



August 19, 2005

KEITH STRANGE
VICE PRESIDENT, SUPPLY MANAGEMENT

SUBJECT: Estimated Fiscal Year 2005 Supply Chain Management Impact Associated With National Office Supply Contract (Product Number CA-OT-05-003)

On July 7, 2005, Supply Management personnel requested the Office of Inspector General to assist them in estimating the fiscal year (FY) 2005 cost avoidance associated with Postal Service's contract with Boise Cascade Office Products, Inc. (Boise) for office supplies. We agreed to perform an analysis, under Project Number 05BG015CA000, similar to the FY 2004 analysis presented in our draft Management Advisory, Estimated Supply Chain Management Impact Associated With National Office Supply Contract (Report Number CA-MA-05-DRAFT, dated July 29, 2005).

For this analysis, we used data from the fourth quarter of FY 2004 (July 1 through September 30, 2004) and the first three quarters of FY 2005 (October 1, 2004, through June 30, 2005). After the fourth quarter of FY 2005, we will update the analysis to include all FY 2005 data.

To perform the analysis, we compared the Boise Postal Service eBuy data and Boise General Services Administration (GSA) Advantage prices. Based on the data comparison and analysis, we estimated the cost avoidance to be approximately \$5 million.

ESTIMATED COST AVOIDANCE

	Net Savings
Cost avoidance for items on the Postal Service's Boise and Boise GSA Advantage price schedules¹	\$3,942,156
Estimated cost avoidance for items not on the Boise GSA Advantage price schedule²	\$1,091,500
TOTAL	\$5,033,656

¹This represents the increased costs that the Postal Service would have incurred if it had purchased the items from the Boise GSA Advantage schedule.

²This is an estimate for items that are unique to the Postal Service where there are no listed Boise GSA Advantage prices. The Postal Service has not verified whether they could purchase these items at a lower price from other vendors on the open market. Therefore, we calculated an estimate by multiplying the amount spent for those items by the percentage of savings for those items that are on Boise GSA Advantage.

If you have any questions or need additional information, please contact Judy Leonhardt, Director, Supply Management, or me at (703) 248-2300.

/s/ John M. Seeba

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