



OFFICE OF INSPECTOR GENERAL

UNITED STATES POSTAL SERVICE

Appointment of Contracting Officers' Representatives

Audit Report

Report Number
SM-AR-17-006

August 7, 2017





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UNITED STATES POSTAL SERVICE

Highlights

We selected a statistical sample of 109 contracts valued at \$1.4 billion and managed by 51 CORs.

Background

The U.S. Postal Service (USPS) Supply Management function is composed of five purchasing portfolios that manage contracts for goods and services to meet operational needs. For fiscal year (FY) 2016, the total spend for these portfolios was about \$13 billion. Contracting officers (CO) manage a majority of contracts across the portfolios in the Contract Authoring and Management System (CAMS), USPS' primary contracting system.

As of June 22, 2017, there were 132 COs responsible for managing and overseeing contract administration in all five portfolios. To assist with these responsibilities, COs may appoint contract officer representatives (COR). COs make COR appointments based on subject matter expertise and appointees must meet certain training and certification requirements. For COR appointments to be official, a COR letter of appointment (letter) has to be executed and signed by both parties.

Our objective was to determine whether COs in the Technology Infrastructure portfolio properly appointed CORs in compliance with USPS policies and procedures.

In FYs 2015 and 2016, there were 1,142 open contracts in the Technology Infrastructure portfolio, with purchasing activity valued at \$1.9 billion. We selected this portfolio due to the volume, spend, and risk associated with information technology contracts. For our review, we selected a statistical sample of

109 of these contracts valued at \$1.4 billion and managed by 51 CORs.

What the OIG Found

COs in the Technology Infrastructure portfolio did not always properly appoint CORs in accordance with USPS policies and procedures.

- Of the 109 contract files reviewed, 71 percent (or 77) did not have the required COR letter.
- Of the 32 COR letters on file, 69 percent (or 22) did not have required CO and COR signatures.
- Of the 51 CORs managing the 109 contracts reviewed, 31 percent (or 16) did not have evidence of required training and certification.

Additionally, we were unable to obtain a complete listing of COR appointments from COs or in CAMS. In some instances, COs disclosed they were not aware of the COR managing their respective contracts. Of the 1,142 open Technology Infrastructure contracts in CAMS:

- Sixty-five percent (or 744) did not have an assigned COR; and
- Seventeen percent (or 191) had an incorrect CO assignment.



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These conditions occurred because COs are not being notified when CORs are reassigned or have resigned. Four of the six COs we interviewed indicated they were not aware that their signature was required on the COR appointment letter. In addition, COs did not validate COR training and certification requirements or adhere to the contract file transfer process. Two COs stated that updating CAMS is a low priority as outdated contract assignment information is a low risk.

If CORs are not properly appointed, there is an increased risk that unqualified personnel are managing contracts and/or that contract administration roles and responsibilities are not clearly defined. This led to about \$362 million in improper authorization of invoices for FY 2016 in Technology Infrastructure contracts without required documentation (COR letters).

What the OIG Recommended

We recommended management validate current COR training and certification, ensure current COR appointments are official via COR appointment letters, and reiterate requirements for appointing CORs. We also recommended management update CAMS with current information and establish communication protocols to ensure timely notification to COs when CORs are reassigned or have resigned.

Transmittal Letter

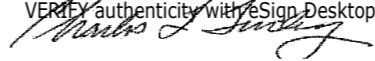


OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

August 7, 2017

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

JEFFREY C. JOHNSON
VICE PRESIDENT, INFORMATION TECHNOLOGY

E-Signed by Charles Turley
VERIFY authenticity with eSign Desktop


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

SUBJECT: Audit Report – Appointment of Contracting Officers'
Representatives (Report Number SM-AR-17-006)

This report presents the results of our audit of the Appointment of Contracting Officers' Representatives (Project Number 17SMG013SM000).

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 and Facilities, or me at 703-248-2100.

Attachment

cc: Postmaster General
Corporate Audit and Response Management

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Findings

The CO appoints a COR to assist with contract administration tasks, such as overseeing the receipt and return of products and services, acting as liaison between the CO and the selected supplier, and evaluating the supplier's progress and performance.

Introduction

This report presents the results of our self-initiated audit of the U.S. Postal Service's (USPS) appointment of contractor officers' representatives (COR) (Project Number 17SMG013SM000). Our objective was to determine whether contracting officers (CO) in the Technology Infrastructure portfolio properly appointed CORs in compliance with USPS policies and procedures. See [Appendix A](#) for additional information about this audit.

The USPS Supply Management function is composed of five purchasing portfolios — Commercial Products & Services, Facilities, Mail & Operational Equipment, Technology Infrastructure, and Transportation — that manage contracts for goods and services to meet operational needs. For fiscal year (FY) 2016, the total spend for these portfolios was about \$13 billion. COs manage a majority of contracts across the portfolios in the Contract Authoring and Management System (CAMS), USPS' primary contracting system.¹ As of June 22, 2017, there were 132 COs responsible for managing and overseeing contract administration in all five portfolios.

The CO determines whether and when to appoint a COR to assist with contract administration tasks, such as overseeing the receipt and return of products and services, acting as liaison between the CO and the selected supplier, and evaluating the supplier's progress and performance. COR appointments are based on subject matter expertise and certain training and the appointee must meet certification requirements. For the COR appointment to be official, a COR letter of appointment (letter) has to be executed and signed by both parties.

The scope of our review included the Technology Infrastructure portfolio, which has 23 COs authorized to make purchases. In FYs 2015 and 2016, there were 1,142 open contracts in this portfolio, with purchasing activity valued at \$1.9 billion. We selected this portfolio due to the volume, spend, and risk associated with information technology contracts. For our review, we reviewed a statistical sample of 109 of these contracts valued at \$1.4 billion and managed by 51 CORs.

Summary

COs in the Technology Infrastructure portfolio did not always properly appoint CORs in accordance with USPS policies and procedures. They did not issue letters to CORs as required or they issued letters that were not signed by both the CO and COR. Additionally, COs did not verify that CORs completed the proper training and certification and they did not update COR and CO contract assignments in CAMS.

Of the 109 contract files we reviewed, 71 percent (or 77) did not have the required COR letters. Of the 32 COR letters on file, 69 percent (or 22) did not have required CO and COR signatures. Of the 51 CORs managing the contracts reviewed, 31 percent (or 16) did not have evidence of required training and certification.

Additionally, we were unable to obtain a complete listing of COR appointments from COs or in CAMS. In some instances, COs disclosed they were not aware of the COR managing their respective contract. Of the 1,142 open Technology Infrastructure contracts in CAMS, 65 percent (or 744) did not have an assigned COR and 17 percent (or 191) had an incorrect CO assignment.

These conditions occurred because COs are not being notified when CORs are reassigned or have resigned. In addition, COs indicated they were not aware their signature was required on the COR letter and did not validate COR training and certificate

¹ A web-based commercial off-the-shelf supports the purchase of supplies, services, equipment, and mail transportation contracts.

requirements. In addition, COs did not adhere to the contract file transfer process, stating that updating CAMS is time-consuming and a low priority as outdated contract assignment information is low risk.

To date, USPS is unaware of the number of appointed CORs who administer contracts. If CORs are not properly appointed, there is an increased risk that unqualified personnel are managing contracts and/or that contract administration roles and responsibilities are not clearly defined. This led to about \$362 million in improper authorization of invoices for FY 2016 in Technology Infrastructure contracts without required documentation (COR letters).

Contracting Officer Representative Appointment

COs did not always properly appoint CORs in accordance with USPS policies and procedures. The COs did not issue COR letters, as required, or COR letters were not official due to lack of required signatures. Additionally, COs did not verify that CORs completed the proper training and certification.

Letters of Appointment

The CO determines whether and when to appoint a COR to assist in contract administration. If the CO decides to appoint a COR, USPS Supplying Principles and Practices (SP&P) requires the CO to issue a letter that contains the COR's roles and responsibilities and delegated contract management duties. The CO and COR must both sign the letter for the appointment to be official. This ensures full understanding and acceptance of the position.²

In FYs 2015 and 2016, we reviewed a statistical sample of 109 contracts in the Technology Infrastructure portfolio with purchasing activity valued at \$1.4 billion and determined that 71 percent (or 77) of contracts valued at \$822.5 million did not have letters. Of the 32 letters on file, 69 percent (or 22) valued at \$446.6 million were not signed by both the CO and COR.



COs stated COR letters were missing because there is no process for notifying COs when a COR is reassigned or have resigned. Four of the six COs we interviewed also indicated they were not aware their signature was required on the COR appointment letter. Additionally, the letter template does not have a signature block for COs, which many COs interpreted as meaning that their signature was not required.

² SP&P, Section 3-5.3, *Formally Designate COR*, September 30, 2016.

Sixteen of 51 CORs (31 percent) either did not take the required training or could not provide proof of completion.

Of the 109 sampled contracts, 56 percent (or 61) did not have a COR listed in CAMS; however, 97 percent (or 59) of these 61 contracts did, in fact, have an assigned COR.

If CORs are not properly appointed, there is a risk that unqualified personnel are managing contracts and/or that contract administration roles and responsibilities are not clearly defined. We calculated about \$362 million of invoices for FY 2016 in Technology Infrastructure contracts that were authorized without required documentation (COR letters).

Training and Certification

The SP&P requires that, before appointing a COR, the COR must have the proper training and certifications. COs can waive this requirement when appropriate;³ however, there was no evidence that waivers were provided. COs did not verify that all CORs completed the proper training and certification for the 109 contracts we reviewed. Sixteen of 51 CORs (31 percent) either did not take the required training or could not provide proof of completion. This occurred because COs did not provide sufficient oversight to ensure training requirements were met.

Without proper training, CORs may not be equipped with the skills and knowledge necessary to perform their job requirements, such as awareness of specific limitations, ethical requirements, and duties.

Data Integrity

USPS policy requires COs to perform contract maintenance and fully document any changes to the contract in the contract file.⁴ COs use unilateral modifications to make administrative changes, such as contract assignments, and they must manually enter a modification for each contracting action in the contract file.⁵

We were unable to obtain a complete listing of COR appointments from COs or in CAMS. COs did not maintain updated information in CAMS or the contract files regarding COR assignments. In some instances, COs disclosed they were not aware of the COR managing their respective contract. Of the 1,142 open contracts:

- Sixty-five percent (or 744) of the contracts did not have an assigned COR.
- Seventeen percent (or 191) of the contracts had an incorrect CO assignment.
- One individual was listed as COR to 120 contracts; however, the COR only administered 59 contracts.
- Another individual was assigned as COR to 59 contracts; however, the COR only administered eight contracts.

Of the 109 sampled contracts, 56 percent (or 61) did not have a COR listed in CAMS; however, 97 percent (or 59) of these 61 contracts did, in fact, have an assigned COR. In some instances, accurate contract file information was documented in CAMS but the appropriate CO or COR field was left blank or contained incorrect information. In addition, COs did not adhere to the contract file transfer process and two of the six COs stated that updating contract assignment information in CAMS is time-consuming, a low priority and low risk.

Incomplete and inaccurate information negatively affects the integrity of CAMS data and other contracting tools that integrate with CAMS or rely on CAMS data. Accurate and complete CAMS data will enable management to comprehensively identify who is responsible for managing contracts and provide suppliers with official notification of contract changes.

³ SP&P, Section 3-5.2, Evaluate Background and Training, September 30, 2016.

⁴ SP&P, Section 3-6.1, Contract Maintenance, September 30, 2016.

⁵ SP&P, Section 5-8.1, Contract Modifications, September 30, 2016.

Recommendations

We recommend management validate CORs training and certification, officially appoint CORs, reiterate requirements to COs for appointing CORs, update CAMS with current COs and CORs information and develop a process to timely notify COs when CORs are reassigned or have resigned.

We recommend the Vice President, Supply Management, direct the Technology Infrastructure Portfolio Manager to:

1. Validate contracting officers' representatives training and certification and ensure it is documented for all open contracts.
2. Validate contracting officers' representatives (COR) appointments are official via COR letters of appointments for all open contracts.
3. Reiterate to contracting officers the requirements for appointing contracting officers' representatives.
4. Update the Contract Authoring Management System with current contracting officers and contracting officers' representatives information for all open contracts and ensure that information is accurately completed by mandating completion of the fields noted in our review.

We recommend the Vice President, Supply Management, in coordination with the Vice President, Information Technology:

5. Develop a process to timely notify contracting officers when contracting officers' representatives are reassigned or have resigned.

Management's Comments

Management agreed with our findings, recommendations, and monetary impact.

Regarding recommendation 1, management stated that COs will ensure CORs for all open Technology Infrastructure contracts have the proper training and certification as described in the SP&P and that completion of this training is documented. The target implementation date is December 2017.

Regarding recommendation 2, management stated that COs will ensure they issue letters of appointment to all CORs on open Technology Infrastructure contracts. The target implementation date is December 2017.

Regarding recommendation 3, management stated that Supply Management will issue a communication to their purchasing staff reiterating the requirements for appointing CORs as described in the SP&P. The target implementation date is October 2017.

Regarding recommendation 4, management stated that COs will ensure CAMS identifies the current COs and CORs for open Technology Infrastructure contracts. Management will direct that COs update the fields identifying the current CO and COR for these contracts accordingly. The target implementation date is December 2017.

Regarding recommendation 5, management will evaluate available technology tools to determine the appropriate system(s) to provide for timely notification to COs of a change in CORs' statuses. The target implementation date is June 2018.

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

Evaluation of Management's Comments

The OIG considers management's comments responsive to the recommendations in the report and corrective actions should resolve the issues identified in the report.

These recommendations require OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective actions are completed. Recommendations should not be closed in the Postal Service's follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

Appendices

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Appendix A: Additional Information

Background

COs are responsible for contract management and determining whether and when to appoint a COR to assist in contract administration. If the CO decides to appoint a COR, the CO must issue a letter to the COR outlining COR roles, responsibilities, and duties. The appointment is official when both the CO and COR sign the letter. Appointments remain in effect until:

- The contract is completed or the CO revokes the appointment.
- The COR resigns from USPS.
- The COR is reassigned to a new position.

The CO selects the COR based on their subject matter expertise and all CORs must have proper training and certification. Additionally, they must abide by the Standards of Ethical Conduct for Employees of the Ethical Branch and the Supplemental Standards of Ethical Conduct for Employees of USPS. CORs are responsible for the day-to-day administration of contracts and do the following:

- Act as a liaison between the CO and the selected supplier.
- Oversee the receipt and/or return of products and services.
- Oversee quality inspections.
- Perform additional responsibilities as determined by the CO.

Objective, Scope, and Methodology

Our objective was to determine whether COs in the Technology Infrastructure portfolio properly appointed CORs in compliance with USPS policies and procedures. The scope of our review included the Technology Infrastructure portfolio, which has 23 COs authorized to make purchases. In FYs 2015 and 2016, there were 1,142 open contracts in this portfolio with purchasing activity valued at \$1.9 billion. We reviewed a statistical sample of 109 of these contracts valued at \$1.4 billion and managed by 51 CORs.

To accomplish our objective, we:

- Reviewed applicable contracting policies, procedures, and guidance for COR roles and responsibilities.
- Identified a universe of 1,142 open contracts from October 1, 2014, to September 30, 2016 in the Technology Infrastructure portfolio.⁶
- Obtained a universe of 130 open contracts from October 1, 2012, to September 30, 2016, with purchasing activity of over \$5 million for the Technology Infrastructure portfolio.

⁶ The 1,142 open contracts do not include Accenture contracts because the OIG reviewed these contracts in a prior audit (*U.S. Postal Service Contract Labor Substitution*, Report Number SM-AR-17-005, dated May 30, 2017).

- Statistically selected a sample of 109 contracts and reviewed all COR letters and training documentation associated with these contracts.
- Interviewed USPS' CORs and COs and Supply Management and Information Technology personnel.

We conducted this performance audit from January through August 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. 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 July 10, 2017, and included their comments where appropriate.

We used computer-processed data from CAMS for COR assignments. We assessed the reliability of this data by comparing the active COs list maintained by portfolio managers and the CORs list maintained by program managers to the information reported in CAMS. We determined the CAMS data were not updated; however, we determined the data was reliable for purposes of this audit. Additionally, we used computer-processed data from Enterprise Data Warehouse (EDW) for training records.⁷ We assessed the reliability of this data by comparing the records maintained by COs to the information reported in EDW. We determined the data were reliable for purposes of this audit.

Prior Audit Coverage

The OIG did not identify any prior audits or reviews related to the objective of this audit.

⁷ A single repository for managing all of USPS' data assets and is used for reporting and analysis.

Appendix B: Management's Comments



July 28, 2017

LORI LAU DILLARD

SUBJECT: Appointment of Contracting Officers' Representatives (Report Number SM-AR-17-DRAFT)

Thank you for providing the United States Postal Service with an opportunity to review and comment on the subject draft audit report "Appointment of Contracting Officers' Representatives." Management agrees with the report's findings, recommendations, and monetary impact. Management concurs that, as unsupported questioned costs, the monetary impact does not necessarily connote any real damage to the Postal Service.

Management's response to the recommendations included in the draft report may be found below.

We recommend the Vice President, Supply Management, direct the Technology Infrastructure Portfolio Manager to:

Recommendation 1: Validate contracting officers' representatives training and certification and ensure it is documented for all open contracts.

Management Response to Recommendation 1: Management agrees with this recommendation. Contracting officers (COs) will ensure contracting officers' representatives for all open Technology Infrastructure contracts have the proper training and certification as described in the Supplying Principles and Practices and that the completion of this training is documented.

Target Implementation Date: December 2017

Responsible Official: Manager, Technology Infrastructure Portfolio

Recommendation 2: Validate contracting officers' representatives (COR) appointments are official via COR letters of appointments for all open contracts.

Management Response to Recommendation 2: Management agrees with this recommendation. COs will ensure letters of appointment are issued to all CORs on open Technology Infrastructure contracts.

Target Implementation Date: December 2017

Responsible Official: Manager, Technology Infrastructure Portfolio

Recommendation 3: Reiterate to contracting officers the requirements for appointing contracting officers' representatives.

Management Response to Recommendation 3: Management agrees with this recommendation. Supply Management will issue a communication to its purchasing staff reiterating the requirements for appointing CORs as described in the Supplying Principles and Practices.

Target Implementation Date: October 2017

Responsible Official: Manager, Supply Management Infrastructure

Recommendation 4: Update the Contract Authoring Management System with current contracting officers and contracting officers' representatives' information for all open contracts and ensure that information is accurately completed by mandating completion of the fields noted in our review.

Management Response to Recommendation 4: Management agrees with this recommendation. COs will ensure the Contract Authoring and Management System identifies the current COs and CORs for open Technology Infrastructure contracts. Management will direct that the fields identifying the current CO and the COR for these contracts are updated accordingly.

Target Implementation Date: December 2017

Responsible Official: Manager, Technology Infrastructure Portfolio

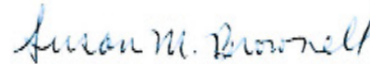
We recommend the Vice President, Supply Management, in coordination with the Vice President, Information Technology:

Recommendation 5: Develop a process to timely notify contracting officers when contracting officers' representatives are reassigned or have resigned.

Management Response to Recommendation 5: Management agrees with this recommendation. Management will evaluate available technology tools to determine the appropriate system(s) to provide for timely notification to COs of a change in CORs' statuses.

Target Implementation Date: June 2018

Responsible Officials: Manager, Supply Chain Management Strategies, and Manager, Information Technology Acquisition Support



Susan M. Brownell
Vice President
Supply Management

Judith A Adams



for: Jeffrey C. Johnson
Vice President
Information Technology

cc: Manager, Corporate Audit Response Management



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