eight FSOs and Facilities Headquarters had

issued 1,991 work orders² at a total cost of approximately \$132.4 million. The Great Lakes FSO issued 167 work orders (8 percent of the nationwide total) valued at over \$2.9 million (2 percent of the nationwide total). See the chart below for the number of work orders and dollar values for each FSO.

FSO	Number of Work Orders	Dollar Amount
Pacific	1,249	\$70,080,952.56
Great Lakes	167	2,915,919.00
Southeast	163	2,161,443.00
New York	118	22,444,741.13
Facilities Headquarters	113	23,190,793.26
Western	76	2,568,916.43
Southwest	53	1,033,261.64
Northeast	42	7,388,329.84
Eastern	10	609,423.70
Total	1,991	\$132,393,780.56

To determine whether the supplier and FSO personnel were abiding by the contract terms, we reviewed the Parsons contract and Postal Service guidelines and procedures.³ We interviewed Great Lakes FSO personnel to determine procedures employees at the FSO used. In addition, we reviewed a statistically selected sample of work orders, which included cost estimates and analyses, supplier cost proposals, and subcontractor bid evaluations. We also obtained and compared work order data contained in the Facilities Management System⁴ to actual work order files to validate data integrity.

To determine whether work order progress payments complied with Postal Service regulations, we reviewed payment requests and authorizations for accuracy and completeness. We also reviewed payment supporting documentation, such as subcontractor invoices and timesheets, and work order progress forms for appropriateness. In addition, we examined payment approvals to verify whether FSO personnel provided oversight in accordance with Postal Service guidelines. We then compared individual work orders, payment requests, and authorizations to progress payment documentation to determine whether the amounts reconciled.

² We excluded work orders under \$2,000 and Lease Space Accessibility Program (LSAP) work orders ranging from \$1,750 to \$3,000 from the nationwide universe, based on the OIG statistician's recommendation, to avoid a sample dominated by an extremely large number of relatively low dollar work orders.

³ Postal Service Handbook P-2, *Design and Construction Purchasing Practices*, March 31, 1999, and *Construction Administration Handbook*, September 8, 2001.

⁴ The Facilities Management System contains specific project information on work order number, facility, description, status, amount, project number, created date, start date, completion date, contracting officer, and facility service office location.

We conducted this review from February through July 2007 in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Inspections*. We discussed our observations and conclusions with management officials on June 12, 2007, and included their comments where appropriate. We relied on data obtained from Postal Service database systems. We did not audit these systems directly, but performed a limited review of data integrity to support our reliance on the data.

Results

The Great Lakes FSO properly used and administered the Parsons indefinite quantity contract. Specifically, Parsons and FSO personnel abided by the contract terms. FSO personnel maintained detailed work orders and the supplier solicited and evaluated bid proposals from subcontractors for projects over \$50,000. In addition, work order progress payments complied with Postal Service regulations. Payment requests, authorizations, and progress payment documentation were accurate and complete. Furthermore, FSO personnel developed an effective work order processing checklist for maintaining files in compliance with guidelines and procedures.

Postal Service and Contractor Personnel Abided By Contract Terms

Parsons and FSO personnel abided by the contract terms. FSO personnel maintained detailed work orders that contained the scope of work, site information, costs, project duration, contract type (e.g., fixed price or cost reimbursable), and appropriate signatures such as those of the contracting officer and the supplier. In addition, FSO personnel completed a cost estimate and analysis for each project and the supplier solicited, received, and evaluated bid proposals from subcontractors for projects over \$50,000 in compliance with the contract terms. Furthermore, FSO personnel reviewed supplier submitted proposals as required.

Work Order Progress Payments Complied with Regulations

The work order progress payments reviewed complied with Postal Service regulations. Payment requests, authorizations, and progress payment documentation were accurate and complete. Specifically, the supplier submitted progress payment requests, which included documentation detailing the work site locations, the initial contract amount, the percentage of work completed, the amount previously billed, and the amount currently due. The supplier also included subcontractor invoices and labor hours. All payment requests were properly authorized and progress payment documentation reconciled to the work order and payment request and authorization. In addition, the work order files contained evidence of review, such as notations and corrections on the submitted documentation.

Checklist Used in the Great Lakes Area Assisted in Maintaining Complete Files

As part of the work order file, Great Lakes FSO personnel used a work order processing checklist to help maintain files in compliance with guidelines and procedures. Great Lakes FSO officials developed the checklist to ensure employees properly maintain all applicable documents in the work order folder. This checklist contained project summary information, the required documents to be included in the file, distribution information, and a section for comments and special instructions.

Management's Comments

We made no recommendations in this report to management. However, management requested the opportunity to submit a response to our report and the comments are included in their entirety in Appendix B. Management expressed gratitude for the work the OIG conducted and stated they would further explore whether they should standardize the Great Lakes Area work order management checklist across all FSOs.

We appreciate your comments and the cooperation and courtesies provided by your staff. If you have any questions, or need additional information, please contact Judy Leonhardt, Director, Supply Management, or me at (703) 248-2100.

E-Signed by Darrell E. Benjamin, 
VERIFY authenticity with ApproveIt

Darrell E. Benjamin, Jr.
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Attachments

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APPENDIX A.

PRIOR AUDIT COVERAGE

Facilities Service Offices' Use of the Parsons Indefinite Quantity Contract (Report Number CA-MA-07-003, dated June 4, 2007). This report presented the OIG's review of Facilities Headquarters and the Pacific FSO's use of the Parsons indefinite quantity contract. Overall, Postal Service officials properly used and administered the Parsons indefinite quantity contract. Parsons, Facilities Headquarters, and Pacific FSO personnel generally abided by the contract terms. However, Pacific FSO personnel did not always maintain complete work order files in accordance with Postal Service policy. Furthermore, work order progress payments were generally consistent with Postal Service regulations. However, the Parsons contractor was permitted to incur extra and unnecessary travel costs at the expense of the Postal Service. Management agreed with our recommendations for FSO personnel to maintain complete work order project files in accordance with Postal Service policy. Management also agreed to adhere to the Parsons contract and to Postal Service policy when contracting for travel and when reviewing travel costs. Management's comments and actions were responsive to the recommendations.

APPENDIX B. MANAGEMENT'S COMMENTS

TOM A. SAMRA
VICE PRESIDENT, FACILITIES



July 18, 2007

Kim H. Stroud
Director, Audit Reports

SUBJECT: Draft Management Advisory – Great Lakes Facilities Service Office
Use of the Parsons' Indefinite Quantity Contract
(Report Number CA-MA-07-DRAFT)

We appreciate the work and comments provided by the Office of the Inspector General in regard to this review. We are very pleased with the positive comments provided. We plan to look more into the work order processing checklist used by the Great Lakes FSO. Our hope is to determine whether or not this is something that should be standardized across all Facilities Service Offices for use with managing work orders.

We appreciate the efforts of the OIG audit team in the review of the use of the Parsons Indefinite Quantity Contract at the Great Lakes FSO.

A handwritten signature in black ink, appearing to read "TASamra".

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