



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

U.S. Postal Service Contract Labor Substitution

Audit Report

Report Number
SM-AR-17-005

May 30, 2017





OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Highlights

Labor substitution occurs when a supplier substitutes an individual designated to work on a contract with another individual.

Background

The U.S. Postal Service's (USPS) Supply Management function is comprised of five purchasing portfolios that manage contracts for goods and services to meet USPS operational needs.

In fiscal years (FY) 2009 and 2016, the USPS awarded [REDACTED] two contracts and a basic ordering agreement — within the Technology Infrastructure and Commercial Products and Services portfolios — for consulting and professional information technology services.

As of March 2017, the USPS had paid [REDACTED] million for these services with the largest portion of the fees attributed to labor hours. When key personnel labor is deemed essential to performing work, the USPS includes a clause in the contract that requires key personnel to be defined and identified in the contract.

Labor substitution occurs when a supplier substitutes an individual designated to work on a contract with another individual. When this occurs for key personnel, the supplier must obtain written approval from the contracting officer (CO) prior to the substitution occurring. Ultimately, COs are responsible for ensuring suppliers comply with contract terms and maintaining adequate documentation in the contract file.

For FYs 2015 and 2016, we identified a universe of 2,523 [REDACTED] invoices paid against three contract vehicles and reviewed a statistical sample of 187 invoices.

Our objective was to determine whether COs complied with USPS policy for labor substitution on [REDACTED] contracts.

What the OIG Found

COs did not comply with USPS policy for labor substitution of key personnel on two of the three [REDACTED] contract vehicles reviewed. In FYs 2015 and 2016, for 48 percent (89 of 187) of invoices reviewed, we identified 98 contract personnel who were substituted as key personnel without written approval or supporting documentation in the contract file, as required per USPS policy.

This occurred due to poor CO contract oversight and inadequate documentation practices in managing key personnel. Without evidence of written approval, the USPS cannot substantiate that [REDACTED] is substituting key personnel with individuals of like experience and qualifications. This increases the risk of substandard service, project delays, and/or cost overruns. We made a referral to our Office of Investigations as appropriate.

Based on our statistical sample, we projected that 48 percent of [REDACTED] invoices for two contract vehicles, valued at [REDACTED], have unapproved and unsupported labor substitutions for key personnel.

In FY 2016, [REDACTED] was a top 10 vendor for the USPS in terms of fees paid at over [REDACTED] million. Accordingly, it is important for the USPS to ensure proper controls and oversight are in place to adequately monitor spend and manage contract data.

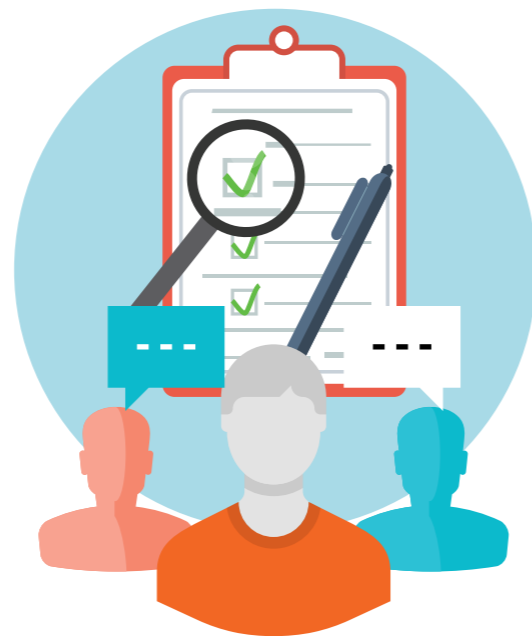


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What the OIG Recommended

We recommended management reiterate existing policy on key personnel clauses, contract documentation practices, and use of the Contract Authoring and Management System. We also recommended management establish an oversight process

to ensure proper review, approval, and documentation of labor substitution for key personnel. Finally, we recommended management revise existing policy to clarify requirements for requesting and approving key personnel labor substitution.



REITERATE EXISTING POLICY



**ESTABLISH AN OVERSIGHT
PROCESS**



REVISE EXISTING POLICY

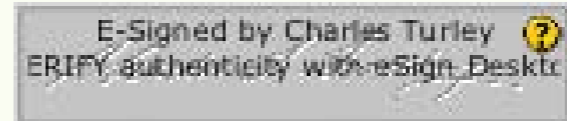
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 30, 2017

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



FROM: Charles L. Turley
Deputy Assistant Inspector General
for Supply Management and Human Resources

SUBJECT: Audit Report – U.S. Postal Service Contract Labor
Substitution (Report Number SM-AR-17-005)

This report presents the results of our audit of the U.S. Postal Service Contractor Labor Substitution (Project Number 17SMG006SM000).

We appreciate the cooperation and courtesies provided by your staff. If you have any questions or need additional information, please contact Lucine Willis, Acting Director, Supply Management & Facilities, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management

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Findings

The supplier must provide an individual with qualifications and experience similar to those of the individual being replaced.

Introduction

This report presents the results of our self-initiated audit of U.S. Postal Service (USPS) contractor labor substitution (Project Number 17SMG006SM000). Our objective was to determine whether contracting officers (CO) complied with USPS policy for labor substitution on [REDACTED] contracts. See [Appendix A](#) for additional information about this audit.

The USPS's Supply Management function is comprised of five purchasing portfolios that manage contracts for goods and services to meet USPS operational needs. In fiscal year (FY) 2009, the USPS awarded [REDACTED] an Enterprise Technology Service (ETS) indefinite delivery/indefinite quantity contract (IDIQ)¹ and a basic ordering agreement (BOA)² for corporate sustainability³ consulting services. In FY 2016, [REDACTED] was awarded another IDIQ contract for Lean Six Sigma⁴ consulting services. As of March 2017, the USPS had paid [REDACTED] million on these contracting vehicles. For these services, the contract terms required [REDACTED] to identify key personnel deemed essential to perform the work.

Key personnel are defined as personnel assigned to the labor categories that the USPS has designated as essential to the work to be performed according to the Statement of Work.⁵ Labor substitution occurs when a supplier substitutes an individual designated to work on a contract with a different individual. When this occurs, the supplier must provide an individual with qualifications and experience similar to those of the individual being replaced. When labor substitution occurs for key personnel, the supplier must obtain written approval from the CO prior to the substitution, per USPS policy. The supplier initiates the request for key personnel changes in writing and the contracting officer representative or program manager assigned to the contract should agree to the replacement. However, the COs are ultimately responsible for ensuring suppliers comply with contract terms and documenting all approvals and changes in the contract file.

We identified a universe of 2,523 [REDACTED] invoices and analyzed a statistical sample of 187 invoices paid against the IDIQ contracts and BOA during FYs 2015 and 2016. The services provided were contracted under two of the USPS Supply Management's five portfolios — Technology Infrastructure (TI) and Commercial Products and Services (CP&S).

Summary

COs did not comply with USPS policy for labor substitution of key personnel on two of the three [REDACTED] contract vehicles reviewed. In FYs 2015 and 2016, for 48 percent (89 of 187) of invoices reviewed, we identified 98 contractors who were substituted as key personnel without having written approval documentation, as required per USPS policy.

Contract Labor Substitution

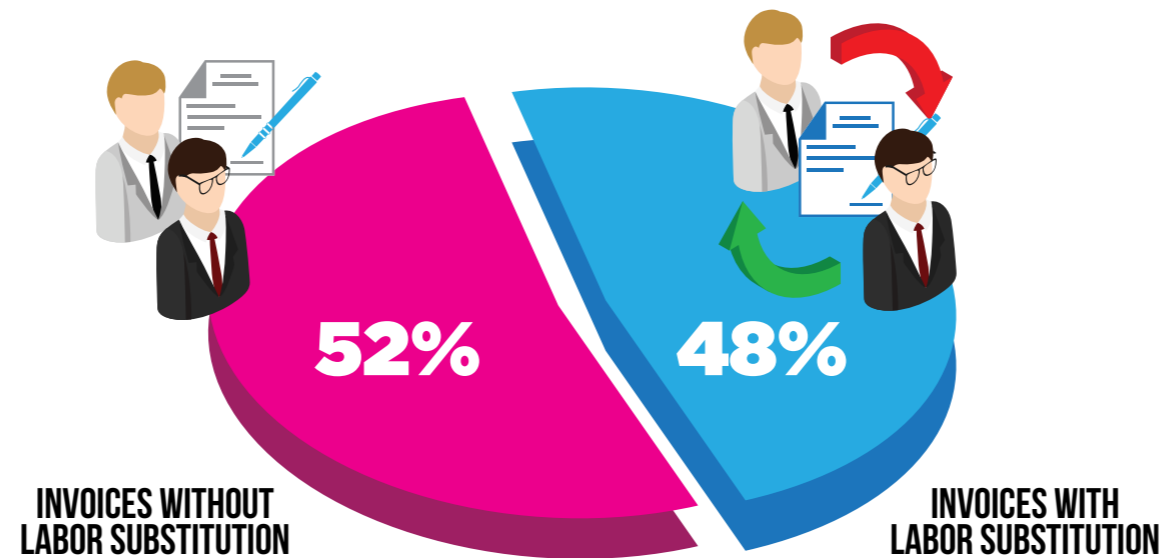
The USPS's Supplying Principles & Practices (SP&P) states that COs are required to review and approve key personnel labor changes in writing⁶ and maintain contract files to ensure full documentation of any contract changes. In addition, the CO must identify all contract documentation and implement change control procedures to guarantee that no changes are made without proper authorization.⁷

- 1 An IDIQ contract provides for an indefinite quantity, within stated limits, of supplies or services during a fixed period. The USPS places orders for individual requirements.
- 2 A BOA is not a contract, instead each task order written under the agreement is treated as an individual contract.
- 3 The Corporate Sustainability office develops programs and policies as well as ensures environmental laws and regulations are followed at facilities across the organization.
- 4 Lean Six Sigma is a methodology that relies on a collaborative team effort to improve performance by systematically removing waste.
- 5 Statement of Work describes the work as precisely as possible and in enough detail to allow effective contract performance.
- 6 SP&P Clause 4-8: Key Personnel.
- 7 SP&P Process Step 3: Select Suppliers, Section 6.1, Contract Maintenance.

The USPS's SP&P states that COs are required to review and approve key personnel labor changes in writing and maintain contract files to ensure full documentation of any contract changes.

We reviewed a statistical sample of 187 invoices and determined that 48 percent (89 invoices), valued at about [REDACTED] million, included 98 contractors who were substituted as key personnel (see Figure 1). Eighty-seven of the 89 invoices are attributed to the TI portfolio and two invoices are attributed to the CP&S portfolio. These individuals were not identified as key personnel on the ETS IDIQ contract or BOA; however, they were billed at labor categories and rates designated for key personnel. None of these individuals had documented written approval to support labor substitution as required per contract terms and USPS policy.

Figure 1: FY 2015 – 2016 Sample Invoices Reviewed



Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

This occurred due to poor CO contract oversight and inadequate documentation practices in managing key personnel. In addition, Supply Management personnel did not fully utilize the Contract Authoring and Management System (CAMS) as the repository for managing supporting contract documents.

ETS IDIQ Contract

During the course of this contract there was a transition of COs during which the preceding CO separated from the USPS and did not maintain approvals in the contract file or in CAMS. The manager of the TI portfolio, which had 98 percent (87 of 89) of ETS IDIQ invoices that reflected unsupported labor substitution, stated that he has required his COs to maintain contract files in CAMS since 2014; however, the CO did not adhere to this requirement.

BOA

The former CO did not have written approval documentation in the contract file or CAMS because he was not aware that [REDACTED] substituted labor as no request was submitted.

Insufficient oversight allowed [REDACTED] to substitute key personnel without the CO's approval and/or knowledge, thereby, being noncompliant with USPS contract requirements. In FY 2016, [REDACTED] was a top 10 vendor for the USPS in terms of fees paid at over [REDACTED] million. There are inherent risks associated with managing and overseeing contracts of that value; however, inadequate oversight and management of compliance of contract terms only exacerbates risk to the USPS. Current internal controls do not require review of labor substitution of key personnel above the CO level, which omits any direct oversight responsibility from the Category Management Center managers, who oversee the COs.

During the course of the audit, we noted that labor substitutions also occurred for non-key personnel.

Without evidence of written approval, the USPS cannot substantiate that key personnel are substituted with individuals of like experience and qualifications, which increases the risk of substandard service, project delays, and/or cost overruns. Based on our statistical data analysis, we project that 48 percent of invoices valued at [REDACTED] have unsupported labor substitutions of key personnel.

Other Matters

During the course of the audit, we noted that labor substitutions also occurred for non-key personnel. As with key personnel, USPS relies on suppliers to provide non-key personnel who are qualified to perform contracted services; however, there is not a policy, nor are suppliers required to provide evidence or justification that these individuals have the necessary education, training or experience. We judgmentally selected 14 of 21 invoices attributed to a task order under the ETS IDIQ contract and identified 116 of 223 individuals in non-key personnel labor categories where labor substitution occurred.

Due to the gaps identified in the management of labor substitution for key personnel on these [REDACTED] contracts, there is an increased risk that similar gaps exists with the management of labor substitution for non-key personnel. Insufficient oversight and inadequate internal controls with making non-key personnel labor substitutions can expose USPS to substandard services, thereby, increasing the risk of project delays and/or cost overruns. Accordingly, USPS could help mitigate this risk by establishing internal controls and oversight procedures for labor substitution of non-key personnel. The OIG may conduct future audit work in this area.

To meet compliance with the key personnel policy, the current CO for the ETS IDIQ contract has implemented procedures that require [REDACTED] to provide labor substitution justifications. Specifically, [REDACTED] must state, in writing, the reason for the substitution, designate the replacement by name, and provide relevant information that shows the individual is qualified and experienced. This CO executes a contract modification to ensure key personnel changes are documented in the contract file. In addition, for non-key personnel substitutions, this CO will upload the substitution request and subsequent approval documentation in CAMS. These procedures will help ensure [REDACTED] provides suitable replacements on the ETS IDIQ contract to perform prescribed services and that labor substitutions are appropriately documented in the contract file.

Recommendations

We recommend management reiterate and revise existing policy, and establish an oversight process to ensure proper review, approval, and documentation of labor substitution.

We recommend the Vice President, Supply Management:

1. Reiterate existing policy to contracting officers on key personnel clauses, contract documentation practices, and Contract Authoring and Management System utilization.
2. Establish an oversight process to ensure contracting officers properly review, approve, and document labor substitutions of key personnel.
3. Revise existing policy to clarify requirements for both the Postal Service and vendor for requesting and approving key personnel labor substitutions.

Management's Comments

Management agreed with one finding and recommendation 1, but disagreed with recommendations 2 and 3 and with the monetary impact of unsupported questioned costs of \$150,587,920.

Regarding recommendation 1, management stated that they will reiterate existing policy to COs on the Key Personnel clause as it concerns file documentation requirements. The target implementation date is July 2017.

Regarding recommendation 2, management stated that an additional oversight process is unnecessary because the supplier provided documentation to show that the CO provided written approval for key labor substitutions. In addition, management stated that the recommendation is overbroad because it applies to all Supply Management buying organizations without any supporting findings applicable to Supply Management as a whole.

Regarding recommendation 3, management stated that revisions to existing policy are not warranted given the limited scope of the audit work and the lack of consideration to review all components of the key personnel labor substitution approval process.

Management stated that they had significant objections to the report's content, derived conclusions, and recommendations. They stated the report's title and recommendations were overbroad because our audit fieldwork was limited to sampling invoices for three contracts from a single supplier. Management further stated that the Postal Service annually awards thousands of contracts for a wide array of goods and services from thousands of suppliers and they believe it is inappropriate to draw broad conclusions from an audit of such limited scope.

While management agrees with the finding that in select instances COs may not have included approvals of contract labor substitution in the contract files, management does not agree with the OIG's finding that this lack of written approvals resulted from "poor CO contract oversight and inadequate documentation practices in managing key personnel." Management stated that the finding was not supported because the supplier provided a record of CO approvals which documents that for 99 percent of all identified invoices the supplier submitted and received written CO approval of the labor substitution.

Management did not agree with the claimed monetary impact of unsupported questioned costs for failure to follow policy or required procedures and acknowledged that CO approval emails for labor substitution could have been maintained in the electronic CAMS contract file; however, they disagreed with the audit approach of not confirming whether a supplier submitted a labor substitution request. Finally, management stated that even if the monetary impact calculations were accurate, the OIG recognizes that the claimed monetary impact does not necessarily "connote any real damage" to the Postal Service. Management stated that the finding did not assert that labor substitution resulted in a less qualified resource performing on the Postal Service contracts.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to recommendation 1 and the corrective action should resolve the issue identified.

With regard to management's assertion that the OIG did not seek whether suppliers submitted requests for substitution of key personnel, the objective of the audit was to determine whether COs complied with USPS policy for labor substitution on [REDACTED] contracts. Since COs are ultimately responsible for contract oversight, they are responsible to ensure all required documentation to demonstrate compliance is maintained in the contract file, including documentation provided by suppliers.

Regarding management's assertion that "it is inappropriate to draw broad conclusions from an audit of such limited scope," the scope did in fact include one supplier who was selected via a risk-based approach. The selection criteria included the supplier being a top 10 vendor for the USPS in terms of fees paid, the amount of fees paid in FY 2016 (over [REDACTED] million), total fees paid to supplier as of March 2017 ([REDACTED] million), and other factors. The conclusions drawn on the controls and oversight of contract labor substitution are applicable to all contracts that include this clause.

Regarding recommendation 2, management asserted that "the supplier provided a record of CO approvals which documents that in 99 percent of all identified invoices the supplier submitted and received written CO approval of the labor substitution." However, that claim is, to-date, unsubstantiated from the OIG perspective. This documentation was requested and never received during the audit (October 2016 through May 2017) or during the exit conference we had with management to discuss the audit results. This lack of documentation and inadequate document management practices indicate a control weakness which management can mitigate with an oversight process. The recommendation is not overbroad in its application as CO management of contract labor substitution is a core CO responsibility and adequate controls are applicable across all contracts that include this clause.

Regarding recommendation 3, we disagree with management's assertion that "revisions to existing policy are not warranted given the limited scope of the audit work and the lack of consideration to review all components of the key personnel labor substitution approval process." Although the audit's scope included one vendor, the recommendation is applicable across all contracts with this clause. During the exit conference, management communicated that the policy was vague as it does not communicate the supplier's responsibility for key personnel labor substitution; therefore, we determined that revising the policy would clarify roles and responsibilities for both COs and suppliers.

The monetary impact claim for unsupported questioned costs is valid as COs did not follow USPS policy that requires written approvals to be maintained in the contract file. Based on our statistical sample data analysis of supplier invoices billed during FYs 2015 and 2016, we projected that 48 percent of invoices valued at over [REDACTED] million had unsupported labor substitutions for key personnel.

All recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendation 1 should not be closed in the USPS follow-up tracking system until the OIG provides written confirmation that the recommendation can be closed. Recommendations 2 and 3 will remain open as we coordinate resolution with management.

Appendices

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Appendix A: Additional Information

Background

The USPS contracts for professional, technical, and consulting services to acquire specific skills necessary to meet organizational goals and objectives or to augment staffing resources to meet their mission. The USPS has contracted with [REDACTED] to provide such services for two of the USPS Supply Management purchasing portfolios — TI and CP&S. Within these portfolios, COs play an essential role in soliciting, awarding, managing, and terminating contracts.

Suppliers' staff should have the qualifications, knowledge, and experience necessary to perform services in the contract's statement of work. For some service contracts, the USPS requires the supplier to provide key personnel who are deemed essential to the work to be performed and are defined by labor categories. Per contract terms and USPS policy, suppliers are required to notify the CO and obtain written approval if key personnel are substituted. In turn, COs must ensure suppliers comply with the contract terms and are responsible for performing contract file maintenance including fully documenting approvals and changes to the contract.

The USPS's SP&P Clause 4-8: Key Personnel states:

"To the extent that the Statement of Work provides for services to be performed by key personnel, those services must be performed by the personnel identified in the supplier's proposal to perform them unless substitutes have been approved in writing by the contracting officer. Use of junior personnel, even under key personnel supervision (for example, associates or student workers), is not authorized unless they are identified in the supplier's proposal by name or position, with a description of their duties. This agreement may be terminated if the key personnel named in the supplier's proposal become unavailable for any reason. If the unavailability of key personnel is not the fault of the supplier, the contracting officer may terminate by giving notice of termination. The supplier will be paid for service performed up to the date of termination. If the contracting officer finds that the supplier is at fault for the unavailability of key personnel, the agreement may be terminated for default."

According to the USPS's SP&P Process Step 3: Contract Maintenance:

"Contract maintenance entails keeping contract documentation up to date and relevant. Administrative procedures must be established to ensure proper upkeep of the contract. Maintenance must be performed by the CO in an effort to ensure that any changes to the contract are fully documented in the contract file. File documentation should be sufficient for a third party to understand from the documentation what was done and why it was done. The CO must identify all documentation relating to the contract and implement change control procedures to guarantee that no changes are made without proper authorization."

Objective, Scope, and Methodology

Our objective was to determine whether COs complied with USPS policy for labor substitution on [REDACTED] contracts. To accomplish our objective we:

- Reviewed [REDACTED] contract files, specifically original contracts and subsequent modifications relevant to our audit scope.
- Identified universe of invoices and corresponding task orders executed against [REDACTED] contracts for the period of October 1, 2014, through September 30, 2016.
- Determined sample methodology and size by reviewing and analyzing invoices for potential labor substitution of key personnel.

- Interviewed USPS portfolio managers, COs, contracting officer representatives (COR), and other relevant personnel to gain an understanding of contract labor substitution process and concerns.
- Reviewed USPS policies and procedures for contract negotiations including timekeeping processes, labor charges, and invoice payments.
- Interviewed Technology Infrastructure program manager responsible for the USPS's current timekeeping system to gain an understanding of the process and internal controls.

For FYs 2015 and 2016, we identified a universe of 2,523 [REDACTED] invoices paid against two IDIQ contracts and one basic ordering agreement valued at [REDACTED] million. We then reviewed a statistical sample of 187 [REDACTED] invoices valued at [REDACTED] million. We identified 89 invoices where labor substitution occurred, 87 of which (valued at [REDACTED] million) were attributed to the TI portfolio and two of which (valued at [REDACTED]) were attributed to the CP&S portfolio (see Table 1).

Table 1. Universe of [REDACTED] Invoices by Contract and Ordering Agreement

UNIVERSE OF [REDACTED] INVOICES				
CONTRACT TYPE	ETS IDIQ	BOA	LLS IDIQ	TOTAL
Invoices	2,293	219	11	2,523
Amount	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
SAMPLE OF [REDACTED] INVOICES				
CONTRACT TYPE	ETS IDIQ	BOA	LLS IDIQ	TOTAL
Invoices	176	9	2	187
Amount	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
INVOICES WITH LABOR SUBSTITUTION				
CONTRACT TYPE	ETS IDIQ	BOA	LLS IDIQ	TOTAL
Invoices	87	2	0	89
Amount	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: Universe extracted from the Payments Across Multiple Systems Accounts Payables database and OIG analysis.

We conducted this audit from October 2016 through May 2017, 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. 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 April 12, 2017, and included their comments where appropriate.

We used computer-processed data from CAMS and Program Cost Tracking Systems. We assessed the reliability of computer-generated data by interviewing agency officials knowledgeable about the data. We also assessed the reliability of data by obtaining and analyzing supporting documentation from COs, CORs, and Supply Management representatives pertinent to the invoicing process for 187 randomly selected stratified invoices. The supporting documentation was compared to the system-generated data. We did not audit the individual systems; however we determined the data are sufficient reliable for this audit.

Prior Audit Coverage

The OIG identified no prior audits or reviews related to the objective of this audit.

Appendix B: Management's Comments

SUSAN M. BROWNELL
VICE PRESIDENT, SUPPLY MANAGEMENT



May 15, 2017

LORI LAU DILLARD

SUBJECT: U.S. Postal Service Contract Labor Substitution (Report Number SM-AR-17-DRAFT)

Thank you for providing the United States Postal Service (USPS) with an opportunity to review and comment on the subject draft audit report, "U.S. Postal Service Contract Labor Substitution." Management agrees with one finding and recommendation, disagrees with the two other recommendations, and disagrees with the monetary impact as discussed below.

Management previously noted and maintains a number of significant objections regarding this report. These objections relate to the report's content, derived conclusions, and recommendations which were communicated to the Office of the Inspector General (OIG) during the exit conference for this audit project. First, the report's title and recommendations are overbroad. The report's title of "U.S. Postal Service Contract Labor Substitution" implies a wide and comprehensive review. Instead, the OIG's fieldwork was limited to the sampling of invoices from only three contracts, all with a single supplier. The recommendations similarly do not address the narrow scope of the OIG's work, but rather recommend broad actions that would affect all Postal Service contracts containing Clause 4-8 – *Key Personnel (March 2008)*. As the Postal Service annually awards thousands of contracts for a wide array of goods and services from thousands of suppliers, we believe it is inappropriate to draw broad conclusions from an audit of such limited scope.

While management agrees with the finding that, in select instances, contracting officers (COs) may not have included approvals of contract labor substitution in the contract files, management does not agree with the OIG's finding that lack of written approval resulted from "poor CO contract oversight and inadequate documentation practices in managing key personnel." The OIG stated in the exit conference that it did not seek whether requests for the substitution of key personnel were actually submitted by the supplier, but rather only whether the CO written approvals existed. The CO has reviewed the full listing of invoices which the OIG asserts contain unapproved labor substitution with the supplier. The supplier provided a record of CO approvals which documents that, in 99% of all identified invoices, the supplier submitted and received written CO approval of the labor substitution. The OIG acknowledges in its report that "[t]he supplier initiates the request for key personnel changes in writing," but did not verify or audit that portion of the process. Based on the fact that requests were made from the supplier, and that written approvals were provided by the CO, there is no support for the finding of inadequate oversight or inadequate management of key personnel.

Management does not agree with the claimed monetary impact. The OIG notes the unsupported questioned costs are "[c]laimed because of failure to follow policy or required procedures." However, as previously noted, the underlying facts upon which the OIG bases its monetary impact are incorrect as supplier requests were in fact submitted and approvals were provided for in writing by the CO consistent with policy. While acknowledging that the requests and approval emails could have been maintained within the electronic CAMS contract file, the OIG's approach to not confirm whether a substitution request was submitted from the supplier has resulted in the OIG drawing incorrect conclusions and offering erroneous calculations.

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Finally, even if the OIG's conclusions and monetary impact calculations had been accurate, the OIG recognizes that the claimed monetary impact does not necessarily "connote any real damage" to the Postal Service. Management further emphasizes that there is no finding in the report that any asserted substitution resulted in a less qualified resource performing on Postal Service contracts.

Management's response to the OIG's recommendations is detailed below.

We recommend the vice president, Supply Management:

Recommendation 1: Reiterate existing policy to contracting officers on key personnel clauses, contract documentation practices, and Contract Authoring and Management System utilization.

Management Response to Recommendation 1: Management agrees with this recommendation. Management will reiterate existing policy to COs on Clause 4-8 – *Key Personnel* and Section 3-6.1 – *Contract Maintenance* of the Supplying Principles and Practices as concerns file documentation requirements.

Target Implementation Date: July 2017

Responsible Official: Manager, Supply Management Infrastructure

Recommendation 2: Establish an oversight process to ensure contracting officers properly review, approve, and document labor substitutions of key personnel.

Management Response to Recommendation 2: Management disagrees with this recommendation. It is clear from the documentation obtained from the supplier that key personnel change requests were consistently submitted and COs properly provided written approval consistent with policy. The recommendation is overbroad in its application to all Supply Management buying organizations without any supporting findings in the audit report applicable to Supply Management as a whole. Accordingly, an additional oversight process is unnecessary.

Recommendation 3: Revise existing policy to clarify requirements for both the Postal Service and vendor for requesting and approving key personnel labor substitutions.

Management Response to Recommendation 3: Management disagrees with this recommendation. Given the limited scope of the audit and the lack of consideration in the audit fieldwork for all components of the key personnel labor substitution approval process, revisions to existing policy are not warranted.

Susan M. Brownell

cc: Manager, Corporate Audit Response Management



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