



OFFICE OF **INSPECTOR GENERAL**

UNITED STATES POSTAL SERVICE

Controls Over Multiple Award Indefinite Delivery, Indefinite Quantity Contracts

Audit Report

Report Number
SM-AR-16-007

March 28, 2016





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Background

An indefinite delivery, indefinite quantity (IDIQ) contract is a type of contract the U.S. Postal Service uses to acquire future deliveries of services and supplies. An IDIQ is established when the Postal Service needs services or supplies but is not certain when (indefinite delivery) or how much (indefinite quantity). As needs arise, contracting officers (CO) make purchases from suppliers by issuing orders against IDIQ contracts. Suppliers are obligated to fulfill the orders upon receipt.

The Postal Service has two types of IDIQ contracts. Single award IDIQ contracts are awarded to a single supplier, and multiple award IDIQ contracts are awarded to two or more suppliers for the same services or supplies. Suppliers with multiple award IDIQs may compete against each other for all or some of the contract orders. IDIQ contracts have guaranteed minimum and maximum order amounts and the Postal Service is contractually obligated to order at least the minimum amount of services or supplies.

COs are also required to incorporate specific clauses in all IDIQ contracts. The clauses define the Postal Service's and suppliers' purchase and order fulfillment requirements, and establish communication procedures between the parties.

For fiscal years 2014 and 2015, the Postal Service had about 200 active multiple award IDIQ contracts valued at more

than \$5 billion. These contracts are managed under five portfolios: Transportation, Commercial Products and Services (CP&S), Technology Infrastructure, Facilities, and Mail and Operational Equipment.

Our objective was to determine whether the Postal Service had adequate controls over multiple award IDIQ contracts and identify best practices for multiple award contracts.

What the OIG Found

The Postal Service could improve controls over the use and administration of multiple award IDIQs. COs made some purchases without issuing the required orders, and did not always incorporate required clauses in the contracts or issue orders competitively.

COs in the CP&S portfolio made purchases without issuing the required orders for five of the 11 contracts we reviewed (45 percent), which were valued at over \$18.3 million. COs stated they were aware of the policy to issue orders but thought they could deviate from it to streamline the purchasing process. However, the CO did not obtain approval for a deviation.

Orders allow COs to effectively track IDIQs to ensure the minimum contract commitment is reached. If COs do not monitor these minimums, the Postal Service may be liable to pay suppliers without receiving any services or supplies.



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Also, one CO in the Transportation portfolio did not incorporate required contracting clauses in four of six IDIQ contracts (67 percent) valued at over \$722 million. Supply Management contracting officials stated the contracts were inherited from a prior department and the clauses were not included by the former CO who initially awarded the contracts.

Omitting required clauses may lead to confusion and mistakes in administering the contract. Specifically, the supplier may not have a clear understanding of how orders are placed or the applicable order limitations, which could negatively impact Postal Service operations.

Finally, Postal Service policy states that best value is generally achieved through competition, but it does not require qualified and eligible suppliers to compete for orders or COs to justify business decisions for multiple award IDIQ contracts. If COs do not require suppliers to compete for orders, there is an increased risk the Postal Service will not obtain best value.

We benchmarked against multiple award IDIQ contracting practices at three federal agencies. One agency, like the Postal Service, does not follow federal acquisition regulations. All three agencies direct COs to either require suppliers on multiple award IDIQ contracts to compete for orders or provide written justification for not doing so.

What the OIG Recommended

We recommended management update contract policy to clarify ordering procedures for issuing orders against IDIQ contracts; reiterate contracting policy for incorporating IDIQ contract clauses; and develop contracting policy requiring contracting officers to compete orders under multiple award indefinite delivery, indefinite quantity contracts and require written justification that is reviewed and approved when competition is not required.


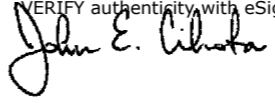
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

March 28, 2016

MEMORANDUM FOR: SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT

E-Signed by John Cihota
VERIFY authenticity with eSign Desktop 


FROM: John E. Cihota
Deputy Assistant Inspector General
for Finance and Supply Management

SUBJECT: Audit Report - Controls Over Multiple Award Indefinite
Delivery, Indefinite Quantity Contracts
(Report Number SM-AR-16-007)

This report presents the results of our audit of Controls Over Multiple Award Indefinite Delivery, Indefinite Quantity Contracts (Project Number 15BG021SM000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Keshia L. Trafton, director, Supply Management and Facilities, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Findings

For FY 2014 and 2015, the Postal Service had about 200 active multiple award IDIQ contracts, valued at more than \$5 billion.

Introduction

This report presents the results of our self-initiated audit of Controls Over Indefinite Delivery, Indefinite Quantity Contract (Project Number 15BG021SM000). Our objective was to assess the U.S. Postal Service's use of multiple award indefinite delivery, indefinite quantity (IDIQ) contracts. Specifically, we determined whether there were adequate controls over multiple award IDIQ contracts and identified best practices for these types of contracts. See [Appendix A](#) for additional information about this audit.

An IDIQ contract is a contract the Postal Service uses to acquire future deliveries of services and supplies. It is established when the Postal Service needs services or supplies but is not certain when (indefinite delivery) or how much (indefinite quantity). As needs arise, contracting officers (CO) make purchases from suppliers by issuing orders against IDIQ contracts. Suppliers are obligated to fulfill the orders upon receipt.

The Postal Service has two types of IDIQ contracts. Single award IDIQ contracts are awarded to a single supplier, and multiple award IDIQ contracts are awarded to two or more suppliers for the same services or supplies. In the latter case, suppliers may compete against each other for all or some of the contract orders. IDIQ contracts have guaranteed minimum and maximum order amounts, and the Postal Service is contractually obligated to order at least the minimum amount of services or supplies.

COs are also required to incorporate specific clauses in all IDIQ contracts. These clauses define the Postal Service and supplier purchase and order fulfillment requirements. They also establish communication procedures between suppliers and the Postal Service.

For fiscal years (FY) 2014 and 2015, the Postal Service had about 200 active multiple award IDIQ contracts, valued at more than \$5 billion. These contracts are managed under five portfolios: Transportation, Commercial Products and Services (CP&S), Technology Infrastructure, Facilities, and Mail and Operational Equipment.

Summary

The Postal Service could improve controls over the use and administration of multiple award IDIQs. COs made some purchases without issuing the required orders, did not always incorporate required clauses in the contracts, or issue orders competitively.

COs in the CP&S portfolio made purchases without issuing the required orders for five of the 11 contracts we reviewed (45 percent), which were valued at over \$18.3 million. COs stated they were aware of the Postal Service policy to issue orders but thought they could deviate from it to streamline the purchasing process. However, the CO did not obtain approval for a deviation.

Orders allow COs to effectively track IDIQs to ensure the minimum contract commitment is reached. If COs do not monitor these minimums, the Postal Service may be liable to pay suppliers without receiving any services or supplies.

Also, one CO in the Transportation portfolio did not incorporate required contracting clauses in four of six IDIQ contracts (67 percent) valued at over \$722 million. Supply Management contracting officials stated the contracts were inherited from a prior department and the clauses were not included by the former CO who initially awarded the contracts.

Finally, Postal Service policy states that best value is generally achieved through competition; but it does not require qualified and eligible suppliers to compete for orders or COs to justify business decisions for multiple award IDIQ contracts.

COs were aware of the policy to issue orders but thought they could deviate from it to meet business needs.

Omitting required clauses may lead to confusion and mistakes in administering the contract. Specifically, the supplier may not have a clear understanding of how orders are placed or the applicable order limitations, which could negatively impact Postal Service operations.

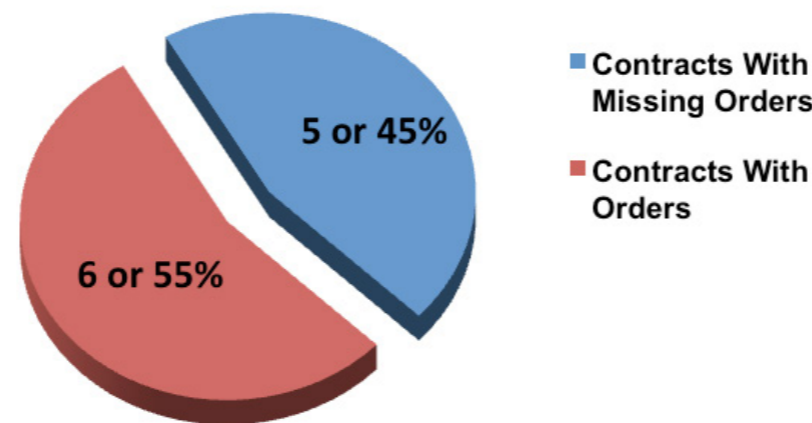
Finally, Postal Service policy states that best value is generally achieved through competition; but it does not require qualified and eligible suppliers to compete for orders or COs to justify business decisions for multiple award IDIQ contracts. If suppliers do not compete for orders, there is an increased risk the Postal Service will not obtain best value.

We benchmarked against multiple award IDIQ contracting practices at three federal agencies. One agency, like the Postal Service, does not follow federal acquisition regulations. All three agencies direct COs to either require suppliers to compete for orders on multiple award IDIQ contracts or provide written justification for not doing so.

Indefinite Delivery, Indefinite Quantity Contract Ordering Procedures

COs in the CP&S portfolio did not follow policy and purchased services and supplies without issuing orders for five of 11 contracts (45 percent) valued at \$18,339,900¹ (see Figure 1).

Figure 1: CP&S IDIQ Contracts Missing Orders



Source: U.S. Postal Service Office of Inspector General (OIG) Analysis and Postal Service; Contract Authoring Management System (CAMS), September 30, 2014.

COs were aware of the policy to issue orders but thought they could deviate from it to meet business needs. One CO stated orders were not issued to streamline the process of purchasing a combination of products and services under the IDIQ contract. Although policy indicates COs can deviate from certain practices,² they must obtain approval to do so. The COs did not obtain approval to bypass issuing orders for the contracts we reviewed.

Orders are issued to make purchases, and suppliers are obligated to fill the orders upon receipt. When services and supplies are purchased on the IDIQ contract without an order, the supplier is not contractually obligated to provide the services and supplies. The IDIQ contract is an agreement between the Postal Service and supplier for future services and supplies, not a contract to provide services and supplies when the IDIQ is awarded.³

¹ *Supplying Principles and Practices (SP&P)*, Section 4-1.3, Contract Vehicles for Ordering, dated August 7, 2015.

² SP&P, Section 7-6.1, Examples of Deviations.

³ SP&P, Section, 4-1.3, Contract Vehicles for Ordering.

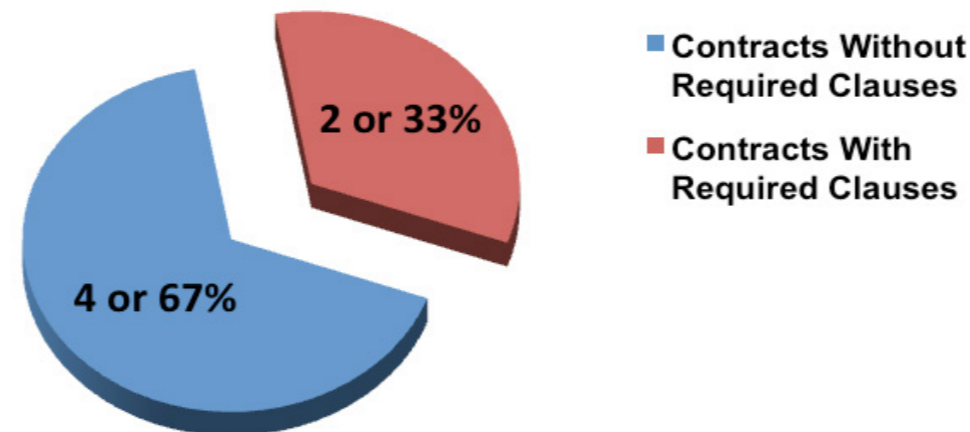
One CO in the Transportation portfolio did not incorporate required SP&P clauses for four of six IDIQ contracts (67 percent) reviewed, valued at \$722,545,598.

If the Postal Service does not issue orders in accordance with ordering procedures, services and supplies may not be received when needed, potentially impacting postal operations. As a result of this audit, the Postal Service took corrective action by de-obligating \$12,276,645 of the \$18,339,900, issued on one of the five CP&S IDIQ contracts, and issued orders for these services.

Indefinite Delivery, Indefinite Quantity Contract Administration

One CO in the Transportation portfolio did not incorporate required SP&P clauses for four of six IDIQ contracts (67 percent) reviewed, valued at \$722,545,598 (see Figure 2).

Figure 2: IDIQ Contracts Without Required Clauses



Source: OIG Analysis and Postal Service; CAMS, September 30, 2014.

Specifically, the four Transportation contracts did not contain the Ordering and Delivery-Order Limitation clauses. The Ordering clause incorporates administrative procedures required for the delivery and performance of orders and authorizes orders to be issued in writing, via electronic data interchange (EDI), or verbally.⁴ The Delivery-Order Limitation clause reduces the risk to the Postal Service by defining Postal Service and supplier purchase and order fulfillment requirements. Also, the clause requires timely notification by the suppliers if they are unable to fulfill orders in accordance with the contract terms.⁵

The SP&Ps contain mandatory clauses for IDIQ contracts. Additionally, the Postal Service has a clause matrix that assists COs with required contract clauses and lists specific clauses that must be included in all IDIQ contracts. Supply Management COs stated they inherited these contracts from another department and the clauses were not included by the former CO who initially awarded the contracts.

Omitting required clauses and administrative procedures from IDIQ contracts may lead to confusion and mistakes in administering the contract. The supplier may not have a clear understanding of how orders are placed or the applicable order limitations. This increases the risk orders will not be filled, thereby negatively impacting Postal Service operations.

⁴ SP&P, Clause 2-39: Ordering.

⁵ SP&P, Clause 2-40: Delivery-Order Limitations.

Unlike other federal agencies, the Postal Service does not require its COs to compete orders on multiple award IDIQ contracts or justify issuing orders against these contracts without further competition.

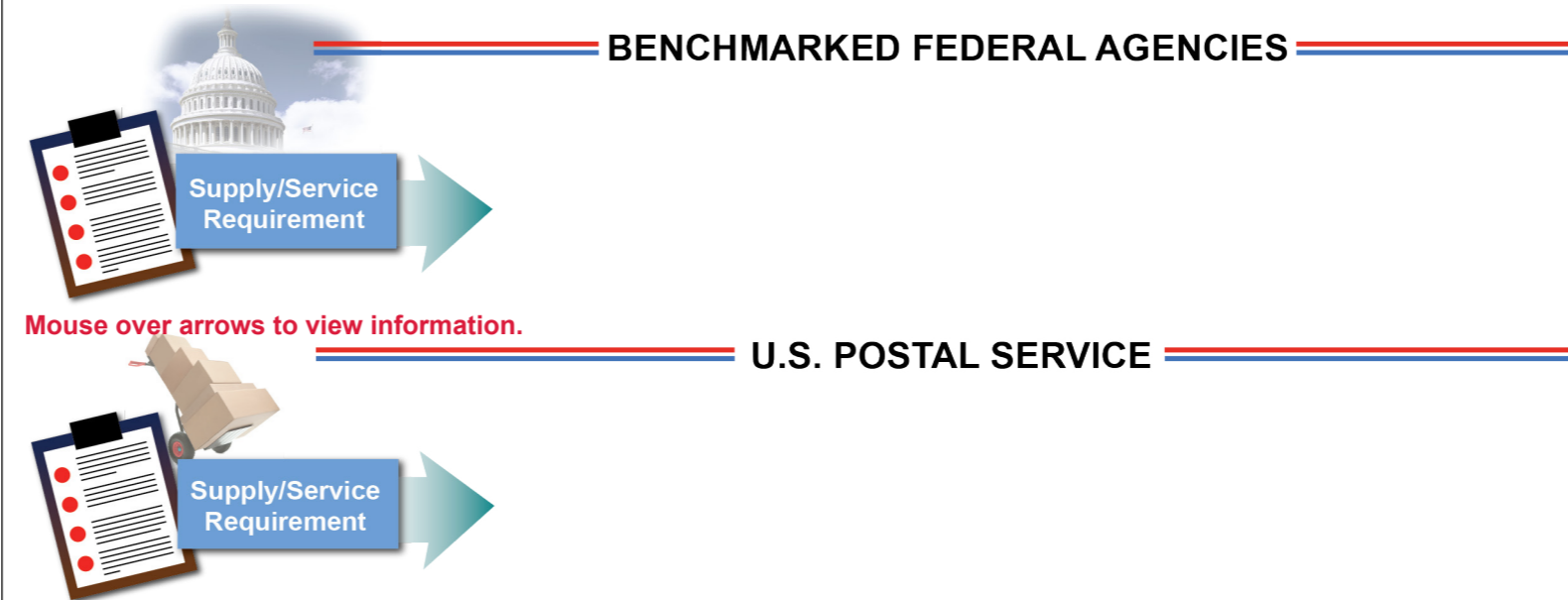
Benchmarking

Unlike other federal agencies, the Postal Service does not require its COs to compete orders on multiple award IDIQ contracts or justify issuing orders against these contracts without further competition. Postal Service policy states that best value is generally achieved through competition, but it does not require that suppliers under multiple award IDIQ contracts compete for orders.

We benchmarked against three federal agencies to assess their IDIQ contracting practices. One agency, like the Postal Service, does not use the Federal Acquisition Regulation (FAR) for procurement; however, all three agencies require suppliers to compete for orders on multiple award IDIQ contracts.⁶ The agencies also require COs to provide written justification when competition is not required.

See Figure 3 for information on how the federal agencies we analyzed compare with the Postal Service on the multiple award IDIQ process.

Figure 3: Benchmarked Federal Agencies Versus U.S. Postal Service Multiple Award IDIQ Process



Source: FAR Subpart 16.5 Indefinite-Delivery Contracts, and SP&Ps, Section, 4-1.4.3 Multiple Indefinite Delivery Contracts

Suppliers competing for orders on multiple award IDIQ contracts could maximize the Postal Service's opportunity to achieve the best quality at the best price.

⁶ Although the agencies required competition, the FAR allows exceptions in certain circumstances, such as when there is an urgent need.

Recommendations

We recommend the vice president, Supply Management:

1. Update contract policy to clarify ordering procedures for contracting officers issuing orders against indefinite delivery, indefinite quantity contracts.
2. Reiterate contracting policy for incorporating indefinite delivery, indefinite quantity contract clauses.
3. Develop contracting policy requiring contracting officers to compete orders under multiple award indefinite delivery, indefinite quantity contracts and require written justification that is reviewed and approved when competition is not required.

Management's Comments

Management disagreed with select findings, agreed with recommendations 1 and 2, and disagreed with recommendation 3. Management disagreed with the monetary impact associated with recommendation 1 but agreed with the monetary impact associated with recommendation 2.

Regarding recommendation 1, management stated they will update Postal Service policy to clarify ordering procedures when COs issue orders against multiple award IDIQ contracts. Once implemented in the SP&Ps and published appropriately, the updated policy will be communicated to Supply Management personnel. The target implementation date is October 31, 2016.

Regarding recommendation 2, management disseminated a communication to Supply Management personnel on March 18, 2016, reiterating the required ordering clauses to be incorporated in IDIQ contracts. Subsequent to the receipt of written comments, the Postal Service provided documentation supporting the action taken.

Regarding recommendation 3, although management disagreed with requiring COs to compete orders under multiple award IDIQ contracts, management stated the policy update to address recommendation 1 will require COs to consider the benefits of further competing orders and document the business rationale for the placement of orders without further competition.

With regard to monetary impact, management disagreed with all unsupported questioned costs related to recommendation 1 and stated COs used defined alternative ordering methods that were approved by management. Management agreed with the monetary impact associated with recommendation 2; however, they did not believe the Postal Service incurred a loss nor sustained any increased risk as a result of clause omissions. Management asserted that although not all required ordering clauses were included in the referenced contracts, the contracts provided detailed ordering instructions.

Management stated [Figure 1](#) in the report is misleading because it does not consider alternative means for placing orders. For three contracts, a third-party logistics supplier placed orders using pass-through pricing established by the Postal Service. For the remaining two contracts, COs used alternative ordering procedures. Management disagreed that a deviation was required for these alternative ordering methods as purchasing policy provides flexibility to encompass them.

Management also disagreed with the assertion that because COs did not issue delivery orders, the supplier was not contractually obligated to provide the supplies and services. Management stated that the contracts established and defined ordering procedures, and orders were issued in accordance with the methodology defined by the contracts. Management also stated the suppliers performed and did not dispute their obligation to deliver supplies and services as required in accordance with contract terms and conditions.

Further, management stated [Figure 3](#) in the report is misleading because it does not show the Postal Service's process of competing orders among multiple award IDIQ suppliers when such competition will further the business and competitive interests of the Postal Service.

See [Appendix B](#) for management's comments in their entirety.

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendations 1 and 2 in the report. Regarding recommendation 3, we continue to assert that management should further compete IDIQ contracts among suppliers to achieve best value in their contracting practices. Notwithstanding, while management will not require COs to compete orders under IDIQ contracts, they will require COs to consider the benefits of further competing orders and document the business rationale for the placement of orders without further competition. This guidance should further enable the Postal Service to achieve best value and provide transparency in the Postal Service's decisions not to compete orders.

Management pointed out that orders on the CP&S IDIQ contracts may be placed using alternative means such as in writing, by written telecommunication, EDI, or orally and asserted that the purchases in question were issued via these alternative ordering methods, which were approved by management. However, our finding (and [Figure 1](#) in our report) illustrates purchases that were made on the IDIQ contracts without orders being issued using the previously described alternative means.

Regarding the comparison of the Postal Service's multiple award IDIQ process with other federal agencies, we recognize the Postal Service may compete orders among multiple award IDIQ suppliers and depicted this option in [Figure 3](#). However, unlike the benchmarked agencies, the Postal Service does not require its COs to compete the orders among the suppliers.

Regarding the monetary impact pertaining to recommendation 1, we agree that task and delivery orders are not the only means in which orders may be issued against multiple award IDIQ contracts; however, the purchases we reviewed were made without any orders, including the alternative ordering methods previously described. If orders were issued, the purchases would not have been made on the IDIQ contract. In addition, although management agreed with the monetary impact pertaining to recommendation 2 and does not believe the Postal Service incurred a loss or sustained increased risk due to omitted clauses, we continue to emphasize the importance of including all required clauses and administrative procedures in contracts.

Recommendation 1 requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action(s) are completed. This recommendation should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed. We received support of the communication disseminated and are closing recommendation 2 upon issuance of this report. Finally, we will not elevate recommendation 3 and will be closing it as not implemented by the Postal Service.

Appendices

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Appendix A: Additional Information

Background

An IDIQ is a contract the Postal Service uses to acquire services for the future delivery of products or performance of services. As needs arise for goods or services, COs make purchases from suppliers by issuing orders against the IDIQ contract.

There are two types of IDIQ contracts: a single award IDIQ contract is awarded to one supplier, and a multiple award IDIQ contract is awarded to two or more suppliers. Suppliers with multiple award IDIQs may compete for all or some of the contract requirements and are obligated to fill the orders upon receipt.

IDIQ contracts have guaranteed minimum and maximum order amounts, which must be tracked by the CO. The minimums and maximums reduce the supplier's risk. The Postal Service is obligated to order at least the minimum amount; otherwise, may be liable to pay the supplier for goods or service it does not receive.

The SP&Ps provide guidance to COs administering IDIQ contracts and list specific clauses that must be incorporated in the contracts. In addition, the CO may use the SP&P clause matrix, which also lists mandatory and optional clauses for contracts.

For example, the Ordering clause, which is mandatory, incorporates administrative procedures that allow purchases to be made by issuance of delivery orders. In addition, the clause authorizes orders to be issued in writing, via EDI, or verbally. Furthermore, it requires verbal orders to be confirmed in writing and states that orders are subject to the terms and conditions of the IDIQ contract. In addition, the Delivery-Order Limitations clause, which is also mandatory, defines the Postal Service and supplier purchase and order fulfillment requirements. The clause also requires timely notification by suppliers if they are unable to fulfill orders in accordance with the contract terms.

For FYs 2014 and 2015, the Postal Service had about 200 active multiple award IDIQ contracts valued at more than \$5 billion.

Objective, Scope, and Methodology

Our objective was to assess the Postal Service's use of multiple award IDIQ contracts. Specifically, we determined whether there were adequate controls over multiple award IDIQ contracts and identified best practices for this contract vehicle. To accomplish our objective, we:

- Obtained applicable contracting policies, procedures, and guidance on multiple award IDIQ contracts and compared Postal Service policy to the FAR.
- Reviewed the Federal Procurement Data System to determine which federal agencies use multiple award IDIQ contracts most often.
- Benchmarked against agencies to identify best practices in the award and use of multiple award IDIQ contracts.
- Determined whether there was adequate competition under multiple award IDIQ contracts prior to initial award and whether all subsequent delivery and task orders were also competed.
- Analyzed task orders and award spend by suppliers to determine if the Postal Service issued more orders and dollars to some suppliers.

- Determined the universe of 179 multiple award IDIQ contracts and selected a judgmental sample of 44 contracts for review. We selected contracts that had the highest dollar amounts under the multiple award IDIQ contract and were issued to five or fewer suppliers.
- Reviewed IDIQ contract documentation for the 44 contracts from all portfolios for evidence of technical evaluation, price or cost analysis, and best value determination.
- Reviewed a sample of IDIQ contract orders and modifications from the 44 contracts to determine if they were competed.

We conducted this performance audit from September 2015 through March 2016, in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We discussed our observations and conclusions with management on March 02, 2016, included their comments where appropriate.

We assessed the reliability of Postal Service IDIQ contract data by comparing it to CAMS documentation. We determined that the data was sufficiently reliable for the purposes of this report.

Prior Audit Coverage

Report Title	Report Number	Final Report Date	Monetary Impact
<i>Enterprise Technology Services Program</i>	SM-AR-13-003	7/18/2013	\$77,221,508

Report Results: Postal Service personnel required competition for 37 percent of task orders during FYs 2011 and 2012; however, the Postal Service does not have a system to track and measure competition. All task orders under this program are coded as competitive, although some are not subject to competition. Specifically, 59 percent of these actions, totaling \$71.5 million, did not have justification documenting why the task orders were awarded without further competition. Furthermore, officials did not document a formal management review and approval process for 14 percent of justifications, totaling \$5.7 million. Management generally agreed with the findings and monetary impact and disagreed with one recommendation.

Appendix B: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



March 21, 2016

LORI LAU DILLARD
DIRECTOR, AUDIT OPERATIONS

SUBJECT: Response to Draft Audit Report – Controls Over Multiple Award Indefinite Delivery,
Indefinite Quantity Contracts (Report Number SM-AR-16-DRAFT)

Thank you for providing the Postal Service with an opportunity to review and comment on this report. Management disagrees with select findings as detailed below. Management does not agree with the claimed monetary impact associated with Recommendation 1, but agrees with the monetary impact associated with Recommendation 2. Management agrees with Recommendations 1 and 2, but does not agree with Recommendation 3.

Concerns With Findings

On page 3, Figure 1, "CP&S IDIQ Contracts Missing Orders," is misleading and does not take into consideration alternative methods for order placement. The Postal Service's Supplying Principles & Practices provide flexibility to use other means for placing orders, including in writing, by written telecommunication, electronic data interchange (EDI), or orally. For three of the contracts encompassed by Figure 1, a third-party logistics supplier placed orders on the Postal Service's behalf to designated Postal Service suppliers using pass-through pricing established by the Postal Service. For the remaining two contracts, the orders were constituted by user-generated application programming interface transactions consistent with the contract terms and conditions. In the case of these contracts, the contracting officers did not issue delivery orders; instead, contracting officers developed and incorporated into the contracts alternative ordering procedures, with appropriate monitoring and controls, that were reviewed and approved by management. Management disagrees that a deviation was required for these alternative ordering methods, as purchasing policy provides flexibility to encompass these methods.

On page 3, second paragraph, the report finds that, in some instances, purchases were made on the indefinite delivery, indefinite quantity (IDIQ) contracts without the contracting officer issuing delivery orders. It asserts that, since delivery orders were not issued by the contracting officer, "the supplier is not contractually obligated to provide the services and supplies." Management disagrees with this finding generally, and, in the case of the contracts encompassed by Figure 1, the contracts established and defined ordering procedures, and orders were issued in accordance with the methodology defined by the contracts. The suppliers performed and did not dispute their obligation to deliver supplies and services as required in accordance with the terms and conditions of the IDIQ contracts.

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On page 6, Figure 3, "Benchmarked Federal Agencies Versus U.S. Postal Service Multiple Award IDIQ Process," the flow chart is misleading in that it fails to show the Postal Service's process flow, similar to the benchmarked federal agency flow chart, of competing orders among multiple award IDIQ suppliers when such competition will further the business and competitive interests of the Postal Service. The audit report acknowledges under prior audit coverage that such competitions do occur.

Monetary Impact

As it pertains to Recommendation 1, the OIG finds that contracting officers did not follow Postal Service policy by not issuing delivery orders for the referenced IDIQ contracts. Management disagrees. While the Supplying Principles & Practices provide that generally task or delivery orders are issued by contracting officers for IDIQ contracts, ordering is not limited to this method. Purchasing policy provides flexibility to use other means for placing orders, including, as indicated above, in writing, by written telecommunication, EDI, or orally. For the contracts encompassed by Figure 1, as previously described, the contracting officer did not issue delivery orders, as defined alternative ordering methods, with appropriate monitoring and controls, were approved by management. These contracts were developed and executed in accordance with purchasing policy, and an approved deviation from this policy was therefore not required. Therefore, management disagrees with all unsupported questioned costs related to Recommendation 1.

As it pertains to Recommendation 2, while it is accurate that not all required ordering clauses were included in all referenced Transportation contracts, these contracts provided detailed ordering instructions. It is further noted that these contracts are no longer active. It is apparent from a review of contract performance that omission of any required clauses did not lead to "confusion and mistakes in administering the contract" nor "increase the risk of orders being unfulfilled," which appears to be the basis for the claimed costs. Orders were filled in accordance with the sufficiently detailed ordering process outlined in the contracts, and minimum order quantities were met. Therefore, while management agrees with all unsupported questioned costs related to Recommendation 2, it is not believed the Postal Service incurred a loss nor sustained any increased risk as a result of the clause omissions.

OIG Recommendations

We recommend the vice president, Supply Management:

Recommendation 1: Update contract policy to clarify ordering procedures for contracting officers issuing orders against indefinite delivery, indefinite quantity contracts.

Management Response/Action Plan: Management agrees with this recommendation and will update policy to clarify ordering procedures when contracting officers issue orders against multiple award IDIQ contracts. Once implemented in the Supplying Principles & Practices and published appropriately, the updated policy will be communicated to Supply Management personnel.

Target Implementation Date: October 2016

Responsible Official: Manager, Supply Management Infrastructure

Recommendation 2: Reiterate contracting policy for incorporating indefinite delivery, indefinite quantity contract clauses.

Management Response/Action Plan: Management agrees with this recommendation and will disseminate a communication to Supply Management personnel reiterating required ordering clauses to be incorporated in IDIQ contracts.

Target Implementation Date: April 2016

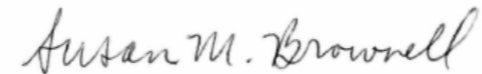
Responsible Official: Manager, Supply Management Infrastructure

Recommendation 3: Develop contracting policy requiring contracting officers to compete orders under multiple award indefinite delivery, indefinite quantity contracts and require written justification that is reviewed and approved when competition is not required.

Management Response/Action Plan: Management disagrees with the recommendation to require contracting officers to compete orders under multiple award IDIQ contracts. The policy update referenced in Recommendation 1 will require contracting officers, when contracting officers are the ordering officials for an IDIQ contract, to consider the benefits of further competition of orders under multiple award IDIQ contracts and to document the business rationale for the placement of orders without further competition. Once implemented in the Supplying Principles & Practices and published appropriately, the updated policy will be communicated to Supply Management personnel.

Target Implementation Date: October 2016

Responsible Official: Manager, Supply Management Infrastructure



cc: Manager, Corporate Audit Response Management



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